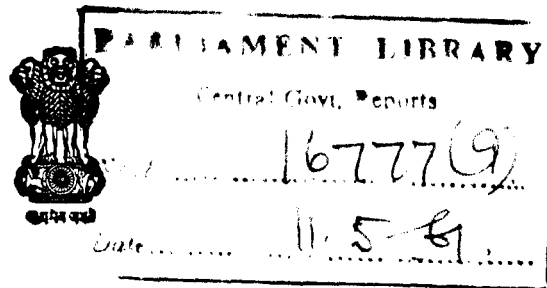


**PUBLIC ACCOUNTS COMMITTEE**  
**1960-61**

**THIRTY-SEVENTH REPORT**  
**(SECOND LOK SABHA)**

[Faridabad Development Board—Loss in the working of the  
Technical Institute and the share of the responsibility  
of the Indian Cooperative Union for such losses]



**LOK SABHA SECRETARIAT**  
**NEW DELHI**

*April, 1961*

*Vaisakhi a, 1883 (Saka)*

*Price : Rs. 0.40 nP.*

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C O R R I G E N D A

37th Report of P.A.C. (1960-61)

In 'Contents' page, below col. 'page' for (ii) & (iii)  
read (iii) & (v)'

Page 2, para 5, line 3 from bottom for 'Rs. 10:26'  
read 'Rs. 10.26 lakhs'.

Page 4, para 11, line 5, put an asterisk (\*)  
against 'Rs. 26.32 lakhs' and add the following  
foot-note -

'\*Audit has intimated on the 3rd May, 1961  
that the loss on the Technical Institute  
was reduced to Rs. 26.20 lakhs as on 28.2.1959'.

Page 10, para 14, line 7, for 'Rs. 2:74 lakhs' read  
'Rs. 2.74 lakhs'.  
line 11, for 'Rs. 4:89 lakhs'  
read 'Rs. 4.89 lakhs'.  
line 15, for 'Rs. 10:26 lakhs'  
read 'Rs. 10.26 lakhs'.

Page 11, para 17, line 5, insert 'the' after 'on'.

Page 13, heading of para 24, put an asterisk (\*)  
at the end.

Page 16, para 31, last line for 'Committ'  
read 'Committee'.

Page 17, line 20, for 'he' read 'the'.

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**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE  
1960-61**

**CHAIRMAN**

Shri Upendranath Barman.

**MEMBERS**

2. \*Shri Rohan Lal Chaturvedi
3. Shri Maneklal Maganlal Gandhi
4. Shri R. S. Kiledar
5. Shri Vinayak Rao K. Koratkar
6. Shri T. Manaen
7. Shri G. K. Manay
8. Shri S. A. Matin
9. Shri Baishnab Charan Mullick
10. Shri T. R. Neswi
11. Shri Shamrao Vishnu Parulekar
12. Shri Purushottamdas R. Patel
13. Shri Radha Raman
14. Dr. N. C. Samantsinhar
15. Pandit Dwarka Nath Tiwary
16. Shrimati Sharda Bhargava
17. Shri Jashaud Singh Bisht
18. Shri Surendra Mohan Ghose
19. Dr. Shrimati Seeta Parmanand
20. Shri V. C. Kesava Rao
21. Shri Mulka Govinda Reddy
22. Shri Jaswant Singh.

**SECRETARIAT**

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

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\*Elected on the 25th November, 1960 *vice* Shri Feroze Gandhi died.

## INTRODUCTION

I, the Chairman of the Public Accounts Committee having been authorised by the Committee to present on their behalf present this Thirty-Seventh Report on the losses suffered by the Technical Institute at Faridabad and the share of the responsibility of the Indian Co-operative Union for these losses.

2. In paras 58-60 of their 25th Report (1959-60) Volume I the Committee had commented upon the losses suffered by the Faridabad Development Board in running a Technical Institute and small scale factories with a view to rehabilitate displaced persons from the North West Frontier Province [Para 35 of Audit Report (Civil) 1958.] The Institute and the factories were run by the Indian Co-operative Union in their earlier stages till they were taken over by the Faridabad Development Board. On the basis of the evidence placed before them the Committee criticised the Government for having allowed the Union to walk away without any financial responsibility for the loss. The Union represented to the Minister of Rehabilitation in writing with a copy to the Committee on the 16th September, 1960 that a wrong and unfair impression about the performance of the Union at Faridabad had been given to the Committee which led to the criticism of the Union by the Committee. The comments of the Ministry of Rehabilitation and of Audit were called for on the various points raised by the Union. The Committee examined this case at their sitting held on the 21st March, 1961.

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

4. The Committee considered and approved this Report at their sitting held on the 24th April, 1961.

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

NEW DELHI:

*Dated the 27th April, 1961*

*Vaisakha 7, 1883 (Saka)*

UPENDRANATH BARMAN,

*Chairman\**

*Public Accounts Committee.*

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\*The Report was passed by the Committee at their sitting held on the 24th April, 1961. In the absence of Shri Upendranath Barman, Chairman, P.A.C., Shri Surendra Mohan Ghose was chosen to act as Chairman for that sitting in terms of sub-rule (3) of Rule 258 of the Rules of Procedure and Conduct of Business in Lok Sabha.

