

PUBLIC ACCOUNTS COMMITTEE

1959-60

TWENTY-FIFTH REPORT

(SECOND LOK SABHA)

[Appropriation Accounts (Civil), 1956-57 and 1957-58 and
Audit Reports (Civil), 1958 and 1959]

VOL. I—REPORT

[Introduction, Chapter I---Financial Results of the Government of India (Civil Grants) 1956-57 and 1957-58, Chapter II---Budgeting and Control over Expenditure and Chapter III---Important observations on Individual Ministries--Commerce and Industry, Finance (including Rehabilitation Finance Administration), Health, Irrigation & Power, Rehabilitation, Steel, Mines & Fuel and Works, Housing and Supply.]



LOK SABHA SECRETARIAT
NEW DELHI

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CONTENTS

	PAGE
Composition of the Public Accounts Committee (1959-60)	(iii)
Introduction	(v)
CHAPTER I.—Financial Results of the Government of India (Civil Grants) 1956-57 and 1957-58	1
CHAPTER II.—Budgeting and Control over Expenditure	5
CHAPTER III.—Important Observations on Individual Ministries—	
Commerce and Industry	10
Finance	23
Rehabilitation Finance Administration	27
Health	28
Irrigation and Power	32
Rehabilitation	33
Steel, Mines and Fuel	37
Works, Housing and Supply	45

APPENDICES

Appendix I.—Summary of main conclusions/recommendations contained in Vol. I of the Twenty-fifth Report of the Public Accounts Committee	59
Appendix II.—Note regarding the production of ammonium sulphate at the Sindri Fertilizers and Chemicals Ltd.	81

**COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
1959-60**

CHAIRMAN

Shri Upendranath Barman*

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3. Shri Maneklal Maganlal Gandhi
4. Pandit Jwala Prasad Jyotishi
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20. Shri Surendra Mohan Ghose
21. Shri Jaswant Singh
22. Shri S. Venkataraman.

SECRETARIAT

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

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

*Shri Upendranath Barman was elected to serve as a Member of the Public Accounts Committee on the 10th September, 1959 [Vice Dr. P. Subbarayan, who ceased to be a Member of the Committee on his appointment as a Minister] and was appointed as the Chairman of the Committee on the 12th September, 1959.

INTRODUCTION

1. the Chairman of the Public Accounts Committee, having been authorised by the Committee to present the Report on their behalf, present this Twenty-fifth Report on the Appropriation Accounts (including Proforma Commercial Accounts) (Civil), 1956-57 and 1957-58 and Audit Reports thereon.

2. The Appropriation Accounts (including Proforma Commercial Accounts) (Civil), 1956-57 and 1957-58 and Audit Report, 1958 and 1959 were laid on the Table of the House on the 19th December, 1958 and 27th August, 1959 respectively.

3. The Committee examined these Accounts and Audit Reports thereon during their sittings held in October and December, 1959.

4. The present Report of the Committee covers the Accounts for the years 1956-57 and 1957-58. To facilitate easy reference, the Report has been split up into two Volumes. The first Volume deals with the Ministries of Commerce and Industry, Rehabilitation, Finance (including Rehabilitation Finance Administration), Health, Irrigation and Power, Steel, Mines and Fuel and Works, Housing and Supply. The other Volume will cover the remaining Ministries and the Minutes of all the sittings of the Committee.

5. At their sitting held on the 22nd October, 1959, the Committee appointed a sub-Committee to examine in detail certain aspects of the working of the Iron and Steel Controller's Organisation, Calcutta referred to in paragraphs 36 to 39 of Audit Report (Civil), 1958—Part I and paragraphs 35 and 37 of Audit Report (Civil), 1959—Part I. The sub-Committee studied the Iron and Steel Controller's Organisation on the spot and held informal discussions with its representative as well as with the Secretary, Ministry of Steel, Mines and Fuel (Department of Iron and Steel). The various observations and conclusions of the sub-Committee as adopted by the Public Accounts Committee have been embodied in their Twenty-sixth Report (Second Lok Sabha).

6. During the course of the examination of these Accounts and Audit Reports thereon, certain Ministries brought to the notice of the Committee information which had not been furnished to Audit in time and as such was not taken into account in finalisation of the

relevant paragraphs in the Audit Reports. The Comptroller and Auditor General apprised the Committee of the existing procedure laid down by the P.A.C. in paragraph 12 of their Report on the accounts for 1943-44, which was circulated by the Finance Department in 1946, according to which the Ministries were given six weeks to verify the facts included in the draft Audit paragraph and in case the Ministries did not furnish the requisite information to Audit within this period, the paragraph as prepared by Audit was treated as final and included in the Audit Report. The Committee's attention was also invited to paragraph 37 of their First Report (First Lok Sabha) wherein they had deprecated the tendency on the part of the Ministries to refute the facts embodied in the Audit Reports. *They would reiterate their earlier recommendations and trust that the Ministries will always make it a point to furnish the requisite information to Audit within the prescribed period of six weeks. If in exceptional cases it is not possible to do so, the correct position should be furnished to the Committee through Audit so as to enable them to arrive at proper conclusions.*

7. The Committee considered and approved this Report at their sittings held on the 16th, 17th and 22nd March, 1960.

8. A statement showing the summary of the main conclusions/recommendations of the Committee has been appended to this Report (Appendix I). For facility of reference, these have been printed also in italics in the body of the Report.

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

NEW DELHI;

The 22nd March, 1960.
Caitra 2, 1882.(Saka)

UPENDRANATH BARMAN

Chairman,
Public Accounts Committee.

I

FINANCIAL RESULTS OF THE GOVERNMENT OF INDIA (CIVIL GRANTS), 1956-57 AND 1957-58

During the year 1956-57, the Voted Grants for Civil Expenditure stood at Rs. 868·22 crores (original Rs. 739·76 crores and supplementary Rs. 128·46) and appropriations for 'charged' expenditure stood at Rs. 3410·88 crores (original Rs. 3405·05 crores and supplementary Rs. 5·83 crores). The total expenditure against these grants and appropriations was Rs. 682·33 crores and Rs. 2946·90 crores respectively. Out of this expenditure, Rs. 430·65 crores were on Revenue Account, Rs. 335·25 crores on Capital Account and Rs. 2863·33 crores on disbursement of Loans and Advances. There was thus a net saving of Rs. 649·87 crores over final grants and appropriations (Voted Grants Rs. 185·89 crores and Charged Appropriations Rs. 463·98 crores).

Savings aggregating Rs. 194·02 crores occurred in 131 out of 142 Grants the percentage of savings ranging from ·01 to 100. Fourteen Grants alone were responsible for about 75% of the total savings of 194·02 crores. Similarly, there were savings of Rs. 464·11 crores in 27 out of 32 Charged Appropriations. The Appropriation "Loans and Advances by the Central Government" accounted for a saving of Rs. 70·46 crores and "Repayment of Debt" for Rs. 387·08 crores. Under these heads, there were large savings in the preceding years also.

2. During the year 1957-58, the Voted Grants for Civil Expenditure stood at Rs. 1137·25 crores (original Rs. 1070·73 crores and supplementary Rs. 66·52 crores) and appropriations for 'charged' expenditure stood at Rs. 4361·40 crores (original Rs. 3924·40 crores and supplementary Rs. 437·00 crores). The total expenditure against these grants and appropriations was Rs. 921·45 crores and Rs. 4355·83 crores respectively. Out of this expenditure, Rs. 580·82 crores were on Revenue Account, Rs. 494·19 crores on Capital Account and Rs. 4202·27 crores on disbursement of Loans and Advances. There was thus a net saving of Rs. 221·37 crores over final grants and appropriations (Voted Grants Rs. 215·80 crores and Charged Appropriations Rs. 5·57 crores).

Savings aggregating Rs. 218·65 crores occurred in 118 out of 129 Grants, the percentage of savings ranging from ·13 to 78·7. Thirteen

Grants alone were responsible for about 80% of the total savings. Similarly, there were savings of Rs. 6.80 crores in 30 out of 37 Charged Appropriations.

Obviously, these large savings during 1956-57 and 1957-58 indicate overbudgeting and provision made prematurely for schemes. The statement below shows the savings under Capital Heads of the accounts:—

	1956-57	1957-58
(in crores of Rs.)		
Final Grants and Appropriations	425.14	620.55
Savings	89.89	126.36
Percentage of Savings	21.14	20.36

3. The percentage of savings and excesses as compared with the original and final grants or appropriations as modified by supplementary Grants or Appropriations was as follows:—

	1956-57		1957-58	
	Savings] or Excesses		Savings Or Excesses	
	(-)	(+)	(-)	(+)
	Original	Final	Original	Final
Voted	(-)7.76	(-)21.41	(-)13.94	(-)18.98
Charged]	(-)13.45	(-)13.60	(+)10.99	(-)0.13

4. The following table shows at a glance the particulars of the original and final grants or appropriations and the expenditure actually incurred against them under the heads—

	(i) Revenue (ii) Capital, and (iii) Loans and Advances			(In thousands of Rupees)		
	1956-57			1957-58		
	Original Grant or Appropriation	Final Grant or Appropriation	Actual expenditure	Original Grant or Appropriation	Final or Appropriation	Actual expenditure
Expenditure met from Revenue (Voted)	3,19,38,26	3,35,19,27	2,80,94,81	4,05,35,30	4,30,53,61	3,64,25,66
Expenditure met from Capital (Voted)	3,17,61,53	4,25,01,01	3,35,17,88	5,79,03,68	6,20,37,61	4,94,08,45
Disbursements of Loans and Advances (Voted)	1,02,76,66	1,08,01,66	66,20,21	86,33,44	86,33,44	63,11,72
TOTAL (Voted)	7,39,76,45	8,68,21,94	6,82,12,90	10,70,72,42	11,37,24,66	9,21,45,23
Expenditure met from Revenue (Charged)	1,50,31,99	1,56,08,05	1,49,69,81	1,71,01,06	2,16,91,02	2,16,56,82
Expenditure met from Capital (Charged)	5,62	12,68	7,07	12,29	17,05	10,24
Disbursements of Loans & Advances (Charged)	32,54,67,50	32,54,67,50	27,97,13,37	37,53,27,08	41,44,32,03	41,39,15,47
TOTAL (Charged)	34,05,05,11	34,10,88,23	29,46,90,25	39,24,40,43	43,61,40,10	43,55,82,53
TOTAL Expenditure met from Revenue	4,69,70,25	4,91,27,32	4,30,64,62	5,76,36,36	6,47,44,63	5,80,81,88
TOTAL Expenditure met from Capital	3,17,67,15	4,25,13,69	3,35,24,95	5,79,15,97	6,20,54,66	4,94,18,69
TOTAL Disbursements of Loans and Advances	33,57,44,16	33,62,69,16	28,63,33,58	38,39,60,52	42,30,65,47	42,02,27,19
GRAND TOTAL (Charged and Voted)	41,44,81,56	42,79,10,17	36,29,23,15	49,95,12,85	54,98,64,76	52,77,27,76

Excesses over Voted Grants/Charged Appropriations.

5. Despite large savings over the total final grants as stated in paras 2 and 3 above, the actual expenditure during the year 1956-57 exceeded Voted Grants/Appropriations in 15 cases—11 Voted Grants and 4 Charged Appropriations. The Committee had already examined these excesses and submitted a separate Report *viz.*, Sixteenth Report (Second Lok Sabha) recommending the regularisation of those excesses in accordance with the provisions of Article 115 of the Constitution. These excesses have been regularised by Parliament *vide* Appropriation (No. 5) Act, 1959 (Act No. 35 of 1959).

6. Similarly during the year 1957-58 the actual expenditure exceeded Voted Grants/Appropriations in 15 cases—11 Voted Grants and 4 Charged Appropriations. The Committee have also examined these excesses and have submitted a separate Report *viz.*, Twenty-third Report (Second Lok Sabha), recommending the regularisation of these excesses in accordance with the provisions of Article 115 of the Constitution.

II

BUDGETING AND CONTROL OVER EXPENDITURE

6. Supplementary Grants to the extent of Rs. 128·45 crores were obtained during the year 1956-57, representing 17·37 per cent of the original Voted Grants. Out of the total gross savings of Rs. 194·02 crores in Voted Grants a sum of Rs. 166 crores was surrendered before the close of the year. The latter included a sum of Rs. 21 lakhs surrendered from Grants which resulted in excess. Most of these surrenders were made towards the close of the year. *The Committee feel that such surrenders made towards the close of the year do not serve any purpose as these could not be diverted for other purposes at that stage.* Similarly, Supplementary Grants aggregating Rs. 66 crores were obtained during 1957-58, representing 6·2 per cent of the original Voted Grants. Out of the total gross savings of Rs. 218·65 crores on voted grants, a sum of Rs. 176 crores was surrendered.

7. Ten supplementary Grants aggregating Rs. 7,54,74,000 obtained during 1956-57 proved to be eventually unnecessary. Similarly in the year 1957-58, 9 supplementary Grants aggregating Rs. 14,61,07,000 proved to be unnecessary. *In both the years there were also cases where substantial portion of the supplementary grants or appropriations remained unutilised.*

There were also several cases of re-appropriation and modifications under individual sub-heads which turned out to be either excessive or unnecessary. All this indicates defective control over expenditure.

8. The Committee have already made a number of recommendations on estimates and financial control in their Eighth Report (Second Lok Sabha) and the Ministry of Finance (Department of Economic Affairs) have issued comprehensive instructions in their O.M. No. F. 9(5)-E(Coord)/58, dated the 18th August, 1958, enhancing the financial powers of the administrative Ministries and remodeling the administrative processes relating to the preparation of budget and supplementary estimates and the financial approval to new schemes. The impact of these instructions can only be known when the accounts for the year 1959-60 are taken up by the Committee for examination.

9. The Comptroller and Auditor General has observed in his Report (1959) on the Accounts for 1957-58 that the utilisation of the appropriations by itself is no index of the wisdom of the expenditure incurred. He has added that there had been cases in which projects and programmes once accepted were continued even when it became evident that their initial planning and location were faulty and that they would fail to fulfil largely the purposes for which they were undertaken. *The Committee are inclined to endorse the above observations. In this connection they would draw attention to the Silver Refinery Project (paras 35-36), Pilot Plant for production of different types of paper*, Establishment of a show-room-cum-Trade Centre in Geneva (paras 13-16), and **Acquisition of premises for the Tourist Office in Paris.* Another aspect of injudicious spending referred to by the Comptroller and Auditor General was the rush of expenditure in March to avoid lapse of funds. *The Committee attach great importance to the even flow of expenditure during the year as haste results in waste.*

10. *It has been observed by the Comptroller and Auditor General that the first canon of financial propriety, viz. that those in control of public expenditure should exercise the same care and prudence as they do in regard to their personal expenditure was not "infrequently disregarded." Considerable economies, more particularly in the major projects, can be effected if this salutary principle is scrupulously observed. The Committee trust that Government will bestow thought on these observations.*

11. The Committee will now refer to some of the specific cases of over-budgeting and laxity of control over expenditure during the years under report as disclosed in the respective Audit Reports.

(a) **Ministry of Community Development**

*Appropriation Accounts (Civil), 1957-58, Vol. III, Grant No. 105—
Capital Outlay of the Ministry of Community Development.*

Out of a total provision of Rs. 1,67,49,000 under this Grant there was a saving of Rs. 1,02,06,314, viz. 60.9 per cent.

The Committee were informed that the estimates proved wrong due to non-arrival of equipments from the U.S.A. under the T.C.M. agreements and over-estimating of their costs in the first instance on the advice of foreign experts.

*See paras relating to the Ministry of Food & Agriculture (Deptt. of Agriculture) in Volume II of this Report.

**See paras relating to the Ministry of Transport & Communications (Deptt. of Transport) in Volume II of the Report.

(b) Ministry of External Affairs

Appropriation Accounts (Civil), 1956-57, Vol. VI, Grant No. 22—Tribal Areas.

Out of the final provision of Rs. 6,66,08,000 under this Grant, there was a saving of Rs. 1,96,94,767, viz., 30 per cent.

The Committee were informed that there had been a considerable improvement in budgeting in 1958-59. But certain difficulties still remained to be removed. The non-receipt of debits from the Ministry of Defence, who did the work, was the main difficulty. *The Committee desire that the Ministry of External Affairs should in consultation with the Ministry of Defence and Audit evolve a suitable procedure to ensure that the debits in respect of supplies and services are adjusted in the accounts without delay.*

(c) Ministry of Food & Agriculture

(Department of Agriculture)

Appropriation Accounts (Civil), 1956-57, Vol. VII, Grant No. 44—Agriculture, page 48.

Out of a provision of Rs. 16,38,62,000 under this Grant, there was a saving of Rs. 673,25,185 as the large provisions for Grants to State Governments for Grow More Food and other agricultural schemes remained unutilised.

The Committee were informed that in regard to several of the schemes, there had been a delay in starting the work as provision was made on the basis of the Five Year Plan without any regard to the capacity of the States concerned to implement the project. At the same time, due to the reorganisation of States during this year a number of States could not utilise the amount that was provided for in the budget. *The Committee desire that Government should ensure that in future provision in the budget is made for sanctioned schemes with due regard to the capacity of the States concerned for implementing the projects.*

(d) *Appropriation Accounts (Civil), 1957-58, Vol. VII—Grant No. 45—Civil Veterinary Services.*

Out of a provision of Rs. 1,44,35,000 under this Grant, there was a saving of Rs. 57,59,282. Provision for grants to States under group-head C remained largely unutilised.

The Committee enquired about the progress made in the rinderpest scheme. They were informed that the scheme had been successful although the entire country had not yet been covered. The non-

utilisation of grants was due to non-availability of equipment and trained personnel in the States and the late starting of the scheme.

(e) Ministry of Health

Appropriation Accounts (Civil), 1956-57 and 1957-58, Vol VIII.

The Committee noticed large savings under the heads "Medical Services", "Public Health" and "Capital outlay of the Ministry of Health" during 1956-57. They were informed that there was in the first instance considerable delay at the Centre in settling the pattern of assistance to State Governments for executing the Centrally-sponsored schemes. And, in some cases, where the pattern of assistance was communicated to the State Governments, the latter took a long time to submit their schemes. *The Committee feel that such delays should be avoided in future.*

(f) Ministry of Home Affairs

Appropriation Accounts (Civil), 1956-57 and 1957-58, Vol. IX.

