

PUBLIC ACCOUNTS COMMITTEE  
1957-58

THIRD REPORT  
(Second Lok Sabha)

[Audit Reports on the Accounts of the Damodar Valley  
Corporation for years 1954-55 and 1955-56.]

Vol. I — Report



LOK SABHA SECRETARIAT  
NEW DELHI

*March, 1958*

## COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE 1957-58

Shri T. N. Singh — *Chairman*

### MEMBERS

2. Shri Ram Subhag Singh
3. Shri N. C. Laskar
4. Shri N. G. Ranga
5. Shri Radhelal Vyas
6. Shri A. C. Guha
7. Shri N. R. M. Swamy
8. Shri Upendranath Darman
9. Shri J. M. Mohamed Imam
10. Shri N. C. Dasappa
11. Shrimati Tarkeshwari Sinha
12. Shri Prabhat Kar
13. Shri Jaipal Singh
14. Shri N. Siva Raj
15. Shri Vijayarama Raju
16. Shrimati Pushpalata Das
17. Shri P. T. Leuva
18. Shri Shyam Dhar Misra
19. Shri R. M. Deshmukh
20. Shri M. Govinda Reddy
21. Shri Jaswant Singh
22. Shri J. V. K. Vallabharao

### SECRETARIAT

Shri S. L. Shakdher — *Joint Secretary*  
Shri V. Subramanian — *Deputy Secretary*  
Shri M. C. Chawla — *Under Secretary*

# C O N T E N T S

	PAGES
Introduction	i-iii
Chapter I. Damodar Valley Project-in Retrospect.	1-9
II. General Financial Review of the Expenditure on the Project during the years 1954-55 and 1955-56	10-14
III. Engineering	15-19
IV. Machinery and Stores	20-27
V. Financial Irregularities and Infructuous Expenditure.	28-38
VI. Personnel	39-42
Outstanding Recommendations	43-46

## PART II

Proceedings of the sittings of the Public Accounts Committee to consider the Audit Reports on the Accounts of the Damodar Valley Corporation for the years 1954-55 and 1955-56 -

1st Sitting held on Tuesday, the 2nd July, 1957	48-56
2nd Sitting held on Wednesday, the 3rd July, 1957	57-66
42nd Sitting held on Thursday, the 13th March, 1958.	67-68
Appendix	
Summary of the main conclusions, recommendations of the Third Report of the Public Accounts Committee	69-78

---

*Note* - Appendices referred to in the Report printed separately as Volume II.

## INTRODUCTION

I, the Chairman of the Public Accounts Committee, having been authorised by the Committee to present the Report on their behalf, present this Third Report on the Audit Reports on the Accounts of the Damodar Valley Corporation for the years 1954-55 and 1955-56.

2. The Audit Reports on the Accounts of the Damodar Valley Corporation for 1954-55 and 1955-56 were laid on the Table of the Lok Sabha on the 8th August and 22nd December, 1956, respectively. The Committee of 1956-57 could not take up examination of these Accounts and Audit Report thereon.

3. The Committee examined these Audit Reports at their sittings held on the 2nd and 3rd July, 1957

4. A brief record of the proceedings of the above two sittings of the Committee has been maintained and forms Part II of this Report

5. *A perusal of this and other reports of the Public Accounts Committee should enable us to draw certain lessons in regard to the planning and execution of national projects of such a magnitude. It is essential in the interest of proper financial control and economy as well as of speedy execution that details both of the estimates and the construction phases of a Project of this magnitude should be worked out well in advance before it is taken in hand. Frequent revisions of the scope and details of a project are in most cases due to lack of advance thinking and detailed planning which vitiate the financial control of Parliament even as, such a situation is unsatisfactory from the point of view of administrative control.*

6. *The Committee feel that Government should be ready with detailed planning as well as estimates before they come to Parliament for the sanction of a project. It is hoped that the experience of the Damodar Valley Corporation will be a guide to the administration in future.*

7. *Another problem which requires immediate attention is the question of establishment charges at this stage of the Project. Although the Project is in the final phase of its construction, the establishment expenditure has shown no corresponding reduction. The Public Accounts Committee in the subsequent pages have made certain recommendations to effect economy in the administration and it is hoped these recommendations will be implemented soon.*

8. *There have been discussions in the House as well as in the State Legislatures concerned about the future constitution and set-up of the Damodar Valley Corporation. The Committee feel that a comprehensive amendment of the Damodar Valley Corporation Act should only be taken up after mature consideration. The Project is not yet complete and the proper time to make any changes in the Act will be when the administrative aspect of the Corporation takes precedence over the construction phase of the Project.*

9. *The Committee wish to point out that despite repeated recommendations made by successive Committees on Public Accounts the notes/memoranda called for by them are not submitted within the prescribed time-limit. In this particular case, the Ministry of Irrigation and Power and the Damodar Valley Corporation took more than 6 months to furnish only partial information. Information on some important points, affecting the overall financial working of the Corporation had not been furnished up to the time the Committee finalised this Report. The Committee desire to draw the attention of Parliament to the long delays in getting notes and memoranda from the administrations. As already pointed out by the Committee in para 2 of their Second Report - 1957, such abnormal delays hamper the proper functioning of the Committee. The Committee would once again impress upon the Ministries of the Government of India, to furnish the information called for by the Committee within the stipulated time.*

10. *A statement showing the summary of the principal conclusions/recommendations of the Committee is also appended to the Report.*

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

NEW DELHI,  
*The 13th March, 1958.*

(T.N. SINGH)  
*Chairman,*  
*Public Accounts Committee.*

## DAMODAR VALLEY PROJECT - IN RETROSPECT

The Damodar Valley Corporation was constituted under the D.V.C. Act, 1948 with the object of developing the Damodar River Valley in Bihar and West Bengal. It is a multi-purpose project for the unified development of the Damodar River Valley. Its immediate objectives are: (1) Flood control; (2) Irrigation; (3) Generation and transmission of Electricity; and (4) Promotion of all-the-year-round Navigation.

### *Revision of Estimates & Target Dates*

2. This Project was estimated to cost Rs. 79.25 crores in 1951 at the time of its first 'blue print stage'. The estimate, however, underwent revision a number of times, first during the year 1953; then in 1955 when it was subjected to scrutiny by an Ad-hoc Committee appointed by the Government of India and then again in 1957 when it was last revised. In the process the total estimated cost of the Project has gone up to Rs. 102.92 crores which shows an increase of Rs. 23.67 crores over the original estimates. Statement I' at the end of this chapter shows the details of the upward revision in the estimates.

3. Explaining the reasons for the revision of the estimates, the Corporation explained as follows:-

- (a) It was only in 1951 after the Chief Engineer joined duty that detailed engineering estimates of the cost of the first phase of the Project was made for the first time;
- (b) Even these estimates were very rough, as field investigation had not been completed and the Dam sites were not selected;
- (c) There were other handicaps also in preparing the estimates - lack of experience of Indian engineers in building dams and unfamiliarity with large scale mechanised construction, ignorance of the American Chief Engineer in regard to Indian conditions and non-availability of complete and

dependable data for making a firm estimate,

- (d) Other reasons attributed are several changes in designs and expansion of the scope of work, delay in the delivery of construction equipment and difficulty in procuring spares and increases in the price of cement and steel; and
- (e) The increases in prices of P.O.L. and in Railway freight in 1957 have again put the latest estimates in the wrong

4. While the Committee appreciate the need for making allowances for variations in the estimates of a Project of this magnitude for unforeseen factors, they feel that a larger part of variations was attributable to causes which could have been anticipated, had there been proper planning and forethought.

5. One of the effects of the revisions of the estimates was modification of the construction schedules of the different units comprising the Damodar Valley Project. Not a single unit of the Project has been completed by the date forecast in the estimates prepared in 1957. The delays ranged from 2 months in the case of Bokaro Thermal Plant to 30 months in the case of Maithon Dam. In the case of the Panchet Hill Dam and Power House, the target dates fixed in 1957, viz., December, 1958 are stated to be under further revision. If targets fixed in the construction schedule of a project are subject to such frequent changes, it would be advisable not to announce any specific targets, so that false hopes may not be raised in the minds of the people. Table II at the end of this Chapter shows at a glance the revision of the target dates for the completion of the various units from time to time.

#### *Purposes of the Project*

6. According to the Corporation the D.V. Project constituted a scheme of unified development of the valley as it was conceived by its planners and examination of each individual unit in isolation would probably be contrary to the spirit of the scheme. In the Voorduin Plan all the dams were intended to serve the three-fold purposes of flood control, irrigation and power. Subsequently,

on the advice of experts the entire flood protection storage was transferred to the Lower dams at Maithon and Panchet Hill, the upper dams in Tilaiya and Konar being left to serve the purposes of irrigation and power only. The latter, however, does act as a flood protection measure to a limited extent. The Konar Reservoir is also intended to supply cooling water to the Bokaro Power Station. The Corporation feels that these purposes have been achieved.

7. *The Committee regret their inability to share the satisfaction of the D.V.C. in this matter. Taking irrigation first, they would point out that although the Tilaiya dam was completed in December, 1952, it has not been found possible to utilise the waters for irrigation purposes even now. All that has been achieved during the last five years is that a High Level Irrigation Scheme costing about Rs. 35 lakhs has been worked out with the concurrence of the Government of Bihar and it is under the consideration of the Government of India.*

*As regards irrigation in the Lower Valley, though the Durgapur barrage itself was completed in April, 1955, the progress in utilisation of its water is held up because of certain legal difficulties encountered by the Government of West Bengal in levying water rates.*

*So far as Konar dam is concerned, constructed at a cost of Rs. 98 crores - it has not been found possible to utilise this water for irrigation purposes even now.*

A high level irrigation scheme costing Rs. 5 lakhs is under the consideration of the Government.

*It is also doubtful whether any hydel power can be generated economically at Konar. Even in regard to supply of cooling water to the Bokaro thermal power station, it has its own limitations.*

#### *Flood Control*

8. According to the Corporation the four dams of the Damodar Valley Project when completed, would provide immunity from the highest recorded floods, viz., 5,50,000 cusecs. It has been urged by the Corporation that completion of the new drainage channels and improvement of the existing ones have helped to mitigate the effects of the 1954 floods.

9. The Committee note that the Project has mitigated the possibility of floods in the Valley. They would, however, stress the point that flood control was only one of the objects of the Project. But complementary action of afforestation and soil conservation has yet to be undertaken. Thus only one aspect of the multi-purpose project has been partially fulfilled.

*Increase in the cost of construction estimates (including the establishment charges) as a result of frequent revision in the estimates*

10. Another result of the revision in the estimates was the consequent increase in expenditure on establishment charges. An increase in expenditure has occurred mainly under the following heads:-

- (i) Establishment;
- (ii) Work-charged and operational establishment;
- (iii) Maintenance of Workshops;
- (iv) Rise in the cost of materials, etc.

Because of the changes in the target dates for completion, additional machinery had to be purchased to carry on work simultaneously at two sites. For instance, additional machinery had to be purchased for the Panchet Hill Project due to delay in the release of machines by the Maithon Project. According to the Corporation, the cost of the machines which had to be purchased in this case amounted to Rs. 27.5 lakhs vide para 4 of A/R 1954-55. The total extra cost including the extra establishment charges has been estimated by the Corporation to be over 105 lakhs as follows.

(In lakhs of Rupees)

(i) Additional cost in the purchase of machinery for Panchet Hill Dam.	27.50
(ii) Extra cost on account of establishment charges at Maithon Dam.	12.00

(In lakhs of Rupees)

(iii) Extra cost on account of establishment charges at Panchet Hill Dam.	15.00
(iv) Further increase in the establishment charges of the Maithon (Rs. 25.72) and Panchet Hill dams (Rs. 15.78)	41.50
(v) Extra cost on (a) Tilaiya (Rs. 5.10 lakhs) and (b) Konar (Rs. 4.67 lakhs) dams.	9.77
Total:	105.77

*Incidence on the Administrative Charges*

11. Apart from the above extra expenditure on establishment, which could have been avoided by better planning and coordination, the administrative expenditure on the Project has not shown any decrease although the Project is in the final phase of its construction.

The Committee feel that the situation requires a close examination. They have suggested in a subsequent chapter in this Report certain economies by way of reducing the staff both on the construction site and at the Headquarters of the Corporation. They trust the Corporation will address itself to this question and keep the expenditure on Administration to the minimum.

TABLE I

## 12. REVISION OF ESTIMATES

*(Figures in crores)*

1	Original Estimate 1951 2	First Revision 1952-54 3	Second Revision 1955 4	Third Revision 1957 5
A. Bokaro Thermal Power Station, (1951).	11.92	14.37	14.92	14.92
B. Barrage & Irrigation (1951)	19.64	22.36	22.44	22.91
C. Tilaiya (1951): (a) Dam	1.69	2.55	3.06	3.18
(b) Hydro Electric Station	0.24	.40	0.53	0.53
D. Konar Dam (1951)	7.01	9.76	9.76	9.76
E. Maithon (1951): (a) Dam	9.03	10.42	12.93	18.81
(b) Hydro Electric Station	3.10	3.20	3.80	4.66
F. Panchet Hill (1951). (a) Dam	10.89	-	14.66	15.32
(b) Hydro Electric Station	3.21	-	3.53	3.93

	1	2	3	4	5
G. Transmission and Distribution I (1951).		6.23	8.11	8.11	8.11
H. Transmission and Distribution II (1955).				0.29*	6.29
TOTAL		79.25	91.56	99.48	102.92

This excludes Overhead, Audit & Interest charges directly allocable to the Objects.  
 \* Original Estimate.

TABLE II

## 13. ORIGINAL AND REVISED TARGET DATES

1	1951 2	1952 3	1954 4	1955 5	1957 6	Date of Completion 7
1. Bokaro Thermal Power Station	December, 1952 (one unit by June 1952)	June 1953				February, 1953 1st Unit August, 1953 2nd Unit October, 1953 3rd Unit
2. Tilaiya Dam	June, 1952	End of 1952				Dam (Main work) by June, 1952. Hydel 1 Unit in February, 1953 1 Unit in July, 1953. ∞
3. Tilaiya Power House		Dec 1952				February, 1953 (1st Unit) July, 1953 (2nd Unit)
4. Konar Dam	June 1953	June 1953	June 1954			Dam completed by September, 1955
5. Durgapur Barrage	1953 54	1954 55	End of 1955			Main work in Barrage completed by August 1955.
6. Irrigation Canals	1954 55	1955 56	June 1958		June 1959	
7. Maithon Dam	End of 1953	June 1954	June 1955	June, 1956		Main work completed in June, 1956.