**Faridabad Development Board—Loss in the Working of the Technical Institute and the share of the Responsibility of the I.C.U. for such losses—para 35 of Audit Report (Civil), 1958.**

In paras 58-60 of their 25th Report, the Public Accounts Committee (1959-60) had commented upon the losses incurred in running the Technical Institute in Faridabad. Briefly stated, the facts of the case as placed before the Committee were that the Faridabad Development Board had during the period 1949 to 1952 advanced a sum of Rs. 24 lakhs to the Indian Co-operative Union (which was set up in 1948) as loan for organizing small scale industries in Faridabad to provide work for the displaced persons from the North West Frontier Province. A training centre was also opened by the Union. The training centre was taken over by the Board in March, 1950 and was renamed Technical Institute. Subsequently from 1st October, 1952 it was treated as a Commercial Department.

2. The small scale industries started by the Union were also taken over by the Board in March, 1953. These factories were run for a time as "co-operative industries" and later merged with the Technical Institute in July, 1954. As the Institute was running at a heavy loss, the textile and other units were disposed of in January 1955 and October 1956 respectively. The final accounts of the Institute as on 30th June, 1957 revealed a total loss of Rs. 26.32 lakhs, as shown below:

|  | Rs.       |
|--|-----------|
| (i) Working loss prior to the date it was treated as a Commercial Department (March 1950 to 30-9-1952) | 3,11,750  |
| (ii) Working loss in running the factories during the period from 1-10-1952 to date of disposal.       | 16,38,048 |
| (iii) Loss on the disposal of the assets.  | 6,82,115  |
| Total  | 26,31,913 |

3. According to Audit, the major reasons for the above losses were that the factories were taken over in March, 1953, from the I.C.U. without detailed examination. The assets, raw materials, finished products and waste and by-products were transferred at book value and not on their condition, market-value and possible future use. Lack of proper development programme and delay in the disposal of the assets of the industries, which did not go into production, also resulted in deterioration of the assets. Neither proper accounts were maintained in the case of many factories nor effective control exercised over them.

4. The Committee of 1959-60 were given to understand in the course of evidence that no proper accounts were maintained by the

I.C.U. till 1953 and when the Board took over the factories from the Union, the accounts were in a chaotic condition. The Board had to reconstruct the accounts of all the different units. No security was taken from the Union by the Board, nor was there any representative of the Government or of the Board on the management of the Union. No enquiry was also held for ascertaining the reasons for the heavy losses with a view to fixing the share of the Union's responsibility therefor.

The Committee, therefore, observed in para 59 of their 25th Report, Vol. I, presented to Parliament on the 28th March 1960 that "when the Board took over the administration, the Union was allowed to walk out without any financial loss" and suggested in para 60 *ibid* that "an enquiry into this case should be made and the responsibility for the losses fixed."

5. The Indian Co-operative Union represented to the Minister of Rehabilitation in writing with a copy to the Committee on the 16th September, 1960 that a wrong and unfair impression about the performance of the Union at Faridabad had been given to the Committee which had led to the criticism of the Union by the Committee. The comments of the Ministry of Rehabilitation and of Audit were called for on the points raised by the Union. The Committee also took oral evidence of the representative of the Union and of the Secretary of the Ministry on the 21st March, 1961.

According to the Ministry of Rehabilitation the total loss incurred by the Technical Institute upto October, 1956, was about Rs. 31 lakhs which included Rs. 4.89 lakhs written off as loss in the loan account of the Union. The Union had incurred the loss of Rs. 4.89 lakhs in running the Institute and the other industries when it handed over the industries to the Faridabad Development Board. The break-up of this loss of Rs. 4.89 lakhs was (i) loss of Rs. 2.15 lakhs shown in the Union's balance sheet for the year ending 30th June, 1953 and (ii) Rs. 2.74 lakhs being preliminary expenses on the setting up of the industries. The value of the assets including the finished goods and raw materials was assessed at about Rs. 12 lakhs (*viz.* fixed assets etc. Rs. 10.26 lakhs, finished goods Rs. 1.76 lakhs). They were sold during 1954 to 1956 for Rs. 6 lakhs only resulting in a further loss of Rs. 6 lakhs.

6. The General Secretary of the I.C.U. informed the Committee that the fixed assets were taken over by the Board from the Union at their depreciated book value. The finished goods and raw materials were transferred at the market value as shown in the Balance Sheet by its auditors. Therefore, if there was any capital loss in their sale, it should have been due to deterioration in their condition after their transfer to the Board. The Secretary of the Ministry admitted that there might have been some deterioration in the condition of the various assets when the assets were under the control of the Board prior to their disposal during the period 1954 to 1956. The responsibility for the loss of Rs. 6 lakhs could not, therefore, be laid wholly at the doors of the Union. He added that irrespective of the condition of the assets, loss in their sale was inevitable as one of the conditions of the sale was that the purchaser should also take over



the employee displaced persons and offer further employment to displaced persons only. Frequent labour trouble and the unfavourable law and order situation made the purchasers shy.

7. As regards the unsatisfactory state of accounts maintained by the Union, it was stated by the representative of the Union that it was not correct to describe the condition of accounts of the Union as 'chaotic'. The Union was set up in 1948 and its accounts had been audited regularly every year since then by a firm of Chartered Accountants. The special Audit Party deputed by the Government for settlement of the accounts in 1953-54 did not also make any complaint that the Union's accounts were in a chaotic condition. The Committee were, however, given to understand that the auditors of the Union had remarked on the accounts of the Union for 1951-52 that 'there was absence of an effective control and internal check in all the Departments' of the Industries started by the Union. When the attention of the General Secretary of the Union was drawn to these remarks, it was admitted by him that though the Union did maintain some accounts and statutory audit had been conducted by the auditors, the Union had not been able to maintain accounts properly and some shortcomings in procedure were no doubt pointed out. All the accounts and relevant books had in fact been examined by the Special Audit Party deputed by the Government from 1954 to 1956. It was on the basis of that examination that the Government finally settled the account with the Union.