The Committee noticed savings under the following Grants during the year 1956-57, the percentage of savings ranging from 12.5 to 52:

51—Ministry of Home Affairs.

57—Andamans and Nicobar Islands.

62—Miscellaneous Departments and Expenditure under the Ministry of Home Affairs.

131—Capital Outlay of the Ministry of Home Affairs.

In the following year also, the same Grants resulted in large savings which ranged from 12.9 to 73.7 per cent.

During the year 1956-57, there was also a saving of Rs. 76.25 lakhs under Grant No. 58—Kutch against the total provision of Rs. 1.48 crores. The Committee were informed that the transfer of Kutch to Bombay State on 1st November, 1956 under the States Re-organisation Act accounted for the shortfall, as the funds had been provided for the full year.

Regarding the savings of Rs. 2.18 crores out of the budgeted amount of Rs. 5.24 crores under Grant No. 62—Miscellaneous Departments and expenditure under the Ministry of Home Affairs, in the year 1956-57, the Committee were informed that the grant had been sanctioned for the purposes of grants-in-aid to State Governments for statistical work, social and moral hygiene and after-care services and welfare of backward classes. But the scheme for statistical purposes could not be implemented by the States due to shortage of

qualified personnel, time taken for recruitment of staff and setting up of the statistical agencies and post-budget modifications of the scheme. *Provision of such a large sum for a scheme without ascertaining whether it could be successfully implemented during the budget-year was prima facie wrong.* There was also considerable dislocation in the work to be done for backward classes due to re-organisation of States.

(g) Ministry of Labour and Employment

Appropriation Accounts (Civil), 1956-57, Vol. XIII—Grant No. 71—Chief Inspector of Mines.

There was a saving of Rs. 11,98,906 out of a total provision of Rs. 24,40,000 under this grant, viz. 49 per cent.

Explaining the reasons for savings, the Secretary of the Ministry stated that in spite of repeated advertisements, Government could not get the requisite technical personnel. With the improvement in the pay scales agreed to by Government, it was hoped that vacancies would be filled up. The Committee enquired why the Ministry could not train some personnel at their own expense. It was stated in evidence that training facilities were being increased, but the course of training being very lengthy, the suggestion would not provide an immediate solution to the problem. *The Committee are surprised that in spite of such uncertainties of which the Ministry were fully aware, provision was made so liberally.*

(h) Ministry of Scientific Research and Cultural Affairs

Appropriation Accounts (Civil), 1956-57, Vol. V. and 1957-58, Vol. XV.

The Committee noticed large savings under the heads "Botanical Survey" and "Zoological Survey" being 36% and 61% of the respective final grants during the year 1956-57 and 35% and 49% of the final grants during the year 1957-58.

The savings were explained as due to delay in taking up the projects. It was added that at the time of framing the budget for these projects only the outline of the plan had been approved by the Planning Commission.

In such cases, the proper course for the Ministry was either to make a 'token' provision in the budget or approach Parliament later for funds when the schemes had been worked out in detail.

III

IMPORTANT OBSERVATIONS ON INDIVIDUAL MINISTRIES

12. In the following paragraphs, the Committee refer to some of the important points that they considered in the course of examination of the Accounts relating to various Ministries.

Ministry of Commerce and Industry

Audit Report (Civil), 1958—Part I

Heavy expenditure on the establishment of a show-room-cum-trade centre abroad, Para 19, pages 18-19.

13. To promote export trade, Government participated in a Fair held during September, 1954 in Geneva at which Indian goods worth nearly Rs. 3 lakhs were exhibited. As the exhibition evoked considerable interest, a foreign national who happened to be an employee of the A.I.I., a Government corporation in India and had obtained the necessary permission from the concerned authorities in Switzerland for engaging himself in trade was prevailed upon to organize in October, 1954 a firm for the display and sale of goods worth Rs. 74,000 left over from the Fair, pending the setting up by Government of a permanent show-room-cum-sale centre. Ultimately, the firm took over goods worth only Rs. 34,000. At this stage no formal agreement was concluded with the firm but certain terms and conditions were informally discussed and taken as agreed upon by the Ministry.

Subsequently in March, 1955, the firm was paid a sum of Rs. 19,500 to cover a part of the initial expenses incurred by it in organising the temporary show-room.

As the firm had been set up to organise business exclusively in Indian products and as other local firms engaged in selling Indian goods were considered unsuitable, it was understood that the firm would conduct wholesale trade in Indian goods supplied through Government and Government Undertakings and also be free to engage itself in retail trade.

The premises for the permanent show-room-cum-sale centre were acquired in February, 1955 on lease for a monthly rent of Rs. 1,850 for 4½ years; in addition, an amount of Rs. 2,17,865 had to be paid as goodwill money to the former occupant for transfer of the lease

rights. The ground floor of the building was used as a show-room and a portion of the first floor was made available to the firm for the selling business in pursuance of the understanding given to it. The firm was required to make purchases on a cash or on consignment basis from the show-room and a depot in the free port area which had been set up by Government for the storage of unused exhibits.

Formal agreement was entered into with the firm only in March, 1957. The expenditure incurred by Government upto 31st March, 1957, was Rs. 6,69,365, comprising Rs. 2,17,865 on goodwill money, Rs. 1,35,000 on equipment, renovation and furnishings, Rs. 1,01,000 on publicity and advertisement, Rs. 1,96,000 on establishment, rent, local taxes and contingent expenditure and Rs. 19,500 on the payment to the firm mentioned above. Against goods worth Rs. 3,07,000 received at the Centre (including some fresh consignments from India), the sales effected were only worth Rs. 94,300 (Rs. 41,800 in 1955-56 and Rs. 52,500 in 1956-57).

The agreement concluded with the firm in March, 1957 contained, among others, the following conditions:

- (i) The building together with all equipment and furnishing to be placed at the disposal of the foreign firm, as agent of Government, from 1st September, 1956 to 30th July, 1959, for giving publicity, and for conducting wholesale and retail trade in Indian goods, rent and other taxes being payable by Government.
- (ii) Government to pay for publicity arrangements, an amount of not less than Rs. 32,600 for the year ending 31st August, 1957, and such further annual amounts as may be determined by Government on the results achieved in the first year.
- (iii) After the expiry of the current lease on the 30th July, 1959, Government to transfer to the firm such occupancy rights as they may then have, subject to the provisions of the laws of the foreign country and the consent of the landlord being obtained. The firm will not pay any portion of the goodwill money already paid by Government but will pay for the stock in trade, furniture and other equipment. They will use the building exclusively for the display and sale of Indian goods.

The rent payable by the firm for the period between February, 1955 and September, 1956, amounting to nearly Rs. 37,000 has not been recovered so far from it.

14. In evidence, the Committee were informed that although it was difficult to assess the exact benefits accruing to India as a result of the opening of the show-room, yet Indian exports to Switzerland had risen from Rs. 70 lakhs in 1954 to Rs. 124 lakhs in 1957. It was, however, admitted that not all the increase in exports could be attributed to the opening of the show-room. In order to assess the benefits to the country by the opening of the show-room, the Committee desired to be furnished with a note indicating India's exports to Switzerland from 1953-54 to 1958-59; their break-up; especially of the goods exhibited in this show-room. *But they regret to observe that this note is still awaited.*

15. In the course of their examination, the Committee were given to understand that the Indian Embassy did not approve of Geneva for the show-room and the Consul General protested against the appointment of a new firm in preference to others already doing business in this line. The Secretary of the Ministry promised to look into this matter and inform the Committee. The information is still awaited. *In these circumstances the Committee are led to the conclusion that this experiment in export promotion involving such a heavy outlay was ill-conceived and did not serve the purpose in view. The Committee are not also very happy about the terms and conditions of transfer of the building to the firm. In their opinion the terms were heavily weighted in favour of the firm. As a Departmental Committee was examining the question of compensation payable by the firm for the transfer of the building to it, the Committee would prefer to defer their comments till the recommendations of the Departmental Committee and the decision of Government thereon are made available to them.*

16. As regards the godown at the free port of Geneva taken on a rent of Sw. Fr. 700 p.m. from 26th September, 1955 in view of the contemplated wholesale trade through the firm, the Committee regret to observe that it had not been put to full use so far although considerable expenditure had been incurred on its renovation and providing heating arrangements. The entire expenditure incurred on the godown so far has thus been infructuous. Here again, the Committee learnt that the Indian Embassy in Switzerland was not in favour of Government retaining this godown. The matter was reported to be under active consideration by Government. *The Committee suggest that the Ministry might examine the feasibility of using this godown as a central place for stocking goods intended for display at various exhibitions in Europe or America. This will save Government expenditure on transport of exhibits.*

Audit Report (Civil), 1959—Part 1

Khadi and Village Industries Board/Commission, Arrangements for running a sales emporium—Para 22-A, page 20.

17. An Industrial Advisory Board set up by Government in February, 1953, opened in July, 1954, a Sales Emporium at its headquarters, the management of which was entrusted to a registered Association, already engaged in similar trading operations of its own, at a net remuneration of Rs. 1,000 per mensem. Such emporia at Delhi, Calcutta, Madras and Bangalore were, however, being run departmentally.

In defence of the above arrangement at Bombay, the Committee were informed in evidence that there was no such Association at the other places and the arrangement in force was the best suited for Bombay. The Khadi Commission which has taken over the work from the Board has since executed a revised agreement with the Association, on 23-6-59 according to which the Association has agreed to associate two representatives of the Commission with the management of the Emporium. The Committee understand that the Association is also running an independent business of its own and trust that the representatives of the Commission on the Board of the Emporium will ensure that the Commission's interests are fully safeguarded.

The losses in running the various emporia caused the Committee some concern. *They feel that the Commission should reduce expenditure on the staff and push up the sales in order to reduce the losses. They desire to be informed of the various steps taken by the Commission to cut down the losses.*

18. Referring to the increase in the price and sale of Khadi, the Committee desired to know how far it had resulted in increased wages to spinners and employment of more people. The Chairman of the Khadi Commission agreed to send a note about the ratio of expenditure on administration as compared to the amount paid to the spinners of Khadi and whether with the rise in the price and sale of Khadi, wages of spinners and their number had risen correspondingly. *The note is still awaited.*

Loans for the development of traditional khadi—Para 22-B, page 20.

19. The Khadi Board was allotted funds aggregating Rs. 5,52,94,000 during the years 1953 to 1957 for granting loans, repayable within one year (and interest free from 1st April, 1955) to various private institutions engaged in the development of khadi. The total net amount of loans advanced to various institutions as on 31st March,

1957, was about Rs. 4·83 crores. Receipt of audited statements of accounts and utilisation certificates, as prescribed by Government, was awaited from a large number of loanee institutions. Formal loan agreements with a number of such institutions were still to be executed.

In evidence, the Committee were informed that Government had decided the rate of interest to be charged for advances to the Commission. Out of the advance of Rs. 4·83 crores, loan deeds for Rs. 3·13 lakhs had been executed by the institutions. The Chairman, Khadi Commission, admitted that for lack of proper planning on the part of the loanee institutions, the advances could not be utilised by them within the stipulated time. As for receipt of utilisation certificates, he observed that the bottleneck was in regard to loans through the State Boards.

The Committee of 1958-59 had also expressed concern at the unsatisfactory state of affairs prevailing before the Commission was set up in 1957. *The irregularities referred to in para 22-C of the Audit Report, 1959 indicate that the position had not improved since. It might perhaps be too early to evaluate the progress of the Commission. The Committee, however, would like to point out that if the funds earmarked in pursuance of the policy of development of traditional khadi are to be well-spent, the financial procedure to be followed by the Commission needs tightening up. The Committee trust that the Commission will address itself to this matter. It is the responsibility of Government (who are accountable to Parliament) to assist and clothe the Commission, if necessary, with greater powers for dealing with Statutory State Boards.*

Grant No. 2—Industries

- (i) *Development of Handloom Industry, page 17, Note 10(3) Group head A-2 (1956-57 Accounts, Vol. II) and.*
- (ii) *Silk Industries, page 17, Note 8, sub-head A. I(4) (1957-58 Accounts, Vol. II).*

20. The certificates of utilisation of the grants-in-aid paid for the years 1954-55 to 1957-58 in the former case and for the years 1955-56 to 1957-58 in the latter case had not been furnished to Audit.

In evidence, the Committee were informed that in order to ensure that the grants-in-aid were utilised economically and for the intended purposes by the States and other bodies, a procedure was being devised in consultation with the representatives of the States, Ministry of Finance and Comptroller and Auditor General. It is

needless to point out that more expeditious action is necessary as the grants paid in some cases were five years old.

COIR BOARD ADMINISTRATION

Appropriation Accounts 1956-57—Vol. II

Measures for promoting sale and increasing consumption of coir and coir products in India, page 20, note 21(ii) (a)—(d).

21. At the Industries Fair Exhibition in Delhi, a stall was constructed at a cost of Rs. 10,500 and a further expenditure of Rs. 4,452-8-0 was incurred on its decoration, etc. for displaying coir products in India. The structure was dismantled after the Fair and disposed of through Government auctioneers in March, 1956 for Rs. 50 only. A sum of Rs. 40 after deduction of commission of Rs. 10 was realised from the auctioneers after a long delay.

A sum of Rs. 1,500 was advanced by a Government Department on behalf of the Coir Board without security to a Guide on 8-11-1955 for the purchase of iron stands for the display of coir mats. Two iron stands were supplied by him in June, 1956, six months after the close of the Fair. The Committee were informed that the stands were actually made use of elsewhere.

The Coir Board incurred an expenditure of about Rs. 15,000/- on the printing of a brochure in connection with the Fair through a private printer without inviting competitive tenders. It was stated that before accepting the rates offered by the selected printer, quotations were invited from different printers and the lowest of the rates was alone allowed. An expenditure of Rs. 559 was incurred towards the printing of an *erratum* of a single figure in that brochure. Obviously the error could have been corrected by using a rubber stamp.

The Committee felt that the above irregularities indicated that the working of the Board was not quite satisfactory. The Secretary, Ministry of Commerce and Industry agreed to look into them and devise suitable remedial measures. *The Committee would like to be apprised of the results of the enquiry and the remedial measures taken.*

Loss and infructuous expenditure due to delay in the disposal of exhibits, Grants No. 4, 1957-58 Accounts, Vol. II, Page 70, note 3.

22. Seven boxes of handicraft goods worth about Rs. 20,000 sent to an Indian Mission in February, 1954, for sale in an exhibition abroad were not cleared from the docks as they were received too late to be

exhibited, but were kept under customs bond in a warehouse. The freight charges (including packing etc.) amounted to Rs. 1,760. A portion of the goods worth Rs. 1,164 was sold to a private dealer on 29-8-1955 at a discount of 10%, but a decision regarding the disposal of the balance was taken only in October, 1956 i.e., after about 2½ years. The goods were thereafter cleared, on payment of customs duty amounting to Rs. 1,440 and allowed to be sold at prices up to 50% below the original value in view of their deteriorated condition. Apart from this loss, which could not be worked out due to non-finalisation of accounts by the Mission (despite repeated requests) an expenditure of about Rs. 5,600 on rent and insurance of the goods had been incurred during their storage in the customs warehouse.

The Committee would like to be furnished with a note stating the reasons for (a) not taking the delivery of goods and keeping them in the warehouse; (b) inordinate delay in taking a decision regarding disposal of the goods and (c) whether the accounts have since been finalised and if so, the total loss involved in this case.

Fees for deposits and registration of trade marks, Grant No. 5, 1957-58 Accounts, Vol. II, page 79, note 5—Group-head A. 2—Registrar of Trade Marks.

23. The receipts on account of fees for Deposits and Registration of Trade Marks realised during the year amounted to Rs. 4,96,993 against which the total expenditure under Group-head A. 2 was Rs. 8,40,523. *In this connection the Committee would invite the Ministry's attention to their note (Appendix LXXVI, Volume II, Seventh Report, Second Lok Sabha) wherein it was inter alia stated that it was proposed to amalgamate the Trade Marks Registry and the Patent Office and would like to know whether this has since been done.*

NAHAN FOUNDRY LIMITED

Loans and Advances—Para 50 of Audit Report, 1958—page 53.

24. A loan of Rs. 4 lakhs was advanced by the Government in July/November, 1952 for which the Foundry was to issue debenture stock carrying interest at the rate of 4½ per cent per annum in favour of the President. It was, however, decided in August, 1957, to treat this amount as a repayable loan. A further loan of Rs. 3.5 lakhs was taken from the Government in July, 1953 to meet the working expenses. *The Foundry had since suggested to Government that the*

loan of Rs. 7.5 lakhs be converted into share capital, as such conversion would save the Foundry from paying the interest charges thereon and enable it to show better working results.

The Committee felt that there was already over-capitalisation in the accounts of the Foundry. In this connection they referred to their earlier recommendation in para 33 of their 18th Report (Second Lok Sabha) that the capital structure of the Foundry needed reconstruction by suitably writing down the value of the assets. *In these circumstances, the Committee consider that further capitalisation would not be prudent. They would like to be informed of the final decision in the matter.*

Goods on consignment lying unsold for a long time—Para 54 of Audit Report, 1959—page 52.

25. Goods valuing Rs. 24,020 sent to various departments of State Governments and to certain agents on consignment basis remained unsold on 31st March, 1957. Out of these, goods worth Rs. 19,610 for which even the certificates of balances had not been obtained, had been lying with the consignees since 15th March, 1952 onwards. It was reported to Audit on 8th May, 1959 that steps were being taken to take back the goods or to recover their cost from the parties concerned.

The Committee are concerned that the large quantities of goods are with the consignees for such a long time. *They desire that the Foundry should take action either to get back the goods or to recover their cost from the parties concerned without any more loss of time.* Such accumulation of goods for a long time with consignees without prompt settlement will not only result in locking up of funds but lead to loss by the deterioration of stores.

Large outstanding under loans and advances—Para 54 of Audit Report, 1959, page 52.

