

PUBLIC ACCOUNTS COMMITTEE

THIRTY-NINTH REPORT

(THIRD LOK SABHA)

[Appropriation Accounts (Civil), 1962-63 and Audit Report (Civil), 1964 relating to the Ministries of Finance, Rehabilitation, Steel and Mines (Departments of Iron & Steel and Mines & Metals) and Works & Housing and general chapters relating to Appropriation Audit and Control over Expenditure, Grants-in-aid etc. and Audit Report (Commercial), 1964 relating to the Ministries of Finance and Works & Housing.]



LOK SABHA SECRETARIAT
NEW DELHI

April, 1965/Chaitra, 1887(S)

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251	Col.4	7 from bottom	settle he	settle the
256	Col.4	9 from bottom	Append'x...	Append'x XV
261	Col.4	last line	For the existing words read as follows: "when the terms and conditions were embodied in a draft agreement"	
262	Col.4	4	1959. After	1959, after
265	Col.4	8	accumulate	accumulate
269	Col.4	16	accumulat'on	accumulation

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PUBLIC ACCOUNTS COMMITTEE

(1964-65)

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

(iii)

INTRODUCTION

1. The Chairman of the Public Accounts Committee, do present on their behalf this Thirty-Ninth Report on the Appropriation Accounts (Civil), 1962-63 and Audit Report (Civil), 1964 in so far as they relate to the Ministries of Finance, Rehabilitation, Steel and Mines (Departments of Iron & Steel and Mines & Metals) and Works & Housing and general chapters relating to Appropriation Audit and Control over Expenditure, Grants-in-aid etc. and Audit Report (Commercial), 1964 relating to the Ministries of Finance and Works & Housing.

2. The Appropriation Accounts (Civil), 1962-63, Audit Report (Civil), 1964 and Audit Report (Commercial), 1964 were laid on the Table of the House on the 11th March, 1964. The Committee examined these at their sittings held on the 20th, 21st, 27th, 29th, and 30th January and 17th and 19th February, 1965. A brief record of the proceedings of each sitting forms part of the Report (Part II).*

3. The Committee considered and finalised the Report at their sitting held on the 22nd April, 1965.

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

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

6. They would also like to express their thanks to the officers of the Ministries etc. concerned, for the co-operation extended by them in giving information to the Committee during the course of evidence.

NEW DELHI;
April 23, 1965.
Vaisakha 3, 1887 (Saka).

R. R. MORARKA,
Chairman,
Public Accounts Committee.

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

I

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

*Total of Voted Grants and Charged Appropriations and Expenditure:
Para 25—page 25.*

The table given below shows the amount of Original and Supplementary grants and appropriations, the actual expenditure during the year 1962-63 and the savings:—

(In crores of rupees)

	Total Grants Appropriations	Actual Expendi- ture	Savings	Percentage (3 to 1)
Voted Grants				
Original	1,507.16	1,507.61	125.71	7.70
Supplementary	126.16			
Charged Appropriations :				
Original	5,927.52	6,036.62	4.55	0.07
Supplementary	113.65			
TOTAL	7,674.49	7,544.23	130.26	1.70

The percentage of savings in the total grants and appropriations for the 5 years ending 1962-63 is given below:

(In crores of rupees)

Year	Total of Voted Grants and Charged Appropriations	Amount of saving	Percentage
1958-59	6,892	443	6.4
1959-60	7,308	255	3.5
1960-61	7,416	500	6.7
1961-62	7,496	888	11.9
1962-63	7,674	130	1.7

Surrender of Savings.—Under the rules, savings occurring within a Grant/Appropriation are required to be surrendered as soon as the possibility of such savings is envisaged without waiting till the end of the year.

During the year, out of the total saving in all grants and appropriations amounting to Rs. 130·26 crores, a sum of Rs. 108·28 crores was surrendered. Of this, a sum of Rs. 107·12 crores was surrendered in March, 1963.

Excess over Grants: Para 27, pages 26—30.

There were excesses under 15 grants aggregating Rs. 11·66 crores or 9·3 per cent of the total amount of the grants concerned. There were also excesses in three Appropriations aggregating Rs. 0·40 crore. The Committee have examined these excesses and recommended their regularisation by Parliament in the manner prescribed in Article 115 of the Constitution, in their Thirty-first Report (3rd Lok Sabha).

Supplementary Grants/Appropriations, para 26, page 26.

2. During the year, 46 Supplementary grants totalling Rs. 126·16 crores were voted by Parliament. 18 Supplementary appropriations aggregating Rs. 113·65 crores were also obtained for charged expenditure.

In 9 cases, the supplementary provision totalling Rs. 0·47 crore proved wholly or partly unnecessary as the expenditure did not even come upto the original grant or appropriation. In most of these cases, the supplementary provision was obtained towards the end of the year, in February, 1963.

In 37 grants or appropriations, the supplementary provision proved excessive, while the additional funds provided in these cases totalled Rs. 143·05 crores (of which Rs. 134·50 crores were provided towards the end of the year), the amount utilised was only Rs. 99·29 crores.

The Committee enquired as to the type of scrutiny exercised by the Ministry of Finance with regard to supplementary Grants. The representative of the Ministry of Finance stated that in quite a few cases they were not sure even in January as to whether any saving would accrue under the original grant. Thus in order to avoid an excess, which was supposed to be a more serious irregularity, a Supplementary Demand was submitted to Parliament. The administrative Ministries kept on hoping that certain payments would be possible in March but sometimes these did not materialise.

Explaining the case of Grant No. 37—Miscellaneous Adjustments between Centre and State Governments, the representative of the Ministry of Finance stated that certain Acts and Rules were being administered by the State Governments on behalf of the Central Government. While the receipts were credited to the Centre, equivalent amounts were paid to the States as Grants. In this year the receipts were much less than anticipated at the time of obtaining a supplementary grant. As regards Grant No. 55—Privy Purses and Allowances of Indian Rulers, "(in this case the Deptt. obtained a supplementary grant of Rs. 0·23 lakh but the final saving amounted to Rs. 0·35 lakh)" the witness stated that withdrawal of Privy Purses depended on the Rulers. The additional provision of Rs. 23,000 was necessitated by the payment of arrears to the former Ruler of Bastar for the year 1961-62.

The Committee enquired the reasons for the saving of Rs. 414 lakhs in Grant No. 118 the Capital outlay on Currency and Coinage. The representative of the Ministry stated that the mints could not complete the assay of gold received against Gold Bonds and the adjustments were carried forward to the next year. He added that out of gold valued at Rs. 8·6 crores, Rupees 3·4 crores was adjusted in 1962-63 and Rs. 5·22 crores was adjusted in the following year.

On being asked as to why the saving of Rs. 92·79 lakhs anticipated due to non-finalisation of contracts for construction of the building for the Security Paper Mill at Hoshangabad was not taken into account while applying for a Supplementary Grant, the witness explained that a sum of Rs. 7 crores was estimated to be required to cover adjustment on account of Gold Bonds. A saving of Rs. 1·36 crores which was anticipated at that time was taken into account and the Supplementary Demand was restricted to Rs. 5·64 crores only. The Committee regret to note that even in February, 1963 when the supplementary grants were obtained, the Ministry could not assess that they would not be able to complete the assay of gold worth more than Rs. 5 crores before the end of the financial year.

3. At the instance of the Committee the Ministry of Finance have furnished a note (Appendix I) indicating the reasons why the various supplementary grants of 1962-63 mentioned in Appendix VI to the Audit Report (Civil) 1964 proved wholly or partially unnecessary.

Saving in Voted Grants and Charged Appropriations, para 28, page 31

4. (i) The overall saving of Rs. 130·26 crores was the net result of excesses and savings as shown below:—

(In crores of rupees)			
	Savings	Excesses	Net savings
Voted Grants	137·37 (In 123 grants)	11·66 (In 15 grants)	125·71
Charged Appropriations	4·95 (In 35 appropriations)	0·40 (In 3 appropriations)	4·55

The analysis of the savings by grants given in Appendix VII of the Audit Report shows that in 55 grants the savings exceeded 10 per cent of the funds provided and that in 29 of these cases, the savings exceeded 20 per cent.

(ii) It was also noticed that out of the total saving of Rs. 125·71 crores under voted grants, the saving in Grant No. 125—Purchase of Foodgrains (Rs. 21·29 crores), and in Grant No. 36—Grants-in-aid to States (Rs. 17·93 crores) alone amounted to Rs. 39·22 crores as indicated below:—

(a) Purchase of Foodgrains: About 11 per cent of the original provision of Rs. 194·31 crores for the purchase of foodgrains remained unutilised due, it was stated, to less import of rice from U.S.A. and Burma and to non-payment of cost and freight of certain shipments of foodgrains during the year.

(b) Grants-in-aid to States: An analysis of the savings under this grant is given below:—

(In crores of rupees)			
	Original provision	Actual Expenditure	Savings
1	2	3	4
(i) Scientific Departments	4·70	3·22	1·48
(ii) Agricultural Production	11·56	8·58	2·98
(iii) Industries	6·18	5·07	1·11

1	2	3	4
(iv) Other Grants	6.67	5.14	1.53
(v) Central Road Fund Grants	5.50	2.82	2.68
(vi) Others	121.27	113.12	8.15
TOTAL	155.88	137.95	17.93

The Committee enquired as to the extent and type of scrutiny exercised by the Ministry of Finance before a scheme was accepted for inclusion in the budget. The Secretary, Department of Economic Affairs stated in evidence that financial control was exercised in two parts viz., (i) the sanctioning of the scheme itself and (ii) making a budget provision therefor. He added that a budget provision depended not on a recognition of the necessity of the works or the exact cost of it, but a judgment of the amount of expenditure which was likely to be incurred in a specific time span. He further stated that in such matters the Ministry of Finance had generally to be guided by the advice of the administrative Ministries as to their own state of preparedness and how much of the expenditure was actually going to be incurred during the year. The budget provision was made on that basis. If, however, the work did not progress there was less expenditure and resultant savings.

As regards the question of availability of land, the witness stated that for budgetary purposes and for sanctioning of schemes the Ministry of Finance did not examine in detail each case as to where land was available and so on. The Committee invited the attention of the witness to the instructions issued by the Ministry of Finance in August, 1958 and June, 1962 in which proper scrutiny of proposals and schemes by the Ministry of Finance had been envisaged. The Secretary, Department of Economic Affairs stated that no doubt it was of the essence of financial control that the schemes should be properly scrutinised in the beginning both as to scope and as to estimate of cost, and that this kind of scrutiny and passing of schemes took place throughout the year.

He added that as and when a scheme was ready it was presented and if it was of the value of over Rs. 10 lakhs it was examined at a full dress meeting of a departmental Committee presided over by the Secretary (Expenditure), in which not only the justification of

the scheme but the cost of it was examined. In cases where location was itself germane to the economies of the project the same was also taken into account but in a case of the kind where 20 godowns were to be constructed at various places, it might not be necessary. After the administrative approval was given, proposals for making a provision in the budget were initiated when the Ministry concerned took into account the expenditure likely to be incurred in the next financial year. The witness stated that the budget provision included (i) expenditure on works already in progress, (ii) those recently started and (iii) those which are to be started as a result of proposals being initiated and for which sanction was expected. The total expenditure under the three heads was included in the budget proposals. The witness further stated that the nature of scrutiny and judgment exercised in the sanctioning of a scheme was something different from the kind of scrutiny generally exercised when accepting a budget provision. He added that it had been provided in the instructions issued in 1962 that where a scheme was accepted in principle and a pre-project scrutiny was not possible then a lump-sum provision on a rough assessment of expenditure likely to be incurred during the financial year would be included.

The Committee observe, however, that these orders were issued only in June, 1962 and could not have influenced the budget provision made for the year 1962-63 which should have been regulated in accordance with the orders of August, 1958. The Committee would be glad if in the light of the glaring cases of over-budgeting pointed out in this Report (cf. Paras 7 and 9 infra), the necessity for making lump-sum budget provision for schemes without adequate financial scrutiny is reconsidered by Ministry.

5. On being pointed out that in some cases there had been large savings, the Secretary, Ministry of Finance (Deptt. of Expenditure) urged that:—

“On that point, at least in that one year we are in a happy position to say that our estimate was correct within 1·7 per cent in 1962-63 and we are not so badly off. It cannot be said that in 100 per cent of the cases, our procedures are fool proof and fully observed. But the percentage of cases in which this happens is small.”

On being pointed out that the relation of saving to total expenditure met from Revenue was of the order of 5 per cent., the Secretary, Expenditure explained that in a number of cases when the

mode of spending changed, though expenditure might be on the same objective, they were unable to operate the original budget provision and a supplementary grant was necessary. This resulted in a saving in the original budget provision. He added that such savings occurring for technical reasons might be ignored for the purpose of Audit because there was no change in the objective or the amount spent, but only in the head to which the amount was to be debited. He added that in the amount of saving of Rs. 77 crores occurring in the accounts for the years 1962-63 there would be a fair amount of such technical savings. Giving an example, the witness added that a lump-sum provision was first made in respect of Dearness Allowance but ultimately Supplementary Demands were taken under each head and the lump-sum provision remained un-operated.

While the Committee are glad to note that the overall percentage of savings during the year 1962-63 had come down to 1.7 only from 11.9 in the year 1961-62, they find that in as many as 55 individual grants the savings exceeded 10 per cent of the total grants and the percentage in these cases ranged between 10.26 per cent to 70 per cent. In these circumstances the Committee cannot help observing that there is still scope for improvement in budgeting and control over expenditure. Since large savings are indicative of loose budgeting in the sense that these prove the inability of the Departments to spend usefully the funds to the extent anticipated, the Committee would suggest that administrative Ministries should make efforts to frame their estimates more realistically and with a greater degree of precision to avoid a supplementary grant which cannot be utilised.

It was stated in the course of evidence by the Secretary, Department of Expenditure that double provision occurs because of technical reasons, and this really inflates both the sanctions and the savings. The Committee would like the Ministry of Finance to examine the extant procedure in this matter to see if this position cannot be improved upon.

6. The Committee will now deal with a few selected cases of savings under individual Ministries.

APPROPRIATION ACCOUNTS (CIVIL), 1962-63

Ministry of Education

Grant No. 14—Education, page 47—Group-head A. 2.

7. The saving of 99 per cent of the original provision (Rs. 10 to 9 lakhs) under Group-head A.2—Grants to Universities was mainly

due to non-implementation of the schemes for grants for evening colleges and correspondence courses on account of delay in approval by the Expenditure Finance Committee.

The representative of the Ministry of Education stated in evidence that the delay in the approval of the scheme was due to report of the Expert Committee, which had been appointed for the purpose, being received only at the end of October, 1962. The witness admitted that it was an error of judgement to have the budget provision for the scheme made in anticipation of its implementation during the year. The scheme had since been implemented. The Committee were later on informed in a note that this scheme was referred to the Expert Committee in March, 1961.

The Committee regret to note that the budget provision was made for the scheme in anticipation of its implementation during the year as a result of which there was a saving of 99 per cent of the original provision. The Committee also feel that the time taken by the Expert Committee in submitting their report was unduly long.

Grant No. 14—Education, Group-head E.2—Physical Education, Sports and Youth Welfare—page 49.

8. Out of a saving of Rs. 34.72 lakhs, a saving of Rs. 2.20 lakhs was due to less requirements reported by a grantee for promotion of research in Yoga. The representative of the Ministry of Education stated in evidence that the saving was due to slow progress of the construction of a college for training of teachers of Yoga in the case of a grantee. However, at the instance of the Committee, a note indicating the details have been furnished wherein it has been stated that only a part of the savings of Rs. 2.20 lakhs are on account of the less demand reported by one grantee i.e., Vishwayatan Yoga Ashram. As against an allocation of Rs. 1.25 lakhs earmarked for this Yoga Ashram for 1962-63 only a sum of Rs. 27,408/- was actually released during the year due to slow progress in the construction work of Katra Project resulting in a saving of Rs. 97,592. The remaining saving of Rs. 1,29,338/- was attributed to the transfer of the work of implementation of the recommendations of the Committee on Evaluation of Therapeutical Claims of Yoga to the Ministry of Health (Rs. 86,400/-) and to the revision in the pattern of assistance or non-materialisation of proposals under the schemes of Promotion of Research in Physical Education, Preparation of Popular Literature and Promotion of Recreational facilities (Rs. 42,938/-), which could not be anticipated earlier.

In reply to a question, the witness stated that on receipt of certain complaints against the grantee an enquiry had been made into its affairs. The conclusions of the inquiry had not yet been finalised. Out of a total grant of Rs. 3 lakhs sanctioned for the Ashram, the grantee had been paid a sum of Rs. 1.62 lakhs up to 1962-63, besides payment of Rs. 20,000 to Rs. 30,000 per year for 4/5 years for running an institute in Delhi. Pending the enquiry, further audit had been conducted as part of the enquiry and a special audit report had been submitted to the Ministry in December, 1963.

The Committee desired to be furnished with a copy of the Report of Enquiry along with the Audit Report. The Committee have been furnished with a copy of the Report of the Departmental Enquiry into the affairs of the Vishwayatan Yoga Ashram (Delhi and Katra Vaishnav Devi Branches) together with a Supplementary Report. It has been stated in the Report *inter-alia* that:—

“That further enquiry should be taken up without further delay. No further grants should be paid to the Vishwayatan Yoga Ashram till the enquiry is completed and their position cleared. Precautions should, however, be taken to ensure that the buildings constructed at Katra are properly maintained and preserved from damage. Even apart from the allegations of misappropriation etc., there is enough evidence of mismanagement and lack of elementary accounting procedures to warrant the complete stoppage of all grants to the Ashram. This is all the more necessary as the Ashram did not take action to rectify the maintenance of accounts in spite of the warnings issued to them after the first enquiry.”

The Committee note with regret that there are allegations of misappropriation etc. They would like to be informed of the final outcome of the case.

Ministry of Food and Agriculture

(Deptt. of Agriculture)

Grant No. 36—Grants-in-aid to States, Group-head B 8(1)—Agricultural Production, page 21.

9. There was a saving of Rs. 203.30 lakhs due to less requirement from States for State Plan Schemes and a saving of Rs. 55.52 lakhs due to non-start of some of the Centrally sponsored schemes due to

the Emergency and less demands from States. The Secretary of the Ministry stated in evidence that they had made provision in the budget without adequate advance preparation. The result was that many of the matters which should have been thought out in greater detail were not thought out and plan allocation in the first year or so could not be fully utilised until detailed planning was done. The witness added that from their past experience they would now take advance measures so that there would not be any difficulty in the Fourth Plan.

The Committee are surprised to learn that provision in the budget was made without adequate advance preparations. The Committee deprecate such tendencies in the Ministries as this results in unnecessarily inflating the estimates and thereby locking up funds which could be better utilised in other schemes or projects.

Ministry of Finance

Grant No. 36—Grants-in-aid to States, pages 21—24 and Grant No. 122 Capital Outlay on Grants to States for Development, pages 32-33.

10. Savings under these two grants were as follows:

(In lakhs of rupees)				
Grant No.	Total Grant	Expenditure	Saving	Percentage of Saving
36	15,588.05	13,794.87	1,793.18	11.50
122	2,532.00	1,896.07	635.93	25.12

The Committee enquired the reasons for the large amount of savings under these grants. The representative of the Ministry of Finance informed the Committee that major items of savings in grant-in-aid were in respect of agricultural production, central road fund grants, relief and rehabilitation of displaced persons and the provision for assistance to States for natural calamities. He added that the item of agricultural production and relief and rehabilitation would be dealt with by the respective Ministries. It was pointed out that the Ministries concerned had attributed the savings to non-receipt of proper schemes from State Governments. The Committee, therefore, inquired as to what scrutiny was exercised by the Ministry of Finance before sanctioning grants for these schemes. The witness stated that in giving the grants-in-aid to States discussions were held among the representatives of State Governments, Planning Commission, Ministry of Finance and the administrative Ministry concerned,

when the details of the schemes were examined. He added that as regards aids given to States full provision was made in the States Plans but in the course of the year, sometimes, the States were not able to spend on particular schemes.

The Committee further asked whether as a result of their experience of the three Plans the Ministry of Finance proposed any change in regard to the existing procedure and arrangement for giving grants-in-aid to States. The Secretary to the Department of Expenditure stated that though in certain schemes there could have been a shortfall in the physical targets achieved there had been an all round physical progress. He further added that the targets laid down had been achieved with the same amount although there had been some delay in their achievement. As regards the procedure being followed for giving grants-in-aid to States, the Secretary, Department of Economic Affairs further explained that until 1958 the Central Government actually used to scrutinise every scheme from the States before sanctioning the grant. This procedure was, however, claimed to be most cumbersome and it was claimed that it was halting all progress in the States. As a result the present system was evolved according to which amounts were given after discussions with the Planning Commission and others for a definite purpose i.e. under a head of development. He added that once the money was given either as a grant or loan the duty of the Centre was to see broadly that it was spent for the purpose for which it was given. The witness further informed the Committee that the decentralisation had gone too far and in effect the dues of the States were demanded in the beginning of the year and credited month by month subject to adjustment later on. Complaints were then received that in each State various priorities were not being observed. Although the money was spent on development there were certain areas of development which were neglected. Therefore, the witness added stringent rules had been laid down last year against diversion of funds from priority heads to non-priority heads. The Committee were further informed by the C. & A. G. that up till now there was no system by which it could be checked that the amounts of money given by the Central Government to States as Grants or Loans were spent for the purpose for which they were meant. It had since been decided that the Central Government would communicate to the C. & A.G. the heads of Development under which grants are given. This system will be introduced with effect from 1st April, 1965. He added that as the particular schemes on the basis of which grants were given to States are not furnished to Audit there was no check if the States changed the items within the major head of development.

The Committee are unable to understand why these schemes were not received from State Governments when they were already examined by the representatives of the State Governments, Planning Commission, Ministry of Finance and the Administrative Ministry concerned. It appears that there is scope for better coordination amongst the various authorities concerned so as to achieve better results.

The Committee would also like to watch through future Audit Reports the working of the new system (to be introduced from 1st April, 1965) with regard to the verification by Audit of the utilisation of the amounts given by the Central Government to the States as grants or loans.

Ministry of Food and Agriculture

(Department of Food)

Grant No. 126—Other Capital Outlay of the Ministry of Food and Agriculture, Group-head B.I.—Construction of Food Storage Godowns, page 88.

11. The saving of more than 48 per cent of the original provision was stated to be due to (i) less expenditure than anticipated on the construction of works (Rs. 307.16 lakhs) (ii) non-availability of land and postponement or abandonment of the construction of storage godowns owing to change in the works programme.

The representative of the Ministry stated in evidence that the broad reason for the non-utilisation was a change in the programme of construction, the difficulty in obtaining sites and the delay in taking up the construction of flat storage godowns. In reply to a question, the witness stated that originally the estimate was made on the basis of certain designs, particularly with regard to the flat storage godown. The flat godown involved the use of foreign equipment for which they had to go in for global tenders. When they went for global tenders some alternative designs were submitted which required further scrutiny. Some of those designs would have involved less cost than that which was originally estimated. All that process did take time and there was delay.

At the instance of the Committee a detailed note on this subject has been furnished by the Ministry. (Appendix II). The Committee find from the note that the various factors which had retarded the pace of construction were; (i) change in the programme of construction of godowns (ii) delay in getting possession of the land for the construction of godowns (iii) delay in the finalisation of the designs

to be adopted for the flat storage godowns and the consequent hold-up in the construction work (iv) delay in the progress of construction work by the C.P.W.D. due to non-availability of materials and (v) miscellaneous reasons such as delay in sanctioning expenditure on lorry weigh-bridges, postponement of construction of railway sidings and non-receipt of debits and claims.

The representative of the Ministry of Finance had also stated in evidence about the saving in this particular case that after a certain number of godowns had been decided upon the matter was considered further as to the location of the godowns viz. whether these should be in the surplus areas where grain was procured or in the deficit areas where they could be considered convenient for distribution. As regards the question of availability of land the witness stated that for budgetary purposes and for sanctioning of schemes the Ministry of Finance did not examine in detail each case as to where land was available and so on.

The Committee find from the note furnished that as many as 10 centres for the construction of the godowns had to be dropped due to various reasons. In some cases it was found later on that some other site was more suitable and in one case the proposal was dropped as construction at the site was later on found unnecessary. What the Committee do not understand is how original proposals for the construction were made when subsequently they were not found to be feasible. This only indicates that the schemes were sanctioned without a detailed scrutiny involving various problems connected with them.

The Committee also note that in November, 1961, the Ministry accorded approval for inviting global tenders, in the first instance, for the construction of flat storage godowns at only three centres, namely, Manmad, Borivilli and Kanpur as their intention was to finalise the designs and the handling equipments for the godowns on the basis of the tenders received, before progressing the construction proposed at the other three centres at Jinjirapole, Kandla and Ahmedabad. If as stated by the Ministry, construction of flat storage godowns was being taken up for the first time in the country, and a beginning was to be made with three centres in the first instance, the Committee fail to understand why budget provision was made for the other centres before the results of the three centres were known.

As regards non-availability of land in time, the Committee have been informed year after year about the delay in acquiring land.

They would desire this matter to be taken up with the State Governments and other authorities concerned so that this delay could be reduced to the minimum extent possible.

Ministry of Health

Grant No. 47—Other Revenue Expenditure of the Ministry of Health, Group-head B. 2—Grants-in-aid, Contributions, etc., page 91.

12. The saving of Rs. 28·89 lakhs (41 per cent of the original provision) was mainly due to (i) non-implementation/slow progress of schemes of flood control and similar calamities (Rs. 17·50 lakhs) and (ii) economy effected in widening of roads on account of the Emergency (Rs. 9·55 lakhs).

Asked to explain the non-implementation of the schemes of flood control and similar calamities in Delhi which resulted in a saving of Rs. 17·50 lakhs out of a provision of Rs. 35·37 lakhs, the representative of the Ministry of Health stated that the saving occurred as a result of non-implementation of some schemes earmarked for execution by the Corporation. He added that it was partly due to lack of material and personnel and partly due to the fact that the schemes were not sanctioned expeditiously.

The Committee feel unhappy that some important schemes such as relating to flood control and similar calamities in Delhi could not be implemented by the Corporation partly due to lack of material and personnel and partly due to the fact that the schemes were not sanctioned expeditiously. This in the opinion of the Committee disclosed a sorry state of affairs and lack of coordination which affected ultimately the public in general. The Committee desire the Ministry of Health to investigate such failures and to ensure that important schemes like flood control measures for the Capital do not suffer owing to lethargic approach of the authorities concerned.

Ministry of Steel and Mines

(Deptt. of Mines and Metals)

Grant No. 77—Geological Survey, Group-head A—Directorate, page 122.

13. The saving was due to (i) a number of posts required for Plan Schemes remaining unfilled during the year consequent on the delay in the issue of sanction of posts and non-availability of suitable technical personnel and equipment (Rs. 25·23 lakhs); (ii) non-procurement of machinery from foreign countries due to (a) delay in getting

technical clarifications (Rs. 5.42 lakhs), (b) delay in finalisation of contracts and lack of shipping space (Rs. 6.00 lakhs), (c) stoppage of supplies to Civil indentors on account of the Emergency (Rs. 20.00 lakhs) and (iii) non-procurement of stores on account of acute shortage of shipping space and non-adjustment of debits (Rs. 13.02 lakhs).

The Committee desired to know the reasons for the large variation between the provision and utilisation of the amount. The representative of the Ministry stated that the total saving under the grant was Rs. 75 lakhs. 50 per cent of the saving was due to non-recruitment of staff for various reasons and other 50 per cent was the cost of the equipment which could not be procured and paid for within the financial year. A sizeable portion of the equipment could not be procured because the dates mentioned against the Accepted Tender could not be adhered to by the supplier. The total amount involved in the purchase of machinery was Rs. 44.44 lakhs. In reply to a question, the witness stated that equipment worth Rs. 20 lakhs which were mostly jeeps was not made available to Geological Survey of India for reasons of emergency. About Rs. 8 lakhs worth of equipment was not obtained because of reasons of delays in raising debits for payments and also delay in shipment. The witness gave an instance of Soviet drilling equipment for which the contract was concluded in September, 1962, but due to acute shortage of shipping space, shipment did not take place and that one item accounted for Rs. 4 lakhs. In reply to a question, the Secretary stated that the equipment was ready for shipment by February, 1963.

The Committee has been furnished with a statement showing the vehicles ordered through D. G. S. & D. during 1962-63 and their number, type, price, etc. (Appendix III).

The Committee regret to note that a sizeable portion of the equipment could not be procured because the dates mentioned against the accepted tenders could not be adhered to by the supplier. They also find from the statement furnished about procurement of vehicles through D.G.S. & D. that there has been delay in supplying the vehicles in every case. The Committee would like that steps are taken to ensure that such delays are avoided.

14. As regards saving due to non-recruitment of staff, the Director, Geological Survey of India stated two reasons viz. non-availability of suitable technical personnel and delay in the issue of sanctions. In reply to a question the witness stated that the technical people were not available both in the gazetted and non-gazetted side. On being asked whether it was due to the fact that the

pay scales were not attractive, the witness stated that they were not getting any candidates even for Assistant Drilling Engineers and added that obviously the pay scales were not attractive.

He added that the U.P.S.C. informed them recently their inability to recruit candidates for the post of Assistant Drilling Engineers in the present scales of pay and that if suitable candidates were to be attracted the pay scales and prospects had to be improved especially in that category. On being asked whether the non-recruitment of technical personnel had affected the organisation, the Comptroller and Auditor General pointed out that the target to be achieved in drilling during 1962-63 was 55,730 metres as against that they had done only 28,290 metres. The representative of the Ministry added that due to lack of trained personnel such as drilling engineers, the drilling target was behind schedule. In reply to a question, the Secretary stated that the sanction was given after the beginning of the Third Plan and after that the usual rules of Government were being followed. It was only now that they had found it difficult to get personnel on the sanctioned scale of pay. In reply to a question the representative of the Ministry stated that the sanction had to be in relation to the investigations which were taken in hand from time to time and the staff had to be brought in only when the equipment arrived and the prospecting was taken up.

On being asked about the delay in issuing sanctions, the Secretary stated that the budget provision was made much before the beginning of the financial year. Proposals received from the Geological Survey of India were processed in the Ministry as well as in the Ministry of Finance. Formal sanction could be issued only a little later after the commencement of the year. The witness added that the other point was that many of the posts for which sanctions were issued previously were lying vacant and therefore, there was no point in issuing a sanction.

The Committee consider it unfortunate that due to lack of technical personnel the work of the Geological Survey of India had been affected and against the target in drilling of 55,730 metres during 1962-63 only 28,290 metres of drilling could be done. It appears to the Committee that people with the technical knowledge are available but they are not attracted to the posts offered by the Ministry owing to the pay scales not being attractive. The Committee would, therefore, suggest that the Ministry in consultation with the Ministry of Finance should consider urgently as to what should be the appropriate pay scale for the post of Assistant Drilling Engineers and take a decision accordingly so that the work of the organisation does not suffer.

EXPENDITURE OF ITEMS OF "NEW SERVICE"

Ministry of Education

Grant No. 14—Education, para 29(i), pages 34-35

15. In order to promote the welfare of the teachers generally and to alleviate distress among teachers and their dependents in indigent circumstances, Government formulated a scheme in July, 1962 and set up a "National Foundation for Teachers' Welfare" under the Charitable Endowment Act, 1890. A contribution of Rs. 5 lakhs was made by Government to the Foundation during the year 1962-63. The contribution constituted expenditure on a 'New Service' but no specific provision for this expenditure had been made in the Budget, and the expenditure was met by reappropriation of savings within the grant.

The Ministry have stated that originally a sum of Rs. 1 lakh had been released on the assumption that "sanctioning of grants to Voluntary Organisations engaged in the field of Education was a normal activity of the Government. Subsequently, when considering the release of the balance grant of Rs. 4 lakhs... it was finally held that since an expenditure of one lakh had already been incurred and the entire expenditure could be met out of the savings, there was hardly any need to seek a token or supplementary grant for the purpose."

The Committee enquired the justification for not obtaining the approval of Parliament through a supplementary (or token) grant for making a contribution of Rs. 5 lakhs to the National Foundation of Teachers' Welfare, which, according to Audit, was a "new Service". The Secretary (Education) stated that the Ministry had also some doubt in the matter but it was finally decided that the expenditure did not relate to a "New Service." The Ministry regarded making this payment as a part of their normal activity of issuing grants to voluntary organisations in the field of education. Accordingly, considering the laudable objective of the scheme, it was decided to pay the first instalment of Rs. 1 lakh (out of the total grant of Rs. 5 lakhs) to the Foundation immediately in order to stimulate contributions from State Governments. As savings were anticipated in the grant, the second instalments of Rs. 4 lakhs was also paid out of the savings. The Committee enquired whether the payment of a grant to the Foundation which had been newly set up at the Government's initiative was not different from payments made to the already existing voluntary institutions. The Secretary (Education) stated that the improvement of the conditions of service of teachers or improvement of their status was considered a continuing normal function of Government. To a question whether it was the accepted policy of the Government to help

both Government and private teachers and their dependents in indigent circumstances, the witness replied in affirmative and cited another scheme entitled the National Awards for teachers which was also applicable to all teachers. The Committee pointed out that the introduction of the National Awards had been classified as a new service, and that helping the distressed teachers and their families was to expand the field of the normal Government activity. This expansion of policy required approval of Parliament as a 'New Service'. The Secretary (Education) stated that it was quite possible that the Ministry's view was erroneous.

Asked if the Ministry of Finance had agreed that the expenditure did not constitute a 'New Service', the representative of the Ministry of Finance stated that while agreeing to the release of the first instalment of Rs. 1 lakh the Finance Ministry were not sure whether it should be treated as a 'New Service'. Later, when the proposal for the second instalment of Rs. 4 lakhs was received, the matter was referred to the Budget Division. They advised that since an expenditure of Rs. 1 lakh had already been incurred, there was no point in obtaining an advance from the contingency Fund. The Ministry of Education were, therefore, advised to meet the expenditure out of the savings in the grant without obtaining a specific vote of Parliament.

In reply to a question, the Secretary (Education) stated that the fund had not been utilised so far. It had been proposed to utilise the income and interest from the fund for helping teachers after building a corpus of Rs. 5 crores. The amount actually collected so far was about Rs. 38 lakhs, of which about Rs. 8 lakhs had been contributed by the Central and State Governments and the rest came from private sources. Owing to the Emergency, the response from public had been below expectations. It had been recently decided by the Governing Body of the Foundation to start using the fund to certain extent after the next teachers' day i.e. 5th September, 1964.

The Committee are unable to accept the reasoning of the Ministry of Finance that since an expenditure of Rs. 1 lakh had already been incurred, there was no point in obtaining an advance from the Contingency Fund. The Committee are of the view that the advice given by the Ministry of Finance to the Ministry of Education for meeting the expenditure on National Foundation for Teachers' Welfare out of the savings within the grant without obtaining a specific vote of Parliament was not correct. While the Committee fully appreciate the laudable object of the scheme to promote the welfare of the teachers generally and to alleviate distress among teachers and their dependents in indigent circumstances, they feel that this was an expansion of the field of normal Government activity and as such, the scheme should have been treated as a 'New Service.'

Ministry of Finance

(Deptt. of Revenue)

Grant No. 34.—Other Revenue Expenditure of the Ministry of Finance—para 29 (ii), page 35

16. The Gold Board was set up under the Defence of India (Amendment) Rules, 1963 and a provision of Rs. 1 lakh was made in 1962-63 by re-appropriation. According to Audit, since the expenditure was on a 'New Service', a token supplementary grant should have been made.

The actual expenditure booked in the accounts during the year amounted to Rs. 16,790; a further amount incurred during the year by the Reserve Bank on behalf of the Board (amount not known) remained unrecovered to the Bank during the year.

The Committee inquired as to how the setting up of the Gold Control Board was not considered as an item of 'New Service', the Secretary, Deptt. of Expenditure stated that the Gold Control Board was a part of normal activity. The Board was not a statutory body but set up by rules and executive authority.

He added that the expenditure involved was small and was only for a short period. Moreover, the fact (about the setting up of the Board) was also placed before Parliament on two occasions in January and February when the Demand was passed. On being pointed out that the setting up of the Board was not contemplated in the annual financial statement placed before Parliament and that a supplementary grant was necessary the representative of the Ministry stated that the function of the Board was only enforcement of the Gold Control Rules under the D.I.R. The executive agency for this was the Central Excise Department. The Board was only a Committee of officers set up at the Head Quarter to lay down the principle on which the Central Excise Department was to function. It was not purchasing or selling gold. The Secretary added that it was only an administrative measure and that they had not even recruited large new staff but taken only a few officers from the Reserve Bank. He further added that the need for the setting up of the Board was discussed in Parliament during the discussion on the Gold Control Rules. Thus, he added, even if it were a 'New Service' though the condition was not technically complied with, in essence Parliament had been kept fully informed.

The Committee do not accept the view that the setting up of the Gold Control Board was a part of normal activity. It was definitely a 'New Service' for incurring expenditure on which a token grant of Parliament should have been obtained.

Ministry of Health

Grant No. 46—Medical and Public Health, para 29 (iii), page 35

17. During 1959-60 to 1962-63, grants amounting to Rs. 72 lakhs were paid by the Ministry to six private medical colleges mainly for the construction of building and purchase of equipment. The provision in the Budgets of the respective years had been made only for grants to State Governments for medical colleges.

According to Audit, as no specific budget provision had been made in these years for releasing direct grants to private medical colleges and as such grants had been given with reference to the savings envisaged in the provision made in the Grant for other objects, the expenditure in question constituted a 'New Service' and should not have been incurred without a specific vote of Parliament. The Ministry have stated (February, 1964) that the nature of scheme "did not change when it was applied on *ad hoc* basis to assist private medical colleges to achieve the objective of expansion of medical education in the country" and that "the question of giving some *ad hoc* financial assistance to some of the private medical colleges was taken up in the respective years only when some savings were in view."

The Committee desired to know as to how grants were given to private medical colleges even though the original grant was for State Governments. The Secretary, Ministry of Health stated that this was not viewed as a 'New Service' because it related to medical education which although generally given in State established colleges, was also given in some private medical colleges. Since Government was interested in maintaining proper standards in those colleges, assistance was given to them when found feasible, and Government thought it fit to assist them when they were in difficulties. He added that it was viewed as an extension of an existing service and not a "New Service". Asked whether the diversion of the grants meant for State Governments for their medical colleges to private institutions was not against Parliament's authority, the witness replied that there was no such specific condition attached to those grants and the grants given to private medical colleges were only out of savings in the Budget. The witness added that the Ministry of Finance had been consulted and they had advised that funds from the savings could be diverted for giving grants to private medical colleges and for that purpose a new sub-head—Grants to private institutions for medical education, under major head 19 was opened.

The Committee enquired whether in the reference made to the Ministry of Finance it was made clear that grants were to be given to private medical colleges. The witness replied in the affirmative, and stated that that was why subsequent to that, a separate sub-head was opened so that at least in future it could be brought to the notice of Parliament. Explaining the change in the Government's policy in regard to grants to private colleges, the Secretary, Ministry of Health informed the Committee that a Committee of the Central Council of Health was set up to examine the position regarding these private medical colleges and the circumstances under which grants should be given to them. That Committee had recommended that State Governments should try to take over the existing private colleges during the 4th Plan as far as possible. The witness stated that if any grants were to be made, the vote of Parliament would be obtained directly in future.

The Committee do not appreciate the advice given by the Ministry of Finance in this case for diverting funds from the savings for giving grants to private medical colleges. The fact that subsequently necessity was felt of opening a separate sub-head so that at least in future the expenditure could be brought to the notice of the Parliament would also confirm the Committee's view that the expenditure on this account should have been treated as a 'New Service.'

18. The Public Accounts Committee (1957-58) in para 392 of their Seventh Report (Second Lok Sabha) considered a case which occurred in the State of U.P. relating to an expenditure which was considered to be a 'New Service' after the close of the year (Appendix IV). The Public Accounts Committee (1961-62) again considered this matter further (Appendix V) in order to see what procedure should be adopted in order to regularise such expenditure by the Legislature. After considering the question in detail, the Committee came to the following conclusion:

"The Committee are of the opinion that as in the Pre-Constitution days, such cases can be brought before Parliament for approval, without violating any of the provision of the Constitution, by moving a resolution in appropriate terms and getting its approval *ex-post-facto* to the money spent on such items. However, in cases where by incurring such expenditure the amount authorised by Parliament for a particular demand (Service) for that year has been exceeded the provisions of Article 115(1) (b) of the Constitution will be attracted and

the excess will have to be regularised under those provision." (Para 82 of Forty-second Report Second Lok Sabha).

The Public Accounts Committee (1963-64) in para 12 of their Twenty-Fifth Report (Third Lok Sabha) have also dealt with a case of such a new service wherein they had recommended regularisation of the expenditure in the manner recommended by the P.A.C. in their Forty-Second Report. The Committee had also desired Government to expedite their decision with regard to the procedure recommended by the Committee. The Committee have been furnished with a note by the Ministry of Finance (Department of Economic Affairs (Appendix VI) which states as follows:

"The present Attorney-General has concurred with the view expressed by his predecessor on 17th May, 1958 that having regard to the express prohibition in Article 114(3) of the Constitution, and this prohibition also applies equally to Articles 115 and 116, the expenditure incurred on a 'New Service' which is not covered by a valid appropriation but which does not cause an excess over the grant cannot be regularised by means of a Parliamentary Resolution, as contemplated by the Committee. The Attorney-General has also observed that the legislative function of permitting or validating expenditure from the Consolidated Fund of India can be performed only by following the procedure laid down in Articles 112 to 116 of the Constitution and not in any other manner, such as by a Resolution of the Parliament; nor can a Parliamentary Resolution condone the illegality and validate irregular expenditure. The Attorney-General has also explained why the pre-Constitution procedure to which the Committee have referred, cannot be followed.

In view of the constitutional position explained above, and pending the amendment of the Constitution for providing expressly for the regularisation of such technical excesses, by appropriation by law, the object that the Committee have in view would perhaps be served by bringing such instances specifically to the notice of the Parliament in their Reports."

In view of the legal opinion expressed it appears that the regularisation of an expenditure on a New Service which is adjudged as

such after the close of the year cannot be made by resolution of Parliament. In the circumstances, the only alternative to get over this lacuna appears to be to make a suitable amendment to the Constitution laying down a procedure for regularising expenditure on a New Service not covered by the grant. The Committee desire the Ministry of Finance to initiate action accordingly in consultation with the Ministry of Law and the Comptroller and Auditor General at an early date.

II

MINISTRY OF FINANCE

Payment of Commitment Charges—Para 100, pages 138-139.

19. Government entered into an agreement with the International Bank for Reconstruction and Development on 9th August, 1961, for a loan equivalent to 35 million dollars in different currencies for meeting a part of the foreign exchange (equivalent of 60 million dollars) for purchasing coal mining machinery required for the maintenance and expansion of coal production by the private sector in India. In accordance with the terms of the agreement, the withdrawals against the loan amount should have been completed by the 31st July, 1963 with the exception of an amount equivalent to 5 million dollars (required for the opening of new mines), which could be drawn upto 30th September, 1965.

As the withdrawals from the loan account commenced only from January, 1963, Government had to pay commitment charges of Rs. 20.04 lakh in dollars upto May, 1963 on the undrawn balances of the loan from time to time at the rate of 3/4 per cent per annum; the total amount drawn as loan upto July, 1963 amounted to only \$36.329.

The Ministry had informed Audit that the slow utilisation of the loan was mainly due to the difficulties experienced by the Industry in securing the necessary matching rupee finance. In order to resolve this difficulty, Government devised with effect from 1st April, 1963, a Bank Guarantee Scheme for the grant of loan by Banking Institutions to the colliery undertakings. Government decided further in April, 1963 to increase the development rebate on the new machinery and equipment for coal mines from 20 per cent to 35 per cent. It had been reported that with this concession the rate of ordering increased appreciably and that the total orders placed till December, 1963 were of the value of Rs. 13 crores against the total loan of about Rs. 17 crores. The Ministry had also stated that the Bank had agreed to extend the closing date to 30th September, 1965 for the drawal of amounts which under the original loan agreement was 31st July, 1963.

In evidence before the Committee the Secretary, Department of Economic Affairs stated that the loans although negotiated "on a consolidated basis" by the Government of India, were meant for a large number of private collieries and each one had to complete its scheme,

- make arrangements for the rupee finance, order the equipment and then draw the loan. All this took time and the Government was compelled to ask for extension of time for the utilisation of the loan. He added that it was expected that by now orders had been placed by the Collieries practically for the whole of the amount and that as and when the orders materialised, the amount would be utilised.

The Committee enquired whether there was any other reason for the slow utilisation of the loan besides the three reasons given to audit viz. (i) without the equipment the production had increased during the Emergency (ii) there was depression in the coal industry and (iii) the reduction to the prices of coal. The Secretary, Economic Affairs stated that generally speaking all the three reasons boiled down to the fact that the individual collieries were not as enthusiastic about the schemes as they were in 1961, when negotiations were started. Further some of the collieries were faced with their own financial difficulties and the problem of finding matching rupee finance was one of them. On being pointed out that the collieries were faced with these difficulties, even before the loan was negotiated, the witness stated that before the application for loan was made, the Ministry concerned had detailed discussion with all the intending users and all of them gave the assurance to the Ministry that they would be in a position to use the loan.

Asked if any assurance was given to the collieries that rupee finance would be found for them, the representative of the Ministry of Finance stated that so far as the rupee finance was concerned, the Government were assured that the collieries would be in a position to find matching rupee finance from their own resources or from local banks. The witness added that the schedule of requirements was discussed by the negotiating team on which the industry was represented but there was no written commitment.

In reply to a question whether at the time of negotiating the loan payment of commitment charges was anticipated, the witness stated that it was not anticipated for such a long period. It was anticipated that charges would have to be paid upto 1962-63. On being asked about the amount calculated at the time, the Secretary stated that no such calculation was made at that time. He added that the payment of commitment charges was not an unknown feature and it was to be taken as general assistance to industry and part of the plan of resources mobilisation. He added that Government would have no legal claim to ask them to make good the loss, unless it was done by way of a special tax. He further informed the Committee that the Government had been continuously impressing upon them the necessity of utilising the loan.

The Committee enquired why it was not brought to the notice of the negotiating team that certain commitment charges would necessarily have to be paid by Government because there would be delays in the withdrawal of loans and that they would be liable to pay the same. The Secretary, Economic Affairs stated that as the delay was accepted as inevitable, Government took it as a matter of assistance to the industry.

The Committee pointed out that Government would not have had to incur this loss if loan arrangements could be made directly between the collieries and the World Bank. The Secretary, Deptt. of Revenue stated that the World Bank would deal with only Governments for such loans meant for a general group. The Secretary, Deptt. of Economic Affairs added that the World Bank did not recognise any private body. There had been cases in which there were direct loans from the World Bank to a particular industry. But all those direct loans had to be guaranteed by the Government of India and the schemes had to be studied by the World Bank. But in this particular case, the World Bank would not handle the case of a hundred collieries, nor could Government satisfy itself about the economic position and solvency of all these collieries individually and guarantee loans to each one of them.

On being pointed that the Government could have given the loan obtained from the World Bank to the Collieries on the same terms and conditions plus a bank guarantee to safe guard its position against the collieries, the Secretary, Economic Affairs Department stated that in that case it would have meant even greater contingent burden because about a hundred loans would have to be processed over the next fifteen years and out of the hundred loans many might become irrecoverable.

The representative of the Ministry of Mines and Metals informed the Committee that the Industry had given an assurance that they would find all necessary rupee resources for utilising the foreign exchange made available. In reply to a question, the witness added that the assurance was a verbal assurance and the whole thing was discussed across the table. He added that the industry was given certain concessions in price and indirect subsidies, development rebate etc. and all these concessions cumulatively were to provide internal resources for them. He further stated that the loan was given in five categories. The first category was development of new mines, but the coal industry did not have new projects and

so loan amount of about Rupees one crore and odd could not be utilised. The World Bank had agreed to transfer the amount to other categories like maintenance and expansion.

On being asked as to what was the point in entering into a loan agreement with the World Bank and paying Commitment charges, when the Department knew that the private sector would not be able to utilise the loan for new mines, the witness stated that at the time negotiation, the private sector had asked for provision also under that category. But later on, the coal found was of inferior quality and several new projects were dropped.

The Committee are a little surprised at the view expressed by the Secretary, Ministry of Finance (Deptt. of Economic Affairs) that commitment charges were not an unknown feature and it was to be taken as a general assistance to industry. By this slow utilisation of loan amounts and payment of commitment charges neither the government nor the industry got any benefit. They are unhappy to note that the negotiating team did not examine the schemes of the collieries and only went by their verbal assurances and commitments. Had a proper scheme been prepared, time schedules laid down and the ways and means position of the individual collieries to finance the schemes gone into the contingency of entering into a loan agreement for such a large amount to be drawn within a short period of time and the consequential payment of commitment charges would have been avoided. It is also regrettable that assurances from the collieries were not obtained in writing nor was any condition imposed that in case of abnormal delays or failure on their part they would be liable to compensate the loss sustained by government by way of payment of commitment charges. The Committee regret to note that a huge amount of Rs. 31.38 lakhs is spent by way of commitment charges which did not benefit anybody, but depleted the Foreign Exchange resources. In the view of the Committee this loss was avoidable if the financial position of the collieries had been examined at the proper time.

Secondly the Committee are surprised at the nature of the transaction wherein apart from the commitment charge there would be an annual loss to the government to a substantial extent. Under this arrangement Government pays interest on the loan to the World Bank at the rate of 5½ per cent while they receive from the industry the total amount of the loan in rupees. Assuming that Government's borrowings in India are reduced to this extent, the saving of interest charges will be about 4 per cent as against the higher rate paid on the foreign loan plus commitment charges. In the present case, the annual loss will come to about Rs. 30 lakhs approx. in addition

to the commitment charges of Rs. 20.04 lakhs already incurred upto May 1963. On the other hand the industry has to raise the rupee amount at much higher rate from Bank against the cover of a Government guarantee to the extent of 70 per cent on the total amount so borrowed.

The Committee are not happy about this arrangement which neither benefits the industry nor the Government while the exchequer suffers to the extent of the difference of additional interest payable on the foreign loan and the commitment charges as well. They would like Government to examine whether they cannot in this and other similar cases devise a suitable arrangement by which an organisation representing the coal industry or a group of collieries could take the loan direct from the World Bank on the guarantee of the Government; in this way the burden on Government will be practically nil while the collieries will bear interest charges as well as commitment charges if any and will not have to raise loans from Indian Banks at higher rates. In cases where the World Bank is not in a position to give loans directly to the Industries concerned, and the Government has to step in as an intermediary, Government should make available the foreign loans received to the parties concerned on such terms and conditions as will not result in a loss to the public exchequer.

It has been further stated in evidence that there was a depression in the coal industry and the collieries were not enthusiastic about the schemes as they were in 1961. The Committee trust that proper steps would be taken to see that the loan amounts are utilised for productive purposes without further delay.

Emergency Risks (Good/Factories) Insurance Scheme, para 128, pages 159-160.

2). The Emergency Risks (Goods) Insurance Act, 1962 and Emergency Risks (Factories) Insurance Act, 1962 provide for compulsory and, in certain cases, optional insurance against emergency risks. The schemes came into force with effect from 1st January, 1963.

The Insurance premia and other receipts under these schemes are to be credited as revenue to the Government and may after due appropriation made by Parliament by law on this behalf be transferred to a Fund.

In December, 1962, Messrs Oriental Fire & General Insurance Co. Ltd., Bombay were appointed as Government Agents for these Schemes and the terms and conditions of their agency were stated

to have been finalised only on the 3rd December, 1963. The following points had come to notice:—

- (i) No initial records were being maintained by the Department and the figures booked in the Accounts Office had not been reconciled so far with the amounts of premia due to be received against policies issued.
- (ii) The schemes as notified did not provide for preliminary or final assessment of the property by Government officers or by the Government Agent before the premia were paid into the Treasury or before the issue of policies by the Government Agents. No demand notices were served on the persons liable to pay the premia and the records of the Government Agents had not been subjected to inspection by Government Officers.
- (iii) The Acts provided for appointment of persons who would be responsible to ensure compliance with the provisions of the Act but this had not been done so far.
- (iv) Under the Rules, it was the primary responsibility of the departmental authorities to see that all revenue or other debts due to Government, which were to be brought to account were correct and properly assessed, realised and credited to Government accounts. The Department had not yet framed detailed regulations and procedure or set up machinery to enforce compliance with the provisions of the Act and to ensure that evasions did not occur.