	1	2	3	4	5	6	7
8	Maithón Power House	End of 1953	June 1954	June 1955	April 1957	1 Unit in June 1957 1 Unit in Sept. 1957 1 Unit in Dec., 1957	One Unit completed and put to operation in October, 1957.
9.	Panchet Hill Dam	End of 1954	End of 1955	End of 1956	June 1958	Dec., 1958	) Under further revision.
10.	Panchet Hill Power House		Dec. 1955	Dec. 1956	July 1958	Dec., 1958	
11.	Transmission and Distribution system - 1st stage	December, 1954	June 1955	Work in progress	Further revised target date is not available.		

## II

### GENERAL FINANCIAL REVIEW OF THE EXPEN- DITURE OF THE PROJECT DURING THE YEARS 1954-55 AND 1955-56

14. The Damodar Valley Scheme which is a multi-purpose project aims at (i) Flood control; (ii) Irrigation; (iii) Production of electricity; (iv) Promotion of all-the-year round navigation; and also (v) Promotion of afforestation and soil conservation

15. Pursuant to these objectives a phased programme was worked out. The present 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 is still under consideration); (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; (iv) an irrigation barrage at Durgapur with 1,550 miles of irrigation-cum-navigation channels

16. The total expenditure chargeable to these Projects is allocated among the three main objects viz , Power, Irrigation and Flood Control 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 has to pay interest at such rate as may from time to time be fixed by the Central Government

The following amounts were provided by the Participating Governments during the years under review

	1954-55	1955-56	End of 1955-56
	Rs	Rs	Rs
Central Government	3 30.46.000	2 34.64 000	22 66.05.167

West Bengal Government	8,89,51,000	9,61,30,000	48,44,41,633
Bihar Government	1,80,00,000	1,37,88,000	15,93,77,000
	<u>13,99,97,000</u>	<u>13,83,82,000</u>	<u>87,04,23,800</u>

The total capital expenditure during these years and to the end of the year 1955-56, on the three main objects viz., Power, Irrigation and Flood Control is shown below:

object	During 1954-55	During 1955-56	Total to the end of 1955-56
Power	4,43,48,223(a)	4,89,98,049(b)	45,64,97,216(c)
Irrigation	5,65,73,186	5,75,11,949	24,30,01,631
Flood Control	4,48,94,773	3,95,57,755	16,62,41,152
Total	<u>14,58,16,182</u>	<u>14,60,67,753</u>	<u>86,57,39,999</u>

- (a) includes a credit of Rs.83.54 lakhs on account of sale of Power and a charge of Rs.101.68 lakhs on account of working expenses of the Power System.
- (b) Includes a credit of Rs.136.34 lakhs on account of sale of Power and a charge of Rs.77.67 lakhs on account of working expenses of the Power System.
- (c) Includes a credit of Rs.319.87 lakhs on account of sale of Power and a charge of Rs.257.78 lakhs on account of working expenses of the Power System.

17. The Konar Dam was completed in October, 1955; while the Durgapur Barrage was completed in April, 1955.

With the completion of Durgapur Barrage, Bokaro Thermal Power Station, Tilaiya and Konar Dams, the centre of activity has now shifted to the two key Dams and Hydro-stations at Maithon and Panchet Hill and the connected Irrigation Canals, apart from the Transmission and Distribution Systems.

18. *Para 2(a) Audit Report, 1954-55 and  
Para 2(a) Audit Report, 1955-56.*

*Allocation of Expenditure under Section 32 of the Act.*

In accordance with Section 12 of the D V C Act the functions of the Corporation include

12(e) The promotion of afforestation and control of soil erosion in the Damodar Valley.

12(f) The promotion of public health and the agricultural, industrial, economic and general well being in the Damodar Valley and its area of operation.

Under Section 32 of the D V C Act, the expenditure on these objects shall be treated as common expenditure payable out of the fund of the corporation.

19. It has been reiterated in the Audit Reports under examination that the question of apportionment of expenditure on soil conservation, afforestation and other development works under Section 12(e) and (f) of the D V C Act is still under the consideration of the Central Government and pending a decision on the question, the expenditure incurred thereupon has been allocated proportionately to the three main objects

20. The question regarding the allocation of expenditure on other authorised objects, *viz.* afforestation and soil conservation has already been dealt with at some length in paras 6 to 8 of the 18th Report of the Committee relating to the Damodar Valley Corporation. The Committee had desired that this question which had a vital bearing on the overall financial working of the Corporation should be decided without any further delay. The Committee, however, regret to observe that not much headway has been made in this direction. They note that the matter was referred by the D V C to the Attorney General who gave the following opinion in February 1956:

- (i) Expenditure not directly chargeable to Power, Irrigation and Flood Control is covered by Section 32 of the D V C Act
- (ii) It would be preferable to have heads of expenditure corresponding with each of the main and other functions and activities of the Corporation instead of showing the

expenditure on afforestation, soil erosion, public health, agriculture, industrial, economic and general well-being etc. under Over-head and General charges.

- (iii) The expression 'Common expenditure' used in Section of 32 of the Act means expenditure to be shared equally by the participating Governments.

The Committee understand that the Governments of Bihar and Bengal have not agreed with the view that the expenditure on developmental activities undertaken by the D.V.C. should be shared equally by the participating Governments and the matter is being further examined by the Ministry of Irrigation and Power in consultation with these Governments and the D.V.C.

21. The Committee are anxious that this question which involves the allocation of a total expenditure of about Rs. 183 lakhs (upto December, 1956) should be decided without any further delay. They desire that the budget estimates should in future present a more correct and realistic picture of the financial working of the Corporation.

*Para 2 (b) - Audit Report 1954-55 and*

*Para 2 (b) - Audit Report. 1955-56*

#### *Allocation under Section 33*

22. 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 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. This allocation has not yet been finally made by the Corporation. The Committee would stress the need of an early decision on this question.

From a note submitted by the Corporation, the Committee note that this question was referred in November, 1956 to an *ad hoc* Committee consisting of representatives of the D.V.C. and the participating Governments. This Committee had sought an authoritative legal interpretation of certain provisions of the D.V.C.

Act relating to this question and the matter was stated to be under the consideration of the Government of India in the Ministry of Law. The Committee would once again repeat the recommendation made by them in Para 9 of their above Report and desire that this question should be settled expeditiously.

### III

## ENGINEERING

*Para 4 of Audit Report 1954-55 and paras 3 and 11 of Audit Report 1955-56 - Delayed construction schedules and upward revision of the Estimates of Maithon and Panchet Hill Project etc.*

23. The construction schedules of the various Projects under taken by the D.V.C. had been revised several times and invariably there had been extensions of dates of completion, the longest extensions being in respect of Maithon, Panchet Hill and Durgapur Irrigation Barrage and Canals. The table below gives the position

Particulars of the Project	Dates of Completion			
	As per 1st Schedule in 1951	As revised in August, 1952	Again revised in April, 1954	Further revised
Maithon	End of 1953	June, 1954	June, 1955	June, 1956
Panchet Hill	End of 1954	End of 1955	End of 1956	March, 1958
Barrage	1953-54	1954-55	End of 1955	
Canals	1954-55	1955-56	June 1958	

24. Between 1951 and 1954, the dates of completion had been put off by nearly two years. The Committee understand that the programme for completing the Power Houses at Maithon and Panchet Hill has been further revised as follows:

- |  |                         |
|--|-------------------------|
| (a) Completion of erection and commissioning of the first generating unit at Maithon | 30-6-57                 |
| (b) Other two Units at Maithon   | 30-9-57 and<br>31-12-57 |

## (c) Panchet Hill Power House - December, 1958

25. Side by side with the delay in the execution of these projects, the estimates regarding the cost of construction have also been revised in an upward direction from time to time as indicated below:-

(Rupees in lakhs)

Particulars of Project	REVISED ESTIMATES				
	As in October, 1953.	Revised in March, 1955.	Revised in June, 1955.	Revised in August, 1955.	Actual Expenditure till March, 1956.
<b>1. MAITHON</b>					
(a) Dam and Appurtenant Works.	1064	1145	1262	1293	1243
(b) Hydro-Electric Installations.	326	357	380	380	211
<b>2. PANCHET HILL</b>					
(a) Dam & Appurtenant Works.	1110	1273	1390	1466	836
(b) Hydel Power Station.	327	352	353	359	15

26. The additional expenditure accruing up to the end of 1955-56 as a result of the delay in the execution of the projects on account of establishment and maintenance charges alone has been assessed at Rs. 23 lakhs for Maithon and Rs. 29 lakhs for Panchet Hill.

27. The D.V.C. have given the following explanations for delayed construction schedules and upward revision of the esti

mates in respect of the above two Projects:-

*Delay in Construction Schedules*

- (i) Anticipated schedules of delivery of equipment and regularity of inflow of spare parts were not maintained.
- (ii) Paucity of experienced operating and maintenance personnel.
- (iii) Geologists' expectations regarding rock for aggregates did not materialise.
- (iv) The construction schedules were optimistic.

*Upward revision of Estimates.*

- (i) Expenditure on items like Fee for consulting Engineers; more buildings for establishment and labour, establishment on account of prolongation of construction period; special Tools and Plant; additional works and higher costs etc. were not provided in original estimates
- (ii) Non-availability of earth materials in adequate quantities and low efficiency of earth-moving equipment.
- (iii) Unexpectedly poor quality of quarries in the vicinity of dams and difficult nature of rock.
- (iv) Higher cost of repairs and maintenance of construction equipment.
- (v) Lengthening of the period of construction and delay in securing delivery of concreting Plants.
- (vi) Change in the site of the Panchet Hill Dam in 1952 and subsequent alterations in designs.

[ Items (ii) to (iv) above are applicable to Maithon Project only ]

28. Explaining the reasons for delay in obtaining spare parts the representative of the D.V.C. stated in evidence that these had to be obtained from American markets which normally took 9 to 12 months. Since the Engineers of the Corporation were unable to forecast the spares that would be required, a lumpsum order for 15% of the total value of the machinery and spare parts was placed and the type of

spare parts to be supplied was left to the manufacturers whose advice was not always disinterested. The Corporation was thus faced with a surplus of the slow moving spare parts which were not in demand and a shortage of fast moving spare parts which were urgently required.

The explanation does not meet the point that even after the Corporation took direct responsibility for indenting of spares, similar lapses were noticed after 1952 also

29 As regards other factors which retarded the completion of projects, the Committee were informed that the full allocation of cement and steel was not obtainable between January, 1956 to May, 1957 on account of break down in some factories and delays caused in the movement by the railways and that the go-slow policy of the labour in early 1955 was also responsible for delay to some extent. The Committee were, however assured that the revised construction schedules would be adhered to

30 Among the steps taken to ensure a regular supply of spare parts in future the Committee were informed that on the recommendation of the Construction Plant and Machinery Committee the Government of India had set up a National Project Construction Corporation which would ultimately have two central Pools of machinery and equipment - one at Kotah and the other at Nagarjunasagar. The Committee also observe from a note submitted by the D.V.C. that certain categories and makes of machinery in use on river valley projects have been standardised and that the D.G.S. & D. have entered into rate contracts with the suppliers of these machines to enable the projects to draw their demands as and when required. The working of these rate contracts have shown that during the last one or two years the suppliers have been able to comply with the demands for spare parts expeditiously

31 Such delays, in execution it is admitted result in increasing the cost of the project. With a view to finding out the effects of such delays in the D.V.C. the Committee had called for a note to show the extent of increase in the costs of the projects attributable directly to delays in execution. According to the note submitted by the D.V.C. the total extra cost on establishment alone due to the delay in completion of the Maithon, Panchet Hill Tilaiya & Konar Projects has been estimated at Rs 60 lakhs

This does not include the extra cost on account of work-charged and operational establishment maintenance of workshops and rise in the cost of materials.

32. *While the Committee can appreciate the existence of minor delays and bottle-necks which are inevitable in any large construction project, they are unable to accept that delays such as those resulting from non-stocking of essential spare parts were either inevitable or normal. From the facts placed before them they are led to the conclusion that the delay in the execution of the project and the consequent increase in costs could have been substantially curtailed with proper planning and foresight. They trust that it would now be possible for the Corporation to adhere to the revised schedule for completion of the projects.*

## IV

### STORES AND MACHINERY

Audit Report 1954-55

#### *Para 6(ii) Purchase of unsuitable Wagon Drills.*

33 In this case, 12 C P T Wagon Drills were purchased at a total cost of Rs 1,49,004/- for the excavation of Diversion Channel of the Maithon Dam. These drills were found unsuitable for the work and had to be abandoned.

34 In evidence, the representative of the D V C stated that though these drills were of standard specification they proved unsuitable because of the difficult rock formation which could not be visualised at the time of purchase.

35 From a note (Appendix I) submitted by the D V C the Committee observe that the first instalment of 4 C P T drills was purchased in November 1951 and purchase orders for another 8 C P T drills were placed in December 1951. It has been explained by the D V C that no technical advice was considered necessary before making purchases as the drills were of standard make and were considered suitable for the rock conditions known at that time. The Committee are unable to accept this explanation. The Committee observe from the note submitted by the D V C that in January, 1952 the Chief Engineer had expressed a preference for purchase of drills of another make. He had accordingly suggested cancellation of the previous purchase orders but later he agreed not to disturb the orders already placed. *The Committee feel that it would have been prudent to try out the drills purchased in November, 1951 as an experimental measure before proceeding with fresh purchase.*

As regards the disposal of the surplus drills the Committee were informed in evidence that 3 drills were used in D V C Collieries, 4 had been transferred to Nagarjunasagar Project and the remaining 5 were proposed to be sold in the open market. *The Committee would suggest that the remaining drills should be disposed of expeditiously.*

*Para 7 (i). Bokaro Thermal Power Station Purchase of Block-making Machines.*

36. A machine for manufacturing hollow concrete blocks required for the construction of the Thermal Power House building at Bokaro was purchased in December, 1951 at a cost of Rs. 12,382/-. The machine proved quite unsuitable at Bokaro and was transferred to Maithon in May, 1952 for manufacturing block for construction of buildings. Only 10,650 blocks costing Rs. 5,834/- were manufactured there; even these were not used on any work. The total outlay on the machine as well as on the manufacture of the blocks aggregating to Rs 18,148/- has proved nugatory.

