

**PUBLIC ACCOUNTS COMMITTEE
(1972-73)**

(FIFTH LOK SABHA)

FIFTY-NINTH REPORT

**[Action taken by Government on the recommendations
of the Public Accounts Committee contained in their
7th Report (Fifth Lok Sabha) on Audit Report
(Civil), 1970 relating to the Department of
Food and Department of Supply.]**



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1973/Vaisakha, 1895 (SAKA)

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PUBLIC ACCOUNTS COMMITTEE

(1972-73)

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Shri Era Sezhiyan

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2. Shri Bhagwat Jha Azad
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4. Shrimati Mukul Banerji
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11. Shri S. A. Muruganantham
12. Shri Ramsahai Pandey
13. Shri H. M. Patel
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15. Shri Ram Chandra Vikal
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19. Shri P. S. Patil
20. Shri Kalyan Roy
21. Shri Swaisingh Sisodia
22. Shri Shyam Lal Yadav

SECRETARIAT

Shri B. B. Tewari—*Deputy Secretary.*

Shri T. R. Krishnamachari—*Under Secretary.*

INTRODUCTION

1. I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Fifty-Ninth Report on action taken by Government on the recommendations of the Committee contained in their 7th Report (Fifth Lok Sabha) relating to the Department of Food and Department of Supply.

2. On the 6th June, 1972 an 'Action Taken' Sub-Committee was appointed to scrutinise the replies received from Government in pursuance of the recommendations made by the Committee in their earlier Reports. The Sub-Committee was constituted with the following Members :

Shri B. S. Murthy—*Convener*

- | | | |
|--|---|----------------|
| 2. Shri Ramsahai Pandey
3. Shrimati Savitri Shyam
4. Shri H. M. Patel
5. Shri Shyam Lal Yadav
6. Shri Bhagwat Jha Azad
7. Shri M. Anandam | } | <i>Members</i> |
|--|---|----------------|

3. The Action Taken Sub-Committee of the Public Accounts Committee (1972-73) considered and adopted this Report at their sittings held on the 24th November, 1972 and 24th April, 1973. The Report was finally adopted by the Public Accounts Committee on the 27th April, 1973.

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

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

NEW DELHI;

ERA SEZHIYAN,

April 27, 1973
Vaisakha 7, 1895 (S)

• *Chairman,*
Public Accounts Committee.

CHAPTER I

REPORT

1.1. This Report of the Committee deals with action taken by Government on the recommendations contained in their 7th Report (Fifth Lok Sabha) relating to the Ministries of Food, Agriculture, Community Development and Cooperation (Department of Food) and Supply.

1.2. Action taken notes have been received in respect of all the 41 recommendations contained in the Report.

1.3. Action taken notes/statements on the recommendations of the Committee contained in this Report have been categorised under the following heads :—

- (i) *Recommendations/observations that have been accepted by Government :*

S. Nos. 1, 2, 7—9, 15-17, 19-24, 27, 33—37 and 39.

- (ii) *Recommendations/observations which the Committee do not desire to pursue in the light of the replies of Government.*

S. Nos. 4, 6, 13, 14, 28-32 and 38.

- (iii) *Recommendations/observations replies to which have not been accepted by the Committee and which require reiteration.*

S. Nos. 10, 11, and 18.

- (iv) *Recommendations/observations in respect of which Government have furnished interim replies*

S. Nos. 3, 5, 12, 25, 26, 40 and 41.

1.4. The Committee hope that final replies in regard to those recommendations to which only interim replies have so far been furnished will be submitted to them expeditiously after getting them vetted by audit.

1.5. The Committee will now deal with action taken notes on some of the recommendations.

Dues from transport contractors—Paragraph 1.19 (S. No. 2)

1.6. While examining the question of recovery of dues from transport contractors, the Committee, in para 1.19, commented upon the delay on the part of Bombay Port Trust to prefer claims, as follows :

“The Committee are distressed to find from the particulars furnished to them that some of the claims pertaining to the period August, 1963, to May, 1964 were received from the Bombay

Port Trust only during March, 1968 to January, 1970. This shows that there was no coordination between the Food Department and the Port Trust and reflects adversely on the working of the concerned offices. They would, therefore, suggest that Government might examine how it took such inordinately long time for the Port Trust to prefer claims. The procedure in this regard needs to be streamlined to avoid any delay in future."

1.7. In their reply dated the 18th November, 1971 the Department of Food have stated :

"The Committee's recommendation has been conveyed to the Ministry of Shipping and Transport who administratively deal with the Bombay Port Trust. For the future, the Food Corporation of India, who handle the operations in question now, have been advised *vide* Annexure enclosed to take necessary action."

This Note has been vetted by Audit.

1.8. The Ministry of Shipping and Transport have subsequently sent the following reply dated the 28th September, 1972:

"Till the end of September, 1963, no credit facilities were extended to the Regional Director (Food), in respect of charges due on consignments of food-grains/fertilizers imported through Bombay Port. The Port Trust charges due on account of wharfage, demurrage fees and for other miscellaneous services were debited to the Personal Deposit Account of the Regional Director (Food), Bombay and the chappas (Receipts) were issued on the spot. As the Regional Director (Food) had experienced difficulties in the replenishing the personal Deposit Account adequately in time to enable charges on such consignments being debited to Personal Deposit Account prior to their clearance, delivery of these consignments were permitted without prior payment of charges. The bills for these charges were then forwarded to the Regional Director (Food), Bombay for settlement in due course.

In order to ensure that the charges on all such consignments cleared prior to payment are billed or recovered later, instructions were issued by the Port Trust to open a special register at the Port Trust Bill Branch in which all Bills of Entry on which clearance was to be permitted in anticipation of payment, had to be noted by the Regional Director (Food) or his Clearing Contractor before the delivery was permitted. This procedure was introduced from 1st December, 1967 and enabled the Port Trust to keep track of the Bills of Entry on which clearance was effected without prior payment of port charges. The Port Trust reviewed periodically the statement of Bills of Entry where clearance was permitted in anticipation of payment, so that the pending bills were cleared within a reasonable time. At times the Regional Director (Food), did not return the relative Bills of Entry with clearance particulars duly verified, to the Docks Central Documentation offices within a reasonable time which led to late submission of bills. Even though the details of delivery noted in the Port Trust records are reliable and final, in order to avoid disputes over the bills, the Port Trust await the verification of the details of delivery note on Bills of Entry from the Regional Director (Food), before submitting their bills.

3. This Note has been vetted by Audit.

1.12. The Committee have been given to understand that out of the 12 outstanding returns of stock position of foodgrains, which were due by February, 1970, 4 have since been received and that the remaining 8 returns related to stocks held by the Fair Price Shops in West Bengal. The question of recovery of differential cost in these cases is stated to be still under litigations. The Committee would like to be apprised of the outcome.

1.13. Dealing with the question of necessary adjustments in sale of foodgrains by the Centre to the States and by the States to their Fair Price Shops consequent on any price revision, the Committee made the following observations, in paragraph 1.45 (S. No. 8) :

“Incidentally, the Committee learn that the question of recovery of differential cost by the State Government from fair price shops in West Bengal, is under litigation. From the details given to them, the Committee find that while there is a specific condition in regard to the sale of foodgrains by the Centre to the States that it is subject to necessary adjustments consequent on any price revision, there is no such specific understanding between the State Governments and the fair price shops in quite a few States. In order to avoid unnecessary complications the Committee would suggest that Government may in consultation with the Ministry or Law impress upon the State Governments the need for laying down a suitable condition to avoid unnecessary complications of the kind noticed in West Bengal.”

1.14. The Department of Food, in their reply dated the 24th March, 1972 have stated :

“All the State Governments/Union Territories have since been addressed, suggesting that Supplementary Agreements may be executed in all cases in which the Agreements with the Whole-salers/Millers etc. do not provide a clause for the recovery/refund of the price differential whenever the issue price is revised. For the future also, it has been suggested that a specific clause empowering the State Governments recover/refund the price differential, should be introduced in the Agreement to be entered into with the Mills etc.

A specimen clause drafted in consultation with the Law Ministry has also been forwarded to the State Governments and it is open to them to make such minor changes as are necessary.”

This Note has been vetted by Audit.

1.15. The Committee observe that in pursuance of their recommendation, all the State Governments/Union Territories have since been addressed suggesting that supplementary agreements may be executed in all cases in which the agreements with the whole salers/millers etc., do not provide a clause for the recovery/ refund consequent on price revision of foodgrains. For the future also, it has been suggested that a specific clause empowering the

the State Governments to recover/refund the price differential should be introduced in the agreements to be entered into. The Committee would like Government to see that the State Governments/Union Territories comply with their instructions at an early dates

Audit of the accounts of the Food Corporation of India—paragraph 1.55 (S. No. 9)

1.16 Dealing with the audit of the accounts of the Food Corporation, the Committee, in paragraph 1.55 observed:

“The Committee find that besides substantial investments by Governments in the Food Corporation of India, consumer subsidy of the order of Rs. 25 to 30 crores initially borne by the Corporation, is reimbursed to them by Government every year. The Comptroller and Auditor General is at present not responsible for the audit of the accounts of the Corporation and consequently he is not in a position to certify the accounts of Government in so far as they relate to the consumer subsidy reimbursed to the Corporation without reservation. When the Department of Food was handling the import/procurement, storage and distribution of foodgrains, the Comptroller and Auditor General was auditing the transactions and as the nature of the operations has not materially changed since their transfer to the Food Corporation, the Committee feel that the Food Corporation should be brought within the purview of audit by the Comptroller and Auditor General as already recommended by the Joint Committee on the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Bill, 1969.”

1.17 In their reply dated the 24th March, 1972, the Department of Food have stated :

“Keeping in view the provisions of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act No. 56 of 1971, this Department is already contemplating to amend the relevant section of the Food Corporations Act suitably. The proposed amendment envisages that the Corporation shall also be required to send a copy of the report of the Commercial Auditors to the Comptroller and Auditor General. It also empowers the comptroller and Auditor General of India to direct the manner in which the accounts of the Food Corporation of India shall be audited by the Commercial Auditors and to conduct a supplementary or test audit of the Corporation's accounts.”

1.18. The Committee are glad to note that the relevant section of the Food Corporation Act has been amended empowering the Comptroller and Auditor General of India to direct the manner in which the accounts of the Corporation shall be audited by the Commercial auditors and to conduct a supplementary or test audit of the accounts.

Incidental expenses of the Food Corporation—Paragraph 1.56 (S. No. 10)

1.19. Referring to the high incidental expenses incurred by the Food Corporation of India after the work relating to procurement storage and distribution of foodgrains was transferred to them, the Committee, in paragraph 1.56, made the following observation :

“The Committee are concerned to note that the incidental expenses have gone up very much since the work relating to procurement, storage and distribution of foodgrains has been transferred to Food Corporation. The extent of this steep rise would be clear from the figures relating to the following two important components of incidental expenses. The transit and storage loss which worked out to Rs. 2.00 per tonne in 1967-68 increased to Rs. 13.70 in 1969-70. Expenditure on establishment which was Rs. 4.40 per tonne went up to Rs. 13.50 in 1969-70. In view of the large amount of consumer subsidy reimbursed to Food Corporation which includes the incidental expenses incurred, the Committee consider that there should be strict scrutiny of the reasonableness of the expenses and the correctness of their allocation to the transactions on behalf of Central Government. The Committee need hardly stress that with the gain of experience and the advantage of handling even large quantities of foodgrains, the incidental expenses incurred by the Corporation per tonne, should progressively come down. Government who ultimately bear the burden of these charges should ensure that the Corporation effect necessary economies in their operations. The Committee suggest that the Food Corporation of India should investigate the reasons for the steep rise in transit and storage losses and take necessary remedial measures.”

1.20. The Department of Food in their reply dated the 24th March, 1972, have stated:

“As regards the steep rise in the incidentals particularly in regard to transit and storage losses incurred by the Corporation in 1969-70 as compared to those incurred by the Department of Food, it may be stated that the two sets of incidentals are not comparable for the following reasons:—

- (a) The methods of calculating the incidentals is different in the two cases. The Department of Food was calculating the incidentals on the quantity of grain purchased whereas the Food Corporation of India does it on the quantities sold.
- (b) In regard to storage loss, the Department of Food was taking into account only the losses actually regularised whereas the Food Corporation of India takes into account the total losses actually incurred whether or not the same is regularised in the same year.

- (c) The functions of the Food Corporation are much larger and wider in scope as compared to those of the Food Department. Indigenous procurement by the Department of Food was very negligible whereas this procurement by the Food Corporation is very large.
- (d) The movement of foodgrains by the Department of Food was very much limited *i.e.*, from the Ports to the nearby depots only whereas in the case of the Food Corporation, it is massive involving longer leads from the Procurement Centres as well as ports to the various consuming Centres.
- (e) Food Department was not holding any sizeable buffer stocks whereas the Food Corporation has not only to maintain the public distribution system but also hold a very large buffer stock, the carrying cost of which is very high.

2. As compared to the quantities of foodgrains stored and the period of storage of the Department of Food in the year 1967-68, the quantity of foodgrains held and the period of storage of the Food Corporation in 1969-70 were very high. Consequently the incidentals on account of storage and storage losses are also higher.

3. The Food Corporation has already taken steps to reduce the incidentals particularly in regard to storage and transit losses by (i) laying down certain norms, (ii) introducing adequate quality control measures. (iii) employing squads to do surprise checks, (iv) moving foodgrains by covered wagons, (v) constructing new godowns by giving up sub-standard godowns and (vi) evolving a practical plan for physical verification of stocks staffing pattern in storage and quality control. Budget and financial control including inventory management are also being improved with the help of U.S.A.I.D. experts. There are, however, certain items like mandicharges, railway freight cost of gunny, administrative charges of the State Governments on which the Food Corporation can hardly exercise any control."