The Ministry had explained to Audit in December, 1963 that in view of the temporary nature of the schemes, no organisation could be or was created at the Centre for enforcing these schemes or for the maintenance of initial accounts. They further proposed:

- (i) to subject the figures of the premium receipts or the expenditure adjusted against the two funds upto the 31st December, 1963 to a scrutiny and review, in the light of the statistics or other information available with the Oriental Fire & General Insurance Co. as the Government agent; and
- (ii) to review the position again after some time, when some progress had been made in dealing with cases involving evasion and the subsequent assessment or collection of the premium amounts which had been evaded.

The Committee enquired in evidence as to why was a country wide scheme introduced without setting up a proper machinery to ensure that all factories which fell within its scope paid the correct premia and took out policies as required by law. The Secretary, Company Law Administration stated in evidence that the scheme was introduced as a result of the emergency. He added that some of the Companies, particularly in the forward areas were not in a position to get their normal loan facilities from the banks as they (Bankers) would have been prepared to accommodate them only if there was a country-wide war risks insurance. In those circumstances, Government had very little time, at their disposal. At the same time, the witness added, it was realised that a complete separate machinery for implementation of the scheme would be very expensive. So in the early part of 1963 the State Governments were approached to see if they could take over the responsibility of implementing the schemes. As the response from the State Governments was not very encouraging, in December 1963, it was decided that this work should be entrusted to the Rehabilitation Finance Administration. A notification to this effect was issued in April, 1964. There was thus a time-lag of 16 months.

As regards evasion of the law, the witness stated that in certain cases, some companies, which in the first rush of emergency were prepared to take out risk insurance and paid the premium for the first quarter, did not follow by paying the premia for the remaining quarters. Apart from this, there were other companies who had not paid any premia at any stage. Asked whether there was any machinery-department or organisation in the R.F.A. to enforce the provisions of the scheme, the witness stated that the R.F.A., had to-date inspected 722 establishments and 332 factories. They had detected evasion in respect of goods in 76 cases and in respect of factories in 35 cases i.e. more than 10 per cent. They had also detected under-insurance in respect of goods in 100 cases and in respect of factories in 158 cases i.e. more than 50 per cent.

The witness further informed the Committee that the R.F.A. did not even at present have adequate machinery to deal with the problem fully. Recently the Government had suggested to the Institute of Chartered Accountants that as a part of their regular audit of the companies they should look into and draw special attention in their audit report to any cases of non-payment or under-payment of premia, and they had agreed to this. He added that this would bring a sizeable portion of evasion to the notice of Government.

On being pointed out that no initial records were being maintained by the Deptt. and the figures booked in the Accounts Office

had not been reconciled so far with the amounts of premia due to be received against policies issued, the witness stated that they had got records of the number of policies issued. There was a discrepancy between that and the amount of money received by way of premia which indicated that certain persons who had paid the money had probably regarded it as a tax. They had not applied for policies to the Oriental Insurance Co. and that was the reason for a discrepancy of Rs. 184 lakhs approximately. The witness informed the Committee that the present position was that from 1st January, 1964 though the insurance was kept alive no premium was payable by existing policy holders, but only a nominal premium of Rs. 25 was charged from new insurers.

In reply to a question, the Secretary, Company Law Administration stated that when the work of implementing the scheme was given to the R.F.A. about Rs. 5 lakhs were sanctioned for providing additional staff for the purpose.

In reply to a question whether any initial machinery had been set up to implement the scheme in the forward areas, the witness stated that no separate machinery was envisaged for the forward areas.

In a note submitted at the instance of the Committee it has been stated that in view of the border situation and the urgency of the legislation it was not practicable to make any elaborate estimate of the machinery required to be set up for the enforcement of the proposed legislation. Nevertheless, a broad indication of the cost of administering the schemes was given in the Financial Memorandum attached to each Bill; each scheme was expected to cost about Rs. 1.5 lakhs on account of the special officer's organisation. A copy of letter dated 27th July, 1963, addressed to the State Government on the subject has also been furnished to the Committee.

The Committee deplore the manner in which the Ministry of Finance handled this scheme necessitated by emergency. The reason that a complete separate machinery for implementation of the scheme would have been very expensive can hardly be accepted as valid explanation for an obvious complacency and inaction on the part of the Ministry. The Committee are further constrained to observe that to implement the scheme introduced on an urgent basis w.e.f. 1st January, 1963, the State Governments were approached only on 27th July, 1963 and later on the work was entrusted to the R.F.A. after a time-lag of about 16 months. This is hardly the way the law should be administered. They desire that the reasons for this obvious lapse should be investigated and responsibility fixed.

21. It was further disclosed in evidence that even now the R.F.A. did not have adequate machinery to deal with the problem fully even though about Rs. 5 lakhs were sanctioned to them for providing additional staff for the purpose. The Committee desired that the entire machinery may be placed on a proper footing for proper implementation of the schemes and steps taken to remedy the defects mentioned in the Audit Report. The Committee may also be informed of the reviews proposed to be conducted by the Ministry.

AUDIT REPORT (COMMERCIAL), 1964

Silvery Refinery—Calcutta

Para—XXIII, page—100 of *Audit Report (Commercial)*, 1964

22. *Project Estimates.*—In June, 1948, Government of India decided to set up a Silver Refinery for extracting silver from Quaternary Alloy Coins at the rate of 23 million ounces of fine silver per annum. A firm of Chemical Engineers were appointed in May, 1950 for finalising the plans and specification of the refinery. The cost of the Project was estimated at about Rs. 60 lakhs. When global tenders were invited for the work, not a single tender was received for the work as designed by the firm of Chemical Engineers and the Government had, therefore, to accept an alternative process of another foreign firm. Consequently, the agreement with the firm of Chemical Engineers was terminated after making a payment of Rs. 2.4 lakhs.

In evidence the Committee enquired as to what was the total amount settled to be paid to the firm. The representative of the Department of Economic Affairs stated that it was on a graded basis and the total amount would have come to about Rs. 5 lakhs. On being asked how any remuneration became due to the firm, when the design given by them had not been worked out at all, the witness stated that this remuneration which was fixed on the basis of the actual cost of the work, would have been payable after the scheme had been put into operation. But as no tenders for execution of the work were forthcoming, it was decided to fix the remuneration on *ad hoc* basis. It was fixed on the basis of the work already done by them which would have been found useful by their successor. He added that the work done by the firm was not wholly infructuous as many of the designs and suggestions which they had made were found useful by the suppliers of machinery afterwards. Asked why no tenders were forthcoming, though global tenders were invited, the witness stated that there was nothing wrong with the process or procedure, but the tenderers were not willing to give

certain assurances that the process would give the requisite quantity of silver.

The Committee enquired as to what extent the Second firm made use of the service and work done by the first firm. The witness stated that many of the designs prepared by them in the ancillary departments were utilised. He added that the second firm was required to supply machinery and equipment and also give a guarantee regarding the commissioning of the equipment according to the process which they had recommended. He added that the process recommended by the second firm was entirely different. So, to that extent, the information regarding the process of manufacture given by the previous firm was completely useless. But they had given certain information regarding office outlay etc. which was made use of by the new company. On being asked how the figure of Rs. 2.4 lakhs was arrived at, the witness said that for this a note would have to be prepared after studying old files.

The Committee fail to understand how in spite of the fact that tenderers were not coming forward due to their inability to assure that the process would give the requisite quantity of silver, the Ministry came to the conclusion that there was nothing wrong with the process or procedure designed by the firm. They would like to be further informed of the basis and circumstances under which the payment of Rs. 2.4 lakhs was made to the firm even though the designs prepared by them were not utilised.

Delay in commissioning of the Refinery Sub para—3.

23. In March, 1953, an agreement was entered into with a foreign firm for the supply of machinery, and in 1956, another agreement was entered into with an Indian firm for erection, testing and commissioning of the Plant with the assistance of the foreign firm referred to above. According to these agreements, the Plant was to be commissioned in November, 1957. In fact, however, the Plant started regular production only in April, 1960, that is, after a delay of about 28 months. Even then the production capacity was deficient to the extent of 20 per cent in the Melting Department, 25 per cent in Cell House and 50 per cent in the Ancillary Department. The technicians of the firm left India in April, 1960 without formally handing over the Plant.

Explaining the delay of 28 months in the commissioning of the Plant, the witness stated that there were 3 organisations which were concerned with the construction of the Silver Refinery. The C.P.W.D. was responsible for putting up the civil works, an Indian

company was concerned with the erection of the machinery and a firm of West Germany was responsible for the supply of the machinery and equipment. He added that there was delay in putting up civil works due to delay in procurement of steel for the fabrication of trusses. Changes were also necessary in the layout for structural reasons. Further the work was held up because in excavation huge cement concrete blocks and stone blocks were found which had to be removed. This took a lot of time.

Referring to the earlier recommendations of the Estimates Committee and the Public Accounts Committee in regard to the delay and unsatisfactory work, the Committee asked whether responsibility had been fixed in the matter. The witness stated that as the Assay Master who drew up the original scheme died in 1957, it was very difficult to fix the responsibility on any one.

On being pointed out that the agreement with the firm did not specify the type of machinery or the number of machines and that subsequently a dispute arose regarding the type of machinery to be supplied, the witness stated that this was a new process which had been discovered for the first time by the foreign firm. The agreement provided that they should supply machinery and equipment which would enable the refinery to refine 2,000 kilograms of liquid silver from the quaternary Alloy Coins. As the machinery supplied by them was not able to give the required out-turn, the company ultimately agreed to supply more machinery worth about Rs. 1.5 lakhs. In reply to a question the witness stated that the two alternatives before them were either to reorganise the refinery by making additions and alterations to the present machinery or making the present machinery continue at the rate of 1.4 tons of present out turn for a longer period. It was found better to get the spare parts and components worth Rs. 1.5 lakhs offered by the firm and ensure a continuous and smooth running of the silver plant for a period of 5 or 6 years rather than to increase the out-turn and complete the work a year or so earlier.

The Committee feel that with better planning and co-ordination the delay in commissioning the plant could have been minimised. They trust that the reasons for the delay in completing civil works by the C.P.W.D. would be properly inquired into. As regards the agreement with the firm for supply of machinery and equipment, the Committee are of the view that, even if a new process was involved, Government should have insisted upon a schedule of machinery and equipment to be supplied by the firm being included in the agreement. They hope such cases will not recur.

III

MINISTRY OF REHABILITATION

Compensation Pool—Para 58, page 70

24. The Compensation Pool was constituted under Section 14 of the Displaced Persons (Compensation and Rehabilitation) Act, 1954 and comprises the following:

- (i) All evacuee properties acquired under Section 12A of the Evacuee Property Act, including the sale proceeds of any such property and all profits and income accruing from such property.
- (ii) Such cash balance lying with the Custodians as may, by order of the Central Government, be transferred to the Compensation Pool.
- (iii) Such contributions, in any form whatsoever, as may be made to the Compensation Pool by the Central Government or any State Government.
- (iv) Such other assets as may be prescribed.

The Pool is utilised for making payments of compensation and rehabilitation grants to displaced persons.

(i) *Outstanding cases of disposal of compensation Claims.*

Out of 5,05,103 applications for payment of compensation and rehabilitation grants filed up to 31st March, 1963, 4,70,808 have been finally settled by payment of a total amount of Rs. 180.02 crores. In addition, statements of account issued in respect of 32,301 cases, involving a further liability of about Rs. 5.57 crores still await utilisation by the claimants, as on 31st March, 1963.

The disposal of the remaining 1994 cases is estimated to involve a liability of about one crore of rupees.

The Committee were informed in evidence that out of the total of 2962 applications for compensation claims pending as on 31-3-1964 1,906 cases involving an amount of about Rs. 60 lakhs were disposed of leaving a balance of 1056 only which would be disposed of by the end of the next financial year (1965-66).

Asked a question, the witness stated that within a period of 9 years, 4,91,515 cases were settled. The 1056 pending applications, some of which originated earlier to 1955, were related to hard cases.

While the parties were not easily traceable in some cases in others the applications were lost at some place. Further, the staff was also cut down considerably during the period 1958-59. The rate of present disposal per month was about 100 to 200 cases. He added that cases were being disposed of in a chronological order as far as possible and the maximum ceiling fixed for payment of compensation was Rs. 2 lakhs.

While appreciating the arduous nature of the task and the difficulties involved the Committee would like to impress upon the Ministry, the necessity of expedition in dealing with such cases. The Committee hope that arrears will be cleared within the proposed time limit (financial year 1965-66).

(ii) *Arrears of rents.*

25. The outstanding arrears of rent in respect of acquired evacuee property, awaiting collection at the end of July, 1963, are estimated at Rs. 3.66 crores, as against Rs. 4.03 crores, as at the end of July, 1962.

The Committee were informed in evidence that at the end of October, 1964, the arrears were Rs. 3.21 crores as against Rs. 3.54 crores as on 31st January, 1964 and during the last few months, Rs. 30 lakhs were realised. He added that the amount of Rs. 3.21 crores which had been shown as the amount due from the tenants did not represent the actual arrears. There was some time lag in the matter of adjustment of rent. Rents were recovered in two ways; by payment in cash and by adjustment against compensation. The managing officers in the district passed on the information regarding adjustments against compensation to the regional offices who again communicated it to the other wing. So in some cases there had been a time lag and the net amount of arrears might be Rs. 2 to Rs. 2.5 crores. He further stated that special efforts were being made by deputing special squads in Delhi and Punjab to recover the arrears to the extent possible.

Asked a question, the witness stated that the cases of arrears related partly to the period from 1948 to 1955. After this period, no rent was payable in respect of properties which had been transferred to allottees either by way of payment of compensation or by sale. He further added that it was difficult to say how much of Rs. 3.21 crores related to pre 1955 period as until 1956-57 the Custodians' Organisations were directly under the State Governments except in Delhi proper.

The Committee enquired about the largest single arrear from any individual organisation out of the arrears of Rs. 3·21 crores. The witness stated that it related mostly to poor people and the individual amounts involved were also small. As regards the Government Deptts., the Chief Secretaries of the State Governments were requested to clear off their arrears which amounted to a few lakh of rupees. The largest number of properties were in Punjab and in Delhi. Then followed Bombay, Rajasthan, U.P. and Andhra Pradesh.

In response to a reference, the Ministry have furnished a note stating that after 1961 due to revision of proformas, information regarding the break up of arrears of Rs. 2·5 crores of rent due from the Government Deptts., Government employees etc. could not be maintained and hence could not be furnished. They have further stated, compilation of information under these heads now by the Regional Settlement Commissioners will involve a lot of time and labour which may not be commensurate with the results to be achieved.

The Committee are surprised that a Ministry which is responsible for the realisation of arrears do not have with them information regarding the break up of the debtors. The Committee are further constrained to note that even after 16 years a sizable amount of Rs. 2·5 crores of rent remains still to be recovered and the Ministry have failed to liquidate the arrears outstanding against State Governments let alone the poor individuals. They feel that the Government machinery needs to be toned up to plug official delay and to effect better co-ordination between the regional centres, and the Ministry. The Committee would further suggest that if the pilot schemes now being worked out in Delhi and Punjab show favourable results, similar schemes may be introduced in other States also. In the light of the experience gained, the collection system should be re-oriented suitably.

(iii) *Remission of Rent.*

26. On a representation made by shop-keepers in the rear portion of Lajpat Rai Market that the front portions of the market had not been completed and that, therefore, their shops were surrounded by wooden stalls, the Government sanctioned in October, 1962, a remission of 25 per cent rent in respect of these shops on the condition that all the arrears of rent would be cleared by the shop-keepers within a period of three months. A sum of Rs. 1,43,412 stood remitted on this account up to 30th November, 1962, with a further recurring remission of Rs. 4,213 per month thereafter. Confirmation

that the shop-keepers have cleared the arrears of rent however, still awaited from the Government (December, 1963).

The Committee desired to know whether the Ministry considered the feasibility of instituting an enquiry to find out why the regional organisations were ineffective in regard to the realisation of the sum of Rs. 67,909 outstanding on 29th August, 1964 as rental charges upto June 1964, on the basis of reduced rates. The witness stated that the displaced persons were reluctant to pay rents. However, on 31st December, 1964 the arrears were reduced to Rs. 32,000. In reply to another question the witness stated that orders were issued that if the displaced persons did not clear their arrears by 31st March 1965, no remission would be made available to them and also if they failed to pay the rents by the 10th of every month, no remission for that particular month would be available to them. He added that the remission was a temporary measure and was granted to the shopkeepers whose business was being hampered by persons occupying 'khokhas' with the clear stipulation that they would have to pay full rent after the occupants of the 'khokhas' were allotted regular shops which would take about 12 months' time.

To a question the witness stated that the correct amount of arrears towards the end of June, 1964 was Rs. 61,607 instead of Rs. 67,909. 100 shop-keepers failed to pay the arrears within the stipulated time i.e., by 31st January, 1963. They represented that they were prepared to pay the full amount if they were given the remission and were paying on the basis of 75 per cent hoping that they would get the remission.

The Committee enquired whether the arrears could be reduced by 25 per cent if the remission was given. The witness stated that the arrears were Rs. 1,68,000, and the amount which they paid was Rs. 1.07 lakhs. The arrears were slightly more than 25 per cent of the total amount and if rebate was given most of them would not have to pay the arrears at all.

The Committee are happy to note that Government have decided not to grant remission to those who fail to clear their arrears by 31st March, 1965. They hope that early steps will be taken to allot regular shops to occupants of the 'khokhas' so that other shop-keepers are no longer subjected to any handicap and Government are in a position to realise full rent.

Infructuous expenditure on Training-cum-Production Schemes—Para 59, page 71.

27. A yarn-producing plant and thirty-seven other machines worth Rs. 46,300 and Rs. 60,700 respectively were procured in 1949

for providing training facilities to the displaced persons at Arab-ki-Sarai Training Centre, Delhi.

None of these machines was, however, put to use; the yarn-producing plant with accessories was shifted to Charbatia in Orissa in August, 1958, but was not worked on account of non-availability of cotton waste and men with the requisite technical 'know-how'. In December, 1961, the State Government were advised to declare the plant as surplus and to report the same to the Director General, Supplies and Disposals for disposal. This report was, however, sent by the State Government, only after one year and four months, in April, 1963. The plant had not been disposed of till September, 1963.

An expenditure of Rs. 11,202 was incurred in the transfer of the plant and machinery from Delhi to Orissa and West Bengal, and on repairs, and watch and ward at Charbatia. There was also a pending claim from the Defence Authorities for rent at Rs. 4,200 per month for the period upto July, 1960 during which the Charbatia camp remained in possession of the Ministry of Rehabilitation.

The other machines were transferred to Kamarhatty in West Bengal in December, 1958, for installation partly at Fulia and partly at Kamarhatty. The idea of utilising the machines at Fulia was dropped in January, 1959. In June, 1960 it was decided that the machines should not be installed at Kamarhatty either, and that necessary action for their disposal should be taken by the Ministry.

Twelve machines of four different types costing Rs. 39,614 were transferred to the Government of West Bengal, free of cost, in September, 1960, and the remaining twenty-five machines of fourteen different types, costing Rs. 21,086 were being considered for disposal through the agency of the Director General, Supplies and Disposals.

The plant and machinery had been transferred to Charbatia and Kamarhatty without finalising any scheme for their working there.

The Committee were informed in evidence that in 1948 some Japanese machinery which worked on Cotton waste was obtained for use by the displaced persons and were kept at Arab-ki-Sarai. It was decided in 1958 to transfer the plant to Orissa and a regular scheme was prepared for working it for the displaced persons at Charbatia. The plant was shifted to Orissa accordingly. Later on the Orissa Camp was liquidated and the plant was offered to the Government of Orissa. The State Government did not accept it due to the difficulty of securing sufficient raw material for working the plant, lack of technical know-how to instal it and apprehension that the product would not have a market. Earlier the plant was

offered to the Governments of Bihar and U.P. who were also not keen to run the plant and, therefore, it was decided to dispose it of.

Asked a question, the witness stated that the plant was transferred in August, 1958 in consultation with the Orissa Government. The Committee enquired why the plant had been transferred to the Government of Orissa when it was a part and parcel of the rehabilitation scheme. The witness stated that the plant had become surplus to their needs and the State Government had agreed to make use of it. He added that the State Government after having agreed that the plant would be utilised by the State Co-operative Department changed their mind in 1961 not to operate it. The machine transferred to Charbatia was not actually unpacked and was lying in crate.

The Committee pointed out that the machine was acquired in 1949 and it was sent to Orissa in 1958 and enquired as to what had happened to it during the intervening period. The witness stated that the machine was lying at Arab-ki-Sarai Training Centre, Delhi and in the meantime negotiations were going on to transfer it to Orissa. He added that though the machine in question was not tried by the Orissa Government, a similar machine was tried at Calcutta some 10 to 15 years ago but the experience was not quite satisfactory as the technical personnel held it to be obsolete, the efficiency was not adequate and the required spare parts were not available. The machine at Calcutta was installed by Japanese technicians.

Asked a question, in view of the shortcomings, why the machine was purchased at all the witness stated, "for training purposes the defects were not of a serious nature."

The Committee pointed out that public money was locked up unnecessarily and had the machine been disposed of earlier Government could have realised a higher price. The witness stated that since 1949 efforts were made to make use of the machine at many places. First, the Faridabad Development Board agreed to use it but subsequently they decided otherwise. In 1952 attempt was made to send it to Bhopal and Pepsu but it was not successful. Since then the machine was lying in Arab-ki-Sarai and when the problem of displaced persons became acute in 1958, it was sent to Charbatia for use. The witness stated that the State Government was asked in 1961 to declare the machine surplus but it could be declared so only on 12th April, 1963. It was lying with the State Government who had to fill in the necessary form as the machine and its specifications were with them, and pass them on to D.G.S. & D. through the Ministry.

Asked a question, the witness stated that in 1947-48 attempt was made to introduce Japanese type industries and on the advice of a team who actually visited Japan, the machine was purchased. It was tried for training purposes for a few years, but there were frequent break-downs and the spare parts were not available and ultimately it had to be abandoned. The machine was not in a salvageable condition. The Committee desired to have a detailed note in this connection which has since been received as is enclosed at Appendix VII.

The Committee observe from the note that in addition to this plant, Government had imported 6 more plants of the same type ("Garabo" plants) 2 of which were allotted to the West Bengal Government, 2 to Uttar Pradesh, 1 to Saurashtra, and 1 to Arab-ki-Sarai Training Centre, Delhi. The plant at Saurashtra was disposed of in June, 1963 while the two plants in West Bengal and Arab-ki-Sarai Training Centre, Delhi were awaiting disposal. In all these cases the experience of working was not satisfactory.

In respect of the others, information is awaited by the Ministry. The Government of Orissa informed the Ministry finally in March, 1961 that they had no approved scheme, after the Charbatia camp was closed, for operating the plant, that skilled personnel was not available, that raw materials were not available locally and that the scheme could not be run economically. As this was inconsistent with the earlier reports from the State Government that cotton waste for running the plants would be available from Orissa Textile and as the State Government had not availed themselves of the Ministry's offer to arrange an experienced technical hand, a further report has been called for from them by the Ministry in March, 1965 asking for the reasons why the plant could not be installed immediately after it was received and why the subsequent proposal of the State Government for the utilisation of the plant did not materialise.

The Committee regret that due to inadequate planning, vacillation in taking decisions at different levels and by choosing machines without testing their efficacies properly, Government had incurred an expenditure which with a proper planning could have been better utilised. The Committee are at a loss to understand why all the machines were purchased in one lot and even one was not put to test to ascertain that they would fulfil the expectations. The Committee are amazed that Government could accept a proposal to purchase the plants even without assessing properly whether, raw materials, spare

parts and even technical know-how to erect them would be available from indigenous sources and whether the products would find a market. They further feel that the Government seem to have been tempted and had acted in a hurry to adopt the Japanese type industries without properly planning the different aspects of the scheme in as much as the machine sent to Charbatia was never opened, and put to use and was allowed to lie in crates.

The Committee are unable to accept the contention of the Government that for training purposes the defects were not of a serious nature'. The Committee would like to stress that while making purchase of machinery, Government Departments should always ensure that it is free from defects. It is beyond the comprehension of the Committee how trainees could be benefitted if they had training on obsolete machines. They feel that public money was unnecessarily locked up due to the utter lack of initiative on the part of the Ministry in finalising the formalities for effecting the disposal of the machines. The fact that the machines could not be disposed of even after two years of a decision taken in this regard, according to the Committee, does not speak highly of the procedural efficiency. They urge that without any further loss of time, the machines should be disposed of.

Accounts of Loans to Co-operative Societies Para 98(i), Page 137.

28. The following table indicates the position of the loans granted, outstanding and overdue as on 31st March, 1963, in respect of some of the Co-operative Societies for which detailed accounts are maintained by the Deputy Registrar of Co-operative Societies, Delhi:—

Rehabilitation Loans.—

(In lakhs of rupees)

Period during which and No. of Societies to whom loans were granted.	Total amount granted	Amount recovered	Amount over-due, outstanding (principal and interest) as on 31-3-1963.
1948-55			
171 Societies	15.55	9.89	7.51

Out of the amount of Rs. 7.51 lakhs, a sum of Rs. 52,390 was collected upto September, 1963.

The arrears in repayment of loans relate to the period 1952 to 1959.

The recovery of a sum of Rs. 5.59 lakhs has been advised to the Collector for recovery as arrears of land revenue.

Seven societies against whom an amount of Rs. 88,934 is outstanding and which have failed to execute the bonds in favour of the Government are stated to be under winding-up proceedings.

The Committee were informed in evidence that Rs. 3.3 lakhs were recovered from the outstanding amount of Rs. 7.51 lakhs. Loans were sanctioned in 1949-50 and at that time the work was under Delhi Administration. According to a condition for granting the loan, the recoveries could not be made during the first three years. Later, a compensation scheme was introduced and lot of recoveries were made by making the adjustments against compensation claims. The figure was reduced from Rs. 6.90 lakhs to Rs. 4.2 lakhs. As regards the societies under liquidation, the witness stated that Rs. 16,270 were recovered and the collector was asked to collect the balance as arrears of land revenue.

The Committee may be informed of the latest position regarding the recovery of the balance of the loan amounting Rs. 4.2 lakhs.

Dandakaranya Project—Appendix I to Audit Report (Civil), 1964, Page 166.

29 (1) *Extra expenditure on deputation allowances.*—An Assistant Engineer was granted, while on deputation to the Project, extension of service from October, 1959 to May, 1962 by the Dandakaranya Development Authority without reference to his parent department, viz., the Central Water and Power Commission, who subsequently declined to grant the extension of service. The officer was treated as re-employed after retirement for the period in question and as a result of this, deputation and project allowances amounting to Rs. 4,832 drawn by him became recoverable.

Government, however, regularised the overpayment in April, 1963 by granting extension of service to the officer upto May, 1962 as a very special case, to avoid hardship to the officer.

(2) *Avoidable loss.*—The Tractors of one of the Reclamation Units were

A supervisor has been reverted to the post of

marched, during November, 1961 on a road, instead of following the established convoy route, running through fields, causing heavy damage to the road. The Project authority has admitted the damage at Rs. 20,366 against Rs. 28,300 claimed by the State Government and the latter's acceptance of the modified amount is awaited.

(3) *Loss in local purchase of spare parts.*—The Transport Officer of the Project placed during the years 1960 and 1961 a number of supply orders for local purchase of spare parts aggregating Rs. 1.44 lakhs, keeping the value of each supply order within Rs. 500 (upto which he was authorised to make emergent local purchases). Non-purchase of the spare parts through the Stores Purchase Organisation of the Project resulted in a loss of discount amounting to Rs. 23,063 (at 16 per cent on the list price).

(4) *Losses on purchase of commodities.*—Out of 1,493 maunds of dal purchased in August, 1960, by the Project at a cost of Rs. 45,201 (including transport charges) for issue to displaced persons to be resettled in the Project Area, 1086 maunds were sold, mostly in February, 1962, for Rs. 19,147, as surplus to requirements. The loss incurred in this transaction has been estimated at Rs. 26,000 (approximately).

(1) *Extra Expenditure on Deputation Allowances:*

The Committee were informed in evidence that there was lack of coordination between the two Deptts. of Dandakaranya Development Authority—Chief Engineer's Office and the Chief Administrator's office. The Officer, in question was appointed by the Chief Engineer, who had the powers to appoint on his own, gazetted officers upto the rank of Assistant Engineers without writing to the office of the Chief Administrator. Later on, when the proposals were sent to the Dandakaranya Development Authority Head Office for

chargeman and a severe warning has been administered to another supervisor and two Tractor Drivers. Instructions for preventing recurrence of similar cases in future have also been issued.

The Dandakaranya Development Authority observed while approving the purchases ex-post-facto in January, 1963 that these irregular transactions should not have taken place and that such irregularities should not occur in future. They also decided in January, 1963 that the transport officer should be instructed accordingly.

The loss has been assessed taking into account a shortage of 56 maunds and the fact that the balance stock of 351 maunds is stated to be in unmarketable condition. The Government have stated that dal had to be disposed of due to the number of displaced persons being smaller than anticipated.

extension of the service, it was not mentioned that this officer was on deputation. The lacuna had come to light only when it was pointed out by Deputy Accountant General. The position was rectified and the post of the Chief Engineer was down-graded to that of a Superintending Engineer and all gazetted appointments were now being made by the head office.

The Committee observe that the irregularity came to light only when it was pointed out by the Deputy Accountant General. The fact that the officer was on deputation to the project should have been known earlier from the orders appointing him to the project and other papers from his personal file. The Committee hope that such irregularities will not recur.

30. *Avoidable Loss.*—The Committee were informed in evidence that the incident occurred in Madhya Pradesh and the actual claim of Rs. 28,315 was divided into five categories—(i) actual damage—Rs. 20,367; (ii) repairs including picking of road service—Rs. 1,668; (iii) other contingencies—Rs. 661; (iv) hutting accommodation—1½ per cent; and (v) supervision charges—24 per cent. The State Government was told that items referred from (ii) to (iv) were not really over heads and also not actual damage. The State Government, however, maintained that items (iii), (iv) and (v) had to be paid, though there was a possibility of the supervision charges being waived. The witness added that according to instructions tractors were not to be sent on roads excepting on tractor-carriers and in this case the concerned person was reverted to a lower post as punishment.

The Committee desire to be informed if the reduced amount of Rs. 20,366 has since been accepted by the State Government and paid to them.

Loss in Local Purchase of spare parts:

31. The Committee were informed in evidence that the transactions were irregular and should not have taken place. There was shortage of spare parts. The tenders were invited and orders were placed, but the parts were being received late. In the circumstances 25 per cent of stores worth Rs. 1.44 lakhs out of the total requirement of Rs. 6 lakhs were purchased through short orders. The witness added that there was no malafide, in any way as the stores were ordered in the interest of getting the work done. As regards the loss of discount, the witness stated that it was a hypothetical assumption. The process of getting discount (16 per cent) on running contract was introduced in 1961 and before that the Project was not eligible to get discount except by negotiation. We added that the bulk of the orders were placed through D.G.S. & D. and the question of discount did not arise.

Asked a question, the witness admitted that the spirit of the rule was contravened as the order for Rs. 1.44 lakhs was divided into small orders of about Rs. 500 each which was definitely wrong. The witness added that it was a *bona fide* mistake as otherwise the vehicles would have come to a stand-still. The officer concerned should have informed the Chief Administrator and should have gone to Dandakarnya Development Authority and obtained special permission to do that. The officer was warned not to repeat it in future.

The Committee pointed out that big orders were divided into 288 items of Rs. 500 each over a period of 2 years and desired to know whether purchases were made from one company or from different companies. The witness stated that Dandakarnya Development Authority examined the matter and considered that it was a *bona fide* error and that purchases were made from different companies.

At the instance of the Committee, the Ministry of Rehabilitation furnished a copy of the report of the Chief Administrator of the project on the matter. It has been stated that Dandakarnya Development Authority considered that these transactions were irregular and that they should not have taken place. Such irregularities should not occur in future. It was also decided that the Transport Officer should be informed accordingly.

The Committee feel that even if there is no mala-fide in these transactions, the action of the officer concerned was clearly and deliberately designed to circumvent the rules and resulted in an extra expenditure. They feel that the issue of warning to the Transport Officer was not a sufficient punishment in this case. The Committee feel that the supervision in this case was also weak.

Loss on purchase of commodities.

32. The Committee were informed in evidence that in consultation with the West Bengal Government it had been decided that about 5,000 to 6,000 families would be coming to Dandakarnya. Accordingly 4,500 maunds of dal was indented for 6,000 families. The extra demand was brought down to 1,500 maunds for 2,000 families which was a reasonable expectation.

Asked a question, the witness stated that though people were coming in, the consumption of dal was slow. The supplier had asked them to lift the stock but it could not be done due to some delay and it was not thought advisable to penalise the party when the D.D.A. had not lifted the stock earlier.

The Committee desired to know if there was any negligence on anybody's part due to which some amount was lost in this case. The witness stated that the dal was kept in covered godowns. He added

that there was a reasonable expectation that the displaced persons would come but they did not come in time; they came later. The off take was low. They also did not buy the whole quantity. In the meantime, the dal had deteriorated.

The Committee are of the opinion that having regard to the negligible progress that was made during the years 1958-60 in settling refugee families, the purchase of dal should have been regulated with some degree of caution.

33. The Committee pointed out that 935 maunds of dal which were purchased at Rs. 31 per maund by extending the date of supply was sold back at Rs. 18 per maund. The witness stated that the loss of Rs. 20,000 could have been avoided if it was known how many families were coming in. He added that the anticipation of 2,000 families was reasonable. The supply officer was originally at fault in not lifting the stocks at a stipulated date. Subsequently, there was some difference between the supply officer and the dealer and the former recommended that the order might be cancelled. The Chief Administrator who had to take a decision, after examining the case agreed to give the extension as he took the view that 'if this dal had not deteriorated on his (contractor's) obligation the order should not be cancelled.' The dal was delivered in 3 instalments i.e., August 1960, October 1960 and March 1961. No extension was granted in 1961. The Committee were further informed that auction was held in February, 1962. It went to the highest bidder but dal had deteriorated very much.

The witness further stated that the over-all position was that the sale of dal worth Rs. 46,000 fetched Rs. 26,000. The sale price was roughly Rs. 35 to Rs. 18 per maund while the purchase price was Rs. 31 per maund

The Committee desired to know as to when the supply was accepted anybody had checked to find out that the quality of dal was satisfactory and whether there was anything to indicate that the supply officer had known that the quality was poor and as a reason therefor he suggested cancellation of the order. In reply, the witness stated that at the time the supply officer suggested cancellation of the order, the quality of dal had not deteriorated.

The Committee were informed in evidence that there were 6 or 7 non-officials who came along with the displaced persons. These persons had some influence over the displaced persons and were given different assignments on a fixed honorarium of Rs. 700 per month.

The Committee desired to be furnished with the information on the following points:

- (i) What were the reasons for selling dal at different rates ranging from Rs. 18 to Rs. 35 per maund.
- (ii) What was the total quantity of dal sold and what was the quality of the dal at the time of sale.
- (iii) The number of non-officials employed on honorarium basis, the period for which they were employed, the jobs assigned to them and the total amount paid as honorarium to them.

This information has been furnished by the Ministry of Rehabilitation and is at Appendix VIII.

From the statement the Committee find that out of 1493 maunds 29 seers 10 chataks of dal 1261 maunds 36 seers 12 chataks were sold by auction because dal had deteriorated to the extent of being unfit for human consumption due to long storage and only 151 maunds 32 seers 14 chataks were sold to the displaced persons at approved rates. The Committee feel that the scheme of procurement of dal and its sale to the displaced persons was prepared without any realistic assessment of demand, and that no care was taken to keep dal under proper storage as a result of which a sizeable quantity became unconsumable within a period of two years. If the condition of dal was checked from time to time, the extent of deterioration would not have been so great and the loss to government would have been less.

The Committee are of the view that the Dandakarnya Development Authority at the time of giving extension to the Supplier should have taken into account the changed circumstances viz., (i) the arrival of less number of displaced persons; and (ii) the slow consumption of dal by the displaced persons; and they should have availed of the opportunity for cancelling the unexecuted portion of the order. This would have minimised the loss on this account.

The Chief Administrator had informed Audit in February, 1963 that the observance of formalities prescribed by the rules delayed disposal of the material when it was still good. The Committee regret to note that failure to attend to usual formalities promptly had delayed disposal of goods. The Committee would suggest that Dandakarnya Development Authority should prepare estimates more realistically, and improve the system of inspection of stores so that similar cases do not recur.

IV
MINISTRY OF STEEL AND MINES
(Department of Iron and Steel)

Iron and Steel Equalisation Fund—pages 88—90, para 72.

34. The Receipts and payments Account of the Fund for the year 1962-63 and its balance sheet as on 31st March, 1963 are reproduced in Appendix IX of this report.

A summary of the transaction for the four years ending 31st March, 1963 is given below:

Year	(In crores of Rupees)		
	Receipts	Payments	Cash Balance at the end of the year
1959-60	25.74	7.60	25.61
1960-61	31.81	17.29	40.13
1961-62	25.45	12.69	52.89
1962-63	34.26	23.09	64.06

The closing balance in the Fund thus showed increase of over Rs. 11 crores during the year 1962-63, over 1961-62.

The Committee referred to para 85 of their Eighth Report (Third Lok Sabha) and desired to know whether a thorough review of the constitution, scope and working of the Iron and Steel Equalisation Fund had been undertaken and if so, what was the present position. The Secretary, Ministry of Steel and Mines (Department of Iron and Steel) stated in evidence that the Government undertook a review and decided last year to wind up the Fund. He added that from 1st March, 1964 there would be no transactions relating to the Fund, but adjustments pertaining to old transactions would continue to be made. In reply to a question regarding the appointment of a Committee and the recommendations thereof, the witness stated that the Government had appointed the Raj Committee and part of its recommendations related to the administration of steel control. After the study of the recommendation of the Committee, Government came

to the conclusion that there was no need for continuing the Iron and Steel, Equalisation Fund. He added that the balance in the Fund was Rs. 63·7 crores as on 18th December, 1964, and that would become part of the Consolidated Fund of India. Till all the past transactions of the Equalisation Fund were completed, it would be kept as a separate account. The Secretary also stated that the question of a difference in price of imported steel and the indigenous steel was under consideration and in the meantime the actual user would get the benefit of the imported steel. In respect of transactions carried out prior to 1st March, 1964 the amount expected to be received was round about Rs. 19 crores and payments out of the Fund in respect of past adjustments were about Rs. 15 crores.

On being asked as to when the transactions were expected to be completed, the Secretary stated that except some hard cases, 90 to 95 per cent would be settled within a year. There would be a residual balance where there was some difficulty about documentation which would not amount to much.

On being asked as to the particular reason for the large outstandings, though the main producers had made collections from the consumers, the Secretary stated that unfortunately in all these cases there were claims and counter claims. The producers did not pay their claims to the Government if there was an equal or nearly equal set off. The witness admitted that there was also a good deal of delay on the part of the Department in adjusting the producers' claims and therefore they were not in a very strong position to press for the realisation of their dues. The witness further added that there were also special advances amounting to Rs. 20 crores given to TISCO and IISCO, which might later be added to the Equalisation Fund.

The Committee regret to note that there is a good deal of delay on the part of the Department in adjusting the claims of producers, which has been stated as one of the reasons for not pressing the producers to settle the outstanding amount due to the Equalisation Fund. The Committee are of the opinion that the difficulty about documentation etc. is not of such a nature as could not be overcome by the Department. In this connection, the Committee would like to draw the attention to their earlier observation contained in para 85 of their Eighth Report (Third Lok Sabha) wherein they had observed that undue delays in recovering outstandings due to the Fund as also long standing differences with the main producers indicate that the working of the Fund is not quite satisfactory.

The Committee desire that the recovery of the outstanding amount of about Rs. 4 crores which is due to the Equalisation Fund after adjusting the claims and counter claims (about Rs. 19 crores expected to be received and about Rs. 15 crores payments out of the Fund) in respect of past adjustments should at least be collected on account. If necessary a team of officers including a representative of the Ministry and of the Iron and Steel Controller and a representative of the Comptroller and Auditor General of India may be deputed with a specific direction to settle the outstandings at the earliest possible date. The Committee also desire that a decision on the question regarding the difference in the price of imported steel and indigenous steel which is stated to be under consideration may be taken at the earliest.

35. The Committee desired to know the constitution that had been envisaged for Freight Equalisation Fund which would be administered by the Joint Plant Committee and the control of the Government over the latter. The Secretary stated that they had no special control except that the Iron and Steel Controller was the Chairman of the Committee and there was also a member of the Railway Board on the Committee. The main producers were instructed that generally they should continue to charge freight as before and adjust the freight element which they would charge, so that they did not make too much profit or suffer a loss over it. It was a mutual arrangement which they had agreed to.

On being asked whether there should be any statutory control over the fund which had accumulated as a result of a scheme sanctioned by the Government, the Secretary stated that the position was a little nebulous as the whole constitution of the Joint Plant Committee itself was not statutory. Giving of some legal or statutory recognition and putting the J.P.C. on a sounder footing was under consideration and a Bill might be brought before Parliament soon. **In answer to another question, the Iron and Steel Controller stated that the amount of Freight Equalisation Fund was kept in the bank in a separate account. The Chief Executive Officer, had been authorised on behalf of the J.P.C. to operate this account.

The Secretary added that the Government had made an initial advance to the Committee. The witness further added that it was done in a hurry and the position was not very satisfactory. It appeared that that body was functioning reasonably well and there was a good deal of cooperation between the Government and that body.

**The witness further stated that at present, it was only an association of three main producers.

The Committee are surprised to note that the Government have no special control over the Joint Plant Committee even though they have made an initial advance to that Committee. It would be difficult to ensure, in the absence of any Governmental control that the instructions issued by the Government to charge common freight from all the consumers will be followed by the producers.

From a Statement (Appendix X) furnished at the instance of the Committee it is noted that the amount payable by the J.P.C. towards Freight Equalisation is Rs. 28,08,555.04 and that the monthly transactions of the J.P.C. also run into several lakhs of rupees. The Committee are of the opinion that when a scheme has the sanction of the Government and funds accumulate as a result thereof, there should be some sort of statutory control over the funds. For this purpose the proposed Bill to put it on a statutory footing should be brought before the Parliament as early as possible.

36. The Committee desired to know whether the staff in the office of the Iron and Steel Controller was reduced after the order of decontrol on certain commodities took effect. The Secretary stated that the staff had been reduced substantially. Out of 500 people, 80 people had been reduced and there was a proposal to reduce some more and the net saving on that account was about Rs. 3 lakhs. All the retrenched staff had practically been absorbed else-where.

The Iron and Steel Controller stated that the staff of J.P. Committee was paid their salaries out of the J.P.C. funds. On being asked as to how the funds were raised the Secretary stated that on the decontrolled category an amount of Re. 1 per tonne was charged in the price of steel sold to meet expenses which was not supposed to go as profit to the producers but to the fund to meet the expense of J.P.C.

In answer to another question, the Iron and Steel Controller stated that the total number of persons which would be required now for the office of the Iron and Steel Controller would be a little below 400 and that 30 or 40 people would be retrenched in the next one year. On being pointed out that the work in the office of the Iron and Steel Controller would be much less without Steel Equalisation Fund and retention price element the Secretary stated that 400 was not the final figure and added that a sum of Rs. 19 crores was to be realised for which there would be considerable work on the accounts side for a year or two.

From a note (Appendix XI) furnished at the instance of the Committee, it is noted that the actual savings on account of reduction of posts of officers in the office of the Iron and Steel Controller

due to decontrol of certain items of iron and steel and the winding up of the Equalisation Fund, for the period from 1st March, 1964 to 31st December, 1964 amounted to Rs. 1,22,000 and the total saving anticipated upto 28th February, 1967 on this account may not be less than Rs. 6 lakhs.

The Committee suggest that the decision on the report of the Work Study Team appointed by the Department to assess the quantum of work left with the office of the Iron and Steel Controller as a result of decontrol and the requirements of staff appropriate to the work which are stated to be under consideration, may be expedited and the Committee informed of the final outcome. As the work in the office of the Iron and Steel Controller would be much less without Steel Equalisation Fund and retention price element, the Committee desire that steps should be taken to achieve maximum economy in regard to staff in that office.

A. Receipts

37. (i) *Surcharge from the main producers*:—The amounts which accrued to the Fund on account of surcharge payable by the main producers and the amounts realised were as follows:

	Amount due till 31-3-63	Amount realised till 31-3-63	Balance due
(In crores of Rupees)			
Private Sector	178.38	173.87	4.51
Public Sector	25.40	25.00	0.40
	203.78	198.87	4.91

The total amount of Rs. 4.91 crores was reduced to Rs. 4 crores as at the end of October, 1963.

(ii) *Amounts due from controlled stockists*.—In paragraph 88 of Central (Civil) Audit Report, 1963, a reference was made to the delay in effecting recoveries from the controlled stockists. The Ministry stated in March, 1963 that the delay was being reduced as far as practicable.

The total amount outstanding from the controlled stockists at the end of March, 1963 was Rs. 13.99 lakhs as against Rs. 7.99 lakhs as

at the end of March, 1962. The increase of Rs. 6 lakhs is stated to be due to the issue of bills to the stockists, consequent on the increase in steel prices from 30th April, 1962; a part of the amount included in the revaluation bills on account of relaxed categories of steel is, according to a legal advice subsequently obtained, not recoverable from them.

The amount of Rs. 13.99 lakhs was reduced to Rs. 3.83 lakhs (approx.) as at the end of October, 1963. Of this, a sum of Rs. 1.68 lakhs is stated to be under dispute/*sub-judice*.

The Committee referred to para 27 of their 25th Report (Third Lok Sabha) and desired to know the present position about the realisation of outstanding dues from the producers. The Secretary stated that as far as the main producers were concerned there were no outstandings. In relation to transactions prior to 31st March, 1963 with the main producers, adjustments had been fully carried out. In the case of small producers there were certain outstandings and one of the reasons was that there were counter-claims by those people. When there were counter-claim for more or less an equal amount it was not possible to take drastic action to realise the amount. The validity of the counter claims was being examined.

On being pointed out that the recovery had always been much more than payment, the Secretary stated that till the admissibility of the claims was examined, it became difficult to insist on payment. Before the claim was accepted or rejected, the documents had to be examined which took time. The Committee pointed out that the claims were invariably inflated and enquired whether it would not be possible to realise at least a portion of the dues. The Secretary stated that it was done in the case of IISCO and TISCO and the figure of Rs. 60 lakhs from TISCO and Rs. 20.30 lakhs from IISCO were arrived at and they had been paying the amounts monthly. After some time, suddenly the steel price was increased and the party had stopped payment and had stated that as the Department owed Rs. 8 crores there was no point in paying Rs. 60 lakhs.

On being asked about the present position in regard to the realisation of Rs. 4.91 crores, the Secretary stated that the amount had been realised and most of it was by way of adjustment.

It would be seen from a note (Appendix XII) furnished at the instance of the Committee that in regard to the recoveries of Rs. 4.91 crores from the main producers, the realisations are as follows:—

- (i) by way of cash or cheque Rs. 0.77 crores;

- (ii) adjustment from payments due to main producers from Iron and Steel Controller Rs. 3.87 crores; and
- (iii) cancellation of bills on account of revision of order Rs. 0.27 crores.

The Committee suggest that the process of settling the counter claims of the parties concerned should be expedited so that the net amounts due from them can be realised with the least possible delay.

B. Balance Sheet

38. (i) *Sundry Debtors*.—The outstanding against 'Sundry Debtors' amounted to Rs. 727.52 lakhs on 31st March, 1963 as shown below:—

(In lakhs of Rs.)

Year to which the outstandings pertain	Amounts
Prior to 1959-60	30.29
1959-60	34.74
1960-61	41.02
1961-62	240.69
1962-63	380.78
TOTAL	727.52

The total outstanding was reduced to Rs. 600 lakhs (approx.) as at the end of October, 1963. Of this, an amount of about Rs. 101 lakhs was outstanding against the re-rollers, and related to the recoveries due on account of surcharge and revaluation of stock on different dates as a result of increases in the statutory selling prices. Out of this amount of Rs. 101 lakhs, Rs. 92.20 lakhs are outstanding against four re-rollers; the balance of Rs. 8.80 lakhs is stated to be covered by counter-claims of the re-rollers; (December, 1963).

The Committee desired to know the position about the realisation of the amount of Rs. 727 lakhs. The Secretary stated that the outstanding on 31st March, 1963 had been reduced to Rs. 135.63 lakhs and all arrears prior to 1959-60 had been realised except Rs. 8.43 lakhs which had been allowed to remain outstanding as there were counter claims which were not yet settled. The Iron and Steel Controller had been asked to examine the possibility of forming a small Committee and to have a meeting of importers, Accounts and Audit people to settle those bills. The real difficulty in all those cases was that documentation was incomplete on both sides. On being asked

about the break up of the amount of Rs. 135 lakhs, the witness stated that Rs. 63 lakhs were from re-rollers, Rs. 67 lakhs from importers, Rs. 2 lakhs from controlled stock holders and Rs. 3 lakhs miscellaneous.

The Statement (Appendix XIII) furnished at the instance of the Committee shows that the outstanding amount against Sundry Debtors as on 31st March, 1963 was Rs. 7.27 crores and the realisation was Rs. 5.92 crores which includes an amount of Rs. 4.35 crores by way of adjustment from payments due from Iron and Steel Controller to the producers. The Committee suggest that steps may be taken to convene the proposed meeting at an early date if not already done with the Accounts, importers and Audit representatives for the realisation of outstanding bills.

39. One of the re-rollers, against whom a sum of Rs. 10.76 lakhs was outstanding, was allowed by the Iron and Steel Controller on 7th August, 1963 to pay the dues in monthly instalments of Rs. 40,000, although the concession was not covered by any general or special orders of Government.

The Secretary stated in evidence that there was a slight misunderstanding and no permission had been given for payment by instalments. It was only a case of giving them time to produce documents and accepting payments as an interim measure since they had offered to make certain payments by instalments. The balance outstanding against the firm at the end of December, 1962 was Rs. 10.76 lakhs. The witness added that the attention of the firm had been drawn to the heavy outstanding and the firm had been informed that if they failed to pay before a stipulated date, action would be taken against them. The firm had sent a cheque for Rs. 71,662.49 on 27th May, 1963 in full settlement of 7 bills issued during 1957 to 1960 and had intimated that they were making arrangements to clear the dues in instalments. On 6th July, 1963 a letter had been issued to the firm rejecting their proposal to liquidate the government dues by instalments. In response, the firm had again offered to pay Rs. 20,000 per month to liquidate their dues. The firm had also represented that some amount would be due to them on account of transport charges and railway freight. The firm, however, did not submit their claims because they did not find the supporting documents. It was also not possible for the office of the Iron and Steel Controller to ascertain the exact amount due to the firm. In view of that position, it was decided to give a time limit to the firm till 1st December, 1963 to submit their counter-claims complete in all respects failing which they should make payment of their dues in one lump sum and in the meanwhile from

6th August, 1963 to 30th December 1963, they might be allowed to pay Rs. 40,000 every month for 4 months. The idea was to get some money from the firm pending submission of counter claims. The firm had been paying instalments at varying rates on their own accord after 30th November, 1963. The total outstandings against the firm on 31st March, 1963 was Rs. 2.95 lakhs and that amount had been completely liquidated.

The Comptroller and Auditor General pointed out that the firm had paid in cash a total sum of Rs. 10,05,720 upto November, 1964 and that a further sum of Rs. 15.98 lakhs was outstanding against the firm.

The witness stated that total claim of the department was Rs. 15.51 lakhs and the counter-claim of the firm was Rs. 8.29 lakhs and so the difference was about Rs. 7 lakhs if the counter claim was admitted. The witness further added that a sum of Rs. 10,64,752 had been shown in the notice issued on 5th January, 1965 and in the notice it was stated that if the amount was not paid by 15th January, 1965 the Iron and Steel Controller would be compelled to take whatever action he might consider necessary which might include suspension of supplies of billets to the works. Since no amount was received, an order was passed on 15th January, stopping supplies by 50 per cent.