26. A sum of Rs. 65,031 due to the Foundry from a Co-operative Organisation in Uttar Pradesh on account of goods supplied to it about two or three years ago, had not been paid in spite of instructions issued to the Organisation by the Uttar Pradesh Government. Further, for debts amounting to Rs. 5,47,201 due from private parties, arbitration awards for Rs. 1,02,976 had been obtained by the Foundry and filed with the concerned Courts for obtaining decrees but only a sum of Rs. 4,855 had been recovered till March, 1958. A provision of Rs. 5,000 on account of bad and doubtful debts had been made in

the accounts for 1957-58 making a total provision of Rs. 36,150 upto that date.

The Committee were informed that a large portion of these outstandings was recoverable from the persons to whom the crushers had been given on hire. Most of these outstandings had since been realised and the balance outstanding was Rs. 2.77 lakhs. A sum of Rs. 24,000 had also been collected from the Co-operative Organisation and the Foundry was hopeful of realising the balance also. As for dues amounting to Rs. 7,000/- from persons now living in Pakistan, it was admitted that a part thereof might have to be written off.

The Committee trust that effective steps will be taken by the Foundry to bring down the outstandings. They would also suggest that the Foundry should make a realistic assessment of its outstandings with a view to writing off the irrecoverable debts so as to present a true statement of accounts.

SINDRI FERTILISERS AND CHEMICALS (P) LTD.

*Rated capacity not achieved according to the original estimates—
para 51 of Audit Report, 1958—page 53.*

27. The factory was designed to have a rated capacity of 960 tons of Ammonium Sulphate per day with the use of seven compressors, with an additional one as a standby. The original cost of the plant and machinery was Rs. 12,04,11,500. A further sum of Rs. 25 lakhs was spent on certain modifications of the plant to correct imbalance in production. Despite the additional expenditure and the use of all the 8 compressors, the daily outturn of the factory was only 906 tons against the rated capacity of 960 tons. An additional expenditure of Rs. 50 lakhs was sanctioned in March, 1955 for the installation of a ninth compressor and certain other improvements to achieve a rated capacity of one thousand tons per day. The ninth compressor has been commissioned since August, 1956. The total expenditure incurred on the modifications of the plant upto the end of February, 1959 amounted to Rs. 51,29,607. Some of the modifications were, however, still stated to be under way. Though an average daily outturn of 910 tons was achieved in 1957-58, the daily average production had gone down to 904 tons in 1958-59.

It was urged before the Committee that considerable time was taken in the beginning to overcome certain operational difficulties in the grinding section of the Gypsum plant and in the filtration of the Sulphate and Ammonia Plants. The time during which the machine had to be kept idle for the purpose of servicing was in practice more

than allowed for. The factory had not been able to get good quality Gypsum (90 to 92% pure) and coke of the quality the plant was designed to use.

28. The representative of the Ministry, however, could not give any satisfactory reply as to why there was the decrease in production of ammonium sulphate from 1957-58 onwards and why there was a variation in its monthly production. At the instance of the Committee, the Ministry furnished to them a note in this regard. (Appendix II).

While the Committee appreciate the difficulties faced by the factory in the initial stages, they are disappointed to see that even after installation of the ninth compressor the production has not increased. They are concerned over the setback in production since 1957-58. *They, therefore, urge that effective measures be taken to step up production with a view to early achievement of the rated capacity.*

Extra expenditure incurred in the construction of electric repair and instrument shop building—para 51 of Audit Report, 1958, pages 54-55.

29. The Company decided on the 18th November, 1953, to construct a two-storeyed building at an estimated cost of Rs. 1,90,000 for locating the Electrical Repair and Instrument Shops in the ground and first floor respectively and tenders for its construction were invited on the 5th November, 1953 in anticipation of the Managing Director's sanction, which was obtained on the 7th January, 1954. It was, however, decided on the 11th February, 1954 not to locate the Instrument Shop in the first floor on the ground that delicate instruments should be kept away from the vibrations of a regular Workshop. Accordingly, the ground floor only was built to house the Repair Shop. Again, on the 24th February, 1955 it was decided to add the first floor for the Instrument Shop, and also to make provision for housing the drawing office, photostat room, record room, etc. The construction of building in two stages resulted in an extra expenditure of Rs. 31,000. It was urged in extenuation that the changes in the decisions for the location of the Electrical Repairs and Instruments Shops were the result of divergent technical advice. *The Committee trust that such cases will not recur.*

Extra expenditure on the purchase of coal for the Coke Ovens—para 53(i) of Audit Report, 1959—pages 49-50.

30. The Coke Ovens at Sindri consume annually about 3·85 lakh tons of selected 'A' grade and selected 'B' grade of coal obtaining from nearby collieries.

Upto March, 1957, the tender notices and the purchase orders provided that payments for the supplies would be made on the results of quality analyses carried out by the Company with regard to ash and moisture content.

All but two of the collieries accepted payment on the basis of the analysis reports of the Company. These two collieries refused to accept payment according to this formula on the ground that the quality of coal actually supplied by them conformed, according to their information, to the specifications of selected 'A' Grade as laid down by the Company, and that under the Colliery Control Order they were entitled to receive the full controlled rates of coal mined at their collieries without any abatement. They also threatened to suspend despatches if payment was not made according to the invoiced price based on the Colliery Control Order. The Company conceded on 2nd August, 1955 the claims of these two collieries with retrospective effect from December, 1954 (when the collieries started supplying coal to the Company) though the results of the quality analysis, carried out by the Company, indicated that the supplies made were of a grade lower than invoiced for. No reference was made on this point of dispute to the Coal Commissioner.

According to bulletin No. 17, dated February, 1954 issued by the Coal Commissioner, irrespective of the grading given to a colliery by the Coal Commissioner, it was the actual quality of coal despatched that should matter; if a colliery graded as selected 'A' despatched coal to a consumer who found on analysis that it was really Grade 'B' coal, the consumer would be justified and within the law if he paid the price for Grade 'B' coal only. The above bulletin also conceded that a contract stipulation that the consumer would get the coal analysed in such manner as might be agreed upon and pay the price according to the grade in which the coal was found on analysis to fall, would be a fully legal condition.

Disregarding the provisions of Bulletin No. 17 the Company ordered in May, 1957 that the payment to all the coal suppliers would be made on the Coal Controller's* grading. Thus, the purchase orders issued from the beginning of the financial year 1957-58 did not contain any stipulation to the effect that payment would be on the results of analysis.

A test audit of the accounts of the coal purchases made by the Company for its Coke Ovens for two months in 1957-58 revealed excess payments to the extent of Rs. 47,300 and Rs. 57,300 respectively

*From February, 1956 a Coal Board under the Chairmanship of a Coal Controller was made responsible for grading the collieries. This function was hitherto exercisable by the Coal Commissioner.

to the various collieries for the supplies of lower grade of coal, as calculated from the results of analyses made by the Company.

31. It was conceded before the Committee that there was an omission on the part of the Company in not taking up the matter with the Coal Commissioner or later with the Coal Controller. It was, however, urged in extenuation that faced with the threat of stoppage of supplies of coal, the Company had no choice left at that juncture.

The Committee could, however, find no justification as to why the Company omitted from the purchase orders issued from the beginning of the financial year 1957-58 the stipulation to the effect that payment would be made on the basis of the results of the analysis carried out by the Company, when the Company was within its rights to make such a provision in accordance with the Coal Commissioner's bulletin No. 17 referred to above. They were informed that the matter was now proposed to be discussed with the Coal Controller and the suppliers of the coal so as to arrive at a satisfactory arrangement. *They would like to be informed about the final settlement reached in this matter.*

Shortage of coke—para 53 (ii) of Audit Report, 1959—page 50—

32. The stock of coke produced at the Coke Oven plant showed shortages (representing the difference between the tonnage of coke as per book balance and tonnage as per ground balance) valued at Rs. 3-4 lakhs every year during the three years ending 1956-57. The percentage of shortage varied from 4.65 to 3.47. In 1953-54 when coke was obtained from outside sources, the percentage was only .02. It was explained by the Management that the coke production figures were calculated by test weighing the daily production of ovens at specified intervals and so any error in the test weighment would result in a faulty estimate of total annual production of all the ovens and that the correct weight could only be ascertained when a mechanical contrivance like a belt weigher was installed.

The Committee understand that a belt weigher installed for the weighment of coal was not working satisfactorily and, therefore, the question of installing the belt weigher for coke was still under consideration.

The Committee need hardly emphasise the importance of accurate estimation of the production of the factory which is essential both for proper control over cost and production and avoidance of waste. They trust that a satisfactory arrangement will be made expeditiously so as to avoid such shortages and their effects on production costs.

Payment of heavy demurrage charges—para 53 (iii) of Audit Report, 1959, page 51.

33. Demurrage charges to the extent of Rs. 93,858 and Rs. 3,02,344 were paid to the Railways during 1956-57 and 1957-58 respectively. The Company had explained to Audit that every effort was being made to avoid demurrage but it was not possible to eliminate such charges altogether when mechanical tippers went out of commission. It has, however, been pointed out by Audit that the increase in demurrage charges was attributable to the unloading in single shift only on two days as against two shifts on other days in a week and delay in unloading because of shortage of accommodation for storage of unloaded goods.

The Committee were informed that the large demurrage in 1957-58 was occasioned by the decision to stock-pile gypsum in order to avoid a situation which arose in 1956 when the gypsum stocks were completely exhausted. At one stage the existing gypsum storage building was completely filled up and the material unloaded from the tippler had to be stored elsewhere or sent direct to the plant. A certain amount of demurrage was, therefore, inevitable. Further, a large number of wagons were also held up whenever the tippler went out of order. A second tippler had since been added and on account of the increase in the intake of power house coal, the unloading arrangements have been put on a satisfactory basis.

The Committee trust that the Company will ensure the unloading of wagons in time in future to avoid the payment of such demurrage charges.

Methanol Plant at Sindri on-the-spot study-visit.

34. During their on-the-spot study-visit to the Company during September, 1959, the Committee saw the Methanol plant at Sindri lying idle. This plant had been in operation at the well known factory of M/s B.A.S.F. at Oppau in Germany and was offered to India in 1951 as part of the German Reparations. Besides an expenditure of Rs. 7.5 lakhs on transportation of the plant the Company had spent so far Rs. 5.6 lakhs approximately on its maintenance. A fire occurred in the plant which was lying in open causing a loss of Rs. 1.17 lakhs. The replacement value at present day rates of the equipment damaged by fire was estimated to be about Rs. 10 lakhs. In reply to a question as to why the Company had not thought of utilising the plant so far, the Committee were informed

that advice had been sought from a German consultant firm—the original makers of this plant—regarding its utilisation which was still awaited.

The Committee are distressed to note that although about eight years have already elapsed, no decision has yet been taken regarding the utilisation or the disposal of this plant, resulting in avoidable expenditure on its care and maintenance besides loss arising from its wear and tear and loss of interest on capital unnecessarily locked up. They trust that a decision will be taken without any further delay.

Ministry of Finance

(Department of Economic Affairs)

Audit Report (Civil), 1959—Part I

Extra expenditure incurred due to delay in the erection and installation of a silver refinery plant, para 20, pages 18-19.

35. On 27th June, 1956, an agreement was entered into by Government with a firm in India for the erection and installation of a silver refinery plant. The agreement provided for completion of the work within 14 months from the date of commencement of work i.e., by the end of November, 1957. But it was completed only in December, 1958 and its trial testing was in progress in February, 1959. Delay in the completion of work had resulted in an extra expenditure of Rs. 4,34,827 (February, 1959) which included an extra expenditure of Rs. 1,51,060 on the salaries, etc. of skilled personnel, which had not so far been regularised.

During an on-the-spot study made by the Committee in September, 1958, it was explained by the Master of the Project that the erection contract provided for the commencement of the erection work after the completion of the civil engineering works. Due to delay, however, it was decided to proceed with erection of the plant concurrently with the construction of civil works in expectation of their completion by a target date then given by the C.P.W.D. In evidence before the Committee, however, the representative of the C.P.W.D. denied that the delay in completion of Project was mainly due to delayed completion of civil works. In spite of the initial setbacks which were beyond the Department's control, the building was completed on 31st July, 1956, i.e., two months before the commencement of installation of the plant. Clarifying the position, the Ministry's representative stated that the delays referred to in the Audit

Report related to later period in the execution of some works which had been entrusted to an Indian firm and here there were delays, some unavoidable, on the part of the C.P.W.D. He cited the example of the erection of water tower where the difficulties could not be foreseen by the C.P.W.D.

The Committee find, however, that in spite of all the delays referred to above, the civil works were all completed in July, 1957. Even thereafter it took 17 months to erect and instal the plant against the stipulated period of 14 months in the contract. The Committee were informed by the Master of the Project that Government were considering the question of fixing responsibility for the extra expenditure involved due to delays. They would await the results of Government's examination of this matter.

36. This refinery was intended to extract silver from the Quaternary Alloy Coins in order to enable Government to return to U.S.A. 226 million ounces of silver obtained from them under the Lend Lease Agreement. As the repayment fell due on 28th April, 1957 and by that time the refinery was still in the process of erection, Government had discharged the bulk of this liability (122.2 million ounces) by handing over 245 million ounces in the Quaternary Alloy Coins. The purpose for which this project was conceived was not thus served by it. The Committee were informed that the extraction of silver from the remaining stocks of Quaternary Alloy Coins (255 million ounces) would keep the refinery busy for a period of five years only. The question regarding its alternative uses was under consideration.

The Committee understand that a proposal to convert it into a Copper Refinery is under examination. They would like to know the final decision of Government.

*Appropriation Accounts (Civil), 1957-58 Vol. I—Grant No. 35—Mint.
Loss due to shortage of metal in a Mint, Note 6, pages 108-109.*

37. In October, 1954, on receipt of certain information, physical verification of the stock of nickle brass at Alipore Mint was conducted and 1,57,001 tolas of the metal worth Rs. 6,454 were found short. The loss was finally written off by Government in January, 1959, on the ground that the responsibility for the shortage could not be squarely fixed on anyone.

It was explained to the Committee that investigation was carried out by very senior officers. But it had not been possible to fix individual responsibility. Since stock had not been verified for a very

long time, the possibility, that the shortage largely represented normal losses, could not be ruled out. Security measures had, however, been tightened up and the rules for checking of stores were being finalised in consultation with Audit. *The Committee trust that the rules for stock-checking and the security procedure will be so framed as to enable the authorities concerned to detect losses at an early stage and to fix responsibility therefor.*

DEPARTMENT OF REVENUE

Audit Report (Civil), 1958—Part I

Guarantees given by the Central Government, para 56, pages 76-77.

38. The total amount covered by the guarantees given by Government (excluding commitments for dividend and interest) came to Rs. 1,61,14,02,198 of which Rs. 90,71,70,200 related to guarantees on behalf of private industrial units. According to Audit, as these guarantees constituted a contingent liability on the revenues of India, it was desirable, if not necessary, to keep Parliament informed of the nature and amount of the guarantees given.

In evidence, the Secretary of the Ministry stated that Government were agreeable to place before Parliament a consolidated statement covering all such guarantees given in a particular year. *The Committee trust that this procedure will be implemented at an early date.*

Outstanding demands of income-tax revenue, para 57, pages 78-79.

39. Outstanding arrears of income tax on 1.4.1959 stood at Rs. 293.71 crores against Rs. 287.32 crores on 1-4-1958.

In evidence, the Committee were given to understand that effective arrears of income tax were less than the figures given above. But the position in regard to the collection of arrears was not satisfactory as Government faced difficulties arising out of a large number of writ petitions, alienation of their assets by the assesseees and dependence on Collectors in States who generally accorded priority to collection of State revenues. Government were thinking of framing a Central Revenue Recovery Act and of empowering Income Tax officers to collect the arrears.

The Committee desire that this matter should receive early consideration by Government in order that the rising trend of arrears is halted quickly. They would like to be informed about the measures introduced by Government to achieve that object.

DEPARTMENT OF EXPENDITURE

*Audit Report (Civil), 1958—Part I**Clearance of outstanding objections, para 59, pages 80-81.*

40. The total number of objections upto 31st March, 1957, outstanding in the books of the Audit offices and their money value were Rs. 1,33,483, and Rs. 78,87,10,150 respectively.

In evidence, the Committee were apprised of the revised procedure which would bring about an improvement in the situation. *In view of the assurance of the Ministry, they would like to watch the situation through future Audit Reports.*

Payment of advances by Government to Private Firms, Public Undertakings etc., para 46, Seventh Report (Second Lok Sabha).

41. While examining a case of drawal of money by an educational publishing house in advance of requirements, the Public Accounts Committee (1957-58) observed in para 46 of their Seventh Report (Second Lok Sabha) that "with a view to preventing recurrence of such cases involving advance payments to private firms, the Committee would suggest that the agreement should invariably contain a penalty clause providing for payment of liquidated damages by the defaulting firm by way of interest on the money advanced to it."

Referring to the above observations of the Committee, the Ministry of Finance (Defence) enquired whether it would be correct to presume that the above recommendation did not apply to Public Undertakings like H.A.L., B.E.L., I.A.C., A.I.I., etc. even though in the eyes of the law these undertakings were also private firms.

At their instance, the Committee were furnished with instances of advance payments made by the Government to the Public Undertakings referred to above. After examining the matter, the Committee feel that the advance payments to these Public Undertakings are intended to cover work orders or for procurement of stores for services to be rendered and as such are distinguishable from the category referred to above. The presumption of the Ministry of Finance (Defence) is, therefore, correct.

The Committee, however, notice that the practice followed in the matter of receipt of advances by Government Undertakings does not seem to be uniform. For instance, the Hindustan Shipyard Limited, Vishakhapatnam, does not receive advance payment from the indentors for ships as the indentors object to advance payment on the plea that their funds are locked up necessarily—the Shipyard

not being able to deliver the ships within the stipulated period. The Shipyard has to find the necessary funds, by no means small, by borrowing from the State Bank of India. But in the case of the Hindustan Aircraft Limited, Air India International, etc., the Ministry of Finance (Defence) seems to advance money at times in excess of requirements. The specific case the Committee have in mind is the reported payment of advance by Government to Messrs. Tata Incorporated, New York, agents of A.I.I. for the purchase and supply of spare parts for overhauling certain aircraft engines.