This Note has been vetted by Audit.

1.21. The Committee note that the Food Corporation has already taken steps to reduce incidentals particularly in regard to storage and transit losses. It is important, however, to know how effective the steps taken by them have been. The Committee regret that the staffing pattern of the Corporation does not appear to have been reviewed, with a view to effecting economies on establishment overheads. In view of the large amount of consumer subsidy reimbursed by Government to the Corporation, the Committee desire to stress that this question should also be carefully considered. The action taken in this regard as also the impact of the steps already stated to have been taken by the Corporation to reduce the incidentals may be reported to the Committee.

Delay in finalisation of rates and in settlement of discrepancies in supplies

1.22. In paragraphs 2.1-2.38, the Committee examined a case of import of jeep spares from abroad through an indigenous firm. Commenting on the non-finalisation of provisional prices under the terms of the agreement even after a lapse of 20 years, the Committee had made the following observations in paragraph 2.39 (S. No. 11).

"The Committee are distressed to find that final prices of jeep spares purchased on payment of advance of Rs. 49.16 lakhs in the year 1950-51 based on provisional prices, have not as yet been determined although 20 years have lapsed. In the meantime, Sales Tax amounting to Rs. 2.81 lakhs was also paid in 1962. That the firm had not come up with the claim for the payment of the balance should not have held up the finalisation of prices as possibility of the firm having received already in excess of amounts due could not be ruled out. The Committee would like it to be investigated as to why pending settlement of discrepancies final prices could not be determined promptly on receipt of the consignments."

1.23. In their reply dated the 12th September, 1972 the Department of Supply have stated.

"The finalisation of the prices could not be carried out earlier till the question of discrepancies was decided between the consignee and the suppliers. The final settlement on the discrepancies was done in 1966. The matter is now being further investigated and the results will be reported to the Committee in due course."

1.24. Subsequently, the Department, in their reply dated the 28th March, 1973 have submitted the following note :

"The reasons as to why finalisation of price could not be completed promptly has been further investigated. The DGS&D had sent a communication to the firm on 2.6.67 requesting them to submit their proposals for the finalisation of prices. In spite of reminders from the DGS&D, the firm failed to submit their proposals in this regard till 8-10-70 on the ground that supporting documents were not available with them. The delay that occurred in the finalisation of prices is, therefore, attributable to the firm."

1.25. The Committee desired to know the present position in regard to the determination of final prices. No reply has been received from the Department in this regard (April, 1973)

1.26. The explanation of the Department regarding the inordinate delay in determination of final prices of jeep spares purchased is not convincing. The DGS&D is stated to have taken the initiative only on 2.6.67. The Committee cannot but deprecate this inordinate delay. They feel that sorting out of the discrepancies may be necessary for settlement of claims but it should not have held up the fixation of final price for each of the items purchased. They accordingly

wish to reiterate that this lapse should be investigated. The present position in regard to the determination of the final prices may also be intimated to the Committee.

1.27. Referring to the advance payments which were made to the firm on production of shipping documents as a special case, the Committee, in paragraph 2.40 (S. No. 12) observed:

"The Committee note that advance payments to the extent of 90% of the provisional prices were made on production of shipping documents as a special case inspite of the fact that the contract was an f.o.r. contract. There was no inspection of stores prior to shipment and there was only a 'superficial' inspection at the port of entry. Even the inspection at firm's premises appears to have been limited to a test check. As there were heavy shortages amounting to Rs. 14.58 lakhs reported on receipt of store at the consignee's end, the Committee would like to be assured that there was no short import of spares. If there was no short import, the Committee would suggest that Government might examine whether there was any misutilisation of import licence and foreign exchange allowed to the firm. If, however, the entire quantity had been imported it should be investigated as to how the quantity short received by the consignee was otherwise disposed of by the firm."

1.28. The Department of Supply, in their reply dated the 12th September, 1972 have stated:

"The matter is being investigated and the findings will be reported to the Committee in due course."

1.29. In a further communication dated the 28th March, 1973, the Department have stated:

"The investigations as to whether there was any misutilisation of the Import Licence or the foreign exchange allowed to the firm are still in progress. The Committee will be informed of the result of the investigation in due course."

1.30. The Committee had raised a number of issues relating to the import of jeep spares which deserved serious and urgent considerations by Government. They are surprised that a matter of such importance is still under investigation. They suggest that the matter be dealt with a sense of urgency and would like to know the date by which the investigation would be completed.

1.31. In regard to the finalisation of prices on the basis of the firm's proposals which were stated to have been received, the Committee in paragraph 2.45 (S. No. 17) observed:

"Although in this case payment vouchers and related documents pertaining to all the 4 A's had been destroyed, the Committee were informed that the claims would be finalised on the basis

of documents to be produced by the firm. The Committee would like to know the result of the examination of the firm's proposals stated to have been received on 15th October, 1970 with particular reference to the fact whether any amount is recoverable from the firm finally."

1.32. The Department of Supply, in their letter dated the 12th July, 1972 have stated :

"The documents available with the firm have been scrutinised by a team of officers and their report is under examination. The Committee will be informed of the results in due course."

1.33. In a note dated the 28th March, 1973, the Department of Supply have further stated :

"The Report of the team of officers has been examined by Government. In the light of the examination made and on the basis of the formula indicated therein, instructions have been issued to the Chief Pay and Accounts Officer to recover a further sum of Rs. 4,07,648 from the firm's bills pending finalisation of the Report, which is expected to be done very shortly."

1.34. The Committee note that on the basis of the report of the officials who examined the documents received from the firm for finalisation of their claims, instructions have been issued to the Chief Pay and Accounts Officer to recover a further sum of Rs. 4,07,648 from the firms bills pending finalisation of the report. The Committee desire that the final settlement should be effected within three months and reported to them.

1.35. Dealing with a couple of unusual features of the contract, the Committee in paragraph 2.46 (S.No. 18) made the following observations :

"The Committee would like to refer to a couple of other interesting features of these contracts:

- (i) One of the special conditions of the contracts specified that the basis for the finalisation of prices had been agreed to 'on the assurance that the F.O.B. prices to be indicated in the invoice should be the net prices and would include no over-riding commission due to (the firm) as agents of the manufacturers in India.' The manner in which it is proposed to verify the correctness of the assurance given may be intimated to the Committee.
- (ii) The inspection of stores on arrival in India was inadequate. Further after the inspection, the stores were allowed to remain in the custody of the firm pending repacking and despatch by rail, which took considerable time. The Committee would like to know how such arrangements were agreed to and whether such practices are still followed."

1.36. The Department of Supply, in their reply dated the 13th July, 1972, have stated :

"In regard to (i) above, it is stated that wherever the quotations received are against a single tender enquiry or when the invitation to tender though on competitive basis results in a single quotation, in order to assess the reasonableness of the price quoted, the tenderer is asked to furnish a complete break up of costs.

The built up of costs is generally as follows :—

- (i) Net f.o.b. price
- (ii) Ocean freight and insurance charges
- (iii) C.I.F. value at the port of entry
- (iv) Landing & Clearing charges.
- (v) Customs duty with ICT No.
- (vi) Mark upon the net landed cost [which shall be the total of (i) to (v) above]. This would include firm's over-heads, financing charges etc.

At the time of concluding contracts on single tender basis or on competitive basis which result in the receipt of single quotation, it is ensured that the minimum margin of profit is allowed. After the above details are made available, the purchase officers have various methods for checking the correctness of the net f.o.b. price indicated by the firm. These are as follows:—

- (a) The purchase officer will consult the last purchase price.
- (b) If the prices quoted are not found reasonable, the firm will be asked to give justification for the higher prices.
- (c) If the justification provided by the firm is not found satisfactory, negotiations with the firm may be resorted to.
- (d) These negotiations also result in failure, and it is felt that the Indian Agents want to take undue advantage of their position by quoting unreasonable prices, the demand may finally be cross-mandated to the Supply Mission London/Washington (C.F. O.O. No. 4/1.1.1971)

The above tests/methods are considered sufficient to ensure the correctness of the various elements constituting the cost of the store and also the agency commission or agents profit margin.

As regard (ii) above, it is confirmed that the previous practice of payment against shipping documents to the firm is no longer being followed in cases where the contract is on F.O.R. basis, unless a Bank Guarantee is first obtained from them.

It may also be mentioned that in F.O.R. contracts for imported stores, the Indian Agent is responsible for the safe arrival of the goods upto destination. Since in an f.o.r. contract the normal payment terms are 90/95/98% on proof of despatch, the inspector inspects the stores at the firm's premises, puts his stamp in token of inspection, before despatch of the goods by rail by the supplier. In f.o.r. contracts the date of delivery is the date on which the stores are placed on rail. After inspection, the firm will have to ensure that the stores are put on rail in conformity with the stipulated delivery period or within the grace period. If the firm does not despatch the stores for which the responsibility lies on them, they are liable to action as per general conditions of the contract for delayed supplies."

1.37. The Committee desired to know the manner in which it was proposed to verify the correctness of the assurance given by the firm that the F.O.B. prices to be indicated in the invoice should be the net prices and would include no overriding commission due to the firm as agents of the manufacturers in India. The reply of the Department in this behalf is not relevant to the point. The Committee would, therefore suggest that in case such a condition is stipulated in contracts, Government should have some reliable basis for verifying whether the Commission due to the Indian agents is actually excluded.

Delay in recovery of dues from suppliers—paragraphs 2.47 and 2.78 to 2.80 (S.Nos. 19,22,23 and 24)

1.38. The Public Accounts Committee in paragraphs 2.47 and 2.78 to 2.80 had dealt with the inordinate delay in finalisation of provisional payments and recovery of dues from suppliers and made the following observations:—

"2.47 The Committee are concerned to find that as on 1st August 1970, there were as many as 1315 cases where provisional payment had been made, awaiting finalisation. The amount involved and the year-wise break-up are not known as the relevant registers are not maintained properly. Details of six more cases relating to firm 'A' made available however reveal that these date back to 1965-66 involving a sum of Rs. 12.75 lakhs. While the Committee note that Government have laid down a procedure for the speedy finalisation of such cases in future they would urge that the pending cases should be reviewed on the basis of available data to find out whether over-payments have been made to the firms and to settle them at an early date. The results of the review may be intimated to the Committee."

"2.78 The Committee are concerned to find that upto 31st March, 1969 dues recoverable in various accounts from the suppliers amounted to Rs. 4.95 crores. The position as on 30th June 1970, was that 5465 cases involving Rs. 6.07 crores were pending. From the details of cases of recovery of and above Rs.50,000 upto 31st March, 1969 furnished by the Ministry, it is found that some of them are pending for over 20 years now and that one case related to the period as far back as 1944-45. As some of these are likely to become bad debts due to efflux

of time or otherwise, the Committee need hardly stress that appropriate steps should be taken forthwith to realise the dues early and that in future there should be a systematic review of such cases periodically. The Committee desire that the action taken in this regard and the progress made in the recovery may be intimated to them."

"2.79. In 60 cases involving Rs. 1.35 crores Government have not as yet come to any decision regarding recovery of the dues. Inordinate delays have occurred in obtaining legal opinion and in initiating arbitration proceedings or filing suits in courts. In a number of cases the relevant purchase files are not traceable. All these present a rather disquieting picture. The Committee would therefore urge Government to review all these cases and to take suitable action on the basis of findings."

"2.80. The Committee have earlier in this report referred to the need for the speedy finalisation of cases of provisional payments which may throw up further cases of recovery. There may also be cases of non-fulfilment of contracts, delayed or defective supplies etc. in respect of which recoveries are yet to be assessed. The Committee would suggest an early review of all such cases with a view to assessing and realising the dues at an early date. For the future the DGS&D should evolve a control system by which, progress of finalisation of such cases is watched by senior officers periodically."

1.39. In respect of S. No. 19 (Para 2.47), the Department of Supply in their letter dated 7th April, 1973, have stated:

"A review of 1315 cases where provisional payment had been made was carried out by the DGS&D in consultation with CPAO to devise ways and mean for the early clearance of the pending cases. As a result of this review, the progress achieved in the clearance of the above cases is as under :—

Total items outstanding as on 1.8.1970	— 1315
Items cleared up to September 1972	— 682
Items still outstanding	— 633"

1.40. In respect of S. Nos. 22, 23 and 24 (Paragraphs 2.78, 2.79 and 2.80) the Department of Supply in their letter dated the 13th July, 1972, have stated :

"Last year, in consultation with the Chief Pay and Accounts Officer, a procedure was evolved whereby, the latter forwarded cyclo-styled lists (Directorate-wise) of 1384 items, outstanding in the Demand Register of the various Accounts Offices as on 30th June, 1970, to the DGS&D. Those lists were passed on to the respective Purchase Directorates/Offices, with the request that expeditious action should be taken in clearing those items, and progress reports thereon, should be forward

ed, every month, so as to inform the Pay & Accounts Office accordingly. It was also decided that additions/subtractions to these lists would be carried out every quarter by the Pay & Accounts Officer concerned. Out of 1384 cases reported by the P&AO, 295 cases have so far been cleared. Out of the balance 1089 cases, 79 cases are of the value of Rs. 50,000 and above.

2. As the volume of work involved is of considerable magnitude the whole position is being work-studied so as to make the procedure more effective for achieving tangible results, even by strengthening the Purchase Directorates by additional hands. Meanwhile, instructions on the proper watching of recoveries due to the Government and periodical checking have been issued *vide* Office Order No. 58, dated the 2nd June, 1972, copy enclosed."

1.41. As on 30-6-70 dues recoverable on various accounts from the suppliers amounting to Rs. 6.07 crores were pending in 5465 cases. From the reply it is seen that the Chief Pay and Accounts Officer forwarded a list of only 1384 items outstanding in the Demand Registers as on 30th June, 1970. The Committee desired that this discrepancy in the number of outstanding items should be reconciled.