37. In July, 1952, another block-making machine was purchased for Rs. 1,13,334/- with a view to transferring the machine to Maithon after it had been used on the manufacture of the blocks required for the Power House Building at Bokaro. But, the idea of building structures with hollow concrete blocks was eventually abandoned. This machine has been lying idle since March, 1953 with a depreciated value of Rs 98,223/-

In the course of evidence, the representative of the D.V.C. informed the Committee that the first block-making machine was purchased for building houses on the advice of certain Engineers of the Cement Company that this method was cheaper and more expeditious than building with bricks. Later the D V C. Engineers found that this method was uneconomical and the proposal was dropped. After manufacturing some blocks at Bokaro, which were not found to be strong enough, the machine was transferred to Maithon.

38. As to reasons for the purchase of second block making machine costing about Rs 1.18 lakhs, it was stated that the original design of the walls of the Bokaro Power House building contemplated the use of burnt bricks but the firm with whom an order was placed for the purpose, had failed to complete the supply. In view of the urgency of the work it was decided to complete the construction with hollow concrete blocks and the second machine was purchased for this purpose. The Committee understand that the idea of building structures with hollow concrete blocks had since been abandoned and the latter are trying to dispose of the block-making machine to the Durgapur Steel Plant.

To spend Rs. 1.13 lakhs in purchase of machinery for a job costing not more than Rs 1.5 lakhs is no doubt an act of folly.

39. The Committee, however, wanted to know whether any technical advice had been taken before deciding to purchase the Hollow Concrete Block machine.

40 In a note (Appendix II) submitted to them, it has been stated that the block-machine was ordered by the Resident Engineer Bokaro who had since left the service of Corporation in July, 1953 and that no records were available to indicate whether any further special technical advice was taken before placing the orders.

41 *The Committee are surprised to note that the first machine costing about Rs 12.332/ should have been purchased by the D V C merely on the advice of certain Engineers of the Cement Company without proper investigations regarding its suitability and that after its unsuitability had been proved it should have been merely transferred to Maithon instead of making an enquiry as to how such a machine was purchased. As regards the purchase of the second machine, the Committee feel that since the first machine had already proved a failure at Bokaro, the D V C should have met their requirements of blocks which were rather of a special and limited character (worth Rs. 1½ lakhs) by direct purchase from private suppliers. The Committee are amazed that in order to meet this limited requirement of blocks, the DVC should have undertaken the purchase of a second machine costing Rs. 1.13 lakhs. They cannot help concluding that the persons who initiated and approved of this purchase were unmindful of the financial interests of the Corporation. The Committee would further like to be apprised of the disposal of these machines.*

*Para 8(ii) Spares for the Earthmoving machinery under the Mechanical Division*

42 Spare parts worth more than Rs. 2.39 lakhs pertaining to the Earthmoving machinery were declared surplus in October, 1954. Out of the surplus, the value of those which have not been drawn at all since their purchase amounted to Rs. 1.72 lakhs. In some cases, fresh purchases were made in considerable quantities even though the spares of the same class previously purchased proved surplus. It has been explained that the transfer of the machines to other projects prior to the receipt of their spare had caused a surplus of not less than Rs. 2.19 lakhs.

43. The Committee were informed in evidence that these surpluses had resulted on account of accumulation of slow moving spare parts which had been purchased on the advice of the manufacturers in the initial stages.

Explaining the reasons, the Chairman, D.V.C. stated in his evidence before the Committee that since it was very difficult in the beginning, the D.V.C. Engineers being unfamiliar with the use of machine, to have the requirements of these spare parts estimated accurately, they had mostly to rely upon the advice of the manufacturers which they had stopped since 1952.

44. As regards the fresh purchases of spares which had previously proved surplus, the Committee were informed that the indents for these spares were placed when the Corporation had no knowledge of these surpluses; and in these cases, the field Engineers did not anticipate that these parts would ultimately prove surplus. It had also not been possible to transfer the spares along with the machines transferred to other River Valley Projects, as the other Projects were reluctant to take over the slow moving spare parts which were not likely to be required. The Committee were informed that this question was being taken up with D.G.S. & D and instructions had been issued that the lists of surplus spare parts and other equipments should be circulated to all the Projects before disposal. Since there was some difficulty in connecting the spare parts with the changing models of machinery, Government had set up a special Directorate in the Central Water and Power Commission to co-ordinate the work.

45. *The Committee are unable to appreciate the implicit reliance evinced by the Corporation on the advice of manufacturers of machinery. They feel that instead of relying solely on the advice of the manufacturers, the Corporation should have made efforts to assess the actual consumption of spares either from their own experience with these machines or from the experience of others who had utilised such machines in the past*

*The Committee would like to be apprised of the disposal of these surplus stores.*

## AUDIT REPORT - 1955-56

*Para 10 - Overstocking of spares.*

46. In this case, a contract was entered into with a firm in 1950 for the construction of the Konar Dam. The contract provided only for the supply of equipment by the Corporation to the contractor and did not expressly provide for the supply of spares by the Corporation to the contractor. The Corporation, however, purchased spares worth Rs.4,75,887/- pertaining to the equipment. The provision for the issue to the contractor of spares already ordered or procured was made in a supplementary agreement dated the 10th March, 1951 which provided *inter alia* as follows:-

"The Corporation shall supply to the contractor whatever spares have been procured or ordered for the equipment already supplied or to be supplied by the Corporation to the contractor under the terms of this Agreement and that thereafter the replenishment of the stock of spares shall be entirely the responsibility of the contractor who shall, therefore, take active steps in time to procure fresh spares so as to maintain a sufficient reserve."

Most of the equipment worth Rs. 57 lakhs were delivered to the Contractor during the period from August, 1950 to June, 1951 but the value of spares issued upto completion of work amounts to only Rs.1,61,143/- i.e., only about one-third of the value the spares purchased. In January, 1955, the Corporation, asked the contractor to lift the spares in stock or in default to bear the loss, if any, in their disposal. Taking into account the spares issued to other Departments of the Corporation and those sold out, the balance still lying unused in stock on 1st May, 1957 was about Rs.1.04 lakhs.

47. During the course of evidence, the Committee were informed that this case had been referred to Arbitration on 7.1.57 and that the Arbitration proceedings were expected to be completed by October, 1957. But the Ministry of I & P have not so far apprized the Committee about the result of the arbitration proceedings. In

*the absence of this, the Committee are obliged to reserve their comments in this case till they hear in the matter, further.*

*Para 13 - Excessive Purchase of materials due to incorrect INVENTORY of stores.*

48. Early in 1952, during the course of boiler erection, the Engineers of the Kuljian Corporation who were entrusted with the work of construction of the Bokaro Power House, took an inventory of the materials in the custody of their Erection Sub contractor and prepared a list of materials found short or damaged while in his custody. On the basis of this inventory, fresh purchases of materials found short or damaged were made from time to time. Upto September, 1953 about Rs. 2 lakhs worth of purchases were thus made. This sum was also debited to the Sub-Contractor's account. Subsequently on completion of the work, it was found that materials worth Rs. 59,000/- were still at site and that the cost of these materials plus the customs duty thereon totalling Rs. 84,600/- (approx) had been debited to the Sub-Contractor's account in excess. These surplus materials were, however, taken to stores for future use. Upto the end of November, 1955, materials worth Rs. 9,000/- only were used on the jobs pertaining to the construction, operation and maintenance of the Power House and the utilisation of the balance of materials was, therefore, awaited. The incorrect inventory prepared by the Kuljian Engineers was, however, mainly responsible for purchases in excess of immediate requirements.

49. Explaining the circumstances under which an incorrect inventory of stores had been prepared resulting in excess purchase of stores, the Committee were informed in evidence that on account of a dispute between the Kuljian Corporation who were entrusted with this work and their sub contractor, the latter had refused to give a clear inventory of the material in stock. In order, however, to avoid delay in construction, the Kuljian Corporation were asked by the D.V.C. to prepare an inventory expeditiously so that necessary purchases could be made in time. During this process discrepancies had crept in. Out of Rs. 56,000/- worth of surplus stores, the D.V.C. had already used stores worth Rs. 22,000/-. The Committee were also informed that the sub-contractor had filed a suit of Rs. 23 lakhs against the Kuljian Corporation and the D.V.C. as compensation for delay in execution of the work for which

he was not responsible. *The Committee would like to be apprised of the progress of this case. In the meantime, the Committee would reserve their comments.*

*Para 11 - Audit Report 1954-55 - Excess Collection of materials at Maithon.*

50. In this case 8,36,489 Rft. of R.S. Joists valued at Rs.7,96,275/- were purchased in the latter half of 1949-50 and stocked in a rented siding at Calcutta until the middle of 1953-54, when the materials were transported to the Workshop at Maithon with a view to utilise them in works. The total rent paid for the siding amounted to Rs.25,000/- approximately. So far only 9,000 Rft. worth Rs. 30,487/- were issued to works and the rest of the materials valued at Rs. 7,67,789/- were still to be used.

In evidence, the Committee were informed that this purchase was made in anticipation of requirement in view of the apprehension of shortage of steel at that time. This material was stored in Calcutta for 4 years as the Corporation had not decided upon the Maithon Project. The Committee were also informed that more than half of the total quantity of steel had since been sold at a profit of Rs. 1.8 lakhs. In a note furnished to the Committee (Appendix III) it has been stated that the then Financial Adviser had concurred in the purchase of these Joists

51. Again, in another case, 77,457 Rft. M.S. Plates worth Rs. 5,74,838/- were purchased in December, 1953 and January, 1954 for the fabrication of 20 Nos. Under Sluice Gates for the Maithon Dam in the Departmental Workshop. But due to a decision arrived at in July, 1954 for undertaking the manufacture of only one Gate in the workshop, this material also became surplus and the value of material still lying unused amounted to about Rs. 5.2 lakhs.

During examination of this case, it was explained that the M.S. plates were purchased on the basis of the original proposal for installation of 50 Gates (20 for Panchet and 20 for Maithon). Later, on the advice of the Board of Consultants, the number was reduced to 15 (10 for Panchet and 5 for Maithon). At a subsequent meeting of the Board of the Consulting Engineers, it was decided that instead of fabricating the gates in the Maithon departmental workshops, under-sluice gates might be purchased, which had been tried for many years. The Committee were also informed that part

of the surplus steel was utilized by the D.V.C. and part had been requisitioned by the other agencies of the Government of India. On account of the rise in prices, the D.V.C. had made a profit of nearly Rs. 800/ per ton.

52. *In these two cases though there had been fortuitous profits in the disposal of the surplus materials, the Committee cannot overlook the lack of proper planning which the circumstances reveal. In the several cases of excess purchases and consequent accumulation of surplus stores reported to them, the one common factor which the Committee has noticed is the absence of any realistic appraisal of requirements before making purchases.*

58. From a note received from the Ministry of I&P. (Appendix IV) the Committee observe that in D.V.C. alone surplus stores awaiting disposal on 31st July, 1957 amounted to over Rs.82 lakhs of which no less than Rs.50 lakhs were accounted for by Plant and Machinery. *In this connection the Committee would like to reiterate their oft repeated observation that the maintenance of excessive stocks involved the tax payer in a four fold loss there is loss of interest on capital unnecessarily locked up there is loss arising from the possibility of the stores becoming obsolete and unsaleable or disposable only at a rate lower than the cost price. there is also avoidable expenditure on care and maintenance staff besides expenditure on storage accommodation.*

*The Committee should like to be apprized in due course of the latest position in respect of disposal of surplus stores in the D.V.C. and at other Projects undertaken by the Government of India.*

## FINANCIAL IRREGULARITIES AND INFRACTUOUS EXPENDITURE

54 The Committee now proceed to deal with some of the important financial irregularities and cases involving nugatory and infructuous expenditure disclosed in the Audit Reports under examination

### AUDIT REPORT, 1954-55

#### *Para 5 Purchase of Transmission Towers*

55 Tenders were invited by the D V C in 1954 for the supply of Transmission Line Towers required for transmission lines to Calcutta, Gaya, Patna and Dalmia Nagar. The lowest tender was from a foreign firm and a letter of indent was issued to them. However, as a result of a representation from an Indian firm, the Government of India issued a directive that 50% of the requirements should be procured from indigenous sources. The letter of indent issued to the foreign firm was modified and an order was placed on Indian firm for 50% of the total tonnage involved. The Committee also learnt that while the foreign firm had completed its portion of supply within the stipulated date viz. 31.5.55, the indigenous firm had not completed the supply till July, 1957 though the agreement stipulated completion of the supply by June 1956. According to the audit report the higher price to be paid to the indigenous supplier resulted in an extra expenditure of about Rs 6.44 lakhs which is approximately 20% more than what this part of the supply would have cost, had it been entrusted to the lowest tenderer. The Committee were informed by the Ministry's representatives who appeared before them that the price preference shown to the Indian firm was in pursuance of a decision of the Government of India to encourage indigenous manufacture.

The following points arise from this case

- (i) When was the new policy decision regarding price preference taken by Government and whether Govern

ment had fixed any ceiling to the price preference in the favour of indigenous manufacturers.

- (ii) Whether the Corporation had considered the desirability of inviting fresh tenders after the Government's decision to give a price preference to the Indian firms was known and whether the lowest tender among the Indian firms was accepted
- (iii) Whether under the terms of the agreement, variation, in the price of steel was admissible in the case of deliveries made after the stipulated date of supply?

59. From a note submitted by the Ministry of Irrigation and Power to the Committee (Appendix V) they find that prior to 25.7.55 the policy of the Government with regard to indigenous manufacturers only permitted a limited degree of preference in price where the purchasing officer was satisfied that such a measure was justified. Specific orders regarding the quantum of price preference were issued by Government on 25.7.1955 on the recommendation of the Stores Purchase Committee to the effect that generally a price preference upto 15% for indigenous products over the imported goods including customs duty should be admitted. In the case of certain specified stores the preference margin could be increased to 25% where admittedly the indigenous industry was not in a position to compete with foreign manufacturers within the general limit of 15% because of low import duties or small turnover, or higher costs of raw materials and components etc.

As regards (ii) it has been explained by the Ministry that towards the end of July, 1954 one of the indigenous firms intimated that they were agreeable to readjust their prices to 15% above those of the foreign firm exclusive of sales tax subject to their getting an order of 50% of the towers required. The quotation of this firm was scrutinised by Government and they considered the price differential of 15% justified in view of the non-availability of high tensile steel in the country and the consequent use of larger quantities of mild steel for fabrication and the low import duty on imported towers. This quotation was accordingly accepted. Including sales tax the price preference allowed to this firm worked out to about 20% which was the lowest among the indigenous tenderers. The Corporation did not call for fresh tenders on the ground that the value of the tenders received from the other Indian firms was much higher and there was no prospect of getting lower tenders from them.