According to the report furnished by the Ministry in February 1959, against an advance of \$1,75,000 paid in 1958 (in three instalments of \$75,000, 50,000 and 50,000), the Indian Embassy had received adjustment claims to the extent of \$ 26,943.02 and adjustment claims of \$78,556.68 sent by Messrs. Tata Incorporated were awaited by the Embassy. Thus, adjustment claims for about \$70,000 were still awaited. It is obvious that advances (in hard currency) were sanctioned and paid to the company much in excess of its immediate actual requirements.

The Committee feel that there should be uniformity in regard to this matter of payment of advances to Public Undertakings. Secondly, when Government pay advances, they should see that such advances are restricted to the amounts actually required immediately and that advances are settled by the recipients periodically without delay.

Rehabilitation Finance Administration

General Financial Review—para 49 of Audit Report, 1958—pages 49—52.

42. The working of the Administration showed a profit of Rs. 77,286 during the year 1958 for the first time since its constitution in 1948. The net accumulated loss upto 31st December, 1958 was Rs. 167.49 lakhs.

The total amounts of debit balances against the loanees on account of principal and interest and the overdue amounts for the last three years were as follows:

Calendar Year	Amount outstanding (Rs. in lakhs)			Overdue amounts (Rs. in lakhs)		
	Principal	Interest	Total	Principal	Interest	Total
1956	9,05.73	1,27.67	10,33.40	3,56.47	94.59	4,51.46
1957	8,34.55	1,31.97	9,66.52	3,74.70	1,06.17	4,80.87
1958	7,43.76	1,31.25	8,75.01	4,03.24	1,12.06	5,15.30

The above figures disclosed that though the amounts of principal outstanding at the end of each year were gradually decreasing (since loans to West Pakistan refugees have been stopped and loans to East Pakistan refugees migrating after 31st March, 1958 were given only in exceptional cases), the overdue amounts of both principal and interest were on the increase.

It was admitted in evidence that the overdue amount was increasing and it was partly due to the delay in the adjustment of the outstandings by setting off the amounts due to the loanees out of the "Compensation Pool". The Committee were informed that a number of steps have been taken by the Administration to expedite the pace of recovery of dues including those which were overdue.

The Committee would like to watch the progress through subsequent Audit Reports.

Inadequate scrutiny of Essential Documents—para 49 of Audit Report, 1958, pages 50—52.

43. In para 76 of their 18th Report (Second Lok Sabha) the Committee expressed concern at the unbusinesslike manner in which the Rehabilitation Finance Administration was conducting its affairs and suggested that Government should look into it before it became too late. During the year under Report also the Committee came across two cases which indicated that the Administration continued to sanction loans without proper scrutiny of essential documents. In one case the Administration granted a further loan of Rs. 12,000 despite the adverse report from the Secretary, Commerce & Industries Department, West Bengal (who was also a member of the Rehabilitation Finance Administration and was asked to examine the affairs of the firm) and even when the firm had committed many irregularities in utilising the first loan.

The Committee are more than disturbed at this state of affairs. The Government should look into these cases with a view to toning up the Administration in order to obviate such occurrences.

Ministry of Health

Audit Report, 1958

Absence of coordination in Building Project of the All India Institute of Medical Sciences, Para 30(D), pages 29-30.

44. The main construction of the building of the Institute was scheduled for commencement in 1954-55 and for completion by 1958-59.

This programme could not, however, be adhered to; the Building Committee approved the plan in June, 1955 and consultants were appointed only in 1956. The construction of the residential quarters for the staff, students and nurses, however, proceeded more or less according to schedule. By June, 1958, out of 856 residential quarters available for occupation, 586 were surplus to requirements, 468 quarters had been allotted to non-Institute employees and 118 remained vacant.

According to Audit it was explained that the delay in completion of the main building was due to the dual control of the architects and the C.P.W.D. on the execution of the Project. *The Committee felt that, in a project of this magnitude, a phased and coordinated programme of construction of the main building and the residential colony was very essential which, unfortunately, was not drawn up.* In evidence, it was urged before the Committee that the object was to provide residential accommodation to every member of the staff in the vicinity of the Institute, as and when he was appointed. If so, the Committee could not understand why the construction of residential quarters outstripped the requirements therefor. They inquired what steps were taken by the Ministry to ensure balanced progress of construction of the various buildings when the construction of the main building was subjected to heavy delays. *There was no satisfactory answer to this.*

45. The Committee understand from Audit that the loss to Government on account of rent etc. of vacant residential buildings could not be ascertained as the records showing the actual date of handing over of these buildings were not available with the Institute or the Central Public Works Department. *The Committee desire that the records should be traced and the amount of loss sustained by the Institute calculated and intimated to them.*

Property not handed over to the Institute—para 30 (E), page 30.

46. Buildings constructed by Government for the Institute at a cost of about Rs. 1,27 lakhs were not formally transferred to it even though it became a body corporate on 15th November, 1956. All the buildings, however, were being utilised by the Institute and treated as the property of the Institute with the exception of 142 buildings worth about Rs. 12 lakhs in respect of which Government passed orders that they would be treated as Government property until they were handed over to the Institute.

In evidence, the Committee enquired whether all the buildings constructed by Government for the Institute had since been handed over

to the Institute. The Secretary, Ministry of Health gave a figure which differed widely from the detailed information furnished by the Ministry at the instance of the Committee. *The Committee regret that the witness had not come fully prepared.*

Audit Report, 1959

Infructuous expenditure on hire of trucks—Para 28, pages 26-27.

47. A Department of the erstwhile Delhi State Government purchased two truck chassis at Rs. 14,250 each in March, 1954 through the Central Purchase Organisation to be used for the removal of refuse etc. from the colonies of Displaced Persons in Delhi. The construction of the truck bodies (estimated to cost Rs. 2,836 each) was entrusted to the above Organisation in August, 1954 but the work was completed only in February, 1956. The delay was stated to be due to non-fulfilment of certain formalities which had to be observed by the Central Purchase Organisation.

Meanwhile the Department incurred an expenditure of Rs. 12,045 on hire charges of two scavenging trucks at the rate of Rs. 900 p.m. each (excluding petrol) for the periods 1st February, 1955 to 31st May, 1955 and 26th April, 1955 to 18th February, 1956.

Further, although the Department was aware as early as in June, 1955 that it would require only one truck, no action was taken to counter-mand the order for the second truck body with the result that one completed truck remained idle till June, 1958, when it was made over to the Delhi Municipal Corporation for Rs. 12,377. The loss to the Department on this sale was Rs. 6,759.

48. In evidence, the Secretary, Ministry of Health, stated that this case occurred when Delhi was a Part 'C' State having a separate Government responsible to a duly-constituted Legislature of its own.

49. The Committee, however, find that bulk of the avoidable expenditure in the present case was due to delay in the completion of certain formalities by the Central Purchase Organisation which was responsible for having the truck bodies built. They understand from Audit that the formalities which were required to be completed were that the chassis were to be handed over by the Central Purchase Organisation to body-builders only on their signing an indemnity bond with a trust clause as advised by the Ministry of Law and that this had to be examined and sanction of competent authorities obtained before taking the final decision to place the order.

50. *The Committee are astonished to find that a job like the construction of two truck bodies which would not take a private truck*

owner more than a few weeks should have taken the Central Purchase Organisation a period exceeding a year and a half. Even after making due allowance for the completion of Government Departmental procedural formalities the delay was unconscionable. The Committee suggest that Government will be well-advised to review the procedure prescribed with a view to rid it of unnecessary and purposeless formalities.

Avoidable payment of interest charges—para 29, pages 27-28.

51. The erstwhile Delhi State Government acquired in January, 1950 for the extension of a hospital a piece of land standing in the Revenue records in the name of an evacuee. No compensation was awarded by the Land Acquisition Officer on the understanding that the land, being evacuee property, no compensation was assessable in accordance with the Inter-Dominion Agreement of July, 1949. Subsequently, it was decided by Government that the Land Acquisition Act should apply to evacuee properties also. On 14th April, 1953, an Indian national filed an application claiming the ownership of the land by virtue of a registered sale deed dated 12th June, 1946. Thereupon, in April, 1954, the Land Acquisition Officer gave a supplementary award for Rs. 2,12,728 comprising Rs. 1,68,832 as compensation and Rs. 43,896 on account of interest. The amount could not, however, be paid for want of provision of funds till September, 1957 when Government issued a revised sanction for Rs. 2,46,494 which included a sum of Rs. 77,662 as interest for the period from January, 1950 to September, 1957.

52. In evidence, the representative of the Ministry admitted that the case had been badly handled and the Government was put to unnecessary loss. Severe warning had been administered to two clerks who were responsible for the delay. The Delhi Administration had held that the Land Acquisition Officer was not to blame. *The Committee would like to be furnished with a note setting forth the considerations which weighed with the Delhi Administration in coming to the above conclusion.*

53. The Committee understand from Audit that, in spite of the fact that the claimant in this case had failed to fulfil his obligations under the Land Acquisition Act and the Punjab Land Revenue Act, viz. (i) to appear personally or through agent before the Collector and state the nature of his interests in the land and his claim for compensation and (ii) to get the revenue records corrected, according to legal opinion, his claim to interest charges had to be honoured. This points to a lacuna in the Act, the amendment to which was

stated to be under consideration of Government. *The Committee would like to be informed in due course of the final decision taken in the matter.*

Ministry of Irrigation and Power

Infructuous expenditure due to change in design—Audit Report (Civil), 1959—Part I—para 31, pages 29-30.

54. While commenting upon the abandonment in 1951 of the Navigation-cum-power Channel and the Subsidiary Dam of the Hirakud Dam Project, the Public Accounts Committee in para 43 of their 6th Report (First Lok Sabha) expressed the view that the original scheme of the Subsidiary Dam was technically and economically unsound. In a statement placed on the Table of the Lok Sabha, in December, 1953, it was, however, contended by the Administration that the scheme was technically sound and the expenditure incurred on the Subsidiary Dam could not be said to be nugatory as the work had only been postponed and not abandoned altogether.

When work on the scheme was resumed in 1956, a revised design was prepared which omitted the construction of the Subsidiary Dam altogether. Due to this change in design, out of expenditure of Rs. 37 lakhs already incurred on the Subsidiary Dam, at least an amount of Rs. 21.55 lakhs approximately (including an amount of Rs. 6.75 lakhs paid as compensation for trees, houses and tanks) spent on the embankment of the Subsidiary Dam had become wholly infructuous.

55. In justification of the abandonment of the Subsidiary Dam, it was stated in evidence that according to the original design of the Project the construction of the Subsidiary Dam was considered necessary as it was intended to complete the Power House at Chip-lima before the main Dam at Hirakud was constructed. However, after the main Dam at Hirakud had been completed, the necessity for construction of the Subsidiary Dam at Chip-lima disappeared. The then Chief Engineer, Hirakud Dam Project, submitted a revised design, omitting the Subsidiary Dam, which would save Rs. 167 lakhs to Government in construction costs. After considering the pros and cons of both the designs, Government came to the conclusion that the new design was more economical than the original one even after making an allowance for the infructuous expenditure of Rs. 22 lakhs.

The Committee feel that had the original design of the Project been prepared with more forethought, the infructuous expenditure of Rs. 22 lakhs could have been avoided.

Ministry of Rehabilitation

Irregular withdrawal of funds to avoid lapse of grant—para 34 of Audit Report, 1958, pages 34-35.

56. In December, 1956, a sum of Rs. 2.70 lakhs was sanctioned for payment during 1956-57 to a State Government for giving small loans to displaced persons having no compensation claims and living in urban areas. The amount was to be drawn as and when required for immediate payments. No money was, however, drawn by the State Government upto 21st March, 1957. A Directorate of the Central Government, which had in the meanwhile taken over the work from the State Government, was authorised on 21st March, 1957 to draw the full amount for disbursement upto 30th April, 1957 subject to refund of the unspent balance, if any, on that date. The amount was drawn on 31st March, 1957 (obviously to avoid lapse of the grant). A sum of Rs. 2,14,900 was spent during April, 1957 but the balance of Rs. 55,100 was not refunded to Government. On 8th May, 1957 Government issued a sanction allowing the Directorate to utilize the balance upto 15th May, 1957. A sum of Rs. 45,600 was disbursed upto that date and two sums viz., Rs. 4,000 and Rs. 5,500 comprising the balance were credited to Government on 18th June, 1957 and 7th September, 1957 respectively.

57. The Committee inquired why the Directorate was authorised to draw the full amount of Rs. 2.70 lakhs on the last day of the financial year in contravention of the financial rules when it could not be disbursed within the financial year. It was urged in extenuation that the Directorate was allowed to draw the amount for disbursement in the following year as the issue of the requisite sanction for the latter year would have taken some months and the Payment to the displaced persons would have been delayed. It was added that this course was adopted with the concurrence of the Ministry of Finance.

The Committee do not consider it proper on the part of the Ministry of Rehabilitation to have sanctioned the withdrawal of money on the last day of the financial year when it could not be disbursed within that year. If it was the intention of the Ministry to avoid delay in making payment to the displaced persons, the proper course was either to obtain a Vote on Account or draw an advance from the Contingency Fund. The Committee are disturbed that the Ministry of Finance whose duty it is to enforce financial regularity had erred in this case.

*Faridabad Development Board—Loss in the working of the Institute—
Para 35 of Audit Report, 1958 pages 35—37.*

58. The Faridabad Development Board advanced a sum of Rs. 24 lakhs to an 'Indian Co-operative Union', formed to organise Small Scale Industries, as loan during the period 1949 to 1952. The latter opened a Training Centre also. The Training Centre with its assets of Rs. 94,930 was taken over, in March, 1950 by the Board and re-named a Technical Institute. Subsequently from 1st October, 1952 it was treated as a Commercial Department.

The small-scale industrial factories started by the Union were also closed down in February, 1953 and were taken over by the Board. They were run for a time as 'Co-operative Industries' but were later merged with the Technical Institute in July, 1954. As the Institute was running at a heavy loss, the Textile and the other units were disposed of in January, 1955 and October, 1956 respectively. The final accounts of the Technical Institute showed a total loss of Rs. 26.20 lakhs as on 28th February, 1959.

According to Audit, the major reasons for the loss were that the factories were taken over in March, 1953 from the Co-operative Union at the book value without detailed examination, and without proper assessment of their condition, market value and future use. As an instance, timber valued at Rs. 54,902 of which timber worth Rs. 27,000 was scrap wood, was taken over by the Board at the flat rate of Rs. 13/- per maund while the market rate for scrap wood was Rs. 2/8/- per maund. (The timber which was stated to have been eaten away by white ants resulted in a loss of Rs. 40,008 in its disposal). Lack of proper development programme and delay in the disposal of the idle assets also resulted in deterioration of the assets. Neither proper accounts were maintained in the case of many factories, nor effective control exercised over them.

59. In evidence, the Committee were informed that no proper accounts were maintained by the Union till, 1953 and when the Board took over the factories, the accounts were in a chaotic condition. The Board had to reconstruct all these accounts for the different units which took considerable time.

In reply to further question it was stated that no security was taken from the Co-operative Union for the sum advanced by the Board, nor was there any representative of Government or of the Board on the Union. It is, therefore, obvious that the mismanagement by the Union could not be detected in time. In the end when the Board took over the administration, the Union was allowed to walk out without any financial loss. No enquiry was also held for

ascertaining the reasons for the heavy losses suffered by the Union with a view to fixing its share of responsibility therefor.

60. *The Committee consider it a serious lapse on the part of the Ministry. They learn that the Union is existing and is working for Government in certain other spheres. The Committee, therefore, urge that an enquiry into this case should be started without any further delay and the responsibility for the losses fixed.*

The Committee would also like the Ministry of Finance to impress upon all the Ministries that before granting loans or grants-in-aid etc. to private institutions, they should ensure that those institutions have the experience and managerial ability to carry out the purposes assigned to them, and should also devise machinery to keep an effective and constant check to see that the money is utilised fruitfully and applied to the purposes intended.

Outstanding arrears of rent in respect of evacuee properties—para 32 of Audit Report, 1959, page 30.

61. Management of evacuee properties and collection of rent and accounting thereof were entrusted to Custodians appointed under the Administration of Evacuee Property Act, 1950. The Act provided that any sums due as rent, etc. to Government could be recovered as arrears of land revenue. Most of these properties were later on acquired by the Central Government under the Displaced Persons (Compensation and Rehabilitation) Act, 1954 and the Rules made thereunder, for the purpose of "compensation pool" and the remaining properties were still in the process of acquisition.

The accounts of these properties as on 31st March, 1959 showed that arrears of rent amounting to Rs. 584.82 lakhs were due for recovery from the various categories of occupants (including Government Departments and Government Servants) as detailed below:

Categories of occupant	In respect of ac- quired pro- perties	In respect of un- acquired properties	Total
	(Rs. in lakhs)		
Government Departments	4.58	2.16	6.74
Government Servants	8.33	1.61	9.94
Non-displaced persons	86.62	60.62	147.24
Displaced persons	274.36	43.39	317.75
Widows and Destitutes	8.73	3.00	11.73
Untraceable	66.94	13.87	80.81
Uncategorised	6.76	3.85	10.61
TOTAL			584.82

62. The Committee find that the arrears due from displaced and non-displaced persons are very large. It was urged before them that according to a decision taken by Government any displaced person who was in possession of any allottable property below Rs. 10,000 in value was entitled to buy that property against his claims if he was a claimant and on payment in suitable instalments if he was a non-claimant. No rent was recoverable from the purchasers of these properties from 1st October, 1955 and, therefore, the arrears of rent from that date onwards will have to be written off after final adjustment of these properties in most of the cases as a majority of the displaced persons—both claimants and non-claimants—had expressed their desire to purchase these properties.

63. As regards arrears due from those who were untraceable, the Committee were informed that they might have to be written off and orders had been issued to expedite the writing off of these irrecoverable arrears.

As the target date (31st October, 1954) by which the claimant/non-claimant displaced occupants of allottable evacuee properties were required to file their applications for purchase has already expired, the Committee would suggest that expeditious action should now be taken to enforce recovery of outstanding rent from those occupants who have not expressed their willingness to purchase properties. The Committee also see no justification for non-recovery of arrears from Government servants and Government departments and also from occupants of non-allotable properties. Government should now take urgent and effective action to clear these large out-standings.