The Department of Supply in their letter dated the 7th April, 1973 have stated : "The position has been checked up and the fact is that the figure of 1384 items represented only a part of the outstanding cases in different offices of the CP&AO. It is confirmed that the total number of items outstanding in the Demand Registers of the various Accounts Offices including the CP&AO, New Delhi as on 30-6-70 was 5465."

1.42. The Committee took note of the fact that as on 30th June, 1970 dues recoverable on various accounts from the suppliers amounting to Rs. 6.07 crores were pending in 5465 cases. From the reply it is seen that the Chief Pay and Accounts Officer forwarded lists of only 1384 items outstanding in the demand registers as on 30th June, 1970 which were passed on the respective purchase Directorates/ Offices so that action might be taken to clear them. Similar action should be taken in respect of the remaining 4081 cases without delay.

1.43. Further it has been intimated that out of 1384 cases reported only 295 cases have been cleared so far. The Committee are concerned to note the slow progress in the clearance of outstanding dues. They would urge once again that appropriate steps should be taken forthwith to realise the dues in all the remaining cases early.

1.44. Out of 1315 cases, where provisional payments had been made, awaiting finalisation as on 1st August, 1970, 682 cases are stated have been cleared. The remaining cases should be finalised early. Further a review of other cases of non-fulfilment of contracts, delayed or defective supplies etc. should also be made with a view to assessing the recoveries to be effected as suggested by the Committee.

Delay in issue of import licence for fulfilment of contracts—Paragraph 2.128 (S. No. 35)

Failure to accept tenders within their validity periods—Paragraph 2.139 (S. No. 37)

Stipulation of a condition in the contract which was in variance with the tender—Paragraph 2.159 (S. No. 39)

1.45. While examining delays and lapses in three different cases of contracts, the Committee made the following observations in paragraphs 2.128, 2.139 and 2.159 (S. Nos. 35, 37 and 39 respectively) :—

“2.128 The Committee are unhappy to note that it took in all 16 months to issue import licence in this case. The explanations given that delay occurred in ascertaining the quantity required and the value of the wool to be imported and obtaining clearance from Finance in regard to foreign exchange is not at all convincing especially while processing an urgent indent to meet Defence requirements. The Committee consider that the delay in this case was unreasonable and hope that Government would look into the procedural bottle necks and see that better sense of priority is displayed in future.”

“2.139. The Committee feel that the delay that occurred in processing this transaction was avoidable. They would urge Government to ensure that the tenders are decided well before the expiry of the offers of the tenderers.”

“2.159. The Committee were informed that the delivery schedule was stipulated as 35,000 per month for the type of key bearing plates ordered taking the total capacity of firm ‘B’ into account. The Committee are at a loss to understand how this mistake was not corrected even after the firm had pointed out that they had offered the capacity in terms of the two types of the plates separately. The Committee hope that such omissions may not occur in future.”

1.46. The Department of Supply in their replies dated the 10th April, 1972, 24th February, 1972 and 7th March, 1972 respectively, have stated :—

“2.128. The existing instructions on the subject have been reiterated *vide* Routine Note No. 50 dated 16-10-1971 (copy enclosed).”

“2.139. The existing instructions on the subject have been reiterated *vide* Routine Note No. 51 dated 17-10-71 (copy enclosed). Purchase Officers have been asked to ensure that the decision on tenders is taken within the original validity period.”

“2.159. The Purchase Officers have been instructed *vide* Office Order No. 18(B) dated 8-11-71 (copy enclosed) to note the observation of the Committee and to ensure that the delivery dates in the contracts are stipulated in accordance with the provisions contained in the accepted tender as reiterated *vide* clause 3 of the Office Order No. 18 dated 1-1-71 to avoid recurrence of such omissions, in future.”

1.47. In respect of all three cases where the Committee had noticed some avoidable delays and lapses Government have reiterated their earlier instructions for compliance by the Officials. The Committee would point out that effectiveness of the performance lies in the strict observance of instructions. They accordingly desire that any lapse on the part of the officials should be suitably dealt with so that it may act as a deterrent.

Recovery of damages on risk purchase and purchase of Railway track items by the agency

1.48. Referring to the recovery of damages on risk purchase and purchase of railway track items by agency damages claimed from a firm suggesting that purchase of railway track items should be entrusted to one agency, the Committee in paragraphs 2.160 and 2.161 (S. Nos. 40 and 41) observed:—

“As against the original demand of 11.01 lakhs of two types of key bearing plates, risk purchases were made to the extent of 9.61 lakhs and damages amounting Rs. 5.23 lakhs had been claimed from firm ‘A’. The Committee were informed that in a suit filed by the firm against the damages, the Calcutta High Court had held that there was no concluded contract and that the judgment was being examined. The Committee would like to know the outcome of the examination.”

“According to DGS&D firm ‘B’ finally backed out on accounts of the orders for the supply of sleepers placed on them by the Railway Board direct and the Committee note that firm ‘A’ had also similarly secured orders from the Railway Board. The Committee were given to understand that the cast iron bearing plates are purchased through the DGS&D whereas cast iron sleepers are purchased directly by the Railway Board. As some foundaries make both of them, the Committee recommend that in order to have a coordinated procurement of these railway track items, the purchases should be entrusted to one agency. The Committee would like to be informed of the outcome of the reference made by the DGS&D to the Ministry of Supply for taking up the matter with the Railway Board in this connection.”

1.49. In their reply dated the 7th March, 1972 the Department of Supply have stated :—

“Certified copy of the order in connection with the judgment delivered by the Calcutta High Court on 19-6-70 has not yet been received. The matter will be examined after receipt of the court order; and special leave appeal before the Supreme Court, if considered necessary, will be filed after the receipt of the order from the Registrar of the Calcutta High Court.”

The matter is still under the consideration of the Ministry of Railways (Railway Board). The decision when arrived at, will be communicated to the Committee.”

1.50. The Committee desire that the final outcome in these cases be intimated to them as early as possible.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

The Committee note that after the termination of the contract for the clearance and transport of foodgrains in Bombay Port in August, 1964, it took nearly six years for the Government to finalise the claims against the contractor. The net liability of the contractor initially fixed at Rs. 7.75 lakhs in April, 1965 underwent revision twice—Once in November, 1966 as Rs. 7.71 lakhs and again in January, 1970 as Rs. 7.19 lakhs for the recovery of which a suit has been filed in March, 1970. This is stated to be partly due to delay in consolidating the amounts relating to the contractor and making necessary adjustments and partly due to late receipt of bills from the Bombay Port Trust for the demurrage and detention charges payable by the contractor. The Committee are surprised that these matters were not attended to before serving a final notice on the contractor in April, 1965.

[Sl. No. 1.9 (Para 1.18) of Appendix VII to Seventh Report
of the P.A.C. (Fifth Lok Sabha)].

Action Taken

The accounts of the contractor could not be finalised before the issue of the notice in April, 1965, which was not final, mainly due to the following reasons:—

- (i) The Port authorities and also the contractor continued to send their bills long after the issue of the preliminary notice sent in April, 1965.
- (ii) Assessment of the liability of the contractor for losses suffered by the Government. The number of cases in which the contractor was considered to be responsible for the losses was very large. In each such case, a show cause notice had to be issued and the case examined carefully after taking into consideration the explanation of the contractor.

However, the observations of the Committee have been noted.

This Note has been vetted by Audit.

[Dep'tt. of Food U.O. No. G. 25015/2/71-IF II, dated 18-11-71].

Recommendation

The Committee are distressed to find from the particulars furnished to them that some of the claims pertaining to the period August, 1963 to May,

1964 were received from the Bombay Port Trust only during March, 1968 to January, 1970. This shows that there was no coordination between the Food Department and the Port Trust and reflects adversely on the working of the concerned offices. They would, therefore, suggest that Government might examine how it took such inordinately long time for the Port Trust to prefer claims. The procedure in this regard needs to be streamlined to avoid any delay in future.

[S. No. 2 (Para 1.19) of Appendix VII to the Seventh Report of the P.A.C. (Fifth Lok Sabha)]

Action Taken

The Committee's recommendation has been conveyed to the Ministry of Shipping and Transport who administratively deal with the Bombay Port Trust. For the future, the Food Corporation of India, who handle the operations in question now, have been advised vide Annexure—enclosed to take necessary action.

This Note has been vetted by Audit.

[Deptt. of Food u.o. No. G. 25015/2/71-IF II, dated 18-11-71]

Recommendation

The Committee are distressed to find from the particulars furnished to them that some of the claims pertaining to the period August, 1963 to May, 1964 were received from the Bombay Port trust only during March, 1968 to January, 1970. This shows that there was coordination between the Food Department and the Port Trust and reflects adversely on the working of the concerned offices. They would, therefore, suggest that Government might examine how it took such inordinately long time for the Port Trust to prefer claims. The procedure in this regard needs to be streamlined to avoid any delay in future.

[S. No. 2 (Para 1.19) of Appendix VII to the 7th Report of P.A.C. (5th Lok Sabha)]

Action Taken

Till the end of September, 1963, no credit facilities were extended to the Regional Director (Food), in respect of charges due on consignments of food grains/fertilizers imported through Bombay Port. The Port Trust charges due on account of wharfage, demurrage fees and for other miscellaneous services were debited to the Personal Deposit Account of the Regional Director (Food), Bombay and the chappas (Receipts) were issued on the spot. As the Regional Director (Food) had experienced difficulties in replenishing the Personal Deposit Account adequately in time to enable charges on such consignments being debited to Personal Deposit Account prior to their clearance delivery of these consignments was permitted without prior payment of charges. The bills for these charges were then forwarded to the Regional Director (Food), Bombay for settlement in due course.

In order to ensure that the charges on all such consignments cleared prior to payment are billed or recovered later, instructions were issued by the Port Trust to open a special register at the Port Trust Bill Branch in which all Bills of Entry on which clearance was to be permitted in anticipation of payment, had to be noted by the Regional Director (Food) or his Clearing Contractor before the delivery was permitted. This procedure was introduced from 1st December, 1967 and enabled the Port Trust to keep track of the Bills of Entry on which clearance was effected without prior payment of port charges. The Port Trust reviewed periodically the statement of Bills of Entry where clearance was permitted in anticipation of payment, so that the pending bills were cleared within a reasonable time. At times the Regional Director (Food), did not return the relative Bills of Entry with clearance particulars duly verified, to the Docks Central Documentation Offices within a reasonable time which led to late submission of bills. Even though the details of delivery noted in the Port Trust records are reliable and final, in order to avoid disputes over the bills, the Port Trust await the verification of the details of delivery note on Bills of Entry from the Regional Director (Food), before submitting their bills.

The Food Corporation of India have indicated that there might have been certain cases of delay in returning the relative Bills of Entry to the Port Trust. The Port Trust have issued circulars from time to time instructing their staff concerned to ensure that billing accounts in respect of the consignments cleared by the Regional Director (Food) are submitted for billing without undue delay and that the bills are preferred promptly and forwarded to Regional Director (Food) for settlement. The Port Trust have, however, been asked to review their procedures in consultation with the Regional Director (Food) with a view to ensuring that such delays do not recur.

[Ministry of Shipping and Transport OM No.—16-PG (1)/71,
of the dated 28-9-1972].

Recommendation

The Committee regrets to observe that stock position on the dates of revision of prices is not being reported promptly for the purpose of revaluation. In respect of price increases given effect to on various occasions between January, 1965 and December, 1967, as many as 78 returns were due by February, 1970 of which 66 were received subsequently. The Committee would urge Government to take up the matter with the State Governments with a view to making necessary adjustments as far as possible in the accounts of the same financial year in which a price revision is made.

[S. No. 7 (Para 1.44) of Appendix VII to the Seventh Report
Public Accounts Committee (Fifth Lok Sabha.)]

Action Taken

Out of 78 returns due, 66 had been received earlier and 4 more have since been received from the Government of Orissa, thus bringing the total returns received to 70. The remaining 8 returns relate to stocks held by the Fair Price Shops in West Bengal. The question of recovery of differential cost in these cases is still under litigation.

2. As regards adjustment of the differential cost in the accounts of the same financial year in which a price revision is made, necessary instructions have been issued (copy enclosed) to the Chief Secretaries of all the State Governments enjoining that information regarding the stocks held in Government Godowns/Fair Price Shops/in transit be supplied to this Department as soon as possible after the revision is made.

3. This Note has been vetted by Audit.

[Deptt. of Food u. o. No. G/25015/2/71—IF II dated 5-2-72]

D. O. No. 19—6/70—IF. III

FOOD SECRETARY

GOVERNMENT OF INDIA

NEW DELHI-1

Dated the 3rd September, 1971

My dear

SUB:—*Recoveries/refunds arising from revision of issue price of foodgrains.*

As you are aware, the issue price of foodgrains is being revised from time to time. Whenever such a revision takes place, the Central Government has to recover from or refund to the State Governments the differential cost. For this purpose, the State Governments are required to supply details regarding the stocks held by them in their godowns/fair price shops as well as those in transit on the morning of the date of revision. This information is not always promptly received by this Department, with the result that on every occasion there has been considerable delay in effecting recoveries/refunds.

2. The delay in the recovery of the differential cost from the State Governments due to revision of issue prices during the years 1965—68 was the subject of comment in the Central (Civil) Audit Report, 1970 and the Public Accounts Committee has observed that the delay in the receipt of the stock returns should be taken up with the State Governments with a view to making necessary financial adjustments in the accounts of the same financial year in which the price revision is made. I enclose a list of returns still due from your Government and would request you to see that the particulars called for by us are furnished without further delay.

3. For the future also, I request you to issue necessary instructions to the officers concerned so that information regarding the stocks held by the State Government in their godowns/fair price shops as well as stocks in transit on the morning of the date of revision is furnished to this Department as soon as possible after the revision is made and we are able to effect recoveries/refunds within the same financial year, as desired by the Public Accounts Committee.