On being asked about the action that could be taken apart from stopping of supplies, the Secretary stated that a civil suit could be filed and the firm could be black-listed for its dealings. On being asked about the interest earned by the party concerned, the Secretary stated that the delay was on both sides and the Department would also have to pay interest for their delays. The witness added that such thing would not arise as the Equalisation Fund had been wound up and fresh transactions with the Fund had been stopped.

From a note (Appendix XIV) furnished at the instance of the Committee it is noted that a Demand Notice was issued on 5th January, 1965 for Rs. 10,64,752.95 but an amount of Rs. 75,000 only has been received on 20th January, 1965 by the Department. When no permission was granted to the party to make payment of the outstanding amount in instalments, it is not understood under what circumstances the Department had accepted the payment of Rs. 75,000. It is also not clear whether the Department have contemplated any further action against the party for the recovery of the huge balance. The Committee view with concern the manner in which the Department are proceeding in this case which is pending for a pretty long time. The Committee are unable to understand the inability of the

Iron and Steel Controller to ascertain the amount due to the firm on account of transport charges and railway freight. When the firm had represented that some amount was due to them on account of transport charges and railway freight but were unable to find the supporting documents, the Department had granted them a time limit till 1st December, 1963 to submit their counter claims and had accepted the payment in instalments of Rs. 40,000 for four months. The Committee feel that efforts should have been made by the Iron and Steel Controller to ascertain the real position before the firm was granted a further time limit.

The Committee fail to understand as to why this amount was allowed to accumulate to such an extent and why it was not realised in time.

The Committee suggest that stringent measures may be taken to recover the outstanding dues from this firm. The desirability of filing a civil suit may also be examined. The Committee would like to be informed of the further action taken as well as about the progress of recovery in this case.

40. Provisional payment of Rs. 17.96 lakhs (approximately) involving 330 cases, were made during 1962-63 towards 75 per cent of re-rollers' claims on account of transport charges for despatches of steel rolled by them. Out of these payments, only seven cases involving Rs. 0.30 lakh have been finalised till 31st August, 1963.

It has been stated (December, 1963) that these cases will be finalised as soon as the records of the re-rollers are verified locally for which necessary arrangement has been made.

An amount of Rs. 1.06 crores was outstanding at the end of 1962-63 from different parties on account of surcharge on imported steel.

This amount was reduced to Rs. 89 lakhs (approx.) at the end of October, 1963.

The Secretary stated that out of 330 cases, 143 cases involving approximately Rs. 10.73 lakhs had been settled. On being asked about the present position of Rs. 0.89 crores on account of surcharge outstanding in October, 1963 against importers in respect of 1962-63, the Secretary stated that the amount had been reduced to Rs. 67.17 lakhs. Substantial reduction could not be made in many cases involving large amounts, as the importers had taken the plea that they had sufficient counter-claims to cover the dues of the Iron and Steel Controller.

The Committee trust that suitable steps will be taken by the Department to liquidate all the outstanding counter claims within a reasonable time.

(ii) *Special Advances.*—In paragraph 88 of the Central (Civil) Audit Report, 1963, a reference was made to the non-recovery of interest on the Special Advances of Rs. 20:18 crores given from the Fund to Tata Iron and Steel Co. and Indian Iron and Steel Co. during the period from 1954-55 to 1957-58. No recovery of interest has been made so far, and a decision on the mode of payment of interest and repayment of Special Advances has not yet (December, 1963) been taken by Government.

The Secretary stated in evidence that a reference had been drafted to Tariff Commission. They were also thinking of approaching the parties direct to settle the matter in a satisfactory way before the draft was issued. If a reference was made to the Tariff Commission matter would remain undecided for a few months. The witness added that in January, 1965, there was an informal meeting at a very high level and the reaction had been reassuring.

On being asked about interest, the witness stated that the agreement with the two Companies specifically provided that no interest would be recovered and there was to be an enquiry by the Tariff Commission afterwards. In 1958 a reference was made to the Tariff Commission who advised that interest should be recovered from 1st July, 1958 at 5 per cent per annum and that advice was accepted. Further the Tariff Commission in that very recommendation advised not to recover the interest till the special element to be given to those Companies in the price wherefrom the interest could be recovered, was mentioned. The actual recovery might, however, be postponed until a decision was taken regarding a common retention price to all the main producers of iron and steel both in the Private and Public Sectors after March, 1960

The witness added that in regard to the price from 1960 onwards, the Commission reported in the middle of 1962 that the surcharge at the rate of Rs. 8 per tonne of steel should be included in the price from which the Companies would repay the interest and advance. That recommendation in regard to the special element was not accepted by the Government in October, 1962, and no surcharge was paid to them. Since then alternative ways were being explored to recover the amount.

The Committee suggest that vigorous efforts should be made to recover the special advance and they would watch the progress of recovery through subsequent Audit Report.

Delay in the Recovery of Dues from a Firm—Pages 90-91, para 73.

42. In June, 1958, the Iron and Steel Controller placed an order on a firm for the supply of 1726 tons of imported M.S. sheets and plates for supply to the Integral Coach Factory, Perambur. The shipment of the stores was to be completed by October, 1959. The firm supplied only 60 tons of plates, even after the date of shipment had been extended upto March, 1960.

The undelivered quantity of 1,666 tons was cancelled in May, 1960 at the risk and expense of the firm. A claim for the recovery of a sum of Rs. 2.64 lakhs being the extra cost in repurchase was preferred on the firm in October, 1961. The firm called for certain information and documents in December 1961, without prejudice to their rights. Action to obtain the particulars from the Railways who had effected the repurchase was taken only in February, 1963. The question whether all the details called for can be supplied to them is under examination by the Government (December 1963). The claim still remains unrealised (December, 1963).

In respect of the quantity of 60 tons of plates supplied by the firm, a sum of Rs. 15,490 representing the difference between the controlled selling price realised by the firm from the consignee and the contract price which was less than the controlled price was refundable as 'surcharge' to the Iron and Steel Equalisation Fund, under the terms of the contract. A claim for this amount was preferred in May, 1960 but no recovery has so far been made (December, 1963). Government have stated (December, 1963) that the firm had held up the payment under "the impression that it would have been adjusted against their counter-claims" and that they have been advised to make the payment without further delay.

The Secretary, stated that when the firm had failed to supply the steel, the Railway Board had made risk purchases and obtained steel. Since the price at which the Railways had purchased was higher, the claim was made against the firm. Then the firm called for the copies of the relevant acceptance of tender by the Railways and those were supplied.

In December, 1961, the firm without prejudice to their rights asked for certain information and documents regarding the risk purchase. The witness added that unfortunately it was thought at that time that the Railway Board were not to supply the documents to the firm which was a mistake. When the firm was again pressed to honour the claim, they asked for documents from the Railway Board. In February, 1963, a request was made to the Railway Board for the

supply of information and documents. In October, 1963, the Railway Board furnished information on some points and had stated that the remaining documents would be supplied by the Integral Coach Factory. All the documents were not received at one time but those were received subsequently and sent to the firm round about March-April, 1964.

After examination, the firm was of the view that the repurchase made by the Railways was not of the same specification as per order placed on them. The firm also contended that no notice of risk purchase had been given by the Railways.

About the specifications, the Secretary stated that the matter was taken up with the Railways and it was stated by the indenter that there had been no deviation in the specification etc. of the materials. However, the Iron and Steel Controller was of the view that the specifications differed in some particulars from the specifications in the original order. The discrepancies in the specifications noticed by the Iron and Steel Controller had been pointed out to the Railway Board and the Railways had been asked to reconcile the discrepancies. A reply from the Railways was awaited.

The witness also stated that a bank guarantee as required under clause 10 of the contract, was not taken from the firm and customs clearance certificate was issued for 60 tons of Steel without receipt of Bank guarantee from the firm. The witness further observed that strict enforcement of the Bank guarantee clause was not insisted upon in such cases though it was not quite correct to do so.

The Committee consider it most unfortunate that due to the failure of the firm, the Railways had to make risk purchase of steel at a higher price. The Committee regret to note that there was inordinate delay on the part of the Department in supplying documents to the firm. The firm called for the documents regarding the risk purchase of steel in December, 1961, but action to get the particulars from the Railways was taken only in February, 1963. Some of the documents were received from the Railways in October, 1963 and a few others in March-April, 1964. They were sent to the firm from time to time.

The Committee are further surprised to learn that conflicting versions were given by the Railways and the Iron and Steel Controller about the specifications of steel.

The Committee suggest that the responsibility for the delay in obtaining the relevant documents should be fixed and action taken against the officers found responsible. They also suggest that action

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to blacklist the firm may be taken if the firm defeats the Government claims merely on technical grounds.

It is unfortunate that the Bank guarantee under clause 10 of the agreement was not insisted upon and a custom clearance certificate was issued for 60 tons of steel without a Bank guarantee when it was known that such a procedure was incorrect. The Committee feel that had there had been a Bank guarantee, the Department would not have to face any difficulty in recovering the amount. The Committee suggest that the Bank guarantee clause should be strictly enforced in all such cases in future.

Delay in the Recovery of Government Dues—Pages 91-92, para 74.

43. A scrutiny of the departmental files disclosed that a sum of nearly Rs. 1.32 lakhs had been pending recovery since 1952 from two firms at Calcutta and Madras respectively, as shown below:

Difference between the controlled price and landed cost of pipes and iron fittings imported during April, 1950 to February, 1952:—

Madras Firm—Rs. 1.02 lakhs.

Calcutta Firm—Rs. 0.22 lakhs.

1.24 lakhs.

Rent and Municipal taxes due from Calcutta,
Firm in respect of a transit depot from
December, 1950 to November, 1952.

Rs. 0.08 lakh

Rs. 1.32 lakhs.

The Ministry of Law advised in September, 1960 that a suit should be filed against the firms for the recovery of the above amounts; action has, however, yet to be taken (December, 1963).

Government informed Audit in December, 1963 that the Iron and Steel Controller had been trying to find out the financial standing of the firms. Further, the delay in filing suits was considered as unavoidable since "the firms in question were involved in cases which resulted in their books being seized and kept by the Police authorities/courts for pretty long periods even after the Iron and Steel Controller traced their whereabouts with the assistance of the Police authorities and the Registrar of Companies of the States concerned". It was also stated that steps were being taken to file suits against the firms on the basis of the latest legal advice obtained in July, 1963.

The Secretary informed the Committee that it was one firm with two branches at Madras and Calcutta and added that there was dispute between the groups of directors of the firm. A suit being suit No. 34 of 1954 was filed by some partners for the dissolution of partnership on 20th April, 1956. The court appointed an arbitrator for the settlement of the dispute and when it came to the knowledge of the Iron and Steel Controller a reference was made in July, 1957 to the arbitrator to register the claims outstanding against the firms for early settlement.

On being asked as to how the claim could go before the arbitrator, the Secretary stated that probably the arbitrator was to have decided upon the division of assets of the firm and the claim was against the combined firm and they were advised to file the claim before the arbitrator. The decision to file the claim before the arbitrator was taken by the Iron and Steel Controller *vide* O.M. No. S.C. (II) 15(42) | 63 dated 12th March, 1965 from the Ministry of Steel and Mines (Deptt. of Iron and Steel). The Central Government Solicitor at Calcutta approved the draft of the letter written to arbitrator. In July, 1958, a reply was received from the arbitrator wherein he had expressed his inability to deal with the claim. Thereafter the legal authorities were consulted and a reference was made to the Law Ministry. In September, 1960, the Law Ministry had advised 'if on an enquiry it is found that the companies have sufficient assets against which Government can proceed in the event of obtaining a decree, necessary action for filing suits against the Companies concerned may be taken.' Law Ministry further advised them to consult the Company Law Administration in the matter who suggested the case to be referred to the State Police for ascertaining the whereabouts of the firm, because the letters sent to the firms were being returned. The police authorities at Calcutta and Madras were requested to ascertain and intimate the assets and whereabouts of the firm. The Calcutta Police stated that as the addresses of the directors of the Calcutta firm fell within the jurisdiction of Bombay, the matter should be referred to the Bombay Police for necessary action. The Madras police stated that the accounts books of the Madras branch were in the High Court of Maharashtra at Bombay and so assets of the firm could not be ascertained. The witness further added that attempts were also made to get the required particulars about assets from the Registrars of Companies at Calcutta and Madras. They could not furnish any particulars as the firms by then were not submitting their statutory returns. It was learnt that the records of the Calcutta firm had been filed in a court in Bombay in connection with some litigation. After the dispute

amongst the groups of directors was finally decided, the firms had started functioning and were submitting their returns to the Registrar. Balance Sheets as on 31st March, 1962 of the Madras firm and the balance sheet as on 31st December, 1961 of the Calcutta firm were received from the Registrars of Companies at Madras and Calcutta respectively. The balance sheets had shown sufficient assets of the two firms to meet the demands of the Government. This was brought to the notice of the Deputy Legal Adviser, Ministry of Law, Calcutta on 5th July, 1963 with the request to intimate whether the Central Government Solicitor at Calcutta and the State Government pleader at Madras might be instructed to prepare claims to be filed in the appropriate courts at Calcutta and Madras. In reply, the Deputy Legal adviser had suggested that before filing suits action should be taken to pass Formal orders under clause 15 of the Iron and Steel Controller order, 1956 calling upon each of the firms to pay the specified amount within a specified date. Accordingly letters were issued on 18th April, 1964 to the two firms calling upon them to pay Rs. 1.24 lakhs due to the Equalisation Fund in respect of pipes and fittings on or before 9th May, 1964. The firm in their letter on 8th May, 1964 stated *inter alia* that due to decontrol of pipes and fittings in January, 1963, the goods were not sold by them and so nothing was due to the Department. The firms further stated that large amounts already paid by them was due to be refunded to them because of an assurance given to them to the effect that the entire material still with them on the day of decontrol would be sold by the department. With regard to the payment of Rs. 1.24 lakhs, the matter had again been referred to the Department of Legal Affairs on 8th January, 1965. No advice had yet been received. The witness admitted that there was undoubtedly delay after May, 1964 in getting the thing properly progressed. The witness stated that the amount of Rs. 1.32 lakhs included an item of Rs. 8,190 on account of rent of a yard given to the firm and the bulk of the amount related to the Equalisation Fund.

The Committee regret to note the inordinate delay at every stage in proceeding against the firms for the recovery of the amount of Rs. 1.24 lakhs due to the Equalisation Fund and a sum of Rs. .08 lakhs on account of rent and municipal taxes due from the Calcutta firm. It is all the more regrettable that even after the receipt of the letter dated 8th May, 1964 from the firm further action was taken by the Department only in January, 1965.

The Ministry of Law advised in September, 1960 that if on an enquiry it was found that the firm had sufficient assets against which Government could proceed in the event of obtaining a decree, necessary action for filing suits against the firms might be taken. The

Committee feel that opinion of the Ministry of Law in this case was based more on practical considerations than on legal considerations. This was also partly responsible for delay in proceeding against the firms. Further though balance sheets of the firms received from the Registrars of Companies at Madras and Calcutta have disclosed sufficient assets of the firm to meet the demands of the Government, no action has been taken yet to file a suit by the Government against the firms as is evident from Appendix XV.

The Committee were told in the course of evidence that the legal Adviser in his note dated 15th July, 1963 had stated that "It is unfortunate that so much time should have been allowed to lapse by waiting for results of the arbitration which strictly speaking do not concern the Government." In view of the above observations of the legal adviser, it is not understood why Government should wait to recover their own claims till the dispute between the partners was disposed of, which did not in the least concern the Department.

The Committee also suggest that proper investigation should be made to see whether any officer was responsible for abnormal delays in this case and report sent to them.

A note (Appendix XV) furnished at the instance of the Committee shows that balance of Rs. 1.24 lakhs is due from the firms to the Equalisation Fund and the Iron and Steel Controller has sought advice of the Legal Advisers. In regard to the recovery of rent and Municipal taxes amounting to Rs. 8,190.25 a legal notice has been served on the firm by the Iron and Steel Controller. The Committee suggest that immediate action should be taken on the legal opinion when received. They also suggest that the possibility of taking suitable action against the firms for non-payment of dues to the Equalisation Fund may be considered.

Extra-expenditure on Freight—Page 92, para 75.

44. In December, 1956 and February, 1957, the Iron and Steel Controller entered into two contracts with a firm for the import of 9,301 and 1,976 tons of M.S. plates from the U.K. and the Continent, respectively. The c.i.f. prices stipulated in the contracts were based on ocean freight rates of Sh. 138 and Sh. 160/4d per ton respectively any variation in freight being on Government account. In June, 1957 the firm intimated to the Iron and Steel Controller that as their overseas suppliers had backed out, they could supply a quantity of 356 tons only against the two contracts from U.K./Continent, and that, therefore, they were importing the balance quantity from Japan, for which the c.i.f. rates already stipulated in the contracts would be firm without any variation in freight. The firm's request was agreed

to in September, 1957, since import from Japan was considered advantageous as there had been an increase in Continental freight rates. Accordingly, both the contracts were amended in October, 1957.

As the ruling freight rate from Japan was only Sh 125/6d per ton, the payment at the c.i.f. rates originally agreed upon, which took into account ocean freight at Sh. 138 and Sh. 160/4d respectively, resulted in an additional payment of Rs. 1.21 lakhs calculated at Sh. 12/6d and Sh 34/10d per ton in respect of the two contracts.

The Secretary stated in evidence that freight alone was not the consideration when they switched off a source of supply from one country to another. The F.O.B. price plus the freight had to be taken into account. If the total C.I.F. price was not higher, they saw no objection to not claiming specially on the freight. The information was that when the supply was made from Japan, the total cost would be the same as the total cost of the previous source of supply. It was a fact that the freight from Japan was less, but the totality of the c.i.f. price was the same and they did not consider it wrong for not claiming the freight. The witness further added that the contract was on the basis of a tender.

On being asked as to why tenders were not invited when the source of supply was changed, the Secretary stated that initially those contracts had been placed after inviting tenders for the supply of entire quantity by December, 1957. As the supplies were urgently required, the department had agreed to the transfer of the source of supply.

The Committee regret to note that no attempt was made to persuade the contractor to reduce the rates when the source of supply was changed from U.K. to Japan and this resulted in an additional payment of Rs. 1.21 lakhs in the cost of M.S. Plates. The freight rates from Japan to India were lower than those from U.K. to India and to this extent, the Government should have benefited.

Extra Payment of Subsidy—Pages 92—94. para 76.

45. A fabricating firm with whom the Railways had entered into an agreement for the fabrication of Railway Wagons, arranged with another firm 'A' for the supply of M.S. Plates. In terms of the agreement with the fabricators, the supply of plates was to be arranged by the Iron and Steel Controller at controlled price ('Col. I price'). The fabricator and the firm 'A' approached the Iron and Steel Controller early in December, 1956, for an order to cover the sale by firm 'A' at a price of Rs. 875 per tonne, of 288 tonnes of M.S. plates,

shipped by the firm 'A' from Poland, which was expected in India by the middle of the month. They further requested that the excess of this price over the controlled price (Rs. 656.25 per tonne) might be reimbursed to the fabricator as subsidy from the Iron and Steel Equalisation Fund. The Iron and Steel Controller approved this arrangement in January, 1957 and agreed to reimburse the fabricator the difference between the landed cost of steel (not contracted price of Rs. 875 per tonne) and the controlled price, on submission by them of their claim supported by original documents (*viz.* overseas supplier's invoices) in support of the actual cost of the imported material.

In May, 1957, the fabricating firm regretted their inability to produce supplier's invoices in support of their claim, since according to them, the supply had been made by the firm 'A' not from material directly imported by them, but from stocks purchased from another firm 'B' and requested that the payment of subsidy should be made without overseas supplier's invoices. Without ascertaining the reasons for the divergence between this statement of the fabricating firm and the original statement that the material was imported by the firm 'A' direct from Poland, the Iron and Steel Controller in July, 1957, issued an amendment to his original agreement of January, 1957 waiving the condition regarding the production of overseas suppliers invoices and providing for the payment of subsidy on the basis of the contracted price of Rs. 875 per tonne (and not on the basis of the landed cost, as originally provided).

An advance payment of Rs. 56,623 towards subsidy was made to the fabricators on the 27th July, 1957. In April, 1963, a further sum of Rs. 6,301 was worked out as payable to the firm but the payment has not yet been made (December, 1963).

The overseas supplier's invoice to the firm 'B' was produced to Audit after repeated requests, when it was seen that the cost of the material plus the importer's remuneration amounted only to Rs. 785 per tonne, as against 875 per tonne with reference to which the subsidy had been worked out. Thus by agreeing to the firm rate of Rs. 875 per tonne, the Iron and Steel Controller had to make an extra payment of subsidy of over Rs. 25,000.

The Ministry have stated in December, 1963 that the price of Rs. 875 per tonne agreed to by the Iron and Steel Controller was negotiated price approved by the Ministry, which compared favourably with the then prevailing price. The necessity for negotiating a fixed price seems to lack justification as the firm had clearly stated while making the offer that the consignment had already been shipped and was on its way to India, and there was a procedure approved

by the Government in April, 1952, for acquiring steel imported on commercial account, at a price not exceeding the landed cost plus the prescribed percentage of remuneration.

The Committee desired to know as to why the Iron and Steel Controller did not verify whether imports had been made by the firm before accepting their offer for amendment of the contract in July, 1957 when the firm was neither a regular importer nor controlled stockist. The Secretary stated in evidence that the fabricating firm at whose instance supply was arranged made a report in May, 1957 to the Iron and Steel Controller to the effect that they were unable to produce the required documents viz., foreign supplier's invoices, bank memos etc. Supply had been made by the firm not from materials directly imported, but from materials purchased from another firm. The invoice was not insisted upon as it was thought that the price of Rs. 875 a tonne including remuneration was reasonable.

On being asked as to why the provisions of the public notice of April, 1952 fixing prices of steel imported under Commercial licence and acquired for public purposes was not enforced, the Secretary stated that the documents were not available at that time and a negotiated price of Rs. 875 per tonne was considered to be a reasonably good price.

On being pointed out that it was the duty of the firm to submit documents, if they wanted subsidy, the Secretary stated that without documents they should not have been given subsidy.

On being asked about the action taken to recover the excess subsidy from the firm, the Secretary stated that the firm was asked on 8th January, 1965 to pay the difference and the firm had asked for three weeks' time.

The Committee regret to note that the supply was made by the firm not from materials directly imported but from materials purchased from another firm and the invoice was also not insisted upon because the Department considered that due to non-availability of the documents, a negotiated price of Rs. 875 per tonne was considered reasonable which actually resulted in the payment of extra subsidy of over Rs. 25,000.

The Committee are also not in a position to accept the reasons advanced for not enforcing the provisions of the public Notice of April, 1952 fixing prices of steel imported under commercial licence. It appears that no action has been taken by the Department against the officers responsible for the lapse which the Committee view with concern.

The Committee suggest that action should be taken to black-list the firm for their divergent statements, and also to recover the excess subsidy immediately. They would like to be appraised of the final outcome.

Double Provision for Remuneration to Controlled Stockists, Page 94, para 77.

46. On the recommendation of the Cost Accounts Branch of the Ministry of Finance, Government fixed Rs. 790 per tonne as the price which a manufacturer of jute baling hoops could retain out of their sale price, with effect from 1st July, 1959. The price so fixed, known as the 'retention price' of the manufacturer, included an element of Rs. 10 per ton in respect of the selling expenses payable by the producer to a controlled stockist (who is the only stockist for the jute baling hoops).

It is noticed that the producer is supplying hoops direct to Jute mills and that the controlled stockists has been permitted to charge the mills, the prices fixed for such direct supplies by the manufacturers, and in addition recover separately a remuneration of Rs. 7.50 per ton to cover his expenses. In these circumstances, the inclusion of the element of Rs. 10 per ton in the retention prices of the producer, and its payment to the controlled stockist, do not appear to be justified. The amount less credited to the Equalisation Fund during 1961-62 as a result of the inclusion in the retention price of an element of remuneration to the controlled stockist on transactions involving a quantity of 6,100 tons, amounted to Rs. 61,000.

In reply to a question, the Secretary stated at the outset that he should have corrected the Audit para because some of it was not factually correct. Regarding the element of Rs. 10 per ton in respect of the selling expenses payable by the producer to controlled stockists, this was not payable to the controlled stockists but it was producer's selling expenses which was included in the price. If the correction was made, the whole basis for the para fell to the ground. The controlled stockist was not receiving any undue remuneration, he was only getting Rs. 4/- per ton from Jute Mills. Rs. 7.50 per ton mentioned in the Audit Report paid to the Controlled stockists by the Jute Mills for certain services rendered had been reduced to Rs. 4/- per ton.

The Committee regret to note that the information furnished by the Department to Audit was not factually correct. They would like to invite the attention to their earlier observation contained in para

34 of their Twenty Third Report (Third Lok Sabha) and emphasise that the Ministries/Departments should furnish correct information to Audit based on indisputable facts.

MINISTRY OF STEEL AND MINES

(Deptt. of Mines & Metals)

Geological Survey of India, para 53, pages 63-64.

47. Drilling work on behalf of private and public undertakings is undertaken by this organisation in exceptional cases, subject to recovery of costs from the parties concerned. It is seen that the recovery of cost in respect of the work done on behalf of other agencies has been in arrears (December, 1963) as indicated below:—

(in lakhs of Rs.)

Name of the Party	Period during which service was rendered	Amount due for recovery	Remarks
1	2	3	4
National Coal Development Corporation.,	1956-57 to 1958-59	19.39	The first bill relating to the work done on behalf of the Corporation was sent to them in May, 1959 which was returned unaccepted. Thereafter, a tentative schedule of rates was prepared only in January, 1962. this was finalised in April, 1962 and a claim for a total amount of Rs. 26.49 lakhs was preferred by the Department. Against this, a sum of Rs. 7.10 lakhs was credited by the Corporation in April, 1962, and the balance of Rs. 19.39 lakhs remains to be recovered.
Do.	1959-60	5.54	A bill for the amount was preferred only in October, 1963.
Do.	1961-62 1962-63	Not available.	The bills are still under preparation.

1	2	3	4
National Industries Development Corporation.	1961-62	1.74	The amount was billed for only in April, 1963.
Do.	1962-63	Not available.	It has been stated that the bills will be submitted after collecting the requisite data.
Three private parties	1960-61 1961-62	Not available.	It has been stated that the report of the work done has been sent to the party in one case but that bill has not yet been presented to them, while even the reports of the work done on behalf of the other two parties have not yet been sent to them.

Explaining the reasons for the delay in the recovery of charges on account of drilling from various parties, the Secretary, Ministry of Steel and Mines (Deptt. of Mines and Metals) stated in evidence that the Geological Survey of India was not doing any investigations originally for other parties. Later on, during recent years it was found that under certain circumstances the G.S.I. had to take up investigation. At that time there was no schedule of rates to be charged for such work. Lot of prospecting work in regard to coal was done by the G.S.I. for the N.C.D.C. but in the absence of schedule of rates, the G.S.I. were not in a position to prepare bills. There was lack of proper organisation and necessary costing staff in the G.S.I. for doing the costing of investigations. The schedule of rates were laid down later on and after that the G.S.I. was making efforts to recover the amounts from the various organisations.

The Committee then invited attention to letter No. M17(28)/52 dated the 31st December, 1952 from the erstwhile Ministry of Natural Resources and Scientific Research to the Director, G.S.I., Calcutta,

wherein the decision of Government to levy certain fees from private parties and individuals for the work done by the officers of the G.S.I. was laid down and pointed out that the basis was already fixed as early as in 1952 and therefore, there was no point in holding the preparation of bills. The representative of the Ministry promised to furnish the detailed information later on. The information has since been recovered (Appendix XVI). On being asked about the delay in receiving the payment of the bills when the bills were submitted, the Secretary stated that when the bills were submitted to various organisations, they had raised certain objections in regard to certain claims which had led to some delay. N.C.D.C. had also taken some time to make payment. The witness added that in the beginning there were various difficulties in preferring the bills, but now the procedure had been streamlined by providing staff etc. and on the whole, work of preparing bills and realising payments was proceeding more smoothly than in the past. The witness further added that monthly reports were received which indicate some improvement in the matter of preparation of bills.

As regards the delay in the preparation of bills, the Secretary stated that the details of the work which had been done had to be obtained from the field Geologists by the Regional Directors and after processing they had to pass on to G.S.I. and this had accounted for the delay.

On being asked as to why the G.S.I. could not work out in advance rates of different items of work the witness stated that the coal was required urgently and the work was taken up without waiting for laying down the schedule of rates. The Committee inquired whether it was a fact that when the rates were determined in January, 1962, these were not agreed to by the N.C.D.C. with the result that the N.C.D.C. had disputed the rates. The Secretary, Department of Mines & Metals stated that the schedule of rates was now known to everybody and there was no dispute over the schedule of rates. The schedule of rates was applicable to both the private as well as the public parties. The dispute was in regard to the quantum of work done by G.S.I. and also whether the work was done under certain items or not. In reply to a further question, the witness stated that the question of accepting deposits from the parties had not been considered before and now it would be considered.

The Committee were further informed that the present schedule was cumbersome and the present procedure was a time consuming

process and that was one of the reasons for delay in compiling the bills. The Ministry had already issued instructions to I.B.M. and the G.S.I. to work out the simpler schedules prescribing flat charges for the various items of work done such as drilling, chemical analysis of samples, preparation of reports etc. The witness added that they would come to a rough and ready formula in another two months' time. On being asked whether there would be any scope still left for disputing the amount by the Corporation or any organisation, the witness stated that the intention was to reduce the possibility of disputes. The witness added that quantum of work and the charges would be made clear to all the parties concerned beyond doubt and the work would be undertaken only after the parties had given their acceptance. In reply to a question, the representative of the Ministry stated that one of the objections raised by the N.C.D.C. was some discrepancy in the footage drilled. It was pointed out to N.C.D.C. that the footage was hardly relevant because irrespective of the work done, the costs had to be arrived at in accordance with the procedure laid down in the schedule, which N.C.D.C. had accepted. In this process more time was taken and the delay had occurred.

The Managing Director, N.C.D.C. added that there were a number of points on which clarifications had to be sought and a number of points had to be discussed. In regard to the footage, the total amount of expenditure incurred on the basis of cost turned out to be much higher than anticipated. The representative of the Ministry added that when clarifications were sought, a certain amount of delay was inevitable.

The Committee have not been told of any reason why the bills were not prepared, submitted and collected on the basis of schedule of rates fixed in 1952. The Committee are left with the impression that there was no seriousness in this matter. It was handled casually with the result that Government dues were allowed to remain in arrears for a long time. It is seen from the notes (Appendix XVI) furnished by the Ministry that even after the basis of calculating charges had been settled in April, 1962, the position relating to the

preparation of the bills has not been satisfactory as is evident from the following:—

Year during which service was rendered	Amount	Date of despatch of bill to National Coal Development Corporation
	Rs.	
1956-57 (in 2 parts)	11,12,260.40 (5,85,657.95 plus 5,26,602.45)	29-10-1963
1957-58	8,50,711.85	29-10-1962
1958-59	6,86,281.20	30-3-1963
1959-60	5,54,426.10	23-10-1963
1960-61	5,55,489.92	25-4-1964
1961-62	3,77,833.02	31-10-1964

The bill for 1962-63 is still under preparation.

The Committee feel that the delay in obtaining the details of the work done by the field parties is not of such a nature as should result in undue delays in the preparation of bills. They are of the opinion that such long delays in the realisation of the Government dues from the parties amount to an unauthorised financial assistance to them. Such delays can be obviated by upto-date maintenance of records of the work done and quick transmission of the information to the Headquarters.

The Committee suggest that the present procedure which is stated to be cumbersome and time consuming should be simplified and the scope for delays eliminated altogether.

48. In reply to a question, the witness stated that the N.I.D.C. had paid the full amount of Rs. 6,51,806.13p. On being pointed out that the Deptt. was 3 years behind in preferring the bills, the witness stated that the basis for the preparation of the bills were settled only in September, 1962. The delay was due to the fact that the information on numerous items had to be gathered from various sources. The nature of the schedule and the type of the work which was done and the manner in which it had to be posted had to be looked into. The witness, however, admitted that certain delays could have been avoided. As regards N.C.D.C. the witness stated that a sum of Rs. 16

lakhs was outstanding against the Corporation and another small bill was under compilation. On being asked about the difficulties about payment for 1961-62, the witness stated that it was found that there was some difference of opinion about the manner in which cost of various items of works had been estimated. It had been proposed to ask the Accounts Officers to sit together and come to an agreed settlement. A time limit of 2 or 3 months had been given and the entire matter would be settled within that period. The Secretary added that the bills upto 1961-62 had been paid except Rs. 16,07,000. In reply to a further question, the representative of the Ministry stated that the payment was an on account payment. Certain items of work which were not disputable were added up and an on account payment of Rs. 25 lakhs and odd had been made. The disputed items probably related to last 2 years. The representative, N.C.D.C. stated that an amount of Rs. 6 lakhs was due according to Ministry's understanding of the principles. The facts and figures had to be reconciled. That was what had been proposed to be done in the next 2 months.

The Committee suggest that vigorous steps should be taken to settle the outstanding bills. The proposed meeting of the Accounts Officers may be convened immediately if not already held and the accounts settled at an early date.

49. The Secretary stated that quite often both G.S.I. and I.B.M. started taking up some investigations without receipt of any specific request from any particular organisation. It was because they felt that there were possibilities in regard to certain minerals in certain areas. It was quite possible that the investigations might not result in any definite discovery. When it did materialise in some discovery and some minerals were proved, then some organisations stepped in for commercial exploitation of these minerals and it was at that stage that the G.S.I. or the I.B.M. would be able to prepare a bill of all the expenditure which they had incurred on that investigation and would ask that exploiting agency to make the payment.

On being asked as to why a commercial price of the value of information given should not be charged, the Secretary stated that the normal practice for the G.S.I. and I.B.M. was to publish all the results of their investigations and all the information was available and so far they had been thinking in terms of recovering the cost and not the commercial price and promised to consider the matter.

The Committee suggest that at the time of making available the results of their investigations to the private parties for commercial exploitation, the feasibility of recovering in advance the commercial

price of the information and not merely the cost incurred therein should be examined.

50. As regards the amount outstanding against private parties, the witness stated that the Baroda Borough Municipality had paid the balance on 2nd February, 1965. As regards Messrs. Bengal Potteries Ltd., the matter was still under discussion with parties concerned and the same would be settled shortly. The witness added that the bill was in excess of the original estimate. Actually the cost of the staff and drills which were not utilised and which were idle were also added up. The final bill would be less and added that they were entitled to recover the cost of the expenditure on drill and staff actually employed. Rs. 20,000 was not the ceiling. In reply to a question, the witness stated that the work was completed in August, 1961. The report was finalised in December, 1963 and the bill was presented to the party in April, 1964 and the amount was pending recovery since April, 1964.

The Committee desired to know under what circumstances, the report was sent to the party without realising Government dues. The Director, G.S.I. stated that agreements were not properly drawn and it was not correctly stated as to how much expenditure would be borne by the private party. On being asked as to why the party was not asked to make a deposit pending final settlement, the Secretary stated that in November, 1963 a letter had been issued to I.B.M. to take a deposit before taking up the work on behalf of the private parties and this procedure would apply to G.S.I. On being asked as to why it was done only for one organisation and not for the other, when both were under the same Ministry, the representative of the Ministry stated that normally work on behalf of private parties was done by the I.B.M. The few investigations which were conducted by the G.S.I. were conducted much earlier than the issue of that letter. It had been proposed to apply that procedure to the G.S.I. also making it necessary for them to take a deposit from the parties concerned whenever they undertook the work.

The Committee desired to know whether Messrs. Bengal Potteries Limited were intimated about the likelihood of the original estimate going up. The witness stated that cost of the work should be continuously worked out and whenever the estimate was likely to go up, there should be a provision in the agreement to secure extra deposits or a specific commitment from the party concerned that they would meet the expenditure in excess of the original estimates. On being asked whether it was done in the case of Messrs. Bengal Potteries Limited, the witness replied in the negative but added that they

now proposed to make it clear and tighten up the procedure by issuing further instructions to the G.S.I. and the I.B.M.

The Committee regret to note that there were unfortunate delays in recovering the outstanding amounts from the private parties for which no satisfactory explanation has been given by the Ministry. The Committee are surprised to note that the Ministry issued instructions to I.B.M. only in November, 1963 to secure deposit before taking up the work on behalf of the private parties but those instructions have not so far been issued to G.S.I. when both the organisations are under the same Ministry doing work of almost similar nature.

The Committee suggest that no survey work should be undertaken on behalf of Private Parties or Government Corporation without receiving adequate amount of deposit. The Committee also recommend that in future no report or the result of the survey should be made available without recovering the full amount.

The Committee hope that suitable instructions will be issued by the Ministry to G.S.I. immediately to secure deposits from the parties concerned before taking up the work on their behalf. The Committee also hope that the department will introduce a system to assess the cost of the work at regular intervals and indicate the same to the parties concerned.

Indian Bureau of Mines, para 54, pages 64—66
Outstanding recoveries.

51. The Bureau advises Government companies and other agencies in regard to matters pertaining to the Mining Industry and executes prospecting work on their behalf, subject to recovery of cost. Recoveries aggregating Rs. 30.84 lakhs were still (December, 1963) due to be made from the parties noted below:—

Name of the Party project	Period during which service rendered	Amount due for recovery	Date on which claim preferred
1	2	3	4
		Rs.	
(i) Hindustan Steel Limited (Bhilai Investigation)	January, 1955 to August, 1956	7,535	July, 1959
(ii) Fertilizer Corporation of India (Lime Stone Deposit at Morni Hills)	December, 1959 to July, 1961	70,573	April, 1962.

1	2	3	4
(iii) Pyrites and Chemicals Development Co. (P) Ltd. (Amjore Pyrites Investigation).	May, 1957 to January, 1960	2,44,915	November, 1960
(iv) National Mineral Development Corporation. (Bailadila Iron Ore Investigation).	Work in progress since November, 1960	25,59,300	Claims not yet preferred
(v) National Mineral Development Corporation. (Panna Diamond Project).	July, 1960 to August, 1961.	40,166	Not known
(vi) Assam Government (Mikkir Hills Limestone Investigation).	November, 1961 to August, 1962	1,62,000	Not known

The Committee desired to know the reasons for the delay in submitting the bills and recovering amounts. The Secretary stated that the reasons for the delay in regard to I.B.M. were more or less the same as in the case of the G.S.I. viz. lack of proper organisation in the office of the Indian Bureau of Mines for computing charges and preparing bills etc. On being asked as to when the I.B.M. undertook work on behalf of the public or private organisations, the Secretary stated that the I.B.M. had been taking work on behalf of other bodies right from the start. The witness added that I.B.M. was comparatively a younger organisation. It was started in 1948 and it had been doing prospecting work only since 1955. The major investigation work was taken up by I.B.M. in 1955 on behalf of Hindustan Steel Limited in regard to lime stone and iron ore.

In reply to a further question, the Director, I.B.M. stated that the amount in regard to the work done in connection with the Bailadila Iron ore investigation under N.M.D.C. represented the estimated recovery which related to a period of 21 months from the date of commencement of the operations. The position about the later period was not known. The Secretary added that the position in regard to N.M.D.C. was that the work had been in progress since November, 1960. The total amount due for recovery was Rs. 25,59,300 and the claim was preferred on 1st October, 1962. The amount represented the estimated cost of the work of investigation on deposits 5, 10 and 14 of Bailadila iron ore range. The work was in progress. The N.M.D.C. who was requested to reimburse the expenditure in respect of deposits 5, 10, 11, 13 and 14 of Bailadila range to I.B.M. had intimated that the expenditure incurred in prospecting of deposits 5 and 14 would be debitable to the respective projects for

the development of those two deposits. With regard to expenditure on other deposits, the Corporation had proposed that those should form part of the expenditure annually incurred by the I.B.M. on exploratory work on mineral investigations, which did not immediately result in the development of a mine. Since the exploration work in deposits 5, 10, 11, 12, 13 and 14 in Bailadila range was undertaken by the I.B.M. at the instance of N.M.D.C. on an undertaking given by them that the expenditure incurred on those investigations would be reimbursed to them, the N.M.D.C. were being requested to reimburse the expenditure. There was some difference of opinion between N.M.D.C. and I.B.M. on this issue.

The Committee desired to know the total amount of bills sent to N.M.D.C. and the extent to which they were outstanding. The Secretary stated that the amount was Rs. 25.59 lakhs. He added that, in addition, there was another small bill pending in regard to Panna diamond project preferred on 1st April, 1961 for Rs. 40,166.

The Committee desired to know the position about the recovery of Rs. 25 lakhs from N.M.D.C. The representative of the Ministry stated that the debit against N.M.D.C. covered a number of deposits viz., deposits Nos. 5, 10 and 14. Of those deposits, deposit No. 14 had been entrusted to the N.M.D.C. for development. The work of detailed prospecting of the other two deposits had been done and bills for those deposits had also been sent to N.M.D.C. on the assumption that N.M.D.C. would be taking up that work. The matter had been discussed with the Finance Ministry and it had been decided that the debit against N.M.D.C. should be only in respect of the deposit which had been entrusted to them for development. Since deposits 5 and 10 had not been assigned to the N.M.D.C., the debt in respect of detailed prospecting of those two deposits had been withdrawn. Whatever expenditure was incurred by the I.B.M. on detailed prospecting of the deposit had been paid by the N.M.D.C. and that amounted to Rs. 7,50,000. In reply to a question, the representative of the Ministry stated that the Ministry had asked the I.B.M. to undertake the work of detailed prospecting of three deposits on the assumption that the N.M.D.C. would be made responsible for development of those three deposits. The Government had taken the decision to ask the corporation to exploit deposit 14 only for the present. The witness further added that the I.B.M. would still calculate the cost of the work in respect of the two deposits separately so that at a later stage when their development was entrusted to the N.M.D.C., suitable debits could be raised against the corporation. On being asked about deposits 11, 12, 13, the witness

stated that those deposits were being prospected and had not been assigned to the N.M.D.C. for development for the present. On being asked about the Panna diamond project the witness stated that the entire amount had been paid on 10th February, 1965. He added that there was some delay because of some ambiguity about interest charges.

The Committee desired to know whether after transferring the development work to N.M.D.C. there was any proportionate reduction in staff. The representative of the Ministry replied in the negative and stated that other investigations had been assigned to the I.B.M. On the other hand in the fourth plan, there was a provision for more recruitment to undertake additional investigations. In reply to a further question the witness stated that about a thousand people were doing the prospecting work. The Director, I.B.M. added that in the coal site there were 500 people including drilling staff, mining engineers etc. All those people had been transferred to non-coal operation areas like Khetri Copper Project, lime stone investigation areas in Madhya Pradesh and Bellary Hospet iron ore prospecting area etc.

The Committee hope that with the setting up of the cost accounting cell in the I.B.M., the delay in preparation of bills will be avoided. They also hope that I.B.M. will pursue vigorously the cases of outstanding recoveries from the parties/projects mentioned in Audit para.

Idle Equipment

52. It was noticed during local audit conducted in July-August, 1963 that equipment purchased for issue to camps had been lying idle in the Central Stores for periods ranging upto 2½ years. It has been stated in February, 1964 that the estimated cost of the equipment which had been lying idle for a period of over one year is about Rs. 13.68 lakhs; that a Committee consisting of Technical Officers of the Bureau has been set up to re-examine these items of equipment with a view to ascertaining how far they can be utilised by the Bureau in the near future; and that action as deemed necessary would be taken on receipt of the recommendations of the said committee.

The Committee desired to know whether the Committee consisting of technical officers had submitted its report, and if so what action had been taken. The Director, I.B.M. stated that on receipt of Audit para, a list of equipments lying idle in stores was prepared and its total cost worked out to Rs. 14.08 lakhs. This was the cost

of equipments that were not issued for one whole year. The witness added that it should have been worked on a three year basis because the capital equipments were mostly imported items, and it was a general practice to have 10% spares along with them. It had therefore been decided to re-examine the question and find out actually how many spares were in the stores on a three year basis. On that revised calculation, the amount of stores that were lying idle came to Rs. 8.98 lakhs. The spares were all machine parts and accessories etc. Due to fault in the accounting procedure, some of the capital equipments which were found in stores had all been used up as they had been given to field surveys parties and used for four or five years. Those had been taken back and were awaiting disposal. A majority of the capital equipment which were unserviceable and had to be written off were still in the accounts books. Action was also being taken to see that repairable stores were repaired and brought into use.

As regards general stores, the witness added that those were mostly bolts and nuts and other hardware equipments. Formerly the field parties were purchasing those stores locally now a circular had been issued to all the field parties to utilise the bolts and nuts in stores. Most of the drilling and mining accessories was of the nature of drilling equipments etc. In 1958 a complimentary gift of diamond drilling equipment worth Rs. 40,000 approximately was received from the Government of Japan.

On being asked about the formula adopted with regard to keeping of stores, the witness stated that the convention followed by them was to have extra stores to the extent of 10% of the value as spares. He added that they had the total assets of stores including what had been distributed in the field to the tune of Rs. 4½ crores. As against that the stores that were lying unused in the field were to the extent of Rs. 4 lakhs only.

On being asked about the periodical verification of stores, the witness stated that there was some difficulty in the past, as there was no properly qualified Stores Officer with them. The witness further added that out of those stores whatever could be repaired and put into commission were being done by them. They were also trying to consult the Ministry to find out how those stores which were returned from the field after the use should be accounted for and they had been trying to know whether a separate account should be kept of those stores or whether they should be kept in the same account. On being asked whether there was no system of verifying the stores the witness stated that it was correct that there

was no proper stores maintenance and now they were trying to rectify the defects.

The Committee regret to note that it was only after the audit para was received that an attempt was made to prepare a list of equipment lying idle in stores. The Committee are surprised to note that there is no system of periodical verification and proper maintenance of stores. The argument that the difficulty was due to the lack of a properly qualified Stores Officer in the I.B.M. is not understandable to them. They feel that the difficulty could have been easily overcome by the timely appointment of a qualified Stores Officer.

The Committee hope that suitable steps will be taken by the Department immediately to rectify all the defects in the proper maintenance of stores records and regular system of periodical verification would be introduced. They may also be informed of the action taken for utilisation of serviceable equipments and disposal of un-serviceable ones.

Loss due to delay in the finalisation of the terms of interest on loans, para 102, page 140.

53. During the period March, 1959 to March, 1962, loans aggregating Rs. 4.95 crores were paid to the Singareni Collieries for their development programme, without, however, specifying the terms and conditions which were finalised only during February, 1961 to April, 1963. The delay resulted in realisation of interest being postponed for periods ranging up to 21 months, as shown below:—

- (i) A total sum of Rs. 5.70 lakhs representing interest due on a loan of Rs. 60 lakhs paid in March, 1959, for the half years ended September, 1959, March, 1960, September, 1960 and March, 1961 was realised only in July, 1961.
- (ii) A sum of Rs. 6 lakhs being interest due on a loan of Rs. 100 lakhs paid in December, 1961, for the half year's ended 4th June, 1962 and 4th December, 1962 was realised only on 28th May, 1963.
- (iii) A sum of Rs. 9 lakhs which was the interest due on a loan of Rs. 150 lakhs paid in March, 1962 for the half years ended 29th September, 1962 and March, 1963 was realised on 28th May, 1963.

Explaining the position in regard to the delay in the finalisation of the terms and conditions, the representative of the Ministry of

Steel and Mines (Deptt of Mines and Metals), stated that the terms and conditions had already been laid down. The difficulty arose over the interpretation of the terms and conditions particularly relating to the rate of interest and the tenure of loan. On being asked whether the tenure of loan was not determined and the rate of interest was also not specified, the representative stated the rate was 4½% or the prevalent rate. In reply to a question the witness stated that the first instalment of the loan was paid in March, 1959, but the terms and conditions were settled a little later and conveyed in June 1959. The amount was advanced because the need for Singareni Collieries was found to be urgent and pressing. The witness stated that it was decided on 1st August, 1960 by the Finance Ministry that 4½% applied to loan of 10 years duration and for loans between 10 and 19 years, the rate of interest would be 4¾%. On being asked about the delay, the witness stated that the case was again taken up with the Ministry of Finance because it was considered unfair to charge 4¾% interest. It was also felt that in the face of the tripartite agreement, between Central Government, Andhra Pradesh and Singareni Colliery, the Singareni Colliery had a case and an effort was made to approach the Ministry of Finance which took time. Ultimately it was agreed to charge interest @ 4½% as mentioned in the agreement, the Committee pointed out that in the tripartite agreement there was no mention of interest whether payment of interest would be half yearly or annual. Even when the Ministry communicated the rate of interest of 4¾% they did not mention whether the payment would be half yearly or annual and a further enquiry was made on 14th June, 1961 and then the Government clarified that the interest was repayable in half yearly instalments.

The Committee desired to know whether it was a fact that when the terms and conditions were finalised, there was an omission about mentioning the period. The representative of the Ministry stated that in retrospect it was found to be an omission and added that the Audit Deptt. drew the attention of the Ministry on 11th November, 1959 because the interest had to be realised. In reply to another question, the witness admitted that in the original agreement there was no mention of the date on which the first instalment of interest was due for payment.

The Financial Adviser informed the Committee that the loan was sanctioned to the Singareni Colliery under a Tripartite Agreement between the Central Government, State Government and the Singareni Colliery. As regards the terms and conditions of the loan, there had been considerable discussion about the prevalent rate of interest

between the three parties and the position was still in a somewhat fluid state. The witness further added that the Central Government held 40% of the shares and other 60% was held by the State Government and the private share holders. The latter held shares of the value of Rs. 5 lakhs. Though the Central Government had 40% of the shares, they had to provide bulk of the Finance both in the Second Plan as well as in the Third Plan. The State Government had provided a bit of the Finance required by the Corporation. The shares of the Central Government in the Management had not been commensurate with the capital provided by the Central Government for that Corporation and that had been the subject of discussion between the Central Government and State Government. In reply to a question, the witness stated that there had been some modifications in the agreement based on the discussions between the two Governments that had been going on.

The Committee pointed out that the loan was granted in 1959 and the rate of interest determined was not communicated till February, 1961. The representative of the Ministry stated that there was delay in communicating because it was thought that the rate of interest should be charged from April, 1961. The witness stated that the rate of interest was determined in 1961 and the decision was that on the loan of Rs. 60 lakhs, the duration would be 13 years and the rate of interest would be 4½%. The doubt arose when the Company stated that they were not liable to pay interest at 4½%.

On being asked about the loans of Rs. 100 lakhs and Rs. 150 lakhs paid in December, 1961 and in March, 1962 respectively, the representative of the Ministry stated that there had been delay in those two cases.

On being pointed out that the original agreement did not specify the amount, the Financial Adviser stated that the capital structure, equity participation of the Central Government and the loan they would advance had all been specified in the 1959 agreement. The idea was that the capital should be Rs. 300 lakhs out of which Rs. 180 lakhs would be the share of the State Government and they had to convert a certain portion into equity. Besides that the Central Government had agreed to give a loan of Rs. 295 lakhs during the Second Plan period. The amount of Rs. 295 lakhs was given on the basis that the Andhra Government would have 60% and the Central Government 40%. That had been completely fulfilled. The Financial Adviser further added that there had been further negotiations for the Third Plan. There was a provision of Rs. 20 crores in the Third Plan for expansion of Singareni Collieries for expanding production to the order of 5.74 million tons. There was a discussion

between the Central Government and State Government as to how those additional resources would be found and made available to Singareni Collieries. That discussion led to a fresh agreement in January, 1963 as follows:—(a) to raise the issue capital of the Company to Rs. 4 crores, (b) to raise the authorised capital to Rs. 9 crores, (c) about Rs. 3 crores loan by the Central Government to Andhra Government, (d) further a loan by the Central Government to the Company and (e) the Company would raise a loan of Rs. 2.5 crores.

In regard to the loan to Andhra Government, the Financial Adviser stated that it was as a result of a discussion between the Andhra Government and the Central Government that some part of the loan was given directly to the Company and some part of the State Government for being lent to the Company. Normally the State Government should provide the funds required both for equity participation and loan to Company. The State Government had pleaded lack of resources and so except for a small portion, the Central government had to provide funds for equity participation in the capital and also payment of loan by them to the Company. It was because of this factor there was discussion about the extent of participation in management by the Central Government.