Overpayment of compensation to a Displaced Family—para 33 of Audit Report, 1959—pages 30-31.

64. Rule 19 of the Displaced Persons (Compensation and Rehabilitation) Rules 1955, as amended on 4th September, 1956, provided that the heirs of a deceased head of an undivided Hindu family were to be treated as an one-Member family for the payment of compensation. (They were treated as individual members of a joint family and could secure compensation at a higher scale before the amendment).

During the test audit of the compensation payments made in 1957-58, it was noticed by Audit that one of the six heirs of the head of an undivided Hindu family who died in 1948, was paid compensation in September, 1958 on the basis of higher scale admissible

under the rule as it stood prior to 4th September, 1956. This resulted in an extra payment of about Rs. 12,000 to the claimant. The cases of the remaining five heirs had not been finalised till June, 1959.

65. In evidence, the Committee were informed that as this case had been finalised before the amended rule came into force, the payment was made according to the old rule in consultation with the Ministry of Law. It was, however, pointed out by Audit that in a similar case (particulars furnished by Audit to Government) the Chief Settlement Commissioner had followed a different procedure.

The Committee feel that in such matters there should be uniformity in the application of the rule. They would like to be informed of the final decision of the Government in the matter.

MINISTRY OF STEEL, MINES & FUEL (DEPARTMENT OF IRON & STEEL)

HINDUSTAN STEEL (PRIVATE) LIMITED

Losses arising from delay in laying of railway tracks, unloading of wagons of Plant and Machinery—Para 53(b) of Audit Report, 1958, page 60.

66. In their final Project Report, submitted in October, 1955, the Consultants emphasised the need for giving priority to the laying of railway tracks, both inside and outside the Rourkela Plant area. The scheme visualised the laying of 60 miles of track, of which 22 miles were scheduled to be completed by December, 1956 and 40 miles by December, 1957. This schedule was subsequently revised in August, 1956 to provide for 7 miles by the end of December, 1956, and again revised in August, 1957 to provide for 25 miles by the end of December, 1957. Actually, however, only 3 miles of track were completed by December, 1956, and 18 miles up to the end of February, 1958. It is understood that 45·8 miles of track was laid upto the end of February 1959.

Due to delay in the laying of railway tracks and sidings in the Plant area, and for want of unloading equipment there were serious delays in clearance of wagons of plant and machinery which began to arrive in large quantity from Germany from October, 1957, with the result that the Railways, on several occasions, had to place restrictions on the booking of consignments from Calcutta to Rourkela.

Upto March, 1959, the Railways had preferred claims for Rs. 12·56 lakhs for the period from December 1956 to September 1958 for demurrage charges out of which a sum of Rs. 12 lakhs was paid to the Railways.

Moreover, the Company had to incur unnecessary and heavy expenditure on unloading the contents of wagons into a dump site and reloading and transporting them from the dump site to the storage sheds in the Plant area.

67. In evidence, the Committee could not get any satisfactory explanation for inordinate delay in the laying of railway tracks.

In the opinion of the Committee, the present case is indicative of both defective planning and bad execution. The original schedules for the construction of tracks were revised twice within less than two years, and the actual execution was far behind the revised schedules. It is needless to point out that targets should be laid down realistically, after making due allowance for all possible difficulties to be encountered in the process; once these have been laid down, every effort should be made to ensure that these are strictly adhered to. For, delay, irrespective of the reasons therefor, entails extra expenditure which in turn will push up the outlay on the Project and will be reflected in the price of the end-product. They trust that cases of such type will not recur in future.

Extra expenditure on the purchase of Electric shovels—Para 53 (c) of Audit Report, 1958, pages 60—62.

68. Tenders for 4 shovels required by the Hindustan Steel Ltd. for the Iron Ore Mines at Barsua, opened on the 25th March, 1957, showed that the lowest tender for the shovels was for Rs. 8,05,000 each, with the following delivery dates; first shovel ex-works U.K. by 9th November, 1957, the second one by December, 1957, and the third and fourth in June and July, 1958 respectively, subject to prior sale. The above quotation was technically acceptable and the delivery dates suitable, but no firm orders were placed on the tenderer. On the 8th July, 1957 the tenderer raised his price to Rs. 9,30,548 per shovel, but even then his price was the lowest acceptable.

On the 19th July, 1957 the Hindustan Steel Ltd. decided to purchase three shovels from the above tenderer at his revised rate and one from another tenderer—an American firm—at a price of Rs. 10,80,000 (subsequently reduced to Rs. 10,08,000). The latter firm had offered in its tender to ship the first shovel from the U.S.A. in September, 1957, the second in October, 1957 and the rest in March, 1958. The reason for the purchase of one shovel from the American firm at higher price was stated to be that one shovel was urgently required for site clearance work (which was found to be much behind schedule resulting in the company being unable to hand over the respective sites to the plant erection contractors).

The sanction of Government of India was applied for on 29th July, 1957 for the above purchases but meanwhile, on 31st July, 1957 the first tenderer intimated the Hindustan Steel Ltd. that the shovels had already been sold to the National Coal Development Corporation. Accordingly, the Government of India sanctioned on 4th September, 1957 the purchase of all the four shovels by the Hindustan Steel Ltd. from the other firm at a higher price, primarily on delivery considerations, after getting confirmation from the Company on 13th August, 1957, that one shovel was urgently required at the Iron Ore Mines apart from the one required urgently at Rourkela itself for site clearance. On the 22nd August, 1957 the Manager, Iron Ore Mines, however, intimated that the shovels were actually required by him only from April, 1959 onwards and that even the electricity required for working the shovels would not be available before that date. Despite this, in the formal purchase order issued on 29th November, 1957 to the second tenderer supply was demanded for first and second shovels on 31st March, 1958 and 30th April, 1958 respectively and the remaining two were to be delivered by 31st October, 1958.

69. *The Committee are unhappy over the manner in which the whole transaction was conducted by the Hindustan Steel Ltd. If the lowest tender for four shovels opened on the 25th March, 1957 was technically acceptable to the Company and the delivery dates also suitable, the Committee fail to see why there was such inordinate delay in placing the order which resulted in the Company having to pay about Rs. 2 lakhs more per shovel. There was no satisfactory explanation for this.*

70. *The Committee were also not convinced by the plea of urgency put forth in support of the decision taken by the Company on the 19th July, 1957 to purchase the shovels inasmuch as the first shovel was commissioned only in July, 1958 and the next in January, 1959.*

In their opinion, there was an unnecessary competition between the two State Undertakings for the purchase of the shovels which was taken advantage of by the suppliers. It was argued before the Committee that as either of the two State Undertakings had to purchase the shovels from the second tenderer, there being no other offer, there was no over-all loss to Government.

The Committee are unable to subscribe to this view. They feel that as only one shovel was urgently required at Rourkela, both the Undertakings could have coordinated their requirements and distributed between them equitably the four shovels available at a

lower price instead of competing with each other. The two Undertakings are under the supervision of the same Ministry, viz., the Ministry of Steel, Mines & Fuel, though under two Departments thereof. The Secretary of the Ministry is a Member of the Boards of Management of both the Undertakings. Further, they had a common Financial Adviser. In the circumstances, the Committee consider that there was an omission on the part of both the Ministry and the Financial Adviser. To prevent such cases in future, the Committee suggest that Government should evolve a procedure by which coordination can be secured in the matter of purchase of at least common or similar equipment by the various State Undertakings so that the purchase can be to the best advantage of the State.

Delay in the completion of Blast Furnace—Para 53(d) of Audit Report, 1958—pages 62—64.

71. The contract for the civil engineering work for the Blast Furnace and Steel Melting Shop at Rourkela was awarded on 2nd February, 1957 to an Indian firm not only because of its lower tender (by about Rs. 25 lakhs) but also on the consideration that it undertook to put into use extra plant and machinery to increase its capacity to enable it to strictly observe the prescribed time-schedule. The firm was to work under the supervision of the foreign Blast Furnace contractor who was to be paid a sum of Rs. 22.20 lakhs for preparing the designs for, and supervising the work on, civil engineering items.

The Indian firm, however, could not obtain sufficient plant and machinery to increase its capacity to complete the work according to the time-schedule with the result that the work fell into serious arrears. In order to expedite the progress of the work, and to bring it into line with the time-schedule of the foreign contractor, the Hindustan Steel Ltd. had to render the following assistance to the Indian contractor:—

(i) A delegation consisting of senior officers of Government and of the Company as also the Indian contractor was sent to Germany to settle the new time-schedule with the foreign Blast Furnace Contractor. The time schedule ultimately settled by the delegation was spread over a longer period (six months more in some cases) than that which the Indian firm and the foreign contractor were originally prepared to abide by and which was not initially acceptable to the company.

(ii) 36 workers consisting of 16 foremen and 20 skilled carpenters each costing more than Rs. 3,000 per month

(free of Indian Income-tax) were obtained from Germany through the foreign Blast Furnace contractor at the expense of the Company (but the total cost not to exceed Rs. 10 lacs). These German workmen were to be provided with air-conditioned accomodation and othe amenities involving an expenditure of more than Rs. 1 lakh in the aggregate. In addition, the foreign contractor was to get an amount of Rs. 5.75 lacs (2,00,000 in DM plus Rs. 3.50 lacs) to cover the expenses incurred by him in sending the workmen to India.

- (iii) The Indian firm was given an extra Rs. 13 lacs for shuttering work with the stipulation that the used wood would be handed over to the Company after the work was completed. (It was stated that the rate quoted by the firm in its tender for this type of work was inadequate).
- (iv) Four Tower Cranes were to be provided by the Company for the use of the Indian firm and for these and other machinery letters of credit to the extent of £51,000 (Rs. 6,80,000) were opened by the Company in U.K. in favour of the Indian contractor.
- (v) A sum of Rs. 1.30 lakhs was advanced in cash to the Indian contractor for obtaining certain materials urgently from the U.K.

The financial effect of the above concessions was a total extra expenditure of Rs. 30 lakhs approximately to the Company. Thus the difference of Rs. 25.50 lakhs, between the lowest and the next higher tenderer who could do this work, was more than wiped out. In spite of the above concessions, the blast furnace which was expected to be completed by 1st October 1958 as per the original time-schedule and by 20th December, 1958 as per the revised schedule was ready only on 3rd February, 1959. This resulted in considerable loss of production of pig iron.

72. Explaining the reasons which led Government to accept the lower offer despite the fact that the contractor had no previous experience of this work and there were adverse reports about his past performance. [vide paras 97-98 of the 23rd Report of the Estimates Committee (Second Lok Sabha)], the Secretary, Ministry of Steel, Mines & Fuel stated that both the contractors who tendered were new to this work and this contractor was chosen as his quotation was lower.

In reply to a question, it was admitted that the Technical Consultants of the Hindustan Steel Ltd. initially advised the Company

to accept the higher tender. But Government had to weigh all considerations in coming to a decision.

73. *In the face of the above facts the Committee consider that the choice of the firm for doing this work was unfortunate. Subsequent events proved that this tender had been prepared without full knowledge of the nature of the work to be done. He failed to put into use extra plant and machinery as per the terms of the contract. The work had, therefore, fallen into serious arrears to overtake which the Company had to provide extra concessions to the contractor not envisaged in the contract. In extenuation, it was urged before the Committee that circumstanced as it was at that moment, the Company had no other course to follow. The Committee are not convinced by this plea. For even granting that there were errors in the initial stages, it is not clear to them why the Company should have gone out of its way to foot the bill for the extra concessions provided to the Contractor. In the Committee's opinion, the contractor should legitimately bear the additional expenditure on this account.*

74. As regards the extra payment of Rs. 13 lakhs made to the contractor for shuttering work, the Committee were informed that the additional shuttering work could not be foreseen at the time of calling for tenders and had not therefore been envisaged in the contract. The Committee inquired why the additional work was not provided for in the original estimates prepared by the Technical Consultants who were expected to be conversant with all the details of the work. The Committee were assured that a note would be furnished. *The note is still awaited.*

75. The Committee also desired to know as to what the reasons were for paying such a high rate as over Rs. 3,000 p.m. (free of Income-tax) to foreign carpenters, and also whether it was a fact that the contractor was able to procure the services of similar carpenters from abroad at a much lower rate. The representative of the Ministry agreed to verify and supply the information later.

The Committee regret that though nearly five months have elapsed since the above information was promised to be furnished, it is still awaited. They would, in this connection, like to point out that as a result of such delays not only the programme of the Committee is dislocated but also with the lapse of time the criticisms and suggestions in respect of some of the vitally important issues lose much of their force.

Contract for the Foundations and Civil Engineering work for the Rolling Mills—Para 53 (g) of Audit Report, 1958, pages 65—67.

76. Tenders were invited on 16th April, 1957 for preparing the foundation and civil engineering work, estimated to cost over Rs. 6 crores in the Hot and Cold Rolling Mills. In the tender notice, the work was divided into three sections and the contractors were asked to tender for the work either in part or in whole. A list of the construction machinery and equipment which could be had on hire from the Company, if available, was also included in the tender notice. Sixteen months were allowed for the completion of the work either in part or as a whole, as per tender.

Five tenders—three for part work and two for the entire work—were received. Three contractors, who quoted for part work, did not quote for all the three sections and one of the two tenderers, who quoted for the entire work, did not agree to sharing the work with other contractors. In view of this and other difficulties in co-ordinating the work of three contractors, the idea of dividing the work was given up, especially since the Company was not in a position to assist the contractors tendering for part work with the particular equipment required by them. The two tenders received for the entire work were not also found acceptable for the following reasons:—

- (i) The lower tenderer had no previous experience and his equipment and organisation were inadequate.
- (ii) The higher tenderer did not have sufficient equipment and was engaged on the construction of Durgapur Steel Plant. Further the price quoted by him (Rs. 8.1 crores) was subject to increases on various accounts, and provision of certain facilities and extension of time for completion upto 29 months.

All the above contracts were based on item rates but the basis was changed and a cost contract, with a target sum plus fixed overheads plus a fixed fee (costing in all Rs. 7.79 crores) was actually entered into by negotiation in November, 1957 with a new firm which had not tendered at all on the earlier occasion. The contract with this firm also provided for variations of the target price under certain conditions and a period of 36 months was allowed for completion of the work. This firm consisted of two partners, one of whom (holding a 60 per cent share) was himself a consultant to the Company.

The contract with this firm apart from its being a "cost" contract embodied, *inter alia*, the following unusual feature. Hire charges

amounting to Rs. 50 lakhs plus Rs. 10 lakhs for spares and Rs. 15 lakhs for labour and supervision of repairs (i.e., about Rs. 75 lakhs in all) were to be paid by the Company on account of machinery employed by the firm, estimated to be worth about Rs. 60 lakhs. Some of the machinery had already been used considerably at Kandla but the hire rate was paid on the basis of the original purchase price without taking into account the actual period of useful life already spent at Kandla or elsewhere.

77. In justification of the payment of hire charges amounting to Rs. 50 lakhs for the depreciated machinery originally costing about Rs. 60 lakhs, it was stated that as it could not have been possible for the Company to purchase all the required machinery in time, the decision to hire the machinery was taken. *The Committee endorse the views of the Estimates Committee expressed in para 107 of their 33rd Report (Second Lok Sabha) that purchase of the machinery would have been to the advantage of the Company.*

78. *The Committee consider that it was wrong in principle to award the contract to one of the parties which had prepared the designs and were responsible for supervision. According to Audit, in accordance with the Company's understanding with the Consortium of Consultants, neither the firms constituting the Consortium nor their officials were to have any kind of interest either in the supply of machinery and equipment or in the construction work in India. If so, the present contract was not in consonance with the spirit of the Company's agreement with the Consultants. It was stated in defence that the firm in question on joining the contracting firm as a partner resigned from the Consortium of Consultants. Although this had removed the disability on the firm, the Hindustan Steel Ltd. was deprived of the services of a technically competent firm of consultants for the work that still remained to be done.*

79. The Committee inquired why fresh tenders were not invited for the contract when its basis was changed (from the 'item rates' basis to the 'cost and target' basis) and the period for its completion was extended from 16 months to 36 months. They were informed that it would have involved a loss of 4-5 months in the process.

The Committee could not accept this explanation as valid inasmuch as almost the same time was spent in carrying out negotiations with this firm and concluding the final contract with it. Audit has pointed out that after the rejection of all the Indian tenderers, the Company did not make it known that in case suitable

Indian contractors formed a Consortium (as recommended by the German Combine), they would be considered for awarding the contract on similar terms and conditions as were negotiated with the new firm. Commenting on this, the Secretary, Ministry of Steel, Mines & Fuel observed in evidence that firms|contractors who had experience of this work had already been engaged. The Estimates Committee, on the other hand, have observed in para 119 of their 33rd Report (Second Lok Sabha) that according to non-official opinion there was really no such dearth but certain procedures and practices adopted by Government had kept out good and reputable firms of civil engineering contractors. *It is not known whether Government surveyed and took stock of the civil engineering capacity that could be pressed into service before embarking on the three Steel Plants in the public sector almost simultaneously. Such a survey would have enabled Government to plan the three plants more systematically and thus to avoid both the delay in construction schedules and the increased costs.*

Ministry of Works, Housing and Supply

Unauthorised alteration in specification—Para 42 of Audit Report, 1958, Page 43.

80. An agreement for road work entered into with a contractor in April, 1953 included, an item of light chipping carpet using 6 lbs of bitumen per cft of grit. The first payment for this item of work was made in the 4th running account bill (in June 1953) in accordance with the approved specification, but in the subsequent bills the bitumen used was shown as 5 lbs per cubic ft. of grit without any corresponding reduction in the rate. The Executive Engineer concerned stated that he made the change in specification before inviting tenders for the work and made the corrections in the agreement and other documents. A departmental investigation established on the other hand that the alterations in the documents were made some time between the 4th and 5th running Bills and that they were unauthorised and caused an overpayment of Rs. 16,000 to the contractor. It is understood from Audit that the overpayment has since been recovered from the contractor.