57. The Committee note from the agreement concluded with the firm that over and above the 20% price preference (inclusive of sales tax) allowed to this firm the Corporation had also to pay Rs. 50 per ton as the difference between the f.o.r. Bombay rates tendered by this firm and the f.o.r. Calcutta rates accepted by the Corporation. The Committee further note that there were two other firms of Calcutta whose tenders were 21.5% and 23.7% over the quotation of the foreign firm (inclusive of sales tax). In their opinion it would have been worthwhile to negotiate with those firms also as the difference between their quotation and the rates accepted was small and there was a reasonable prospect of getting a competitive and probably a better offer from these firms.

As regards (iii), the Committee have been informed that the firm has been paid a sum of Rs. 1,34,945 under price variation clause in respect of steel drawn upto 15.12 1956, and that this payment includes Rs. 24,684 on account of price variation which took place after the due date of delivery viz. 30th June, 1956.

58. *The Committee are unable to see how the question of any price variation taking place after the guaranteed date of completion of supplies could conceivably entitle the contractor to any compensation. The Committee consider that as there has been a default on the part of the contractor in adhering to the date of completion, that circumstance would justify the imposition of penalty or liquidated damages but cannot confer on him a right to claim payments which he could not have claimed if he had fulfilled the contract in time.*

*The Committee should be informed in due course of the extent of the penalty imposed on the firm, and also of the recovery of the overpayment on account of price variation.*

*Para 6(f) - Nugatory Expenditure - Purchase of Ball Mills -*

59. Two Ball Mills were installed at Maiton in December, 1953 at a total cost of Rs. 1,26,087 for grinding half-burnt bricks in the expectation that the pulverised bricks, if added to the concrete mixture would strengthen the concrete. The Chief Engineer, D.V.C. stated in his evidence that when the T.C.M. Expert visited the site in February, 1954, he questioned

the suitability of this particular shale for admixture with cement. Further tests were, therefore, conducted and it was decided that it was not desirable to use this machinery as it would be detrimental to the quality and strength of the concrete.

The idea of using the shale was abandoned and the machinery was not commissioned at all. The Committee are informed that these two ball mills have since been sold to Bhakra Nangal Project at a depreciated value resulting in a loss of Rs. 18,731 to the D.V.C.

60. The records do not show that expert opinion was consulted before these machines were purchased. *The Committee are of the opinion that this nugatory expenditure could have been avoided had the D.V.C. taken expert opinion before going in for these mills instead of after*

#### AUDIT REPORT 1955-56

*Para 4 Power House Excavation (a) Non acceptance of lowest tender, and (b) Execution of work without agreement*

61. Tenders were invited by the D.V.C. on 14.10.53 for the Maithon Hydel Power House excavation estimated to cost Rs. 41.80 lakhs. By 30th November, 1953 the date for opening the tenders, three tenders were received. The main item of work was rock excavation (80,300 cubic yards) of which the estimated rate was Rs. 49/8/- per cubic yard. The lowest tenderer quoted Rs. 51/- per cubic yard and the second lowest tenderer Rs. 58/- per cubic yard, for this item. The Project Manager was opposed to giving the work to the lowest tenderer because he felt that the rock excavation was not feasible at the rate quoted by the lowest tenderer, even though the estimated rate for the item was only Rs. 49/8/- per cubic yard. The Chief Engineer gave one more reason why he thought that the lowest tender ought not to be accepted. According to the tender documents, the whole work was to be completed by 30.11.54 i.e., in about 12 months, the work being started not later than 30 days after the acceptance. The lowest tenderer undertook to complete the work with in 15 months. While the second lowest tenderer demanded 21 months time. The Chief Engineer doubted the capacity of the lowest tenderer to complete the work within 15 months. (The work actually took more than 2 years to complete).

While the tenders were under examination the quantity of rock excavation was reduced to 68,400 c. yds. in December, 1953. Negotiations with the lowest and the second lowest tenderers were then started for fresh rates. Both of them were agreeable to do the work at their previously quoted rates, but the second lowest tenderer wanted a guarantee that the minimum quantity of rock excavation should not fall below 68,400 c. yds. On 21.1.1954 the Corporation eventually decided to reject all the tenders and call for fresh tenders. Fresh tenders were invited in February, 1954. Two of the three tenderers who had quoted previously responded to the second invitation but the lowest tenderer did not. As a result, the second lowest tenderer at the time of first call became the lowest this time. This tenderer, however, wanted a guarantee in respect of the minimum quantity of rock excavation of 68,400 c. yds. and the minimum value of the work viz., Rs. 51 66 lakhs and stipulated that the penalty clause should be deleted and the security deposit reduced from 10% to 5%. But without settling these conditions, an order to start work was issued to them in March, 1954. The value of the work with the revised schedule of quantities computed at the lowest rate on the first call was Rs. 43 74 lakhs while that at the accepted rates was Rs. 51 66 lakhs, the difference being Rs. 8 lakhs approximately.

62 The final contract was executed in June 1956 when the work had been almost completed. Thus it took two years for the work to be completed by this contractor. It may be recalled that one of the grounds for rejecting the first lowest tender was his stipulation to complete in 15 months instead of 12 months as required. In finalising the contract, the following deviations from the terms of the tender were made:

- (i) Provision for extra payments for widening the emergency shaft required for the working facilities of the contractors.
- (ii) Deletion of the penalty clause for delay in completion of the work.
- (iii) Reduction of the security deposit from 10% to 5%.
- (iv) Extension of the time of completion from November, 1954 to February, 1956.

The following three points arise in this case:

- (i) Whether there was sufficient justification for rejecting the tenders at the first call
- (ii) Why was the lowest tenders at the first call omitted while awarding the contract by negotiations
- (iii) Whether the delay in executing the agreement with the contractor and deviations allowed in the terms of the tender were justified.

93. Explaining the circumstances under which the tenders at the first call were rejected, the representative of the D.V.C. stated in evidence that while the tenders were under examination they were advised by their consultants that the original quantities of excavation which had been estimated at 80,300 cubic yards, when the tenders were called, would be reduced to 68,400 cubic yards. As the reduction in the quantity was likely to affect the rates, the Corporation considered it better to retender for the revised quantity. Further, it was stated that the price variation between the three tenders being very great the Corporation felt that by retendering, the margins might be narrowed down. In the opinion of the Committee, the explanation offered before them has no validity whatsoever as the lowest tenderer was agreeable to do the work at the original rates tendered, notwithstanding the reduction in the estimated quantity of work, and had said so categorically in a letter dated 19th January, 1954 to the D.V.C.

94. The Committee are at a loss to understand why the Project Manager should have opposed the giving of the contract to the lowest tenderer on the ground that the lowest tenderer's rate of Rs 51/- per cubic yard was unrealistic when the Corporation's own estimate was Rs 49.8/- per cubic yard. They are equally puzzled by the objection raised by the Chief Engineer against the acceptance of the lowest tender. They are informed that the said tenderer was a well-known firm of resourceful contractors who had done several major works for D.V.C. They therefore, feel that the reasons given for rejecting the lowest tender and for inviting fresh tenders are altogether untenable.

95. The Committee were informed that when the lowest tenderer at the first call did not retender in response to the

second invitation, no further attempt was made to ascertain whether the lowest tenderer would be willing to undertake the work at the rates previously quoted by him. They fail to understand why the Corporation did not make such an attempt which might have possibly meant a saving of about Rs.8 lakhs to the Corporation.

66. As regards the extension of time allowed to the Contractor the Chief Engineer D.V.C. informed the Committee that this was allowed in view of the bad quarry rock encountered during excavation and the subsequent decision to change to concrete for the Power House Chamber. The Committee were assured that the delay was not attributable to any lapse on the part of the contractor.

67. Explaining the delay in the completion of the agreement, the representatives of the D.V.C. stated that this was due to the necessity of negotiating separate rates for certain items of work which could not be visualised earlier. The basic portion of the agreement had, however, been finalised much earlier which covered a large portion of the proposed work.

68. *The tendency on the part of the Engineers to proceed with the execution of works without coming to a formal agreement with the contractors should be discouraged and definite instructions issued in this regard. It is regrettable that such a practice is at all countenanced by the administration despite the Committee's oft-repeated recommendation as reiterated in Para 25 of their 18th Report on the D.V.C. that save in some exceptional circumstances no work of any kind should be commenced without the prior execution of the contract documents, as such a course not only undermines the recognised canons of business prudence but also at times tends to place the Government at the mercy of the contractors.*

*Para 6. Nigatory expenditure on swimming Pool*

69. The Maithon Dam Project estimates sanctioned by the D.V.C. in March 1953 included a sum of Rs. 68,200/- under the head "K-Buildings" for two swimming pools to provide amenities to the increasing population at Maithon. The construction of one of the pools was undertaken in the compound of the

Maithon labour camp, and upto March 1954 an expenditure of Rs. 27,858 was incurred on it. The work had, however, to be suspended for about 2 years for non-availability of a suction pump required for pumping water into the pool. Meanwhile in February, 1954 the Corporation directed that further expenditure under the above head under which the total expenditure had already exceeded the provision should not be incurred. In July 1954, the Corporation also decided not to construct the second pool on the ground that the work at Maithon was coming to a close shortly.

70. Soon after the nugatory character of the expenditure which by then amounted to Rs. 27,866/- on the first pool had been pointed out by Audit in August, 1955, the work on the first pool was restarted in disregard of the directions issued by the Corporation in February, 1954. The first pool was completed in April, 1956 after incurring a further expenditure of Rs. 12,500 (approx.) despite the fact that the Maithon dam was expected to be completed by the middle of 1956.

71. In the course of evidence before the Committee the representative of D.V.C. stated that the directions issued by the Corporation in February, 1954 related only to fresh items of expenditure and it was not the intention of the Corporation to stop works already in progress. As regards the justification for the construction of a swimming pool at Maithon, he stated that even after the dam construction was completed, Maithon would continue to be the headquarters of the maintenance sections with a staff of about 1000 persons. *In the Committee's opinion, however, there was no justification for resuming the construction of the pool after suspension for a long period when the construction work at Maithon Dam had been practically completed and the bulk of the labour force for whose benefit this pool was being constructed had been dispersed. They feel strengthened in this view as, they learnt that, no such swimming pool amenity had been thought of by the D.V.C. either at Bokaro or Konar or Tilaiya or Durgapur.*

*Para 8 - Avoidable expenditure in constructing Ranchi - Patna Diversion Road.-*

72. The Damodar Valley Corporation was required under Section 25 of the D.V.C. Act, 1948, to provide an alternative

route to replace a portion of the Ranchi-Patna road which was to be submerged by the Tilaiya Reservoir. The Government of Bihar undertook in March, 1951 with the approval of the Government of India to construct a diversion road at an estimated cost of Rs. 16.03 lakhs. Since the Government of India desired to bring this diversion road to the National Highway Standard, they agreed to contribute a sum of Rs. 1.13 lakhs being the extra estimated cost of bringing the road to the National Highway Standard. The amount payable by the D.V.C. under the above scheme of construction of the Diversion Road by the Government of Bihar would thus have come to Rs. 14.90 lakhs.

73. The D.V.C. however, did not accept the above proposal. Instead they suggested in September, 1951, an alternative and more economical alignment estimated to cost only Rs. 13.50 lakhs. This was approved by the Government of India in November, 1951 subject to their informal commitment to bear an expenditure of Rs. 1.13 lakhs as their share. The work was, therefore, entrusted to the D.V.C. who had several units of earth moving machinery required for timely completion of the work and had guaranteed the completion of the road, including a bridge over the Barakar, before the target date viz. June 1952. The construction of the road with the exception of tarmacedamising was actually completed in October, 1952. During the course of construction the estimates for the road were revised 5 times, the final estimate being Rs. 27.77 lakhs. In addition, an expenditure of Rs. 54,000 was incurred on the establishment of a new division created for the purpose. Audit has also pointed out that due to the failure to complete the Barakar bridge before the monsoon of 1952, an avoidable expenditure of Rs. 91,781 had to be incurred.

74. In the course of his evidence before the Committee, the representative of D.V.C. stated that the Corporation undertook the responsibility for construction of the road on the basis of the original estimate of Rs. 13.5 lakhs which they had considered would be more economical than the Bihar Government's estimate of Rs. 16 lakhs. This estimate proved to be inaccurate and had to be revised a number of times as the engineers of the Corporation were not conversant with the standards prescribed for National Highway Road.

In order to enable them to examine this case in further detail, the Committee desired to be furnished with a note giving

the reasons which led the D.V.C. to undertake this responsibility and the circumstances which necessitated repeated revisions of the estimates.

75. From the note furnished by the D.V.C. (Appendix VI) the Committee observe, that with a view to find a cheaper alternative, the Corporation prepared 3 alternative schemes for the diversion road. The D.V.C. recommended scheme (No.3) estimated to cost Rs.13 50 lakhs since it would involve the Corporation in a net expenditure of 12.37 lakhs only; against Rs.15 90 lakhs involved in the Bihar Govt's proposal. All the four proposals including the one from the Bihar Government were forwarded to the Government of India and the Government of Bihar and the D.V.C. offered to construct the bridge and road mentioned in scheme No.3 within one year provided orders were issued immediately. Scheme No.3 of the D.V.C. was approved by the Government of India in November 1951 as it reduced the distance between Patna-Ranchi and Patna-Calcutta by 4 miles and provided an additional bridge on the Barakar. The Government of India also decided to entrust the work to the D.V.C. since they had guaranteed to complete the road before June 1952 and had available with them earth moving machinery for this purpose.

Explaining the repeated revisions of the estimates, the Corporation have stated that the first estimate was prepared on the assumption that the diversion road was to be of the same standard as the abandoned road. The engineers of the Corporation did not fully appreciate the exact implications of construction on National Highway standard. While the D.V.C. admit that a further clarification on this point should have been sought from the Government of India they have urged that since the work was of a priority nature it was started in the reasonable belief that the Government of India would pay the difference involved in raising the road to National Highway standard. The preliminary estimate of September 1951 provided for the construction of 6½ miles road and a bridge on the Barakar. While approving this scheme in November, 1951 the Government of India made certain vital changes in specifications including improvement of an additional length of 3 miles road and the conversion of a cause way into a high level bridge. All these changes were incorporated in the revised estimates of Rs.20 lakhs prepared in May, 1952. The subsequent revision to Rs.27.77 lakhs in November, 1953 was necessitated by the changed specifications for the road and the

bridge intimated by the Government of India from time to time and the deeper excavation necessitated for the bridge .