8. Explaining the background under which small scale industries were started by the Union and the reasons for the losses, the General Secretary of the I.C.U. stated that the Faridabad Development Board sought the help of the Union in the rehabilitation of about 5000 displaced families, who had no work and were living on cash doles, and to train them in certain industries as to make them self-supporting. As these displaced persons were unskilled, it was not possible to run these industries on commercial lines and, therefore, some losses were inevitable. Out of the total loss of Rs. 4.89 lakhs suffered by the Union, Rs. 1.52 lakhs represented interest charges on the sum of Rs. 24 lakhs advanced to the Union by the Board, which had been treated as an interest-bearing loan to the Union. The setting up of these industries saved the Government from the expenditure on cash doles earlier being paid to these displaced persons. With the non-payment of cash doles to these displaced persons, wages were paid to them and they had to be paid even when there was no work during the period of slump in 1952.

It was also contended on behalf of the Union that it (the Union) was not a contractor who started the industries with the idea of making financial gains at Faridabad. It functioned as a special agency of the Faridabad Development Board and assisted the Board in implementing their programmes. The Ministry agreed that the statement made by the Union was substantially correct.

9. As regards the observation that there was no representative either of the Government or of the Board on the management of the Union, it was stated by the Union that as provided in the by-laws of

the Union, during 1949-50 and 1950-51, the first two years of its establishment, the composition of the entire Board of management of the Union was determined by the Government. It was, however, urged by the Ministry that though in 1949-50 and 1950-51 the Board of management of the I.C.U. and the Faridabad Development Board had some common members and officers, the Board had not taken any formal obligation for the acts of the I.C.U. which functioned as an autonomous body. The Secretary of the Ministry added in extenuation that as only a few persons were prepared to come forward and take responsibility for dealing with the refugee problem, the same persons happened to be appointed on the Board of the Faridabad Development Board and on the Board of the Union. But these persons acted in their individual capacity on the Board of the Union and not as nominees of the Faridabad Development Board.

10. *Having acquiesced in the position that the Union acted only as a special agency of the Faridabad Development Board, it is not clear to the Committee, how the Ministry could plead that the Board had not taken any formal obligation for the acts of the Union. Nor do the Committee appreciate why their respective responsibilities had not been clearly defined for proper control and supervision. The Boards of Management of the Union and of the Faridabad Development Board had some common members. In the Committee's opinion it should have been proper to nominate these common members as the representatives of the Board on the Union so as to facilitate better co-ordination and control.*

11. The Committee regret to observe that all the relevant information had not been placed before the Committee by the Ministry when this matter was examined at their sitting held on the 3rd December, 1959. From the fresh facts now placed before them, the Committee find that out of the total loss of Rs. 26.32 lakhs incurred in running the Technical Institute and other industries upto October, 1956, a major part of the loss occurred after the transfer of the assets by the Union in 1953. The I.C.U. was responsible for a revenue loss of Rs. 4.89 lakhs only. As for the capital loss of Rs. 6 lakhs, the Committee do not see how far the I.C.U. could be held responsible therefor when the assets and the raw materials were taken over by the Board from the Union at the time of transfer, after due scrutiny. Further, according to the Ministry, because of the special circumstances under which the Union came to the assistance of the Faridabad Development Board, the Board had decided to take over the assets at their book-assessed value and the Ministry also absolved the Union on the 30th August, 1956, of all further liabilities. In these circumstances it will be difficult to apportion any share of the responsibility to the Union for the loss of Rs. 6 lakhs in the disposal of the assets and raw materials. The Committee in their 25th Report (Second Lok Sabha) had suggested an enquiry by the Ministry for apportioning the responsibility for the loss. According to the Secretary of the Ministry no inquiry had been made so far as no experienced officer was available. Most of the persons concerned were no longer in service. The Committee were not satisfied with this explanation. In reply to a question the Secretary admitted that such an inquiry should have been held by Government of their own accord immediately after these losses came to their notice. From the new facts

that were brought to notice, an entirely different picture has emerged. The Committee, therefore, doubt whether any useful purpose will be served by conducting an enquiry at this stage.

The Committee would, however, like to emphasise for future guidance that when any enquiry is recommended it should be considered by Government and action taken expeditiously.