In evidence, the Committee were informed that a detailed enquiry was conducted into this case by a senior officer of the Ministry of W.H.&S., which disclosed that six officers had been found guilty of altering Government records, and that suitable action was being taken against them. *The Committee feel that such cases deserve deterrent punishment.*

Delay in adjustment of a contractor's accounts—para 43 of Audit Report, 1958, pages 43-44.

81. A contractor having commenced construction of 22 sets of quarters in January 1945 at the tendered cost of Rs. 12·66 lakhs abandoned it unfinished in August, 1945. Till then he had received payment of Rs. 10·11 lakhs on running bills and had also got large quantities of cement, steel and timber the cost of which had not been adjusted in the payments made to him.

The remaining work was got completed in June, 1946 by the sub-contractors to whom the work had already been sub-let by the main contractor. After making necessary adjustments defaulter had rendered himself liable to pay to Government liquidated damages and the cost of the stores supplied to him, amounting to Rs. 4,08,278. The case was referred to arbitration in November, 1957 and a decision was still awaited.

It was explained in evidence before the Committee that the work was done in war-time when, due to several difficulties, it was not possible to enforce the rules strictly. The contractor's account was not made up properly in respect of materials issued to him and the officers who were responsible for this had since gone over to another country. The case came to the notice of the Ministry only in 1952 after which the question of settling the account with the contractor was taken up. While Government had a claim against the contractor for a sum of Rs. 4·08 lakhs, the contractor had put in a counter-claim of Rs. 3,67,925 by way of higher rates for certain items of work done by him. The case was now pending in a court which was examining the Government's contention that the contractor's claim was time-barred.

While the Committee recognise the difficulties in settling this case in its earlier stages, they find no justification for the subsequent delay of about 10 years. In their opinion had the Divisional and the Superintending Engineers, who succeeded the migrated officers, looked into the contractors' ledgers carefully (which, the Committee understand, is one of their prescribed duties), the case would have come to light much earlier and settled at least by now. The Committee consider that due and prompt action should be taken in all cases where delay in settling the accounts of a contractor comes to notice. They would also like to be informed about the final outcome of the present case and the action which Government propose to take against the officers for lack of proper supervision.

Chief Technical Examiner's Organisation—Para 44 of Audit Report 1958—pp. 44-46 and Para 51 of Audit Report, 1959—pp. 46-48.

82. Following suggestions made by the Public Accounts Committee, Government decided in May, 1957 to introduce the system of concurrent administrative and technical review of P.W. transactions by an expert Chief Technical Examiner. The paragraphs in the Audit Reports referred to above enumerated the various irregularities etc. pointed out by the C.T.E. in the reports submitted by him during the period July, 1957 to 31st December, 1958.

In evidence, the C.T.E. informed the Committee that in about 75% of the cases reviewed by him he was able to discover either major or minor defects. As far as possible, the defects pointed out by the C.T.E. were got rectified before the completion of the works but in cases where due to the advanced stage of construction the defects could not be remedied, an assessment of the overpayment was made and passed on to the Departments for effecting recoveries from the contractors. During the two years of his existence the C.T.E. had assessed such overpayments to the extent of Rs. 19 lakhs out of which items amounting to Rs. 8 lakhs had been accepted for recovery from the contractors. Explaining the procedure the C.T.E. informed the Committee that initially he communicated his objections to the Executive Engineer concerned and in cases of disagreement at that level he approached authorities at the higher levels step by step. Thus cases of overpayments worth Rs. 11 lakhs were still under correspondence.

It is needless to point out that the value of the work done by the C.T.E. will depend very much on the speed with which final decision is taken on his reports. *The Committee consider the procedure at present followed as dilatory. At this rate much of the time of the C.T.E. is likely to be consumed in pursuing his objections which will reduce his attention to fresh cases. The Committee would suggest that once the C.T.E. has communicated his objections it should be for the Departments concerned to obtain the views of the highest authorities at their end in cases of disagreement before communicating the same to the C.T.E. A time limit should also be fixed for this to ensure expeditious action.*

83. The Committee are concerned to learn from the C.T.E. that technical defects were found in about 70% of the cases and overpayments in about 30% of the cases examined by him. This indicates that in majority of cases both the standard of construction

and standard of supervision are far from satisfactory. *The Committee are, therefore, strongly of the opinion that the C.T.E. should extend his scrutiny to a larger number of P.W. transactions.*

84. One of the irregularities pointed out in the Audit Report 1958 was the acceptance of unworkable tenders. In one case, for a work estimated to cost about Rs. 1,11,040 Government awarded the contract at the tendered amount of Rs. 73,554 while the approximate cost of the material issued and recoverable from the contractor plus roller hire charges amounted to Rs. 76,560. Technical examination of the work disclosed excess issue of bitumen and non-return of empty drums etc. for which a sum of Rs. 26,144 was recoverable. It is obvious that either the cost of the work had been overestimated in the first instance by the Department or it was a mistake on its part to accept the tender. The Committee desired to know how the work was completed—whether by the same contractor—and if so the final cost involved thereon. *This information is still awaited.*

Unproductive expenditure—Para 45 of Audit Report 1958—page 47.

85. In May, 1943 Government took over for war purposes portions of a Jute Mill compound along with some adjoining plots of land, at an annual rent of Rs. 1,500 and constructed thereon certain temporary structures. The land became surplus to requirements in 1951 but was released only in January, 1957. This delay involved an expenditure on land rent of Rs. 9,136 upto 31st March, 1957. Government also paid a compensation of Rs. 24,113 to the owner for not restoring the land to its original condition.

In evidence, the D.G.S. & D. gave the following reasons for the delay involved in this case:

(i) Demarcation of the lands was completed only in December, 1952, as the Land Acquisition Collector had to obtain old records.

(ii) Efforts made by the Department to sell the structures built on the land to the Municipality were fruitless.

(iii) Negotiations with the land owners regarding the quantum of compensation payable to them for restoring the land to its original condition took time. The Jute Mill demanded Rs. 90,000 by way of compensation but was successfully persuaded to accept a lower amount of Rs. 24,113 only.

(iv) Eviction of refugees from a part of the land which they had occupied unauthorisedly became difficult.

The Committee think that six years' time for releasing the land was too excessive.

Infructuous expenditure—Para 46 of Audit Report, 1958—page 47.

86. In April, 1948, on the closure of a labour camp materials worth Rs. 19,828 were found unserviceable. A survey report was prepared in 1949 but was subsequently misplaced. A fresh survey report was prepared in February, 1952. It was sanctioned in September, 1954 by the competent authority after two years and a half. The materials were auctioned in January, 1955 for Rs. 260 only. Meanwhile, the department also incurred expenditure on watch and ward amounting to Rs. 12,331 between June, 1950 and January, 1955.

In evidence, it was admitted before the Committee that this case was not handled properly at different stages resulting in delay in the disposal of stores. The survey report, which was prepared in 1949, was submitted to the Superintending Engineer, who returned it with certain comments. Thereafter, the report was not traceable. No enquiry was, however, instituted into either the loss of the survey report or the delay of 2½ years in sanctioning the second Survey Report.

The Committee were surprised to learn this. *In their opinion the Ministry should enquire into this case and rectify defects if any, in the procedure. If, on the other hand, the enquiry revealed personal lapses, suitable disciplinary action should be taken.*

Avoidable expenditure on the disposal of furniture—Para 47 of Audit Report, 1958—Pages 47-48.

87. Furniture of the book value of Rs. 1,98,446 manufactured in 1942-43 and used in offices and Government quarters during the war was issued again to certain Government residential buildings. When Government decided to demolish these buildings the surplus furniture valued at Rs. 1,59,378 was withdrawn between August, 1955 and December, 1956. The articles were stored in an open C.P.W.D. yard in April, 1957 and later transferred to a shed in July, 1957 entailing an expenditure of Rs. 4,655 on shifting. A further expenditure of Rs. 1,432 was incurred on storage upto August, 1957 when the major part of the furniture was auctioned for a sum of Rs. 8,728. The remaining unserviceable furniture (of the book value of Rs. 39,086) was handed over to Government Housing Factory in March, 1958.

The Committee regret to observe that this is another case where infructuous expenditure was incurred by Government due to avoidable delay in the disposal of unserviceable material. Once the

furniture was declared unserviceable there appeared to be no justification for its being kept in storage for more than a year. Much of the expenditure could have been avoided had prompt action been taken by the officials connected with the disposal of stores.

Loss due to belated release of requisitioned land—Para 48 of Audit Report, 1958—page 48.

88. Certain plots of land requisitioned by Government in 1943 for defence purposes on a rent of Rs. 2,171 per month were proposed in January, 1949 for derequisition. But meanwhile, as the Ministry of W.H. & S. was also considering a proposal to construct clerks' quarters in that locality the final decision to derequisition the land was taken in October 1949. The derequisition order in the case of one main landlord was issued only on 1st February, 1950. The plots were eventually released and possession restored to the various owners on different dates between 3rd February, 1950 and 1st January, 1952. The main landlord was paid a sum of Rs. 1,72,489 by way of compensation for loss of rent and other damages. Government were also put to a loss of Rs. 29,400 on account of rent and Rs. 10,000 on account of restoration charges for the period February, 1949 to December, 1951.

In evidence, the Committee were informed that the time-lag between the decision to derequisition the land in February, 1949 and its actual restoration to the owners by January, 1952 was due to (i) enquiries made about the rightful owners of the plots of land and (ii) eviction of refugees from a part of the land which they had occupied unauthorisedly, which took some time. It was, however, admitted that there was some delay in handling the case.

The Committee would point out that both in the process of acquiring land and restoring it to its owners, there has been considerable delay resulting in avoidable expenditure of large sums. They are firmly of the view that with a little advance planning, the procedural delays can be curtailed and the exchequer saved of unnecessary expenditure.

From the records before them it appeared to the Committee that the land remained unutilised with the Defence authorities since its acquisition in 1943 till 1949. The Secretary to the Ministry of W.H.&S., however, informed them that the area was occupied by the Army Transport Company and certain temporary structures had also been built thereon by the C.P.W.D. on behalf of the Transport Company. The structures were later demolished by the landlord and a sum of Rs. 5,000 was recovered from him by Government

towards the cost of dismantled materials. The Committee asked the representative of the Ministry of Defence to furnish a note stating the purpose for which the land was requisitioned in 1943 and how it was actually utilised. *They regret that the note is still awaited.*

Loss of revenue due to defective planning of works--Para 40 of Audit Report, 1959—page 37.

89. Certain residential units built by the C.P.W.D. at a station remained vacant for long periods owing to delay in the provision of ancillary services like sanitary installations, water supply and electricity supply arrangements. In some cases the buildings were not handed over to the agency responsible for their allotment even after the essential services had been provided. The Audit Report quoted three instances of such delays. In one case the buildings were complete in all respects (including sanitary installations) by May, 1955 but were actually handed over to the authorities for occupation in December, 1956 after 18 months.

In evidence, it was explained before the Committee that the time-lag between completion of the buildings and their allotment was due to work on certain items, like provision of external services (laying of sewerage, water supply lines, supply of electric connections, etc.) which were taken up only after the buildings were ready. To a certain extent the Department had to depend on the municipal authorities for the execution of these works. The Committee were not convinced by this explanation. *In their opinion, the instances quoted in the Audit Report indicated lack of proper planning on the part of the C.P.W.D. They did not see any reasons why the work on external services could not be started simultaneously with the construction of the buildings as would be done by any private builder. The witness informed the Committee that instructions had since been issued to take up both types of work simultaneously.*

The Committee trust that these instructions will be implemented in actual practice. The Ministry should also take appropriate steps to ensure better co-ordination between the C.P.W.D. and the municipal authorities in the matter of provision of ancillaries.

Irregular sale of Government material—para 41 of Audit Report 1959—page 39.

90. In May, 1951, a C.P.W. Division acquired 86·9 tons of mild steel sheets from Disposals at Rs. 90/6/6 per ton (i.e. 20% of the authorised price) on the condition that the material would not be resold within two years. Nevertheless, 79·878 tons of sheets,

which were initially hired out to three contractors, were sold in 1952 to them at Rs. 120 per ton. The controlled price for new sheets at the time was Rs. 463·79 nP. The loss on the sale to contractors was thus in the neighbourhood of Rs. 30,000.

It was stated before the Committee that the steel sheets were given on hire to the contractors by the Executive Engineer in the first instance and later sold to them under the orders of the Board of Governors of the Indian Institute of Technology, an autonomous body. Efforts were now being made to recover a further amount from the contractors concerned towards the cost of the steel sheets.

The Committee fail to understand how the Executive Engineer could act on the instructions of the Institute to sell material which belonged to the C.P.W.D. *In their opinion, the responsibility for having sold the material disregarding the conditions imposed by the Disposals Directorate lay squarely on the C.P.W.D. They would like to be informed of the recoveries made from the contractors.*

Loss due to non-observance of rules—para 43 of Audit Report, 1959—pages 40-41.

91. A Central Purchase Organisation placed an order on a firm for the supply of stores, which involved an extra payment of Rs. 32,850 (as compared with the lowest acceptable offer) to ensure earlier delivery. The contract included a special penalty clause stating that in case of failure to supply the stores by 31st March, 1955, the contractor would be liable to refund to Government the difference between the contract rate and that of the lowest acceptable offer but the firm while acknowledging receipt of the contract on 10th March, 1955, expressed disagreement with this provision and invited a reference to its letter dated the 23rd February, 1955 accepting the date of delivery with certain reservations. The firm failed to supply the stores by the stipulated date but no penalty could be imposed in view of the fact that the Purchase Organisation had failed to get a prior assurance from the firm regarding earlier delivery by a definite date while agreeing to the higher price.

In evidence, the D.G.S. & D. stated that the price preference clause in the contract could not be legally enforced in this case and it was not realistic as the clause specified the price quoted by a firm with which Government had suspended dealings. The Committee are surprised how the officer failed to take note of the letter of 10th March, 1955, from the firm and "allowed his zeal"

to outrun his discretion". Government will be well advised to issue strict instructions to all purchase officers to examine the legal implications of ad hoc provisions/clauses before incorporating them in contracts.

Irregular payment of sales tax—para 44 of Audit Report, 1959—p. 41.

92. Four contracts were placed by the D.G.S. & D. on two firms during March-April 1948 for the supply of cables for the P. & T. Department. The tenders did not specifically indicate payment of sales tax to the tenderers in addition to the price of stores. Provision for the tax was, however, made in two contracts *suo moto* by the Purchase Officer while in the other two it was made later at the instance of the suppliers. The provision for the payment of sales tax in all the four contracts was, however, cancelled subsequently on 22nd October, 1949 and 3rd November, 1949 when it came to the notice of the Purchase Officer that such unstipulated payment of sales tax was not in conformity with the provisions of the Law or Departmental instructions. The suppliers, however, did not agree to this and an amount of Rs. 47,971 had to be ultimately paid to them.

In the opinion of the Committee the action of the Purchase Officer in allowing the sales tax to the contractors suo moto was questionable and deserved more severe action than the communication of an oral warning.

Avoidable payment to a contractor—para 45 of Audit Report, 1959—pp. 41-42.

93. In April, 1946, a contract was entered into for constructing a building at a cost of Rs. 4,68,437 to be completed by December, 1946. This date was later extended to 31st May, 1948. As the contractor could complete the building only in February, 1950, a penalty of Rs. 11,700 was recovered from him for failure to complete the work within the extended date. The contractor filed a suit in May, 1953 in a High Court for payment of a further sum of Rs. 4.33 lakhs on account of (i) increase in the cost of construction due to rise in market prices of materials and wages (Rs. 3,58,241) (ii) value of materials looted by rioters and stolen (Rs. 32,881) and (iii) extra items of work done by him (Rs. 42,000). The High Court appointed an arbitrator in April 1954 who awarded in July 1956 a sum of Rs. 60,000 and 6,000 respectively in favour of the contractor on his first and third claims rejecting the second. The Department received a notice from the High Court on 24th December, 1956 that the judgment on the award would be pronounced on 28th January, 1957. That Department consulted the

Ministry of Law on 23rd January, 1957. The Ministry of Law advised on 24th January, 1957 that while the award of Rs. 6,000 in respect of the third item could not be questioned the payment of Rs. 60,000 against the first item was not consistent with the terms of the contract and an objection should be filed in respect thereof in the Law Court. The objection could not be filed as the last date for making such an application (23rd January, 1957) had expired. As a result of this delay Government had to pay a sum of Rs. 60,000 together with interest of Rs. 198 to the contractors.

It was admitted before the Committee that the delay was due to negligence on the part of the staff of the Executive Engineer's Office who had been censured on this account. The question of fixing responsibility on the Superintending Engineer and the Executive Engineer concerned for not taking prompt action in this case was under examination of Government. *The Committee would like to be informed of the decision reached in this case.*

94. Disciplinary action apart, the Committee consider it their duty to draw attention to certain regrettable features of this case. According to estimates the building was to be completed within 8 months; the period was extended by 17 months and the contractor took nearly two years more to complete the work. It passes the comprehension of the Committee how the Department sanctioned an extension of 17 months when the work was according to original requirements to be completed within 8 months. It is obvious that the original estimate of 8 months for the completion of the work was too unrealistic. Secondly, by granting this extension and by allowing the contractor to take 2 more years, the Department had weakened its case before the arbitrator. *In the opinion of the Committee not only the cost of the work but also the time necessary to execute it should be estimated with reasonable accuracy and adhered to.*

Loss due to failure to follow the prescribed procedure—para 46 of Audit Report, 1959—pp. 42-43.

95. An order was placed on a firm by the D.G.S. & D. for the supply of five types of 'sheathed' cables. Eighteen days after the placing of contract the indenter intimated that two of the five types were not required. The Purchase Organisation accordingly cancelled the orders for the two types without obtaining prior consent of the supplying firm which protested against the cancellation and claimed Rs. 45,000, as compensation. The case went to

arbitration and the arbitrator awarded a sum of Rs. 6,039 to the firm as compensation plus Rs. 350 as cost of legal proceedings. The Purchase Organisation also did not inform the indenter of the financial repercussions of the cancellation of the order. The latter stated in October, 1955 that had he been informed of the financial repercussions involved he would have made alternative arrangements to keep the contract alive.