The witness added that the Collieries were running well. In the mid term appraisal of the Third Plan, the target was reduced from 5.74 million tons to 4.15 million tons, and this capacity had been attained by the Colliery. The witness, however, added that as there was slackness of demand, their production was only 3.6 million tons, but they could reach 4.15 million tons. Their record of payment of dividends had been quite satisfactory.

On being asked about the proposal that the Central Government should own majority shares in Singareni Collieries, the representative of the Ministry stated that at one Stage the State Government had agreed that Central Government should have the majority participation, but within a short period that position was changed.

The Committee are unhappy to note that the loans were granted to the Singareni Collieries before the terms and conditions in respect thereof were settled. They are not in a position to accept the contention that due to urgent needs of funds, the loans were sanctioned pending finalisation of the terms and conditions. Further when the terms and conditions were embodied in a draft agreement there were omissions of not mentioning the time of repayment of the loan and the date on which the first instalment of interest was due for payment. This omission came to light only in November, 1959 after Audit drew the attention of the Department.

The Committee regret to note even after the loan had been given in 1959, there was inordinate delay in communicating, the rate of interest, determined by the Department, to the Singareni Collieries. The Committee are unable to understand the reasons for the delay in communicating the rate of interest when the Ministry of Finance had decided on 1st August, 1960 the rate of interest on loan of 10 years duration and loans between 10 and 19 years.

The Committee feel that the action of the Ministry in taking up the case of Singareni Collieries again with the Ministry of Finance actually resulted in the delay in the realisation of interest and this amounted to unauthorised financial assistance to the Company.

They feel that pending decision of the reduction in the rate of interest, the Deptt. should have provisionally recovered interest at the rate determined by Ministry of Finance.

The Committee suggest that in such cases the agreements should be drafted in unambiguous and clear terms to avoid at a later stage any difficulties in the interpretation of the terms and conditions and a uniform procedure should be laid down in consultation with the Ministry of Finance in regard to the grant of loan and payment of interest etc.

54. Notes (Appendices XVII, XVIII and XIX) furnished at the instance of the Committee show that the physical targets fixed and achievements of the Singareni Collieries are as follows:—

(In million tonnes)

Year	Target	Achievements
1961-62	3.05	2.85
1962-63	3.25	3.23
1963-64	3.56	3.47
1964-65	4.37	3.65 (anticipated)
1965-66	5.74	4.1 (anticipated)

The Committee have also noted that the actual production in the years 1964-65 and 1965-66 will depend on the demand for coal and the demand is very much below the original targets.

The Committee feel that the achievements of the Singareni Collieries during all the years mentioned above are short of targets fixed in the Third Five Year Plan. As against the target of 5.74 million tons of coal, the company has achieved a capacity of 4.15 million tons though the amount earmarked for 5.74 million tons target has been spent. Such a performance is therefore disappointing. They hope that attempts will be made to achieve the targets in regard to production.

V

MINISTRY OF WORKS AND HOUSING

Non-recovery of fees for technical advice—para 56, page 69.

55. The Government of India decided in May, 1960, that the Central Public Works Department should, with effect from 1st December, 1958, recover departmental charges from the New Delhi Municipal Committee at 2½ per cent of the total works expenditure for rendering technical and architectural advice to them. No amounts have, however, been recovered or even assessed for recovery till July, 1963.

The Ministry informed Audit in January, 1964 that the question of settlement of the Government dues on account of "direction charges" was under correspondence with the New Delhi Municipal Committee and that they had also requested the Ministry of Home Affairs to use their good offices in resolving the issues involved.

The Committee enquired as to why the C.P.W.D. had not recovered fee for the technical advice rendered to the N.D.M.C. w.e.f. 1st December, 1958. The witness stated that the N.D.M.C. had informed them that they would make payments after the accounts in respect of the works, on which technical advice was obtained from C.P.W.D. were audited. Thereafter, the New Delhi Municipal Committee had been reminded and even the assistance of the Ministry of Home Affairs was sought but the N.D.M.C. had not got these accounts audited so far. It was expected that after completion of audit, payment would be made within three or four months.

The witness admitted that the N.D.M.C. informed the Ministry that Rs. 81,72,589 worth of work had been carried and the Government claim had been assessed at this figure but the Ministry wanted the sum to be checked and so have asked the Municipality to give them the audited figure which could be taken as correct.

The Committee pointed out that the Ministry could have collected the amount on the basis of the figures pending further verification. The representative of the Ministry stated that there was dispute

about the calculation of the "direction charges" between the Ministry and N.D.M.C. The N.D.M.C. had classified the works into four categories as follows:—

1. Anti-flood works	Rs. 43.00 lakhs
2. Works costing less than Rs. 40,000 each	Rs. 3.90 lakhs
3. Repetitive works	Rs. 25.84 lakhs
4. Works above Rs. 40,000 each	Rs. 7.84 lakhs
Total	<u>Rs. 81.58 lakhs</u>

N.D.M.C. in one of its meetings held on 13th December, 1963 passed a resolution that on items (1) to (3) nothing was payable and on item (4) only 2½ per cent was payable i.e. that out of Rs. 81 lakhs they had accepted liability only for payment on Rs. 7.84 lakhs. They denied the other payments.

Since the Ministry of Works and Housing was not aware of the circumstances in which this decision had been taken by the N.D.M.C. they approached the Ministry of Home Affairs to get the matter settled. Accordingly a meeting was held in September, 1964 at which the representatives of the Ministry of Home Affairs, the N.D.M.C. and Finance Ministry were present. After full discussion it was finally decided that payment of "direction charges" would be made by the N.D.M.C. on the basis of the audited expenditure of the works done during the period from 1st December, 1958 to 31st July, 1962. It was also decided that the Additional Chief Engineer should pursue the matter and take further steps to settle the issue with N.D.M.C.

The Committee enquired why the Ministry at the meeting held with the Home Ministry's representative, did not raise the point as to how it was possible for N.D.M.C. not to have their accounts audited since 1958. The witness stated that the two things were raised at this inter-departmental meeting. One was the principle on which the charge should be levied and the second one was how the payment had to be made. It was decided that as soon as audited accounts were available, payment should be made. The Ministry did not go into the reason why auditing of accounts had been delayed and how long it would take to get a final picture.

The Committee have been informed by the Ministry of Works and Housing subsequently in a written note that the N.D.M.C. has stated

that audit of their accounts for the period from the 1st December, 1958 to 31st March, 1961 was to be done by the Accountant General, Central Revenues and for the period from the 1st April, 1961 to 31st July, 1962 by the Examiner, Local Fund Accounts (Delhi Administration). As the audit had not been carried out so far, the N.D.M.C. was making efforts to get this expedited. The Ministry also requested the Accountant General, Central Revenues and the Examiner, Local Fund Accounts to have the accounts audited expeditiously. The N.D.M.C. had been requested, pending audit of the accounts, to make an 'on-account' payment to the extent of 80 per cent of the total amount to be paid by them.

The Committee are unhappy to note that the audit of N.D.M.C. Accounts for the period from 1st December, 1958 to 31st July, 1962 has not been carried out so far*. The Committee fail to understand why on account payment was not taken from N.D.M.C. pending the final audit of the accounts. They trust that the matter would be expedited and an early settlement reached on this issue of "direction charges" to be realised from the N.D.M.C.

The Committee may also be appraised of the final position relating to the realisation of the Direction Charges from N.D.M.C.; both in regard to (a) the exact basis of payment and (b) the quantum of payment.

Hotel Janpath—para 61, pages 73-74.

56. This Hotel has been functioning since the 15th October, 1956. The allotment of rooms in the Hotel is made by Government, but catering had been entrusted to a private caterer. The Hotel was started 'due to shortage of hotel accommodation in the capital and high prices charged by private hoteliers'; and in order to ensure low rates for catering, the caterer was provided the free use of the kitchen, furnished dining hall and a specified number of servants quarters.

The following points have come to notice:—

- (i) The caterer was appointed after inviting tenders, initially for a period of three years from 15th October, 1956 to 31st December, 1959, with provision for renewal for a further period of not less than one year at a time. Without inviting fresh tenders, the agreement was extended, on the existing terms, for a period of three years from

*The Committee understand from Audit that the Accounts for the period upto 31st March, 1961 had duly been audited by the A.G.C.R. by May-June, 1961 and that Audit Notes issued in that connection were settled in February, 1964 by special Audit party deputed for the purpose.

1st January, 1960 to 31st December, 1962, on the ground that if fresh tenders were invited, the catering rates were likely to be higher. The catering rates had, however, been substantially increased with effect from 1st August, 1962 as shown below:

	Rates prior to 1st August, 1962	Rates with effect from 1st August, 1962
Lunch	*Rs. 4.75 for lunch, dinner, and evening tea together.	Rs. 7.00 (4 courses) Rs. 5.50 (3 courses)
Dinner		Rs. 7.00 (4 courses) Rs. 5.50 (3 courses)
Evening Tea		Rs. 0.75
Bed & Breakfast (English)	Rs. 7.50	Rs. 8.50
Bed & Breakfast (Continental)		Rs. 7.50

The agreement was further extended for a period of one year from 1st January, 1963 to 31st December, 1963, pending consideration of alternative arrangements.

(ii) It was noticed, that the strength of the room-bearers, floor-attendants, pantrymen and sweepers in the employment of the caterer prior to 1st August, 1962 fell short of the minimum staff requirements specified in the catering agreement, viz. 167, by 83, which resulted in a saving of Rs. 6.44 lakhs to the caterer upto July, 1962.

(iii) A sum of Rs. 90,570 was outstanding for recovery from the caterer as on 31st March, 1963, in respect of the period from 1st April, 1959 on account of water and electricity charges, and of the rent of cold storage rooms, servants' quarters utilised in excess of the number specified in the agreement.

The Ministry informed Audit in December, 1963 that against the amount of Rs. 90,570, a sum of Rs. 91,543 collected by the Government from the clients, on behalf of the caterer, during 1st August, 1962 to 9th September, 1962

*A consolidated rate of Rs. 12.25 was being charged for full board, covering bed and breakfast, lunch, dinner and evening tea. The charges for bed and breakfast was Rs. 7.50. The difference has been taken to be charge for lunch, dinner and evening tea together.

had been withheld, pending collection of the amounts due from him.

- (iv) No rent has been charged from the caterer also for the additional accommodation provided to the caterer (for Cashier's room, Accountant's room, two house-keepers' rooms, room for changing of uniform by the staff, and Dhobi-Ghat along with a working room for Dhobi) and extra furniture utilised by him in excess of that provided in the agreement. The question whether the contractor was liable to pay rent for these items was stated to be under the consideration of the Government.
- (v) A sum of Rs. 69,621 was outstanding as on 31st March, 1963 for recovery from different parties on account of lodging charges in respect of the period from 1958 onwards, of which a sum of Rs. 45,376 related to the period prior to 1st January, 1963. The Ministry stated in December, 1963 that out of this amount, a sum of Rs. 31,499 had since been recovered, leaving a balance of Rs. 38,122 still to be recovered.
- (vi) Another sum of Rs. 62,300 on account of rent for the period January, 1959 to March, 1963 was outstanding for recovery from licencees of cabins and shop-windows, of which a sum of Rs. 28,664 related to a period more than one year. It has been stated in December, 1963, that out of this amount, a sum of Rs. 11,250 has since been recovered, leaving a balance of Rs. 51,050, of which Rs. 50,337 is outstanding from three parties against whom legal action is being taken for effecting recovery.

The Committee were informed in evidence that the contract entered into in 1956 with the caterers of Janpath Hotel, laid down only certain scales for provision of the service staff. The scale was based mostly on the bed strength of the Hotel and the hours of duty but the exact number of staff to be employed was not indicated. The catering and service arrangements in the Hotel were giving rise to a number of complaints. The Cabinet took notice of them and directed that the matter should be gone into, in order to improve the service. In May, 1962 a Committee of two officers, Housing Commissioner, and the Director-General, Tourism was appointed to go into the matter and they made some recommendations as a result of which an increase in staff was permitted. Because there was an increase in staff, the caterer had to be given a slightly higher rate.

The Committee enquired whether at the time of granting the caterer an increase subsequently, Government verified and checked

that the caterer fulfilled the terms of the original agreement viz., whether he provided the requisite number of staff required on the basis of three shifts or whether he actually paid overtime and provided staff who would work for 12 hours a day. The witness stated that a Committee of two senior officers appointed in May, 1962 had gone into this question. When their report was received sometime prior to August, 1962, it was assumed that they had gone into the contract and ensured that the contract was being fulfilled before making recommendations for staff in excess of that provided in the existing contract. The Government accepted that recommendation in consultation with the various Ministries concerned.

To a question, the witness stated that the interpretation that was put by the caterer on clause 7(b) of the Agreement was that the actual number of staff to be employed would be determined by the caterer. It was, however, open to the caterer to keep only two instead of three persons for 24 hours duty, by paying them overtime in so far as the terms of contract were concerned.

The Committee then pointed out that under the law of the land, a person could not be employed for twelve hours everyday. There was a limit to which over-time could be paid. 50 hours over-time per month was the maximum permissible under the law.

The witness stated that in the contract it was mentioned that the room service staff would work directly under the Manager. In actual practice they never worked under the Manager. The room service was provided by the caterer who himself supervised and it was not known whether the manager actually got any statement of staff from the caterer or not as the records maintained in Janpath Hotel were unsatisfactory.

Even if definite number of staff to be employed is not stipulated, it was clear on the basis of hours of duty and number of beds etc. that a certain minimum number of staff was expected to be employed. This was not done and hence a breach of the agreement was committed. The Committee would like the Ministry to examine this aspect further.

57. The Committee enquired whether in the new agreement, any specific mention was made about the minimum number of men the caterer should employ, the witness stated that the new agreement provided that in addition to what the caterer had employed, he must employ so many more.

In a note furnished by the Ministry subsequently, it has been stated that on the introduction of the European Plan with effect from the 1st August, 1962 the caterer confirmed that he had been

asked to appoint the following additional staff and that he had done so:—

1. Room Bearers	....	18
2. Pantry men	....	6
3. Sweepers	....	12
4. Relievers for 1, 2 & 3	....	10
5. Floor stewards	....	8
6. House keepers	....	1
7. Page Boys & Porters	....	3
		58

The Committee are unhappy to note that the Management did not consider it necessary to review the situation from time to time and ensure that the conditions of the agreement were being fulfilled specially in regard to the employment of the required number of staff. The very fact that the Cabinet had to take notice of the complaints indicates that the position was extremely unsatisfactory.

58. In reply to a question the representative of the Ministry stated that at the time when the contract was renewed in 1960 for 3 years, the feeling was that in view of the rates prevailing in the market at that time, if Government went in for fresh tenders instead of taking advantage of the terms of existing contract and extending the period of the contract at the existing rates, Government was likely to get higher rates.

At the instance of the Committee the Ministry of Works and Housing have furnished a note giving the reasons for the Ministry to come to the conclusion that if the fresh tenders were invited. The catering rates were likely to be higher (Appendix XX).

The Committee desired to know what was the necessity that compelled the Ministry to give the price increase from 1st August, 1962 when the contract was to run out in December, 1962. The witness stated that prior to August, 1962, when the Cabinet had taken notice of the complaint from the residents in the hotel, they asked the Ministry to look into it. The matter was pursued on 2 lines viz. (i) to examine the existing working of the hotel and try to improve it and (ii) the long term objective to make a drastic change in the management of the hotel to over-come the inherent dangers of having a private caterer. Private catering in a public hotel was not likely to prove quite satisfactory. Therefore, a long term solution

that was being considered was to turn it into a fully Government run concern. One idea was to hand it over to the Ashoka Hotel. That idea was being explored but it would have taken time viz. from 6 months to one year. So this increase in the rate was made as an interim measure to improve the existing service through a private caterer for the time being. For the same reason one further extension had to be given to the same contractor from January, 1963 to end of 1963, because alternative arrangements of Government did not fructify in time. Then another extension of 3 months had to be given because the new company could not start operating Janpath Hotel for various reasons till the 1st of April, 1964.

Asked a question, the witness stated that the small increase in the rates was necessary then because Government were increasing the contractual obligations of the caterer by asking him to appoint extra members on the staff.

In a note submitted by the Ministry subsequently in this connection, it was stated that no written request for an increase in the catering rates was received from the caterer but he had been making verbal requests from time to time in this behalf.

The Committee desired to know in what manner the Ministry wanted the standards in the Janpath Hotel to be improved. The witness stated that the Ministry desired that (i) three course meals, four course meals etc. should be served (ii) the standard of the quality of the food in the Hotel Janpath should not be anything lower than that prevailing at Volgas. The witness further stated that the increase in the rate in August, 1962 was for the following reasons:—

- (i) Change of system from all inclusive to a *la-carte* system, i.e. bed and breakfast.
- (ii) Caterer was to provide some additional staff.
- (iii) An orchestra was to be provided throughout the year.

The Committee are surprised to note that even though no written request for the increase in the catering rates was received from the cater, the catering rates were increased w.e.f. 1st August, 1962. The Committee were informed that one of the reasons for increasing the rates was to compensate the caterer who was asked to appoint more staff. Audit had, however, calculated that the net decrease/increase in the number of different categories of staff required to be employed by the caterer w.e.f. 1st August, 1962 as compared to the minimum number before this date would result in a reduction of expenditure

to the caterer to the extent of Rs. 3,515 per month.* This shows that the question was not properly considered before allowing an increase in the rates.

59. As regard Rs. 90,570 outstanding for recovery from the caterer on account of water and electricity charges and of the rent of cold storage rooms, servant quarters utilised in excess of the number specified in the agreement, the Ministry have submitted a note subsequently wherein it has been stated that upto the period ending March, 1964, the dues increased further and amounted to Rs. 10,125.80. These were adjusted on the 18th January, 1965 against the sum of Rs. 1,15,724.34 due to the caterer on account of security deposit and recovery of messing charges made by Government on behalf of the caterer.

As regards the recovery of Rs. 38,122 out of the amount outstanding on 31st March, 1963 on account of lodging charges from the parties concerned, the Committee were informed that Rs. 31,421 were recovered and the balance on 31st December, 1964 was Rs. 6701. The Committee may be appraised of the position regarding recovery of the balance of Rs. 6701 outstanding on 31st December, 1964 on account of lodging charges from the parties.

60. As regards recovery of Rs. 51,050 which has been outstanding from licencees of show windows etc. upto March, 1963, the Committee desired to be furnished with a statement showing the details of the outstanding amount of Rs. 51050 indicating the period for which the same has been outstanding and action taken to recover the same. This information has been furnished by the Ministry of Works and Housing and is at Appendix XXI.

The Committee consider it extremely unsatisfactory that the rent for the period January 1959 to March, 1963 from licencees of cabins and shop-windows was allowed to accumulate instead of realising it on month-to-month basis. They would like that responsibility should be fixed for this lapse.

The Committee may also be appraised of the final position of the recovery of the amounts outstanding from the 3 parties against whom legal action is being taken for effecting recovery.

Delay in finalisation of contractors accounts—para 63-A, pages 75-76.

61. According to departmental instructions, final payments for works costing more than Rs. 2 lakhs should be made within six

*The figure of Rs. 3,515 per month is arrived as per statement at Appendix XXII.

months of the completion of the work, and for other works, within three months of completion. The following cases of non-observance of this rule were noticed during a survey of the position in twelve Divisions of the Central Public Works Department:—

- (a) Contractors' bills for seven works, out of the thirteen works mentioned in Section A of Appendix XI to Audit Report (Civil), 1964 which were physically completed four to nine years ago, have not been finalised so far (February, 1964) due to the reasons mentioned against each. The bills in respect of the remaining six works were finalised in August, 1961, July, 1963 to February, 1964, i.e. 2½ to 6½ years after the completion of the works. In three of the six cases, it was found at the time of finalisation that there had been an overpayment of Rs. 2·23 lakhs. The recovery of this amount is awaited; in two cases, the matter has been referred to arbitration.
- (b) Eight works, estimated to cost about Rs. 8·71 lakhs, mentioned in Section B of Appendix XI to Audit Report (Civil), 1964 were abandoned by the contractors during the period from 1956 onwards, and were got completed by other agencies. The bills of the original contractors in two of these cases (total cost of works, Rs. 2·56 lakhs) have not been finalised as the amount of compensation/damages recovered from them has not been assessed so far (February, 1964); the bills in the remaining six cases were finalised during August to October, 1963, i.e. about two to six years after works had been abandoned, revealing an overpayment of Rs. 1·23 lakhs in five cases.

The Committee were informed in evidence that a time schedule had been laid down for payment of bills. Delays in final settlement of accounts, however, arose generally on account of reasons like:—

- (i) the contractor might have abandoned his work and then the work was awarded to somebody else to carry out at the risk of contractor. That led to delay in the settlement of accounts of the first contractor;
- (ii) the contractor might go to the arbitrator or to litigation in respect of a part or whole of the contract. In that case also the bills would not be finalised;
- (iii) sanctions of certain items were required to be obtained from higher authorities consequent of which bills were delayed. The Committee desired to be furnished with a statement showing the reasons for delay in finalisation of

cases mentioned in Appendix XI to Audit report (Civil), 1964 (Section A & B—the amounts of claims due of the contractors and of the Government against the contractors to be given separately).

This information is still awaited.

The Committee desire that Government may investigation how the procedure is defective and to what extent delays have been caused by the lapses of the individual officers.

The Committee may also be informed if the reasons for over-payment in all these 8 cases (vide serial Nos. 8, 10, 12 of Section A and Serial Nos. 2, 4, 5, 7 and 8 of Section B of Appendix XI.) have been investigated, responsibility fixed and action taken against the officials responsible for over-payment.

The Committee also desire that Government may devise some machinery by which this work can be expedited, as delay ir-finalisation of cases may render the amounts due to Government irrecoverable after a lapse of time.

Cases under arbitration and litigation—para 63-B, pages 76-77.

62. (a) The table below shows that 264 cases relating to 1962 and earlier years were pending disposal in the arbitration wing of the Ministry of Works and Housing till June, 1963. The number of cases in which the time taken was more than two years was 28 per cent of the total number disposed of during the four years period:—

Year	No. of cases received for arbitration.	No. of cases in which award given			No. of cases returned to Deptt. or withdrawn by parties.	No. of pending cases
		Within 1 year	Between 1-2 years	After 2 years		
1959	168	53	81	23	6	5
1960	195	58	69	37	7	24
1961	245	31	30	99	23	62
1962	252	67	8	..	4	173
Total	860	209	188	159	40	264

(b) A review was made in respect of 31 arbitration cases which were decided in favour of the contractors and the results of some important cases are analysed as under:

- (i) In four cases where the awards totalling Rs. 37,231 went against Government, the contractors had pleaded that no defects had been pointed out to them by the Department within the specified period after the completion of the works.
- (ii) In four other cases involving a total amount of Rs. 30,400, the rates for certain items of works had been reduced by the Department for sub-standard execution. Further reductions subsequently made as a result of inspection of the works by the Chief Technical Examiner were contested by the contractors on the ground that the rates once reduced and agreed upon were final and that any further reduction was beyond the competence of the Department.

(c) In the case of 'Construction of Conference Hall on King Edward Road, New Delhi', the contractor objected to the excessive recovery made on account of cost of stores, or of hire charges of plant and machinery, and also claimed higher rates than those admitted by the Department for extra items. Against the contractor's claim for Rs. 2,98,693, the arbitrator awarded Rs. 1,60,930 to the contractor. Some of the features of this case are mentioned below:

- (i) The work of hoisting the trusses (steel frame for roof) weighing over 110 tons was taken over by the Department for execution at the cost of the contractor on urgency. The trusses, however, heaved on one side when they were hoisted, and the steel frame got twisted. The trusses were refabricated and re-hoisted, involving an extra expenditure of Rs. 80,107, which was charged to the contractor. The contractor did not accept the liability on the ground that the failure of the trusses was due to the defective design. The arbitrator awarded a sum of Rs. 54,217 to the contractor on this account.
- (ii) A vibrator was issued by the Department to the contractor on hire without any stipulation in the agreement. The recovery made from the contractor's bills initially at Rs. 5 per day was increased to Rs. 16 per day. This was objected to by the contractor on the

ground that the rate of recovery was not intimated to him at the time of supply. The arbitrator awarded a rate of Rs. 8 per day, resulting in a refund of Rs. 6,160 to the contractor.

(a) The Committee were informed that in regard to the total number of 860 cases under arbitration referred to in the Audit para, the position on 31st December, 1964 was as under:

(i) Number of cases in which awards were given:—

(a) within one year—227.

(b) between one or two years—230.

(c) after two years—255.

(ii) Number of cases returned by the department or withdrawn by parties—40.

(iii) Pending cases—108

The witness added that the cases under the arbitration act were to be completed normally within a period of 4 months. The reasons why these delays occurred were examined. It was observed that in some cases the parties themselves did not come forward in time and in some cases the papers were not available. Sometimes the hearings were delayed; the witnesses did not come. For various reasons it was rarely that a case was disposed of in 4 months.

In reply to a question, the witness stated that hitherto whenever a contractor wanted something for arbitration, he wrote to the Chief Engineer. The whole matter was then examined in the Chief Engineer's office and the Chief Engineer then decided that certain items were suitable for arbitration and certain other items were not. This examination used to take considerable time. Also the contractors complained that the decision of the Chief Engineer to say certain items were suitable for arbitration and certain items were not, was arbitrary. They felt that all the items should go to the arbitrator and the arbitrator should decide which items were suitable and which were not suitable. In 1954, it was decided that when a case came up for arbitration the entire case should be sent immediately to the arbitrator so that he went through the whole case from the very beginning. As the number of cases going to arbitration had been on the increase, it was found that 2 arbitrators were not enough and the delays would go on increasing. So Government were thinking of increasing the number of arbitrators from time to time.

The Committee enquired whether Government considered the desirability of having a Registrar of arbitration cases which would be a sort of a semi-judicial body which would infuse greater confidence into the parties and there would be quick disposal. The witness stated that the present arbitration machinery was not under the Chief Engineer but under the Ministry direct. Secondly, in consultation with U.P.S.C. it was decided that the arbitrators would not be Government Engineers from the C.P.W.D. but would be from other P.W.Ds.

The witness further agreed that Government should do everything to ensure that these arbitration cases were taken up at the earliest time and disposed of as fast as possible.

Asked a question whether after the decision Government did analyse why Government claims were defeated and whether there was any machinery in the Ministry to examine such cases, the witness stated that there was no such machinery.

The Committee suggest that the feasibility of appointing a Registrar of arbitration cases for expeditious disposal of such cases may be seriously examined. The Committee suggest that in every case where an award is given against Govt., a careful study of the reasons for the same should be undertaken with a view to taking the remedial steps including disciplinary action where called for.

63. The Committee desire to be furnished with a note why defects in the 4 cases mentioned in sub-para (b) (i) of the Audit Report were not pointed out to the contractors within the specified period after the completion of the works.

The information is still awaited.

Meanwhile, the Committee desire that the question of fixing the responsibility in the 4 cases involving a total amount of Rs. 37,231 to Government may be examined.

64. The Committee were informed that against the original claim of the contractor for Rs. 4.23 lakhs the arbitrator awarded Rs. 1.60 lakhs. In the statement of facts presented to the arbitrator the contractor laid stress on the point that in taking over the hoisting work departmentally, there was a breach of contract on the part of the C.P.W.D. and he was not responsible for the extra amount of Rs. 81,107 and he had at no stage repudiated the liability on the ground of deficiency of design of the trusses. The department, however, stated before the arbitrator that there was no defect in the design of the trusses and the collapse of the trusses was due to slight defects in rivetting, due to which subsidiary

forces developed on account of which the trusses could not remain in position. No doubt when the trusses were re-hoisted additional precautions were taken to make the trusses over-safe by introducing subsidiary trusses in the further stage of construction work. So no deficiency in the trusses was responsible for its collapse. The extra precautions cost the department Rs. 80,000 and the arbitrator felt that as the contractor had done some extra work he was entitled to a payment of Rs. 54,000.

In reply to a question, the witness stated that the work was done departmentally and, therefore, corresponding amount was deducted from the bill of the contractor. When the matter went before the arbitrator he stated that the contractor could recover Rs. 54,000 and not Rs. 80,000 from the amount of Rs. 80,000 withheld from the bills. In other words Rs. 26,000 was adjusted as payable by the contractor as part of the contract and the balance was adjusted as extra item of work done by Government for their own work which they had to pay themselves.

The Committee desire to be informed if any responsibility has been fixed for the defective execution of the work departmentally.

Chief Technical Examiner's Organisation—Para 64, pages 77—79.

65. (a) The number of cases taken up for technical examination by the Chief Technical Examiner and those in which defects were noticed are given below:—

Period	No. of Bills, contracts, muster rolls and works		Percent- age of cases in which defects were Noticed	Remarks
	Exami- ned	Com mented upon		
January, 1962 to June, 1962	1064	663	62	} During the period 1957 to 1961, the corresponding per- centage was 59.
July, 1962 to March, 1963	1284	708	55	

The number of cases where overpayments were initially assessed and pointed out to C.P.W.D. up to 31st March, 1963, and which have not been finalised till November, 1963 is 82 involving a sum of Rs. 2.16 lakhs. Of these, 30 cases involving a sum of Rs. 1.37 lakhs relate to the period up to March, 1962.

(b) Overpayments of Rs. 7.90 lakhs were accepted by the C.P.W.D. during the period from January, 1962 to March, 1963, which cover the following items of irregularities:—

	No. of items	Amount in lakhs of Rupees	Remarks
(i) Substandard execution of works.	368	6.03	The overpayment exceeded Rs. 10,000 each in 15 cases, Rs. 5,000 each in 11 cases and Rs. 500 each in 185 cases.
(ii) Incorrect measurements.	55	0.62	
(iii) Short recovery on account of materials supplied to the contractors by the Department.	66	0.68	
(iv) Other miscellaneous irregularities.	42	0.57	

Recoveries have been made upto March, 1963 in 169 cases covering Rs. 2.14 lakhs. Recoveries in other cases are still pending.

Recoveries are also pending in respect of 253 cases accepted by the C.P.W.D. prior to January, 1962, involving an overpayment of Rs. 14.65 lakhs.

(c) The delay in effecting the recoveries has been explained, as in previous years, to be due to:—

- (i) delay in sanctioning substituted statements and reduction statement by competent authorities, namely, Superintending Engineers, the Additional Chief Engineers, without which Executive Engineers could not finalise the cases and effect recoveries from final bills.
- (ii) delay in preparation of final bills due to pressure of other work on departmental officers, delaying tactics on the part of contractors, transfer of officers and, sometimes, closure or amalgamation of divisions, etc.
- (iii) non-availability of sufficient amounts at the credit of the contractors against which recoveries could be adjusted.

Besides, in certain cases, contractors have resorted to arbitration against assessment of overpayment.

(d) *Disciplinary action.*—During the period from January, 1962 to March, 1963, action was initiated against defaulting officers in

five cases of serious irregularities which had been reported by the Chief Technical Examiner during that period, bringing the total number of cases of disciplinary action in progress to 31. Out of these 31 cases, action was finalised during 1962-63 in respect of two cases only. The disciplinary proceedings in respect of remaining 29 cases are still in progress. An analysis of the outstanding 29 cases is given below:—

No. of cases	Period during which action was initiated
8	Upto December, 1959
9	1960
7	1961
5	January, 1962 to March, 1963

The Committee were informed in evidence that the work of the C.T.E. Organisation relating to the C.P.W.D. works constituted site inspection of works, scrutiny of bills which were paid, scrutiny of the contracts which were entered into and also scrutiny of the muster-rolls which were paid. The percentage of cases in which observation memos were issued by this organisation on the basis of examination of various aspects of the works seemed to be rather high. Actually the observation memos were issued on minor points like procedural lapses, clarifications required, and non-availability of certain data at the site. But for a realistic comparison, the criterion for judging defects which were observed by this organisation should be the amount of over-payments detected with reference to the total quantum of work.

Asked a question, the witness stated that when contracts were examined and if there was something in awarding a particular contract which was not clear, that aspect was examined and an objection was raised. Apart from examination of the contract rates, there were sometimes extra items which were paid and these were examined in a little more detail and if anything wrong was found with the extra items paid that was one of the aspects covered by the objection. The witness stated that the C.T.E. organisation took objection if anything was done not in accordance with the procedure, if the work was not carried out according to the terms of the contract or if the work was not finished according to the contracted time.

Asked, a question, the witness stated that the mistakes reported in 95% of the cases, in January, 1962 and March, 1963 did not really mean that 95% of the work was defective. It only meant that if 100 works were examined in the case of 95% of them, there was some item or other in which an objection was raised. As regards

the quality of work, the witness stated that it was the number of serious cases with reference to the total works which really determined the quality of work. On an average 25% to 30% work were generally inspected and all the excess payments etc. which were found by C.T.E. related only to these cases. The C.T.E. was a very small organisation and it could not cover all the works which were being executed by the Deptt. But when a check on random sampling was carried out, it acted as a deterrent and had an effect on the works as a whole. The witness added that on the whole there was gradual decrease in the serious cases of irregularities noted by this organisation.

The Committee feel that the percentage of cases in which defects were noticed during the period July 1962 to March 1963 being 55 is high. Further it is understood from the Chief Technical Examiner's Reports that in respect of one category viz. works the percentage of cases in which objections were raised in the course of site examination conducted by C.T.E. during January 1962 to June 1962 and July 1962 to March 1963 was as 95% and 90% respectively. The Ministry in a note furnished on the recommendations contained in Para 42 of 24th Report of the Public Accounts Committee (Third Lok Sabha) has stated that proposals are under consideration to relieve the executive engineers from heavy desk work and to enable them to devote more attention to field supervision. The Committee may be informed of the result of the action taken.

The Committee may also be informed of the steps taken by Government to secure an expeditious decision in cases reported by the Chief Technical Examiner.

66. Explaining the overpayment due to sub-standard execution of work, the witness stated that this amount (Rs. 6.03 lakhs) referred to 368 cases relating to the period January 1962 to June 1962. This was out of a work load of something like Rs. 15 or Rs. 20 crores. He added that out of the overpayments of Rs. 7.90 lakhs, confirmation of recoveries had been received from the A.Gs. for Rs. 4.47 lakhs and confirmation of balance of Rs. 3.41 lakhs was awaited from them. According to the Chief Engineer's information all but Rs. 0.98 lakh were already recovered but the confirmation from A.Gs. took a little longer. About the recovery of Rs. 14.65 lakhs relating to 253 cases accepted by the C.P.W.D. prior to January 1962, the witness stated that out of the total amount of overpayment of Rs. 25.83 lakhs confirmation of recovery had been received for Rs. 13.05 lakhs and confirmation regarding Rs. 12.78 lakhs was still awaited from the A.Gs. According to Chief Engineer's information only Rs. 3.42 lakhs remained and the rest had been cleared.

The Committee may be apprised of the latest position regarding recovery of the balance amount of overpayment of Rs. 3.42 lakhs.

The Committee may also be informed of the action taken to ensure proper supervision so as to avoid the types of irregularities mentioned in the Audit para and also the action taken against the officers responsible for these irregularities.

The Committee desire that the Ministry may devise a form which would give a more realistic picture of the functioning of the C.P.W.D.

Disciplinary action

67. The Committee were informed that out of 29 cases initiated from 1959 to 1963, 5 were finalised and the remaining 24 cases were still being processed. The Committee regret to note that there has been undue delay in finalisation of these cases. The Committee hope that every endeavour should be made by the Ministry to finalise these cases without further delay.

The Committee would like to be informed of the final outcome of the remaining 24 cases.

Loss due to delay in completion of residential quarters—para 66, pages 81-82

68. The construction of 6,480 quarters of different types in Ramakrishnapuram, New Delhi was started mostly during the period from April, 1958 to February 1959, and in a few cases during November, 1959 and April, 1961 also. The dates of completion of the buildings and the period which elapsed before they were handed over to the Estate Office for being allotted are shown below.—

No. of quarters	Period of provisional completion of the building work	No. of quarters	Period of handing over to Directorate of Estates
1	2	3	4
228	Not known	88	December, 1962.
		140	January, 1963.
	TOTAL	228	
2284	May, 1959 to September 1959	256	May, 1962
		496	December, 1962.
		132	February, 1963.
	TOTAL	1284	

1	2	3	4
1408	October, 1959 to April, 1960	420 580 144 104 160	May, 1962. September, 1962. October, 1962. November, 1962. December, 1962.
	TOTAL	1408	
460	September, 1960 to December, 1960.	196 76 188	May, 1962. November, 1962. December, 1962.
	TOTAL	460	
504	January, 1961 to June, 1961	84 332 88	October, 1962. November, 1962. December, 1962
	TOTAL	504	
392	January, 1952 to April, 1952	392	May, 1952.

The delay in the handing over of the quarters to the Estate Office which in the majority of cases was more than two years, resulted from:—

- (i) delay in entering into contracts for the sanitary and water supply works;
- (ii) delay in the award of works relating to the laying of internal roads, sewerage and storm water drains and also in procurement of G.I. Pipes, storm water pipes, etc.;

It was also noticed that the Municipal authorities were approached for the provision of filtered water supply only in October, 1960, i.e., 19 to 29 months after the commencement of the construction of the bulk of the quarters; filtered water was arranged initially for a block of 1,264 quarters only in May 1962.

The delay in the present case has resulted in a loss nearly of Rs. 35.25 lakhs by way of rent, computing the amount from a date six months after the completion of the building work, apart from the avoidable expenditure on account of house-rent allowance paid to the staff who could not be allotted these quarters in time.

This case was reported to Government on 2nd December, 1963, and their remarks are awaited.

The Committee desired to know the procedure followed by the Ministry of Works and Housing in regard to invitation of tenders and commencement of work on a particular project of construction of houses and whether simultaneous action was not taken for providing sanitary fittings and electric power and water supply. The representative of the Ministry stated that the procedure was that when a building was planned, the provisional estimates, and rough estimates for the construction of the buildings were made; there were usually 3 or 4 portions of the estimates viz. (i) the development of the land (ii) construction of the main building (iii) the sanitary installation and supply lines to be put into the building and (iv) the electrical connections. This was discussed and sanction was issued for the building as such. Thereafter usually the tenders were issued separately for the building work and separately for the electrical work and sanitary installation. He added that the electrical and sanitary fittings work had to be awarded at a later stage because the building had to start from the foundations and it was only when it was coming up above the ground that the other two works (viz. electrical and sanitary installations) had to come into the picture. The witness further stated that it was already under the consideration of the Ministry to have a composite tender for every building and awarding the work for the main building, sanitary work and electrical work to the same contractor in a composite tender and to hold him responsible for the whole work. As there was likely to be lack of coordination resulting in delays in certain cases orders were issued that from 1st April, 1965 instead of separate tenders, composite tenders should be issued.

The Committee desired to know at what stage the Ministry intimated the electrical power authorities and the Municipality about their requirements for a particular colony which was under construction. The witness stated that about 2 years ago when the Ministry started a crash programme of construction, discussions were held with the electricity and water authorities. The authorities for electricity thought that for supply of electricity there would not be much difficulty. But the authorities for water had stated that there was not enough water in Jamuna river and they were trying to augment the water supplies. The witness added that for the Rama Krishna Puram flats, the Ministry held meetings in the last 2 or 3 years to find out from the authorities for supply of water what their difficulties were. They even had to take up with the Agriculture Ministry, the laying of a particular line which was held up because it

was going through milk supply scheme land. The witness, however, added that as a result of these efforts water would be made available to R. K. Puram and there would not be serious delay in this regard.

The Committee desired to know when was the construction of 6480 quarters in R. K. Puram which started in 1958-59 completed. The Audit furnished a statement of all types of quarters containing (i) the date of starting of building portion (ii) date of provisional completion of the building portion (iii) date of starting of the sanitary works and (iv) date of handing over for allotment. This statement is at Appendix XXIII.

The Committee pointed out that the construction work was started in 1958-59, completed in 1959-60 and for want of water and electrical services, the buildings could not be occupied till 1963. The witness explained that certain stages of work had to be necessarily kept pending till the date it was possible to hand over the quarters for allotment—for example final white washing and colour washing etc. These were done when the quarters were ready for handing over to the Director of Estates. In this particular project it depended entirely on the dates on which the Municipal Corporation were in a position to give the bulk water supply and sewage connections. He added that without bulk water supply, it was not possible to test the lines and that it was no use having sanitary fittings in position and leaving the quarters vacant which would lead to a lot of complications and some of the equipments would have even been stolen.

It was pointed out by the Committee that the C.P.W.D. should not have proceeded with the construction work when they were not sure about the water supply. Secondly, according to the C.P.W.D. Manual, arrangements for sanitary and electric supply installation should be made so as to coordinate with the construction of the building. The witness explained that in July 1958 when C.P.W.D. were assured of 2 to 2½ million gallons water per day from the cantonment reservoir, they went ahead, gave the contract for the buildings and started off. But planning of sanitary portion of the contract was done late in 1959 and it was realised that the water was not going to be available in 1959 or early in 1960.

The Committee pointed out that in respect of certain 'G' type quarters, provisional completion was August 1959; tenders for sanitation and water supply were placed in July 1961 and they were ready only on 11th February 1963. This delay could not have occurred if tenders for sanitary and water works were placed earlier than July 1961. The witness stated that tenders were not invited concurrently

because the service lines were not ready. The witness further stated that even today the position was that the Ministry could start construction of 10,000 quarters in R. K. Puram if they could be certain about the availability of water. It was impossible for the Ministry of Works & Housing to take over the scheme for water supply, execute it and then recover the cost from any one agency.

Asked a question, the witness stated that the initial scheme proposed in April 1958 for supply of water from Cantonment to Gurgaon via central vista would cost Rs. 15,93,000. Against this, there was a loss of Rs. 35.25 lakhs till 1962-63 due to non-occupation of the quarters.

The Committee regret to note that the economics of the scheme to supply water from Cantonment Area to R. K. Puram was not properly examined and implemented by C.P.W.D. As disclosed in the evidence, by spending an amount of Rs. 15.93 lakh, on this scheme, they could have avoided loss of revenue of more than Rs. 35.25 lakhs till 1962-63 due to non-occupation of quarters.

The Committee regret to observe that inspite of the observations made in para 89 of their 25th Report (1959-61) and para 239 of their 42nd Report (1961-62) that the Ministry of Works and Housing should take proper steps to ensure better coordination between the C.P.W.D. and Delhi Municipal Authorities especially in the matter of provision of ancillary services, this kind of lack of coordination between the Delhi Municipal Authorities and C.P.W.D., year after year was resulting in serious loss to the exchequer.

The Committee desire that Government should examine how senior officers exercise their responsibilities in this respect and ensure that all the pre-requisites such as water supply, electricity etc. would be available in the area to ensure completion of the work within the time schedule as approved by them in preliminary estimates.

If the Ministry of Works and Housing embark upon a large project of construction of quarters, and if the Municipal agencies are not sure of arranging adequate water supply, the Ministry should take upon itself the responsibility of arranging adequate water supply etc., from the alternative sources. Otherwise there is no point in constructing a large number of quarters and then allowing them to remain unoccupied for want of basic amenities like water supply, drainage, electric supply etc.

Stores and Stocks Account maintained by Deptts.—Para 84, pages 101-102.

The following points came to notice during a review of stores accounts of the Public Works Divisions conducted in July-August, 1963:—

(A) *Surplus Stores*: The following items of stores had been lying in stock for a long time:

Name of the Division	Category of stores Year of purchase	Value (Rs.)	Remarks
1	2	3	4
1. Central stores Division No. I	(i) Sanitary fittings 1949-50.	46,000	Lying surplus since 1956.
	(ii) Brass Locks 1956	12,000	Out of brass locks for drawers and almirahs valued at Rs. 15,768 purchased in 1956, locks of the value of Rs. 3,777 only were issued during that year and none thereafter.
	(iii) Perforated Hard Board 1956	14,000	Lying surplus since June, 1962.
	(iv) Copper wire (Prior to 1958 Exact year not known).	30,000	Lying surplus since 1958. The purpose of its continued retention could not be ascertained.
	(v) Hard Board (Prior to 1954).	13,000	Lying surplus in stock since 1954 when, on the abolition of the Rehabilitation Division, it was taken over by the Central Stores Division.
	(vi) Glass panes 1958	8,000	Lying surplus since 1958. It has been stated that this material cannot be utilised as the panes are of odd sizes.
	(vii) Miscellaneous Stores 1949-50.	2,87,000	Lying surplus for more than seven years.

1	2	3	4
2. Electrical Stores Division No. 1.	Electrical fittings (Prior to 1959).	5,47,000	Lying surplus since 1959. The position in regard to these stores on 1-7-1963 is stated to be as under :—
			(a) Items of stores which could be utilised by co-ordination between Divisions. Rs. 4,04,000.
			(b) Items of stores which can be utilised by modification in specification—5,000.
			(c) Items of stores which are not likely to be utilised—60,000.
			(d) Items of stores which can be retained for use in Department—51,000.
			(e) Items of stores where there is some chance of utilisation by co-ordination 27,000
			5,47,000

(B) *Loss due to delay in disposal:* The following items of stores which were either surplus or unserviceable were auctioned at very low prices after retention for long periods:—

Category of Stores Year of purchase	Year of auction	Value of Stores	Value realised on auction	Amount of Loss
1	2	3	4	5
		Rs.	Rs.	Rs.
(i) Timber	1956	5,54,126	57,350	4,96,776
1948		The timber was purchased in 1948 from the Forest Department of the U.P. Government. On receipt, it was found to be		

1	2	3	4	5
				of inferior quality. The Forest Department was asked to reduce the rates but it was stated by them in 1949 that the timber had been supplied at a comparatively cheaper rate, and that even if it was considered to be unsuitable for construction work of high quality, it would fetch a better price than that paid for it by the C.P.W.D. if auctioned after giving wide publicity.
				The timber, however, continued to remain in stock for eight years after which it was auctioned in 1956. The reasons for the delay in disposal are not known.
				The loss was adjusted against the profit arising out of revaluation of other items of stock and was noticed by Audit in 1962 when the accounts of the stores were completed by the Division.
(ii) Brass sanitary fittings 1948	1962	14,256	630	13,626
(iii) Bolts 1951	1962	32,235	7,173	25,062
(iv) Screws 1949	1963	11,307	1,095	10,212

(A) Surplus Stores:

The Committee were informed in evidence that the general position of surplus stores was that some of them were purchased in bulk some years ago for rehabilitation work or for some other construction work. In consultation with the Chief Engineer, arrangements were made to use the surplus stores as expeditiously as possible in some of the C.P.W.D. construction works. A few items which might have been obsolete or not useable would be disposed of as surplus. Asked a question, the witness stated that sanitary fittings worth Rs. 46,000 lying surplus at Central Store Division No. I, were surplus from the rehabilitation stocks and were taken over by the C.P.W.D. in 1954. Items worth Rs. 19,000 were issued or stipulated for issue, in the recent agreements with contractors and the latest balance was Rs. 26,000 worth of stocks. These were of standard types. The Chief Engineer had been asked to bring the stocks in hand to the notice of all concerned so that the same could be utilised.

The Committee may be informed of the final disposal of the balance stocks worth Rs. 26,000.

70. As regards miscellaneous stores (bolts, nuts etc.) worth Rs. 2,87,000 which were lying for more than 7 years, the witness stated that the balance now was Rs. 1,32,000 worth of stock.

The Committee may be informed of the disposal of the balance miscellaneous stores worth Rs. 1.32 lakhs.

71. Asked a question, the witness stated that out of the stocks of electrical fittings worth Rs. 5,47,000, the balance was Rs. 2.77 lakhs at present. The Committee desired to be furnished with a detailed note explaining the reasons for the electrical stores worth Rs. 5,47,000 lying surplus since 1959. This information has been furnished by the Ministry of Works and Housing and is at Appendix XXIV.

From the annexure to Appendix XXIV. The Committee note that the balance of the stocks of electrical fittings has come down to Rs. 2,01,804 as on the 6th February, 1965. They hope that this balance of stores will be liquidated soon and such accumulation of stores will not arise in future.

The Committee may also be apprised of the final disposal of these surplus electrical stores.

(B) Loss due to delay in disposal:

72. The Committee enquired whether apart from the point that the timber was kept for 7-8 years without disposal particularly when the quality was likely to deteriorate, it was the usual practice that the loss was adjusted against the profits arising out of the revaluation of other items of stores. The witness stated that all the balances in stock were revalued periodically on the basis of the market rates and the balance struck. There was loss in this particular item of timber but there was gain in some other items. That was adjusted accordingly.

The Committee desire that the responsibility for the failure to review the stores in stock and to take appropriate action in time may be fixed by the Ministry.

Non-recovery of rent of furniture and electrical appliances—Para 57, pages 69-70.

73. The Ministers' Residences Rules, 1962 provide for recovery of rent from the Ministers and Deputy Ministers, if the cost of furniture and electrical appliances supplied at their residences exceed monetary limits specified in the rules. A sum of Rs. 16,594 became recoverable from thirteen Ministers and seven Deputy Ministers on this account in respect of the period from 1st May, 1962 to 31st March, 1963. When the non-assessment/non-recovery of rent was brought to the notice of the Government, they stated in September, 1963 that, according to the advice of the Ministry of Law, no rent could be recovered in respect of excess supply in the past, if a Minister had not been given a notice of the excess supply of furniture and electrical appliances at his residence.

Government have further stated in December, 1963 that no lists of furniture and appliances which had been made available to the Ministers and Deputy Ministers were maintained by the Directorate of Estates, since they were not required to pay any rent for such articles prior to 1st May, 1962; that such lists were prepared by the C.P.W.D. in August, 1963; and that rent could only be charged from Ministers after they had been given the option to return the excess furniture issued to them (rates for which would have to be indicated while giving them the option) or to retain the excess supply on payment of rent at the specified rates.

The Committee desired to know when definite rules which laid down the scales of furniture and electrical appliances for Ministers and Deputy Ministers were framed from 1st May, 1962 and the amounts were recoverable by the Ministry, why was the information not given to the Ministers concerned. The witness admitted that it was due to some laxity in the Estate Office. He added that the rules were changed in May, 1962. But the furniture had actually been issued before that and till May, 1962 no rent accounts or accounts of furniture issued to the Ministers were kept in the Estate Office.

Asked a question, the witness stated that there was doubt because the furniture had been issued prior to May, 1962 and had not been issued in response to any specific request made by a Minister at a time when he should have been aware of his liability to pay rent. The Law Ministry was, therefore, consulted in the matter. Under the Law Ministry's advice nothing was due for any period prior to the date of notice issued in March, 1964.

The Committee desired to be furnished with a copy of the opinion given by the Law Ministry and the terms of reference thereof. The Committee regret to state that the information is still awaited.

74. The Committee enquired whether at the time of framing this rule in 1962, the scale of furniture with each Minister was ascertained. The witness stated that before May, 1962 there was a list in every C.P.W.D. enquiry office of the furniture allotted and its possession by the Minister occupying the particular house. These lists were not forwarded to the Estate Office because no rent was recoverable in respect of this furniture, when the rule was passed in 1962 laying down a ceiling. On receipt of instructions from the Estate Office, the first report about the list of furniture was sent in August, 1962 by the C.P.W.D. to the Estate Office. When the note from the Audit was received it was felt in the Ministry that in the language of the Act, the Ministry would probably not be right to charge any rent from the Ministers because that might be in contravention of the Act itself. It was considered that no rules could be made contravening the main provisions of the Act. It was felt, therefore, that although the rules were framed under the Act, the Law Ministry might be consulted as to what the correct position was. The Law Ministry felt that the rules having been framed, the Ministry could charge for the furniture issued to the Ministers. On the advice of the Law Ministry, action was taken in March, 1964 to inform the Ministers and Deputy Ministers that this was the list of furniture in their houses and if they had any excess which they wanted to return they could do so. If they wanted to keep them, they would be liable to payment for the excess furniture.

The Committee enquired why the Ministers were not informed till 1964 about the excess furniture at their residences when the report was received in August, 1962. The witness stated that the information regarding the furniture and electrical appliances had to be collected from different source for instance electrical appliances were issued by the electrical division and furniture from other sources. Therefore, it took sometime and in 1964 only, the Ministry could inform the Ministers concerned. The witness further stated that the Ministers were entitled to free house plus free furniture upto the period before May, 1962. At that stage the rule was made. The implementation of the rule was done in 1964 only after consulting the Law Ministry. The intervening period from 1962 to 1964 was treated as an extension of the previous period when no charges were made.