Yours Sincerely,

Sd/-
(K. P. MATHRANI)

To

As per list attached.

1. Shri V. K. Rao,
Chief Secretary,
Government of Andhra Pradesh,
HYDERABAD.
2. Shri D. Das,
Chief Secretary,
Government of Assam,
SHILLONG.
3. Shri L. R. Dalal,
Chief Secretary,
Government of Gujarat,
AHMEDABAD.
4. Shri K. P. K. MENON,
Chief Secretary,
Government of Kerala,
TRIVANDRUM.
5. Shri L. G. Rajwade,
Chief Secretary,
Government of Maharashtra,
BOMBAY.
6. Shri G. C. L. Joneja,
Chief Secretary,
Government of Orissa,
BHUBANESWAR.
7. Shri R. S. Talwar,
Chief Secretary,
Government of Punjab,
CHANDIGARH.
8. Shri P. Sabanayagam,
Chief Secretary,
Government of Tamil Nadu,
MADRAS.
9. Shri N. C. Sen Gupta,
Chief Secretary,
Government of West Bengal.
CALCUTTA.

Recommendation.

Incidentally the Committee learn that the question of recovery of differential cost by the State Government from fair price shops in West Bengal is under litigation. From the details given to them, the Committee find that while there is a specific condition in regard to the sale of foodgrains by the Centre to the States that it is subject to necessary adjustments consequent on any price revision, there is no such specific understanding between the State Governments and the fair price shops in quite a few States.

In order to avoid unnecessary complications the Committee would suggest that Government may in consultation with the Ministry of Law impress upon that State Governments the need for laying down a suitable condition to avoid unnecessary complications of the kind noticed in West Bengal.

[Sl. No. 8 (Para 1.45) of Appendix VII to Seventh Report of the P.A.C.
(Fifth Lok Sabha)]

Action Taken

All the State Governments/Union Territories have since been addressed, suggesting that Supplementary Agreements may be executed in all cases in which the Agreements with the wholesalers/Millers etc. do not provide a clause for the recovery/refund of the price differential whenever the issue price is revised. For the future also, it has been suggested that a specific clause empowering the State Governments recover/refund the price differential, should be introduced in the Agreements to be entered into with the Mills, etc. A specimen clause drafted in consultation with the Law Ministry has also been forwarded to the State Governments and it is open to them to make such minor charges as are necessary. A Copy of the Circular letter No. 176 (22)/71-PY. I, dated 12-1-1972 issued to the State Governments in this connection is also enclosed.

This Note has been vetted by Audit.

(Deptt. of Food u. o. No. G/25015/2/71-IF II dated 24-3-72)

.....
No. 176/22, 71-PY. I

GOVERNMENT OF INDIA
MINISTRY OF AGRICULTURE
(DEPARTMENT OF FOOD)

New Delhi, dated the 12th January, 1972

From

Shri S. K. KAYAL,
Under Secretary to the Government of India.

To

All State Governments/Union/Territories

SUBJECT :—*Agreement between State Governments and Fair Price Shops/Retailers for distribution of foodgrains.*

REFERENCE:—*Government of India (Department of Food) letter No. 10-16/70—P.C. dated 23-10-70 addressed to all State Governments and Union Territories.*

Sir,

It is observed from the letters received from the State Governments/Union Territories in reply to this Department's letter dated 23-10-1970 referred to above that no provision exists in the agreement itself for the recovery of the differential cost from the Fair Price Shops/Retailers when over the issue

price of foodgrains is revised by the Government of India. It is, however observed that in almost all the States recovery of the differential cost is made by means of executive orders. The Central Public Accounts Committee have however, recommended that in order to avoid unnecessary complications, a suitable condition should be included in the agreement entered into by the State Governments with the Fair Price Shops/Retailers for the recovery/refund of differential cost whenever issue prices are revised by the Government of India. It has now been decided in consultation with the Ministry of Law that wherever the existing Agreement does not provide a clause for the recovery/refund in cases of price revision—upward or downward—Supplementary Agreements may be executed. In the case of Agreements to be executed in future, a non-obstante clause providing for recovery of refund of the differential cost should be incorporated in the Agreements themselves. All the State Governments, Union Territories are requested to take action accordingly without delay. A specimen of the clause to be included in the Agreements in this connection is also enclosed for guidance. It is, however, open to the State Governments to make the suitable changes keeping in view the main purpose *viz.*, to retain the power with Government to enforce the recovery of differential cost on the stocks held by the Fair Price Shops etc. on the date of revision of issue price.

2. Please acknowledge receipt of this communication and intimate the action taken in the matter.

Sd/-

Yours faithfully,

S. K. KAYAL,

Under Secretary to the Government of India.

ANNEXURE

Specimen clause to be embodied in the Agreement between the State Governments/Fair Price Shops/Retailers/Flour Mills.

“Whenever the existing issue price of food grains is revised by the Government of India, either upward or downward, the stock of wheat and wheat product with the Flour Mills/Chakki Mills and licensed wholesalers/Retailers as on the morning of the day from which the revised issue price will come into force should be assessed and intimated to such Officers of the State Government as might be specifically authorised for the purpose. In the case of revision of price upward, differential cost on the quantity of foodgrains so held in stock should be remitted to the Government of India through the State Government. Similarly, in the case of revision of price downward, a refund claim for the differential cost should be submitted to such officers of the State Government as might be specifically authorised for the purpose, who will arrange for the necessary refunds and prefer a corresponding claim to Central Government”.

Recommendation

The Committee find that besides substantial investments by Government in the Food Corporation of India, consumer subsidy of the order of Rs. 25 to 30 crores initially borne by the Corporation, is reimbursed to them by Government every year. The Comptroller and Auditor General is at present not responsible for the audit of the accounts of the Corporation and consequently he is not in a position to certify the accounts of Government in so far as they

relate to the consumer subsidy reimbursed to the Corporation without reservation. When the Department of Food was handling the import/procurement storage and distribution of foodgrains, the Comptroller and Auditor General was auditing the transactions and as the nature of the operations has not materially changed since their transfer to the Food Corporation, the Committee, feel that the Food Corporation should be brought within the purview of audit by the Comptroller and Auditor General as already recommended by the Joint Committee on the Comptroller and Auditor General's (Duties-Powers and Conditions of Service) Bill, 1969.

[S. No. 9 of *Appendix VII (Para 1.25) to the Seventh Report of P.A.C. (Fifth Lok Sabha)*]

Action Taken

Keeping in view the provisions of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act No. 56 of 1971, this Department is already contemplating to amend the relevant section of the Food Corporations Act suitably. The proposed amendment envisages that the Corporation shall also be required to send a copy of the report of the Commercial Auditors to the Comptroller and Auditor General. It also empowers the Comptroller and Auditor General of India to direct the manner in which the accounts of the Food Corporation of India shall be audited by the Commercial Auditors and to conduct a supplementary or test audit of the Corporation's accounts.

This Note has been vetted by Audit.

[Deptt. of Food u.o. No. G-25015/2/71-IF II dated 24-3-1972].

Recommendation

"There were undue delays in detecting the discrepancies and reporting them to Government, the discrepancies were noticed even as late as in August, 1959. The Ministry came to know of the discrepancies for the first time in 1952. It took nearly 14 years to come to an agreement in regard to the extent of discrepancies. The Committee take a serious notice of these delays. They desire that responsibility should be fixed for delays at various stages and in future Government should ensure that discrepancies are reported to the supplying a firm DGS&D/P&AO by the consignees within a reasonable time in order to avoid complications and delays in setting the dues payable to or recoverable from the contracting firms."

[Sl. No. 15 (*Para 2.49*) of *Appendix VII to the Seventh Report (Fifth Lok Sabha)*]

Action Taken

In order to tighten up the procedure in this regard, it has since been laid down that the Pay & Accounts Officer after paying the bill for advance amount would issue a Registered Acknowledgement Due notice to the consignee to confirm within a period of 45 days that all the stores for which the advance payment has been made, have been received in safe and sound condition. If

the consignee does not reply by the target date, it will be presumed that the stores have been received in good condition. In case the consignee reports losses, damages, etc., this will be taken note of and necessary recoveries will be effected from either the firm's balance bills or other bills which may be pending with the Pay & Accounts Office.

In regard to fixation of responsibility, the matter is being investigated and the results of the investigation will be reported to the Committee in due course.

[Deptt. of Supply O.M. No. P III-12(27)/69 dated 13-7-72.]

Further Information

Measures taken to tighten up the procedure were conveyed in the action taken note submitted with the Department of Supply O.M. No. 12(27)/69-PIII, dated the 13th July, 1972.

The matter regarding fixation of responsibility for the delay in detecting the discrepancies and reporting the same in time has been examined. The DGS&D did not contribute towards the delay in this respect because they were actually expediting the supplying firm, as well as the consignee from time to time in the matter. Since a large number of items were involved in these contracts, it was but natural that re-conciliation of the discrepancies required quite some time. Moreover, it was felt by the consignee that re-conciliation could only be finalised after a representative of the firm was available at the consignee's end and the firm took quite some time in deputing a responsible man for reconciliation. The whole question was primarily of short receipt of items, which could be reconciled only at the consignee's end in consultation with the supplying firm.

[Deptt. of Supply O.M. No. P III-12(27)/69 dated 3-4-1973]

Recommendation

"The Committee are disturbed to find that there is no fool-proof system as yet in the office of the PAO to ensure that documents relating to cases pending finalisation do not come in for destruction prematurely. The Committee would urge Government to attend to this lacuna forthwith and devise a fool-proof procedure in this regard."

[Sl. (Para No.) 162.44] of Appendix VII to the Seventh Report (Fifth Lok Sabha)

Action taken

This recommendation was communicated to the Chief Pay and Accounts Officer, New Delhi. A copy of the instructions O.O. No. Sy. Control/1 dated 1-4-72 issued in that office on the subject is enclosed.

[Deptt. of Supply O. M. No. PIII-12(27)/69 dated 12-9-72]

**OFFICE OF THE CHIEF PAY AND ACCOUNTS OFFICER
MINISTRY OF SUPPLY
NEW DELHI.**

O. O. No. Sy. Control-1

Dated the 1st April, 1972.

SUBJECT:—Re-distribution of work amongst Supply Accounts Sections.

In the light of the recommendations of the Public Accounts Committee for evolving a fool proof procedure so that the records pertaining to provisional payments are not destroyed prematurely and also to achieve further equitable distribution of work amongst Supply Account Sections at headquarters on a rationalised basis, it has been decided that :—

1. (i) SA-V, SA-VII, SA-XVI, SA-XIX SA-XX and SA-XXIV Sections will exclusively deal with the payment of bills for the supply of POL contracts, as these contracts are usually of the nature of Provisional Payments on account of inclusion of price variation clause and frequent revision in the various elements of cost of stores viz. Price, Sales-tax Freight, Excise etc. etc. SA-V will deal with payment work of contracts of all POL supplies except contracts placed on IOC Ltd. and SA-VII, SA-XVI, SA-XIX, SA-XX and SA-XXIV Sections will deal with payment work of IOC Ltd.
- (ii) SA-III, SA-VIII, SA-XI and SA-XV sections will exclusively deal with a payments of bills for the supply of industrial gases, as contracts for the supply of Gases are also usually of the nature of Provisional Prices on account of inclusion of price variation clause and frequent revision in various elements of cost.
- (iii) SA-XIII Section will be a combined Section and will deal with the work of payment of Bills in respect of As/T, Rate Contracts, and Running Contracts placed on provisional Rates, of all stores other than POL products, Industrial Gases, Timber Supply Orders placed on State Forest Departments and State Owned Corporations, Foreign Payments made in SA-XXIII and cases of payments where supplies are made to the Deposit Parties (being dealt with in SA-II and SA-XXVI at present).
- (iv) The work of SA-I, SA-II, SA-III, SA-IV, SA-V, SA-VI, SA-VII, SA-VIII, SA-X, SA-XI, SA-XII, SA-XIII, SA-XIV, SA-XV, SA-XVI, SA-XVII, SA-XXI, SA-XXI, SA-XXV and SA-XXVI sections has been re-arranged by inter-sectional transfer of work as per annexure attached. Consequently the quota of bills per month of the following sections has been refixed as under:—

SA-III	From 1800 to 2000
SA-XIII	From 1900 to 1700
SA-XV	From 1700 to 2000.

2. It has further been decided that all SA Sections concerned will prepare statements (in triplicate) of all contracts i.e. Rate Contract, Running Contracts and As/T (except those pertaining to POL Gases Foreign Payments, Forest Payments and Deposit, Parties payments) which are on provisional Rates indicating full particulars, i.e. Number and Date of the Contract, Page number and volume of the Payment Register. These statements will be forwarded to SA-13 Section latest by 5-4-1972 with a copy to Sy. Control to enable SA-13 section to obtain documents of all such contracts, Payments Registers and extracts of Payment where the Payment Register (s) do not deal exclusively with the payment of the particular contract. The S. A. Sections concerned will afford all possible assistance to SA. 13 staff in this regard and also in transferring items in Objection Books, Suspense Registers, Demand Recovery Registers items and Security Deposit items. Each S.A. Section concerned will furnish a completion certificate to the effect that all contracts of Provisional Payments, including documents, Payment Registers, Extracts of Payments items in O. Bs. Suspense Registers, Demand Recovery Registers and Security Deposit and Broad-sheet pertaining to each such contract have been transferred to SA-13 so as to reach Sy. Control by 15th April, 1972 SA-13 Section will furnish a Similar certificate of having received the above records and items separately in r/o of each SA Section concerned transferring the contract so as to reach Sy. Control latest by 20th April 1972.

3. The SA Section affected due to inter-Sectional transfer of work as per annexure will arrange to transfer the cases of Provisional payments with their records to SA-XIII before the transfer of work to Non Provisional Payment Section as per foot-note at page 4 of the said annexure.