The Committee were given to understand that Government were not satisfied with the arbitrator's award. In the light of the experience of similar cases, Government have revised the procedure for arbitration and reference of cases thereto. *The Committee, however, cannot overlook the omission to follow the prescribed procedure on the part of the Purchase Organisation which was responsible for the payment of compensation in this case.*

Loss due to failure to effect risk purchase within the prescribed period—para 47 of Audit Report, 1959—p. 43.

96. The D.G.S. & D. placed a contract with a firm for the supply of teak logs by the 1st February, 1954 which date was extended to 15th March, 1954. As a result of the inability expressed by the firm on 17th March, 1954 to execute the order, the contract was cancelled on the 6th September, 1954 at the risk and expense of the firm. Tenders were invited for repurchase in January, 1955 and a contract at an extra cost of Rs. 25,375 was placed on 24th March, 1955, that is, more than a year after the firm had expressed its inability to supply the logs. As the repurchase was not done within six months of the breach of contract only an amount of Rs. 8,500, being the difference between the contract price and the price prevailing near about the date of breach of the contract could be recovered and the balance of Rs. 16,875 was loss to Government.

It was admitted by the D.G.S. & D. that there had been a lapse on the part of the Assistant dealing with the case for which his 'grave displeasure' had been communicated to him. Further instructions had been issued for the maintenance of purchase registers by all purchase officers in respect of cases falling within their financial powers to keep them in touch with the day to day progress of the execution of orders. The Committee feel that such a step was long overdue. *They trust that Government will ensure that the registers are properly maintained by the purchase officers and an effective watch kept over the progress of execution of indents against the date of supply of the stores as specified by the indenter.*

Loss due to discrepancy between the terms of the tender enquiry and the contract—Para 48 of Audit Report, 1959— p. 43-44.

97. An overseas Mission issued in September, 1956 telegraphic tender enquiries for the supply of cargoes for foodgrains stipulating that "the vessels shall be free of discharge expenses" which meant that these expenses would be borne by the buyer and not by the supplier. The standard contract forms drawn up by the Mission provided that expenses on hire of cranes at the ports of discharge were to be borne by the suppliers. Four out of the five firms on whom orders were placed accepted the terms in the standard contract forms but one asked for the deletion of the provision relating to payment of crane hire charges. The Mission did not take any clarificatory action at this stage. Three of the five firms resisted payment of the hire charges in full and the fourth in part.

In evidence, the Secretary to the Ministry of Works, Housing and Supply informed the Committee that as a result of further negotiations they had been successful in recovering from the Shipping Companies about 79% of the entire discharge expenses (on crane hires etc.) incurred by the Government.

It was brought to the notice of the Committee by the C. & A. G. that at the initial stages when the case was taken up by his Department the India Supply Mission, after consultation with their Legal and Financial Advisers, had stated that no recoveries were due from the suppliers either on legal or moral grounds. It was only when the matter was pressed by Audit that the Mission took effective action to recover the expenses from the Companies. *The Committee trust that the India Supply Mission will be more vigilant in future in safeguarding Government's financial interests.*

Overpayment to oil companies—para 49 of Audit Report, 1959—pp. 44-45.

98. In September, 1950 a Central Purchase Organisation entered into a contract with a company for the supply of imported axle-oil which *inter alia* stipulated that the prices were based on the then prevailing rate of import duty and sea freight rates ruling on 8th June 1950, from USA to Calcutta and that an increase or decrease in these items would be to the buyer's account. The firm asked for an increase over the contract rates for supplies commencing from 1-3-51 and 20-9-51 on this account, which were readily accepted without due verification. On being pointed out by Audit in April, 1953 that the increased rates should have been made applicable only to the supplies made from stocks imported after the increase in the rates of customs duty/freight, Government decided in May, 1957 to recover

a sum of Rs. 2,23,210 from the Oil Company. The firm, however, took the matter to arbitration and filed counter-claims for Rs. 12 lakhs (approximately).

Similar price variation clause occurred in POL contracts with other Companies entered into during that period. The Purchase Organisation was conducting a review in order to ascertain whether any overpayments had occurred on these contracts.

The Committee feel that the matter is taking too long a time. They suggest that in such cases involving large financial repercussions, expedition is essential. They would like to be informed of the outcome of this case as well as the result of the review that is being conducted by the Department in respect of POL contracts.

*Avoidable extra expenditure incurred in purchase of Teak planks—
Para 52 of Audit Report, 1959—p. 48.*

99. A Central Purchase Organisation placed a contract on a firm for supply of teak planks by 30th April, 1951. The firm tendered the stores for inspection on 20th April, 1951 but the Inspector refused to carry out the inspection as he had received neither the advance acceptance of tender nor the contract copy. On 11th May, 1951 the Inspector called for a copy of the contract but actually got one on 16th June, (the original having been misdirected on 16-5-51). Meanwhile, the delivery period of the contract was extended upto 31st August, 1951 to which the firm's agreement had not been taken. When on 25th August, 1951, the Inspector advised the firm that he would undertake inspection of stores between 28th and 30th August 1951, the firm informed him on 28th August, 1951 that as the original delivery date had already expired on 30th April, 1951, and the materials were not inspected before that date, they were not prepared to offer material for inspection at that stage. The contract was cancelled on 19th January, 1952 in consultation with the Law Ministry without any financial repercussions on either side. Government repurchased the material on 16th May, 1952 from another firm at an extra cost of Rs. 24,700.

In evidence the Committee were informed that suitable action was being taken against the Section Officer for his failure to send an advance copy of the acceptance of tender to the Inspector concerned. *The Committee would like to be apprised of the action taken in this case.*

Para 63 of Audit Report (Civil), 1959—Delay in supply of purchase order files to Audit.

100. Under a mutually accepted procedure all selected "Purchase Order Files" of the Central Purchase Organisation have to be made

available for scrutiny by concurrent Audit staff within three days of their requisition. According to the Audit Report there has been great delay in complying with such requisitions or in answering the Audit queries relating to purchase orders. In some cases the purchase files have not been made available to Audit even after five to six years.

In evidence the D. G. S. & D. claimed that as a result of subsequent instructions issued, the position has considerably improved. From a note furnished to them later by the D.G.S. & D. the Committee, however, find that it was not so and the position is still far from satisfactory. *They would strongly urge that adequate and effective steps should be taken by Government to ensure that such delays are avoided.*

UPENDRANATH BARMAN,
Chairman,
Public Accounts Committee.

NEW DELHI;
The 22nd March 1960.
Caitra 2, 1882 (Saka).

|| APPENDIX I ||

[Summary of the Conclusions/Recommendations]

Serial No.	Para No.	Ministry or Department concerned	Conclusions/Recommendations
1	2	3	4
1	6 (Introduction)	All Ministries	<p>During the course of the examination of these Accounts and Audit Reports thereon, certain Ministries brought to the notice of the Committee certain information which had not been furnished to Audit in time and as such was not taken into account in finalisation of the relevant paragraphs in the Audit Reports. According to the existing procedure based on a recommendation by the Public Accounts Committee circulated by the Finance Department in 1946, the Ministries were given six weeks to verify the facts included in the draft Audit paragraph and in case the Ministries did not furnish the requisite information to Audit within this period, the paragraph as prepared by Audit on the facts placed before it was treated as final and included in the Audit Report. <i>Aprcpas</i> this recommendation in paragraph 37 of this First Report (First Lok Sabha), the Committee deprecate the tendency on the part of the Ministries to refute the facts embodied in the Audit Reports and trust that the Ministries will always make it a point to furnish the requisite information to Audit within the prescribed period of six weeks. If in exceptional cases it is not possible to do so the correct position be furnished to the Committee through Audit so as to enable them to arrive at proper conclusions.</p>

1	2	3	4
2.	2	Finance All Ministries	The large savings during 1956-57 and 1957-58 indicate over-budgeting and provision made prematurely for schemes.
3.	6 & 7	Do.	<p>The Committee feel that surrender of funds made towards the close of the year do not serve any purpose as these could not be diverted for other purposes at that stage.</p> <p>In both the years there were also cases where substantial portion of the supplementary grants or appropriations remained unutilised.</p> <p>There were also several cases of re-appropriation and modifications under individual sub-heads which turned out to be either excessive or unnecessary. All this indicates defective control over expenditure.</p>
4.	9	Do.	<p>(i) The Comptroller and Auditor General has observed in his Report (1959) on the Accounts for 1957-58 that the utilisation of the appropriations by itself is no index of the wisdom of the expenditure incurred. He has added that there had been cases in which projects and programmes once accepted were continued even when it became evident that their initial planning and location were faulty and that they would fail to fulfil largely the purposes for which they were undertaken. The Committee are inclined to endorse the above observations. In this connection they would draw attention to Silver Refinery Project, Pilot Plant for production of different types of paper, Establishment of a show-room-cum-Trade Centre in Geneva and Acquisition of premises for the Tourist Office in Paris.</p>

(ii) The Committee attach great importance to the even flow of expenditure during the year as haste results in waste.

(iii) It has been observed by the Comptroller & Auditor General that the first canon of financial propriety, *viz.* that those in control of public expenditure should exercise the same care and prudence as they do in regard to their personal expenditure was not "infrequently disregarded". Considerable economies, more particularly in the major projects, could be effected if this salutary principle were scrupulously observed. The Committee trust that Government will bestow thought on these observations.

5	11(b)	External Affairs ----- Defence	The Committee desire that the Ministry of External Affairs should in consultation with the Ministry of Defence and Audit evolve a suitable procedure to ensure that the debits in respect of supplies and services are adjusted in the accounts without delay.
6	11(c)	Food & Agriculture ----- All Other Ministries	The Committee desire that Government should ensure that in future provision in the budget is made with due regard to the capacity of the States concerned for implementing the projects.
7	11(e)	Health	The Committee feel that delays referred to by the Ministry can be easily avoided in future by settling the pattern of assistance in time.
8	11(f)	Home Affairs	The Committee feel that provision of such a large sum for a scheme without ascertaining whether it could be successfully implemented during the budget year was <i>prima facie</i> wrong.

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9	11(g)	Labour and Employment	The Committee are surprised that in spite of such uncertainties, of which the Ministry were fully aware, provision was made so liberally.
10	11(h)	S. R. & C.A.	The Committee feel that if at the time of framing the budget for the projects only the outline of the plan had been approved, the proper course for the Ministry was either to make a 'token' provision in the budget or approach Parliament later for funds when the schemes had been worked out in detail.
11	14	Commerce & Industry	In order to assess the benefits to the country by the opening of the show-room, the Committee desired to be furnished with a note indicating India's exports to Switzerland from 1953-54 to 1958-59; their break-up, especially of the goods exhibited in this show-room—but they regret to observe that this note is still awaited.
12	15	Do.	In the course of their examination, the Committee were given to understand that the Indian Embassy did not approve of Geneva for the show-room and the Consul-General protested against the appointment of a new firm in preference to others already doing business in this line. The Secretary of the Ministry promised to look into this matter and inform the Committee. The information is still awaited. In these circumstances the Committee are led to the conclusion that this experiment in export promotion involving such a heavy outlay was ill-conceived and did not serve the purpose in view. They are not also very happy about the terms and conditions of transfer

of the building to the firm. In their opinion the terms were heavily weighted in favour of the firm. As a Departmental Committee was examining the question of compensation payable by the firm for the transfer of the building to it, the Committee would defer their comments till the recommendations of the Departmental Committee and the decision of Government thereon are made available to them.

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|----|---------|-----------------------|--|
| 13 | 16 | Commerce and Industry | As regards the godown at the free port of Geneva taken on a rent of Sw. Fr. 700 p.m. from 26th September, 1955 in view of the contemplated wholesale trade through the firm, the Committee regret to observe that it had not been put to full use so far although considerable expenditure had been incurred on its renovation and providing heating arrangements. Here again, the Committee learnt that the Indian Embassy in Switzerland was not in favour of Government retaining this godown. The matter was reported to be under active consideration by Government. The Committee suggest that the Ministry might examine the feasibility of using this godown as a central place for stocking goods intended for display at various exhibitions in Europe or America. This will save Government expenditure on transport of exhibits. |
| 14 | 17 & 18 | Do. | <p>(i) The losses in running the various emporia caused the Committee some concern. They feel that the Khadi Commission should reduce expenditure on the staff and push up the sales in order to reduce the losses. They desire to be informed of the various steps taken by the Commission to cut down the losses.</p> <p>(ii) A note <i>re.</i> the ratio of expenditure on administration of the Khadi Commission as compared to the amount paid to the spinners, etc., is still awaited.</p> |
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(iii) The Committee understand that the Association entrusted with the management of the Sales Emporium at the headquarters of the Industrial Advisory Board is also running an independent business of its own. They trust that the representatives of the Khadi Commission on the Board of the Emporium will ensure that the Commission's interests are fully safeguarded.

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Commerce & Industry

The Committee of 1958-59 had also expressed concern at the unsatisfactory state of affairs prevailing before the Commission was set up in 1957. It might perhaps be too early to evaluate the progress of the Commission. The Committee, however, would like to point out that if the funds earmarked in pursuance of the policy of development of traditional *Khadi* are to be well-spent, the financial procedure to be followed by the Commission needs tightening up. The Committee trust that the Commission will address itself to this matter. It is the responsibility of Government (who are accountable to Parliament) to assist and clothe the Commission, if necessary, with greater powers for dealing with statutory State Boards.

16

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Do.

The Committee note that the grants paid in some cases were five years old. They consider that more expeditious action is necessary in order to ensure that the grants-in-aid were utilised economically and applied to the purposes intended.

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Do.

The Committee felt that the various irregularities referred to in the Audit Report indicated that the working of the Coir Board was not quite satisfactory. The Secretary of the Ministry agreed to

			look into them and devise suitable remedial measures. The Committee would like to be apprised of the results of the enquiry and the remedial measures taken.
18	22	Do.	The Committee would like to be furnished with a note stating the reasons for (a) not taking the delivery of goods and keeping them in the warehouse, (b) inordinate delay in taking a decision regarding the disposal of goods, and (c) whether the accounts have since been finalised and if so, the total loss involved in this case.
19	23	Commerce & Industry	The Committee would invite the Ministry's attention to their note (Appendix LXXVI, Volume II, Seventh Report, Second Lok Sabha) wherein it was <i>inter alia</i> stated that it was proposed to amalgamate the Trade Marks Registry and the Patent Office and would like to know whether this has since been done.
20	24	Commerce & Industry <u>Nahan Foundry Ltd.</u>	The Committee consider that further capitalisation of the Foundry would not be prudent. They would like to be informed of the final decision in this matter.
21	25	Do.	The Committee are concerned that the large quantities of goods are with the consignees for such a long time. They desire that the Foundry should take action either to get back the goods or to recover their cost from the parties concerned without any more loss of time. Such accumulation of goods for a long time with consignees without prompt settlement will not only result in locking up of funds but lead to loss by the deterioration of stores.
22	26	Do.]	The Committee trust that effective steps will be taken by the Foundry to bring down the outstanding loans and advances. They would also suggest that the Foundry should make a realistic assessment of its outstandings with a view to writing off the irrecoverable debts so as to present a true statement of accounts.

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23	28	<u>Commerce & Industry</u> <u>Sindri Fertilizers & Chemicals Ltd.</u>	<p>While the Committee appreciate the difficulties faced by the factory in the initial stages they are disappointed to see that even after installation of the ninth compressor the production has not increased. They are concerned over the setback in production since 1957-58. They therefore urge that effective measures be taken to step up production with a view to early achievement of the rated capacity.</p>
24	29	<u>Commerce & Industry.</u> <u>S.F. & C.L.</u>	<p>The Committee trust that the cases of the type mentioned in this paragraph would not recur.</p>
25	31	Do.	<p>The Committee could find no justification as to why the Company omitted from the purchase order for Coal issued from the beginning of the financial year 1957-58 the stipulation to the effect that payment would be made on the basis of the results of the analysis carried out by the Company when the Company was within its rights to make such a provision in accordance with the Coal Commissioner's bulletin No. 17 referred to above. They were informed that the matter was now proposed to be discussed with the Coal Controller and the suppliers of coal so as to arrive at a satisfactory arrangement. They would like to be informed about the final settlement reached in this matter.</p>

26	32	Do.	The Committee need hardly emphasise the importance of accurate estimation of the production of the factory which is essential both for proper control over cost and production and avoidance of waste. They trust that a satisfactory arrangement will be made expeditiously so as to avoid such shortages and their effects on production costs.
27	33	Do.	The Committee trust that the Company will ensure the unloading of wagons in time in future to avoid the payment of such demurrage charges.
28	34	Do.	The Committee are distressed to note that although about eight years have already elapsed no decision has yet been taken regarding the utilisation or the disposal of the Methanol Plant at Sindri resulting in avoidable expenditure on its care and maintenance besides loss arising from its wear and tear and loss of interest on capital unnecessarily locked up. They trust that a decision will be taken without any further delay.
29	35	Finance— (Deptt. of Economic Affairs).	The Committee find that in spite of all the delays referred to in the report, the civil works were all completed in July, 1957. Even thereafter it took 17 months to erect and instal the plant against the stipulated period of 14 months in the contract. The Committee were informed by the Master of the Project that Government were considering the question of fixing responsibility for the extra expenditure involved due to delays. They would await the results of Government's examination of this matter.

1	2	3	4
30	36	Finance (Deptt. of Economic Affairs)	The Committee understand that a proposal to convert the Silver Refinery into a Copper Refinery is under examination. They would like to know the final decision of Government.
31	37	Do.	The Committee trust that the rules for stock-checking and the security procedure will be so framed as to enable the authorities concerned to detect losses at an early stage and to fix responsibility therefor.
32	38	Do. (Deptt. of Revenue)	The Committee trust that the decision to place before Parliament a consolidated statement covering all guarantees given in a particular year by the Government on behalf of private industrial units will be implemented at an early date.
33	39	Do,	The Committee consider that the question of outstanding demands of income-tax revenue should receive early consideration by Government in order that the rising trend of arrears is halted quickly. They would like to be kept informed about the measures introduced by Government to achieve that object.
34	40	Do. (Deptt. of Expenditure)	In view of the assurances of the Ministry in the matter of clearance of outstanding objections, the Committee would like to watch the situation through future Audit Reports.