76. The D.V.C. have further stated that since the discarded portion of the Ranchi-Patna road did not conform to full specifications of a National Highway, they had claimed a sum of Rs 12 lakhs from the Ministry of Transport, Government of India being the extra cost of raising the realigned road and Bridge to the standard of a National Highway. The Committee learnt that this had been turned down by the Government since the specifications for the work were precisely the normal National Highway standards and no more .

77. In this case the Committee observe that while the D.V.C. had set out with the hope of effecting an economy of Rs 2.53 lakhs by suggesting an alternative scheme they now find themselves burdened with an expenditure of Rs 11.73 lakhs more than what it would have cost them if they had let the Bihar Government undertake this work. What perturbs the Committee is that the Corporation should have undertaken a major commitment without preparing reasonably accurate estimates or fully appreciating the implications of the work which they proposed to undertake. The Committee do not consider that the urgency of the work is a valid defence of the failure to prepare an accurate estimate especially when they observe that the D.V.C. has taken more than 6 months to suggest an alternative proposal. *They feel that the D.V.C. appears to have undertaken an onerous responsibility by putting too much faith on what was evidently a guess estimate without taking reasonable precautions to ensure that the estimate was reliable. The Committee desire that the Corporation should proceed to fix responsibility on the persons responsible for the original unreliable estimate on which judgement was based.*

Another feature of this case is that the Government of India decided to entrust the work to D.V.C. as they were advised that the work could not be completed in time otherwise than by the use of earthmoving machinery, which the D.V.C. had in adequate number and variety. Actually however the road and the bridges were constructed through contractors who employed manual labour for the road and hired some machines for the bridge obtained on loan partly from outside and partly from the D.V.C.

## VI

### PERSONNEL

#### *Audit Report 1955-56*

##### *Para 5 Appointment of Deputy Project Manager and Chief Construction Engineer.*

78. In June 1953, the Corporation decided to combine the posts of the Construction Superintendent and the Construction Engineer, Maithon, into one post of the Construction Superintendent (subsequently designated as Project Manager), Maithon, and upgraded the scale of pay of Rs. 1,300-60 1,400/- drawn by the then Construction Superintendent to Rs. 1,800 100-2,000/-. The upgrading was approved on the consideration that the completion of a 13 crore scheme within 3 or 4 years would demand high qualities in the engineer in direct charge of the project and consequently involve onerous duties and specific addition to his responsibilities. Accordingly, on the expiry of the contract of the then Construction Superintendent on 4 7 1953, a contract for a further period of 2 years in the scale of Rs 1,800 100 2,000/- was made with him. In December, 1954, the Corporation appointed another officer as a General Construction Superintendent Electrical and Mechanical, in the scale of Rs. 1,800 100-2,000/- and on 12th July 1955, appointed a Deputy Project Manager in the scale of Rs 1,300 60-1,400/- in order to co ordinate the different activities of the various sections and to help the Project Manager in the discharge of his onerous duties.'

79. During the course of evidence, the Committee learnt that the post of Project Manager in the scale of 1800 2000 was created by the Corporation against the advice of their Financial Adviser.

80. From a note (Appendix VII) submitted by the Ministry of Irrigation and Power, the Committee observe that the main reasons which weighed with the Corporation in prescribing the scale of 1800-2000 for this post were:

- (1) that the officer would function as Construction Superintendent as well as Construction Engineer;
- (2) that the State Chief Engineers draw pay in this scale;

- (3) that the departmental construction of a project of this size within the time schedule was a bigger job than the normal job of a Superintending Engineer and called for qualities which were normally found in State Chief Engineers.

81. The Financial Adviser to the Corporation did not consider the above as sufficient justification for enhancing the pay of the post and communicated his objection in his Half Yearly Report dated 3.1.54 for the period ending 31st December, 1953, the Ministry of Irrigation and Power which was received in the Ministry in October, 1954. The Ministry decided in January 1954 in consultation with the Ministry of Finance that in the circumstances explained by the Corporation and in view of the fact that the arrangement had already worked for nearly 3 years, it was not necessary to pursue the matter any further

82. *The Committee regret to note that a decision in this case was taken by the Ministry two and a half years after the event when they could not but acquiesce in the appointment of the Project Manager which had become a fait accompli. The Committee are informed that a post of an Additional Chief Engineer had been added in 1952. In view of this appointment, they are unable to see the justification for creation of another post of a Project Manager in a higher grade in July 1953. The Committee also feel that the subsequent creation of the post of a Deputy Project Manager in July 1953 in order to 'coordinate the different activities of the various sections and to help <sup>the</sup> Project Manager in the discharge of his onerous duties' also lacked justification especially in view of the fact that the *raison d'etre* given by the Corporation for upgrading the post of the Project Manager was the onerous duty and specific addition to responsibilities which this post was stated to involve. In their opinion the reasons given for the creation of the posts of Project Manager and Deputy Project Manager are contradictory. The Committee are of the view that ad hoc creation of posts in this manner, apart from increasing the establishment charges of the Project which are already very heavy, results in impeding the progress of work on account of the inevitable dilution of responsibilities which it involves.*

*Appointment of Deputy Project Manager  
and Chief Construction Engineer.*

83. The appointment of a Chief Construction Engineer as one of the Principal Assistants to the Chief Engineer, D.V.C. had been engaging the attention of the Corporation for a very long time. But all attempts to recruit a suitable man having failed till the end of 1954, the Corporation dropped the idea, as by that time the Construction personnel had acquired the requisite experience in concreting operations and the Chief Engineer with the appointment of an Additional Chief Engineer was in a position to devote more time to Project matters. Moreover, the project was getting the benefit of the services of a T.C.M. Specialist for a week each month.

The question regarding the appointment of the Chief Construction Engineer was reopened in July, 1955 on the advice of the World Bank and on 27.9.1955 the D.V.C. appointed a Chief Construction Engineer for 18 months on a salary of \$ 18,000 per annum subject to the Indian Income tax limited to the U.S.A. tax on this income. This Officer, actually joined his post in the first week of October, 1955 and his services were terminated on 13th March, 1956 i.e., after a little over 5 months, with 8 months' pay in lieu of notice, as per terms of the contract entered into by him with the D.V.C. The Corporation have explained (Appendix VII) that they had to dispense with the services of this Engineer as they felt after watching his work for about 5 months, that not only had his contribution to the Project been below expectations (he was unlikely to improve) but it would not be in the interest of the D.V.C. to retain his services any longer. The total expenditure incurred by the Corporation on this account was approximately Rs.78,000 on account of pay and allowances (Rs 50,000 approx.) and Rs.28,000 (on account of passage and other expenses)

84. *The Committee are surprised that the D.V.C. should have proceeded to make the appointment of the Chief Construction Engineer so shortly after they had for valid reasons, decided to drop the idea. The Committee cannot resist the conclusion that in this case the Corporation acted without careful consideration.*

*Economy in expenditure Establishment.*

85. At the instance of the Committee, the D.V.C. have furnished a statement showing the posts carrying

a pay of Rs. 500/- and above. On going through that statement the Committee feel confirmed in their impression that the D.V.C. are over-staffed in respect of the high salaried posts. The number of officers drawing pay in the scale of Rs. 500/- and above is as much as 28 in the Secretariat alone which can hardly be considered commensurate with the present work-load which the D.V.C. are handling. The Committee also feel that there is hardly any justification for continuing some of the posts in the higher scales of pay viz., Chief Information Officer (1800-60-1800), Public Relations Officer (800-40-1000), Director of Personnel (1800-100-2000), Controller of Stores (1800-1800), especially when 80% of the construction work is stated to have been completed. The Committee consider that it is high time that the Ministries of Irrigation and Power and Finance examined the existing strength of the staff (both technical and others) with reference to the present work load.

In order to enable them to examine this matter in further detail, the Committee had asked the Ministry to furnish them information on the following points:

- (i) what is the break up of the increase in the cost of the Project under the different heads viz., 'over-heads', 'Establishment' etc?
- (ii) what is the incidence of the present administration charges of the D.V.C. as compared with the administration charges for the last 2 years?

86. From the statement since received from the Ministry, it appears that the administrative charges have been steadily increasing; they stood at 28.27 lakhs in 1954-55, at Rs. 32.57 lakhs in 1955-56 and at Rs. 37.10 lakhs in 1956-57. Expressed as a percentage of the total expenditure of each of the three years, the administrative expenditure has increased from 2.19% in 1954-55 to 3.07% in 1956-57. *The Committee are unable to understand why even at this stage of the progress of the Project, the administrative expenditure persists in the upward direction instead of registering a steep decline. The whole problem needs the urgent attention of Government.*

## OUTSTANDING RECOMMENDATIONS

87. The Committee shall now turn to deal with some of the important items outstanding from the previous Reports and which are at various stages of progress (Appendix VIII)

*Item 16 - Excess payment to Messrs. Hind Patel & Co., for certain items of work done on Konar Dam.*

88. The Public Accounts Committee had earlier commented upon this case, which related to an excess payment of the order of Rs. 119 lakhs or so to Messrs. Hind Patel & Co., for certain items of work done by them at Konar Dam, in Chapter VI of their 15th Report and again in para 87 of their 18th Report.

89. From a note (Annexure XII to Appendix VIII) furnished to them, the Committee observe that not much headway has been made in effecting the recovery from the contractors for the over-payments made to them and the matter is still under arbitration. The Committee, are informed that an arbitration deed had been executed by the parties concerned early in January last year whereby the award of an Arbitrator would be final and the contractors would make good to the D.V.C., whatever amount is adjudged by the Arbitrator as over payment in respect of the items mentioned in the Report of Damodar Valley Corporation Enquiry Committee. The time for making award by the arbitrator has been extended by six months from 22.10.57. *The Committee, would reserve their further comments until they are in possession of the results of the arbitration proceedings.*

*Item 7 - Execution of works without entering into agreements with the contractors.*

90. This case relates to the construction of some staff quarters at Durgapur estimates to cost about Rs. 8 lakhs which was entrusted to two contractors without executing any written agreement before hand. The Committee had adversely commented upon this case in para 24 of their 18th Report. The Committee were informed that one of the two contractors who had put in some extra claims had refused to sign the Agreement as

he had demanded high rates and the matter had, therefore, gone up for arbitration. In the course of the examination of this case, the Committee were also informed that this contractor was not being given any further contract. *The Committee would await the result of the arbitration*

*Item 9 Headquarters Construction*

91. At the time when the Committee last reported on the D.V.C. Accounts, they were informed (c f. para 28 of their 18th Report) that the property acquired by the D.V.C. for the purpose of construction of D.V.C. Headquarters at Ranchi was stated to be still in the possession of the D.V.C. and expenditure then stood at Rs 7 8 lakhs. The Committee were also informed that the Corporation had since abandoned the idea of construction and that they were handing over the property on lease to the Bihar Government

The Committee note that the Bihar Government are no longer interested in taking the lease of this property as originally contemplated by them and the matter has again been referred by the D.V.C. to that Government in the light of the offer made by the Corporation in April 1955 in terms of clause 4 of the Agreement executed by them with the State Government regarding the disposal of the Hotwar Estate at Ranchi

92. *The Committee would, however, suggest that since the operational work of the D.V.C. is almost completed, the D.V.C. should seriously consider the question of shifting their Headquarters from Calcutta to some other place in the Valley and take immediate action to dispose of this property and thus realise the funds locked up in this transaction*

*Item 10 Extra Expenditure incurred in pursuance of land for land and house for house policy*

93. As stated in Para 29 of the 18th Report of the P.A.C. in pursuance of the policy of the Government of India to provide land for land and house for house to persons displaced from the villages submerged as a result of the construction of the Piliaya Dam, the D.V.C. incurred an expenditure to the extent of about Rs 18 lakhs on buildings and reclamation of lands which

the displaced persons did not occupy. The Committee were then informed that the houses and the land had been offered by the Corporation at the prevailing market value of Rs. 14 84 lakhs to the Bihar Government, whose acceptance was awaited. The Committee, therefore, desired to be apprised of the final result of the negotiations which were then stated to be under progress with the Bihar Government as also the total loss sustained by the Corporation in this transaction.

94 From a note furnished by the D.V.C. pursuant to the action taken on the last report of the Committee, they observe that the Bihar Government have so far taken over 661.56 acres out of the total unaccepted land measuring 1823.81 acres and made an interim payment of Rs. 4 lakhs towards the cost of the unaccepted land and houses. The Committee also note that the loss which the D.V.C. would be sustaining in this transaction would be of the order of Rs. 3.44 lakhs or so.

95 In the course of examination of this case, the Financial Adviser, D.V.C. informed the Committee that they had again referred the matter to the Bihar Government suggesting some methods about the valuation and disposal of these unoccupied houses and reclaimed land. *The Committee suggest that as this question had been pending for over 5 years, Government of India may consider the desirability of convening a high level Conference between the representatives of the D.V.C. and the Bihar Government under their auspices with a view to arriving at a mutually acceptable settlement, as no purpose is likely to be achieved by protracted correspondence or routine negotiations between the D.V.C. and the Bihar Government.*

*Items 12 and 13 Utilisation of water stored in the Tilaiya Reservoir*

96 In paras 32 and 33 of their 18th Report the Committee had commented upon the non-utilisation of waters stored in the Tilaiya reservoir for irrigation - although the construction of the dam was completed by September, 1952.

97 During the course of examination of this case, the Committee were informed that the Corporation had since worked out a lift irrigation scheme which had been accepted by

the Government of Bihar and for which funds were being awaited from the Government of India. While the representative of the Corporation contended that the natural difficulties like the high level of the terrain in the upper reaches partly stood in the way of utilisation of the waters, he reiterated that the responsibility for utilisation of water rested with the Bihar Government.

98. *The Committee would like to have a report on the implementation of the High Level Lift Irrigation Scheme and its financial effects in due course. As regards the low level scheme at Durgapur, the Committee were informed that this was under investigation. The Committee desire to be apprised of the result of these investigations in due course.*

NEW DELHI,  
*The 12th March, 1958.*

T.N. SINGH,  
*Chairman,*  
*Public Accounts Committee.*

## P A R T    I I

---

---

**Public Accounts Committee - Consideration of the Audit Reports  
on the Accounts of the Damodar Valley Corporation for the years  
1954-55 and 1955-56**

**Proceedings of the sittings of the Public Accounts Committee  
held on the 2nd and 3rd July, 1957.**

---

---

PROCEEDINGS OF THE FIRST SITTING OF THE PUBLIC  
ACCOUNTS COMMITTEE HELD ON TUESDAY, THE  
2ND JULY, 1957.