4. The following four S. A. Sections which will continue to deal with both types of contracts i. e. "Firm Price" as well as "Provisional Price" contracts in respect of items of work noted against each should ensure that the vouchers pertaining to provisional prices are invariably marked prominently with the words "Provisional Payments" as per instructions contained in Office Order No. SG-65 dated 29-9-1970.

- | | |
|----------------------|--|
| (i) SA-I | Purchase Orders placed on Provisional Rates on the State Forest Department and State Owned Forest Corporations for the supply of timber. |
| (ii) SA-II & SARXXVI | All As/T, Rate Contracts and Running Contracts placed on provisional Rates for the supply of stores of all kinds to the Deposit Parties. |
| (iii) SA-XXIII | All As/T, Rate Contracts and Running Contracts placed on Provisional Rates where foreign payments are involved. |

The payment voucher of other S.A. Sections which will be treated as exclusively "Provisional Rates" payments sections (i. e. SA-V, SA-VII, SA-XVI, SA-XIX, SA-XX, SA-XIV, SA-III, SA-VIII, SA-XI, SA-XV and SA-XIII) will automatically remain segregated.

5. The contracts on provisional rates transferred by other sections will be entered in the Register of Watching Finalisation of Provisional Rates i. e. Form No. 13 as prescribed in Para 182 of S. A. Manual (C. S. 402) of the receiving section in the same year in which it was originally entered in the transferring section. Further action will be taken to get the rates finalised as per instructions in Para 182 quoted above. The contracts placed on predisional rates will continue to be dealt with in the Sections noted in Para 4 above even after the rates are finalised by the purchase Department before the completion of the contract.

6. SA-XIII Section will have a strength of 6 U. D. Cs on *ad-hoc* basis and monthly quota of the section will be 900 bills. That section will be responsible for copying out the extracts of Payments from the relevant Payments Registers and also obtain paid vouchers from other sections transferring the work of Provisional payment As/T, Rate Contracts and Running Contracts. That section will also get the items of Security Deposit, Demand Register Objection Book and Suspense Register pertaining to the concerned contracts transferred to them. Two UDCs of SA-XIII may also be transferred to SA-XVII alongwith the work in the interest of smooth transfer of work and in exchange 2UDCs from SA-XVII may be transferred to SA-XIII.

7. SA-XIII Section will issue letters to all suppliers separately in respect of each A.T. and Contract which is transferred to that Section asking them to mention the name of the Section i.e., SA-XIII prominently on all letters, bills etc. submitted by them to this office. Similar action may also be taken in respect of fresh contracts which are placed on provisional rates by the DGS&D, in future. This will avoid mismarking in R&R Section. The DGS&D office has also been requested to get the word as 'PROVISIONAL' incorporated in future contracts to facilitate proper marking of documents in this office.

8. The Transferring sections should clear all work and should not transfer any arrears except the bills, letters and supply orders received on or after 1-4-1972. The transfer of bills, letters etc. will not be done through Receipt and Record Section but should be done directly by the sections concerned. Authenticated documents received through Auth. will however, be transferred through authentication Cell.

9. The receiving section will diarise all the documents and watch their disposal as usual. The Supdt. of the section transferring the work should prepare an exhaustive note showing the important outstanding matters and lists of records etc. pertaining to the concerned work and send note as well as the lists through the concerned Branch Officer to the Section to which the work is transferred. Outstanding Demand Register lists items, Objection Book items, Security Deposit and Suspense Items etc. may also be transferred simultaneously.

10. The Supdt. of the transferring section is to ensure that the records etc. are transferred methodically. The Supdt. of the receiving sections should ensure that the records in question are proper indexed in their sectional Index Registers.

11. R&R Section, Authentication Cell and Receptionist may please take special note of these changes.

12. The successful implementation of the above changes depends largely on the co-operation of the staff Security Control section will keep watch to see that the transfer of work is carried out by the sections concerned in accordance with the schedule and instructions contained herein. That Section will submit a report regarding the implementation of the Changes for the information of the Chief Pay and Accounts Officer latest by 30th April, 1972 after obtaining the same from the S.A. Section concerned.

These orders will be effective from 1st April, 1972. This issues with the approval of the Chief Pay and Accounts Officer.

Sd/-

D. P. JAIN,

SR. DY. CHIEF PAY AND ACCOUNTS OFFICER

[Authority : CPAO's orders dated 28-3-1972 in
File No. Sy. Control/2(10) Part.]

Recommendation

"Although in this case payment vouchers and related documents pertaining to all the 4 A/Ts had been destroyed, the Committee were informed that the claims would be finalised in on the basis of documents to be produced by the firm. The Committee would like to know the results of the examination of the firm's proposals stated to have been received on 15th October, 1970 with particular reference to the fact whether any amount is recoverable from the firm finally".

[Sl. No. 17 (Para 2.45) of Appendix VII to the Seventh Report (Fifth Lok Sabha)]

Action Taken

The documents available with the firm have been scrutinised by a team of officers and their report is under examination. The Committee will be informed of the results in due course.

[Deptt. of Supply O.M. No. PIII-12 (27) /69 dated 12-9-72]

Further Information

It was stated in the action taken note forwarded with the Department of Supply O.M.No. PIII-12(27)/69 dated the 12th September, 1972 that the documents available with the firm had been scrutinised by a team of officer and their report was under examination.

The Report of the team of officers has been examined by Govt. In the Light of the examination made and on the basis of the formula indicated their in, instructions have been issued to the Chief Pay and Accounts officer to recover a further sum of Rs. 4,07,648 from the firm's bills pending finalisation of the Report which is expected to be done very shortly.

[Deptt. of Supply O.M. No. PIII-12 (27)/69 dated 3-4-1973]

Recommendation

"The Committee are concerned to find that as on 1st August, 1970, there were as many as 1315 cases where provisional payments had been made, awaiting finalisation. The amount involved and the year-wise break-up are not known as the relevant registers are not maintained properly. Details of six more cases relating to firm 'A' made available however reveal that these date back to 1965-66 involving a sum of Rs. 12.75 lakhs. While the Committee note that Government have laid down a procedure for the speedy finalisation of such cases in future, they would urge that the pending cases should be reviewed on the basis of available data to find out whether over-payments have been made to the firms and to settle them at an early date. The results of the review may be intimated to the Committee."

[Sl. No. 19 (Para 2.47) of Appendix VII to the Seventh Report (Fifth Lok Sabha)]

Action Taken

Reply to this is covered by the 'Action Taken Note' against recommendations at Serial No. 22, 23 and 24 and (Para 2.78, 2.79 and 2.80).

[Deptt. of Supply O.M. No. PIII-12(27)/69 dated 13-7-72]

Further information

A review of 1315 cases where provisional payment had been made was carried out by the DGS&D in consultation with CPAO to devise ways and means for the early clearance of the pending cases. As a result of this review, the progress achieved in the clearance of the above cases is as under :—

Total items outstanding as on 1-8-1970	—	1315
Items cleared upto September, 1972	—	682
Items still outstanding	—	633

[Deptt. of Supply O. M. No. PIII-12(27)/69 dated 9-4-1973]

Recommendation

"The Committee would also like the procedure regarding maintenance of the records in P&AO's offices/purchase directorates to be streamlined to bring out up-to-date position in respect of all pending cases. It is surprising that the Ministry were able to locate the payment register and the original A/T No. 113 of the Fourth Contract only 2/3 days before the official witnesses appeared before the Committee."

[Sl. No. 20 (Para 2.48) of Appendix VII to the Seventh Report (Fifth Lok Sabha)]

Action Taken

Necessary instructions regarding proper maintenance of records by the Purchase Directorates have been issued *vide* Office Order No. 1-34(18)/71 O&M, dated the 22nd September, 1971 (copy enclosed).

The matter has also been referred to the Chief Pay and Accounts Officer, New Delhi for necessary action at their end.

[Deptt. of Supply O.M. No. PIII-12 (27)/69 dated 13-7-72].

Recommendation

"On the whole the committee could not but come to the conclusion that a rather unusual contract was entered into with firm 'A' which was also not processed with care. There has been a perceptible lack of sense of expedition and prudence. The whole transaction was marked by an absence of effective coordination among the consignee department, purchase directorate and the Pay and Accounts office. Nothing short of a thorough probe into all the factors that were responsible for this state of affairs would meet the requirements, the committee have to view. Based on the findings, the entire system of procurement of spares from abroad through private firms should be overhauled to safeguard the financial interest of Government."

[Sl. No. 21 (Para 2.49) of Appendix VII to the Seventh Report (Fifth Lok Sabha)]

Action Taken

The procedure for procurement of spares from abroad through private firms has since been changed and is as under:—

- (a) In cases where it is decided to allow the goods to go to the supplier, a bank guarantee is obtained whether payment is made abroad or in India. Alternatively the goods are consigned to the purchaser.
- (b) The contract is placed on f.o.r. basis and the firm is allowed the foreign exchange, the import recommendation certificates and they can open the letter of credit themselves.

The procedure outlined above safeguards Government interest adequately.

A probe is being made into all the factors that were responsible for the state of affairs in this case and the results of investigation will be reported to the committee in due course.

[Deptt. of Supply O.M. No. PIII-12(27)/69 dated 13-7-72.]

Further information

In the action taken note furnished to the Lok Sabha Secretariat under this Department's Office Memorandum No. 12(27)/69(PIII) dated the 13th July, 1972 it was stated that the procedure for procurement of spares from abroad has been changed and that the revised procedure safeguards the interests of the Government adequately. The committee was also informed that a probe was being made into all the factors that were responsible for the state of affairs in this case and that the result of the investigation would be reported to the committee.

The matter has since been investigated. It is observed that the officers who dealt with the case prior to 1967 have either retired or resigned. It is therefore not possible now to institute disciplinary proceedings against the officers concerned.

[Deptt. of Supply O.M. No. PIII-12 (27) /69 dated 29-3-73]

Recommendation

- (i) "The committee are concerned to find that upto 31st March, 1969 dues recoverable in various accounts from the suppliers amounted to Rs. 4.95 crores. The position as on 30th June, 70 was that 5465 cases involving Rs. 6.07 crores were pending. From the details of cases of recovery of and above Rs. 50,000/ upto 31st March, 1969 furnished by the Ministry, it is found that some of them are pending for over 20 years now and that one case relates to the period as far back as 1944-45. As some of these are likely to become bad debts due to efflux of time or otherwise, the Committee need hardly stress that appropriate steps should be taken forthwith to realise the dues early and that in future there should be a systematic review of such cases periodically. The Committee desire that the action taken in this regard and the progress made in the recovery may be intimated to them."

[Sl. No. 22 (Para 2.78) of Appendix VIII to the seventh Report (Fifth Lok Sabha.)]

- (ii) "In 60 cases involving Rs. 1.35 crores, Government have not as yet come to any decision regarding recovery of the dues. Inordinate delays have occurred in obtaining legal opinion and in initiating arbitration proceedings or filing suits in courts. In a number of cases the relevant purchase files are not traceable. All these present a rather disquieting picture. The Committee would therefore urge Government to review all these cases and to take suitable action on the basis of findings."

[Sl. No. 23 (Para 2.79) of Appendix VII to Seventh Report (Fifth Lok Sabha.)]

- (iii) "The Committee have earlier in this report referred to the need for the speedy finalisation of cases of provisional payments which may throw up further cases of recovery. There may also be cases of non-fulfilment of contracts, delayed or defective

supplies etc. in respect of which recoveries are yet to be assessed. The Committee would suggest an early review of all such cases with a view to assessing and realising the dues at an early date. For the future the DGS&D should evolve a control system by which, progress of finalisation of such case is watched by senior officers periodically."

[Sl. No. 24 (Para 2.80) of Appendix VII to Seventh Report (Fifth Lok Sabha).]

Action Taken

Last year, in consultation with the Chief Pay Accounts Officer, a procedure was evolved whereby, the latter forwarded cyclostyled lists (Directorate-wise) of 1384 items, outstanding in the Demand Register of the various Accounts Officers as on 30th June, 1970, to the DGS&D. Those lists were passed on to the respective Purchase Directorate/Offices, with the request that expeditious action should be taken in clearing those items, and progress reports thereon, should be forwarded, every month, so as to inform the Pay & Accounts Office, accordingly. It was also decided that additions/subtractions to these lists would be carried out every quarter by the Pay & Accounts Officer concerned. Out of 1384 cases reported by the P&AO, 295 cases have so far been cleared. Out of the balance 1089 cases, 79 cases are of the value of Rs. 50,000 and above.

2. As the volume of work involved is of considerable magnitude, the whole position is being work-studied so as to make the procedure more effective for achieving tangible results, even by strengthening the Purchase Directorates by additional hands. Meanwhile, instructions on the proper watching of recoveries due to the Government and periodical checking have been issued *vide* Office Order No. 58 dated the 2nd June, 1972, copy enclosed.

[Dept. of Supply O. M. PIII-12(27)/69 dated 12-9-72]

Further information (S. No. 22)

In the Action Taken Note forwarded with the Department of Supply O.M.No. 12(27)/69-PIII dated the 13th July, 72 it was stated that the Chief Pay Accounts Officer had forwarded a cyclostyled list of 1384 items outstanding in the Demand Register of the various Accounts Offices as on the 30th June, 1970 to the DGS&D. The position has been checked up and the fact is that the figure of 1384 items represented only a part of the outstanding cases in the different offices of the CP&AO. It is confirmed that the total number of items outstanding in the Demand Registers of the various Accounts Offices including the CP&AO, New Delhi as on 30-6-70 was 5,465

34
Recommendation

"The Committee note that on finalisation of provisional payment made to firm 'C' for import of certain spare parts, it was found that overpayments to the extent of Rs. 2.94 lakhs had been made mainly on account of the fact that the rate of customs duty was not verified. It is stated that the Ministry have now taken up the question of verification of rates before making provisional payments with the Central Board of Excise and Customs. The Committee would like Government to evolve a procedure in this regard early."