The Committee observe that only in 1964, the Ministers were informed that there was so much excess of furniture at their residences and if they so desired they could return the same. This was a very unsatisfactory position from the point of view of the concerned Ministers: (a) they were not told that they were having excess furniture (b) they were not told that they owed any amount to the Government. There was a clear failure on the part of the Ministry of Works & Housing in not preparing proper list of furniture, electrical appliances in each of the houses allotted to Ministers/Deputy Ministers, and not giving prompt intimation about the excess items that became liable to rent with the framing of the Rules from the 1st May, 1962. Since such list of furniture etc. was being kept in every C.P.W.D. enquiry office from where the house and furniture were allotted, this failure becomes inexplicable. The Committee desire that reason for this failure may be investigated and responsibility fixed.

75. The Committee pointed out that when there was a working rule under which some limit was prescribed for the furniture to be issued to the Ministers, the Ministry should have maintained the list of furniture. The witness stated that some scale for supply of furniture to the Ministers was prescribed in 1949. It was an itemised scale. In January, 1953 a decision was taken that while these scales should continue in addition, there should be a monetary limit of Rs. 32,000 for 'A' class Ministers' residences and Rs. 28,000 for the residences of other Ministers and Rs. 13,500 for the residences of the Deputy Ministers.

The Committee pointed out that according to the Ministry's rule a special inspection might be made in the case of residences of the Ministers by the Estate Officer or by one of his authorised assistant jointly with the executive engineer in charge of the residences once in every 3 years without reference to the particular year of incumbency of the occupant. The witness stated that the Estate Office was ignorant of that rule and no inspection was made. The Committee regret to note that this is a serious lapse on the part of the Estate Office and desire that necessary instructions may be issued in the matter.

The Committee desired to be furnished with a note showing whether a list of furniture and electrical appliances supplied at the residences of Ministers and Deputy Ministers was maintained since 1953 onwards till 1963 and if not, the reasons therefor.

This information is still awaited.

The Government of India Publication Branch—Para XXV of Audit Report (Commercial), 1964, pages 101-102.

76. (1) *Stock Ledgers*: The system of maintaining Stores Ledgers showing the quantity of receipts, issues and returns etc. was introduced in the Publication Branch in 1960, in preference to the "Bin Card" system. The quantity ledgers have not so far been reconciled with the priced ledgers to ensure the accuracy of posting.

(2) *Physical verification*: The physical verification of stock for 5 years upto 1961-62 has revealed excesses and shortages as compared with the figures in the stock ledger, as shown below:

Year	Excesses	Shortages
	Rs.	Rs.
1957-58	14,259	44,221
1958-59	1,94,639	4,22,064
1959-60	2,064	6,125
1960-61	2,292	3,691
1961-62	1,47,631	5,00,630

The management have stated that upto 1960-61 only partial stock-taking was being done. In the year 1961-62 when complete stock-taking was undertaken, considerable excesses and shortages were noticed.

(3) *Sundry Debtors*: An amount of Rs. 3,44,096 was outstanding for collection on 31st March, 1963 out of which Rs. 1,09,483 were outstanding for more than 3 years.

The Committee were informed in evidence that stock ledgers were not being maintained upto 1960. The Department was maintaining merely bin cards which used to be filled up by class IV staff and Daftries and not by clerks. Whenever any item was taken from the stores, an entry used to be made in the bin card. In 1960, stock ledgers were started. In 1949-50, the priced ledgers were only maintained and not stock ledgers. There was an accounts branch which kept ledgers and there was a stores branch which also kept ledgers. The store-keeper was in charge of stock of a certain store. When he removed any item from the store, he entered in his ledger and when it was actually despatched to the indenter, it was put in the priced ledger. These two records had to be reconciled.

The reconciliation between the ledgers had not been taken up by the Manager of Publication Branch for want of extra staff. No

extra staff had been provided so far. Meanwhile, he was asked to start reconciliation. After reconciliation only it would be known whether the new system of stock ledgers was better than the bin card system.

The Committee may be informed of the final position of the reconciliation work.

77. Asked about the physical verification, the witness stated that upto 1960-61, the physical verification of the 25,000 items was not conducted. It used to be taken up for certain publications only. In 1961-62, a complete verification was undertaken and the figures revealed certain discrepancies. In 1962-63, no stock verification was undertaken. For 1963-64, physical verification was undertaken in April, 1964, but the results of physical verification were still under preparation.

The Committee may be informed of the results of the physical verification conducted during April-May, 1964.

78. As regards Sundry Debtors, at the instance of the Committee, the Ministry furnished a note* in which it has been stated that against the total sum of Rs. 3,44,096 outstanding for collection as on 31st March, 1963 a sum of Rs. 1,89,803/- is still outstanding as on 31st December, 1964.

The Committee desire that vigorous steps should be taken to recover the outstanding amount and the Committee be apprised of the recoveries made.

Appendix I of the Audit Report (Civil), 1964. Item regarding over-payment of rent under the Directorate of Estates, page 167.

DIRECTORATE OF ESTATES

Over payment of Rent : Any Over payment of Rs. 10,049 was made to the landlord of a building during the period from 1st August 1946 to 30th November, 1957, on account of the fact that the rent of balcony space provided in the building, which the Government had earlier occupied and for which additional rent was being paid to the landlord, continued to be paid even after the space ceased to be used by the Government. The mistake came to the notice of the Estate Manager, Calcutta after 12 years in January, 1958 and the payment of rent for this space was stopped from 1st December, 1957. The amount overpaid for the past period has not been recovered so far. The disciplinary aspect of the case is stated to be still under consideration (July, 1963).

*Not vetted by Audit.

At the instance of the Committee the Ministry of Works & Housing furnished a note showing the latest position and is at Appendix XXV.

The Committee would like to be informed of the final position of the recovery of the amount overpaid from the present owners. The Committee may also be appraised of the result of the examination of the question of fixing responsibility on the divisional accountant concerned.

VI
GENERAL

Grants-in-aid to Non-Government Institutions, Bodies and to individuals

Utilisation Certificates—Para 85(c) (i), page 105.

80. A certificate of the utilisation of the grant is required to be furnished by the sanctioning authority to the Accountant General for every grant, specifying that the grant has been utilised on the objects for which it was sanctioned and where the grant was conditional, the conditions have been fulfilled. If such certificates are issued in time, the sanctioning authorities can, before the payment of further grants-in-aid, satisfy themselves (by a scrutiny of certified accounts rendered by the body or the institution concerned) that the grants, already given, have been utilised in full and that there was no heavy unspent balances lying with them. The extent to which delays have occurred in the issue of utilisation certificates is indicated below:—

Name of the Ministry	Period to which the grant relates.	No. of utilisation certificates outstanding at the end of October, 1963	Amount (In lakhs of rupees)
External Affairs	1958-63	35	7,006
Education—			
Department of Education	1954-63	1,150	3,139
Department of Science	1953-63	982	1,109
Home Affairs	1959-63	119	527
Health	1954-63	1,646	472
Commerce & Industry	1956-63	206	219
Cabinet Secretariat	1961-63	41	204
Transport	1960-63	58	81
Food and Agriculture	1960-63	75	89
Works, Housing and Rehabilitation (Department of Rehabilitation)	1955-63	205	73
Works, Housing and Rehabilitation (Deptt. of W.H.)	1959-63	22	6
Community Development & Co-operation	1956-63	110	62
Information & Broadcasting	1959-63	39	32
Finance	1960-63	9	2
TOTAL		4,697	13,021

Explaining the present position of the outstanding certificates in respect of the Department of Education, the Secretary (Education) stated that the list of outstanding certificates included 293 items involving Rs. 2,993 lakhs in respect of the University Grants Commission, for which no Utilisation Certificates were required to be submitted. The Secretary (Education) added that out of the remaining 854 items involving Rs. 143 lakhs, Utilisation Certificates for 115 items involving about Rs. 54 lakhs had been received.

As regards the Department of Science, the Secretary (Science) stated that out of 982 cases shown in the Audit Report, Utilisation Certificates in 346 cases covering Rs. 723 lakhs had been received. Out of the remaining cases, in 189 items involving Rs. 39.75 lakhs it was found that no Utilisation Certificates were required to be submitted.

At the instance of the Committee, the Ministry have furnished statements from which it is noticed that whereas in 93 cases the Ministry gave subsequent years' grants in spite of non-receipt of utilisation certificates in respect of earlier years grants, in 16 cases only subsequent years grants were withheld.

The Secretary, Ministry of Community Development and Co-operation informed the Committee that out of 110 outstanding certificates, they had cleared 98, leaving a balance of only 12. The outstanding certificates *inter alia* related to a training centre for Rs. 5,000, which was pending the issue on a certificates by the C.P.W.D. Another item related to grants to Universities for undertaking research programmes on behalf of the National Institute of Community Development. Those grants could not be utilised in full as the research schemes had not been completed. As regards the Department of Co-operation four items involving Rs. 35,000 were pending.

The Secretary Ministry of Food and Agriculture (Department of Agriculture) stated that there were only 3 certificates outstanding. The amount involved in one case was Rs. 1,50,000. This grant was given to the Annamali University. Out of this amount, the difficulty in getting utilisation certificates was only in respect of Rs. 14,000. The other items related to grants given to Uttar Pradesh Agricultural University (Rs. 2,000) and the Indian Society of Agricultural Economics (Rs. 10,000).

The Secretary, Ministry of Home Affairs stated in evidence that out of 119 cases only 37 cases were outstanding. These 37 cases included 13 cases of grants to the Delhi Municipal Corporation in

which case, according to one view, no utilisation certificates were necessary. On being pointed out that under the orders of the Ministry of Finance if certificates for grants for the earlier year were not received, grants for subsequent years could not be given, the Secretary, Ministry of Home Affairs stated that they would very much like to follow those orders but they faced certain practical problems. He added that the grants were also refused to certain organisations where it was felt that such organisation could function without grants.

The Committee were informed in evidence that the Ministry of Industry was concerned with 60 cases amounting to Rs. 139 lakhs and only 3 cases were outstanding at present involving Rs. 44,500.

As regards Ministry of Rehabilitation the Committee were informed in evidence that out of the figure of 205 cases, 95 items were transferred to the Ministry of Education. Out of the remaining 110 items, 37 were finalised and 73 were outstanding involving an amount of Rs. 30 lakhs. Of the pending cases, 6 were old cases pertaining to the period, 1955-56 to 1962-63. The witness further stated that the Ministry insisted on getting certificates before further grants were given. The delay in submission of the certificates was because the parties took sometime to utilise the grants and to get the audited statements. Usually three years' time was taken before a certificate was received.

Asked a question, the witness stated that only certificates based on audited accounts were acceptable to the Ministry and as such, submission of audited certificates was insisted upon, even though it might cause some hardships to the parties.

The Public Accounts Committee had in the past taken serious note of the delays in furnishing utilisation certificates by the grantees. In Para 28 of their 25th Report (Third Lok Sabha) they had desired that the Ministry of Finance should review the position and take necessary measures to ensure that further grants are not made to institutions which default in submission of utilisation certificates in time. The Committee had also suggested that the position in this regard should be streamlined by the Ministry of Finance so that Government are able to exercise proper checks and vigilance through the Financial Advisers attached to the autonomous bodies etc. receiving large grants. The Committee regret to observe that the position of utilisation certificates in respect of grants given to Non-Government institutions, bodies etc. continues to be far from satisfactory. They would urge upon the Ministry of Finance to implement their above mentioned recommendations without further delay.

Outstanding Audit Objections and Inspection Reports, Paras 126-127, pages 155—158.

81. The financial irregularities and defects in accounting procedure noticed in Central Audit are brought to the notice of the Departmental authorities through objection statements. Half-yearly reports of Outstanding Audit Objections are also forwarded by Audit to the Administrative Ministries for taking necessary steps to expedite their settlement.

The number of Outstanding Objections was large in the offices of the Ministries noted below and in their attached and sub-ordinate offices:—

Ministries	Total No. of objections relating to the Ministry and their attached and sub-ordinate offices.	Total Amount (Rs. in lakhs)	No. of objections raised prior to April, 1960	Amount (Rs. in lakhs)
Works, Housing and Rehabilitation	29,924	1,723	8,400	437
External Affairs	15,868	534	2,715	24
Transport and Communications	7,659	302	2,277	59
Food and Agriculture	5,524	165	747	17
Community Development and Co-operation	4,897	127	235	10
Information and Broadcasting	1,382	80	183	7
Home Affairs	4,905	68	600	9
Education (including Deptt. of Science).	3,675	65	317	4
Finance	6,677	62	1,287	3
Irrigation and Power	2,019	39	300	5
Health	1,837	33	734	5

(ii) The following is a broad analysis of the outstanding objections:—

Nature of objections	Number of items	Amount (Rs. in lakhs)
(a) Want of sanctions of estimates, expenditure etc.	4,357	556
(b) Excess over sanctioned estimates	1,160	199
(c) Want of detailed contingent bills	7,734	272
(d) Want of stamped acknowledgements, or other documents etc.	37,032	1,409
(e) Non-recovery of amounts due, or want of sanction to write off	344	5
(f) Want of administrative approval	76	27
(g) Advances pending adjustments	1,302	15
(h) Want of acceptances	4,826	201
(i) Other reasons	18,431	421

The entire expenditure in respect of which the detailed bills and vouchers are not submitted escapes audit scrutiny altogether for an unusually long period.

Outstanding Inspection Reports.—The audit done in Central office is supplemented by local inspection. All important financial irregularities and defects in initial accounts noticed during local audit and inspections are included in Inspection Reports and sent to Departmental Officers for necessary action. Besides, copies of the Inspection Reports, and half-yearly statement of Outstanding Inspection Reports, are also forwarded to the Administrative Ministries.

The names of the Ministries with comparatively large out-standings are shown below:—

Ministries	Year of Issue of the earliest outstanding Reports	Number of outstandings	
		Reports	Items in Reports
Works, Housing and Rehabilitation	1949-50	1,612	9,559
Food and Agriculture	1947-48	863	3,068
Commerce & Industry	1953-54	747	4,824
Education (including Department of Science)	1950-51	744	2,996
Home Affairs	1949-50	549	2,470
Finance	1950-51	463	1,415

The Committee examined the representatives of the Ministries of Education, External Affairs, Food & Agriculture, Community Development and Co-operation, Health, Home Affairs, Transport and Communications, Works & Housing and Finance in regard to the outstanding objections and inspection reports relating to their Ministries.

Explaining the latest position regarding the audit objections, the Secretary, Ministry of Community Development stated that the total number of objections indicated was 4,897, involving Rs. 1.27 crores. Out of these, the number outstanding as on 16th July, 1964 had come down to 1,593 involving Rs. 33.5 lakhs.

The Secretary (Science) stated that more than half of 3,675 objections shown against the Ministry of Education, related to the Union Territories of Andaman and Nicobar, Himachal Pradesh, Tripura, Manipur, Laccadive and Minicoy Islands, and Delhi Administration. A large number of objections related to their attached offices which were scattered all over the country. He added that the position as on 30th June, 1964 was that 2,583 objections out of 3,675 had been disposed of.

The Special Secretary, Ministry of External Affairs stated that in NEFA out of 4,215 there were 2,840 cases pending. In Nagaland, out of 3,669 there were 3,550 pending. So far as the Ministry and Missions abroad were concerned, out of 7,313 there were 5,986 pending. He felt that there was room for improvement and it would perhaps be useful if the officials of the Ministry of External Affairs could meet the officials of the Audit Department and settle many of the objections which were of very minor nature and that would at least help to reduce the figures. **The Committee would like to be informed whether the proposed meeting between the officials of the Ministry and the official of the Audit Department was convened and if so, with what results.**

82. Explaining the latest position, the Secretary, Ministry of Health stated that out of 1,837 audit objections, 1,391 were in the India circle and 581 did not relate to the Ministry of Health, but to institutions under the control of the Ministry of Labour & Employment, Employees' State Insurance Corporation and the Delhi Municipal Corporation. Of the remaining 873 audit objections, 739 had since been settled, leaving a balance of 134. In the State sector out of a total of 446 audit objections, 170 had been settled.

The Secretary, Ministry of Home Affairs stated that there were standing arrangements to attend promptly to the audit objections and inspection reports. He added that out of 4905 audit objections only 1019 were pending. Similarly, out of 2470 items in the inspection reports only 670 were pending.

With regard to the outstanding objections and inspection reports pertaining to the Ministry of Food & Agriculture (Department of Agriculture), the witness stated that there had been a considerable progress. Out of 4,880 objections, only 1,747 were outstanding. In respect of outstanding inspection reports, they had cleared 258 reports out of 407.

The representative of the Ministry of Transport stated that out of 1334 items, relating to the Ministry 792 related to roads and out of them 162 had been cleared. He added that in regard to the balance they would require the State Government's co-operation.

As regards the Ministry of Works & Housing, the Committee desired to be furnished with a statement showing the latest position regarding audit objections and inspection reports. The statement furnished by the Ministry is at Appendix XXVI.

The Secretary, Department of Revenue and Expenditure informed the Committee that in respect of Income Tax Department out of 447 audit objections and 34 inspection reports, only 24 were pending on 30th November, 1964. In regard to Customs and Excise, the Chairman, Central Board of Excise and Customs stated that out of a total of 1200 items at the end of November, 1964, the No. outstanding was 43 on Customs side, 8 on Narcotics and 319 on Central Excise, making a total of 370. He added that a large number of these objections pertained to detailed points, sometimes at a lower level. The figure was not considered to be large as the items were distributed among 30 heads of departments. The Board had asked for a monthly statement of progress regarding clearance of outstanding from the Collectors.

Commenting on the position of outstanding objections and inspection reports as reported in Audit Report (Civil), 1963, the Public Accounts Committee (1963-64) in their 25th Report (Third Lok Sabha) had desired that such of the Ministries as had not designated

a special officer to deal with audit objections with a view to ensuring their prompt disposal should soon take necessary action in the matter. The Committee had also suggested that a procedure should be laid down to pick up for disposal more important objections which call for early settlement and which might otherwise involve possible loss to Government. The Committee have been informed that the Ministries have been advised to take early action for designation of special officer for the purpose. As regards evolving of a suitable procedure it has been stated that the existing orders stipulate that the Ministries should bestow special care in respect of such objections as involved the possibility of recurring loss.

The Committee feel that there is still scope for improvement in the extant procedure. They trust the Ministry of Finance will further impress upon the administrative Ministries the necessity of making greater efforts to dispose of old objection and avoid their accumulation in future.

Apart from the prompt disposal of Audit Objections, the Committee would like Government to ensure that the executive officers are well conversant with Rules and Regulations pertaining to financial matters, so that the number of Audit Objections is substantially reduced.

Closure of Wartime Schemes, para 129, pages 160-161.

83. During the last World War, a large number of schemes were started to facilitate production of war supplies and control, import and distribution of certain essential commodities for maintaining the economy of the country. By the end of the war, most of the schemes were either wound up or were in the process of being wound up.

The Public Accounts Committee in their Report on accounts for 1945-46 recommended that special steps should be taken to review all the schemes and close such of them as were no longer necessary and finalise the accounts of all the closed schemes. Successive reports of the Committee also stressed the imperative need for the expeditious finalisation of the accounts which were still open. A recent review, however, showed that the accounts in respect of a number of Schemes have not been closed so far though the schemes themselves had closed many years ago.

Schemes in regard to which heavy balances are awaiting adjustments are detailed below:—

Name of the Scheme	Year in which closed	Balance at the close of 1962-63—Net expenditure plus Net Receipt(—) Rs.	
Ministry of Industry	Cost of consumer goods imported on Government account	Not known	23,11,600
	Purchase of Paper	Prior to 1950	7,22,917
	Purchase and Distribution of cloth	1946	(—)41,63,863
Ministry of Home Affairs.	A.R.P. Equipment purchased centrally.	1950	11,58,583
Ministry of Food & Agriculture.	Purchase of Agricultural and Dairy Machinery.	1951	4,80,996
Ministry of Transport	Civil Transport	1947	(—)2,97,11,401
Department of Supply.	Purchase of Reserve Stores-India	Prior to 1950	(—)8,65,78,330
	Purchase of Machine Tools.	Do.	(—)67,21,797
Ministry of steel, Mines and Heavy Engineering.	Purchase of Machinery for Mica Miners.	1951	(—)1,40,815

The Committee were informed in evidence that the schemes under the Ministry of Home Affairs and the Ministry of Steel and Mines (Department of Mines and Metals) have now been closed and the matter settled. The Committee have also been informed by the Ministry of Transport in a written note that a provision of Rs. 2,97,11,000 was made in the budget for the year 1964-65 under Grant No. 140—Other Capital Outlay of the Ministry of Transport F. Capital Outlay on Schemes of Government Trading—F. 4 Civil Transport Scheme. The required sanction to close the Civil Transport Scheme was issued on 20th June, 1964. With the adjustment of the above amount, which is being made by the Pay and Accounts Officer (Department of Supply) the accounts of the Civil Transport Scheme will stand closed.

As regards the scheme regarding purchase of paper, the Committee were informed in evidence by the representative of the Ministry of Industry and Supply (Deptt. of Industry) that the company concerned were claiming Rs. 2½ lakhs from Government and Govern-

ment said that Rs. 1½ lakhs were due from them. The Ministry asked the party to come for discussion with all their old records to substantiate their claim. They were discussing the case with the Ministry for the last 10 days (prior to the date of sitting of the Committee on 18th January, 1965) and they might come again for further discussion by the beginning of March, 1965. The witness added that it would not be necessary to go to arbitration again.

The Committee are not happy over the delay in settling the matter finally as the scheme had been closed prior to 1950. The Committee would like this matter to be settled with the firm at an early date and the case closed after necessary adjustments.

84. With regard to the scheme of purchase of Agricultural and Dairy Machinery, the representative of the Ministry of Food and Agriculture (Deptt. of Agriculture) stated in evidence that the scheme had come to a close administratively in 1951. Thereafter, there was no trading in buying of machinery especially for sale, but the accounts were not closed at that time. In respect of certain equipment, which the Central Tractor Organisation had acquired and which was found to be unusable by that organisation, it was decided to keep the accounts open and operate through the scheme. This went on for several years. Now all those items of equipment had been disposed of, but it had not been possible to close the accounts. Efforts were being made now to close the accounts with the assistance of the Accountant General.

Now that all the items of equipment had been disposed of, the Committee find no reason why there should be further delay in closing the accounts. They trust that this would be done without delay.

85. The Committee were informed in evidence by the representative of the Ministry of Industry and Supply (Deptt. of Supply and Technical Development) that the case regarding Travels Limited (Purchase of Reserve Stores—India) related to clearance of goods in Calcutta port sometime in 1947. There were strikes in the office of the Director General and the Director of Supply, Calcutta and also in the Calcutta Port and in that great confusion it was difficult to identify the cargo. The witness admitted that it was a bad case but that it arose because of the circumstances prevailing at that time.

As regards purchase of machine tools the witness stated that the machine tools were sent to Karachi in 1945-46 immediately before the partition of the country and the matter was still being pursued. The witness also added that in order to close it finally they were

considering to recommend a write off shortly and that the loss to Government would not be much and the Kerala Government would be refunded their security.

The Committee desire that both these cases which are very old should not unnecessarily be kept pending any longer. Early steps should, therefore, be taken to finalise them and adjust the balances.

86. Delay in finalisation of Pension and Provident Fund Final payment cases Para 131, pages 1962-63 (a) A mention was made in paragraphs 142 and 116 of the Central (Civil) Audit Reports, 1962 and 1963 that according to the directions issued by the Ministry of Finance, all administrative authorities should take steps for the preparation of the Pension papers at least one year in advance of the date of retirement and send complete pension papers to the Audit officer well in time to enable him to settle objections, if any, and to arrange payment of pension immediately after retirement.

In paragraph 46 of their Eighth Report (Third Lok Sabha), the Public Accounts Committee desired that serious notice should be taken of disregard of the instructions issued by the Ministry of Finance. An analysis of the pension cases received by the Audit Officers during 1962-63 showed that there had been no improvement in the position. Out of 2,370 cases received during the year, 1,507 cases were received after the date of retirement, and 403 cases were received more than one year after retirement. The Ministries in which there was undue delay in settlement of such cases are indicated below:—

Name of the Ministry (including Subordinate offices)	Number of Pension cases received during 1962-63	No. of cases received after the date of retirement (Out of Col. 2)	No. of case received more than one year after retirement (Out of Col. 3)
Ministry of Finance	957	581	113
Ministry of Home Affairs	489	382	148
Ministry of Commerce & Industry	177	160	29
Ministry of Transport and Communications	101	62	21
Ministry of External Affairs	88	80	30
Ministry of Works, Housing & Rehabilitation	67	40	19

(b) In accordance with the instructions issued by the Ministry of Finance, the fact of an officer having left service is to be reported to Audit without loss of time. It is, however, noticed that in a large number of cases these instructions had not been complied with by the Departments. Out of 4070 claims in respect of final payment of Provident Fund balances received during 1962-63, the requisite information was received in 891 cases more than six months after retirement and in 570 cases 3 to 5 months beyond the date of retirement.

The Secretary, of the Ministry of Commerce stated in evidence that there was delay in 28 pension cases. The witness regretted the delay in the settlement of pension cases and stated that strict instructions had been issued to finalise pension and provident fund final payment cases within the stipulated time. From a written statement furnished by the Ministry with regard to the position of pension cases of those officers who retired in 1963-64 it is observed that in 3 cases out of 15, the pension payments have yet to be made.

The Committee would like these 3 outstanding cases to be settled at an early date.

87. Explaining the reasons for the delay in the finalisation of pension cases, the Secretary, Ministry of Home Affairs, stated in evidence that it was one of the intractable problems of administration. There were a number of people involved at so many points in disposing of a single pension case, that if one of them failed, the whole thing was held up. That was a very unsatisfactory state of affairs. Several times rules and procedures had been revised. Instructions had also been issued which had made a small difference.

On being asked whether the Ministry of Home Affairs would not frame the rules in such a manner that the person retiring would be able to get pension immediately after retirement to avoid any hardship to him, the Secretary, Ministry of Home Affairs stated that the system required a radical change. Such a radical change might perhaps lead to loss of a few lakhs of Rupees but it would save several lakhs of Rupees in correspondence and hence the public exchequer would ultimately benefit. Such a radical change would, however, require the approval of the Comptroller and Auditor-General.

The Committee were informed in evidence by the Ministry of Industry and Supply (Deptt. of Industry) that the number of cases of delay for more than a year would be very small—Bombay Salt 15, Madras Salt 3, Trade Marks Registry 1. Practically in every single

case, the settlement of the case was undertaken one year before the man was due to retire. The difficulty was practically in the case of non-gazetted staff to get their earlier services verified; it did take time even though it was taken up one year ahead. A number of cases also related to industrial employees of departmentally managed undertakings. In their cases, there was quite often an element of uncertainty as to when exactly they would retire because sometimes their services were extended for 3 or 6 months.

C. & A. G. pointed out that the matter should be taken up 18 months before the man retired.

In this connection the witness read the following extract from the existing instructions:

“Under orders already in force, all administrative authorities are required to take steps for the preparation of pension papers at least one year in advance of the date of retirement of the public servant, and to send complete pension papers to the Audit Officer well in time to enable him to authorise drawal of pensionary benefits immediately after retirement.”

The Ministry took steps a year ahead and the proposal to the audit authority went a couple of months before the retired and generally the pension payment orders were issued within a couple of months after he retired.

In para 17 of this Twenty-fifth Report, the Public Accounts Committee (1963-64) had stated that—“In view of the continuing unsatisfactory position in this regard, the Committee suggest that the government should appoint a Committee with a Senior Officer of the Comptroller and Auditor General and another senior officer of the Ministry of Finance to examine the various problems connected with the settlement of retirement dues and to stream-line the entire procedure with a view to ensuring that the retirement dues are paid promptly to avoid any financial hardship to the retiring Government servants.”

The Ministry of Finance have furnished a statement showing action taken on this recommendation of the P.A.C. It has been stated therein that “it is considered advisable to wait for the position in the subsequent years before setting up a Committee as recommended by the Public Accounts Committee.” The Committee, however, find that there has not been any appreciable improvement in the position. They, therefore, reiterate that as al-

ready suggested a Committee with a senior officer of the Comptroller and Auditor-General and another senior officer of the Ministry of Finance should examine the problems connected with the settlement of retirement dues.

NEW DELHI;
April 23, 1965.

Vaisakha 3, 1887 (Saka).

R. R. MORARKA,
Chairman,
Public Accounts Committee.

APPENDIX I
MINISTRY OF FINANCE

(Para 3 of this Report)

Note indicating the reasons why the various Supplementary Grants of 1962-63 mentioned in Appendix VI (Part A) to the Audit Report (Civil), 1964 proved wholly or partially unnecessary

(In lakhs of Rupees)

Grant Appropriation	Amount of Grant Appropriation		Actual Expenditure	Savings (Columns 2+3-4)
	Original	Supplementary		
1	2	3	4	5

Ministry of Home Affairs

55.—Privy purses & allowances of Indian Rulers

5.49 (Voted)	0.23	5.37	0.35
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Comments.—The voted portion of this grant relates to the allowances payable to the relatives of the Rulers. As the Accountants General themselves are the accounting disbursing officers in respect of this Grant, the budget provision, reappropriation etc. are made solely on the basis of the information received from the various Accountants General. When a review of the budgetary position on the basis of the actual expenditure during the first 9 months of the financial year 1962-63 and the anticipated expenditure during the remaining 3 months as reported by the Accountants General was conducted, it was anticipated that the total expenditure under the voted section of this grant would come upto about Rs. 5,72,000 thus necessitating a supplementary grant of Rs. 0.23 lakhs (5.72—5.49 lakhs). The need for this supplementary grant arose on account of the drawal in 1962-63 by the former Ruler of Baster of the arrears of allowance due to him in respect of the previous financial year i.e., for 1961-62. The fact that the allowance in question was not drawn in 1961-62 was known only after the end of the financial year when the budget proposals for 1962-63 had already been finalised and therefore the

requisite provision could not be made in the budget estimate for the year 1962-63, thus necessitating a supplementary grant.

It was only when the Appropriation Accounts were received from the various Accountants General after the close of the year 1962-63, that it was noticed that the actual expenditure under the voted portion of this grant was only Rs. 5,37,418 and that there was a saving of Rs. 34,582, mainly due to the non-drawal of pensions|allowances by some claimants in Assam and Punjab audit circles and partly due to incorrect accounting (Rs. 7732) by Treasury in Madhya Pradesh. It was not possible to anticipate that some claimants would not draw the amounts sanctioned in their favour during the year and hence these savings could not be taken into account at the time of going in for the supplementary grant of Rs. 23 000 under this grant.

Grant Appropriation	(In lakhs of Rupees)			
	Amount of Grant Appropriation		Actual Expenditure	Savings (Columns 2+3-4)
	Original	Supplementary		
1	2	3	4	5
<i>Ministry of Irrigation & Power</i>				
67.—Multipurpose River Schemes	122·62	11·27	121·48	12·41
<i>Comments</i> —Supplementary Grant was necessitated to meet additional expenditure on the following items :—				(In lakhs of Rupees)
(1) New Investigation Schemes taken up during the year				7·72
(2) Increased expenditure in some investigation projects already in progress due to the extension of the works beyond the expected dates of their completion for collecting additional and more detailed data for preparation of project reports				11·10
(3) Increased requirement for the running expenses of the Technical Training Centres for the adjustment of outstanding credit balances under 'Suspense Purchases'				3·22
				<u>22·22</u>

As against this additional requirement of Rs. 22·22 lakhs, after a review of the position and taking into account a saving of Rs. 10·95 lakhs which could be foreseen in this grant at that stage, a supplementary grant for the balance of Rs. 11·27 lakhs (22·22—10·95) only was obtained. The additional funds voted by Parliament were utilised for the purposes for which they were obtained.

The saving of Rs. 12.41 lakhs which occurred in this grant as exhibited in the Audit Report was mainly due to the following reasons:—

(In lakhs of Rupees)

Non-receipts of certain debits from other Govts./Departments expected to be received during 1962-63 but acutally received and adjusted in the next year	5.58
(2) Certain debits which could not be adjusted in the accounts of 1962-63	3.12
(3) Wrong adjustment by one Accountant General of expenditure recovered from other Departments by deduction from gross expenditure instead of showing the same under "recoveries"	4.20
(4) Party counter balanced by other reasons and unforeseen expenses	(—) 0.49
	12.41

In the case of non-receipt of debits, the provision was retained in the final estimates on the basis of demands intimated by the various departments concerned and taking into account the possibilities of the receipt of the debits. Such debits are sometimes received towards the end or even after the close of the financial year and adjusted in the supplementary accounts of the year. Thus it will be observed that there was proper scrutiny at the time of asking for supplementary demand and the savings occurred due to certain unavoidable and unexpected circumstances which were beyond the control of both the administrative and Finance Ministries and which could not be foreseen at the time of going in for supplementary grants.

(In lakhs of Rupees)

Grant Appropriation	Amount of Grant Appropriation		Actual Expenditure	Savings (Columns 2+3—4)
	Original	Supplementary		
1	2	3	4	5
<i>Ministry of Transport</i>				
92.—Mercantile Marine	83.63	7.65	83.22	8.06

Comments.—This Grant covers the administrative expenditure of the Directorate General of Shipping and its subordinate officers as well as the subsidies to the Shipping Development Fund and to ship-owners, representing the difference between the normal rate of interest (4½%) at which loans advanced to them are accounted for and the concessional rate of interest (3%) at which the loans are actually

repaid. A Supplementary grant of Rs. 7.65 lakhs was necessitated for the reason that, contrary to the previous practice which required adjustment in each financial year of the subsidies due for the previous financial year, it was decided, after the 1962-63 Budget was passed, that the subsidy payable in respect of a financial year should be adjusted provisionally at the end of that year itself. Accordingly the subsidies payable in respect of 1961-62 as well as 1962-63 had to be adjusted during 1962-63 while the budget provision of 1962-63 provided for adjustment of subsidies in respect of 1961-62 only. When the demand for a Supplementary Grant was scrutinised in the Ministry of Finance, the possibility of finding the funds through savings in the other sub-heads of the Grant was examined and it was found that no savings were possible under them. Accordingly the supplementary Demand for a grant of Rs. 7.65 lakhs was obtained on the basis of the facts then available. The saving arose because subsequent to proposing a Supplementary Demand, the Shipping Development Fund Committee decided to impose penal rate on the defaulters viz., M/s. Bharat Lines Ltd. The extra interest on this account alone came to about Rs. 8.42 lakhs which accounts for the saving.

(In lakhs of Rs.)

Grant Appropriation	Amount of Grant Appropriation		Actual Expenditure	Savings (Columns 2+3-4)
	Original	Supplementary		
1	2	3	4	5
99.—Ministry of Works, Housing and Supply	96.22	0.85	95.48	1.59

Comments.—The review of the budgetary position of this grant made at the time of framing the final supplementary grants amounting to Rs. 0.85 lakh revealed that an excess of Rs. 3.76 lakhs was anticipated in the Secretariat, Chief Pay and Accounts Office and the Chief Technical Examiner's Office on account of enhancement of rates of dearness allowance (Rs. 2.15 lakhs), Children's Educational allowance etc. (Rs. 52,000) and increased expenditure on T.A. and contingencies (Rs. 1.09 lakhs).

Against the above anticipated excess, a saving of Rs. 2,70,000 in the Rehabilitation Department and Rs. 21,300 in the Housing Division was located leaving a net balance of Rs. 85,000 for which only, the supplementary grant was sought for. The Ministry of Finance recommended this supplementary grant on the basis

of the anticipated net excess after taking into account the likely savings that could be foreseen by the administrative Ministry at that stage.

However, due to certain unforeseen developments like the transfer of officers and staff from the Department of Rehabilitation to the Ministry of Defence and other offices during the months January-February, 1963, as a result of reduction in establishment, the net savings arising in the Department of Rehabilitation in the month of March, 1963, amounted to Rs. 3,78,000 as against Rs. 2,70,000 anticipated at the time of framing the supplementary demand in January, 1963, resulting in a larger saving and the supplementary grant not being utilised.

Grant/Appropriation	Amount of Grant		Actual Expenditure	Savings (Columns 2+3-4)
	Original	Supplementary		
1	2	3	4	5
<i>Department of Mines and Metals :</i>				
133—Capital Outlay of the Ministry of Mines and Fuels	6219.05	25.01	5477.96	766.10

Comments.—The Supplementary Grant of Rs. 25.01 lakhs mentioned in the Audit Report constitute the following two items :—

	(Rs. in lakhs)
(i) For purchase of shares of Manganese Ore (India) Ltd.	25.00
(ii) Token provision (Rs. 1000) in respect of the New Scheme "Transport of Coal by Road-cum-River Route".	0.01
	<u>25.01</u>

Purchase of Shares of Manganese Ores

It was decided in June, to incorporate a new public limited company known as the Manganese Ore (India) Ltd, with effect from 1-7-1962, with the Government of India, Government of Maharashtra, Government of Madhya Pradesh and the Central Provinces Manganese Ore (India) Ltd. as shareholders, by taking over the assets held by the Central Provinces Manganese Ore Ltd. The Government of India's initial investment in the equity capital of the company was worked out to be Rs. 25 lakhs. The formation of this company which started functioning from 1-7-1962 being a post-budget development, an advance of Rs. 25 lakhs from the Contingency Fund of India was obtained in July, 1962, for meeting the Government of India's share

in the equity capital and the same was recouped to the Fund by obtaining the Supplementary grant (Rs. 25 lakhs) in August, 1962 session of the Parliament. In August 1962, no saving in this Grant had actually come to light nor could any be anticipated at that stage with about 8 months of the financial year still to go. In fact the Government of India's actual investment in the Company during the year was Rs. 29.14 lakhs and the balance of Rs. 4.14 lakhs was met by re-appropriation of savings.

Scheme for the transport of Coal by Road-cum-River Route

The purpose of the scheme was to transport additional quantities of coal from the coal fields in Bihar to the consumption centres in U.P. The scheme was a post-budget development and hence no provision therefore could be made in the original budget for 1962-63. As this scheme constituted a "New Service", a token supplementary grant of Rs. 1000 was obtained in February, 1963. The actual expenditure on the scheme in 1962-63 came up to Rs. 17,614 the balance of Rs. 16,614 having been met by reappropriation of savings under this grant.

It was under the circumstances explained above that the two supplementary grants were asked for. The final savings in that grant reported in Audit Report could not be anticipated at the time of obtaining these supplementary grants.

APPENDIX II

(Para 11 of this Report)

MINISTRY OF FOOD AND AGRICULTURE

(DEPARTMENT OF FOOD)

Note Regarding the construction of Flat Storage Godown

It was decided in 1960 to maintain a buffer stock of 50 lakh tons of foodgrains in the country and with this end in view it was necessary to have Government-owned storage accommodation of 30 lakh tonnes by the end of the Third Five-Year Plan. At the end of the Second Five-Year Plan, total Government-owned accommodation was 6.96 lakh tonnes and it was, therefore, necessary to construct about 23 lakh tonnes. With a view to achieving this target, several steps, including the creation of a separate Wing, known as the Food Wing in the Central P.W.D., were taken. These measures had their effect and in the first year of the Third Five-Year Plan, storage godowns of 4.99 lakh tonnes capacity were constructed at a cost of Rs. 511 lakhs. Against the background of this encouraging performance in the first year of the Third Five-Year Plan, and the need for stepping up the pace of construction, it was anticipated that it would be possible to construct more godowns in the second year of the Plan and a sum of Rs. 739.67 lakhs was provided in the Budget Estimates for 1962-63 under Head '82-B.I.-Construction of Food Storage Godowns', under the following detailed Heads:—

(In lakhs of Rs.)

(1) Construction of godowns.	
(a) Works in progress	275.57
(b) Works sanctioned	156.25
(c) Works to be sanctioned	225.87
	<hr/>
	657.69
(2) Cost of land	25.00
(3) Cost of construction of Railway sidings	45.00
(4) Miscellaneous (for lorry weigh-bridges)	11.98
	<hr/>
	739.67

2. While progressing the actual construction of godowns, however, there were some unexpected difficulties in the availability of land and building materials and movement of building materials to the respective centres. On subsequent review of the construction programme, it was also found necessary to drop some of the centres where construction had been previously proposed. It, therefore, became unavoidable at the stage of final Grant to reduce the requirement of funds to Rs. 432.51 lakhs. The various factors which had retarded the pace of construction were:—

(i) *Change in the programme of construction of godowns.*

Some of the proposed centres had to be dropped for reasons explained in Annexure I (Total savings=Rs. 66.41 lakhs).

(ii) *Delay in getting possession of the land for the construction of godowns.*

Land for the construction of godowns is either acquired under the land Acquisition Act or obtained on lease or transfer from the State Government/Railways/Port authorities. In respect of some centres, possession of land could not be taken due to the cases being held up in the Law Courts whereas the others, there was delay in the transfer of land by the State Governments and Railways due to non-finalisation of the terms and conditions of transfer. Details of the centres affected are shown in Annexure II. (Total saving - Rs. 75.28 lakhs).

(iii) *Delay in the finalisation of the designs to be adopted for the flat storage godowns and the consequent hold-up in the construction work.*

Construction of flat storage godowns was being taken up for the first time in this country. Global tenders for the construction of flat storage godowns at three centres, namely Manmad, Berivilli and Kanpur, were invited and it was the intention to finalise the design and the handling equipments for the godowns on the basis of the tenders. Various technical problems had to be sorted out after receipt of the global tenders and it took some time before we could decide about the most suitable design and the handling equipments for our purpose. It was only by the end of 1963 that final decisions could be taken and the work for the construction at these three centres could be awarded. As the flat storage construction proposed at other centres was to be progressed only after the designs, etc., were finalised with reference to the global tenders invited for Kanpur, Manmad and Borivilli, these constructions also

could be undertaken during 1962-63. Details of the centres affected are indicated in Annexure III. This accounts for a saving of Rs. 76.64 lakhs.

(iv) *Details in the progress of construction work by the Central Public Works Department.*

The Central P.W.D. could not achieve the target for the construction of godowns due to non-availability of materials like electrodes, bricks, steel, A.C. Sheets, etc., in time and delay in the movement of building materials to the centres. Details are shown in Appendix IV. (Total saving=Rs. 54.85 lakhs).

(v) *Miscellaneous reasons.*

Against 'cost of land', 'cost of construction of railway sidings' and 'miscellaneous items' of work, a provision of Rs. 81.98 lakhs was made originally. This was reduced to Rs. 48 lakhs in the final grant. This was mainly due to:—

- (a) Delay in sanctioning expenditure on lorry weigh-bridges counter balanced by provision of Rs. 3.00 lakhs for purchase of grain conveyors, steel trolleys etc. (Net saving=Rs. 8.98 lakhs).
- (b) Postponement of construction of railway sidings due to non-availability of land and delay in taking up work by the respective Railways.

S. No.	Centre	Cost (In lakhs of Rs.)
1.	Mokameh	1.46
2.	Baroda	2.38
3.	Saharsa	0.15
4.	Dhanbad	2.35
5.	Nagpur	2.15
6.	West Patel Nagar	16.40
TOTAL		24.89
		or say Rs. 25 lakhs.

3. The actual booked expenditure was Rs. 379.12 lakhs leading to a further saving of Rs. 53.30 lakhs. This additional saving was due to:—

(Rs. in lakhs)

(i) Non-receipt of debits from the various Accountants General towards the cost of construction of food storage godowns actually incurred	38.21
(ii) Non-receipt of debits from Railways for the cost of construction of Railway sidings.	2.28
(iii) Non-receipt of claims for cost of land from different authorities viz. State Governments, Railways, Port Trusts etc.	12.90
TOTAL	<u>53.39</u>

ANNEXURE I

Details of Centres Dropped.

S. No.	Centre	Savings (in lakh Rs.)	Remarks.
1	Union Jute Mills Premises, Calcutta.	8.11 0.65	Dropped due to unsuitability of the site and movement difficulties from Docks.
2	Mokameh Phase-II	0.75	Samastipur found more suitable.
3	Bhadreswar	1.22	Centre dropped due to rail movement difficulties from Calcutta.
4	Hapur (Flat) Phase-II	1.02	This was proposed as an experimental measure but subsequently it was decided not to proceed with the proposal. The foreign exchange component was considered high.
5	Sitamarhi	1.70	Dropped as construction at this centre was later on found unnecessary.
6	Mokameh Phase-III	17.00	Same remarks as against item 2.
7	Madras Silo	8.50	A decision was taken not to construct silo at Madras as import of wheat through this port was very small.
8	Nagpur—Phase II (Flat)	9.00	Dropped in view of the high cost of land at Nagpur.
9	Sanatnagar—Phase IV	13.96	Additional construction was dropped in view of rail movement difficulties from Hyderabad.
10	Raigarh	4.50	Land cost was very high.
	TOTAL	66.41	

ANNEXURE II

Details of Centres where Construction could not be taken up due to non-availability of sites in time

S. No.	Centre	Savings (in lakh Rs.)	Remarks.
1	2	3	4
1	Gauhati	5.41	Construction could not start as on a part of the land, an Army Unit had put up tents. Site cleared only in May, 1963.
2	Tinsukia	6.49	Case held up in Court.
3	Katihar	4.00 0.32	Existing railway siding on the land was to be dismantled and relayed which was delayed by Railways.
4	Bhubaneswar	0.40	Land was made available by the State Government only on 18-9-63.
5	Allahabad	13.76	Case held up in Court.
6	Azamgarh	3.47	Land taken over only on 20-2-63.
7	Bareilly	3.57	Land taken over only on 29-3-64.
8	Allahabad (Flat)	8.50	Case held up in Court.
9	Samastipur	6.37	Site was changed as B.G. Siding was not possible. Capacity was also subsequently increased and a new site was selected.
10	Jamshedpur	4.25	Land taken over on 15-4-63.
11	Bombay Silo	4.00	Suitable sites not available in the Port area.
12	Siliguri	8.20	Part of land was transferred by Railways in April, 1963. Balance of private land could be acquired only on 28-8-64.

1	2	3	4
13	Jetha Plinth Bombay .	3·13	Out of Rs. 11·25 lakhs, a sum of Rs. 3·13 lakhs had to be surrendered as one godown was dropped due to difficulty in acquiring more land.
14	Ferozepur .	3·01	Land could be taken over only on 15-2-63 and hence out of Rs. 4·06 lakhs, a sum of Rs. 3·01 lakhs was surrendered.
15	Rourkela .	0·40	Land not yet handed over by the State Government.
TOTAL		<u>75·28</u> lakhs.	

ANNEXURE III.

Centres where flat storage construction work could not be taken in hand due to delay in the finalisation of D.signs.

S.No.	Centre	Savings (In lakh Rs.)	Remarks
1	Kanpur (Flat).	17.59	
2	Jinjirapole (Orient Jute Mills).	18.95	
3	Borivilli	8.50	
4	Kandla.	4.00	
5	Ahmedabad	9.20	
6	Manmad.	18.40	
	TOTAL	76.64	

ANNEXURE IV.

Statement showing savings due to delay in the progress of construction on account of shortage of material etc.

(In lakh Rs.)

S.No.	Centre	Provi- sion made in the Bud- get Es- timates	Final Grant	Savings	Remarks
1	Khurda Road	4.33	2.00	2.33	Delay in the receipt of materials.
2	Borivilli (Phase I&II)	63.00	22.00	41.00	Due to difficulties in arranging of Electrodes and other materials.
3	Trivandrum	4.00	..	4.00	Work could not be started by the Central P.W.D. as the question of surrender of a portion of the land was under negotiation with the State Government.
4	Nagpur.	22.69	15.17	7.52	Slow progress of work due to non-availability of materials like electrodes.
TOTAL		94.02	39.17	54.85	

APPENDIX III

(Para 13 of this Report)
MINISTRY OF STEEL AND MINES
(DEPARTMENT OF MINES AND METALS)

Geological Survey of India

Note for Public Accounts Committee in respect of Appropriation Accounts (Civil) 1962-63 relating to Grant No. 77—Geological Survey with reference to information asked for by the Lok Sabha Secretariat in their Office Memorandum No. 2/1/22C/64/PAC, dated 18th February, 1965.

List of points

A statement showing the vehicles ordered through D.G.S. & D. and their number, type and the price of vehicle.

Reply

As desired a statement showing the vehicles ordered through D.G.S. & D. during 1962-63 and their number, type, price, etc. is enclosed.

NEW DELHI;
Dated 2nd March, 1965.

(R. N. VASUDEVA),
Joint Secretary.

Statement Showing the procurement position of vehicles indented for during the year 1962-63

tion	Date of placing indent on DGS&D	No. indented	Estimated cost	Date of Acceptance of Tender	No.	Cost Rs.	Expected delivery date	No. actually delivered during 62-63	Cost Rs.	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1. Jeep	28-7-62 (5334-K/25)	175	23,13,150	10-9-62 (STV-3/ 3532-N/IV/ 68sc	175	23,13,150	B 15-2-63	36	4,75,848	B. Suppliers indicated the following possible deliveries. 30 Nos. Sept, '62 60 Nos. Oct. '62 35 " Nov. '62 25 " Dec. '62 25 " Jan. '63 175 96 Jeeps were received in 63-64 and upto Jan. 1965.
2. Pickup	"	27	4,72,000	"	27	3,90,906	15-11-62	@	28,956	@On account of emergency no further supply has been received.
3. Utility Van (Stn. Wagon)	"	14	2,81,344	"	14	2,81,344	15-2-63	***	..	***On account of emergency all supplies were stopped.
4. Explosive Van	..	..	..	(S) 20-8-62 (No. 6011-K/ 54(3)/62/25	2	28,926	15-1-63	***..	..	(s) Direct order was placed on Rate Contract.

5. Power Wagon	31-8-62 (6276-R/54 (3)/62/25)	17	4,08,000	3-10-62 (STV-3/4050 -N/IV/6879)	17	3,76,861	15-11-62	***	..	*** On account of emergency no further supply has been received.	
6. 3-ton trucks	..	6	1,45,000	3-10-62 (STV-3/ 4050-N/ IV/6880)	6	1,28,610	13-11-62		..		
7. 5-ton trucks	} 31-8-62 (5278-R/54 (3)/62/25)	26	9,88,000	3-10-62 (STV-3/4066- N/IV/6882)	26	9,19,126	30-11-62 *		..	*As Mercedes trucks were frozen because of emergency, 12 Bedford trucks were obtained against these in 63-64. Release order for 14 Mer. trucks has been recently received. Supply awaited.	
8. Truck for break down equipment											
9. Mail Van	18-10-62 (6435-R/25)	7	1,40,000	†						†The indent was returned by the DGS&D and treated as cancelled as suitable chasses were not available.	
10. Wheel Tractor	31-8-62 (5274-R)	10	1,40,000	11-1-63 (Project/ 4049-N/II/ 457)	10	1,43,850	15-2-63		..	1,43,850	
11. Jeep trailers	31-8-62 (5272-R)	175	2,62,500	24-1-63 (1) (STV- 3/4048- N/IV/59)	30	41,359	31-8-63		Supply effected after March '63. For these, 10 amount was provided in the budget for 62-63.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
				<u>24-1-63</u>	30	41,359	<u>31-8-63</u>	..	..	Do.
				(2) STV-3/ 4048-N/ IV/60						
				<u>24-10-62</u>	70	83,072	<u>31-5-63</u>	..	..	Do.
				(3) SV-3/ 4048-N/ IV, 61						
				<u>22-11-62</u>	45	60,574	<u>30-9-63</u>	..	..	Do
				(4) STV-3/ 4048-N/ IV/6969						
					<u>175</u>					
12. W. Tank Trailer .	..	20	|| 60,000	<u>4-12-62</u>	20	53,900	<u>31-3-63</u>	20	53,900	
				STV-3/ 4048-N/IV (8)/6990						
13. Tractor trailer .	..	10	|| 40,000	..	10	37,840	<u>31-3-63</u>	10	37,840	
						<u>49,00,877</u>			<u>7,40,394</u>	

APPENDIX IV

(Para 18 of this Report)

Extract of Para 392 of the Seventh Report of P.A.C. (1957-58)

Regularisation of expenditure incurred on a New Service without approval of Parliament or State Legislature

392. The Committee then took up consideration of the note furnished by the Comptroller and Auditor General raising an important principle of financial control by Parliament as to what action should be taken to regularise expenditure on a New Service without obtaining a Supplementary Grant from Parliament or State Legislature, as the case may be, during the financial year. He had referred to a case that occurred in the U.P. State, wherein a sum of Rs. 10,000 was spent on certain exhibition—a New Service from out of savings available under other heads without obtaining a token Supplementary Grant during the financial year. It was held by Audit that as the money had been spent from the Consolidated Fund on a New Service without the authority of law as required in Article 266(3) the expenditure must be deemed to have been automatically disallowed and the resulting "excess" should, therefore, be regularised by the legislature. The Union Ministry of Law, whose advice was sought with regard to the procedure for regularisation of the 'excess', expressed the view that an 'excess' of this kind did not come within the purview of Article 205(1)(b) of the Constitution [corresponding to Article 115(1)(b) pertaining to the Union] inasmuch as this Article pertained to an excess on a Service already approved by the Legislature. The case seemed to be one which was not covered by any of the provisions in the Constitution and it would probably be necessary to leave the matter eventually to the Public Accounts Committee for such action as they may consider necessary.