NEW DELHI;  
The 27th April, 1961  
Vaisakha 7, 1883 (Saka)

UPENDRANATH BARMAN,  
Chairman,  
Public Accounts Committee

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**PART II**

**Proceedings of the sittings of the P.A.C. held on  
the 21st March, 24th and 27th April, 1961**

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PROCEEDINGS OF THE FORTY-FOURTH SITTING OF THE PAC  
HELD ON TUESDAY THE 21ST MARCH, 1961

12. The Committee sat from 15·00 to 17·10 hours.

PRESENT

Shri Upendranath Barman—*Chairman.*

MEMBERS

2. Shri Maneklal Maganlal Gandhi
  3. Shri R. S. Kiledar
  4. Shri S. A. Matin
  5. Shri T. R. Neswi
  6. Shri Radha Raman
  7. Dr. N. C. Samantsinhar
  8. Pandit Dwarka Nath Tiwari
  9. Shrimati Sharda Bhargava
  10. Shri Jashaud Singh Bisht
  11. Shri Surendra Mohan Ghose
  12. Dr. Shrimati Seeta Parmanand
  13. Shri V. C. Kesava Rao
  14. Shri Mulka Govinda Reddy
  15. Shri Jaswant Singh
- Shri G. S. Rau, *Addl. Dy. C. & A. G.*  
Shri P. K. Sen, *Director of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*  
Shri Y. P. Passi, *Under Secretary.*

WITNESSES

*Ministry of Rehabilitation*

Shri Dharma Vira, *Secretary.*

*Indian Co-operative Union*

Shri L. C. Jain, *General Secretary.*

*Ministry of Finance*

Shri B. Mukerji, *Joint Secretary.*

**Faridabad Development Board—Losses in the Working of the Technical Institute and the share of responsibility of I.C.U. for these losses—paras 58-60 of 25th Report, 1959-60, Vol. I—**

13. In paras 58-60 of their 25th Report (1950--60) Vol. I, the Committee had commented upon the losses suffered by the Faridabad Development Board on some small scale factories run at the Board's instance by the Indian Co-operative Union during the period from 1949 till February, 1953 and then taken over by the Board and merged with the Technical Institute at Faridabad. (The final accounts of the Technical Institute as on 28th February, 1959 had disclosed a loss of Rs. 26·20 lakhs). The I.C.U. represented to the Committee on 16th September, 1960 that a wrong and unfair impression about the performance of the Union at Faridabad had been given to the Committee which led to the criticism of the Union by the Committee. The comments of the Ministry of Rehabilitation and of the Audit were called for on the various points raised by the Union. It was also decided to take oral evidence of the representatives of the Union and the Ministry before a conclusion was reached.

14. According to the Union a loss of Rs. 4·89 lakhs only was incurred upto February, 1953 when the co-operative industries were under the management of the Union. The Ministry of Rehabilitation had, however, stated that the loss on these industries during this period was Rs. 10·89 lakhs, comprising of Rs. 2·15 lakhs being the loss shown in the balance sheet for the year ending 30th June, 1953, Rs. 2·74 lakhs being preliminary expenses and loss of Rs. 6 lakhs on the sale of assets of industries taken over from the Union.

The Secretary of the Ministry informed the Committee that the loss of Rs. 26·20 lakhs referred to above was exclusive of the loss of Rs. 4·89 lakhs already suffered by the Union when the industries were handed over to the Board. There was a further loss of Rs. 6 lakhs as a result of the sale of these industries. The fixed assets etc. had been taken over by the Board from the Union at the depreciated book-value of Rs. 10·26 lakhs. Besides these there were finished goods and raw materials worth Rs. 1·76 lakhs\*. Both types of assets were, however, sold together in respect of each industry during the period 1954—56. The amount realised was Rs. 6 lakhs only.

In reply to a question it was admitted that there might have been some deterioration in the condition of these assets during the period 1953 to 1956 when the assets were under the control of the Board and, therefore, the loss of Rs. 6 lakhs could not be ascribed wholly to the Union.

The Committee were also informed that the possible deterioration in the condition of assets apart, the loss on the sale of the assets was inevitable in 1954 to 1956, as very few persons were willing to

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\*These assets, according to the Union's representative, were taken at their value shown in the Balance Sheet which represented the market value thereof.

purchase them on the prescribed conditions that only displaced persons should be employed and all the workers working in an industry would have to be taken over by the purchaser. The law and order situation and the labour relations were also unfavourable at Faridabad.

15. Asked why the assets had been taken over from the Union at the book-value instead of at the market value, the Secretary of the Ministry stated that the Board did not want to treat the Union as a contractor.

16. Explaining the circumstances under which the Union started these industries at Faridabad, and the reasons for the losses suffered by them the General Secretary of the Union stated that the Faridabad Development Board had asked the Union to assist them in the rehabilitation of about 5000\* displaced families, who had no work and were living on cash doles of Rs. 60 per family. These people were formerly shop-keepers and money-lenders who were not accustomed to manual labour. It was the intention to train them in certain industries in order to make them self-supporting. In these circumstances it was not possible to run these industries on commercial lines and, therefore, some losses were inevitable. Even out of the total loss, of Rs. 4.89 lakhs suffered by the Union, Rs. 1.52 lakhs represented interest charges on the sum of Rs. 24 lakhs advanced to the Union by the Board which had been treated as a loan to the Union. It was added that as the cash doles had been stopped to these displaced persons, wages had to be paid to them even when they were idle for want of work during the period of slump in 1952. The setting up of these industries, however, saved the Government from considerable expenditure on cash doles to these displaced persons. The Secretary of the Ministry also admitted that in their letter No. 5(21)56-I.&T. dated the 30th August, 1956, the Ministry had absolved the Union from any further liability in respect of the loan amount.