[Sl. No. 27(Para 2.83) of Appendix VII to the Seventh Report (Fifth Lok Sabha.)]

Action Taken

The subject contract to which the above recommendation relates, was placed in 1955 when the custom duty clause in operation was as follows:—

"For imported stores offered against forward delivery, tenderers will be responsible for the correctness of rates at which the customs duty included in their quotation is based. They will also be responsible for indicating the correct ICT item number. No increase in price will be allowed on the ground that customs duty originally included in their quotations was wrongly calculated at a rate lower than the one prevailing at the time of tendering. Variation on account of statutory change in the rate of customs duty will be allowed where admissible."

After the above clause was accepted by the tenderer the following clause would be incorporated in the resultant contract:—

"The prices are based on the current rates of customs duty *viz* and in the event of any statutory variation in this rate at the time of import the prices will be adjusted accordingly."

From the above clause it will be seen that if by chance the purchase officer had indicated incorrect rate of customs duty in the A/T, there was a likelihood of the supplier obtaining over payment particularly when he was to be paid C/D along with initial payment, on production of shipping documents, as has actually happened in the instant case.

The above customs duty clause was received *vide* O. O. No. 99 dated 29-7-68 (copy enclosed). The present clause stipulates that the "C/Duty actually paid will be provisionally reimbursed to the successful tenderer to the extent of 90/95/98% on production of relevant documents (Bill of entry etc.) along with advance payment of 99/95/ 98% that may be stipulated in the contract." From this stipulation it will be observed that the existing clause envisages with-holding of certain portion of customs duty amount which is to be adjusted at the finalisation stage.

Secondly, the existing C/D variation clause lays down that the C/D would be provisionally reimbursed. This stipulation further safeguards Government interest and there is no likelihood of any over payment.

[Dep'tt. of Supply OM No. PIII-12(48)/69 dated 3-2-1972]

Recommendation

"The Committee would like Government to come to an early decision with regard to entering into annual rate contracts or running contracts for the supply of jerseys, pullovers and other such items to meet Defence requirements so that there may not be any occasion in future to go in for large scale uneconomic local purchase."

[Sl. No. 33 (Para 2.114) of Appendix VII to the Seventh Report
(Fifth Lok Sabha)]

Action Taken

For procurement of different hosiery items, rate contracts have been concluded for vests woollen and vests cotton. These are being freely operated to meet the Defence requirements.

As regards jerseys & socks, in the recent past, procurement has been made on *ad hoc* basis as the indents placed by the Ministry of Defence were either of an operational nature or calling for delivery within a very short period. For the main items of hosiery like vests woollen, vests cotton, jerseys and socks woollen, it has now been decided to enter into annual running contracts which would be legally more binding than the rate contracts. The specific annual requirements for such items has since been called from the indenter.

[Deptt. of Supply OM No. 12/(24)/ 69-PIII dated 10-3-72]

No. TWL-1/1016/075A/076/077A/1/706

DIRECTORATE GENERAL OF SUPPLIES &
DISPOSALS.

New Delhi—1, the 28th December, 1966.

To

The Director of Ordnance Services,
Army Headquarters,
MGO Branch,
C. P. Section,
DHQ PO New Delhi-11.

Subj:—Local Purchase of Jerseys.

Ref: Your letter No. 86720/C/OS PII dated 28-12-66.

Further to this office letter of even date it is confirmed that the statement made in para 1 by the President Northern India Hosiery Mfrs. Corporation Ludhiana in his letter No. Nil dated 27th December 66 is correct.

Sd/-

(M. SINGH)

Deputy Director Supplies
For Director General of Supplies and Disposals.

Recommendation

"The Committee note that although the contract entered into with firm 'A' in May, 1968 provided for Government assistance for procurement of 64 s carded scoured wool, Government agreed to a firm price for the woollen

yarn. It is regrettable that the prevailing c.i.f. value of the carded scoured wool was not verified when the firm indicated earlier in March 1968 the assumed value thereof, with the result the firm got an unintended benefit to the extent of Rs. 0.92 lakh due to the price of the wool being actually less. In order to avoid the recurrence of such costly lapses, the Committee would suggest that there should be a system of verifying with the help of agencies like State Trading Corporation, Mineral and Metals Trading Corporation etc. the assumed rate and value of raw material to be imported with Government assistance.

[Serial No. 34 (Para 2.127) of Appendix VII to Seventh Report (Fifth Lok Sabha)]

Action Taken

Necessary instructions have been issued *vide* Routine Note No. 49 dated 16-10-71 (Copy enclosed) to the effect that Purchase Officers should verify the reasonableness of the C.I.F. value from the agencies suggested by the Committee or such concerned authority wherever necessary.

[Deptt. of Supply OM No. 12 (42)/69—PIII dated 10-4-1972]

DIRECTORATE GENERAL OF SUPPLIES AND DISPOSALS.

(CO-ORDINATION SECTION—1)
PARLIAMENT STREET, NEW DELHI.

Routine Note No. 4)

Dated 16-10-1972.

SUBJECT:—Checking of C. I. F. value.

An extract from recommendation No. 2.127 of 7th Report (1971-72) of the Public Accounts Committee (5th Lok Sabha) is reproduced below:—

‘The Committee note that although the contract entered into with firm ‘A’ in May, 1968 provided for Government assistance for procurement of 64s carded scoured wool, Government agreed to a firm price for the woollen yarn. It is regrettable that the prevailing C.I.F. value of the carded scoured wool was not verified when the firm indicated earlier in March, 1968 the assumed value thereof, with the result the firm got an unintended benefit to the extent of Rs. 0.92 lakh due to the price of the wool being actually less. In order to avoid the recurrence of such costly lapses, the Committee would suggest that there should be a system of verifying with the help of agencies like State Trading Corporation, Mineral and Metals Trading Corporation etc. the assumed rate and value of raw materials to be imported with Government assistance.’

The Purchase Officers are requested to note the above recommendations of the Public Accounts Committee and verify the reasonableness of the C.I.F. value from the agencies suggested by the Committee or such concerned authority wherever necessary.

Sd/-

(S. K. JOSHI)

Deputy Director (Coordination)

Standard Distribution

[On File No. CDN .1/29 (31)/II/70]

Copy to :—

C D N-5 Section

Recommendation

"The Committee are unhappy to note that it took in all 16 months to issue import licence in this case. The explanations given that delay occurred in ascertaining the quantity required and the value of the wool to be imported and obtaining clearance from Finance in regard to foreign exchange is not at all convincing especially while processing an urgent indent to meet Defence requirements. The Committee consider that the delay in this case was unreasonable and hope that Government would look into the procedural bottle-necks and see that better sense of priority is displayed in future."

[Serial No. 35 (Para 2-128) of Appendix VII to Seventh Report (Fifth Lok Sabha)]

Action Taken

The existing instructions of the subject have been re-iterated *vide* Routine Note No. 50 dated 16-10-1971 (copy enclosed).

[Deptt. of Supply OM No. 12(42) 69-PIII dated 10-4-1972]

DIRECTORATE GENERAL OF SUPPLIES AND DISPOSALS
(CO-ORDINATION SECTION-I)
PARLIAMENT STREET, NEW DELHI-I

Dated 16-10-1971

Routine Note No. 50

SUBJECT :—Import Recommendation Certificate—Measures to avoid delay in the issue of—

Instructions already exist *vide* Office Order No. 88 dated 2-8-1966 which have been re-iterated *vide* Routine No. 26 dated 2-7-1970 prescribing measures for the avoidance of delay in the issue of Import Recommendation Certificate so that there is no delay in the issue of import licence.

In their 7th Report (1971-72), the Public Accounts Committee (5th Lok Sabha) have cited a case where it took in all 16 months to issue the import licence and they have further observed that the delay in that case was unreasonable.

All the purchase officers are requested to ensure that the instructions referred to in para 1 above are strictly followed and that the Import Recommendation Certificate issued promptly so that there is no delay in the issue of the Import Licence.

Sd/-

(S. K. JOSHI)

Deputy Director (Co-ordination)

Standard Distribution

(On File No. CDN. I/29(31)/II/70)

Recommendation

"At present only copies of acceptances of Tenders are sent to Income-Tax authorities in a routine manner. The Committee recommend that in the present and similar cases the Income-Tax authorities should be specially informed of such unintended profits as have been made in his case to help scrutiny of the relevant tax-returns."

[Serial No. 36 (Para 2-129) of Appendix VII to Seventh Report (Fifth Lok Sabha.)]

Action Taken

Income-tax authorities have suitably been informed in the present case *vide* letter No. TWL-2/107/62/687/472 dated 30-9-70 (copy enclosed). As regards similar cases in future, revised instructions for the guidance of Purchase Officers have also been issued *vide* Office Order No. 89 dated 5-11-1971 (copy enclosed).

[Deptt. of Supply OM No. 12(42)/69-PIII dated 10-4-72.]

DIRECTORATE GENERAL OF SUPPLIES AND DISPOSALS (COORDINATION SUPPLIES SECTION-2) NEW DELHI-1

Dated 5-11-1971

Office Order No. 89.

SUBJECT :—A/Ts./S/Orders—forwardin copies to Income Tax authorities.

In accordance with the existing instructions, copies of the A/Ts./S/Os are required to be endorsed to the Income Tax Officer of the area concerned apart from endorsement to various other authorities concerned.

2. A case came to the notice of the P.A.C. wherein the firm, against a firm price contract had to pay much less for an imported content than the estimated rates assumed by them while quoting the C.I.F. price, resulting in its getting un-intended benefit, inspite of the fact that the import had been made by them through STC on the strength of IRC issued by us. When firm was approached in the matter, they came with the plea that there had been much delay in the grant of import licence and during the intervening period the labour charges and the cost of production had gone up and there was not much profit.

3. The P.A.C. was not satisfied about the existing procedure whereunder the intimation about the placement of A/T is sent to the Income-tax authorities in a routine manner particularly in cases of this nature. It has been recommended by them that in future when the Purchase Officer comes across similar cases i.e. where the firm happens to get an un-intend-profit the Income Tax authorities should be specially informed about it to help them in properly scrutinising the relevant tax returns.

4. Purchase Officers may kindly note the above P.A.C. direction for compliance.

(Sd)M. M. PAL,
Deputy Director (CS-I)

Standard Distribution

On File No. CDN-2/6/20/1/71).

Copy to :—

CDN-5 Section with reference to their D. O. No. CDNo.-5/5 (1)/1/71, dated 7-9-1971. This has reference to recommendations contained in para 2.129 of the 7th Report.

Recommendation

"The Committee feel that the delay that occurred in processing this transaction was avoidable. They would urge Government to ensure that the tenders are decided well before the expiry of the offers of the tenderers."

[No. 37 (Para 2.139) of Appendix VII to Seventh Report (Fifth Lok Sabha)]

Action taken

The existing instructions on the subject have been reiterated *vide* Routine Note No. 51 dated 16-10-71 (copy enclosed). Purchase Officers have been asked to ensure that the decision on tenders is taken within the original validity period.

[Deptt. of Supply OM No. 12/8/69/-PIII, dated 24-2-72.]

DIRECTORATE GENERAL OF SUPPLIES AND DISPOSALS (CO-ORDINATION SECTION-I)

Routine note No. 51

Dated 16th October, 1971

SUBJECT :—Tenders—Decision within the original validity period.

Ref. O.O. No. 102 dated 12-9-66, R. No. 3, dated 3/3-2-69, R. No. 62 dated 15-12-1969 and para 15 (ii) of O. O. No. 7, dated 11-1-1972.

In accordance with the instructions issued and re-iterated from time to time which have been brought out in para 15(ii) of consolidated O.O. No. 7 dated 1-1-1971 on tender policy, decision on tenders should be taken within the original validity period itself and only in exceptional cases where it is inescapable offers should be extended.

2. In their 7th Report (1971-72) the PACC (5th Lok Sabha) have recommended that the Govt. should ensure that the tenders are decided well before the expiry of the offers of the tenderers. Attention of all the purchase officers is invited to the instructions referred to above and they should ensure that the decision on tenders is taken within the original validity period.

(Sd)-S. K. JOSHI
Deputy Director Co-ordination

Standard Distribution

CDN 1/29/31/II/71

Recommendation

"The Committee were informed that the delivery schedule was stipulated as 35,000 per month for the type of key bearing plates ordered taking the total capacity of firm 'B' into account. The Committee are at a loss to understand how this mistake was not corrected even after the firm had pointed out that they had offered the capacity in terms of the two types of the plates separately. The Committee hope that such omissions may not occur in future.

[Serial No. 39 (Para 2.159) of Appendix VII to Seventh Report (Fifth Lok Sabha)].

Action Taken

The Purchase Officers have been instructed *vide* Office Order No. 18(B), dated 8-11-71 (copy enclosed) to note the observation of the Committee and to ensure that the delivery dates in the contracts are stipulated in accordance with the provisions contained in the accepted tender as reiterated *vide* clause 3 of the Office Order No. 18, dated 1-1-71 to avoid recurrence of such omissions, in future.

[Deptt. of Supply OM No. 12(46)69 -PIII, dated-7-3-72]

DIRECTORATE GENERAL OF SUPPLIES AND DISPOSALS (CO-ORDINATION SUPPLIES SECTION-2) NEW DELHI-1

Office Order No. 18(B)

Dated 8-11-1971

SUBJECT :—*Delivery Schedule—Correct stipulation in the A/Ts—P.A.C recommendations.*

Reference :—Para 122 of the Manual of Office Procedure for Supplies Inspection and Disposals (1969 Ed) and Office Order No. 87, dt. 1-8-1966 and U.O. No. CDN-2/11(7)1/67, dt. 11-2-69.