The Committee sat from 9 A.M. to 1 P.M

*Present*

Shri T N. Singh                      *Chairman.*

*MEMBERS*

2. Shri N C. Laskar
3. Shri N.G. Ranga
4. Shri Radhelal Vyas
5. Shri A. C. Guha
6. Shri N.R.M. Swamy
7. Shri Upendranath Barman
8. Shri H.C. Dasappa
9. Shrimati Tarkeshwari Sinha
10. Shri Prabhat Kar
11. Shri N. Siva Raj
12. Shri Vijayarama Raju
13. Shri P.T. Leuva
14. Shri R.M. Deshmukh
15. Shri M. Govinda Reddy
16. Shri Jaswant Singh

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

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

Shri D.C. Guha, *Additional Accountant General, D.V.C.  
& S P*

## SECRETARIAT

Shri R.C. Ghei - Under Secretary.

## WITNESSES

Shri T. Sivasankar, I.C.S., Secretary, Ministry of I & P.

Shri R.R. Bahl, I.C.S., Joint Secretary, Ministry of I & P.

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

Shri A.B. Ganguli, I.C.S., Member, Damodar Valley Corporation.

Shri S.M. Banerjee, Financial Adviser, Damodar Valley Corporation.

Shri A.M. Komora, Chief Engineer, Damodar Valley Corporation.

Shri R. Narayanaswami, Financial Adviser and Ex-Officio Joint Secretary, Ministry of Finance (Communications).

Shri Shiv Naubh Singh, Deputy Secretary, Ministry of Finance.

## DAMODAR VALLEY CORPORATION

**Audit Reports on the Accounts of Damodar Valley Corporation for the years 1954-55 and 1955-56.**

99. The Committee took up consideration of the Audit Reports on the Accounts of the D.V.C. for the years 1954-55 and 1955-56.

100. Para 5 of Audit Report, 1954-55 - Purchase of Transmission Towers: Explaining the circumstances in which the price preference of 20% was given to the indigenous manufacturer, the representative of the Damodar Valley Corporation stated that on the basis of the lowest tender they had initially decided to place the order with the foreign firm. But when this firm applied for an import licence, the

Ministry of Commerce and Industry desired to restrict the import to 50% of the total demand. The Ministry of Commerce and Industry has accordingly taken up this matter with the Ministry of Irrigation and Power and it was decided to give encouragement to the indigenous manufacturers by giving them a price preference. The Secretary, Ministry of Irrigation and Power further stated that the Stores Purchase Committee had also recommended that a price preference of 15% or even more, if the circumstances justified it, should be allowed to indigenous manufacturers and it was on the basis of this recommendation and the policy of the Ministry of Commerce and Industry that the price preference in this particular case was agreed to.

101. In reply to a question, the representative of the D V C stated that the firm which got the tender was not the lowest tenderer. He added that although quotations were received from three Indian firms, one of them withdrew and the other was rejected as it did not have adequate capacity.

102. The Committee desired further details regarding this transaction which could not be furnished by the witnesses without consulting their records. The Committee called for a detailed note from the Ministry of Irrigation and Power including information on the following points:

- (i) Whether there was a specific policy decision of the Government at that time and whether any quantum of price preference had been specified? A copy of the Government's directions in the matter was desired by the Committee.
- (ii) The date on which the Stores Purchase Committee made its recommendations and the date on which these were accepted by the Government.
- (iii) What were the special circumstances which justified in this case a price preference beyond the limit of 15% recommended by the Stores Purchase Committee?
- (iv) Whether the firm had taken advantage of the price variation clause in the agreement and whether the price variation was admissible in the case of deliveries made after the stipulated date?
- (v) Whether the price preference of 20% given to the Indian firms included payment of sales tax? The Committee

also desired to be furnished with a copy of the agreement with the firm. |

- (vi) What proportion of the total requirements of raw materials was imported by the firm?
- (vii) Whether price preference to indigenous manufacturers had been shown by the D.V.C. in any other contract?
- (viii) Whether the Corporation considered the desirability of inviting fresh tenders after the tenders of the Indian firm had been rejected?
- (ix) The circumstances under which the lowest tender among the three Indian firms was not accepted.

103. *Para 7(i) of Audit Report, 1954-55 Bokaro Thermal Power Station - Purchase of Block making machines.* The representatives of the D.V.C. explained that the first block making machine was purchased for building houses on the advice of certain Engineers of the cement company that this method was cheaper and more expeditious than building with bricks. Later the D.V.C. Engineers found that this method was uneconomical and the proposal was dropped. Some blocks were manufactured for building up the walls of the Bokaro Thermal Power Station but here again the blocks were not found to be strong enough and further manufacture was, therefore, stopped. The Committee wanted to know why this machine was transferred to Maithon after it had proved to be a failure at Bokaro. As the representatives of D.V.C. were not ready with information, they promised to supply it after consulting their records.

104. Explaining the reasons for the purchase of the second block-making machine costing about Rs. 1.13 lakhs, the representatives of the D.V.C. stated that the original design of the walls of the Bokaro Power House building contemplated the use of burnt bricks. Accordingly an order was placed by them on a firm in Calcutta but after supplying one-quarter of the total supply, the contractor failed to supply the balance of the bricks. In view of the urgency of the work, it was decided to complete the construction of the Power House building with hollow concrete blocks. The second block-making machine was purchased for this purpose. The construction of the Power House was completed with hollow concrete blocks. In reply to a question whether the D.V.C. had made enquiries in

the Calcutta market for the supply of hollow concrete blocks, the representatives of the D.V.C. stated that the blocks manufactured by the Calcutta firms were not upto the specifications. The idea of building structures with hollow concrete blocks, they added, had since been abandoned and the D.V.C. were trying to dispose of the block making machine to the Durgapur Steel plant.

105. *Para 4 of Audit Report 1955 56 Power House excavation Non acceptance of Lowest tender* In this case, the Committee wanted to know the reasons that weighed with the Corporation in rejecting all the tenders at the first call. The representatives of the D.V.C. stated that while the tenders were under examination, they were advised by their consultants that the original quantities of excavation which had been estimated at 80,000 cubic yards when the tenders were called would be reduced to 68,000 cubic yards. As the reduction in the quantity was likely to affect the rates, the Corporation considered it better to retender for the revised quantity. Further, the price variations between the three tenders were very great and the Corporation felt that by retendering the margins might be narrowed down.

106. The lowest tenderer at the first call did not retender at the second call. There were only two tenders. The contract was, however, ultimately awarded after negotiations involving substantial deviations from the terms of the tender. The Committee wanted to know why the lowest tenderer at the first call was not called in for the negotiations, if the contract had to be given on the basis of negotiations. The representatives of the D.V.C. replied that the negotiations after the second tender were confined only to two specific points— acceptance of penalty clause and security deposits. The rates were not negotiated at all. And, as the lowest tenderer at the first call did not retender, he was not called in for the negotiations. Moreover the Corporation had doubts regarding the capacity of the firm to undertake the work as it could not furnish a list of the equipment it proposed to use for the work when asked. The Comptroller and Auditor General read out to the Committee a letter from this firm addressed to the Corporation assuring them that they would carry out the work at the rates quoted by them. The representative of the D.V.C. stated that certain claims from that firm on the basis of an earlier negotiated contract were still under dispute and the Corporation did not, therefore, think it advisable to enter into further negotiated contracts with that firm.

107. Explaining the delay in the completion of the agreement, the representatives of the D.V.C. stated that this was due to the necessity of negotiating separate rates for certain items of work which could not be visualised earlier. The basic portion of the agreement had, however, been finalised much earlier which covered a large portion of the proposed work.

108. The Committee then considered the various deviations from the terms of the tender made in finalising this contract all to the advantage of the contractor as brought out in the Audit Report.

109. *Provision for extra payment for widening the emergency shaft required for the working facilities of the contractor* The Chief Engineer, D V C stated that the contractor excavated a separate mucking shaft for excavating the Power House. But no extra payment was made for this shaft.

110. *Deletion of penalty clause for delay in completion of work.* The representative of the D V C stated that at the time of the tender, the contractors protested against the penalty clause since the work was very difficult. The contractor was later agreeable to a penalty of 100/ rupees per day subject to a small limit. The Corporation were, however, advised by the law officers that it would be advisable to leave the penalty question open since that could enable them to claim damages under the general law of contract if the necessity actually arose. The Chief Engineer, D.V.C. further informed the Committee that the delay in the completion of the contract was due to bad quarry rock encountered during excavation and the subsequent decision to change to concrete for the Power House Chamber. He further stated that he was satisfied that the delay was not attributable to any lapse on the part of the contractor.

111. *Reduction of security deposit from 10% to 5%* The representative of the D.V.C explained that the contractors were not agreeable to lock up large sums of capital as security deposits and the Corporation agreed to the reduction as this firm was also working for the Railways where the security deposit was only 5%

112. *Extension of time of completion from November, 1954 to February, 1956* The representative of the D.V.C explained

that the original time schedule was based on the same borings and the experience gained in the excavation of the diversion tunnel. These expectations did not come true in this case as the rock formation was different.

113 *Para 8 of Audit Report 1955-56 Avoidable expenditure in constructing Ranchi Patna Diversion Road* In this case the Committee desired to know the circumstances under which the estimates of 13.5 lakhs for the construction of the road was revised five times (in 10 months) culminating in the final estimates of Rs. 22.77 lakhs and the considerations which weighed with the Corporation in not accepting the Bihar Government's offer for completing the work at a cost of Rs. 16 lakhs. The representative of the D.V.C. admitted that the first estimate was a rough one, as the D.V.C. engineers were not aware of the national highway specifications required by the Government of India. The subsequent estimates were revised in order to conform to the specifications laid down by the Government of India for a national highway. The Committee could not, however, see the justification for the repeated revision of the estimates and desired the Corporation to furnish a detailed note giving the reasons for the revision of the estimates at various stages. The Committee were also told that the responsibility for the wrong estimation had been investigated by the Corporation. They desired to be apprised of the results of the investigation.

114 As regards the reasons for the non-acceptance of the Bihar Government's offer, the representative of the D.V.C. stated that the D.V.C. had suggested three alternate alignments for the road which shortened the road mileage. All the four proposals including the one from Bihar Government were considered at a conference between the officers of the Government of India, Bihar and D.V.C. and the proposal (No. 3) of the D.V.C. was accepted. In reply to a question, the Chairman, D.V.C. stated that as the D.V.C. waters submerged the road, it was their normal duty to provide an alternative road. The Governments of India and Bihar, he said, desired that the D.V.C. should undertake this work as they had the earthmoving equipment. The Committee further gathered from a letter from the Ministry of Transport to the D.V.C. read out by the Financial Adviser, D.V.C. that the main consideration in accepting the D.V.C.'s proposal was that the Corporation had guaranteed to build the road before the dam was completed in June 1952 and also had the earth moving

machinery necessary for the work. In reply to a question, the representative of the D.V.C., however, accepted that the D.V.C. undertook the responsibility for constructing the road on the basis of the original rough estimate (Rs. 13.5 lakhs) which they had considered was more economical than that of the Bihar Government (Rs. 16 lakhs) of which the Corporation would have to bear (Rs. 14.9 lakhs). The estimate was too low and had to be revised a number of times as the Corporation Engineers were not quite conversant with the standard prescribed for National Highway roads. At the instance of the Committee, the Chairman, D.V.C. agreed to forward a detailed note to the Committee explaining the circumstances that led to the D.V.C. taking over this work and the frequent changes of the estimated cost.

*Para 6(iii) of Audit Report 1954-55 Acquisition of stores in excess of requirements; Para 8(ii) of Audit Report 1955-56 Spares for the Earth-moving Machinery under the Mechanical Division.*

115. *Para 6(iii).* In this case, the Audit Report disclosed that in the field workshop at Maithon, the value of stores on 31st March, 1954 was Rs. 15,46,580 which represented more than two years' requirements. The representative of the D.V.C. stated that the figure of Rs. 15.46 lakhs reported in the Audit Report represented the value of stores which could not be adjusted in the accounts for 1953-54 due to the delay in the receipt of the issue returns in the Accounts Office.

116. *Para 8(ii).* The Committee wanted to know the circumstances under which large stocks of surplus spare parts were accumulated on the one hand and shortage of essential spare parts existed on the other which had retarded the timely execution of the projects. In extenuation, the Chairman of the D.V.C. urged that it was very difficult in the beginning being unfamiliar with the machinery to have the requirements of spare parts estimated accurately. They had, therefore, to rely upon the advice of the manufacturers who were not always completely disinterested. He added that the D.V.C. Project was one of the very first of its kind on which large-scale mechanised construction was undertaken and that there were bound to be mistakes. As a consequence the Corporation found that they had a surplus of the slow moving parts and a shortage of the fast moving parts which were urgently

required for replacement. In reply to a question, the representative of the D.V.C. stated that since 1952 they were not being guided by the manufacturers' advice. The Government of India had appointed a Plant and Machinery Committee and the report of the Committee was under consideration of the Government.

117. As regards the audit observation that fresh purchases were made in considerable quantities even though the spares of the same class previously purchased proved surplus, the representative of the D.V.C. stated that the indents for these spares were placed long before the declaration of surpluses, with the exception of spares to the value of Rs 447 only. In these cases, the Field Engineers did not anticipate that these parts would ultimately prove surplus. The Comptroller and Auditor General pointed out that the Corporation should have followed the normal stores purchase method of indenting for spares on the basis of the consumption of the previous year instead of relying solely on the advice of the manufacturers and the technical experts. The purchase orders should have been related to actual consumption.

118. Explaining the difficulty of transferring the spare parts along with the machines which were transferred to other projects, the Secretary, Ministry of Irrigation and Power stated that the other projects were reluctant to take over the slow moving spare parts which were not likely to be required. He added that the Ministry was taking up this question in consultation with the D.G. S & D. Instructions had been issued that the lists of surplus spare parts and other equipment should be circulated to all the projects before disposal. Since the models of the machinery were changing, there was some difficulty in connecting the spare parts with the new models of the machines. For this purpose, they had also set up a Special Directorate in the C.W. & P.C.