17. The Committee then pointed out that according to the evidence of the Secretary of the Ministry before the P.A.C. (1959-60), the accounts of the Union were in a chaotic condition. The Ministry had also pointed out that even according to the Audit Report of the Auditors of the Union on accounts of the Union for 1951-52 there was neither effective control nor any internal check in all the Departments of the industries started by the Union. The General Secretary of the Union explained to the Committee that while it was true that the auditors of the Union had pointed out the absence of an effective control and internal check, the Union had maintained some accounts which had also been audited by qualified auditors. He added that all the accounts and relevant books had also been examined by the Special Audit Party deputed by the Government from 1954 to 1956 before the final settlement of the loan accounts with the Board.

\*Note: In their written representation to the Committee, the Union had stated that 800 persons were trained and provided employment in the Co-operative industries.

18. The Committee then referred to the statement by the Ministry that in 1949-50 and 1950-51 the Board of Management of the I.C.U. and the Faridabad Development Board had some common members and officers and enquired the purpose of having such common members, if, as stated by the Ministry, the Board had not taken any formal obligation for the acts of the Union which functioned as an autonomous body. The Secretary of the Ministry explained that as only a few persons were willing to take the responsibility of dealing with various refugee problems, the same persons happened to be appointed on the Board of Management of the Faridabad Development Board and on the Board of the I.C.U. But these persons acted in their individual capacity on the Board of the Union and not as nominees of the Faridabad Development Board.

Asked what checks were exercised by the Board to satisfy themselves that the loan sanctioned by the Board was properly utilised by the Union, the Secretary of the Ministry stated that the sum of Rs. 24 lakhs was advanced to the Union from time to time from 1949 to 1952. These loans were based on periodical reviews by the Board of the demands and progress reports submitted by the Union. It was, however, admitted that no systematic procedure was followed by the Board for proper scrutiny of accounts and activities of the Union.

19. In reply to a question as to what action had been taken on the suggestion of the Committee (1959-60) to hold an enquiry for the losses suffered in this case, the Secretary of the Ministry stated that initially there was some difficulty in securing the services of a suitable officer to undertake this work. However, the Ministry of Finance had since nominated an officer to undertake this work. In reply to a further question whether in view of the facts now brought to the notice of the Committee, any useful purpose would be served by holding such an enquiry at this late stage, the Secretary of the Ministry stated that in his view it was difficult at this stage to fix the responsibility for the loss. Further, most of the persons concerned had already retired or left the service and as such it was doubtful whether such an enquiry could be of any practical use now. He, however, admitted that such an enquiry should have been held by the Ministry of their own accord immediately after these losses came to their notice.

20. The Committee then adjourned *sine die*.



PROCEEDINGS OF THE FORTY-SEVENTH SITTING OF THE  
PUBLIC ACCOUNTS COMMITTEE HELD ON MONDAY, THE  
24TH APRIL, 1961

21. The Committee sat from 15:00 to 17:00 hours.

PRESENT

Shri Surendra Mohan Ghose—*Chairman.*

MEMBERS

2. Shri G. K. Manay
3. Shri\*Baishnab Charan Mullick
4. Shri Purushottamdas R. Patel
5. Shri Radha Raman
6. Dr. N. C. Samantsinhar
7. Shri Jashaud Singh Bisht
8. Shri Mulka Govinda Reddy
9. Shri Jaswant Singh

Shri G. S. Rau, *Addl. Dy. C. & A. G.*

Shri P. V. R. Rao, *Accountant General, Central Revenues.*

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

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

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

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

22. In the absence of Shri Upendranath Barman, Chairman, Public Accounts Committee, the Members of the Committee present chose Shri Surendra Mohan Ghose to act as Chairman for the sitting of the Committee in accordance with Rule 258(3) of the Rules of Procedure and Conduct of Business in Lok Sabha.

**Draft 37th Report of the P.A.C. on the losses suffered by the Technical Institute at Faridabad and the share of the responsibility of the Indian Co-operative Union for such losses—**

23. The Committee considered and approved the above-mentioned Report subject to certain modifications here and there.

**Revising the form of the Appropriation Accounts of the Central Government with a view to reducing its size—Memorandum  
• No. VIII—**

24. In a note (Annexure to Appendix) submitted to the P.A.C. the C. & A.G. had stressed the need for simplification of the Appropriation Accounts with a view to reducing its size so that these could

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\*Appendix.

be presented in a handy and intelligible manner. With this end in view he had suggested that the Appropriation Accounts should be prepared by Group-heads instead of showing the details thereof by primary units of Appropriation. The Committee approved the suggestions made by the C. & A.G. in his note.

**Laying of Audit Reports on the Accounts of the Central Universities  
on the Table of the House—Memorandum No. V—**

25. The Committee took up consideration of the above memorandum and after some deliberation decided to consider the matter in greater detail at their next sitting to be held on Tuesday, the 27th April, 1961.

26. The Committee then adjourned till 16.00 hours on 27th April, 1961.

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PROCEEDINGS OF THE FORTY-EIGHTH SITTING OF THE  
PUBLIC ACCOUNTS COMMITTEE HELD ON THURSDAY THE  
27TH APRIL, 1961.

27. The Committee sat from 16.00 to 17.00 hours.

PRESENT

Shri Surendra Mohan Ghose—*Chairman*

MEMBERS

2. Shri Rohan Lal Chaturvedi
3. Shri S. A. Matin
4. Shri Baishnab Charan Mullick
5. Shri Purushottamdas R. Patel
6. Shri Radha Raman
7. Dr. N. C. Samantsinhar
8. Pandit Dwarka Nath Tiwary
9. Shri Jashaud Singh Bisht
10. Shri V. C. Kesava Rao
11. Shri Mulka Govinda Reddy
12. Shri Jaswant Singh.