35	41	Finance ----- All Ministries.	The Committee feel that there should be uniformity in the matter of payment of advances to Public Undertakings. Secondly, when Government pay advances, they should see that such advances are restricted to the amounts actually required immediately and that advances are settled by the recipients periodically without delay.
36	42	Finance ----- Rehabilitation Finance Administration.	The Committee would like to watch the progress made in the recovery of outstanding loans granted by the Rehabilitation Finance Administration through subsequent audit Reports.
37	43	Do.	The Committee are more than disturbed at the manner in which loans were granted in the cases mentioned in this paragraph. The Government should look into the cases with a view to toning up the Administration in order to obviate such occurrences.
38	44	Health, W. H. & S.	The Committee felt that, in a project of the present magnitude, a phased and coordinated programme of construction of the main building and the residential colony was very essential which, unfortunately, was not drawn up. The Committee could not get a satisfactory answer to the question as to what steps were taken by the Ministry of Health to ensure balanced progress of construction of the various buildings when the construction of the main building was subjected to heavy delays.
39	45	Do.	The Committee understand that the loss to Government on account of rent, etc. of vacant residential buildings could not be ascertained

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as the records showing the actual date of handing over of these buildings were not available with the Institute or the Central Public Works Department. The Committee desire that the records should be traced and the amount of loss sustained by the Institute calculated and intimated to them.

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Health

In regard to the buildings constructed by Government for the Institute which had since been handed over to the Institute, the Secretary of the Ministry gave a figure which differed widely from the detailed information furnished by the Ministry at the instance of the Committee. The Committee regret that the witness had not come fully prepared.

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Health, W.H. & S.

The Committee are astonished to find that a job like the construction of two truck bodies which would not take a private truck owner more than a few weeks should have taken the Central Purchase Organisation a period exceeding a year and a half. Even after making due allowance for the completion of Government Departmental procedural formalities, the delay was unconscionable. The Committee suggest that Government will be well-advised to review the procedure prescribed with a view to rid it of unnecessary and purposeless formalities.

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Health

The Committee would like to be furnished with a note setting forth the considerations which weighed with the Delhi Administration in coming to the conclusion that the Land Acquisition Officer was not to blame.

43	53	Health/Law	The Committee understand that, in spite of the fact that the claimant in this case had failed to fulfil his obligations under the Land Acquisition Act and the Punjab Land Revenue Act, according to legal opinion, his claim to interest charges had to be honoured. This points to a lacuna in the Act, the amendment to which was stated to be under consideration of Government. The Committee would like to be informed in due course of the final decision taken in the matter.
44	55	Irrigation and Power	The Committee feel that had the original design of the Project been prepared with more forethought, the infructuous expenditure of Rs. 22 lakhs could have been avoided.
45	57	Rehabilitation/Finance	The Committee do not consider it proper on the part of the Ministry of Rehabilitation to have sanctioned the withdrawal of money on the last day of the financial year when it could not be disbursed within that year. If it was the intention of the Ministry to avoid delay in making payment to the displaced persons, the proper course was either to obtain a Vote on Account or draw an advance from the contingency Fund. The Committee are disturbed that the Ministry of Finance whose duty it is to enforce financial regularity, had erred in this case.
46	60	Rehabilitation	(i) The Committee consider the failure to hold an enquiry for ascertaining the reasons for the heavy losses suffered by the Indian Co-operative Union, a serious lapse on the part of the Ministry. They learn that the Union is existing and is working for Government in certain other spheres. The Committee, therefore, urge that an enquiry into this case should be started without any further delay and the responsibility for the losses fixed.

		Rehabilitation/Finance	(ii) The Committee would also like the Ministry of Finance to impress all the Ministries that before granting loans or grants-in-aid etc. to private institutions, they should ensure that those institutions have the experience and managerial ability to carry out the purposes assigned to them, and should also devise machinery to keep an effective and constant check to see that the money is utilised fruitfully and applied to the purposes intended.
		All other Ministries	
47	63	Rehabilitation	As the target date (31st October, 1959) by which the claimant/non-claimant displaced occupants of allotable evacuee properties were required to file their applications for purchase has already expired the Committee would suggest that expeditious action should now be taken to enforce recovery of outstanding rent from those occupants who have not expressed their willingness to purchase properties. The Committee also see no justification for non-recovery of arrears from Government servants and Government departments and also from occupants of non-allotable properties. Government should now take urgent and effective action to clear these large outstandings.
48	65	Do.	The Committee feel that there should be uniformity in the application of the rule in regard to payment of compensation to displaced persons. They would like to be informed of the final decision of Government in this matter.
49	67	S.M. & F. (D. p.t. of I & S)	(i) In the opinion of the Committee, the present case is indicative of both defective planning and bad execution. The original

schedules for the construction of tracks were revised twice within less than two years, and the actual execution was far behind the revised schedules.

S. M. & F. (Deptt. of I & S)/All other Ministries.

(ii) It is needless to point out that targets should be laid down realistically, after making due allowance for all possible difficulties to be encountered in the process ; once these have been laid down, every effort should be made to ensure that these are strictly adhered to. For, delay, irrespective of the reasons therefor, entails extra expenditure which in turn will push up the outlay on the Project and will be reflected in the price of the end-product. They trust that cases of such type will not recur.

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S M.& F. (Deptt. of I& S)

The Committee are unhappy over the manner in which the whole transaction was conducted by the Hindustan Steel Ltd. If the lowest tender for four shovels opened on the 25th March, 1957 was technically acceptable to the Company and the delivery dates also suitable, the Committee fail to see why there was such inordinate delay in placing the order which resulted in the Company having to pay about Rs. 2 lakhs more per shovel.

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Do.

(i) The Committee were not convinced by the plea of urgency put forth in support of the decision taken by the Company on the 19th July, 1957 to purchase the shovels in as much as the first shovel was commissioned only in July, 1958 and the next in January, 1959.

S.M. & F. (Deptts. of I & S and M. & F.)

(ii) In the opinion of the Committee, there was an unnecessary competition between the Hindustan Steel Ltd., and the National Coal Development Corporation for the purchase of the shovels which was taken advantage of by the suppliers.

S. M. & F.

Dep'ts. of I & S. and
M. & F.

(iii) The Committee are unable to subscribe to the view that as either of the two State Undertakings had to purchase the shovels from the second tenderer, there being no other offer, there was no overall loss to Government. They feel that as only one shovel was urgently required at Rourkela, both the Undertakings could have co-ordinated their requirements and distributed between them equitably the four shovels available at a lower price instead of competing with each.

Do.

(iv) As the two State Undertakings are under the supervision of the same Ministry and had a common Financial Adviser and further as the Secretary of Ministry is a Member of the Boards of Management of both the Undertakings, the Committee consider that there was an omission on the part of both the Ministry and the Financial Adviser.

Do.

All other Ministries.

(v) To prevent such cases in future, the Committee suggest that Government should evolve a procedure by which co-ordination can be secured in the matter of purchase of at least common or similar equipment by the various State Undertakings so that the purchase can be to the best advantage of the State.

S M. & F.

(Deptt. of I. & S.)

(i) The Committee consider that the choice of the firm for doing this work was unfortunate. Subsequent events proved that the tender had been prepared without full knowledge of the nature of the work to be done,

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		Do.	(ii) The Committee are not convinced by the plea that circumstances as the Company was at that moment, it had no other course to follow but to provide extra concessions to the contractor. For even granting that there were errors in the initial stages, it is not clear to them why the Company should have gone out of its way to foot the bill for the extra concessions provided to the Contractor. In the Committee's opinion, the contractor should legitimately bear the additional expenditure on this account.
53	74	Do.	A note stating why the additional shuttering work was not provided for in the original estimates prepared by the Technical Consultants who were expected to be conversant with all the details of the work is still awaited.
54	75	Do	The Committee regret that though nearly five months have elapsed since a note re payment of high rate to foreign carpenters was promised to be furnished, it is still awaited. They would, in this connection, like to point out that as a result of such delays not only the programme of the Committee is dislocated but also with the lapse of time the criticisms and suggestions in respect of some of the vitally important issues lose much of their force.
		All other Ministries.	
55	77	S. M. & F.	The Committee endorse the views of the Estimates Committee expressed in para 107 of their 33rd Report (Second Lok Sabha) that purchase of the machinery would have been to the advantage of the Company.
		(Deptt. of I. & S.)	

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S. M. & F

(Deptt. of I. & S.)

The Committee consider that it was wrong in principle to award the contract to one of the parties which had prepared the designs and were responsible for supervision. They understand that in accordance with the Company's understanding with the Consortium of Consultants, neither the firms constituting the Consortium nor their officials were to have any kind of interest either in the supply of machinery and equipment or in the construction work in India. If so, the present contract was not in consonance with the spirit of the Company's agreement with the Consultants. Although the disability on the firm was removed with its resignation from the consortium of Consultants., the Hindustan Steel Ltd. was deprived of the services of a technically competent firm of consultants for the work that still remained to be done.

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Do.

(i) The Committee could not accept the explanation that the invitation of fresh tenders would have involved a loss of 4—5 months in the process as valid inasmuch as almost the same time was spent in carrying out negotiations with this firm and concluding the final contract with it.

Do.

(ii) It is not known whether Government surveyed and took stock of the civil engineering capacity that could be pressed into service before embarking on the three Steel Plants in the public sector almost simultaneously. Such a survey would have enabled Government to plan the three plants more systematically and thus to avoid both the delay in construction schedules and the increased costs.

58	80	Works Housing and Supply.	The Committee feel that personal lapses disclosed in para 42 of Audit Report, 1958 (Unauthorised alteration in specification) deserve deterrent punishment.
59	81	Do.	The Committee consider that due and prompt action should be taken in all cases where delay in settling the accounts of a contractor comes to notice. They would also like to be informed about the final outcome of the present case and the action which Government propose to take against the officers for lack of proper supervision.
60	82	Do.	Once the Chief Technical Examiner has communicated his objections it should be for the Departments concerned to obtain the views of the highest authorities at their end in cases of disagreement before communicating the same to the C.T.E. Time-limit should also be fixed for this to ensure expeditious action.
61	83	Do.	The Committee are strongly of the opinion that the C.T.E. should extend his scrutiny to a larger number of P.W. transactions.
62	84	Do.	The Committee desired to know how the work estimated to cost Rs. 1,11,040 and accepted at the tendered amount (Rs. 73,554) was completed—whether by the same contractor and if so the final cost involved thereon.
63	85	Do.	The Committee think that six years time for releasing the land (Jute Mill Compounds) which became surplus to requirements in 1951, was too excessive.
64	86	Do.	The Ministry should enquire into the case of infructuous expenditure referred to in para 46 of Audit Report, 1958 and rectify defects if any in the procedure. If, on the other hand, the enquiry revealed personal lapses suitable disciplinary action should be taken.

1	2	3	4
65	87	Works, Housing and Supply	Once the furniture was declared unserviceable there appeared to be no justification for its being kept in storage for more than a year. Much of the expenditure could have been avoided had prompt action been taken by the officials connected with the disposal of stores.
66	88	Do.	(i) The Committee would point out that both in the process of acquiring land and restoring it to its owner there has been considerable delay resulting in avoidable expenditure of large sums. They are firmly of the view that with a little advance planning, the procedural delays can be curtailed and the exchequer saved of unnecessary expenditure.
		Defence	(ii) The Committee desired to be furnished with a note stating the purpose for which the land was requisitioned in 1943 and how it was actually utilised. They regret that the note is still awaited.
67	89	Works, Housing and Supply	The Committee trust that the instructions now issued by the Ministry to the effect that work on external services should be started simultaneously with the constructions of the buildings will be implemented in actual practice. The Ministry should also take appropriate steps to ensure better co-ordination between the C.P.W.D. and the municipal authorities in the matter of provision of ancillaries.
68	90	Do.	In the opinion of the Committee the responsibility for having sold the mild steel sheets disregarding the conditions imposed

by the Disposals Directorate lay squarely on the C.P.W.D. They would like to be informed of the recoveries made from the contractor.

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| 69 | 91 | Do. | Government will be well advised to issue strict instructions to all purchase officers to examine the legal implication of <i>ad hoc</i> provisions/clauses before incorporating them in contracts. |
| 70 | 92 | Do. | In the opinion of the Committee the action of the purchase officer in allowing the sales tax to the contractors <i>suo moto</i> was questionable and deserved more severe action than the communication of an oral warning. |
| 71 | 93 | Do. | The Committee would like to be informed of the decision reached on the question of fixing responsibility of the Superintending Engineer and the Executive Engineer concerned for not taking prompt action in the case. |
| 72 | 94 | Do. | In the opinion of the Committee not only the cost of the work but also the time necessary to execute it should be estimated with reasonable accuracy and adhered to. |
| 73 | 95 | Do. | The Committee can not overlook the omission to follow the prescribed procedure on the part of the purchase organisation which was responsible for the payment of compensation in the case referred to in para 46 of Audit Report, 1959. |
| 74 | 96 | Do. | The Committee trust that Government will ensure that 'purchase registers' are properly maintained by purchase Officers and an effective watch kept over the progress of execution of indents against the date of supply of the stores as specified by the indenter. |
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1	2	3	4
75	97	Do.	The Committee trust that the India Supply Mission will be more vigilant in future in safeguarding Government's financial interests.
76	98	Do.	The Committee feel that the settlement of overpayment made to Oil Companies is taking too long a time. They suggest that in cases involving large financial repercussions, expedition is essential. They would like to be informed of the outcome of this case as well as the result of the review that is being conducted by the Department in respect of POL contracts.
77	99	Do.	The Committee would like to be apprised of the action taken against the Section Officer for his failure to send an advance copy of the acceptance of tender to the Inspector concerned.
78	100	Do.	The Committee would strongly urge that adequate and effective steps should be taken by Government to ensure that delays in supply of purchase order files to Audit are avoided.

APPENDIX II

(Referred to in paragraphs 28 of the Report)

SINDRI FERTILIZERS & CHEMICALS LTD.

1. *Rated capacity not achieved according to the original estimates—para 51 of Audit Report 1958—page 53.*

The production during the financial years has been as follows:—

Years	Production in long tons	Daily average
1956-57	3,33,705	914
1957-58	3,32,031	909
1958-59	3,30,122	905
1959 April to end of October, 59	1,64,312	767

The reasons for the slightly lower production in 1958-59 compared to 1956-57 was that certain heavy maintenance jobs were required in the gas plant. These do not occur annually. The production during 1958-59 was lower mainly due to the unusual fire accident in the power house during July 1958. The loss due to this has been conservatively estimated at about 1,500 tons, but is possibly slightly more. About 600 tons of ammonia were sold. If all these are taken into account, the production in 1958-59 is not very different from the production in 1956-57.

2. As regards the lowering in production from April 1959 to November 1959, the causes have been (a) The trial runs and guarantee test runs of Montecatini plants took place during this period and since the lean gas plant could not supply enough gas for coke oven under-firing, semi-water gas had to be spared in large quantities. As a result of this, the loss in ammonium sulphate production has amounted to 8,700 tons (b) Coal supplies seriously got dislocated from about November 1958 and both Lodna washed and Loyabad coals were not available as they were diverted for Steel Ministry. During the electrification on Grand Chord Line, the Dishergarh coals could not be had fresh and had to be used from the old stocks and as a result of the deterioration of these coals on storage, the coke manufactured showed less reactivity and gas make. As a result of Lodna and Loyabad coals being absent, the ash fusion of coke produced was generally low and uncertain. The unprecedented heavy rains dislocated even the supplies of existing coals at the factory and for some time cut out the supplies of Giridih coals, which used to put up ash fusion temperature, though not making more gas as when Lodna washed and Loyabad are used.

(c) Additional generator hours of about 624, equivalent to nearly 960 tons of ammonia or 3,000 tons of sulphate were lost due to breakdown of grate rack of No. 1 generator, which necessitated the lowering of generator bottom and replacement of new parts.

(d) Due to the purity of gypsum having gone down very low on many occasions, the losses of sulphate in chalk have been higher than normal. The reason for the tendency towards poorer quality in supplies is due to the fact that most of the higher quality has been removed.

(e) Some of the essential major items of maintenance as per the designers, were programmed to be taken up on the installation of the 9th gas generator, which, however, has been delayed beyond expectation, with the result the other generators are working less efficiently than they should otherwise have.

3. As regards fluctuation in the monthly productions during 1958-59, there is nothing unusual. The over-hauling of time consuming jobs are programmed mostly for the summer months when the production comes down due to decreased volumetric efficiency of compressors and higher temperatures of cooling water. It may also be mentioned that the hydraulic troubles in summer months are more than in cooler months. The plant is designed to produce more in cooler months than in summer and consequently the variations in monthly productions are to be noticed during any year and not particularly confined to 1958-59.

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LIST OF AUTHORISED AGENTS FOR THE SALE OF PARLIAMENTARY PUBLICATIONS OF THE LOK SABHA SECRETARIAT, NEW DELHI-1

Agency No.	Name and address of the Agent	Agency No.	Name and address of the Agent	Agency No.	Name and address of the Agent
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12.	The Cuttack Law Times Office, Cuttack-2.	37.	Amar Kitab Ghar, Diagonal Road, Jamshedpur-1.	61.	A.P. Jambulingam, Trade Representative & Marketing Consultant, Prudential Bank Building, Rashtrapati Road, Secunderabad.
13.	The New Book Depot, Connaught Place, New Delhi.	38.	Allied Traders, Motia Park, Bhopal.	62.	K. J. Aseervandam & Sons, Cloughpet, P.O. Ongoli, Guntur Distt. (Andhra).
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15.	The Central News Agency, 23/90, Connaught Circus, New Delhi.	40.	Friends Book House, M.U., Aligarh.	64.	The Triveni Publishers, Masulipatnam.
16.	Lok Milap, District Court Road, Bhavnagar.	41.	Modern Book House, 286, Jawahar Ganj, Jabalpur.	65.	Deccan Book Stall, Ferguson College Road, Poona-4.
17.	Reeves & Co., 29, Park Street, Calcutta-16.	42.	M. C. Sarkar & Sons (P) Ltd., 14, Bankim Chatterji Street, Calcutta-12.	66.	Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi-5.
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25.	S. K. Brothers, 15A/65, W.E.A. Karol Bagh, Delhi-5.				

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