During the course of discussion, the Comptroller and Auditor General pointed out that the provisions of Article 115(1)(a) and 115(1)(b) of the Constitution were analogous to Rules 50(1) and 49, respectively, of the former Indian Legislative Rules. He referred to para 29 of the Report of the P.A.C. on the Accounts of 1930-31 (Part II) where the Committee had given a direction to meet such a situation. Government had then proposed that provisions of Rule

49 relating to regularisation of 'excess over grants' should also be made applicable to any 'excess' on account of a New Service referred to in Rule 50(1). The then P.A.C. endorsed the conclusion reached at a discussion between the Chairman of the Committee and Hon'ble the President of the Legislative Assembly that if there be any case of New Service in the Appropriation Accounts of a year, the usual form of the Resolution for taking the report of the Public Accounts Committee into consideration should be expanded so as to include "and that the Assembly do approve of the expenditure". The Government had accepted this procedure for regularising expenditure on a New Service *ex post facto*. The C. & A.G., therefore, suggested that the feasibility of a Resolution for regularising such expenditure under the present set-up also should be examined.

In extenuation, the representative of the Ministry of Law stated that a fundamental difference was made between the position under the Government of India Act and the present Constitution, by the provisions of Article 204 (corresponding to Article 114 relating to the Union). Under Article 204(3) subject to the provisions of Article 205 and 206 (corresponding to Articles 115 and 116), no money could be withdrawn from the Consolidated Fund except under appropriation made by law passed in accordance with the provisions of this Article. As exceptions envisaged in Articles 205 and 206 did not apply to the expenditure in the present case, the general rule must apply. Under the Government of India Act, the Legislatures were circumscribed within certain limits but there was no Fund known as Consolidated Fund. There were only "revenues" of the "Federation" and "revenues" of the Provinces. The representative of the Ministry of Finance agreed that there was a lacuna in the Constitution as there was no provision for regulating such cases. If Parliament decided that a mere Resolution would be sufficient for regularising the expenditure that would be done.

The Chairman drew attention to Article 206(1) (c) [corresponding to Article 116(1) (c)] and enquired whether an excess on account of a New Service could not be regularised by obtaining an exceptional grant as envisaged in that Article. The representative of the Ministry of Law stated that in his opinion such expenditure could not form an exceptional grant, as exceptional grant did not mean regularisation of an irregular expenditure. The comparison of Articles 205(1) and 206(1) would show that the former applied to the regularisation or authorisation of something already done, while the latter applied to the authorisation of future expenditure.

The Committee desired that keeping in view the spirit of the Constitution regarding supremacy of the Parliamentary Control over finance, the matter might be further examined in the light of these suggestions in consultation with the Attorney General and the Committee should be apprised of the outcome by February, 1958.

393. The Committee adjourned to meet again at 10-30 hours on Monday, the 13th January, 1958.

APPENDIX V

(Ref. para 18 of this Report)

Extracts of Paras 78 to 82 of the 42nd Report of P.A.C. (1961-62)

Regularisation of expenditure incurred without approval of Parliament or State Legislature on an item adjudged as New Service after the close of the year—Paras 110-111 of the 7th Report.

78. The Public Accounts Committee in para 392 of their Seventh Report (Second Lok Sabha) considered a case which occurred in the State of U.P. wherein a sum of Rs. 10,000 was spent on certain Exhibition (considered to be a new service after the close of the year) from out of the savings available under other heads without obtaining a token Supplementary Grant during the financial year. The Comptroller and Auditor General brought this case to the notice of the P.A.C. as in his opinion "it raised a very important question of principle in relation to Parliamentary control over expenditure". It was held by Audit that as the money had been spent without the authority of law as required under Article 266 (3) of the Constitution, the expenditure must be deemed to have been automatically disallowed and the resulting 'excess' should, therefore, be regularised by the Legislature.

79. When this matter came up before the Public Accounts Committee in January, 1958, the representative of the Ministry of Law explained in evidence that there was no provision in the Constitution at present to regularise such cases of technical excesses which did not result in excesses over the Grant as a whole. The representative of the Ministry of Finance also felt that there was a lacuna in the Constitution in this respect and observed that Government would abide by the ruling of the Public Accounts Committee in the matter. The Committee suggested that the Ministry of Finance might examine, in consultation with the Attorney General, if necessary, whether such cases could be brought within the scope of "exceptional grants" envisaged in article 116(1) (c) of the Constitution.

80. Accordingly the Ministry of Finance (Department of Economic Affairs) submitted a Memorandum to the Public Accounts Committee. (Appendix III). It is seen therefrom that the Attorney General has agreed with the Law Ministry that there is no provision in the Constitution to regularise by law an "excess" expenditure of this

kind. In his opinion, the provisions of Article 115(1) (a) and (b) are not applicable to this case inasmuch as both parts of Article 115(1) (a) contemplate a supplementary, additional or excess grant during the "current financial year" and Article 115(1) (b) contemplates excess expenditure for a particular service over the amount granted for that service for that year (in the present case no grant has been made for this expenditure). He has added that "if it is desired to approach the Legislature for regularising the expenditure the only possible method is to approach it by putting a strained construction on the language of Article 116(1) (c)", although he is doubtful whether "unauthorised" expenditure of this nature could legitimately be a subject of an "exceptional grant" and satisfy the description "which forms no part of the current service of any financial year."

81. The Committee, however, find that prior to the coming into force of the Constitution, the procedure followed in such cases was to expand the usual form of the Resolution for taking the report of the Public Accounts Committee into consideration by the legislature so as to include—

"and that the Assembly do approve the expenditure of
Rs.".*

This procedure was decided upon after careful consideration by the Public Accounts Committee followed by a discussion between the then Chairman of the Committee and the Hon'ble President of the Legislative Assembly. It was also felt at that time that rule 49 of the Indian Legislative Assembly Rules [which corresponds to Article 115(1) (b)] did not cover unauthorised expenditure of this kind and there was a lacuna. The only way to regularise the default was, therefore, to get sanction of the House by moving a resolution in this regard.

82. The unauthorised expenditure in the present case has been incurred on a service adjudged as "new service" without causing any excess over the grant as a whole. In the law made by Parliament every year under Article 114(3) of the Constitution, the amounts authorised are shown according to the Votes (demands) to be appropriated for the services and purposes expressed in the Schedule thereto in relation to the said year. In order to ensure Parliamentary control each demand is split up into a number of sub-heads; (these

*Para 29 of the Report of the P.A.C. on the Accounts of 1930-31 Part II. Railway Accounts.

are not indicated in the Appropriation Act) and the Executive has been vested with power to re-appropriate from one sub-head to another or even open new sub-heads so long as the expenditure contemplated is within the demand. Such a delegation to the Executive does not in any way affect Parliamentary control over expenditure as in these matters Parliament exercise necessary control through the Finance Ministry and the Public Accounts Committee. If, in a case, it turns out that funds have either been reappropriated or utilised for meeting expenditure on an item not contemplated in the demand and such expenditure has been discovered after the close of the financial year, it shall be brought to the notice of the Public Accounts Committee through the Audit Report. The Public Accounts Committee shall bring it to the notice of Parliament, and if they agree with the observations in the Audit Report, they may recommend that Parliament may approve the expenditure. No fresh vote for the expenditure is called for as the money already voted by Parliament for that particular demand has not been exceeded. *The Committee are of the opinion that as in the pre-Constitution days, such cases can be brought before Parliament for approval, without violating any of the provisions of the Constitution, by moving a resolution in appropriate terms and getting its approval ex-post-facto to the money spent on such items. However, in cases where by incurring such expenditure, the amount authorised by Parliament for a particular demand (Service) for that year has been exceeded the provisions of Article 115(1) (b) of the Constitution will be attracted, and the excess will have to be regularised under those provisions.*

APPENDIX VI

(Para 18 of this Report)

No. F.2(51)-B/56

GOVERNMENT OF INDIA

(Department of Economic Affairs)

New Delhi, the 5th May, 1964.

OFFICE MEMORANDUM

SUBJECT:—*Forty-second Report of the Public Accounts Committee (Second Lok Sabha)—Action taken on.*

The undersigned is directed to invite a reference to the recommendation made in Para 82 of the Forty-second Report of the Public Accounts Committee (Second Lok Sabha) regarding the regularisation of expenditure incurred on a "new service" which was not covered by valid appropriation of funds but which did not result in an excess over the grant or appropriation as a whole.

2. The recommendation of the Committee has been considered in consultation with the Ministry of Law and the opinion of the Attorney-General has also been obtained. A copy each of the Statement of the case for the opinion of the Attorney-General and the Counsel's opinion of 17th February, 1964 is enclosed.

3. The present Attorney-General has concurred with the view expressed by his predecessor on 17th May, 1958 that having regard to the express prohibition in Article 114(3) of the Constitution, and this prohibition also applies equally to Articles 115 and 116, the expenditure incurred on a "new service", which is not covered by a valid appropriation but which does not cause an excess over the grant cannot be regularised by means of a Parliamentary Resolution, as contemplated by the Committee. The Attorney-General has also observed that the legislative functions of permitting or validating expenditure from the Consolidated Fund of India can be performed only by following the procedure laid down in Articles 112 to 116 of the Constitution and not in any other manner, such as by a Resolution of the Parliament; nor can a Parliamentary Resolution condone the illegality and validate irregular expenditure. The Attorney-General

has also explained why the pre-Constitution procedure to which the Committee have referred, cannot be followed.

4. In view of the constitutional position explained above, and pending the amendment of the Constitution for providing expressly for the regularisation of such technical excesses, by appropriation by law, the object that the Committee have in view would perhaps be served by bringing such instances specifically to the notice of the Parliament in their Reports.

5. This Note has been seen by the Comptroller and Auditor-General of India.

(Shiv Naubh Singh)

Joint Secretary to the Government of India.

The Chairman &

Members of Public Accounts Committee.

Statement of case for the opinion of the Attorney General of India

In the year 1958 Attorney-General considered the question whether an amount spent out of the Consolidated Fund of India or of a State in a particular year on a "new service", for which no grant was voted by the Legislature for that year and which came to notice in a later year, could be regularised by the Legislature and, if so, in what manner. Learned Counsel, in his opinion dated 17th May, 1958, expressed the view that having regard to the express prohibitions in articles 114(3) and 266(3) of the Constitution, it is necessary that there should exist some Constitutional provision under which the authorised expenditure could be approved by the Legislature. He also added that the practice prevailing in India prior to the Constitution was not relevant to the matter. According to learned Counsel on a proper construction of articles 115(1)(b) and 116(1)(c) as well as the corresponding provisions relating to the States, it is difficult to say that the Legislature can be asked to approve the unauthorised expenditure on a new service acting under these provisions. He, however, considered that if it was desired to approach the Legislature in order to regularise the expenditure, the only possible method is by putting a strained construction on the language of articles 116(1)(c) and 206(1)(c) of the Constitution.

2. The Public Accounts Committee was duly apprised of the learned Counsel's opinion as aforesaid. In para 82 of its Fortysecond Report the Committee observes as under:—

“The Committee are of the opinion that as in the pre-Constitution days, such cases can be brought before Parliament for approval, without violating any of the provisions of the Constitution, by moving a resolution in appropriate terms and getting its approval *ex-post-facto* to the money spent on such items. However, in cases where by incurring such expenditure, the amount authorised by Parliament for a particular demand (Service) for that year has been exceeded the provisions of Article 115(1) (b) of the Constitution will be attracted, and the excess will have to be regularised under those provisions.”

The question to be considered is whether the Committee's recommendation regarding the moving of a resolution for the purpose referred to above can be given effect to under the Constitution.

3. Articles 114(3) and 204(3) of the Constitution provide that no money shall be withdrawn from the Consolidated Fund of India or the Consolidated Fund of the State except under appropriation made by law passed in accordance with the provisions of these articles. Article 266(3) containing similar provisions provides that no moneys out of the Consolidated Fund of India or the Consolidated Fund of a State shall be appropriated except in accordance with law and for the purposes and in the manner provided in the Constitution. Further, articles 115(1) (a) and 205(1) (a) provide that when a need has arisen during the current financial year for supplementary or additional expenditure upon some new service not contemplated in the annual financial statement for that year, the President or the Government shall cause to be laid before Parliament or the State Legislature, as the case may be, another statement showing the estimated amount of that expenditure. As provided by articles 115(2) and 205(2) the procedure for voting the supplementary demands relating to such new services and passing the connected Appropriation Bills is similar to the one applicable in relation to the annual financial statement. Thus, expenditure on a new service cannot be incurred *ab initio* without an appropriation law passed by Parliament or the State Legislature, as the case may be. But, if by Inadvertence or otherwise, such an expenditure is incurred without being covered by an Appropriation Act, it appears that it is not open to Parliament or the State Legislature to regularise such expenditure

by passing a formal resolution for the purpose. Such a course might virtually imply that Parliament or the Legislature has thereby become a party to the Constitutional irregularity of having incurred the expenditure without the sanctity of Appropriation law. The passing of an Appropriation Act by Parliament or the State Legislature is essentially a legislative function to be performed by it in the prescribed manner by debating the proposed law in the form of an Appropriation Bill which would go through all its stages in the manner required by the Constitution, including articles 114 and 204 thereof. That manner of exercising the essential legislative function cannot be substituted by adopting a summary method of a resolution passed by Parliament or the State Legislature.

4. The Public Accounts Committee refers to the practice in the pre-Constitution days. It may be noted that neither the Government of India Act, 1919 nor the Government of India Act, 1935 made any specific provision for regularisation of expenditure in excess of the grants, nor did they contain any restrictive provision like those in article 114(3), 204(3) and 266(3) of the Constitution. Provision for this purpose was made only through Rule 49 of the former Indian Legislative Rules (which corresponds to the provisions of articles 115(1) (b) of the Constitution). In 1930-31 when a question arose for the regularisation of expenditure on a new service, the Public Accounts Committee did not consider it worthwhile to seek an amendment of the rule, but suggested that it would be enough if the Resolution for taking into consideration the Report of the Committee is expanded so as to include that the Assembly approves the said expenditure. This view seems to have been taken by giving a liberal construction to the said rule.

5. The position after the commencement of the Constitution is really different. The expenditure from the Consolidated Fund of India or the Consolidated Fund of the State is expressly required to be covered by appropriation law made under articles 114(3) and 204(3) read with article 266(3) of the Constitution. Further the report of the Public Accounts Committee is no longer being taken into consideration by moving a formal resolution for the purpose. It may thus be inferred that even assuming that the pre-Constitution procedure of approving the excess expenditure or expenditure on a new service by a resolution did not contravene the provisions of the Government of India Act, 1935, it does not seem open to Parliament or the State Legislature, in view of the express provisions of the Constitution referred to above, to approve the expenditure from the Consolidated Fund of India or the Consolidated Fund of the State by means of a resolution as contemplated by the Committee.

6. In the circumstances it is considered that the recommendation made by the Public Accounts Committee as aforesaid is not strictly in accordance with the provisions of the Constitution as explained above and cannot, therefore, be given effect to under the Constitution. As the resolution of Parliament has not the efficacy of law, such a resolution cannot serve the purpose of bringing into play the power of Parliament to legislate regarding the withdrawal of money from the Consolidated Fund of India as contemplated by articles 114(3) and 266(3) of the Constitution or even to condone or regularise the omission to cover such expenditure by an appropriate law under the Constitution.

7. Learned Counsel is requested to give his opinion on the following questions, namely:—

- (1) Whether the recommendation made by the Public Accounts Committee as referred to in paragraph 2 above can be given effect to under the Constitution;
- (2) if the answer to the above question be in the negative, whether it is possible to regularise an expenditure of the kind referred to in paragraph 3 above and if so, in what manner; and
- (3) generally.

Sd/- R. S. GAE,
Joint Secretary & Legal Adviser.

NEW DELHI;
Dated the 25th January, 1964.

No. AGF/31/64 4787(5).

RE: *The manner of regularisation of an amount spent out of the Consolidated Fund of India or a State for which no grant was voted by the Legislature—reference by the P.A.C.*

OPINION

In my opinion, paragraph 82 of the Forty-second Report of the Public Accounts Committee is not correct. The scheme of the relevant articles in the Constitution regarding expenditure from the Consolidated Funds of the Union and the States is that such expenditure can be sanctioned or validated by a law made by Parliament. The permitting or validating such expenditure is a legislative function. The relevant articles for the Union are articles 112

to 116 and for the States arts. 202 to 206. Since the two sets of the articles are identical in terms, I need only mention those relating to the Union.

2. In the first part of the Public Accounts Committee's opinion, "such cases" I take to mean cases of the kind referred to in the opinion of Attorney-General given in 1958, i.e., not being of any of the kinds mentioned in articles 114, 115 and 116. The Attorney General expressed his opinion to the effect that there was no provision in the Constitution for the sanctioning or validating the payment of such items. I agree and adopt his opinion. The fact that such items are not provided for cannot leave them at large to be dealt with in some other manner, e.g. by a Resolution as recommended by the Public Accounts Committee, since the Constitution provides expressly by art. 114(3) that "no money shall be withdrawn from the Consolidated Fund except under an appropriation made by law" and that prohibition applies equally to articles 115 and 116. If, therefore, such items are paid out without a previous grant duly approved by law, such payments are illegal and no resolution of the House can render it valid or condone the illegality.

3. In view of the articles of the Constitution above mentioned, the practice, if there was any before the Constitution, to validate payments in some particular manner is irrelevant. The Public Accounts Committee says that the pre-Constitution practice can be followed without violation of the provisions of the Constitution but that cannot be so in view of the express provision in article 114(3) which I have already mentioned. There is only one provision for *ex-post-facto* approval, that is, in art. 115(b) which applies only when there is an excess expenditure on a service beyond a grant already made for that service, which is the kind of item covered by the latter part of the relevant paragraph in the Public Accounts Committee's Report.

4. I may add a few words as to the position before the Constitution. Under sec. 33 of the Government of India Act, the Governor-General had to lay before the Legislature a statement of the estimated receipts and expenditure for the year. This corresponds roughly to art. 112. Sec. 34 of that Act corresponds to art. 113. Under sec. 35, the Governor-General, after the grants were made by the Legislature, had to authenticate by his signature a schedule specifying the grants made and lay it before the Legislature. There was, however, no Appropriation Bill and no Appropriation Act. Sub-sec. (3), however, of sec. 35 provided: "No expenditure from the revenues of the Dominion shall be deemed to be duly authorized.

unless it is specified in the Schedule". This was a provision analogous to article 114(3). Sec. 36 is similar to art. 115(1), and provided for a supplementary statement if further expenditure became necessary over and above the authorised expenditure. There was no provision equivalent to art. 115(b) or 116. There was thus nothing similar to art. 115(b) which provides for *ex-post-facto* validation by law of excess money spent. There was a rule in the Indian Legislative Rules, being rule 49 which however, corresponded to art. 115(1) (b) and it may be stretching the words of that rule that some item of the nature referred to by the Committee may have been sought to be passed. It is unnecessary to consider whether that was properly done or not, having regard to the differences that have been pointed out and in particular, by reason of the express prohibition in the Constitution the cases referred to by the Public Accounts Committee in the first part of the relevant paragraph cannot be dealt with by a Resolution as suggested.

NEW DELHI;
Dated the 17th February, 1964.

Sd/- C. K. DAPHTARY,
Attorney General of India.

APPENDIX VII

(Para 27 of this Report)

No. 13(1)/64-I.&T.

GOVERNMENT OF INDIA

MINISTRY OF REHABILITATION

List of points on which further information was called for by the Public Accounts Committee at their sitting held on the 19th February, 1965.

Para 59-Pages 71-72—Infructuous expenditure on training-cum-production schemes.

(A) A note on the following points relating to the yarn producing plant and thirty-seven other machines may be furnished:—

- (i) The reasons for which these machines were found un-serviceable.
- (ii) Why Orissa State Government did not accept the yarn producing plant?
- (iii) Why D.G.S. & D. is finding it difficult to dispose it of?
- (iv) Why Orissa Government has not yet sent the required forms necessary to declare the machines surplus?

(B) A detailed note on the 12 machines transferred to West Bengal Government and also of 25 machines may be furnished. The note may also include information as to whether these machines have been paid for or received as gifts.

Ministry's reply

A. (i).—Seven "Garabo" plants were imported from Japan in 1949 for setting up of training and production centres for displaced persons from Pakistan in some of the townships. These plants were distributed as follows:—

1. West Bengal	2
2. Uttar Pradesh	2
3. Saurashtra	1
4. Faridabad Development Board	1
5. Arab-ki-sarai Training Centre, Delhi	1
	<hr/>
TOTAL	7

The Garbo Plant sent to the Government of Saurashtra was installed at the Refugee Works Centre, Bantwa by Japanese Engineers and put into operation from July, 1951 to January, 1953 for imparting training in weaving to refugees. The generator, however, went out of order from January, 1953 and since then the Plant was not operated upon. It was considered by the State Government that the working of the Plant was uneconomical and it would also be difficult to absorb the trainees in that particular trade even after imparting them training. The working result of the Plant was reported to be unsatisfactory. The yarn produced by this Plant was of an inferior type and the process highly uneconomical. In technical terms, the yarn produced was uneven in "twist" and "test" and "counts". Since the Plant was not useful for imparting training to refugees the feasibility of its being utilised by other Centres run by the State Government was examined by the State Government but ultimately it was found that the Plant would not be useful in other training centres of the State Government and hence it was finally decided to dispose it of. The plant was disposed of in June, 1963 and fetched an amount of Rs. 12,400.

The Plants sent to West Bengal were installed at the Training-cum-Works Centre at Titagarh for imparting training to the displaced persons and were operated for some years. The experience gathered thereby subsequently revealed that this type of machine was no longer useful and economical from commercial point of view. The West Bengal Government have been asked to dispose of the plants by declaring them surplus to the D.G.S. & D.

As regards the Plant installed at the Arab-ki-Sarai Training Centre, Delhi, it was used for a period of five years for the training of displaced persons and others. The Plant proved to be uneconomical in view of its low output. In view of the remote employment potential in this trade, the training was discontinued from 1956 onwards, the plant dismantled and kept in the store where it is lying till date. The Arab-ki-Sarai Training Centre is now following the syllabi of the National Council of Technical and Vocational Training under which only engineering trades are taught. As such there are no possibilities of introducing Garbo work in this centre. It has been reported that a proposal to dispose of the plant was sent to D.G.S. & D. who made several attempts for its disposal but so far they have not been able to sell it.

The State Government has been addressed to ascertain the position with regard to the two plants sent to Uttar Pradesh and its reply is awaited.

The Garabo Plant that was sent to Charbatia Camp, to which the Audit Para in question refers, was never used. The facts with regard to this particular plant are briefly summarised in the statement (Annexure) attached.

(a) (ii):

The Government of Orissa informed the Ministry finally in March, 1961 that they had no approved scheme, after the Charbatia camp was closed, for operating the plant, that skilled personnel was not available, that raw materials were also not available locally and that the scheme could not be run economically. As this is inconsistent with the earlier reports from the State Government that they could utilise the Plant, a further report has been called for from them. A further communication will be sent to the Lok Sabha Secretariat as soon as the reply from the Orissa Government is received.

(a) (iii) (iv):

The Garabo plant was reported to D.G.S. & D. by the Additional Registrar, Co-operative Societies, Government of Orissa in his letter No. 4393/H, dated the 12th April, 1963. The surplus report was not, however, sent in the prescribed form. The D.G.S. & D. sent the necessary form to the State Government. The State Government informed the Ministry that details of the plant required to be furnished in the form were not available with them and that these might be given by the Ministry. An attempt was made to get the details from the Principal, Arab-ki-Sarai Training Centre, Delhi but this was not successful. The matter has since been discussed with the D.G.S. & D. and the surplus report forms have been sent to them on 4th March, 1965 with such particulars as the Ministry was in a position to furnish. D.G.S. & D. has also been requested to take immediate action to dispose of the plant. It will thus be seen that delay in disposing of the plant is not due to any difficulty experienced by D.G.S. & D.

(B) The thirty-seven Japanese machines referred to, were not received as gifts but purchased in 1949. The machines were intended to be supplied to the displaced persons and the cost was to be treated as loans to displaced persons. These machines were, however, lying idle at the Arab-ki-sarai Training Centre, Delhi. The earlier papers relating to these machines are not now available and it is, therefore, not possible to indicate the reasons why the machines were lying idle.

In December, 1958 the machines were sent from Delhi to Calcutta as at that time a proposal to set up an Industrial Estate at Fulla in

West Bengal was under contemplation and it was thought that some of these machines could be installed there and some at the Training-cum-Production Centre, Kamarhatty. However, in January, 1959 the decision to set up an Industrial Estate at Fulia was abandoned. Therefore, it was decided that some of the machines might be installed at the Training-cum-Production Centre, Kamarhatty under a phased programme. The Superintendent of the Centre put up in July, 1959, schemes for setting up production units with 13 machines as detailed below:—

S.No.	Name of the Machine	Nos.
1	Pin Making Machine	2
2	Gem Clip Making Machine	5
3	Nail Making Machine	4
4	Job Printing Machine	2
TOTAL		13

It was found that additional accommodation would have to be constructed before the units could be set up. As the Ministry had started the process of gradual winding up and the question of transferring the Training-cum-Production Centre itself to some other organisation was under consideration, the proposal for setting up the Japanese machines at the Training-cum-Production Centre was dropped.

At the request of the Government of West Bengal 12 machines, as detailed below, were transferred in September, 1960, to that Government free of cost, for setting up production units for providing employment to displaced persons.

S.No.	Name of the Machine	Nos.	Price (Rs.)
1	Pin Making Machine	2	10,744
2	Gem Clip Making Machine	5	11,350
3	Nail Making Machine	4	11,100
4	Envelope Making Machine	1	2,100
		12	
5	Nail Making Wire (Raw Materials)	160 (Maunds)	4,320
			39,614

But in October, 1963 the State Government reported that as the production centres which had been started earlier were being gradually wound up, it would not be possible to utilise these machines fruitfully, and suggested that they might be reported to D.G.S. & D. for disposal. As regards the remaining 25 machines which were lying in the Kamarhatty Centre, they could not also be utilised.

In November, 1963 D.G.S. & D. was addressed for the supply of appropriate forms in which the machines were to be reported to them for disposal. The forms were received in January, 1964 and forwarded to the Deputy Director (Production) Rehabilitation Department, Government of West Bengal; who had taken over the Training-cum-Production Centre in April, 1962, for further necessary action. The forms had to be sent to that officer because the machines were lying in his custody and he would be in the best position to fill up the details of the machines in question.

In March, 1964, the Deputy Director (Production) Rehabilitation Department Government of West Bengal wanted to know the book value or the original purchase price of the machines. The information was supplied to him on the 1st April, 1964. The forms were filled in by the Deputy Director (Production) in December, 1964, and sent back to this Ministry for further necessary action.

The surplus report forms have not yet been passed on to the D.G. S. & D. It is felt that one more attempt should be made to see whether the machines could be utilised for setting up production units, particularly in the context of the large number of new migrants from East Pakistan who are awaiting rehabilitation. The Chief Administrator, Dandakaranya Project and the Managing Director, Rehabilitation Industries Corporation have accordingly been asked to examine this matter further. A final decision will be taken shortly.

ANNEXURE

Chronological statement showing the facts regarding installation of Garabo Plant at Charbatia for providing training and employment to displaced persons from East Pakistan.

January, 1958	. . .	Orissa Government was asked to confirm that they would set up a Garabo Plant at Charbatia.
8-3-1958	. . .	Orissa Government confirmed that they were willing to set up the Garabo Plant.
11-6-1958	. . .	Scheme for setting up Garabo Plant was received from the Orissa Government.
<u>9-8-158</u>	. . .	Garabo Plant despatched to Charbatia.
11-8-1958	. . .	Garabo Plant despatched to Charbatia.
12-8-1958	. . .	Enquiry was made of the State Government whether they would need the services of technical man for installing the plant.
6-10-1958	. . .	Name of one experienced officer furnished to the State Government.
13-11-1958	. . .	Rehabilitation Minister, Orissa Government informed the Union Minister of Rehabilitation that raw materials were available from nearly Orissa Textile Mills.
27-12-1958	. . .	Telegraphic reminder received from the State Government for sanction of the scheme.
8-1-1959	. . .	Scheme sanctioned.
30-10-1959	. . .	Decision taken to drop the Garabo Plant Scheme as the Charbatia Camp was about to be closed.
13-11-1959	. . .	State Government was informed accordingly.
5-1-1960	. . .	State Govt. stated that even after the dispersal of inmates of the Charbatia camp, suitable trainees will be available from different colonies. They proposed installing the plant by purchasing the sheds at the Charbatia Camp from the M.E.S. authorities.

- 25-2-1960 State Govt. was informed that their proposal was not acceptable but if the Industries Department was prepared to set up a training Centre and provide employment and training facilities to displaced persons, the plant could be transferred to the Industries Department free of cost.
- 15-3-1960 Director of Industries, Orissa agreed to take over the plant and run it as a Government undertaking.
- 4-4-1960 State Govt. requested the Ministry to depute Shri Bhatnagar, Principal, Arab-ki-Sarai Centre to advise on technical details.
- 11-5-1960 Secretary (Shri Prem Krishen) after consulting Shri Bhatnagar informed Rehabilitation Secretary, Orissa Government that since the packages were not opened there was no possibility of any shortages or breakages. No useful purpose would be served by deputing Shri Bhatnagar at that late stage. The main question was whether the State Government was interested to retain it and work it. It was also stated by the Secretary that one Garabo Plant of the same make and specification was working in Arab-ki-Sarai, Delhi and the State Government could depute one officer to see its working if they so desired. Secretary also ordered that the Special Officer (Shri Beri) should go to Charbatia/Cuttack to discuss with State Government about the final disposal of the plant expeditiously.
- 30-6-1960 The Special Officer (Shri Beri) discussed with the State Government representatives and reported that the Co-operative Department of the State Government had agreed to take over the plant and instal it at the centre run by the Textile Marketing Organisation at Cuttack.
- 7-7-1960 Orders were issued transferring the plant to the Co-operative Department, free of cost.
- 14-7-1960 Ministry of Rehabilitation, New Delhi informed Orissa Government (in response to a query that a private party offered to purchase the plant) that as the plant was taken over by the Co-operative Department no further action was necessary.

- 28-3-1961 State Government informed the Ministry that there was no approved scheme for operating the plant, skilled personnel was not available and want of raw materials could not make the scheme economical.
- 24-7-1961 Dandakaranya Development Authority requested to consider whether it could be installed there.
- 14-9-1961 Dandakarnya authorities replied that it was not feasible to use the plant there.
- 15-12-1961 State Government asked to declare the plant as surplus with all relevant details.
- 13-7-1962 State Government asked to let the Ministry know whether the plant had been disposed of. 1
- 22-8-1962 State Government reminded.
- 23-10-1962 Principal, Arab-ki-Sarai asked to furnish details of the plant.
- 23-11-1962 Principal reminded.
- 12-12-1962 Offer received from Orissa Cotton Mills for purchase of the plant.
- 27-12-1962 Available details of machines were received from the Principal, Arab-ki-Sarai.
- 19-1-1963 Details passed on to State Government together with the offer of the Orissa Cotton Mills.
- 25-4-1963 Orissa Government reminded.
- 27-4-1963 Orissa Government reported that steps were being taken to declare the plant surplus.
- 21-8-1963 State Government reminded again.
- 30-8-1963 State Government reported that the details of the plant were reported to D.G.S. & D. on 12-4-1963.
- 9-9-1963 State Government informed the Ministry that details of the plant required to be furnished in the form were not available with them and these might be given by the Ministry.
- 18-9-1963 Principal, Arab-ki-Sarai was requested to furnish the necessary details.
- 4-3-1965 Surplus report forms sent to D.G.S. & D. by the Ministry with such particulars as were available in the Ministry.

APPENDIX VIII

(Para 32 of Report)

MINISTRY OF REHABILITATION

(Civil) 1964

Appendix—I of the Audit Report—Page 166—Dandakaranya Project—Item No. 4—Losses on purchase of commodities.

- (i) What were the reasons for selling Dal at different rates ranging from Rs. 8 to Rs. 35 per maund
- (ii) What is the total quantity of dal sold and what was the quality of the dal at the time of sale
- (iii) The number of non-officials employed on honorarium basis, the period for which they were employed, the jobs assigned to them and the total amount paid as honorarium to them may be furnished.

Reply of the Ministry

(i) The Dal was sold at rates ranging from Rs. 12 to Rs. 35 per maund and not from Rs. 8 to Rs. 35 per maund. The actual rates and quantities are indicated below:—

(a) Sale to the settlers at approved rates through the Consumer Stores during the period from October, 1960 to February, 1963:—

(i) 32 maunds 1 sr. 10 ch. @ Rs. 31 per md.	Rs. 993.29
(ii) 16 maunds 17 srs. 8 ch. @ Rs. 34.80 per md.	Rs. 572.03
(iii) 64 maunds 30 srs. 7 ch. @ Rs. 32.40 per md.	Rs. 2098.46
(iv) 38 maunds 23 srs. 5 ch. @ Rs. 35.20 per md.	Rs. 1358.23
Total 151 maunds 32 seers 14 ch. for	Rs. 5022.01

(b) Sale by auction (surplus stock):

Period	Quantity			Rate	Value	
	Mds.	Srs.	Ch.	Per md.	Rs.	Ps.
March, '62 to May, '62	935	14	0	Rs. 18/-	16,836·30	
	112	25	2	Rs. 12/-	1,351·54	
	20	0	0	Rs. 20/-	400·00	
Dec. '62	100	20	4	Rs. 12/01	1,207·08	
Dec. '63	81	26	6	Rs. 17'17	1,402·40	
Jan. '64	11	31	0	Rs. 16·80	197·81	
TOTAL	1,261	36	12		21,395·13	

(c) Total sale: 1,413 maunds 29 srs. and 10 ch. for Rs. 26,417.14.

The reasons for selling Dal at different rates are as follows:—

- (a) So far as the sale to the settlers is concerned the Dal was sold at the rates approved by the Project from time to time, taking into account the cost and the other incidental charges.
- (b) As will be seen from the statement above the other portion of the stock was sold at auction at different times. The quality of dal deteriorated due to long storage and as such, the same was put to auction for getting whatever price could be obtained in the circumstances. The sales were made to the highest bidders and the rates depended on the quality of the stores.
- (ii) The total quantity of Dal sold was 1493 maunds 29 seers and 10 chs. out of which 1261-36-12 ch. was sold by auction. The quantity sold by auction was generally deteriorated due to long storage and by visual inspection unfit for human consumption. It was due to this reason that the rates fetched in the auction were below the cost price.
- (iii) The non-officials referred to were Zonal Leaders. Originally 5 posts of Zonal Leaders were created under the Scheme for Publicity and Recruitment for the screening of D.Ps. in camps in West Bengal and to assist their movements for resettlement in the Dandakaranya Project area. The scheme provided for selection for each Zone, of an active, zealous and sincere non-official worker who could

be put in charge of the selection of primary leaders from amongst the D.Ps in Camps, the enlistment of D.Ps prepared to come to Dandakaranya, to assist the recruiting and screening organisation and to co-ordinate the welfare activities among the settlers in the Project area. It was, therefore, necessary to appoint in these posts persons who had considerable background of political and social welfare activities; who could exercise proper influence on the D.Ps; who could persuade them to come to the Project and co-ordinate social welfare activities in the Work Centres and settlers' villages in the Project area. These Zonal Leaders were employed on a consolidated pay of Rs. 700 per month. The number of Zonal Leaders employed was 4. The periods for which they were employed are given below:—

One from 5-11-58 to 10-12-61.

Second from 5-11-58 to 30-9-62.

Third from 5-11-58 to 25-12-62.

Fourth from 5-11-58 to 30-9-64.

The jobs assigned to the Zonal Leaders were as follows:—

- (a) to facilitate movement of East Pakistan D.Ps to Dandakaranya for resettlement;
- (b) screening of D.Ps;
- (c) selection of primary leaders; and
- (d) to watch the welfare of D.Ps.

NOTE.—One Zonal Leader was also editing the periodical issued by this Project 'DANDAKARANYA KATHA'. Another Zonal Leader was looking after the procurement of food stuffs for the settlers.

The total amount paid: All the Zonal Leaders were drawing a consolidated pay of Rs. 700 per month. On this basis the total amount paid to the four Zonal Leaders worked out to Rs. 1,43,217

K. P. MATHRANI,
Secretary to the Government of India,
Ministry of Rehabilitation, New Delhi.

APPENDIX IX

(Para 34 of this Report)

Receipts and payments Account of the iron and steel Equalisation Fund For the year 1962-63

(As prepared by the Iron and Steel Controller, Calcutta)

RECEIPTS	1961-62 (Rs. in lakhs)	1962-63 (Rs. in lakhs)	PAYMENTS	1961-62 (Rs. in lakhs)	1962-63 (Rs. in lakhs)
1	2	3	4	5	6
OPENING CASH BALANCE	4012.68	5288.98			
1. Surcharge representing difference between the Retention and Selling Prices of the Steel Produced by the Producers in :			1. Payment due to increase in Retention Price allowed to Main Producers and the adjustment on account of Railway Freight on despatches made on F.O.R. Destination basis :		
(a) Private Sector including Mysore Iron and Steel Co.	1841.51	1810.14	(d) Steel Plants in Private Sector including Mysore Iron and Steel Co.	759.933	1325.51
(b) Public Sector	586.22	1442.16	(b) Steel Plants in Public Sector	292.93	734.89
(c) Re-rollers	83.50	124.14			
2. Surcharge realised in respect of the difference between the Landed Cost on Imported Steel and Statutory Selling Prices :			2. Payment of Subsidy on Imported Steel		
(a) Tender Purchasers	27.68	41.14	(a) Tender Purchases	100.000	95.34
(b) Bulk Purchases on Government to Government basis	0.50	0.06	(b) Bulk Purchases on Government to Government basis	..	26.00
3. Revaluation of the stock of Steel with Stockists on changes in Statutory Selling Prices	5.06	7.32	3. Payment to Re-rollers of Railway Freight Transport and Other Incidental Charges on account of acquisition of Raw Materials, despatches of Finished Products at F.O.R. destination Rates	115.99	127.30

1	2	3	4	5	6
4. Realisation from the Controlled Stockists and Export Promotion Quota-holders on account of the difference between the normal and concessional prices of iron and steel materials transferred to normal stock.	0.83	1.09	4. Payment to Controlled Stockists being refund of the amount realised in excess on account of Revaluation of the stock with them due to change in Statutory Selling Prices	0.02	..
			5. Payment to the Export Promotion Quota-holders on account of the difference between the normal and concessional prices of the iron and steel materials	0.13	0.01
			6. Closing Cash Balance	5288.98	6405.98
TOTAL . . .	<u>6557.98</u>	<u>8715.03</u>		<u>6557.98</u>	<u>8715.03</u>

Balance Sheet of the Iron and Steel Equalisation Fund as on 31st March, 1963

LIABILITIES	Rs.	Rs.	ASSETS	Rs.	Rs.
1	2	3	4	5	6
I. Sundry Creditors			I. Sundry Debtors		
(a) For which Credit Notes have been issued			(a) Amount billed for but not realised.		
(i) Main Producers	1,34,10,299		(i) Main Producers	4,91,30,831	
(ii) Controlled Stockholders	188		(ii) Controlled Stockholders	13,99,313	
(iii) Re-rollers and Customers	8,55,157		(iii) Re-rollers	1,09,14,612,	
(iv) Sundry Parties on account of subsidy on Imported Steel	4,54,696		(iv) Sundry Parties on account of surcharge on Imported Steel	1,06,28,147	
	1,47,20,270				
(b) For which Credit Notes have not been issued	11,68,69,150*	13,15,89,420	(v) Stockists on Account of transfer of surplus materials	1,712	
2. Closing Balance of the Fund (Cash Balance plus net surplus of the dues to the Fund over Liabilities)		83,04,82,778	(vi) Sundry Parties on Account of Miscellaneous adjustments	6,77,009	
			(b) Amount outstanding but not billed for	7,27,51,624	
				4,68,95,640*	
			Total Sundry Debtor		11,96,47,264

APPENDIX X

(Para 25 of the Report)

JOINT PLANT COMMITTEE

11, RABINDRA SARANI
CALCUTTA-1

Total of Assets—1, 2 & 3

(+) Indicates amount receivable by J.P.C.

(-) Indicates amount payable by J.P.C.

Statement showing the position of Freight Equalisation Fund upto Sept. 64

Sl. No.	Plant	March		April		May		June		July		August		September		Total	
		Weight (Tonnes)	Amount (Rs.)	Weight (Tonnes)	Amount (Rs.)	Weight (Tonnes)	Amount (Rs.)	Weight (Tonnes)	Amount (Rs.)	Weight (Tonnes)	Amount (Rs.)	Weight (Tonnes)	Amount (Rs.)	Weight (Tonnes)	Amount (Rs.)	Weight (Tonnes)	Amount (Rs.)
1	Tata Iron & Steel Co. Ltd.	128,998.03	(+3,87,218.54)	95,971.44	(+1,07,92,008.86)	129,934.66	(+4,85,96,049.91)	129,620.27	(+3,49,370.42)	124,776.22	(+3,05,530.21)	1,19,423.32	(+1,01,24,091.66)	1,15,247.47	(+3,87,218.63)	7,84,246.40	
2	Indian Iron & Steel Co. Ltd.	95,276.41	(+1,65,577.02)	48,972.88	(-1,34,591.53)	61,176.43	(-1,44,421.54)	69,664.73	(-1,43,226.45)	65,666.59	(+1,08,931.26)	55,981.91	(-1,11,490.29)	47,429.32	(+1,20,000.91)	4,21,947.17	
3	Rourkela Steel Plant	52,440.76	(-1,35,423.10)	40,122.96	(-1,04,427.51)	43,000.13	(-1,09,031.54)	39,114.97	(-1,34,076.91)	42,093.76	(-1,31,458.86)	56,624.30	(-1,19,224.55)	60,172.51	(-1,39,883.51)	3,47,879.51	
4	Bhilai Steel Plant	123,261.48	(-1,28,933.52)	89,620.39	(-1,24,826.98)	99,667.46	(-1,11,63,220.21)	127,126.95	(-1,12,83,726.49)	121,250.48	(-1,24,83,324.41)	1,26,716.46	(-1,31,46,320.55)	46,272.45	(-1,12,30,244.31)	5,76,217.88	
5	Durgapur Steel Plant	100,274.14	(+1,81,229.77)	94,141.00	(-1,21,226.92)	97,951.41	(-1,26,001.23)	84,220.85	(-1,39,093.71)	93,996.46	(-1,18,28,100.41)	99,131.66	(-1,24,95,601.21)	78,227.57	(+1,30,000.99)	4,44,176.53	
	Grand Total	460,281.42	(-1,30,469.13)	374,686.17	(-1,60,176.21)	471,671.65	(-1,51,015.13)	401,133.57	(-1,24,032.62)	401,133.57	(-1,24,032.62)	4,49,898.64	(-1,24,95,601.21)	4,00,227.46	(-1,16,152.39)	20,97,467.51	(-1,62,455.94)

JOINT PLANT COMMITTEE
 II, RABINDRA SARANI
 CALCUTTA-1.

ANNEXURE 1

(+) Indicates amount receivable by JPC

(-) Indicates amount payable by JPC

Statement showing Weight and Freight Equalisation Provision on Despatches
 of Pig Iron as per Freight Statement received upto September, 64

Sl.No. Part	March 1964		April 1964		May 1964		June 1964		July 1964		August 1964		September 1964		Total	
	Weight (Tonnes)	Amount (Rs.)	Weight (Tonnes)	Amount (Rs.)	Weight (Tonnes)	Amount (Rs.)	Weight (Tonnes)	Amount (Rs.)	Weight (Tonnes)	Amount (Rs.)	Weight (Tonnes)	Amount (Rs.)	Weight (Tonnes)	Amount (Rs.)	Weight (Tonnes)	Amount (Rs.)
1 Tata Iron & Steel Co.	71.75	(+) 1,875.50	89.10	(+) 1,100.00	39.40	(-) 559.50	71.16	(+) 944.00	50.48	(-) 649.50	20.00	(+) 20.00	110.33	(+) 1,384.00	65.93	(+) 10,553.00
2 Indian Iron & Steel Co.	0.00	(+) 25,574.00	..	..	252.00	(-) 1,336.00	249.50	(-) 1,655.00	..	..	..	..	..	..	298.50	(-) 1,941.00
3 Bhandari Steel Plant	715.20	(-) 1,16,547.00	139.70	(-) 3,594.00	401.00	(-) 5,675.00	255.00	(-) 3,475.00	580.00	(-) 11,000.00	1051.00	(-) 14,550.00	1331.00	(-) 16,854.00	4,988.00	(-) 62,096.00
4 Bhandari Steel Plant	3959.50	(-) 1,33,000.00	2164.00	(-) 3,46,000.00	2448.00	(-) 3,55,000.00	3200.00	(-) 3,50,000.00	4500.00	(-) 11,00,000.00	3385.00	(-) 3,50,000.00	2699.00	(-) 3,50,000.00	17,000.00	(-) 55,000.00
5 Durgam Steel Plant	1245.76	(+) 1,55,000.00	3107.00	(+) 1,10,000.00	2045.00	(-) 1,00,000.00	3070.00	(-) 1,10,000.00	3390.00	(-) 1,10,000.00	3110.00	(-) 1,10,000.00	3540.00	(+) 1,10,000.00	17,000.00	(-) 1,10,000.00
Total	5149.96	(-) 1,32,000.00	1530.80	(-) 1,04,400.00	1084.40	(-) 1,51,000.00	1326.66	(-) 1,55,000.00	1878.48	(-) 1,74,500.00	4386.00	(-) 1,70,000.00	7581.00	(-) 1,50,000.00	15,200.00	(-) 1,50,000.00

JOINT PLANT COMMITTEE

II. BABENDRA SARANI,
CALCUTTA-1

ANNEXURE No. 1
(+) Indicates amount receivable by JPC
(-) Indicates amount payable by JPC

Statement showing weight and Freight equalisation position on Final dispatch of Ingots mould and bottom plate as per Freight
Statement received upto September 1964

Sl. No.	Plant	March 1964		April 1964		May 1964		June 1964		July 64		August 64		Sept. 64		Total								
		Weight (Tonnes)	Amount (Rs.)	Weight (Tonnes)	Amount (Rs.)	Weight (Tonnes)	Amount (Rs.)	Weight (Tonnes)	Amount (Rs.)	Weight (Tonnes)	Amount (Rs.)	Weight (Tonnes)	Amount (Rs.)	Weight (Tonnes)	Amount (Rs.)	Weight (Tonnes)	Amount (Rs.)							
		1. Tata Iron & Steel Co.	977.78	(+)	15,43,954.40	383.00	(+)	9,49,110	768.26	(-)	16,28,976	1412.35	(+)	23,62,174	1970.24	(+)	31,40,417	1130.94	(+)	22,67,708	516.28	(+)	22,16,217	5276.26	(+)	1,25,25,966
2. Rourkela Steel Plant	667.34	(+)	23,97,765	539.20	(+)	1,22,040	986.33	(-)	4,01,000	139.34	(+)	1,22,010	232.30	(+)	11,81,110	331.04	(+)	26,73,990	2611.00	(-)	15,98,000	10,324.21	(-)	1,67,62,117
3. Durgapur Steel Plant	2600.19	(+)	31,12,1701	2226.01	(+)	28,52,165	2530.06	(-)	27,50,711	2141.40	(+)	22,87,713	2124.47	(+)	23,73,913	2317.65	(-)	20,12,810	2178.93	(+)	22,25,915	16,321.18	(-)	1,18,12,117
Total	4145.31	(+)	48,69,710	3148.21	(+)	40,23,170	3374.65	(+)	47,40,691	3813.31	(+)	48,89,597	6987.21	(+)	60,87,110	2216.68	(+)	75,81,918	6409.23	(+)	39,87,110	1,25,25,966	(+)	1,25,25,966

JOINT PLANT COMMITTEE
 II, RABINDRA SARANI
 CALCUTTA-1.

ANNEXURE-1

Statement showing weight and freight equalisation position on dispatch of the Prime Quality of Steel, per freight statement received upto Sept. 1964

(+) Indicates amount receivable by J.P.C.

(-) Indicates Amount payable by J.P.C.

Sl. No.	Plant	March 1964		April 1964		May 1964		June 1964		July 1964		August 1964		Sept. 1964		Total	
		Weight (Tonnes)	Amount (Rs.)	Weight (Tonnes)	Amount (Rs.)	Weight (Tonnes)	Amount (Rs.)	Weight (Tonnes)	Amount (Rs.)	Weight (Tonnes)	Amount (Rs.)	Weight (Tonnes)	Amount (Rs.)	Weight (Tonnes)	Amount (Rs.)	Weight (Tonnes)	Amount (Rs.)
1	Tata Iron & Steel Co.	1,02,027.55	(+19,57,395.64)	94,938.50	(+16,65,747.66)	1,06,533.14	(+19,44,329.61)	1,06,038.32	(+17,52,424.32)	1,12,833.50	(+19,44,687.54)	1,08,517.29	(+19,08,647.44)	1,12,233.52	(+19,06,917.49)	5,34,178.27	(+97,12,284.61)
2	Indian Iron & Steel Co.	96,715.51	(-13,00,101.12)	98,652.00	(-13,59,551.51)	97,842.95	(-13,30,341.04)	93,613.43	(-12,36,116.82)	96,668.39	(+13,08,019.25)	95,661.91	(-13,03,490.29)	1,01,451.52	(+13,00,094.51)	4,82,989.21	(-62,12,129.73)
3	Rourkela Steel Plant	31,620.13	(-12,31,415.10)	31,814.03	(-13,61,437.89)	35,000.39	(-13,39,261.89)	33,362.90	(-13,41,473.45)	41,229.44	(-13,31,296.16)	37,884.31	(-13,22,268.82)	45,221.11	(-13,21,596.96)	2,09,828.27	(-67,14,946.81)
4	Bhilai Steel Plant	81,550.75	(-13,95,309.72)	67,806.21	(-13,81,071.66)	61,114.26	(-13,81,592.32)	74,853.65	(-13,75,524.37)	75,461.24	(-13,16,661.82)	79,641.74	(-13,36,873.16)	69,721.11	(-13,25,125.71)	3,67,807.61	(-50,95,120.82)
5	Durgapur Steel Plant	63,362.20	(+14,44,329.75)	61,557.61	(+13,97,871.31)	63,452.38	(-13,21,401.82)	62,028.61	(-13,21,761.42)	66,729.54	(+16,00,021.95)	51,327.42	(+13,09,224.23)	62,221.71	(+16,66,621.22)	3,07,899.46	(+12,12,126.22)
Total		3,75,286.14	(+13,57,648.44)	3,12,808.25	(-13,37,666.10)	3,67,339.55	(+13,12,729.65)	3,82,643.30	(+12,39,639.47)	3,86,701.11	(+13,39,568.10)	3,63,772.27	(+13,39,121.36)	3,56,637.87	(+13,44,663.45)	18,12,121.35	(+13,12,121.35)

APPENDIX XI

(Para 36 of this Report)

Statement showing Economies already effected and are likely to be effected as a result of reduction in staff in the office of the Iron and Steel Controller due to lifting of price control or partial de-control of steel.