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

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

Shri P. V. R. Rao, *Accountant General, Central Revenues*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

28. In the absence of Shri Upendranath Barman, Chairman, Public Accounts Committee, the Members of the Committee present chose Shri Surendra Mohan Ghose to act as Chairman for the sitting of the Committee in accordance with Rule 258 (3) of the Rules of Procedure and Conduct of Business in Lok Sabha.

**Thirty-seventh Report of the P.A.C. on the losses suffered by the Technical Institute at Faridabad and the share of the responsibility of the Indian Co-operative Union for such losses.**

29. The Committee authorised the Chairman to present the above mentioned Report to Lok Sabha. They also authorised Shri Mulka Govinda Reddy to lay a copy of the Report on the Table of Rajya Sabha.

**Laying of Audit Reports on the Accounts of Central Universities before Parliament—Memorandum No. V.**

30. The Committee resumed consideration of the above Memorandum.

The consensus of opinion in the Committee was that as these Universities were wholly financed from the Consolidated Fund of India, it was but proper that, in deference to the long-standing desire of the Public Accounts Committee and the repeated assurances given by Government pursuant thereto, Audit Reports on the Accounts of these Universities should be laid before Parliament.

The C. & A.G. was of the opinion that technically, the Universities stood on the same footing as other autonomous organisations receiving grants-in-aid from the Central Government. According to the existing arrangements the accounts of all the statutory bodies were not presented to Parliament. Financial lapses or other irregularities detected in the course of audit of their Accounts were, however, included in the conventional Audit Report. The same procedure could be followed in the case of Central Universities also, and financial lapses and irregularities in the disbursement of grants given to them brought to the notice of Parliament through the conventional Audit Report. This, in his opinion, would to a large extent meet the purposes of the P.A.Cs. recommendation.

After some deliberation, the Committee decided to leave the matter to the next Committee.

**Valedictory References**

31. Before the Committee adjourned, a message from the Chairman P.A.C. conveying his thanks to the Members for their cooperation and to the C. & A.G. for his assistance and his appreciation of the good work done by the Secretariat of the Committee was read by the acting Chairman. Similar appreciative references for the assistance rendered by the C. & A.G. and the work done by the Secretariat were made by the acting Chairman and other Members of the Committee.

32. The Committee then adjourned *sine die*.

## APPENDIX

### LOK SABHA SECRETARIAT

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#### MEMORANDUM No. VIII

#### Committee on Public Accounts

**SUBJECT:**—*Revising the form of the Appropriation Accounts of the Central Government with a view to reducing its size.*

A note prepared by the Comptroller and Auditor General of India on the subject cited above is circulated herewith (Annexure).

The question for consideration is whether the Appropriation Accounts so revised would meet the objectives of Parliamentary financial control. These objectives, as stated in para 3 of the Comptroller and Auditor General's note, are:—

- (i) whether Government's control over expenditure has been adequate;
- (ii) whether money intended for one purpose has been diverted to another;
- (iii) whether there has been undue and unjustified savings;
- (iv) whether there has been excess expenditure on objects in which Parliament wanted economy, etc.

For fulfilling the objectives mentioned at (i) and (iii) above, the examination by the Public Accounts Committee has to be of a broad and general nature. For this purpose, the Appropriation Accounts under Group Heads would serve the purpose.

The purpose as at (ii) above is served by the presentation in the Audit Reports of the results of Audit scrutiny into classification of expenditure and the reappropriation of funds. It has been stated in para 9 of the C. & A.G.'s note that as Appropriation Audit would continue to be exercised on the basis of primary units of Appropriation, it would be possible to report irregular reappropriations, etc. in the Appropriation Accounts for purposes of Rule 308(2) (c) of the Rules of Procedure and Conduct of Business in Lok Sabha. Likewise, expenditure, if any, incurred outside the scope of a Demand will not go unnoticed by Audit.

As regards the objective mentioned at (iv) above, what is required is a Report to Parliament by Audit after a close and detailed audit of the Accounts and examination of the explanations given by

the Executive Authorities. Notes in the Appropriation Accounts or paragraphs in the conventional Audit Reports as given heretofore would serve that purpose.

In view of the position stated above, the proposed revision of the form of Appropriation Accounts is not likely to decrease its usefulness to the Public Accounts Committee. The suggestion of the C. & A.G. to condense the Appropriation Accounts by confining them to Group Heads (instead of the various Units of the Appropriation as shown in the Book of Demands) would not, it appears, interfere in any way with the financial control exercised by Parliament through the Public Accounts Committee. In the context of the enormous increase in Governmental expenditure, such a simplification would enable Members to comprehend better the mass of information supplied through the Budget papers.

The suggestion of the Comptroller & Auditor General is, therefore, placed before the Committee for consideration and approval.

[F. No. 8(5)-PAC/60-Vol. I]

NEW DELHI;

*Dated the 10th April, 1961.*

*Chaitra 20, 1883 (Saka).*

## ANNEXURE

### **Note for Public Accounts Committee by the Comptroller & Auditor General of India**

The question of presenting the Appropriation Accounts in a handy and intelligible manner has been engaging the attention of the Comptroller & Auditor General for some time. The present form of Appropriation Accounts was devised quite some years ago at a time when the expenditure of Government as well as the various purposes for which it was incurred were more or less stabilized. In the last ten years, however, the activities of Government have increased enormously; this has led not only to an increase in the quantum of expenditure but also to the variety of heads of account under which it is booked. One other evidence of this increased activity is in the increased transactions with foreign Governments and Organisations, for example, material and equipment under the T. C. A. programme and assistance from various foreign countries under the Colombo Plan, Ford Foundations etc.