119. The Committee then adjourned till 9 A.M. on Wednesday, the 3rd July, 1957.

---

**Proceedings of the Second sitting of the Public Accounts Committee  
held on Wednesday, the 3rd July, 1957.**

---

The Committee sat from 9 A.M. to 1 P.M.

---

**PRESENT**

Shri Upendranath Barman                      ·                      *Chairman*

**MEMBERS**

2. Shri N.C. Laskar
3. Shri N.G. Ranga
4. Shri Radhelal Vyas
5. Shri A.C. Guha
6. Shri N.R.M. Swamy
7. Shri H.C. Dasappa
8. Shrimati Tarkeshwari Sinha
9. Shri Prabhat Kar
10. Shri N. Siva Raj
11. Shri Vijayarama Raju
12. Shri P.T. Leuva
13. Shri Shyam Dhar Misra
14. Shri M. Govinda Reddy
15. Shri Jaswant Singh

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

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

Shri D.C. Guha, *Additional Accountant General, D.V.C.  
& S.P.*

## SECRETARIAT

Shri R.C. Ghei . . . . . *Under Secretary*

## WITNESSES

Shri R R Bahl, I C S *Joint Secretary. Ministry of  
Irrigation & Power*

Shri G D Kshetrapal, I A S , *Deputy Secretary. Ministry  
of I & P*

Shri A B Ganguli, I C S . *Member. D V C*

Shri S M Bannerjee. *Financial Adviser D V C*

Shri A M. Komora *Chief Engineer D V C*

Shri R Narayanaswami. *Financial Adviser and Ex Officio  
Joint Secretary Ministry of Finance (Department of  
Expd )*

Shri Shiv Naubb Singh. *Deputy Secretary Ministry of  
Finance*

120 The Committee resumed consideration of Audit Reports on the Accounts of D V C for the years 1954-55 and 1955-56

*Para 10 Audit Report 1955-56 Stocking of spares for long without any use*

121 The Committee were informed that this case had been referred to arbitration and the arbitration proceedings were expected to be completed by October, 1957. At the suggestion of the Comptroller and Auditor-General, the Committee therefore, deferred consideration of this case till the conclusion of the arbitration proceedings

*Para 7 (ii) Audit Report 1954-55 Shortage of Stores*

122 The representative of the D V C explained that against the shortage of Rs 50.059 reported by Audit, there was a surplus of Rs 57.589 in the same store. This was due to incorrect classification of the stores issued which had since been adjusted. Explaining the delay of 5½ years in making the adjustment he

stated that the discrepancies had to be traced back to the requisition slips and in this case the delay had occurred as some papers had been mislaid.

*Para 13 of Audit Report 1955-56 - Purchase of materials proving excess due to incorrect inventory of stores.*

123. In this case the Committee desired to know the circumstances under which an incorrect inventory of stores had been prepared resulting in excess purchase of stores. The representative of the D.V.C. explained that on account of a dispute between the Kuljian Corporation, who were entrusted with this work, and their sub-contractor, the latter had refused to give a clear inventory of the materials in stock. In order to avoid delay in construction, the Kuljian Corporation were asked to prepare an inventory expeditiously so that necessary purchases could be made in time. In this process some discrepancies had crept in. Out of Rs. 56,000 worth of stores reported surplus by Audit, the D.V.C. had already used up stores worth Rs. 22,000.

124. The Committee were also informed that the sub-contractor had filed a suit for Rs. 23 lakhs against the Kuljian Corporation and D.V.C. as compensation for delay in execution of the work for which he was not responsible. The Committee desired to be apprised of the progress of the suit.

*Para 4 of Audit Report 1954-55 and paras 3 and 11 of Audit Report 1955-56 - Delayed construction schedules and upward revision of the Maithon and Panchet Hill Project estimates.*

125. According to Audit, the main reasons for the delays in the construction schedules were non-availability of suitable rock for concreting and delay in receipt of vital spare parts of the machinery. The Committee wanted to know whether these factors could not be foreseen and necessary steps taken in time.

It was explained by the representative of the D.V.C. that the location of the dams had been decided after detailed survey by the Geological Survey of India who had assured them that adequate quantity of materials would be available in the vicinity. Their expectations had not materialised and they had to go to a distance of over 2 miles to get adequate quantities of suitable earth and rock which meant more time. At one place alone

against the expectation of 14 lakh cubic yards of mixed earth and rock, only 4 lakh cubic yards had been obtained.

126. As regards the delay in obtaining spare parts, it was explained to the Committee that the spare parts had to be obtained from American markets which normally took 9 months to a year. As the Engineers of the Corporation lacked experience, they were unable to forecast the spares that would be required. Initially, a lump sum order for 15% of the total value of the machinery in spare parts was placed and it was left to the manufacturers to decide the type of spare parts to be sent.

127. The Committee wanted to know whether the Government had considered the feasibility of a central pool of machinery and spare parts from which all the projects could be fed. The representative of the Ministry of Irrigation and Power stated that this question had been considered by the Construction Plant and Machinery Committee and Government had set up a National Projects Construction Corporation who would ultimately have two central pools of machinery and equipment one at Kotah and the other at Nagarjunasagar. He further added that the Government had also decided upon standardisation of machinery so that only a few makes would be used. The training of technicians on a few standardised machines would be easier and would also facilitate the correct anticipation of requirements of spare parts. The Committee also wanted to know whether Government had considered the desirability of entering into an agreement with the manufacturers and suppliers of machinery for the maintenance of the machines and the supply of spare parts over a specified period. The representative of the Ministry of Irrigation and Power stated that these conditions were being progressively introduced in the contracts now entered into.

128. As regards the other factors which retarded the completion of the project the Committee were informed that the full allocation of cement and steel was not obtainable between June, 1956 and May, 1957 on account of breakdown in some factories and delays in Railway movement. The go slow policy of labour in the first half of 1955 had also affected the construction

schedule. The Committee were, however, assured that the revised construction schedules would be adhered to.

129. In the case of the Panchet Hill Project it was explained that one of the main reasons for the upward revision of the project estimates was the change in the site of the dam, early in 1952. This was necessitated as the previous site was considered unsafe for dam construction on account of the falls or shakes due to previous earthquakes. The Committee, however, wanted to know the increase in the cost which was directly attributable to delay in completion of this as well as other projects. As the representatives of the D.V.C. were not ready with this information, they undertook to submit a complete break up of the additional cost incurred on the projects.

*Para 6(i) of the Audit Report 1954-55 Nugatory Expenditure.*

130. The Committee were informed that the two ball mills were purchased after conducting experiments at Maithon for two years. Later on the advice of the T.C.M. Concrete Expert, it was decided that this particular shale was not suitable for admixture with cement and the proposal was consequently dropped. The two ball mills had since been sold to the Bhakra-Nangal Project at a loss of Rs 18,000.

*Para 6(ii) Audit Report 1954-55 Purchase of unsuitable wagon drills*

131. The representative of the D.V.C. explained that the wagon drills purchased were of standard specifications. But these proved unsuitable because of the quarry having hard rock interspersed with soft rock. The Committee, however, wanted to know why the Corporation did not consider the purchase on an experimental basis specially in view of the uncertain rock formation. In fact the Committee were informed that three drills were purchased in May, 1952 and five in November-December, 1952. Had the drills purchased in May, been tried in the field, the subsequent purchase could have been avoided. In extenuation the representative of the D.V.C. stated that the work was to commence only in October, 1952 and as such the drills were not operated prior to that date. They, however,

admitted that in view of what had transpired, it would have been advisable to order on an experimental basis. Regarding the disposal of the drills, the Committee were informed that three drills were being used in the D.V.C. Colliery; 4 had been transferred to Nagarjunasagar Project and the sale of the remaining 5 to Tatas was under negotiation. The Committee suggested that since the sale was to a private party it should not be at the book-value of the drills, but the sale price should have some relationship to the market price. The representative of the D.V.C. agreed to consider this suggestion.

*Para 11 of the Audit Report, 1954-55 - Excess collection of materials at Maithon.*

132(a) Explaining the circumstances under which the excess purchase of R.S. Joists was made, the representative of D.V.C. stated that the purchase was made in anticipation of requirements in view of the apprehension of shortage of steel at that time. This was stacked in Calcutta for four years, as the Corporation had not decided upon the Maithon Project. In reply to a question whether the purchases had been approved by the Financial Adviser, the latter could not give the Committee a specific answer, as the purchases were made in the time of his predecessor. The Committee were informed that more than half of the total quantity of steel had since been sold at a profit of Rs. 1.8 lakhs.

(b) It was explained that the M.S. plates were purchased on the basis of the original proposal for installation of 50 gates (30 for Panchet and 20 for Maithon). Later, on the advice of the Board of Consultants, the number was reduced to 15 (10 for Panchet and 5 for Maithon). At a subsequent meeting of the Board of the Consulting Engineers, it was decided that instead of manufacture in the departmental workshops under-sluice gates might be purchased, which had been tried for many years. The Committee were further informed that part of the surplus steel was utilised by the D.V.C. and part had been requisitioned by other agencies of the Government of India. On account of the rise in prices, the D.V.C. had made a profit of nearly Rs. 300/- per ton.

*Para 15 of the Audit Report, 1954-55 - Loss of diamond bits.*

133. The representatives of D.V.C. explained that the discrepancies had occurred, as in the initial stages instructions for the return of the used bits had not been issued with <sup>the</sup> result that 80 bits valued at Rs. 17,000 had not been returned to the Stores. It was difficult for them to state whether these had been lost in use or pilfered. He added that diamonds used in these bits did not have any alternative use.

*Para 5 of Audit Report, 1955-56 - Appointment of Deputy Project Manager and Chief Construction Engineer*

134. The representative of D V C. stated that the decision to combine the posts of Construction Superintendent and Construction Engineer into one post of Project Manager was taken on the advice of the World Bank with a view to improving the organisation. One of the two Construction Superintendents was promoted to this post. In reply to a question the Financial Adviser stated that this was done against his advice and he had later reported the matter to the Government of India. The representative of the Ministry of Irrigation and Power added that since the appointments had already been made, the Government did not consider it advisable to reverse the orders of the Corporation. He, however, undertook to furnish a note on the subject after consulting his records.

With regard to the appointment of the Chief Construction Engineer, the representative of the D V C. stated that the idea of appointing the Chief Construction Engineer was revived in May, 1955 on the advice of the World Bank in order to expedite the completion of the Maithon Dam. He further added that the Chief Construction Engineer was appointed through the Indian Embassy in America after consultation with the Chief Engineer of the D V C

135. The Committee desired that the D V C. should furnish them with the following information in this respect:-

- i) A note stating the circumstances under which the appointment of the Chief Construction Engineer was made, the reasons for the termination of his

services five months later, the total loss incurred by Government due to the appointment and the improvement and modifications, if any, suggested by him.

- ii) A list of all the posts in the Corporation carrying a pay of Rs 500/ and above with a note giving the procedure followed in making the recruitment to these posts
- iii) A comparative statement giving the administrative charges incurred by the D V C. over the last three years and also expenditure incurred in each year under construction and maintenance separately for dams and irrigation works and electrical works, power stations etc

*Para 6 of the Audit Report 1955 56      Nugatory expenditure on swimming pool.*

136. According to Audit the construction of the first pool had been restarted in August, 1955 in disregard of the directions issued by the Corporation in February 1954. The representative of D V C stated that the directions referred to by the Audit related only to fresh items of expenditure and it was not the intention of the Corporation to stop works already in progress. As regards the justification for the construction of swimming pool at Maithon, he stated that even after the dam construction was completed, Maithon would continue to be the headquarters of the maintenance sections with a staff of about 1000 persons. The Committee wanted to know whether this proposal had been considered by the Financial Adviser to the Corporation. He stated in reply that this proposal had been scrutinised by him as part of the project estimate and he considered the provision of the swimming pool desirable as it would be inadvisable to permit the pollution of the dam waters and also as there was no water in the river for nine months in the year. The representative of the D V C informed the Committee that they had no intention of building any more swimming pools elsewhere in the project area.

137. The Committee then took up consideration of the statement (Appendix VIII) showing action taken or proposed to be taken on the outstanding recommendations made by the Committee in their 18th Report.

138. *Item No. 7* In the note furnished by the D V C it had been stated that the contractor had refused to sign the agreement and the matter was being referred to arbitration. The Committee felt concerned that the tendency to permit execution of works without entering into firm agreement still persisted, as was noticed by them in the course of examination of the Audit Report, 1955-56. They desired to know the specific issue which had been referred to arbitration in this case. The representative of D V C stated that the contractor had demanded higher rates, although he had earlier agreed in writing to undertake the work at the same rates as the other contractor. The question whether the work was awarded to him without adequate safeguards could be decided only after the decision of the arbitrator was known. In reply to a question he stated that the contractor was not being given any further contracts by the D.V.C.

139. *Item No 8* The Committee wanted to know whether the payment of sales-tax was now being clearly stipulated in the contracts entered into by the D V C. The Financial Adviser stated that while inviting tenders the tenderers were asked to indicate whether the quotations were inclusive of sales-tax. The Committee were informed that unless it was specifically stated to the contrary, the liability for sales-tax was to be borne by the supplier.

140. *Item No 9* The representative of the D V C. stated that under the Act any property rendered surplus had first to be offered to Government. The property was being looked after by the Caretaker.

141. *Item No 10* The Committee wanted to know why the Bihar Government was not asked to give an undertaking to reimburse the Corporation for any possible losses. The representative of D.V.C. stated that the work was undertaken in pursuance of the policy of Government of giving house for house and land for land to persons displaced from the villages submerged and since there was no apprehension regarding the refusal of the people the question of guarantee was not considered. In reply to a question he stated that in other projects the Corporation had not incurred any expenditure on building houses. The reclamation of land was also being undertaken only to the minimum and that too against firm demands.

142. *Items 12 and 13.* The representative of D.V.C. informed the Committee that the scheme for irrigation had been approved by the Bihar Government only recently and this was now under examination by the C.W. & P.C. and funds for the scheme had been found by the Government of India. As regards the other two schemes, it was stated that lift irrigation was found to be too costly and had been abandoned. The low level scheme at Durgapur was under investigation and at the instance of the Committee the Corporation agreed to furnish a note regarding the details of the scheme.

143. *Item No.14.* The representative of D.V.C. stated that in view of the growing demand for machinery and equipment, the C.W. & P.C. had advised them to restrict their disposal to the private sector. A considerable part of the equipment had been handed over to the Government of India and also to other projects.