In the above instructions it is laid down that all the conditions stipulated by the tenderers in tender should be carefully scrutinised by the purchase officers. Where the terms and conditions quoted by the firms are inconsistent with our general and special conditions of contract or otherwise unacceptable, they should be first persuaded to withdraw these terms and conditions. In the event of failure of the firms to agree to our suggestion the quotations should either be ignored or accepted with the sanction of the competent authority on the merits of the case. In any event, the position should not be left obscure or confused. Where special terms and conditions are accepted they should be incorporated in the contracts issued which should ultimately contain no more or no less than what is contained in the accepted tender or mutually agreed to in post tender correspondence or negotiation with the tenderer. *Incorporation of the terms and conditions which are not in the tender or which have not been specifically agreed to by the tender will not create a legally binding agreement.*

2. A case has come to the notice of the P.A.C. wherein the firm in their tender had specified delivery schedule for two different types of the same stores as under :—

(a) 20000 pieces per month of one category.

(b) 15000 pieces per month of second category.

3. While placing the contract against the above mentioned tenders the A/T indicated the delivery schedule as 35000 pieces per month of one category. This had been done by the Purchase Officer under the impression that the firm was capable of supplying 35000 pieces per month. The position in this respect was not specifically checked and got confirmed from the supplier. On assurance of the A/T the firm wrote back that they had offered the capacity in the terms of two items separately but no amendment in this regard was issued. In the said case the Committee has viewed the inaction seriously on the part of the Purchase Officer. The observation made by the Committee is reproduced below :—

“The Committee were informed that the delivery schedule was stipulated as 35000 per month for the type of key bearing plates ordered taking the capacity of firm ‘B’ into account. The Committee are at a loss to understand how this mistake was not corrected even after the firm had pointed out that they had offered the capacity in terms of two types of the plates separately. The Committee hope that such omissions may not occur in future.”

4. Purchase Officers are requested to carefully note the above observation to see that the delivery date in contracts should be stipulated in accordance with the provision thereof in the accepted tender, *vide* clause 3 of the O.O. 18 dt. 1.1.71, and to ensure that such omissions do not recur in future.

Sd/- M.M. PAL
Deputy Director (CS) I

STANDARD DISTRIBUTION

On File No. CDN/2/7(35)/1/71

Copy to :—

CDN-5 Section with reference to their D.O. No. CDN-5 5 (1)/71 dated 7th September, 1971. This has reference to recommendations contained in para 2.159 of the 7th report of the P.A.C.

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES OF GOVERNMENT

Recommendation

This is yet another case of inordinate delay in finalising the dues of the contractor after the termination of his contract. The contract for handling and transport of foodgrains at Manmad was terminated in June, 1965 but the extent of liability of the contractor could not be finally determined until August, 1969.

[S. No. 4 of Appendix VII (Para 1.30) to the Seventh Report (Fifth Lok Sabha)].

Action Taken

The Committee's observations have been noted. The final assessment of the contractor's liabilities could not be made earlier for several unavoidable reasons, principally the following:-

- (a) The 'substitute contractor's accounts had to be finalised before the amount recoverable from contractor 'A' could be assessed.
- (b) Details of liabilities were asked for by the contractor 'A' and had to be given to him.
- (c) Final liability in respect of some of the items could be assessed only at a late stage.
- (d) Contractor's representations against the liabilities fixed had also to be considered before a final view could be taken.

This Note has been vetted by Audit.

[Deptt of Food U.O. No. G.25015/2/71-IF II dated 8-11-71]

Recommendation

The Committee understand that every month stocks of foodgrains held by the State Governments are reported to the Department of Food. These returns do not, however, cover the stocks held by the fair price shops and consignments in transit. As the shops would be reporting their stocks to the State Governments the desirability of getting a consolidated return from them might be considered. This, in the Committee's opinion, might help to regulate supplies.

[S.No. 6 (Para No. 1.43) of Appendix VII to the Seventh Report of the Public Accounts Committee (Fifth Lok Sabha)].

Action Taken

1. The present monthly stock returns from the State Governments give only the stocks with the State Governments or their agencies. The number of places at which stocks are held is much less than the number of places at which fair price shops exist in the State. The number of reporting points is thus much less than in the case of stocks with fair price shops. The collection of information about stocks with each fair price shop is a difficult and time consuming process. At present when information about stocks with the fair price shops is required for determining the amount of price differential to the recovered allowed and is called for, it takes a very long time to get complete information from States. The existing monthly stock returns from the state Governments are already not being received regularly in time. If the returns are also required to show the stocks with the fair price shops and in transit, they will be very much delayed further.

2. The monthly stock returns received from the State Governments are not very accurate, the stocks being reported in tonnes and rounded off in most cases to the nearest hundred tonnes. These returns also do not give stocks in transit. For purposes of allowing refunds or for recovering the price differential, report showing stocks in quantals, kgs. and grams and including the quantities in transit are needed. The present stock returns from the State Governments will not serve the purpose.

3. The revision of issue prices is rarely made from the 1st day of the month. For recovery of the differential, information about stocks is required as on the date of revision of the issue price and even if that information is available as on the 1st day of each month, it will not serve the purpose and fresh information will have to be called for and collected as on the date of revision of the issue price.

4. In view of all this, no useful purpose will be served by calling for a consolidated stock return every month. This will only lead to delay in the receipt of even the existing information about the stocks etc. with the State Governments which is so necessary for planning distribution. It is, therefore, proposed to continue the present procedure of calling for information about the stocks with the fair price shops and State Governments as on the date of revision of issue price for purposes of recovering/allowing price differential.

This Note has been vetted by Audit:

[Deptt of. Food U.O. No. G/25015/2/71-IFII dated 5-2-1972].

Recommendations

"A part of the supplies was made by the firm in 1954 and 1955 although advance payments were made for the entire quantity four years earlier on the basis of shipping documents. The reason for the delayed supply and the value thereof may be intimated to the Committee."

[Sl. No. 13 (Para 2.41) of Appendix VII to the Seventh Report (Fifth Lok Sabha)]

Action taken

Against the supplies made by the firm during the period 1950—52, a number of discrepancies were pointed out by the Consignees, which were

not accepted by the firm. To arrive at a settlement, a Joint inspection was made by the representatives of Indentor/Consignee/Inspector and the firm. Till the outcome of the report of the Joint Inspection, the firm did not despatch the stores for replacement. The DGS&D had also taken up with the firm the reasons for the delay in supplying the stores even long after the date of inspection and after the copies of the Inspection Notes had been forwarded to them. The firm in reply, stated that they were accumulating the spares after inspection till there was enough load for a full wagon. The DGS&D objected to this practice saying that this would lead to delay in supplying the urgently required stores and also result in deterioration of stores. To this, the firm replied that they had deputed their representative to the Consignee along with each wagon of spare parts despatched by them, in whose presence the wagon was checked and the discrepancies, if any, certified by him. The firm added that if the spares were to be sent in small lots, it would greatly upset the procedure already agreed to between them and the Consignee, for Joint quantity check of the stores. The firm further confirmed that the spares were packed in good condition as per the agreement between them and Army H.Q. They further stated that when the stores were required urgently they had taken immediate steps in despatching the same even in small lots.

The Army Headquarters also confirmed that they had agreed to the procedure referred to above regarding the despatch of stores.

It is very difficult to give the value of the stores supplied during the period 1954-55 at this distant date.

[Deptt of Supply OM No. PIII-12 (27)/69 dated 13-7-72]

Recommendation

"The value of shortages was recovered between 1967 and 1970. Since the firm had retained extra payment to the extent of Rs. 14.58 lakhs for 16 to 20 years, it was understandable that they did not come up with the proposals for the finalisation of the bill. The Committee would like to know why the sum of Rs. 2.81 lakhs representing Sales Tax paid in 1962 could not be withheld pending settlement of firm's bill as heavy shortages had by then been reported by the consignee."

[Sl. No. 14 (Para 2.42) of Appendix VII to the Seventh Report (Fifth Lok Sabha)].

Action taken

The question of recovery of Sales Tax amount paid was taken up with the Ministry of law who advised that it was not possible to reopen the case on this issue. However, the Sales Tax amount paid up on the value of stores short received had been recovered, which worked out to be Rs. 69,768.40.

[Deptt of Supply OM No. P-III-12 (27) /69 dated 13-7-72]

Further information

The circumstances in which the amount representing sales tax had to be paid were as given below:—

There was a provision in all the four contractors as under:—

"These prices are exclusive of any sales tax leviable on this transaction.

Any such tax if paid by you, will be reimbursed to you at actuals."

The firm were not paying the sales tax to the sales tax authorities because they were contending before them that the transactions in these cases were sales in the course of import and were exempt under Article 286 (1) (b) of the Constitution of India. The stand taken by the firm was rejected by the Sales Tax Officer and he issued a notice on 5-12-60 directing the firm to pay the sales tax by 13-1-61. The firm, however, approached the DGS&D to pay sum of Rs. 3,06,932.00 being the Bombay Sales Tax in respect of supplies effected. They also stated that if the DGS&D wanted to file an appeal against the order, the same could be done only after paying the sales tax amount. Thereafter the firm wrote to the DGS&D on 18-1-1961, saying that they had received advice from their consul that the most appropriate remedy would be to obtain a Writ from Bombay High Court under Article 226 of the Constitution of India, and they had accordingly filed a Writ petition on 11-1-61. In April, 1961 the firm asked the DGSD to file an affidavit to substantiate their case. The Law Ministry had, however, advised that the firm might be told that DGS&D were not interested in filing an affidavit. The Law Ministry was of the opinion that necessary action might be taken if and when a notice was received by the DGS&D from the Bombay High Court. The firm intimated on 9-1-1962 that their application in the Bombay High Court had been dismissed and they had to pay the sales tax as assessed by the Sales Tax Authorities. The firm had also intimated that the Sales Tax Authorities had threatened that if the firm did not pay the sales tax within a week's time, the amount would be recovered from them as arrears of land revenue without affording them any further opportunity of being heard in the matter. The firm had requested the DGS&D for immediate payment of the sales tax to enable them to pay the same to the sales tax authorities. Because of this development, the DGS&D had to issue an amendment letter on 16-1-1962 authorising payment of sales tax since as per the terms of the contract the same was to be reimbursed to the firm. The amount could not be withheld as there was a time limit given to the firm by the Sales Tax Authorities.

Over and above what has been stated in the foregoing, the discrepancies in the spares had been raised by the consignee after a period of 6 to 8 months. On receipt of the report on the discrepancies from the consignee, the matter was referred to the Ministry of Law for advice, who held the view that it would be difficult to establish that the loss or damage could be attributed to the firm, since the consignee on receipt of the stores did not discover damage or discrepancies for a period ranging from 6 to 8 months. The Ministry of Law also contended that the firm could as well take the plea that after inspection of the material at Bombay, any deterioration or damage was attributable to Railway transit or storage at the destination station. They held the view that it would be difficult to meet the contention unless sufficient proof was there to establish that the loss or damage must have occurred while stores were in the firm's custody after inspection and before despatch. Even after the DGS&D was advised of the discrepancies, the exact nature and quantum of the discrepancies item-wise were not intimated. There was difference of opinion between the consignee and the firm; and it took a long time before it could be settled. The Pay and Accounts Officer was advised in August/October, 1966 to recover the amount from the firm for items received deficient. In the absence of any communication either to the DGS&D or the Pay and Accounts Office about the deficiency or discrepancy in the material having been received by the consignee it was not possible to instruct the Pay and Accounts Officer to withhold the payment of Sales Tax which was authorised vide Amendment Letter of 16-1-1962.

[Deptt of Supply OM No. PIII12 (27)(69-D 3-4-1973].

[Sl. No. 28 (Para 2.109) of Appendix VII to the Seventh Report (Fifth Lok Sabha)].

A quantity of 650 Jerseys was purchased through Unit Local Purchase Orders between 13th January, 1964 and 29th February, 1964. The details of the quantity purchased and the amount of extra expenditure incurred are given in the enclosed statement.

Statement showing the details of quantity purchased and the amount of extra
Expenditure incurred

[illegible]

Recommendation

"The Committee regret to find that the DGS&D for the first time entered into contracts in October, 1966 with a provision for the release of nylon directly to the contracting hosiery firms although the policy had all along been to release nylon only to the authorised spinners. This was the main reason for the delay in supply of the pullovers which resulted in considerable extra expenditure. It is strange that the policy as well as the past precedents in the DGS&D's organisation were ignored while entering into the contracts. The Committee would like to know whether responsibility of the officials concerned was fixed for appropriate departmental action."

[Sl. No. 29 (para 2·110) of Appendix VII to Seventh Report (Fifth Lok Sabha)]

Action taken

Tender Enquiry No. P/SWL 1/1016/077A opened on 17-6-66, against which a quantity of 2,31,000 Nos. of Jerseys was covered on 25 firms in October, 1966 stipulated the following clause with regard to release of nylon.

"IMPORTANT NOTE (2). The tenderers should note that assistance for nylon will be given by Government if required. They should, therefore, confirm that they agree to the allocation of nylon to the spinning mills nominated by them. The allocation would be made in proportion to the Indian Wool Nylon Mixed Yarn that the successful tenderers may purchase from individual mills for execution of the contract against this tender. Successful tenderers will have to furnish documentary evidence of their having placed orders for the requisite yarn on individual mills."

The relevant clause in the 15 As/T places is as under :—

"Clause 19(d)—The Textile Commissioner, Bombay will authorise release of requisite nylon from the imports already made by him through the Indian Woollen Federation, Bombay."

Under endorsement the Textile Commissioner, Bombay was also advised as follows:—

"He is requested to issue necessary nylon to the firms under intimation to this office."

This endorsement will have to be read with clause 19(d) of the A/T which expressly stipulates that such release will be made through the Indian Woollen Mills Federation.