2. The result has been that the annual Appropriation Accounts, which for 1950-51 was a document of 700 printed pages, has grown to an enormous volume of 1400 pages for the year 1958-59. If mere increase in bulk had added to the usefulness of the publication, there would be little to say against it. What has actually happened however, is that we have gone on according to the old methods; and so great is the mass of details given in the Appropriation Accounts that it is literally true to say that one cannot see the wood for the trees.

3. The objective of the Appropriation Accounts should not be merely to present certain figures according to a pattern established a quarter of a century ago. It should be so designed that Parliament and the P.A.C. can, without wasting their time on petty and irrelevant detail, judge for themselves whether Government's control over expenditure has been adequate; whether money intended for one purpose has been diverted to another; whether there has been undue and unjustified savings; whether there has been excess expenditure on objects on which Parliament wanted economy etc. While it is possible that all this information is contained in the present Appropriation Accounts, it would also be correct to say that its very size takes away from the interest it would otherwise create in the minds of the Public Accounts Committee. Indeed, because of the "unduly voluminous and complicated" nature of the Appropriation Accounts & Audit Reports, the practice of preparing a Memorandum of Important Points for the information of the Public Accounts Committee was started in 1947 at the suggestion of the then Finance Secretary.

4. At present, the Appropriation Accounts follow from the annual Budget. In the annual Budget, the expenditure is distri-

buted under the primary units as laid down in Rule 7 of the Book of Financial Powers. The Appropriation Accounts thus proceed to examine the control of expenditure under each of these primary units and to obtain explanations for variations from the Administration concerned. This means, that the Accounts Offices have to obtain explanations from the Administration in respect of minute details such as: "Pay of Officers"; "Pay of Establishment"; "Allowances, Honoraria," etc. While maintenance of accounts in such detail is perhaps necessary, the collection of reasons for small variations hardly served the basic purpose of the Appropriation Accounts, viz., of furnishing Parliament with the information mentioned above on the standards of financial administration by the Executive Government.

5. The publications of the Appropriation Accounts in such detail for the Central Government seem, in any case, wholly unnecessary. Indeed, quite a number of States have so modified the form of the Budget that it has resulted in reducing the size and increasing the usefulness of the Appropriation Accounts. Some of these measures are as follows:--

*Bombay.*—The primary units of appropriation, Pay of Officers, Pay of Establishment, Contingencies, etc. are not adopted as sub-heads for the purpose of Appropriation Accounts. The Appropriation Accounts are prepared by sub-heads which are usually minor heads or sub-divisions of minor heads. In the case of some grants, they indicate the administrative divisions of the Department which are sanctioned as minor heads and in some other cases, they indicate either the schemes or project.

*Uttar Pradesh.*—The developmental schemes are shown as a Minor Head under each Grant and no details by primary units are given.

*West Bengal.*—The expenditure is distributed by primary units only where the total expenditure under a minor head is Rs. 5 lakhs or more.

*Madhya Pradesh.*—Each developmental scheme involving expenditure not exceeding Rs. 5 lakhs is treated as a primary unit for the purposes of Appropriation Accounts.

*Punjab & Mysore.*—Each scheme is treated as a primary unit and the total expenditure shown against it.

*Rajasthan.*—The expenditure is shown under primary units only when the total provision under a sub-head is Rs. 2 lakh or more.

*Bihar.*—The expenditure is shown under primary units only when the total provision under a sub-head is Rs. 1 lakh or more.

6. What is now proposed is that the Appropriation Accounts should be presented under Group Heads. These Accounts may in



future give the total Grant, actual expenditure and saving and excess for each Group Head in the Appropriation Accounts instead of showing the details thereof by primary units e.g.—

1960-61

*Demand No. 22—Customs*

| A.—Diretcion. | Final Grant. | Actual Excess Savings |
|---------------|--------------|-----------------------|
|---------------|--------------|-----------------------|

O

R

S

B—Sea Customs Charges at  
the Ports.

O

R

S

*Demand No. 39—Agricultural  
Research*

A 2—Subordinate and Expert  
Staff.

O

R

S

Only broad explanations will be given in the Appropriation Accounts, for the variations under the Group Heads.

7. If this proposal is accepted, it should be possible to reduce the size of the Appropriation Accounts without impairing its usefulness. The accounts so presented will indeed be more intelligible, facts will be more easily accessible and it should be possible to make an intelligent study and a correct application of those aspects of Parliamentary control which the Appropriation Accounts are expected to assist in formulating. There would also be an appreciable reduction in the enormous amount of work that goes on not only in the Accounts Offices but also in the Administrative Offices for the preparation of the Appropriation Accounts. It should also be possible to reduce the cost of printing and of paper which is at present Rs. 30 per volume and which will soon be more if expenditure increases further.

8. This proposal which is only a first step towards simplifying the presentation of Accounts, is by no means, new or revolutionary. It is indeed being followed even today in respect of Central grants pertaining to Capital expenditure of the Central Government and in respect of grants to State Governments. It is only in other cases, primary units are given except that in respect of schemes, a uniform procedure does not appear to be followed.