Actual savings on account of reduction of posts of officers and staff in the Office of the Iron and Steel Controller due to de-control of certain items of iron and steel and the winding up of the Equalisation Fund for the period from 1-3-1964 to 31-12-1964 amounted to Rs. 1,22,000. In order to assess the quantum of work left with the Iron and Steel Controller as a result of de-control, the requirements of staff appropriate to the work, this Department had recently appointed a Work-Study Team. The report of the Study Team has been received and its recommendations are at present under consideration in consultation with the Ministry of Finance. Although it is evident that some more reduction will take place, the exact number and categories of posts which will come in for reduction would be known only when a final decision has been taken on the recommendations of the Study Team. Accordingly it is not possible to give an exact idea of the economy likely to be effected during the remaining part of this year and during the years 1965-66 and 1966-67. It is anticipated, however, that upto 28-2-1967 the total savings on this account may not be less than Rs. 6 lakhs.

APPENDIX XII

(Para 37 of this Report)

Note showing the amount realised from main producers out of
Rs. 4.91 crores

	(Rupees in crores)
Outstanding as on 31-3-1963	4.91
Realisations : (1) By Cash or Cheque . . . . .	.77
(2) Adjustment from Payments due to M. Ps. from I & SC	3.87
(3) Cancellation of Bills on account of revision of Orders .	.27
	<u>4.91</u>

APPENDIX XIII

(Para 38 of this Report)

Note indicating the latest position regarding adjustment of Rs. 727.52 lakhs mentioned in para 72(B) (i) of Audit Report (Civil), 1964.

TOTAL SUNDRY DEBTORS

	(Rupees in crores)
Outstanding as on 31-3-1963	7.27
Present outstanding	1.35
Realisations	<u>5.92*</u>
•(1) Realisations by Cash or Cheque	1.19
(2) „ by adjustments from payments due from I & SC	4.35
(3) „ by Cancellation of Bills on account of revision of Orders	<u>.38</u>
	<u>5.92</u>

APPENDIX XIV

(Para 39 of this Report)

Note giving the position regarding the recovery of dues amounting to Rs. 10.76 lakhs outstanding against the re-rollers [sub-para 2 at page 90 of Audit Report (Civil), 1964].

A Demand Notice dated 5th January, 1965 for Rs. 10,64,752.95 has been issued. Since then, Rs. 75,000 have been received on 20th January, 1965.

APPENDIX XV

(Para 43 of this Report)

MINISTRY OF STEEL AND MINES

(Department of Iron & Steel)

Additional information desired by the Public Accounts Committee on para 74—Delay in recovery of Govt. dues vide Lok Sabha Secretariat O.M. No. 21/22A/64/P.A.C. dated 21--1-65—Points 8 & 9 of the list appended.

Point No. 8: The date on which the suit was filed.

Information: A suit has not been filed as yet.

Point No. 9: A note indicating the payment of dues to the Steel Equilisation Fund by the firms.

The Iron & Steel Control had claims for the difference between the controlled price and the landed cost of pipe and iron fittings amounting to Rs. 6,11,266.31 on the Calcutta Branch of the firm and Rs. 2,77,588.75 on the Madras Branch. Of these Rs. 5,89,572.87 has been realised from the Calcutta Branch and Rs. 1,75,000 from the Madras Branch. For the recovery of balance of Rs. 1.24 lakhs, the Iron & Steel Controller has sought the advice of his legal advisers.

The claim for rent and Municipal taxes was Rs. 42,140.06 on the Calcutta Branch, of which Rs. 33,949.81 has been realised. For the balance of Rs. 8,190.25 the Iron & Steel Controller has served a legal notice on the firm and will proceed further in consultation with his legal advisers.

APPENDIX XVI

(Para 47 of this Report)

MINISTRY OF STEEL AND MINES

(Department of Mines and Metals)

(GEOLOGICAL SURVEY OF INDIA)

Note for Public Accounts Committee in respect of Para 53—Geological Survey of India—of Central (Civil) Audit Report 1964 with reference to the list of points enclosed with the Lok Sabha Secretariat O.M. No. 2/1 (22)/64 PAC dated 21--1-1965.

List of Points

1. A note indicating the details of the procedure laid down for the preparation of bills.
2. A comprehensive note stating the reasons for which amounts due fell in arrears, the period to which they pertain, efforts made to recover the same and the basis on which the bills were prepared and steps taken to streamline the procedure. It may also be indicated as to whether there are also other cases apart from those mentioned in the Audit para, if so, the particulars thereof.
3. Whether on receipt of the request of N.C.D.C. they were informed of the rates which were to be charged from them.
4. Whether there was any dispute about the quantum of work done or the schedule of rates.
5. Whether the request for work was with regard to work in any specified area or for any one project at one place or for a specified period.
6. Whether the amount of Rs. 291 - represents the full amount of the bill of M/s. Bharat Mining Corporation limited.
7. Why there was delay in sending the bills after January, 1962, when the basis for charging different rates for work done for different parties had been finalised. Reasons for delay in submitting bills in respect of three private parties viz. Baroda Borough Municipality, M/s Bharat Mining Corporation Ltd. and M/s Bengal Potteries Ltd. may be indicated separately.

8. Whether there were any instances where the work which G.S.I. did, were sold to private parties.

Replies

Item No. 1

The primary function of the Geological Survey of India is to continually study the geology of various parts of the country, prepare regional geological maps and indicate broadly the location of mineral deposits in certain promising areas. This work, in so far as it relates to search for minerals may be called preliminary investigation. The results of the studies conducted by the Geological Survey of India are published in the form of monographs and brochures compiled from time to time and also included in the Annual Reports. Some of these publications are intended for restricted use, others are meant for dissemination of knowledge about the mineral resources; these are made available freely to the public like other publications of the Government of India.

Besides preliminary geological investigations, the Geological Survey of India is also called upon from time to time to undertake detailed investigations of particular minerals to determine the extent of reserves and the grade of ore available for mining in certain mineralised areas. The Geological Survey of India undertakes investigations regularly for the Railways and the Central Water and Power Commission and for these there are separate schedules. Detailed investigations are sometimes undertaken on behalf of other Government Departments, public undertakings or private parties. For the work undertaken by the Geological Survey of India on behalf of private parties and individuals, a schedule of charges was prescribed by the late Ministry of Natural Resources and Scientific Research on 31st December, 1952 (*vide* Annexure I). The following were the main ingredients of these charges:—

- (i) Pay and allowances of officers and staff for the actual number of days spent in the field plus time spent in transit both ways and on the preparation of the reports;
- (ii) 25% of (i) above in lieu of leave and pension contributions;
- (iii) Travelling allowance plus field establishment allowance;
- (iv) Contingencies;
- (v) Cost of assays, analysis and other laboratory tests;
- (vi) Depreciation on equipment used; and
- (vii) 50% of (i) above as overhead charges.

In the year 1956, the Geological Survey of India was asked at the instance of the late Ministry of Production to undertake detailed drilling in areas worked by the State-owned Collieries. Subsequently, when the National Coal Development Corporation came in existence on 1st October, 1956, these State-owned Collieries were taken over by the Corporation. The work of coal prospecting which was originally taken up by the Geological Survey of India on behalf of the State-owned Collieries was, therefore, continued for the National Coal Development Corporation. In May, 1958, a decision was taken that the cost of the detailed prospecting should be ultimately reflected in the cost of exploitation of minerals and for this reason, the work done by the Geological Survey of India should be costed and the appropriate recoveries effected from the National Coal Development Corporation. Accordingly, the Geological Survey of India prepared a bill of charges on the basis of the schedule originally prescribed by the Natural Resources and Scientific Research Ministry in 1952 for work for private parties. As this bill was to cover the period 1956-57 and 1957-58 and the details of the work done had to be collected from various Collieries, the compilation of accounts took some time. However, the bill was finalised and sent to the National Coal Development Corporation on 5-5-1959. The Corporation did not accept the bill on the ground that the Geological Survey of India was charged with the responsibilities of mapping and structural drilling for the general assessment of the reserves of an area and as such no charges should be levied for the work done by the Geological Survey of India. The matter was therefore referred to Government for a decision. After prolonged discussions, it was decided in a meeting held in the late Ministry of Mines and Fuel on 28-1-1961 that the bill should be split in two parts:—

- (i) Charges for the period upto 30-9-1956 when the work was done for the State Collieries.
- (ii) Charges from 1-10-1956 onwards when the State Collieries were taken over by the National Coal Development Corporation.

It was also decided that the bill should be prepared on the basis of the schedule of charges which had been approved on 22-4-1959 by the Government for the Indian Bureau of Mines. The Geological Survey of India was further instructed to go ahead with the preparation of the bills pending formal promulgation of a separate schedule of charges for the Geological Survey of India with the approval of the Ministry of Finance. The work of preparation of Bills was accordingly taken up and a bill for the period 1956-57 sent

to the National Coal Development Corporation on 29.3.1962. Subsequently this bill had to be further amended in the light of Government orders of April 18, 1962 under which a slightly modified schedule was sanctioned for the work done by the Geological Survey of India (*vide* Annexure II). The main heads of the revised schedule under which charges were to be levied were as follows:—

- (i) Pay and allowances of the officers and staff.
- (ii) T. A. charges, Pension @10% of (i), medical charges, leave salary at 11% of (i).
- (iii) Depreciation charges on drills, vehicles and other machinery @16-2/3% of capital cost.
- (iv) Interest on capital.
- (v) Contingencies.
- (vi) Charges for accommodation.
- (vii) Overhead charges at the rate of 5% of (i) and (ii).
- (viii) Audit charges at the rate of 1% of (i) and (ii), subject to confirmation from Audit.
- (ix) Other expenses on stores, laboratory, workshop etc.

It will be seen that the preparation of bills involved collection and correlation of full details of pay etc. of officers for the period of the actual work from different records including diaries of work, T.A. bills, etc. Similarly, cost of stores had to be calculated from vouchers and details of other charges had to be ascertained by examination of log books of vehicles, register of fuel and lubricants, muster rolls of contingent workers etc. In addition, data had to be collected from records maintained in laboratories in respect of the work of analysis of samples and from workshops for charges on repair of equipment, etc.

Item No. 2:

The factual position regarding the work undertaken by Geological Survey of India on behalf of and the recovery of charges from the two Corporations i.e. National Coal Development Corporation and National Industrial Development Corporation and three other private parties *viz.*, Bharat Mining Corporation Ltd., Baroda Borough

366 (Aii) L.S.—15.

Municipality and the Bengal Potteries Ltd., is as follows:—

(1) *Work done by the Geological Survey of India for National Coal Development Corporation.*

The Geological Survey of India was asked to take up detailed drilling for coal in areas indicated by the State Collieries, then under the Ministry of Production. The work was accordingly taken up in 1956. When this work was entrusted to the Geological Survey of India, there was no decision that the Geological Survey of India would charge for this work.

The above work was carried out for State Collieries upto 30.9.1956. The National Coal Development Corporation was constituted on 1.10.1956 and the work was thereafter carried out for the National Coal Development Corporation who had taken over the State Collieries.

It was decided in May 1958, that the Geological Survey of India should confine its work to exploratory drilling only; the detailed drilling should be carried out by the Indian Bureau of Mines. The work that was already entrusted to the Geological Survey of India would, however, continue to be done till its completion by the Geological Survey of India. It was also decided that the Geological Survey of India would be entitled to recover the cost of investigation from the National Coal Development Corporation.

In pursuance of the above decision, the bill for the work done by the Geological Survey of India for 1956-57 and 1957-58 was sent to the National Coal Development Corporation on 5.5.1959. The bill was prepared on the basis of schedule of charges approved by the Government in December, 1952 for private parties and individuals. This bill, was, however, not acceptable to the National Coal Development Corporation.

With a view to resolve the controversy, a meeting was held in the Ministry on 28.1.1961, in which a representative from the National Coal Development Corporation was also present. It was decided that:—

A. the Bills should be split up in two parts:—

- (i) One for the period upto 30.9.1956 when the investigation was for the State Collieries and the other.
- (ii) from 1.10.1956 onwards when the State Collieries came under the National Coal Development Corporation.

B. The bill should be prepared according to the schedule of charges approved for Indian Bureau of Mines by the Government in April, 1959.

Pending receipt of formal orders from the Government the work for the preparation of the bills was taken up and the bill for 1956-57

was sent to the National Coal Development Corporation on 29.3.1962. This bill had to be further amended in the light of Government orders of April, 1962, under which slightly modified schedule was sanctioned for work done by the Geological Survey of India (Provision was made for new items, like audit of overhead charges in the revised schedule).

The bills for 1956-57 had accordingly been revised and thereafter the work for the preparation of the remaining bills was taken up. The progress of the preparation of the bills would be evident from the following:—

Year	Amount	Date of despatch to National Coal Development Cor- poration
	Rs.	
1956-57	11,12,260.40	29-10-1962
(in 2 parts)	(5,85,657.95 plus 5,26,602.45)	
1957-58	8,50,711.85	29-10-1962
1958-59	6,86,281.20	30-3-1963
1959-60	5,54,426.10	23-10-1963
1960-61	5,55,489.92	25-4-1964
1961-62	3,77,833.02	31-10-1964
TOTAL	41,37,002.49	

1962-63—This bill is under preparation and is expected to be ready by March, 1965.

The above table will show that the work of preparation of the bills has progressed systematically after the finalisation of the schedule of the charges. The bills amounting to Rs. 41,37,002.49 have been sent to National Coal Development Corporation till 31.10.1964. The last bill for 1962-63 is under preparation and is expected to be sent to National Coal Development Corporation by March 1965.

The National Coal Development Corporation have so far made *ad-hoc* payment of Rs. 7,10,254.00 on 31.3.1962 and Rs. 18,19,219.17 on 3.3.1964 totalling Rs. 25,29,473.17. An amount of Rs. 16,07,529.32 is still outstanding.

For the early payment of the bills reminders were issued to National Coal Development Corporation on 30.3.63, 10.5.63, 23.10.63, 25.4.64, 17.7.64, 18.9.64 and 31.10.64. The National Coal Development Corporation have, however, intimated that the final payment will be made after detailed scrutiny of records by their team.

Reasons for which amounts due fell in arrears.

When the Geological Survey of India was asked to take up detailed investigation for coal in 1956 there was no clear indication that the work will be paid for by the State Collieries/National Coal Development Corporation. The decision that the Geological Survey of India would charge for this work was taken in May 1958 when the Geological Survey of India's work had already progressed for two years.

There was further delay in settling the basis on which the charges were to be levied. The Geological Survey of India sent their first bill on 5.5.1959 which was not accepted by the National Coal Development Corporation. It was only in April, 1962 that a schedule of charges was approved. The Geological Survey of India had to prepare bills after collecting necessary details for various chargeable items.

According to the approved schedule of charges, it was necessary to collect and correlate full details regarding pay etc. of officers for the period of actual work before the bill could be prepared. It was also necessary to consult different records including diaries of work, T.A. bills etc. Costs of stores had to be calculated from the vouchers and other charges could be determined by examination of log books of vehicles, register of issue of fuel and lubricants, muster rolls of contingent workers etc. In addition cost of analysis of samples had to be worked out from the laboratory records and the cost of repairs of equipment had to be collected from the workshop. All this work was time consuming and considerable time had to be spent over it before the bill could be finalised.

The dates on which the bills were sent to the National Coal Development Corporation have been indicated above. The National Coal Development Corporation made *ad hoc* payment for Rs. 7,10,254.00 on 31st March, 1962, and Rs. 18,19,219.17 on 3rd March, 1964. The balance of Rs. 16,07,529.32 is still outstanding. It is now proposed to detail a Senior Accounts Officer from the Geological Survey of India to the office of the National Coal Development Corporation at Ranchi to reconcile the details of the bills preferred by the Geological Survey of India and Geological Survey of India records with the relevant entries in the records of the National Coal Development Corporation and arrive at an agreed settlement.

Steps taken to streamline the procedure for recovery of charges.

The Ministry has been issuing reminders to the organisations concerned and watching the recovery actually effected. Examination of the existing procedure for costing various items of work done by the Geological Survey of India shows that the existing schedule of charges is much too detailed and elaborate and involves a great deal of work on collection of data of pay and allowances, contingencies, depreciation, expenditure of consumable stores, repair of equipment, etc. It is now proposed to simplify this schedule and explore the possibility of prescribing flat charges for standard items of work like drilling, chemical analyses of samples, preparation of reports, etc. The matter is being actively pursued in consultation with the Director-General, Geological Survey of India.

For preparation of bills according to the existing schedule, the costing cell in the Geological Survey of India has been suitably strengthened. A drill has been prescribed for maintenance of record of monthly expenditure for specific items of work and submission to concerned sections of relevant data at monthly intervals. A separate register will also be maintained to watch the progress of each item of work, preparation of bills and recoveries. The Director-General, Geological Survey of India has issued special instructions on 9th November, 1964, to his officers to the effect that care should be taken to see that the reports along with bills* are sent as early as possible. Recovery of the amount should also be carefully watched.

(2) Bauxite Investigations done for the National Industrial Development Corporation.

To provide bauxite for the Korba Aluminium Project investigation of Phutka Pahar bauxite deposit was taken up at the request of the National Industrial Development Corporation in November, 1961 and was completed in June, 1962. This investigation was further extended to cover deposits of Paunakhra Pahar, Kerala Pahar, etc. and was completed in July, 1963. The investigation of Amarkantak deposits was commenced in November, 1961 at the instance of National Industrial Development Corporation and completed in April, 1963. The reports in respect of Phutka Pahar and Amarkantak deposits were submitted in October, 1963 and August, 1964 respectively. The report of Kerala Pahar and Paunakhara Pahar are still under preparation. Before the bills could be prepared it was necessary for the officers in-charge of investigations to complete their report, which was not possible until the analytical results of nearly 2200 samples were obtained. Besides details of expenditure

on drilling and other geological work had to be obtained from Central Headquarters and Regional Offices.

The bills amounting to Rs. 87, 366.08 and Rs. 86,441.03 for the Amarkantak and Phautka Pahar investigations respectively for the year 1961-62 were submitted to the National Industrial Development Corporation on 23-4-63. But the National Industrial Development Corporation in their letter No. 10-Accounts|TCB|5369, dated 21|22-6-63 requested for furnishing an Audit Certificate for the correctness of the claim. The National Industrial Development Corporation, were informed under Geological Survey of India letter No. 11345K|6|62|46 dated 28-12-63 that such certificate was not necessary as the cost was calculated on the basis of approved schedule of charges. The National Industrial Development Corporation, insisted upon the production of complete details of expenditure duly supported by original vouchers of an Audit Certificate from the Accountant General concerned. The Deputy Accountant General, Commerce, Works and Miscellaneous, Calcutta was therefore, referred to vide Geological Survey of India office letter No. 1463K|6 2|61|46 dated 6-3-64 for the required Audit Certificate. The Deputy Accountant General, Commerce Works and Miscellaneous, Calcutta in their D. O. letter No. OA|10(41)|712-13 dated 25-6-1963 advised that in connection with a similar case pertaining to the Indian Bureau of Mines, the Director of Commercial Audit had decided that no Audit Certificate need be furnished by the Indian Bureau of Mines as it was a Government department and that on the same analogy no Audit Certificate was required to be furnished on the claims preferred by Geological Survey of India against National Industrial Development Corporation.

This decision was communicated to the National Industrial Development Corporation and a revised bill for the period 1961-62 and bills for 1962-63 and 1963-64 amounting to Rs. 6,51,806.13 P were forwarded to the Corporation vide Geological Survey of India office letter No. 6768R/13 1/64-12 dated 20th November, 1964. The bill has been acknowledged by the National Industrial Development Corporation, on 6th January, 1965. No payment has yet been received. But it is understood they have approached Government for allotment of funds for making the necessary payment.

A further bill amounting to Rs. 30,811.68 for despatch of the bulk sample of 50 tons as well as chemical analysis etc. has been sent to National Industrial Development Corporation on 20-1-65.

(3) *Bharat Mining Corporation Ltd.*

The investigation was taken up at the request of Bharat Mining Corporation Ltd. made in June, 1960 for correlation of local seams met in boreholes drilled in Kharkharea Colliery area of the Corporation. The work was completed by late B. R. Narayanamurty in August, 1960 and the report was submitted in November, 1963. After necessary scrutiny the report was sent to Messrs. Bharat Mining Corporation Ltd., on 16th December, 1963 along with a bill for Rs. 291.27 for payment. A cheque for Rs. 291.27 on the Punjab National Bank Ltd., in full settlement of the Geological Survey of India's claim was received on 16th April, 1964.

(4) *Baroda Borough Municipality:*

The Government of Gujarat requested the Superintending Geologist, Groundwater Division, Geological Survey of India, Madras, in December, 1960, to undertake selection of sites for tubewells in Sayaji Baug, Gorwa and Padra Police Lines area at Baroda. It was stipulated that charges would be met by the Municipal authorities of Baroda to whom the bill should be sent for acceptance.

The Superintending Geologist, Groundwater Division, Madras, accordingly deputed an officer to take up the investigation after obtaining the approval of the Director-General, Geological Survey of India. While taking up the investigation it was anticipated that the work would be completed in 7 days and the estimated cost would be Rs. 264.29. This estimated cost was intimated to the Baroda Municipal authorities on the clear understanding that this estimate was only provisional and the bill for actual amount would be sent only on completion of the work.

The investigation was taken up by the officer concerned from 3rd May, 1961 to 21st May, 1961. In addition 17 days were spent on writing the report. After necessary scrutiny the report was sent to the Municipal Authorities on the 12-9-1962. Immediately after the investigation the Superintending Geologist, Groundwater Division was asked to furnish necessary details so that the bill could be prepared. It was not possible for the Superintending Geologist to give full details as these were not readily available at Hyderabad office and a reference to the Madras Office became necessary. On receipt of the particulars the bill for Rs. 2,265.75 was presented to the Municipal Authority on 17-9-1964. The Municipal Authority asked the Geological Survey of India on 28-10-1964 to furnish details of charges which exceeded the earlier estimate. The details of charges were furnished by the Geological Survey of India on 2-12-1964 and it was pointed out that the variation was due to the

longer period that had to be spent in the field and also in the preparation of the report. Since the payment has not yet been received, a reminder has been issued on 14-1-1965.

(5) *The Bengal Potteries Limited*

On receipt of a request from Messrs. Bengal Potteries Ltd., on 5-2-1960 for the assessment of clay in their leasehold area at Pattarghatta, Bihar, the Geological Survey of India took up drilling in May, 1960 and completed the work in August, 1961. One of the indigenous drills purchased by the Geological Survey of India was commissioned for this work on an experimental basis. Due to the inherent defects of the drill the period of work was considerably lengthened. Moreover, it was found necessary to continue drilling to cover a larger area to arrive at a satisfactory estimation of reserves, thus necessitating putting down almost double the number of boreholes originally planned. The report of the investigation was forwarded to Messrs. Bengal Potteries Ltd., in December, 1963 and the bill amounting to Rs. 1,60,157 was presented to them in April, 1964. Messrs. Bengal Potteries Ltd., expressed their inability to pay this amount which exceeded the original estimate of Rs. 20,000 although while originally accepting the estimate they noted that the total value of the work would be based on the actual cost that the Geological Survey of India would incur in this respect. The matter is under examination of the Geological Survey of India.

There are no other cases where recoveries are pending.

Item No. 3

As explained in notes on items 1 and 2, the work of detailed coal prospecting on behalf of the State Collieries was entrusted to the Geological Survey of India at the instance of the late Ministry of Production. The National Coal Development Corporation came into the picture later when soon after its constitution on 1-10-1956, the State Collieries came under the control of the Corporation. The Corporation approached the Geological Survey of India through the Ministry to take up detailed drilling in a block of South Karanpura coalfield in June, 1958. Subsequently in 1960 they made a second request for drilling in other areas. The rate at which the cost of work was to be recovered from the State Collieries or from the National Coal Development Corporation was not intimated to either of the two parties. In fact, the decision that the work done by the Geological Survey of India should be costed and recoveries effected from the National Coal Development Corporation was not taken until May, 1958. However, after such a decision was taken, steps were taken by the Geological Survey of India to prepare the first bill for the work done during the years 1956-57 and 1957-58 on the basis of a

Schedule of charges prescribed by the late Ministry of Natural Resource and Scientific Research in their letter dated 31st December, 1952, on behalf of private parties and individuals. As stated in the earlier notes, the bill was contested by the National Coal Development Corporation and the matter came up for a decision before Government who decided that the National Coal Development Corporation should pay for the work done by the Geological Survey of India in accordance with the schedule of charges approved for Indian Bureau of Mines work. Later a separate schedule for the Geological Survey of India work was sanctioned (vide this Ministry's letter No. 14/12/57-MI dated 18-4-1962). Bills for work done prior to this date were prepared on this basis.

Item No. 4.

There has been no dispute about the schedule of rates which was approved by the Ministry on 18th April, 1962. The Geological Survey of India prepared its bills according to this schedule of rates, which were sent to the National Coal Development Corporation from time to time. While making *ad hoc* payments of Rs. 7,10,254.00 on 31-3-62 and Rs. 18,19,219.17 on 3-3-64 the National Coal Development Corporation stated that these *ad hoc* payments were being made pending detailed scrutiny of the relevant records and vouchers in support of the claim by a team of Corporation's officers.

Recently the matter was taken up with the National Coal Development Corporation from the Ministry. The Corporation have stated that there is a discrepancy between the Geological Survey of India claims and the National Coal Development Corporation records regarding the footage drilled by the Geological Survey of India. It is now proposed to detail a Senior Accounts Officer from the Geological Survey of India to the office of the National Coal Development Corporation at Ranchi to reconcile the details of the bills preferred by the Geological Survey of India and Geological Survey of India records with the relevant entries in the records of National Coal Development Corporation and arrive at an agreed settlement.

Item No. 5

Geological Survey of India took up detailed drilling in areas specified by the State Collieries and later on by the National Coal Development Corporation. No specific time limit was stipulated for the completion of the work.

Item No. 6

Yes.

Item No. 7

It has been indicated in note relating to item 2 that the bills for the work done by the Geological Survey of India during the year 1956-57 had to be revised in the light of schedule of charges approved by Government in April, 1962. The bill for 1957-58 was prepared thereafter and both the bills were sent to the National Coal Development Corporation on 29th October, 1962. The bills for the years 1958-59, 1959-60, 1960-61 and 1961-62 were sent on 30th March, 1963, 28th October, 1963, 25th April, 1964 and 31st October, 1964, respectively. The bill for the year 1962-63 is under preparation and is expected to be sent to National Coal Development Corporation by March, 1965. It will, therefore, be seen that the work of the preparation of the bills has progressed systematically and a bill for a particular year was generally sent in about 6 months of the despatch of the bill for the previous year. Keeping in view the efforts and labour involved in the preparation of the bills, it is considered that the progress in the preparation of the bills has not been unsatisfactory.

The bauxite investigations in Phutka Pahar followed by investigations in Paunakhar Pahar, Karala Pahar and Amarkantak deposits were taken up in November, 1961 and completed in July, 1963. The reports in respect of Phutka Pahar and Amarkantak deposits were completed in October, 1963 and August, 1964 respectively. Since the bills could not be finalised till the analytical results of 2200 samples were obtained, the bills for the work done during the years 1961-62 in Amarkantak and Phutka Pahar could be sent only on 23rd April, 1963. The National Industrial Development Corporation raised a technical objection regarding the furnishing of an audit certificate and the matter could be finalised only in March, 1964. The subsequent bills for the year 1962-63 and 1963-64 were sent to the Corporation on 20th November, 1964. There was, therefore, no serious delay in sending the bills.

The work for the Bharat Mining Corporation Ltd. was completed in August, 1960. The bill was sent to the Corporation only on 16th December, 1963 which has already been paid in full in April, 1964.

In the case of Baroda Borough Municipality the work was completed in May, 1961. The bill was sent on 12th September, 1962.

The work entrusted to the Geological Survey of India by the Bengal Potteries Ltd. was completed in August, 1961 and the report of the investigation was sent to them in December, 1963 followed by a bill for Rs. 1,60,157.00 in April, 1964.

There were unfortunate delays in the above three cases for which there is no adequate explanation. The need to avoid delays has been impressed on the Geological Survey of India.

Item No. 8

No.

NEW DELHI;

Dated 3-2-65

(R. N. VASUDEVA),

*Joint Secretary to the
Government of India.*

ANNEXURE I

GOVERNMENT OF INDIA

Ministry of Natural Resources and Scientific Research

No. M17(28)/52

Dated, New Delhi, 31st December, 1952.

From

Shri M. M. Malhotra.

Under Secretary to the Govt. of India.

To

The Director,

Geological Survey of India,

Calcutta.

SUBJECT:—*Recovery of fees charged from private parties and individuals for the work done by officers of the G.S.I.*

Sir,

I am directed to say that the Government of India have decided to levy the following fees from private parties and individuals in cases where at their instance, the Geological Survey of India have investigated and compiled a report on any geological problem:—

- (i) Pay and allowances of officers and staff for the actual number of days spent in the field plus time spent in transit both ways and on the preparation of the report;
- (ii) 25% of (i) above in lieu of leave and pension contributions;
- (iii) Travelling allowance plus field establishment allowance;
- (iv) Contingencies;
- (v) Cost of assays, analysis and other laboratory tests;
- (vi) Depreciation on equipment used; and
- (vii) 50% of (i) above as overhead charges.

2. The report on the investigation will not be published by the G.S.I. without the express consent of the party concerned before the expiry of a period of 2 years after the investigation. The principles laid down in para 2(i) and (iii) of the late Department of Labour letter No. M-1207, dated the 5th November, 1940 will continue to apply.

3. These orders will apply both in the case of long term and short term investigations carried out by the Geological Survey of India on behalf of private parties and individuals.

4. In the case of short term surveys on behalf of private parties etc. which are carried out in adverse climatic or other conditions, the question whether the officer deputed to carry out the survey should be granted extra remuneration, will be referred to the Government of India with your specific recommendation on each case as and when it arises.

5. The above orders are issued in supersession of those contained in the late Department of Labour letter No. M-1207 dated the 10th April, 1944 in so far as they relate to the recovery of charges from private parties.

Yours faithfully,

Sd/- M. MALHOTRA,

Under Secretary to the Govt. of India.

ANNEXURE II

GOVERNMENT OF INDIA

Ministry of Steel, Mines and Fuel

(DEPARTMENT OF MINES AND FUEL)

No. 14/12/57-MI

New Delhi, the 18th April, 1962
28th Chaitra, 1884

From

Shri A. M. Kulshrestha,
Under Secretary to the Govt. of India.

To

The Director General,
Geological Survey of India.
27-Chowringhee, Calcutta-13.

SUBJECT:—*Schedule of recovery of charges for services rendered by Indian Bureau of Mines/Geological Survey of India to the National Coal Development Corporation.*

Sir,

With reference to your letter No. 3362/75/30/62-(Costing) dated 31st March, 1962, on the subject mentioned above, I am directed to forward herewith the schedule of recovery of charges for services rendered by the Indian Bureau of Mines to the National Coal Development Corporation as approved by the Government subject to the stipulation made hereinafter, *for necessary action in so far as Geological Survey of India is concerned.*

2. The recovery on account of 'common expenses' in the enclosed schedule of charges has been fixed on an *ad hoc* basis as mutually agreed upon between the Indian Bureau of Mines and the National Coal Development Corporation at 5 per cent. This percentage represents a fair and reasonable share of the common expenses to be allocated for services rendered by the Indian Bureau of Mines to the National Coal Development Corporation but having been fixed on an *ad hoc* basis, it is provisional and subject to revision, if necessary.

Yours faithfully,

Sd./- A. M. KULSHRESTHA,

Under Secy. to the Govt. of India.

A. *Direct Salary*: Pay and allowances of the officers and staff of the Drilling, Prospecting and other Divisions actually engaged whole time in coal prospecting work whether at site or at headquarters.

B. I. *Direct Chargeable Expenses*:

- (i) The T.A. of Officers and staff of Drilling, Prospecting and other Divisions actually engaged on coal prospecting work as at 'A'.
- (ii) Pension @ 10% of 'A' and re-imbursement of actual medical charges. (In cases where a person leaves before confirmation, the amount of contribution will be adjusted/refunded to the corporation).
- (iii) Leave Salary at 11% of 'A'.
- (iv) Contingencies (including labour) as per field recoupment bills.
- (v) Cost of bits and other material consumed. As per certified statements received from the field officers and duly audited by the officers of the corporation. The statement will not include any purchase made from imprest advance and already included in field recoupment *vide* (iv) above.

B. II—*Depreciation*:

- (i) Drilling Rigs.
- (ii) Vehicles.
- (iii) Any other machinery that are employed in the coal field. Depreciation at rates 16-2/3% of capital cost.

B. III—*Interest on Capital*

For the purpose of calculating interest on 'Capital' the capital will be the actual value of capital equipment utilised for the coal prospecting work. The interest charges would be calculated on the capital at the beginning of each year (i.e. after deduction of depreciation for the previous year) plus half the capital expenditure during the year itself. The rate of interest would be the average rate of interest determined each year by the Auditor General with the approval of the Government *vide* Rule 314 G.F.R. The rate of interest applicable to each year will be as notified by the Auditor General.

B. IV.—Charges for accommodation of the Coal Prospecting Scheme.

This is to be charged at flat rates as follows after verification of the actual floor area required for the purpose.

5% of standard rent of the New Secretariat Building and 40% of the Standard rent of Workshop, Stores, buildings at Seminary Hills.

C. Overhead Charges:

(i) *Pay and allowances, T.A., leave salary, Pension charges etc. of officers and staff not included in 'A' or attributed directly to any other activity.*

For simplicity of calculation it is suggested that the charges on this account may be made at flat rate of 5% of the total of 'A' and B. 1 (i, ii and iii). This is on *ad hoc* basis subject to modification on the finalisation of accounting procedure.

(ii) *Audit charges*

1% of the totals of A & B and C (i and iii) subject to confirmation from Audit.

(iii) *Other common expenses of I.B.M. like stores, laboratory workshop etc., not included in any of the above items.*

For simplicity of calculation, the charges on this account may be calculated at 5% of the totals of B. 1 (iv & v) B. II, B. III and B. IV. As the overhead charges have been apportioned at an *ad hoc* basis keeping in view the relationship of coal drilling and prospecting activities as compared with the total activities of the department, no further apportionment is considered necessary.

APPENDIX XVII

(Para 53 of this Report)

GOVERNMENT OF INDIA

MINISTRY OF STEEL AND MINES

(Department of Mines and Metals)

No. C2-10(34)/63

New Delhi, the 19th March, 1965

OFFICE MEMORANDUM

SUBJECT:—Public Accounts Committee—Consideration of Appropriation Accounts (Civil) 1962-63 and Audit Report thereon—para 102—Loss due to delay in the finalisation of terms of interest on loans to Singareni Collieries Company Limited.

The undersigned is directed to refer to Lok Sabha Secretariat's Office Memorandum No. 2/1/22C/64/PAC, dated the 10th March, 1965, on the above subject and to furnish the following information on the points raised therein:

- (i) Financial outlay in the Third Five Year Plan on Singareni Collieries : About Rs. 1600 lakhs (excluding Rs. 650 lakhs expenditure on Third Plan projects expected to spill over to the Fourth Plan).
- (ii) Central Government share in loans to the Collieries. During the period 1961-62 to 1964-65 (i.e. first four years of the III Plan) Rs. 918 lakhs were advanced as direct loan to the S.C.C. Ltd. by the Central Govt. towards capital expenditure entirely.

(iii) Physical targets and actual achievements in the Third Plan	Target	Achievements (In million tones)
1961-62	3.05	2.85
1962-63	3.25	3.23
1963-64	3.56	3.47
1964-65**	4.37	3.65 (anticipated)
1965-66**	5.74	4.1 (anticipated)

**The actual production in these two years will depend on the demand for coal. This demand itself is very much below the original targets. Hence, the difference between the anticipated achievement and the target is mainly because production has to be adjusted to the demand, and not because S.C.C. is incapable of better achievement.

Sd/- K. SUBRAHMANYAN,
Under Secy. to the Govt. of India.

The Lok Sabha Secretariat,
(Shri R. M. Bhargava—Under Secretary),
Parliament House,
New Delhi.

APPENDIX XVIII

(Para 53 of this Report)

Note regarding terms and conditions of the loan sanctioned by the Government of India in favour of the Singareni Collieries Company Ltd. in terms of the Tripartite agreement. (Reference point 9 of enclosure to O.M. No. 2/1/22C/64/PAC dated 21-1-1965 from Lok Sabha Sectt.).

(a) Amount of loan—Rs. 60 lakhs:

- (i) Sanctioned on the 17th /18th March, 1959.
- (ii) Amount received by the Company on the 31st March, 1959.
- (iii) Rate of interest @4½% per annum interest to be paid half-yearly.
- (iv) Duration of the loan—13 years.
- (v) Year of final repayment—1971-72.
- (vi) Phasing of repayment:

	Rs.
31-3-65	7,50,000
31-3-66	7,50,000
31-3-67	7,50,000
31-3-68	7,50,000
31-3-69	7,50,000
31-3-70	7,50,000
31-3-71	7,50,000
31-3-72	7,50,000

(b) Amount of loan—Rs. 80 lakhs:

- (i) Sanctioned on the 6th August, 1960.
- (ii) Amount received by the Company on the 21st October, 1960.
- (iii) Rate of interest 4½% per annum; interest to be paid half-yearly.
- (iv) Duration of the loan—16 years.

(v) Year of final re-payment—1976-77.

(vi) Phasing of repayment:

	Rs.
21-10-66	7,27,272·72p.
21-10-67	7,27,272·72p.
21-10-68	7,27,272·72p.
21-10-69	7,27,272·72p.
21-10-70	7,27,272·72p.
21-10-71	7,27,272·72p.
21-10-72	7,27,272·72p.
21-10-73	7,27,272·72p.
21-10-74	7,27,272·72p.
21-10-75	7,27,272·72p.
21-10-76	7,27,272·80p.

(c) Amount of loan—Rs. 55 lakhs.

(i) Sanctioned on the 6th August, 1960.

(ii) Amount received by the Company on the 3rd January, 1961.

(iii) Rate of interest @ 4½% per annum; Interest to be paid half-yearly.

(iv) Duration of the loan—16 years.

(v) Year of final repayment 1976-77.

(vi) Phasing of repayments:

	Rs.
3-1-67	5,00,000
3-1-68	5,00,000
3-1-69	5,00,000
3-1-70	5,00,000
3-1-71	5,00,000
3-1-72	5,00,000
3-1-73	5,00,000
3-1-74	5,00,000
3-1-75	5,00,000
3-1-76	5,00,000
3-1-77	5,00,000

(d) Amount of loan—Rs. 50 lakhs:

(i) Sanctioned on the 6th August, 1960.

(ii) Amount received by the Company on the 29th March, 1961.

(iii) Rate of interest @ 4½% per annum; Interest to be paid half-yearly.

(iv) Duration of the loan—16 years.

(v) Year of final repayment—1976-77.

(vi) Phasing of repayments:

	Rs.
29-3-67	4,54,545.45P.
29-3-68	4,54,545.45P.
29-3-69	4,54,545.45P.
29-3-70	4,54,545.45P.
29-3-71	4,54,545.45P.
29-3-72	4,54,545.45P.
29-3-73	4,54,545.45P.
29-3-74	4,54,545.45P.
29-3-75	4,54,545.45P.
29-3-76	4,54,545.45P.
29-3-77	4,54,545.50P.

APPENDIX XIX

(Para 53 of this Report)

Note regarding terms and conditions of the loans of Rs. 250 lakhs sanctioned in favour of the Singareni Collieries Company during 1961-62 (Reference Point 9 of enclosure to O.M. No. 2/1/22C/64/PAC dated 21-1-65)

The terms and conditions of the loans of Rs. 100 lakhs and Rs. 150 lakhs sanctioned by the Government of India on the 10th October, 1961 and the 5th March, 1962 and drawn by the Company on the 4th December, 1961 and the 29th March, 1962 respectively, may be summarised as follows:—

- (a) Duration of loan 15 years
- (b) Rate of interest 6 per cent per annum to be paid half-yearly.
- (c) Rebate 1/2 % rebate will be allowed to the Company for timely repayment of the instalments of principal sum falling due in each year.
- (d) Penal interest In the event of default in the payment of interest or repayment of principal, a penal interest @ 2-1/2% over the normal rate to be charged on all overdue instalments of interest or principal and interest.
- (e) Phasing of repayments :—

(i) Loan of Rs. 100 lakhs.		(ii) Loan of Rs. 150 lakhs.	
Date of repayment	Amount Rs. in lakhs	Date of repayment	Amount Rs. in lakhs
4-12-1966	10	29-3-1967	15
4-12-1967	10	29-3-1968	15
4-12-1968	10	29-3-1969	15
4-12-1969	10	29-3-1970	15
4-12-1970	10	29-3-1971	15
4-12-1971	10	29-3-1972	15
4-12-1972	10	29-3-1973	15
4-12-1973	10	29-3-1974	15
4-12-1974	10	29-3-1975	15
4-12-1975	10	29-3-1976	15

APPENDIX XX

(Para 58 of this Report)

MINISTRY OF WORKS AND HOUSING

O.M. No. 5/15/64-Bt dated 9-3-65

Hotel Janpath

"What is the reason for the Ministry to come to the conclusion that if fresh tenders were invited the catering rates were likely to be higher?"

Reply

The catering contract was initially entered into in September, 1956 for the period upto the 31st December, 1959. The question of its extension was taken up in July 1959. It was finally decided on the 11th August, 1959 to renew it for three years on the existing terms and conditions as the prices of various commodities had increased. The index number of wholesale prices, as published by the Economic Adviser to the Government of India, shows that while the annual average of the price index of food articles was 99·0 for the year 1956, it rose to 106·8 in 1957, and 112·0 in 1958. For the month of July, 1959, when the question of renewal of the caterer's agreement was under consideration, the price index was 121·0. The tendency of the index number of other commodities had also been on the increase. Whereas the index number of the prices of "all commodities" for the year 1956 was 102·7, it had risen to 116·8 for the month of July, 1959.

APPENDIX XXI

(Para 59 of this Report)

MINISTRY OF WORKS AND HOUSING

O.M. No. 5/15/64/-Bt., dated 9-3-65

Hotel Janpath.

Statement showing the details of outstanding amount of Rs. 51,050 from licensees of show windows etc. at Hotel Janpath and the period for which the same had been outstanding and action taken to recover the same.

Sl. No.	Name of the Party	Particulars	Period	Amount (in Rs.)
1	2	3	4	5
(1)	S/Shri Basant Kumar and P. C. Jain	Licence fee	24-10-59 to 23-10-62	10,500.00
		Electric Charges	24-10-56 to 3-6-61 (Electricity discontinued on 3-6-61)	933.82
				11,433.82
(2)	Shri S. N. Mehta	License fee	15-12-60 to 1-10-62	15,118.00
		Elec. charges (Electricity discontinued on Jan. 62.)	15-10-57 to January 1962	1,277.50
				16,395.50
(3)	The Rajasthan Handicrafts Emporium	License fee	1-3-62 to 31-12-62	500.00
		Electric charges	9/60 to 31-3-63	46.50
				546.50

1	2	3	4	5
(4)	The Punjab Govt. Cottage Emporium	Licence fee	20-3-63 to 31-3-63	11.84
		Electric charges	5/63 to 7/63	4.50
				<u>16.34</u>
(5)	Shri S. P. Kspahi	Licence fee	8-1-62 to 31-3-63	22,282.19
		Electric charges	9/62 to 3/63	225.36
				<u>22,507.55</u>
(6)	M/s. Nirula Copper Bazar	Electric charges	5/61 to 2/62	149.88
		TOTAL		<u>51,049.59</u>

2. The amounts outstanding against the three parties listed at serial numbers (3), (4) and (6) above have been finally cleared on the dates given below.

The Rajasthan Hndicrafts Emporium	4th Feb. 1964
The Punjab Govt. Cottage Emporium	15th Feb. 1965
M/s. Nirula Copper Bazar	17th Nov. 1964

3. As regards the arrears outstanding against S/Shri Basant Kumar and P. C. Jain, it may be mentioned that the premises were allotted to Shri Basant Kumar on leave and licence basis for 3 years with effect from the 15th Oct., 1956. On the expiry of the term under the lease, Shri Basant Kumar did not vacate the premises and Shri P. C. Jain, who had come into occupation through Shri Basant Kumar, continued to occupy the premises unauthorisedly.

Shri Jain was evicted from the premises on the 21st February, 1962.

Proceedings for recovery of damages for the unauthorised occupation by Shri Jain for the period ending the 23rd September 1960

were instituted before the Estate Officer and he decreed, on the 29th October, 1960, that damages for the period from the 24th October, 1959 to the 23rd September, 1960 are payable by Shri Jain at the rate of Rs. 3,500 per annum. This decree was, however, set aside in appeal and the case remanded for re-trial. This remanded case was finally disposed off by the Estate Officer on the 26th August 1964 and a decree for Rs. 3,924.09 passed in favour of the Government.

Another case for damages for the period from the 24th September, 1960 to the date preceding the actual eviction viz., the 20th February, 1962 and for recovery of charges for the electricity consumed by the unauthorised occupants, was also taken up by the Estate Officer in June, 1962. A decree was passed in favour of Government on the 20th July 1963 for an amount of Rs. 9,111.34 as follows:

	Rs.
(a) Damages at the rate of Rs. 6,303/- per annum for the period of unauthorised occupation from the 24th September 1960 to the 20th February 1962	8,893.28
(b) Charges for electricity for the period from the 8th June 1960 to the 3rd June 1961 when the electric connection was cut off.	218.06
	99,111.34

Thus the total amount outstanding and decreed as above against Shri P. C. Jain for the unauthorised occupation for the shop in Janpath until eviction on the 21st February, is Rs. 13,035.43. The recovery of this amount is, however, held in abeyance under stay orders of the competent Appellate Court. It is regretted that the entries in the Ledger had not been brought up-to-date at the time of the Audit Inspection and showed the arrears on account of the licence fee at the rate mentioned in the expired Licence Deed.

4. The position about action taken against the party listed at serial number (2) above (Shri S. N. Mehta) is as follows:—

Nature of demand	Period to which demand pertains	Amount claimed (in Rs.)	Date of ref. to Estate officer	Date of decree by Estate officer	Remarks
1	2	3	4	5	6
Licence fee	15-12-60 to 8-3-61	1,930.70	22-6-62	12-10-62	The certificate for recovery issued by the estate officer was withdrawn because Shri Metha promised to pay the sum in equal instalments of Rs. 200. He paid only Rs. 716.60. Fresh certificate was issued to Collector on
Electric charges	15-10-57 to Feb. 61	985.90			
		2,916.60			

1	2	3	4	5	6
					1.10.63 for recovery of the balance of Rs. 2,200/- against which Shri Mehta has paid Rs. 1,050/- so far. Further recovery is awaited through the Collector.
License fee	9-3-61 to 28-5-62	21,994.52	} 29.5.62	}	The amount of Rs. 28,516.82 includes a sum of Rs. 14,321.32 on account of damages claimed for unauthorised occupation. The proceedings before the Estate Officer for recovery of the amount as arrears of land revenue had to be suspended because the party appealed to the District Court and obtained stay orders on the 15th January 1965. The matter is 'sub-judice'.
Electric charges	March 61 to Jan/62.	291.60			
License fee	29-5-62 to 1-10-62	6,230.70	18-12-63		
		<u>28,516.82</u>			

5. The position about action taken against the party listed at serial number (5) (Shri Kapahi) is given below:

Nature of demand	Period to which demand pertains	Amount claimed (in Rs.)	Date of ref. to estate officer	Date of decree by estate officer	Remarks
License fee	6-7-61 to 5-10-62	22,500.00	4-12-62	7-12-62	The 'Estate Officer' issued notice for payment against which Shri Kapahi paid Rs. 4,715.82 only,
Electric charges	Feb. 62 to Aug. 62	215.82			
		<u>22,715.82</u>			3-4-63 Fresh recovery certificate was issued for the payment of the balance of Rs. 18,000/-

Further payments have since been made by Shri Kapahi as detailed below:

Date of payment	Amount in Rs.	
5-6-1963	97.92	} Direct payment.
30-9-1963	4,500.00	
	<u>4,597.92</u>	

Date of Payment	Amount in Rs.	
18-11-1963	2,084.12	} Payment through Collector.
15-1-1964	3,000.00	
4-2-1964	1,000.00	
29-2-1964	500.00	
22-3-1964	1,500.00	
18-6-1964	5,050.00	
25-6-1964	500.00	
2-7-1964	500.00	
16-7-1964	500.00	
22-8-1964	500.00	
16-9-1964	1,000.00	
14-12-1964	925.88	
	<hr/> 17,050.00 <hr/>	

At present, the amount outstanding against him for the period ending March, 1964 is Rs. 23,865.60. On the 20th January, 1965, the 'Estate Officer' was requested to effect recovery of this amount as arrears of land revenue.

C. P. GUPTA,
Joint Secretary to the Government of India.

APPENDIX XXII

(Para 59 of this Report)

Statement furnished by Audit showing the details of expenditure incurred by the caterer of Hotel Janpath, on the employment of Room Bearers etc. before and after 1st August, 1962.

The following statement shows (i) the minimum number of persons which the Caterer was actually required to employ prior to 1st August, 1962 in terms of the Agreement, (ii) the number which was actually in the employ of the Caterer, prior to 1st August, 1962 (iii) the addition to existing staff which he was required to make, in consideration of which he was allowed increase in the rates:

	Minimum No. of persons required to be employed prior to 1-8-1962.	Persons actually in employ prior to 1-8-1962 (Based on a statement on the Ministry's files leading to the decision to enhance the charges of the Caterer.	Short-fall (—) Increase (—)	Additional staff over the existing staff in consideration of which increase allowed.
Room bearers	50	36	(—)14	18
Pantrymen	18	14	(—) 4	6
Sweepers	63	32	(—)31	22
Floor Attendants	36	2	(—)34	8
House Keeper	1	1	1	1
Page Boys and Porters	12	13	(—) 1	3

The net decrease/increase in the number of staff required to be employed by the Caterer w.e.f. 1st August, 1962 as compared to the minimum number which the Caterer was required to employ before this date, under the agreement thus works out as shown below:

	Decrease		Increase	
	No.	Cost	No.	Cost
1. Room bearers . . . . .	..	..	44	44 × 85 = Rs. 340
2. Pantrymen . . . . .	..	..	22	22 × 85 = Rs. 170
3. Sweepers	9	9 × 85 = Rs. 765	..	..
4. Floor Attendants	26	26 × 150 = Rs. 3,900	..	..
5. House Keepers . . . . .	..	..	1	1 × 300 = Rs. 300
6. Page boys and Porters . . . . .	..	..	4	4 × 85 = Rs. 340
TOTAL		<u>Rs. 4,665</u>		<u>Rs. 1,150</u>

Net decrease—Rs. 3,515.

APPENDIX XXIII

(Reference Para 68 of this Report)

Statement Showing the Construction of all types of quarters at Ramakrishnapuram, New Delhi.

S. No.	Group of quarters	Date of acceptance of tenders for building portion.	Date of Provisional completion of Bld. portion.	Date of acceptance of tenders for sanitary & water Supply installations.	Date of handing over the quarters to Estate Office.	Time Lag between 4 & 6
1	2	3	4	5	6	7

CONSTRUCTION DIVISION No 8

							Months
1	132 'E'	. . .	25-6-58	19-12-59	8-3-60	29-5-62	29
2	56 'F'	. . .	28-10-58	16-2-60	22-9-60	29-5-62	27
2	68 'F'	. . .	28-10-58	6-2-60	11-11-60	29-5-62	27
4	108 'F' (Group 'A')	. . .	7-5-58	16-6-59	18-2-61	29-12-62	42
5	108 'G' (Group 'B')	. . .	12-5-58	16-6-59	18-2-61	29-12-62 25-2-63	(100 Qrs) 42 (8 Qrs) 45

6	108 'G' ("Group 'C')	.	7-5-58	16-7-59	31-1-61	15-12-62 25-2-63	(100 Qrs) (8 Qrs)	42 45
7	116 'G'	.	26-4-58	14-8-59	13-7-61	11-2-63		42
8	80 'G'	.	13-11-58	22-2-60	4-1-61	29-5-62		27
9	84 'G'	.	13-11-58	21-2-60	29-11-60	29-5-62		27
10	196 'G'	.	18-8-58	8-12-60	6-10-60	29-5-62		39
11	200 Class IV	.	22-11-58	7-4-62	9-9-60	29-5-62		1
12	192 Class IV	.	11-8-58	24-1-62	9-9-60	29-5-62		4
13	256 'H'	.	27-3-58	7-9-59	15-12-60	29-5-62		32
14	84 'E'	.	23-5-58	1-8-59	1-5-61	29-12-62		40

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CONSTRUCTION DIVISION No. IV.