144. The Committee then adjourned till 3 P.M. on Thursday, the 4th July, 1957.

---

**Proceedings of the Forty-second sitting of the Public Accounts  
Committee held on Thursday, the 13th March, 1958.**

The Committee sat from 15-00 hours to 17-30 hours.

**PRESENT**

Shri T. N. Singh

*Chairman*

**MEMBERS**

2. Shri Ram Subhag Singh
3. Shri N. C. Laskar
4. Shri A. C. Guha
5. Shri N. R. M. Swamy
6. Shri H. C. Dasappa
7. Shri Prabhat Kar
8. Shri N. Sivaraj
9. Shri Vijayrama Raju
10. Shrimati Pushpalata Das
11. Shri P. T. Louva
12. Shri Shyam Dhar Misra
13. Shri R. M. Deshmukh
14. Shri M. Govinda Reddy
15. Shri Jaswant Singh

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

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

## SECRETARIAT

Shri V. Subramanian, *Deputy Secretary*

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

145. The Committee considered their Draft Third Report on the Audit Reports on the Accounts of Damodar Valley Corporation for years 1954-55 and 1955-56 and approved the same subject to certain modifications.

146. The Committee authorised the Chairman to sign their Report as approved by them.

147. The Committee also authorised Shri P. T. Leuva to present the Report to the Rajya Sabha.

148. The Committee then adjourned *sine die*.

## APPENDIX

*Summary of the main conclusions/Recommendations of the Third Report of the Public Accounts Committee (Second Lok Sabha) on Audit Reports on the Accounts of the Damodar Valley Corporation for years 1954-55 and 1955-56.*

S. No.	Para No.	Ministry concerned.	Conclusions/Recommendations.
1	2	3	4
1.	5 (Introduction)	All Ministries.	A perusal of this Report and other reports of the Public Accounts Committee should enable to draw certain lessons in regard to the planning and execution of national projects of such a magnitude. It is essential in the interest of proper financial control and economy as well as of speedy execution that details both of the estimates and the construction phases of a Project of great magnitude should be worked out well in advance before it is taken in hand. Frequent revisions of the scope and details of a project are in most cases due to lack of advance thinking and detailed planning which vitiate the financial control of Parliament even as such a situation is unsatisfactory from the point of view of administrative control.
2.	6 (Introduction)	-do-	The Committee feel that Government should be ready with detailed planning as well as estimates before they come to Parliament for the sanction of a project. It is hoped that the experience of the Damodar Valley Corporation will be a guide to the administration in future.
3.	7 (do)	Ministry of I. & P. D.V.C.	Another problem which requires immediate attention is the question of establishment charges at this stage of the D.V. Project. Although the Project is in the final phase of its construction, the

---

1	2	3	4
---	---	---	---

---

establishment expenditure has shown no corresponding reduction. The Public Accounts Committee in this Report have made certain recommendations to effect economy in the administration and it is hoped these recommendations will be implemented soon.

4.        8        Ministry of I & P.  
(Intro        D.V.C  
duction)
- The Committee feel that a comprehensive amendment of the Damodar Valley Corporation Act should only be taken up after mature consideration. The Project is not yet complete and the proper time to make any changes in the Act will be when the administration aspect of the Corporation takes precedence over the construction phase of the Project.
5.        9        All Ministries.  
(Introduc-  
tion)
- The Committee desire to draw the attention of Parliament to the long delays in getting notes and memoranda from the Executive. As already pointed out by the Committee in para 2 of their Second Report 1957 such abnormal delays hamper the proper functioning of the Committee. The Committee would once again impress upon the Ministries of the Government of India etc to furnish the information called for by the Committee within the stipulated time.
6.        5        Ministry of I&P
- The Committee regret to observe that not much headway has been made in the matter of apportionment of expenditure incurred by the D.V.C. on Soil Conservation, afforestation and other development works between the then participating Governments as envisaged in section 12(e) and (f) of the D.V.C. Act 1948.
- The Committee are anxious that this question which involved the allocation of a total expenditure of about Rs. 183 lakhs (upto December, 1956) should be decided without any further delay. They desire that the budget estimates for the next year should present a more correct and realistic picture of the working of the Corporation.
-

1	2	3	4
7.	6 & 7	<u>Ministry of I&amp;P</u> D. V. C.	<p>The Committee regret their inability to share the satisfaction of the D. V. C. that the three fold purposes of the Damodar Valley Project have been achieved.</p> <p>Taking irrigation first, they would point out that although the Tilaiya dam was completed in December, 1952, it has not been found possible to utilize the waters for irrigation purposes even now. All that has been achieved during the last 5 years is that a High Level Irrigation Scheme costing about Rs 35 lakhs has been worked out with the concurrence of the Government of Bihar and it is under the consideration of the Government of India.</p> <p>As regards Irrigation in the Lower Valley, though the Durgapur Barrage itself was completed in April, 1955, the progress in the utilisation of its water is held up because of certain legal difficulties encountered by the Government of West Bengal in levying water rates.</p> <p>So far as Konar Dam is concerned it has not been found possible to utilise this water for irrigation purposes even now. It is also doubtful whether any power can be generated economically at Konar. Even in regard to supply of cooling water to the Bokaro Thermal Power Station, it has its own limitations.</p>
8.	9	-do-	<p>The Committee would stress the point that flood control was only one of the objects of the Project. But complementary action of afforestation and soil conservation has yet to be undertaken.</p>
9.	11	-do-	<p>The Committee trust the Corporation will address itself to the question of incidence on administrative and keep the expenditure on Administration to the minimum.</p>
		/charges	

1	2	3	4
10.	32	<u>Ministry of IgP</u> D.V.C.	<p>While the Committee can appreciate the existence of minor delays and bottle necks which are inevitable in any large construction project, they are unable to accept that delays such as those resulting from non-stocking of essential spare parts were either inevitable or normal. From the facts placed before them, they are led to the conclusion that the delay in the execution of the project and the consequent increase in costs could have been substantially curtailed with proper planning and foresight. They trust that it would now be possible for the Corporation to adhere to the revised schedule for completion of the projects</p>
11.	85	D.V.C.	<p>(i) The Committee feel that it would have been prudent to try out the wagon drills purchased in November, 1951 as an experimental measure before proceeding with fresh purchase</p> <p>(ii) As regards the disposal of the surplus drills the Committee would suggest that these should be disposed of expeditiously</p>
12.	41	-do-	<p>The Committee are surprised to note that the first block making machine costing about Rs 12,332/- should have been purchased by the D.V.C. merely on the advice of certain Engineers of the Cement Company without proper investigations regarding its suitability, and that after its unsuitability had been proved it should have been merely transferred to Mathura instead of making an enquiry as to how such a machine was purchased</p> <p>As regards the purchase of the second machine, the Committee feel that since the first machine had already proved a failure at Bokaro, the D.V.C. should have met their requirements of bottom concrete blocks which were rather of a special and limited character (worth Rs. 1½ lakhs) by direct purchase from private suppliers</p>

1	2	3	4
			<p>The Committee are amazed that in order to meet this limited requirement of blocks, the D.V.C. should have under taken the purchase of a second machine costing Rs. 1.13 lakhs. They cannot help concluding that the persons who initiated and approved of this purchase were unmindful of the financial interests of the Corporation. The Committee would like to be apprised of the disposal of these machines</p>
13.	45	D.V.C.	<p>The Committee are unable to appreciate the implicit reliance evinced by the Corporation on the advice of manufacturers of the earth moving machinery. They feel that instead of relying solely on the advice of the manufacturers, the Corporation should have made efforts to assess the actual consumption of spares either from their own experience with these machines or from the experience of others who had utilised such machines in the past</p> <p>The Committee would like to be apprised of the disposal of these surplus stores</p>
14.	47	do	<p>The Ministry of I &amp; P have not so far apprised the Committee about the result of the arbitration proceedings in the case referred to in Para 10 of the Audit Report on the Accounts of the D V C for 1955 56. In the absence of this the Committee are obliged to reserve their comments in this case till they hear in the matter further</p>
15.	49	<u>Ministry of I&amp;P</u> D.V.C.	<p>The Committee would like to be apprised of the progress of the case referred to in para 13 of Audit Report, 1955 56 regarding the purchase of excess material from Kulljian Corporation who were entrusted with the construction of Bokaro Power House. In the meantime, the Committee would reserve their comments</p>

1	2	3	4
16.	52	<u>Ministry of I&amp;P</u> D.V.C.	In the two cases relating to the excess collection of Stores commented upon in Para 11 of Audit Report, 1954-55 though there had been fortuitous profits in the disposal of the surplus materials the Committee cannot overlook the lack of proper planning which the circumstances revealed. In several cases of excess purchases and consequent accumulation of surplus stores reported to them, the one common factor which the Committee have noticed is the absence of any realistic appraisal of requirements before making purchases.
17.	53	- do	The Committee would like to reiterate their oft repeated observation that the maintenance of excessive stocks involved the tax payer in a four fold loss. There is loss of interest on capital unnecessarily locked up, there is loss arising from the possibility of the stores becoming obsolete and unsaleable or disposable only at a rate lower than the cost price, there is also avoidable expenditure on care and maintenance staff besides expenditure on storage accommodation.
A	-	-	The Committee should like to be apprised in due course of the latest position in respect of disposal of surplus stores in the custody of the D.V.C. and at other Projects undertaken by the Government of India.
18.	58	D.V.C.	In the case relating to the purchase of Transmission Towers the Committee are unable to see how the question of any price variation taking place after the guaranteed date of completion of supplies could conceivably entitle the contractor to any compensation. The Committee consider that as there has been a default on the part of the contractor in adhering to the date of completion that would justify the imposition of penalty or liquidated damages but cannot confer on him a right to claim payments which he could not

1	2	3	4
			<p>have claimed if he had fulfilled the contract in time.</p> <p>The Committee should be informed in due course of the extent of the penalty imposed on the firm, and also of the recovery of the overpayment on account of price variation.</p>
19.	60	D. V. C.	<p>The Committee are of the opinion that the nugatory expenditure to the tune of Rs 1,25,037 on the purchase of two Ball Mills could have been avoided had the D. V. C. taken expert opinion before going in for these mills instead of after</p>
20.	68	<u>Ministry of I&amp;P, Finance, All Ministries</u> D. V. C	<p>The tendency on the part of the Engineers to proceed with the execution of works without entering into a formal agreement with the contractors should be discouraged and definite instructions issued in this regard. It is regrettable that such a practice is at all countenanced by the administration despite the Committee's oft repeated recommendation as reiterated in Para 25 of their 18th Report on the D. V. C. that save in some exceptional circumstances no work of any kind should be commenced without the prior execution of the contract documents as such a course not only undermines the recognised canons of business prudence but also at times tends to place the Government at the mercy of the contractors</p>
21.	71	<u>Ministry of I&amp;P</u> D. V. C	<p>In the Committee's opinion, there was no justification for resuming the construction of the swimming pool at Malithon after suspension for a long period when the construction work at Malithon Dam had been practically completed and the bulk of the labour force for whose benefit this pool was being constructed had been dispersed. They feel strengthened in this view as, they learnt that no such swimming pool amenity had been thought of by the D. V. C. either at Bokaro or Konar or Tilaiya or Durgapur</p>

1	2	3	4
22.	77	<u>Ministry of I&amp;P</u> D.V.C.	The Committee feel that in their case relating to the construction of Ranchi-Patna Diversion Road the D.V.C. appears to have undertaken an onerous responsibility by putting too much faith on what was evidently a guess estimate without taking reasonable precautions to ensure that the estimate was reliable. The Committee desire that the Corporation should proceed to fix responsibility on the persons responsible for the original unreliable estimate on which judgement was based.
23.	82	-do-	<p>(i) The Committee regret to note that in the case relating to the appointment of Deputy Project Manager and Chief Construction Engineer a decision was taken by the Ministry of Irrigation and Power 2½ years after the actual appointment had already been made when they could not but acquiesce to the appointment of the Project Manager which had become a <i>fait accompli</i>.</p> <p>(ii) The Committee are of the view that <i>ad hoc</i> creation of posts in this manner, apart from increasing the establishment charges of the Project which are already very heavy results in impeding the progress of work on account of the inevitable dilution of responsibilities which it involves</p>
	84	-do-	(iii) The Committee are surprised that the D.V.C. should have proceeded to make the appointment of the Chief Construction Engineer so shortly after they had for valid reasons decided to drop the idea. The Committee cannot resist the conclusion that in this case the Corporation acted without careful consideration
24.	86	<u>Ministry of I&amp;P</u> <u>Finance</u> D.V.C.	The Committee are unable to understand why even at this stage of the progress of the Project, the administrative expenditure persists in the upward direction instead of registering a steep decline. The whole problem needs the urgent attention of Government.

1	2	3	4
25.	89	<u>Ministry of I &amp; P</u> <u>Finance</u> D.V.C.	In the case relating to excess payment to M/s Hind Patel & Co., for certain items of work done at Konar Dam, which had been successively commented upon by the Committee in the past, the Committee would reserve their further comments until they are in possession of the results of the arbitration proceedings
26	90	do	In the case relating to the construction of some staff quarters at Durgapur, the Committee were informed that one of the two contractors who had put in some extra claims had refused to sign the Agreement as he had demanded high rates and the matter had, therefore, gone up for arbitration. The Committee would await the result of the arbitration
27.	92	do	The Committee would suggest that since the operational work of the D.V.C. is almost completed, the D.V.C. should seriously consider the question of shifting their Headquarters from Calcutta to some other place in the Valley and take immediate action to dispose of the property acquired by them at Ranchi for construction of the Headquarters office and thus realise the funds locked up in this transaction.
28.	95	<u>Ministry of I &amp; P</u> <u>D.V.C.</u>	The Committee suggest that the question regarding the final adjustment of the expenditure incurred by the D.V.C. on rehabilitation of the displaced persons in pursuance of the policy of 'land for land' and 'house for house' had been pending for over 5 years. The Government of India may consider the desirability of convening a high level Conference between the representatives of the D.V.C. and the Bihar Government under their auspices with a view to arriving at a mutually acceptable settlement as no purpose is likely to be achieved by protracted correspondence or routine negotiations between the D.V.C. and the Bihar Government

---

1	2	3	4
29	98	<u>Ministry of I&amp;P</u> D.V.C.	The Committee would like to have a report on the implementation of the High Level lift Irrigation Scheme for utilisation of water stored in Nilaiya Dam and its financial effects in due course. As regards the low level scheme at Durgapur, the Committee were informed that this was under investigation. The Committee desire to be apprised of the result of these investigations in due course.

---