9. It may be added that while the published Appropriation Accounts will give explanations of variations only by Group Heads.

it is not intended that the Appropriation Registers maintained in the Audit Offices today should undergo any change. In other words, expenditure will continue to be booked under each primary unit of appropriation, but explanations will be called only for variations under Group Heads. It will, therefore, be possible for the Finance Ministry to obtain in any particular case, if they so desire, the exact figures of appropriation against a particular primary unit of expenditure. Further, on the basis of these Registers Appropriation Audit will continue to be conducted as at present and irregular re-appropriations etc. will be reported in the Appropriation Accounts for purposes of Rule 308(2)(c) of the Rules of Procedure and Conduct of Business in Lok Sabha.

10. The approval of the Public Accounts Committee is sought to the proposal contained in para 7 above. It is hoped that, if the proposal is agreed to immediately, it will be possible to give at least partial effect to them in the Appropriation Accounts for 1959-60.

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| Agency No. | Name and address of the Agent  | Agency No. | Name and address of the Agent  | Agency No. | Name and address of the Agent   |
|------------|--|------------|--|------------|---|
| 54.        | C. V. Venkatchala Iyer, Near Railway Station, Chalakudi (S.I.).                        | 68.        | Oxford Book & Stationery Co., Scindia House, Connaught Place, New Delhi.               | 81.        | Mittal & Co., 85-C, New Mandi, Muzaffar Nagar (U.P.).   |
| 55.        | The Chindambaram Provision Stores, Chindambaram.                                       | 69.        | Makkala Pustaka Press, Balamandira, Gandhinagar, Bangalore-9.                          | 82.        | Firma K. L. Mukhopadhyay, 6/1A, Banchharam Akkur Lane, Calcutta-12.                                     |
| 56.        | K. M. Agarwal & Sons, Railway Book Stall, Udaipur (Rajasthan).                         | 70.        | Gandhi Samriti Trust, Bhavnagar.   | 83.        | Freeland Publications (P) Ltd., 11-A/16, Lajpat Nagar, New Delhi-14.                                    |
| 57.        | The Swadesamitran Ltd., Mount Road, Madras-2.  | 71.        | People's Book House, Opposite Jaganmohan Palace, Mysore-1.                             | 84.        | Goel Traders, 100-C, New Mandi, Muzaffar Nagar (U.P.).  |
| 58.        | The Imperial Publishing Co., 3, Faiz Bazar, Daryaganj, Delhi-7.                        | 72.        | 'JAGRITI', Bhagalpur-2 (Bihar).  | 85.        | Mehra Brothers, 50-G, Kalkaji, New Delhi-19.  |
| 59.        | The High Commission of India Establishment Deptt, Aldwych, London, W.T.-2.             | 73.        | The New Book Company (P) Ltd., Kitab Mahal, 188-90, Dr. Dadabhai Naoroji Road, Bombay. | 86.        | The Krishna Book Depot Publishers, Booksellers, Stationers & News Agents, Main Bazar, Pathankot, (E.P.) |
| 60.        | Current Book Stores, Maruti Lane, Raghunath Dada Street, Bombay-1.                     | 74.        | The English Book Depot, 78, Jhoke Road, Ferozepore Cantt.                              | 87.        | Dhanwantra Medical & Law Book House, 1522, Lajpat Rai Market, Delhi-6.                                  |
| 61.        | International Consultants, Corporation, 48C, Marredpally (East), Secunderabad-3 (A.P.) | 75.        | Minerva Book Shop, 9, Jor Bagh Market, New Delhi-3.                                    | 88.        | The United Book Agency, 48, Amritkaur Market, Paharganj, New Delhi.                                     |
| 62.        | K.G. Aseervandam & Sons, Cloughpet, P.O. Ongoli, Guntur Dist. (Andhra).                | 76.        | People's Publishing House, Rani Jhansi Road, New Delhi-1.                              | 89.        | Pervaje's Book House, Book Sellers & News Agents, Koppikar Road, Hubli.                                 |
| 63.        | The New Order Book Co., Ellis Bridge, Ahmedabad  | 77.        | Shri N. Chaoba Singh, Newspaper Agent, Ramlal Paul High School Annex, Imphal, Manipur. | 90.        | B. S. Jain & Co., 71, Abupura, Muzaffarnagar (M.P.).  |
| 64.        | The Triveni Publishers, Masulipatnam.  | 78.        | Minerva Book Shop, The Mall, Simla-1.  | 91.        | Swadeshi Vastu Bhandar, Booksellers, Jamnagar.  |
| 65.        | Deccan Book Stall, Ferguson College Road, Poona-4.                                     | 79.        | Universal Book Company 20, Mahatma Gandhi Marg, Allahabad.                             | 92.        | Bhogilal L. Fanna, Book-stall Contractor, Railway Junction, Rajkot.                                     |
| 66.        | Jayana Book Depot, Chaparwala Kuan, Karol Bagh, New Delhi-5.                           | 80.        | Madhya Pradesh Book Centre, 41, Ahilya Pura, Indore City (M.P.).                       | 93.        | Sikh Publishing House (P) Ltd., 7-C, Connaught Place, New Delhi.  |
| 67.        | Bookland, 663, Madar Gate, Amer (Rajasthan).   |            |  |            |   |

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