1	84 'E'	.	30-10-59	2-1-61	18-2-61	26-10-62		21
2	192 'E'	.	25-9-58	2-11-60	30-7-60	15-12-62	{ 188 Qrs. only 4 Qrs. not constructed.	25
3	144 'E'	.	1-9-58	20-2-60	1-8-60	26-10-62		32

I	2	3	4	5	6	7	Months
4	100 'E'		7-11-58	23-6-61	11-1-61	30-11-62	17
5	140 'G'		22-11-58	..	16-5-61	(82) 18-1-63 (58) 24-1-63	
6	88 'E'		8-10-58	23-6-61	11-1-61	24-12-62 } (20 Qrs.) 11-12-62 } (68 Qrs.)	18 18
CONSTRUCTION DIVISION No. II							
1	200 'G'		4-2-59	13-4-60	13-12-60	11-12-62 } (192 Qrs) 24-12-62 } (8 Qrs.)	32 32
2	16 'G'		23-3-61	..	17-5-63	..	..
3	104 'E' NH III		30-5-58	8-7-59	5-2-60	11-12-62	41
4	108 'E'		1-9-58	10-12-59	5-2-60	28-9-62	33
5	104 'E' /NH III (Reb)		14-8-58	29-2-60	5-2-60	30-11-62	33
6	104 'E' /NH II (R)		29-7-58	7-10-59	5-2-60	10-9-62	35
7	88 'E'		30-7-58	..	5-2-60	24-12-62	
8	8 'E'		23-3-61	..	..	..
9	76 'F'		25-11-58	5-9-60	27-10-60	30-11-62	26
10	200 'H' (Group/NHII) III		27-4-58	5-5-59	13-8-60	10-9-62	40
11	200 'H' (Group/NHII)		27-4-58	5-5-59	3-8-60	10-9-62	40
12	232 'H' /NH III		27-3-58	21-3-61	27-10-60	30-11-62	20

13	184 Class IV/NH IV	.	.	14-1-59	8-4-60	2-2-60	10-9-62	29
14	184 Class IV/NH III	.	.	14-1-59	8-4-60	2-2-60	10-9-62	29
15	208 Class IV	.	.	23-3-61	..	11-10-62	..	..
16	8 Class IV	.	.	23-3-61	21-3-62	12-10-62	..	..

APPENDIX XXIV

(Reference Para 71 of the Report).

MINISTRY OF WORKS & HOUSING

Note explaining the reasons for the Electrical Stores worth Rs. 5,47,000 lying surplus since 1959 [item 2 of (A) of Para 84 of Audit Report (Civil) 1964].

For various construction works in the Department a number of electrical materials like cable fittings, switch-boards, ceiling fans, welding electrodes etc. have to be arranged in advance. Adequate supplies of spare parts have also to be kept in stock in order to keep plants and machinery of the Department in good condition. Since in most cases such materials are of substantial value, indents have to be placed on the Director General of Supplies & Disposals. The processing of indents and finalisation of contracts for supplies take anything between six months to one year. In view of this, procurement of stores in advance is considered a normal necessity.

The stores mentioned in the Audit Para were purchased from time to time many years ago for various projects undertaken by the Department. In 1961, the Chief Technical Examiner made an inspection of the stores in the Central Electrical Stores Division, which were comparatively in less demand out of the stock held. Such surplus stores were categorised by him according to likelihood of their being utilised on works. The total value of such materials at the time of inspection on the 1st October, 1961 was Rs. 12.71 lakhs. In February, 1962, the Chief Engineer formed a committee of all the Superintending Engineers (Electrical) and the Superintending Surveyor of Works (Electrical) to review the position and suggest ways and means of utilising these materials. The Committee made recommendations for utilisation/disposal of items in stock from time to time and is still functioning.

A statement showing the position of materials as on the 1st October, 1961, 1st July, 1963 (as indicated in the Audit Para) and 6th February, 1965, is attached. The present position of each category is indicated below:—

Category 'A'.—The balance on the 6th February, 1965, was Rs. 77,143.32 Paise. Out of this balance, Survey report for materials worth Rs. 5,588.31 Paise has been prepared

on the recommendation of the aforesaid Committee, for disposal by auction through the Directorate General of Supplies and Disposals. The balance will be utilised or disposed of in about two years' time.

Category 'B'.—On the 6th February, 1965, the balance was nil.

Category 'C'.—Out of the balance of Rs. 57,796-31 Paise as on the 6th February, 1965, items worth Rs. 31,823-18 Paise have been included in a survey report for disposal by auction on the recommendation of the Committee. The Survey report is likely to be sanctioned shortly. It is expected that the balance will be utilised in about two years' time.

Category 'D'.—The balance on the 6th February, 1965 was Rs. 40,244-28 Paise. The materials included in this category are mostly spare parts of engines of various makes. Persistent efforts have been made to utilise the machine parts in the various units of the Department which maintain such machinery. The State Governments and other autonomous bodies incharge of various projects have been contacted to ascertain whether they can make use of these spare parts. Some enquiries have been received from various quarters. If it is felt that there is no demand for these parts, necessary action to dispose them of will be taken.

Category 'E'.—The balance as on the 6th February, 1965, was Rs. 17,620-47 Paise. This category also includes spare parts of road rollers worth Rs. 8,118. Similar action as in the case of items included in category 'D' is being taken in respect of this material.

(Min. of W. & H. V.O. No. 8(4)/63-WII dated 18-2-65).

ANNEXURE

Category according to C.T.E.	Category indicated in Audit Para.	Balance on 1-10-61. (as per C.T.E's report)	Balance on 1-7-1963.	Balance on 6-2-65	Remarks.
Surplus materials which can be utilised on works within 2 to 3 years ; or for which there is little chance of utilisation	'A'	10,37,091·77	4,03,583·49	77,143·32	Rs. 4,03,585·41 taken as Rs. 4·04 lakhs in Audit Report.
Materials which can be used by modification in the specification	'B'	8,917·30	4,838·02	..	Taken as Rs. 5,000 in the Audit Para.
Materials and spares for which there is a very little chance of utilisation in the Department (special items like spare parts of engines)	'C'	84,272·00	69,458·56	57,796·31	Taken as Rs. 60,000 in the Audit Para.
Statement of spares which can be retained for use of the Department	'D'	72,042·27	51,245·95	49,244·28	Taken as Rs. 51,000 in the Audit Para.
Statement of spares and miscellaneous materials of which there is some chance of utilisation by coordination	'E'	68,796·89	27,316·47	17,620·47	Taken as Rs. 27,000 in the Audit Para.
TOTAL		12,71,120·23	5,56,444·49	2,01,804·38	

APPENDIX XXV

(Reference Para 79 of this Report)

GOVERNMENT OF INDIA

MINISTRY OF WORKS AND HOUSING

SUBJECT.—*Appendix I of the Report (Civil) 1964. Item regarding overpayment of rent under the Directorate of Estates.*

In Appendix I of the Audit Report (Civil), 1964, the following note is inserted under the "Directorate of Estates".

Overpayment of rent—An overpayment of Rs. 10,049 was made to the landlord of a building during the period from 1st August, 1946 to 30th November, 1957, on account of the fact that balcony space provided in the building, which the Government had earlier occupied and for which additional rent was being paid to the landlord, continued to be paid even after the space ceased to be used by Government.

The mistake came to the notice of the Estate Manager, Calcutta after 12 years in January, 1958, and the payment of rent for this space was stopped from 1st December, 1957.

The amount overpaid for the past period had not been recovered so far. The disciplinary aspect of the case is stated to be still under consideration (July 1963).

2. The Public Accounts Committee have now desired that a note indicating the latest position may be furnished to it.

3. The latest position is given below:—

(a) *Recovery of amount overpaid to the landlord.*—As a result of negotiations with the previous landlord and the present landladies, the latter have agreed to refund the amount of overpayment provided the building or at least the ground floor of the building is derequisitioned in their favour. It has since been decided to derequisition the ground floor of the building. The Ministry of Finance have instructed the Income Tax Department which is at present located there, to vacate the ground floor. The Estate Manager has also been instructed to derequisition the ground floor as soon as it is vacated by

the Income Tax Department and after recovering from the present landladies the amount overpaid.

- (b) *Disciplinary aspect of the case.*—Shri G. C. Mitra, the Estate Manager concerned has since died. Of the two clerks, who dealt with this case, one has since died and the other has already been dismissed from Government service because of involvement in a criminal case.

The question of fixing responsibility of the Divisional Accountant concerned is still under examination in consultation with the Accountant General.

APPENDIX XXVI

(Reference 82 para of this Report)

MINISTRY OF WORKS AND HOUSING

(O.M. No. 3/35/63-- dated 18-2-65)

In paras 126 and 127 of the Audit Report (Civil), 1964, the following outstanding objections and Inspection Reports have been shown against the Ministry of Works, & Housing.

No. of outstanding objections	Amount	No. of Inspection Reports	Items in Reports
29,924	Rs. 17,23,00,000	1612	9559

of these the Ministry of Works and Housing are concerned with the following and the rest pertain to the Ministry of Rehabilitation.

No. of outstanding objections	Amount Rs.	No. of Inspection Reports	Items in Reports
26,708	15,19,98,252	810	5834

The break-up of the outstanding between C.P.W.D. and other agencies (please see also Annexure) and their present position is shown below:

	Number of outstanding audit objections and Inspection on Reports				Number since cleared				Number now outstanding			
	Audit objections	Money value Rs.	Inspection Reports	Paras	Audit objections	Money value Rs.	Inspection Reports	Paras	Audit objections	Money value Rs.	Inspection Reports	Paras
1. C.P.W.D. As shown by Audit	22,097	12,56,87,187	662	4683	..	..	..	..	1,544	28,87,187	84	301
As accepted by C.E.												
CPWD	20,553	12,28,00,000	578	4382	15,508	9,42,00,000	106	1631	5,045	2,85,00,000	472	2751
2. Other Agencies	4,611	2,63,11,065	148	1151	1,774	94,72,226	31	278	2,837	1,68,38,839	117	873
	26,708	15,19,98,252	810	5834	17,282	10,36,72,226	137	1909	9,426	4,83,26,026	673	3923

§These figures are under reconciliation in consultation with C.P.W.D.

APPENDIX XXVII

Summary of main Conclusion/Recommendations

Serial No.	Para No.	Ministry/Deptt. concerned	Conclusion/Recommendation
1	2	3	4
1	2	Finance	The Committee regret to note that even in February, 1963 when the supplementary grants were obtained, the Ministry could not assess that they would not be able to complete the assay of gold worth more than Rs. 5 crores before the end of the financial year.
2	4	-do-	The Committee observe, however, that these orders regarding making of lumpsum provision on rough assessment of expenditure were issued only in June, 1962 and could not have influenced the budget provision made for the year 1962-63 which should have been regulated in accordance with the orders of August, 1958. The Committee would be glad if in the light of the glaring cases of over budgeting pointed out in this Report the necessity for making lumpsum budget provision for schemes without adequate financial scrutiny is reconsidered by Ministry.
3	5	<u>Finance</u> <u>All Ministries</u>	(i) When the Committee are glad to note that the overall percentage of savings during the year 1962-63 had come down to 1.7 only from 11.9 in the year 1961-62, they find that in as many as 55 individual grants the savings exceeded 10 per cent of the total grants and the percentage in these cases ranged between 10.26 per cent to 70 per cent. In these circumstances the Committee cannot help observing

that there is still scope for improvement in budgeting and control over expenditure. Since large savings are indicative of loose budgeting in the sense that these prove the inability of the Departments to spend usefully the funds to the extent anticipated, the Committee would suggest that administrative Ministries should make efforts to frame their estimates more realistically and with a greater degree of precision to avoid a supplementary grant which cannot be utilised.

(ii) It was stated in the course of evidence by the Secretary, Department of Expenditure that double provision occurs because of technical reasons, and this really inflates both the sanctions and the savings. The Committee would like the Ministry of Finance to examine the extent procedure in this matter to see if this position cannot be improved upon.

4 7 Education

The Committee regret to note that the budget provision was made for the scheme (for grants for evening Colleges and Correspondence Courses) in anticipation of its implementation during the year as a result of which there was a saving of 99 per cent of the original provision. The Committee also feel that the time taken by the Expert Committee in submitting their report was unduly long.

5 8 -do-

The Committee have been furnished with a copy of the Report of the Departmental Enquiry into the affairs of the Vishwayatan Yoga Ashram together with a Supplementary Report.

The Committee note with regret that there are allegations of misappropriation etc. They would like to be informed of the final outcome of the case.

1	2	3	4
6	9	<u>Min. of F. & A.</u> <u>(Deptt. of Agriculture)</u> Finance	<p>The Committee are surprised to learn that provision in the budget was made for State Plan Schemes without adequate advance preparations. The Committee deprecate such tendencies in the Ministries as this results in unnecessarily inflating the estimates and thereby locking up funds which could be better utilised in other schemes or projects.</p>
7	10	Finance	<p>The Committee are unable to understand why these schemes for development were not received from State Governments when they were already examined by the representatives of the State Governments, Planning Commission, Ministry of Finance and the Administrative Ministry concerned. It appears that there is scope for better coordination amongst the various authorities concerned so as to achieve better results.</p> <p>The Committee would also like to watch through future Audit Reports the working of the new system (to be introduced from 1st April, 1965) with regard to the verification by Audit of the utilisation of the amounts given by the Central Government to the States as grants or loans.</p>
8	11	<u>Min. of F. & A.</u> <u>(Deptt. of Food)</u>	<p>(i) The Committee find from the note furnished that as many as 10 centres for the construction of the godowns had to be dropped due to various reasons. In some cases it was found later on that</p>

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some other site was more suitable and in one case the proposal was dropped as construction at the site was later on found unnecessary. What the Committee do not understand is how original proposals for the construction were made when subsequently they were not found to be feasible. This only indicates that the schemes were sanctioned without a detailed scrutiny involving various problems connected with them.

The Committee also note that in November, 1961, the Ministry accorded approval for inviting global tenders, in the first instance, for the construction of flat storage godowns at only three centres, namely, Manmad, Borivilli and Kanpur as their intention was to finalise the designs and the handling equipments for the godowns on the basis of the tenders received, before progressing the construction proposed at the other three centres at Jinjirapole, Kandla and Ahmedabad. If, as stated by the Ministry, construction of flat storage godowns was being taken up for the first time in the country, and a beginning was to be made with three centres in the first instance, the Committee fail to understand why budget provisions was made for the other centres before the results of three centres were known."

(ii) As regards non-availability of land in time, the Committee have been informed year after year about the delay in acquiring land. They would desire this matter to be taken up with the State Governments and other authorities concerned so that this delay could be reduced to the minimum extent possible.

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9	12	Health	<p>The Committee feel unhappy that some important schemes such as relating to flood control and similar calamities in Delhi could not be implemented by the Corporation partly due to lack of material and personnel and partly due to the fact that the schemes were not sanctioned expeditiously. This in the opinion of the Committee disclosed a sorry state of affairs and lack of coordination which affected ultimately the public in general. The Committee desire the Ministry of Health to investigate such failures and to ensure that important schemes like flood control measures for the Capital do not suffer owing to lethargic approach of the authorities concerned.</p>
10	13	<u>Steel and Mines</u> (Deptt. of Mines & Metals)	<p>The Committee regret to note that a sizeable portion of the equipment could not be procured because the dates mentioned against the accepted tenders could not be adhered to by the supplier. They also find from the statement furnished about procurement of vehicles through D.G.S.&D. that there has been delay in supplying the vehicles in every case. The Committee would like that steps are taken to ensure that such delays are avoided.</p>
11	14	<u>Steel and Mines</u> (Deptt. of Mines & Metals)	<p>The Committee consider it unfortunate that due to lack of technical personnel the work of the Geological Survey of India had been affected and against the target in drilling of 55,730 metres during 1962-63 only 28,290 metres of drilling could be done. It appears to the Committee that people with the technical knowledge are available but they are not attracted to the posts offered by the Ministry owing</p>

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necessity was felt of opening a separate sub-head so that at least in future the expenditure could be brought to the notice of the Parliament also confirms the Committee's view that the expenditure on this account should have been treated as a 'New Service.'

15**18****Finance**

In view of the legal opinion expressed it appears that the regularisation of an expenditure on a "New Service" which is adjudged as such after the close of the year cannot be made by resolution of Parliament. In the circumstances, the only alternative to get over this lacuna appears to be to make a suitable amendment to the Constitution laying down a procedure for regularising expenditure on a New Service not covered by the grant. The Committee desire the Ministry of Finance to initiate action accordingly in consultation with the Ministry of Law and the Comptroller and Auditor General at an early date.

16**19****Finance**

(i) The Committee are a little surprised at the view expressed by the Secretary, Ministry of Finance (Deptt. of Economic Affairs) that commitment charges were not an unknown feature and it was to be taken as a general assistance to industry. By this slow utilisation of loan amounts and payment of commitment charges neither the government nor the industry got any benefit. They are unhappy to note that the negotiating team did not examine the schemes of the collieries and only went by their verbal assurances and commitments. Had a proper scheme been prepared, time schedules laid

down and the ways and means position of the individual collieries to finance the schemes gone into the contingency of entering into a loan agreement for such a large amount to be drawn within a short period of time and the consequential payment of commitment charges would have been avoided. It is also regrettable that assurances from the collieries were not obtained in writing nor was any condition imposed that in case of abnormal delays or failure on their part they would be liable to compensate the loss sustained by government by way of payment of commitment charges. The Committee regret to note that a huge amount of Rs. 31.38 lakhs is spent by way of commitment charges which did not benefit anybody, but depleted the Foreign Exchange resources. In the view of the Committee this loss was avoidable if the financial position of the collieries had been examined at the proper time.

(ii) Secondly the Committee are surprised at the nature of the transaction wherein apart from the commitment charge there would be an annual loss to the government to a substantial extent. Under this arrangement Government pays interest on the loan to the World Bank at the rate of 5½% while they receive from the industry the total amount of the loan in rupees. Assuming that Government's borrowing in India are reduced to this extent, the saving of interest charges will be about 4% as against the higher rate, paid on the foreign loan plus commitment charges. In the present case, the annual loss will come to about Rs. 30 lakhs approx. in addition to the commitment charges of Rs. 20.04 lakhs already incurred up to May 1963. On the other hand the industry has to raise the rupee amount

at much higher rate from Banks against the cover of a Government guarantee to the extent of 70% on the total amount so borrowed.

The Committee are not happy about this arrangement which neither benefits the industry nor the Government while the exchequer suffers to the extent of the difference of additional interest payable on the foreign loan and the commitment charges as well. They would like Government to examine whether they cannot in this and other similar cases devise a suitable arrangement by which an organisation representing the coal industry or a group of collieries could take the loan direct from the World Bank on the guarantee of the Government; in this way the burden on Government will be practically nil while the collieries will bear interest charges as well as commitment charges if any and will not have to raise loans from Indian Banks at higher rates. In cases where the World Bank is not in a position to give loans directly to the Industries concerned, and the Govt. has to step in as an intermediary, Govt. should make available the foreign loans received to the parties concerned on such terms and conditions as will not result in a loss to the public exchequer.

(iii) It has been further stated in evidence that there was a depression in the coal industry and the collieries were not enthusiastic about the schemes as they were in 1961. The Committee trust that

proper steps would be taken to see that the loans amounts are utilized for productive purposes without further delay.

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Finance

The Committee deplore the manner in which the Ministry of Finance handled this scheme necessitated by emergency. The reason that a complete separate machinery for implementation of the scheme would have been very expensive can hardly be accepted as valid explanation for an obvious complacency and inaction on the part of the Ministry. The Committee are further constrained to observe that to implement the scheme introduced on an urgent basis w.e.f. 1st January, 1963, the State Governments were approached only on 27th July, 1963 and later on the work was entrusted to the R.F.A. after a time-lag of about 16 months. This is hardly the way the law should be administered. They desire that the reasons for this obvious lapse should be investigated and responsibility fixed.

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It was further disclosed in evidence that even now the R.F.A. did not have adequate machinery to deal with the problem fully even though about Rs. 5 lakhs were sanctioned to them for providing additional staff for the purpose. The Committee desired that the entire machinery may be placed on a proper footing for proper implementation of the schemes and steps taken to remedy the defects mentioned in the Audit Report. The Committee may also be informed of the reviews proposed to be conducted by the Ministry.

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The Committee fail to understand how inspite of the fact that tenderers were not coming forward due to their inability to assure that the process would give the requisite quantity of silver, the Min-

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istry came to the conclusion that there was nothing wrong with the process or procedure designed by the firm. They would like to be further informed of the basis and circumstances under which the payment of Rs 2.4 lakhs was made to the firm even though the designs prepared by them were not utilised.

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Finance

The Committee feel that with better planning and co-ordination the delay in commissioning the Silver Refinery plant could have been minimised. They trust that the reasons for the delay in completing civil works by the C.P.W.D. would be properly inquired into. As regards the agreement with the firm for supply of machinery and equipment, the Committee are of the view that, even if a new process was involved, Government should have insisted upon a schedule of machinery and equipment to be supplied by the firm being included in the agreement. They hope such cases will not recur.

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Rehabilitation

While appreciating the arduous nature of the task (settlement of compensation claims) and the difficulties involved the Committee would like to impress upon the Ministry, the necessity of expedition in dealing with such cases. The Committee hope that arrears will be cleared within the proposed time limit (financial year 1965-66).

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The Committee are surprised that a Ministry which is responsible for the realisation of arrears of rents in respect of acquired evacuee property do not have with them information regarding the break up

of the debtors. The Committee are further constrained to note that even after 16 years a sizable amount of Rs. 2.5 crores of rent remains still to be recovered and the Ministry have failed to liquidate the arrears outstanding against State Governments let alone the poor individuals. They feel that the Government machinery needs to be toned up to plug official delay and to effect better co-ordination between the regional centres, and the Ministry. The Committee would further suggest that if the pilot schemes now being worked out in Delhi and Punjab show favourable results, similar schemes may be introduced in other States also. In the light of the experience gained, the collection system should be re-oriented suitably.

23 26 -do-

The Committee are happy to note that Government have decided not to grant remission to those who fail to clear their arrears by 31st March, 1965. They hope that early steps will be taken to allot regular shops to occupants of the 'khokhas' so that other shop-keepers are no longer subjected to any handicap and Government are in a position to realise full rent.

24 27 -do-

The Committee regret that due to inadequate planning, vacillation in taking decisions at different levels and by choosing machines without testing their efficacies properly, Government had incurred an expenditure which with a proper planning could have been better utilised. The Committee are at a loss to understand why all the machines were purchased in one lot and even one was not put to test to ascertain that they would fulfil the expectations. The Committee are amazed that Government could accept a proposal to purchase

the plants even without assessing properly whether, raw material, spare parts and even technical know-how to erect them would be available from indigenous sources and whether the products would find a market. They further feel that the Government seem to have been tempted and had acted in a hurry to adopt the Japanese type industries without properly planning the different aspects of the scheme in as much as the machine sent to Charbatia was never opened, and put to use and was allowed to lie in crates.

The Committee are unable to accept the contention of the Government that for training purposes the defects were not of a serious nature. The Committee would like to stress that while making purchase of machinery, Government Departments should always ensure that it is free from defects. It is beyond the comprehension of the Committee how trainees could be benefitted if they had training on obsolete machines. They feel that public money was unnecessarily locked up due to the utter lack of initiative on the part of the Ministry in finalising the formalities for effecting the disposal of the machines. The fact that the machines could not be disposed of even after two years of a decision taken in this regard, according to the Committee, does not speak highly of the procedural efficiency. They urge that without any further loss of time, the machines be disposed of.

25 28 Rehabilitation

The Committee may be informed of the latest position regarding the recovery of the balance of the loan amounting Rs. 4.2 lakhs from certain Cooperative Societies.

26 29 -do-

The Committee observe that the irregularity (extra expenditure in deputation allowance) came to light only when it was pointed out by the Deputy Accountant-General. The fact that the officer was on deputation to the project should have been known earlier from the orders appointing him to the project and other papers from his personal file. The Committee hope that such irregularities will not recur.

27 30 -do-

The Committee desire to be informed if the reduced amount of Rs. 20,366 (as damage to roads) has since been accepted by the State Government and paid to them.

28 31 -do-

The Committee feel that even if there is no *mala-fide* in these transactions, (local purchase of spare parts) the action of the officer concerned was clearly and deliberately designed to circumvent the rules and resulted in an extra expenditure. They feel that the issue of warning to the Transport Officer was not a sufficient punishment in this case. The Committee feel that the supervision in this case was also weak.

29 32 -do-

The Committee are of the opinion that having regard to the negligible progress that was made during the years 1958-60 in settling refugee families, the purchase of *dal* should have been regulated with some degree of caution.

30 33 -do-

(i) The Committee feel that the scheme of procurement of *dal* and its sale to the displaced persons was prepared without any realistic assessment of demand, and that no care was taken to keep *dal* under

proper storage as a result of which a sizeable quantity became unconsumable within a period of two years. If the condition of *dal* was checked from time to time, the extent of deterioration would not have been so great and the loss to government would have been less.

The Committee are of the view that the Dandakarnya Development authority at the time of giving extension to the Supplier should have taken into account the changed circumstances viz., (i) the arrival of less number of displaced persons; and (ii) the slow consumption of *dal* by the displaced persons; and they should have availed of the opportunity for cancelling the unexecuted portion of the order. This would have minimised the loss on this account.

(ii) The Chief Administrator had informed Audit in February, 1966 that the observance of formalities prescribed by the rules delayed disposal of the material when it was still good. The Committee regret to note that failure to attend to usual formalities promptly had delayed disposal of goods. The Committee would suggest that Dandakarnya Development Authority should prepare estimates more realistically, and improve the system of inspection of stores so that similar cases do not recur.

The Committee regret to note that there is a good deal of delay on the part of the Department in adjusting the claims of producers, which has been stated as one of the reasons for not pressing the producers to settle the outstanding amount due to the Equalisation Fund.

The Committee are of the opinion that the difficulty about documentation etc. is not of such a nature as could not be overcome by the Department. In this connection, the Committee would like to draw the attention to their earlier observation contained in para 85 of their Eighth Report (Third Lok Sabha) wherein they had observed that undue delays in recovering outstandings due to the Fund as also long standing differences with the main producers indicate that the working of the Fund is not quite satisfactory.

The Committee desire that the recovery of the outstanding amount of about Rs. 4 crores which is due to the Equalisation Fund after adjusting the claims and counter claims (about Rs. 19 crores expected to be received and about Rs. 15 crores payment out of the Fund) in respect of past adjustments should at least be collected on account. The Committee also desire that a decision on the question regarding the difference in the price of imported steel and indigenous steel which is stated to be under consideration may be taken at the earliest. If necessary, a team of officers including a representative of the Ministry and of the Iron and Steel Controller and a representative of the Comptroller and Auditor General of India may be deputed with a specific direction to settle the outstanding at the earliest possible date.

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The Committee are surprised to note that the Government have no special control over the Joint Plant Committee even though they have made an initial advance to that Committee. It would be difficult to ensure, in the absence of any Governmental control that the instructions issued by the Government to charge common freight from all the consumers will be followed by the producers.

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From a Statement furnished at the instance of the Committee it is noted that the amount payable by the J.P.C. towards Freight Equalisation is Rs. 28,08,555.04 and that the monthly transactions of the J.P.C. also run into several lakhs of rupees. The Committee are of the opinion that when a scheme has the sanction of the Government and funds accumulate as a result thereof, there should be some sort of statutory control over the funds. For this purpose the proposed Bill to put it on a statutory footing should be brought before the Parliament as early as possible.

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Iron & Steel

The Committee suggest that the decision on the report of the Work Study Team appointed by the Department to assess the quantum of work left with the office of the Iron and Steel Controller as a result of decontrol and the requirements of staff appropriate to the work which are stated to be under consideration, may be expedited and the Committee informed of the final outcome. As the work in the office of the Iron and Steel Controller would be much less without Steel Equalisation Fund and retention price element, the Committee desire that steps should be taken to achieve maximum economy in regard to staff in that office.

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The Committee suggest that the process of settling the counter claims of the parties (main producers of steel) concerned should be expedited so that the net amounts due from them can be realised with the least possible delay.

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The Committee suggest that steps may be taken to convene the proposed meeting at an early date if not already done with the Accounts Importers and Audit representatives for the realisation of outstanding bills.

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From a note furnished at the instance of the Committee it is noted that a Demand Notice was issued on 5th January, 1965 for Rs. 10,64,752.95 but an amount of Rs. 75,000 only has been received on 20th January, 1965 by the Department. When no permission was granted to the party to make payment of the outstanding amount in instalments, it is not understood under what circumstances the Department had accepted the payment of Rs. 75,000. It is also not clear whether the Department have contemplated any further action against the party for the recovery of the huge balance. The Committee view with concern the manner in which the Department are proceeding in this case which is pending for a pretty long time. The Committee are unable to understand the inability of the Iron and Steel Controller to ascertain the amount due to the firm on account of transport charges and railway freight. When the firm had represented that some amount was due to them on account of transport charges and railway freight but were unable to find the supporting documents, the Department had granted them a time limit till 1st December, 1963 to submit their counter claims and had accepted the payment in instalments of Rs. 40,000 for four months. The Committee feel that efforts should have been made by the Iron and Steel Controller to ascertain the real position before the firm was granted a further time limit.

The Committee fail to understand as to why this amount was allowed to accumulate to such an extent and why it was not realised in time.

The Committee suggest that stringent measures may be taken to recover the outstanding dues from this firm. The desirability of filing a civil suit may also be examined. The Committee would like to be informed of the further action taken as well as about the progress of recovery in this case.

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Iron & Steel

The Committee trust that suitable steps will be taken by the Department to liquidate all the outstanding counter claims within a reasonable time.

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The Committee suggest that vigorous efforts should be made to recover the special advance and they would watch the progress of recovery through subsequent Audit Report.

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(i) The Committee consider it most unfortunate that due to the failure of the firm, the Railways had to make risk purchase of steel at a higher price. The Committee regret to note that there was inordinate delay on the part of the Department in supplying documents to the firm. The firm called for the documents regarding the risk purchase of steel in December, 1961, but action to get the particulars from the Railways was taken only in February, 1963. Some of the

documents were received from the Railways in October, 1963 and a few others in March-April, 1964. They were sent to the firm from time to time.

(ii) The Committee are further surprised to learn that conflicting versions were given by the Railways and the Iron and Steel Controller about the specifications of steel.

The Committee suggest that the responsibility for the delay in obtaining the relevant documents should be fixed and action taken against the officers found responsible. They also suggest that action to blacklist the firm may be taken if the firm defeats the Government claim merely on technical grounds.

(iii) It is unfortunate that the Bank guarantee under clause 10 of the agreement was not insisted upon and a custom clearance certificate was issued for 60 tons of steel without a Bank guarantee when it was known that such a procedure was incorrect. The Committee feel that had there had been a Bank guarantee, the Department would not have to face any difficulty in recovering the amount. The Committee suggest that the Bank guarantee clause should be strictly enforced in all such cases in future.

The Committee regret to note the inordinate delay at every stage in proceeding against the firms too for the recovery of the amount of Rs. 1.24 lakhs due to the Equalisation Fund and a sum of Rs. .08 lakhs on account of rent and municipal taxes due from the Calcutta firm. It is all the more regrettable that even after the receipt of the

letter dated 8th May, 1964 from the firm further action was taken by the Department only in January, 1965.

The Ministry of Law advised in September, 1960 that if on an enquiry it was found that the firm had sufficient assets against which Government could proceed in the event of obtaining a decree, necessary action for filing suits against the firms might be taken. The Committee feel that opinion of the Ministry of Law in this case was based more on practical considerations than on legal considerations. This was also partly responsible for delay in proceeding against the firms. Further though balance sheets of the firms received from the Registrars of Companies at Madras and Calcutta have disclosed sufficient assets of the firm to meet the demands of the Government no action has been taken yet to file a suit by the Government against the firms as is evident from Appendix.....

(ii) The Committee were told in the course of evidence that the legal Adviser in his note dated 15th July, 1963 had stated that "It is unfortunate that so much time should have been allotted to lapse by waiting for results of the arbitration which strictly speaking do not concern the Government." In view of the above observations of the legal adviser, it is not understood why Government should wait to recover their own claims till the dispute between the partners was disposed of, which did not in the least concern the Department,

The Committee also suggest that proper investigation should be made to see whether any officer was responsible for abnormal delays in this case and report sent to them.

(iii) A note furnished at the instance of the Committee shows that balance of Rs. 1.24 lakhs is due from the firms to the Equalisation Fund and the Iron and Steel Controller has sought advice of the Legal Advisers. In regard to the recovery of rent and Municipal taxes amounting to Rs. 8,190.25 a legal notice has been served on the firm by the Iron and Steel Controller. The Committee suggest that immediate action should be taken on the legal opinion when received. They also suggest that the possibility of taking suitable action against the firms for non-payment of dues to the Equalisation Fund may be considered.

41 44 Iron and Steel

The Committee regret to note that no attempt was made to persuade the contractor to reduce the rates when the source of supply was changed from U.K. to Japan and this resulted in an additional payment of Rs. 1.21 lakhs in the cost of M.S. Plates. The freight rates from Japan to India were lower than those from U.K. to India and to this extent, the Government should have benefitted.

42 45 -do-

The Committee regret to note that the supply was made by the firm not from materials directly imported but from materials purchased from another firm and the invoice was also not insisted upon because the Department considered that due to non availability of the documents, a negotiated price of Rs. 875 per tonne was considered

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reasonable which actually resulted in the payment of extra subsidy of over Rs. 25,000.

The Committee are also not in a position to accept the reasons advanced for not enforcing the provisions of the public Notice of April, 1952 fixing prices of Steel imported under commercial licence. It appears that no action has been taken by the Department against the officers responsible for the lapse which the Committee view with concern.

The Committee suggest that action should be taken to black-list the firm for their divergent statements and also to recover the excess subsidy immediately. They would like to be apprised of the final outcome.

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Iron and Steel

The Committee regret to note that the information furnished by the Department to Audit was not factually correct. They would like to invite the attention to their earlier observation contained in para 34 of their Twenty Third Report (Third Lok Sabha) and emphasise that the Ministries/Departments should furnish correct information to Audit based on indisputable facts.

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Deptt. of Mines and
Metals

The Committee have not been told of any reason why the bills for drilling work were not prepared, submitted and collected on the basis of schedule of rates fixed in 1952. The Committee are left with the impression that there was no seriousness in this matter. It was

handled casually with the result that Government dues were allowed to remain in arrears for a long time. It is seen from the notes furnished by the Ministry that even after the basis of calculating charges had been settled in April, 1962, the position relating to the preparation of the bills has not been satisfactory.

The Committee feel that the delay in obtaining the details of the work done by the field parties is not of such a nature as should result in under delays in the preparation of bills. They are of the opinion that such long delays in the realisation of the Government dues from the amount to an unauthorised financial assistance to the parties. Such delays can be obviated by upto-date maintenance of records of the work done and quick transmission of the information to the Head-Quarters.

(ii) The Committee suggest that the present procedure which is stated to be cumbersome and time consuming should be simplified and the scope for delays eliminated altogether.

45 48 -do-

The Committee suggest that vigorous steps should be taken to settle the outstanding bills (in respect of work done by G.S.I. for N.C.D.C.). The proposed meeting of the Accounts Officers may be convened immediately if not already held and the accounts settled at an early date.

46 49 Mines & Metals

The Committee suggest that at the time of making available the results of their investigations to the private parties for commercial

exploitation, the feasibility of recovering in advance the commercial price of the information and not merely the cost incurred thereon should be examined.

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Mines & Metals

The Committee regret to note that there were unfortunate delays in recovering the outstanding amounts from the private parties for which no satisfactory explanation has been given by the Ministry. The Committee are surprised to note that the Ministry issued instructions to I.B.M. only in November, 1963 to secure deposit before taking up the work on behalf of the private parties but those instructions have not so far been issued to G.S.I. when both the organisations are under the same Ministry doing work of almost similar nature.

The Committee suggest that no survey work should be undertaken on behalf of Private Parties or Government Corporation without receiving adequate amount of deposit. The Committee also recommend that in future no report or the result of the survey should be made available without recovering the full amount.

The Committee hope that suitable instructions will be issued by the Ministry to G.S.I. immediately to secure deposits from the parties concerned before taking up the work on their behalf. The Committee also hope that the department will introduce a system to assess the cost of the work at regular intervals and indicate the same to the parties concerned.

48 51 -do-

The Committee hope that with the setting up of the cost accounting cell in the I.B.M., the delay in preparation of bills will be avoided. They also hope that I.B.M. will pursue vigorously the cases of outstanding recoveries from the parties/projects mentioned in Audit para.

49 52 -do-

The Committee regret to note that it was only after the audit para was received that an attempt was made to prepare a list of equipment lying idle in stores. The Committee are surprised to note that there is no system of periodical verification and proper maintenance of stores. The argument that the difficulty was due to the lack of a properly qualified Stores Officer in the I.B.M. is not understandable to them. They feel that the difficulty could have been easily overcome by the timely appointment of a qualified Stores Officer.

The Committee hope that suitable steps will be taken by the Department immediately to rectify all the defects in the proper maintenance of stores records and regular system of periodical verification would be introduced. They may also be informed of the action taken for utilisation of servicable equipments and disposal of un-serviceable ones.

50 53 -do-

(i) The Committee are unhappy to note that the loans were granted to the Singareni Collieries before the terms and conditions in respect thereof were settled. They are not in a position to accept the contention that due to urgent needs of funds, the loans were sanctioned pending finalisation of the terms and conditions. Further
(ii) The Committee suggest that in such cases the agreements

there were omissions of not mentioning the time of repayment of the loan and the date on which the first instalment of interest was due for payment. This omission came to light only in November, 1959. After Audit drew the attention of the Department.

The Committee regret to note even after the loan had been given in 1959, there was inordinate delay in communicating the rate of interest, determined by the Department, to the Singareni Collieries. The Committee are unable to understand the reasons for the delay in communicating the rate of interest when the Ministry of Finance had decided on 1-8-1960 the rate of interest on loan of 10 years duration and loans between 10 and 19 years.

(ii) The Committee feel that the action of the Ministry in taking up the case of Singareni Collieries again with the Ministry of Finance actually resulted in the delay in the realisation of interest and this amounted to unauthorised financial assistance to the Company.

They feel that pending decision of the reduction in the rate of interest, the Deptt. should have provisionally recovered interest at the rate determined by Ministry of Finance.

(iii) The Committee suggest that in such cases the agreements should be drafted in unambiguous and clear terms to avoid at a later

stage any difficulties in the interpretation of the terms and conditions and a uniform procedure should be laid down in consultation with the Ministry of Finance in regard to the grant of loan and payment of interest etc.

51 54 Mines and Metals

The Committee feel that the achievements of the Singareni Collieries during all the years mentioned in the Report are short of targets fixed in the Third Five Year Plan. As against the target of 5.74 million tons of coal, the company has achieved a capacity of 4.15 million tons though the amount earmarked for 5.74 million tons target has been spent. Such a performance is therefore disappointing. They hope that attempts will be made to achieve the targets in regard to production.

52 55 Works and Housing

The Committee are unhappy to note that the audit of N.D.M.C. Accounts for the period from 1st December, 1958 to 31st July, 1962 has not been carried out so far.* The Committee fail to understand why on account payment was not taken from N.D.M.C. pending the final audit of the accounts. They trust that the matter would be expedited and an early settlement reached on this issue of "direction charges" to be realised from the N.D.M.C.

The Committee may also be apprised of the final position relating to the realisation of the Direction Charges from N.D.M.C.; both in regard to (a) the exact basis of payments and (b) the quantum of payment.

*The Committee understand from audit that the accounts for the period upto 31-3-1961 had duly been audited by the A.G.C.R. by May-June, 1961 and that audit notes issued in that connection were settled in February, 1964 by a special audit party deputed for the purpose.

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53	56	Works and Housing	Even if definite number of staff to be employed (by the caterer in Hotel Janpath) is not stipulated, it was clear on the basis of hours of duty and number of beds etc. that a certain minimum number of staff was expected to be employed. This was not done and hence a breach of the agreement was committed. The Committee would like the Ministry to examine this aspect further.
54	57	-do-	The Committee are unhappy to note that the Management of Hotel Janpath did not consider it necessary to review the situation from time to time and ensure that the conditions of the agreement were being fulfilled specially in regard to the employment of the required number of staff. The very fact that the Cabinet had to take notice of the complaints indicates that the position was extremely unsatisfactory.
55	58	-do-	The Committee are surprised to note that even though no written request for the increase in the catering rates was received from the caterer, the catering rates were increased w.e.f. 1st August, 1962. The Committee were informed that one of the reasons for increasing the rates was to compensate the caterer who was asked to appoint more staff. Audit had, however, calculated that the net decrease/increase in the number of different categories of staff required to be employed by the caterer w.e.f. 1st August, 1962 as compared to the minimum number before this date would result in a reduction of expenditure to the caterer to the extent of Rs. 3,515 per month.

This shows that the question was not properly considered before allowing an increase in the rates.

56 59 -do- The Committee may be apprised of the position regarding recovery of the balance of Rs. 6701/- outstanding on 31-12-1964 on account of lodging charges from the parties.

57 60 -do- The Committee consider it extremely unsatisfactory that the rent for the period January 1959 to March, 1963 from licensees of cabins and shop-windows was allowed to accumulate instead of realising it on month-to-month basis. They would like that responsibility should be fixed for this lapse.

The Committee may also be apprised of the final position of the recovery of the amounts outstanding from the 3 parties against whom legal action is being taken for effecting recovery.

58 61 -do- (i) This information regarding reasons for delay in finalisation of contractors accounts is still awaited.

(ii) The Committee desire that Government may investigate how the procedure is defective and to what extent delays have been caused by the lapses of the individual officers.

(iii) The Committee may also be informed if the reasons for overpayment in all these 8 cases (*vide* serial Nos. 8, 10, 12 of Section A and Serial Nos. 2, 4, 5, 6, 7 and 8 of Section B of Appendix XI to Audit Report) have been investigated responsibility fixed and action taken against the officials responsible for over-payment.

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			The Committee also desire that Government may devise some machinery by which this work can be expedited, as delay in finalisation of cases may render the amounts due to Government irrecoverable after a lapse of time.
59	62	W. and H.	The Committee suggest that the feasibility of appointing a Registrar of arbitration cases for expeditious disposal of such cases may be seriously examined. The Committee suggest that in every case where an award is given against Govt., a careful study of the reasons for the same should be undertaken with a view to taking remedial steps including disciplinary action where called for.
60	63	-do-	The information (reasons why defects in certain cases were not pointed out to Contractors) is still awaited. Meanwhile, the Committee desire that the question of fixing the responsibility in the 4 cases involving a total amount of Rs. 37,231 to Government may be examined.
61	64	-do-	The Committee desire to be informed if any responsibility has been fixed for the defective execution of the work (referred in para 64) departmentally.
62	65	-do-	The Committee feel that the percentage of cases in which defects were noticed during the period July 1962 to March 1963 being 55 is high. Further it is understood from the Chief Technical Examiner's reports that in respect of one category viz. works the per-

centage of cases in which objections were raised in the course of site examination conducted by C.T.E. during January 1962 to June 1962 and July 1962 to March 1963 was as high as 95 per cent and 90 per cent respectively. The Ministry in a note furnished on the recommendations contained in Para 42 of 24th Report of the Public Accounts Committee (Third Lok Sabha) has stated that proposals are under consideration to relieve the executive engineers from heavy desk work and to enable them to devote more attention to field supervision. The Committee may be informed of the result of the action taken.

The Committee may also be informed of the steps taken by Government to secure an expeditious decision in cases reported by the Chief Technical Examiner.

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-do-

(i) The Committee may be apprised of the latest position regarding recovery of the balance amount of overpayment of Rs. 3:42 lakhs.

The Committee may also be informed of the action taken to ensure proper supervision so as to avoid the types of irregularities mentioned in the Audit para and also the action taken against the officers responsible for these irregularities.

(ii) The Committee desire that the Ministry may devise a form which would give a more realistic picture of the functioning of the C.P.W.D.

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-do-

The Committee regret to note that there has been undue delay in finalisation of cases involving disciplinary action. The Commit-

tee hope that every endeavour should be made by the Ministry to finalise these cases without further delay.

The Committee would like to be informed of the final outcome of the remaining 24 cases.

65 68 Works and Housing

(i) The Committee regret to note that the economics of the scheme to supply water from Cantonment Area to R. K. Puram was not properly examined and implemented by C.P.W.D. As disclosed in the evidence, by spending an amount of Rs. 15.93 lakhs on this scheme, they could have avoided loss of revenue of more than Rs. 35.25 lakhs till 1962-63 due to non-occupation of quarters.

(ii) The Committee regret to observe that in spite of the observations made in para 89 of their 25th Report (1959-61) and para 239 of their 42nd Report (1961-62) that the Ministry of Works & Housing should take proper steps to ensure better coordination between the C.P.W.D. and Delhi Municipal Authorities especially in the matter of provision of ancillary services, this kind of lack of coordination between the Delhi Municipal Authorities and C.P.W.D., year after year was resulting in serious loss to the exchequer.

The Committee desire that Government should examine how senior officers exercise their responsibilities in this respect and ensure that all the pre-requisites such as water supply, electricity etc. would be available in the area to ensure completion of the work within the time schedule as approved by them in preliminary estimates.

If the Ministry of Works & Housing embark upon a large project of construction of quarters, and if the Municipal agencies are not sure of arranging adequate water supply, the Ministry should take upon itself, the responsibility of arranging adequate water supply etc. from the alternative sources. Otherwise there is no point in constructing a large number of quarters and then allowing them to remain unoccupied for want of basic amenities like water supply, drainage, electric supply etc.

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| 66 | 69 | -do- | The Committee may be informed of the final disposal of the balance stock worth Rs. 26,000. |
| 67 | 70 | -do- | The Committee may be informed of the disposal of the balance miscellaneous stores worth Rs. 1.32 lakhs. |
| 68 | 71 | -do- | The Committee note that the balance of the stocks of electrical fittings has come down to Rs. 2,01,804, as on 6th February, 1965. They hope that this balance of stores will be liquidated soon and such accumulation of stores will not arise in future. |
| | | | The Committee may also be apprised of the final disposal of these surplus electrical stores. |
| 69 | 72 | -do- | The Committee desire that the responsibility for the failure to review the stores in stock and to take appropriate action in time may be fixed by the Ministry. |
| 70 | 73 | -do- | The Committee desired to be furnished with a copy of the opinion given by the Law Ministry and the terms of reference thereof in |

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connection with the question of recovery of rent for furniture etc. The Committee regret to state that the information is still awaited.

71 74 Works and Housing

The Committee observe that only in 1964, the Ministers were informed that there was so much excess of furniture at their residences and if they so desired they could return the same. This was a very unsatisfactory position from the point of view of the concerned Minister: (a) they were not told that they were having excess furniture (b) they were not told that they owed any amount to the Government. There was a clear failure on the part of the Ministry of Works and Housing in not preparing proper list of furniture, electrical appliances in each of the houses allotted to Ministers/Deputy Ministers, and not giving prompt intimation about the excess items that become liable to rent with the framing of the Rules from the 1st May, 1962. Since such list of furniture etc. was being kept in every C.P.W.D. enquiry office from where the house and furniture were allotted, this failure becomes inexplicable. The Committee desire that reason for this failure may be investigated and responsibility fixed.

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-do-

The Committee regret to note that the fact that Estate Office was ignorant of the Rule regarding special inspection of Ministers residences is a serious lapse on the part of the Estate Office and desire that necessary instructions may be issued in the matter.

The Committee desired to be furnished with a note showing whether a list of furniture and electrical appliances supplied at the residences of Ministers and Deputy Ministers was maintained since 1953 onwards till 1963 and if not, the reasons therefor.

This information is still awaited.

73 76 -do-

The Committee may be informed of the final position of the reconciliation of quantity ledgers with stock ledgers in the Publication Branch.

74 77 -do-

The Committee may be informed of the results of the physical verification conducted during April-May, 1964 in the Publication Branch.

75 78 -do-

The Committee desire that vigorous steps should be taken to recover the outstanding amount from Sundry Debtors and the Committee be apprised of the recoveries made.

76 79 -do-

The Committee would like to be informed of the final position of the recovery of the amount overpaid from the present owners.

The Committee may also be apprised of the result of the examination of the question of fixing responsibility on the divisional accountant concerned.

77 80 Finance

The Public Accounts Committee had in the past taken serious note of the delays in furnishing utilisation certificates by the grantees. In Para 28 of their 25th Report (Third Lok Sabha) they had desired that the Ministry of Finance should review the position and take necessary measures to ensure that further grants are not made to

institutions which default in submission of utilisation certificates in time. The Committee had also suggested that the position in this regard should be streamlined by the Ministry of Finance so that Government are able to exercise proper checks and vigilance through the Financial Advisers attached to the autonomous bodies etc. receiving large grants. The Committee regret to observe that the position of utilisation certificates in respect of grants given to Non-Government institutions, bodies etc. continues to be far from satisfactory. They would urge upon the Ministry of Finance to implement their above mentioned recommendations without further delay.

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External Affairs

The Committee would like to be informed whether the proposed meeting between the officials of the Ministry and the official of the Audit Department was convened and if so, with what results.

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Finance

(i) Commenting on the position of outstanding objections and inspection reports as reported in Audit Report (Civil), 1963, the Public Accounts Committee (1963-64) in their 25th Report (Third Lok Sabha) had desired that such of the Ministries as had not designated a special officer to deal with audit objections with a view to ensuring their prompt disposal should soon take necessary action in the matter. The Committee had also suggested that a procedure should be laid down to pick up for disposal more important objections which call for early settlement and which might otherwise involve possible loss

to Government. The Committee have been informed that the Ministries have been advised to take early action for designation of special officer for the purpose. As regards evolving of a suitable procedure it has been stated that the existing orders stipulate that the Ministries should bestow special care in respect of such objections as involved the possibility of recurring loss.

The Committee feel that there is still scope for improvement in the extant procedure. They trust the Ministry of Finance will further impress upon the administrative Ministries the necessity of making greater efforts to dispose of old objections and avoid their accumulation in future.

(ii) Apart from the prompt disposal of Audit Objections, the Committee would like Government to ensure that the executive officers are well conversant with Rules and Regulations pertaining to financial matters, so that the number of Audit Objections is substantially reduced.

80	83	Industry & Supply	The Committee are not happy over the delay in settling the matter finally as the scheme had been closed prior to 1950. The Committee would like this matter to be settled with the firm at an early date and the case closed after necessary adjustments.
81	84	Food and Agriculture (Deott. of Agri.)	Now that all the items of equipment had been disposed of, the Committee find no reason why there should be further delay in closing the accounts. They trust that this would be done without delay.

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82	85	Industry & Supply	The Committee desire that both these cases mentioned in para 85 of Report which are very old should not be kept pending unnecessarily any longer. Early steps should, therefore, be taken to finalise them and adjust the balances.
83	86	Commerce	The Committee would like these 3 outstanding pension cases to be settled at an early date.
84	87	Finance	The Ministry of Finance have furnished a statement showing action taken on this recommendation of the P.A.C. contained in para 17 of 25th Report (Third L.S.). It has been stated therein that "it is considered advisable to wait for the position in the subsequent years before setting up a Committee as recommended by the Public Accounts Committee". The Committee, however, find that there has not been any appreciable improvement in the position. They, therefore, reiterate that as already suggested a Committee with a senior officer of the Comptroller and Auditor General and another senior officer of the Ministry of Finance should examine the problems connected with the settlement of retirement dues.

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Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
24.	The Central News Agency, 23/90, Connaught Place, New Delhi	15	31.	The United Book Agency, 48, Amrit Kaur Mar- ket, Paharganj, New Delhi	88
25.	The English Book Store, 7-L, Connaught Cir- cus, New Delhi	20	32.	Hind Book House, 82, Janpath, New Delhi	95Y
26.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23	33.	Bookwell, 4, Sant Naran- kari Colony, Kingsway Camp, Delhi-9	96
27.	Bahree Brothers, 188, Lajpat Rai Market, Delhi-6	27	MANIPUR		
28.	Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi	66	34.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annexe, Imphal.	77
29.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi.	68	AGENTS IN FOREIGN COUNTRIES		
30.	People's Publishing House, Rani Jhansi Road, New Delhi	76	35.	The Secretary, Establish- ment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.-2.	



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