For release through the Indian Mills Federation, there was an authority in the form of a telex dated 18-9-65 (copy enclosed) under which the Textile Commissioner had advised that the import licence had been issued in favour of the Indian Woollen Mills Federation, who would import raw-material and distribute to the various units in accordance with the orders placed by the DGS&D. In view of this, nylon was released through the Indian Woollen Mills Federation.

All the Acceptances of Tender were subject to approval of advance sample. This clause had to be incorporated, as this was the first occasion when jerseys were required to be supplied with 48s quality wool with admixture of 15% nylon.

Immediately, after the issue of the Acceptance of tender, most of the firms located at Ludhiana represented telegraphically that, as top dyed yarn was not available they would not be able to submit the advance sample. As the requirement was urgent, Textile Commissioner was requested on 20-10-66 to intimate whether the statements made by the firms were correct and if so, to take necessary action to supply top dyed yarn to the suppliers.

The Textile Commissioner on 1-11-66 confirmed that the top dyed yarn might not be available with the Hosiery Manufacturers, since the yarn delivered by the spinners was in grey form. The Textile Commissioner further informed that it would not be possible to arrange immediately the supply of top yarn.

In view of the difficult position of the yarn as certified by the Textile Commissioner, the question of deletion of advance sample clause was taken up with CIT&C. After obtaining his agreement, this clause was *finally withdrawn* on 17-1-1967.

As regards release of nylon, immediately after issue of Acceptance of Tender, the matter was actively pursued with the Textile Commissioner, who released nylon through the Indian Woollen Mill Federation on 3-12-66. The suppliers requested for the release of nylon directly to them instead of to the spinners. A meeting was held in the DGS&D on 12-12-66 and it was impressed upon the suppliers that in accordance with the policy laid down by the Government, nylon was to be released in favour of the spinners only. Pursuant to this meeting, the hosiery units made an alternative proposal that nylon should be released to the spinning units located at Ludhiana, nominated by them subject to provision of Bank Guarantee covering the deal. This was referred to the Ministry of Commerce who *vide* their letter dated 27-12-1966 regretted their inability to accept the alternative proposal, put forth by the contractors. A circular letter was issued on 3-1-67 and the suppliers were informed that nylon tops could not be allotted either to individual units holding the contracts or in favour of schedule banks in Ludhiana, for eventual diversion to spinners located at Ludhiana nominated by the contractors. They were further asked to nominate the spinning mills recognised by the Textile Commissioner. This was accepted by all the contractors.

Thus, it would be seen that from the date of initial release by the Textile Commissioner i.e. 3-12-66, it took about a month to sort out the problems connected with the nomination of spinners. The fact that the contractors eventually accepted release through authorised spinners shows that they were aware of the convention.

The position explained in the foregoing would reveal that this did not materially affect the delivery, as, in any case, prior to the deletion of the advance sample clause i.e. on 17-1-67, the suppliers could not have offered

stores for inspection. In the circumstances, the fixing of responsibility for any lapse would not seem to arise.

(Depptt. of Supply OM No. 12 (24)/69—PIII dated 10-3-1972)

(Copy)

DEVSUP BY

DEVSUP No. TIME 11:00 AM DATED 18-9-65

FOR A D RAO FROM ZAA+ZAIAM+ZAIANI(.) O+GOVERNMENT HAS RELEASED Rs. 103.21 LAKHS FOREIGN EXCHANGE FOR IMPORT OF RAW MATERIALS FOR URGENT DEFENCE REQUIRE+ REQUIREMENTS OF WOOLLEN STORES(.) THIS AMOUNT COVERS APPROXIMATELY 12.07 LAKH METERS ANGOLA SHIRTING, 2.02 LAKHS CAPS BALACLAVA, 3.93 LAKHS PAIRS UNDER PANTS, 2.26 LAKHS NUMBERS VESTS, 4.48 LAKH PAIRS DRAWERS, 1000 METRES CLOTH WOOL NELTON FINISH, 43500 SCARVES, 5897 METRES FIRE ENGINE FIGHTING HOSES AND 15000 YARDS CANVAS FLAX 'A' CEADE 24 INCHES WIDE (.) IT ALSO COVERS REQUIREMENTS OF NYLON TOPS FOR 3.31 LAKH JERSEYS AND 48.77 LAKHS PAIRS SOCKS.

THE IMPORT LICENCE HAS BEEN ISSUED IN FAVOUR OF INDIAN WOOLLEN MILLS FEDERATION WHO WOULD IMPORT RAW MATERIALS FOR THE ABOVE REQUIREMENTS AND DISTRIBUTE TO THE VARIOUS UNITS+UNITS IN ACCORDANCE WITH ORDERSPIA—PLACED BY YOU (.) YOU ARE REQUESTED TO PLACE ORDERS URGENTLY(.) IT IS SUGGESTED THAT AS FAR AS POSSIBLE ORDERS SHOULD BE PLACED WITH ALL ELIGIBLE UNITS IN PRODUCTION TO THEIR INSTALLED CAPACITY (.) OVER

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RECORDED OR SIR + ?

Copy of d.o. No. SS(C)/66/604 dt. 27-12-1966 from Special Secretary Min. of Commerce, New Delhi to Shri G.L. Sheth, Addl. Secretary, Min. of Defence, New Delhi.

Dear Shri Sheth,

Please refer to the correspondence resting with my D.O. letter to you No. SS(C)/66/462 dated the 21st December 1966 regarding import assistance to certain firms by way of issuing Nylon Tops to them against Defence contracts for hosiery. I have since had an opportunity of seeking the orders of Commerce Ministry and we are of the view that for the reasons explained in my earlier demi-official letter referred to, no exception can be made to the general rule that such import assistance cannot be given to these people. In these circumstances, I afraid it will not be possible for us to help and perhaps you would like to re-negotiate the contracts.

I might add that generally speaking the availability of woollen yarn including hosiery yarn is easier now and the prices too have shown a tendency

to drop; that being so, this contractor should have no real difficulty in securing adequate supplies of yarn for manufacture against these defence contracts.

Yours sincerely,
Sd/-BN BANERJI

SHRI G. I. SHETH,
Addl. Secretary,
Ministry of Defence,
New Delhi.

Recommendation

The Committee were informed that the extra payments made on local purchase were partly due to the fact that no assistance was given for procurement of nylon. The Committee, however, find that on 16th December, 1966 there was a meeting held by the Ministry of Defence which was attended by the representative of the DGS&D in which a decision was taken to go in for local purchase of a lakh of pullovers. Earlier on the 20th November, 1966, the DGS&D had invited tenders on the basis of both with and without assistance for nylon. The orders for local purchase were actually placed on the 31st December, 1966. In the meantime tenders were opened by the DGS&D on the 20th December, 1966 which revealed that the lowest prices quoted on without assistance basis were only on an average 50 paise more than the rates of contracts placed in October, 1966. These tenders were, however, Scrapped. With a little coordination the Committee feel that the local purchase of Rs. 6 extra per pullover could have been avoided and extra expenditure to the extent of Rs. 5.24 lakhs saved by taking advantages of the offers received by the DGS&D before the orders for local purchase were placed by the Indentor. The Committee would, therefore, like Government to examine how the Ministry of Defence was not kept informed of this vital information regarding invitation and opening of tenders by the DGS&D. Incidentally the Committee wish to observe that no reason was adduced for the local purchase of jerseys with increased nylon content."

[S. No. 30 (para 2.III) of Appendix VII to the Seventh Report (Fifth Lok Sabha)]

Action taken

A copy of tender enquiry No.P/TWL-1/1016/075A/076A/077A/706 due for opening on 20-12-66 was endorsed to the DOS Army Headquarters on 28.11.66.

The price trend was conveyed to the DOS, as would be observed from the correspondence exchanged between DOS. Army H.Q. and this office as detailed below (Copies enclosed).

- (1) Letter No. 86720/C/OS PII dated 28-12-66 from DOS Army Headquarters to DGS&D, New Delhi.
- (2) Letter No. Nil dated 27-12-66 from the President, Northern India Hosiery Manufacturers Corporation, Ludhiana addressed to Army H.Q., New Delhi.

(3) Letter No. TWI-1/1016/075A/076A/077A/1/706 dt. 28.12.66 from DGS&D to Army H.A., New Delhi.

(4) Letter No. TWL-110/16/075A/0766/077A/1/70GA dated 28.12.66 from DGS&D to the D. O. S., Army H. W., New Delhi.

In regard to the local purchase of jerseys with increased nylon content the Ministry of Defence have observed as follows:-

"Originally the jerseys were manufactured from imported wool of 48s quality wool. The import of this quality was banned in the year 1965. As a result of this and to save foreign exchange, indigenous wool of equivalent fineness had to be used for manufacture of jerseys, pullover - woollen OG. The indigenous wool, however, is rougher in feel and weaker in strength as compared to the imported wool of equivalent fineness. In order to overcome these drawbacks, 10% Nylon was being mixed with the indigenous wool in the earlier As/T but the supplies did not find favour by the users and the complaints were raised in respect of feel and lower durability. It was, therefore, decided to incorporate more percentage of Nylon upto 15% in the blend for procurement of jerseys against later indents.

[Deptt. of Supply OM No. 12(24)/69-PIII dated 10.3.1972]

COPY

DELHI TELEPHONE 31066

CP immediate/by hand
No. 86720/C/OS PII
Army Head quarters,
Master General of the Ordnance Branch,
Central Provision Section
DHQ PO New Delhi-11

Dated: 28 December 1966.

To

DGS&D
Jeewantara Building,
Parliament Street,
New Delhi.

(for personal attention of Shri P.P. Kapoor)

SUB:- LOCAL PURCHASE OF JERSEYS.

Reference Min. of Defence U. O. No. 3590/SO3/D(C-I) dated 16th December, 1966 and telecon Shri S. V. SUBRAMANIAN DFA (O)/Shri P.P. Kapoor on 27th December 1966.

1. In this connection a copy of letter No. NIL dated 27th December 1966 from president Northern India Hosiery Manufactures Corporation Ludhiana is attached.

2. To enable us to finalise the local purchase orders you are requested to offer your comments on the points raised in para 1 to 6 of the letter immediately.

Encl.

Sd/-

FOR DIRECTOR OF ORDNANCE SERVICES.

Copy to:—

CLO (DSIC)

Jeewantara Building, Parliament Street,
New Delhi.

DFA(O).

COPY

Copy of letter No. NIL dated 27th December, 1966 from President Northern India Hosiery Mfrs. Corporation Ludhiana addressed to DOS, MGO Branch, Army Headquarters.

Sub:—Local purchase of Jerseys against your Tender enquiry opened on 26-12-66.

Dear Sir,

While some of our units attended the above tender opening on 26-12-66 the Presiding Officer, observed the price offered was rather high and asked for suitable reduction. In this context we would submit the following facts for your kind consideration:—

- (1) That the price of Jerseys as evident from the latest date GS&D New Delhi Tender opened on 20-12-66 for Jerseys size 3 in hank dyeing is Rs. 23.55 as against the present price of Rs. 25.25.
- (2) That the aforesaid Jerseys in the DGS&D Tender are to be manufactured from an admixture of 90% wool+10% Nylon as against the present demand of 85% wool+15% Nylon.
- (3) That the addition of 5% Nylon in a Jersey accounts for 0-50 Paise a lb in Yarn on a gap of Rs. 10/- per lb. in the open market price of Nylon and Indian wool tops. Assuming that a Jersey of ready weight of 1 lb 5 oz. takes in 1 lb. 6 oz of yarn for its manufacture the difference explained in a Jersey is 0-75 Paise.

- (4) That Drill O.G. for reinforcement of jersey is obtained at Rs. 4/- to Rs. 4-50 per metre as against Rs. 2.50 per metre of usual price when released from B.&C. Mills Madras. One jersey needs a little more than $\frac{1}{3}$ metre of Drill for reinforcement. So this spot purchase of Drill explains an increase of Rs. 0-50 per jersey.
- (5) That after accounting for the above increases of Rs. $\frac{1}{25}$ the balance difference is Rs. 0-45 P. per jersey. This amount or even more would go toward higher price of immediate delivery yarn urgent labour costs, dyes. Thread and regulation of weekly deliveries and on extra payment of overtime work.
- (6) That further to illustrate the above price increase, we may add that the price of BIC Kanpur in latest DGS&D tender for size 3 was Rs. 23-07 each plus foreign exchange of Rs. 1-33 per jersey for import of Nylon Tops etc. This assistance when commuted into Rupee cost would work to 2-66 and thus the price of jersey would work out to Rs. 25-73 for a 90% + 10% nylon jerseys and for long drawn out deliveries.

In view of the above facts, you would please agree that our price for urgent delivery is justified.

Thanking you,

Yours Faithfully,
FOR NORTHERN INDIA HOSIERY MFRS. CORPN.
Sd/- PRESIDENT.

P.S. we want to assure that the quantities offered by the members be supplied ahead of the delivery schedule.

Sd/-
(H. R. DHANDA)

COPY

No. TWI 1/1016/065A/076/077A/706

DIRECTORATE GENERAL OF SUPPLIES & DISPOSALS

New Delhi-I, the 28th Dec. 1966.

The Director of Ordnance Services,
Army Headquarters,
M.G.O. Branch,
C.P. Section,
DHQ. PO New Delhi-II.

Subject:—Local purchase of jerseys.

Ref.—Your letter No. 86720/C/OS/PII dt. 28-12-1966

Against this office advertised enquiry No. P/TWI-I 1016/075A/076A/077A/1/706 opened on 20-12-66. We have received offers for jerseys pullover

woollen O.G. in size No. 3 (123000 Nos.) within price ranges from Rs. 19.55 to Rs. 24.95 per each. The rates are all on the basis of without any Govt. assistance for raw material. The said enquiry was issued against a risk purchase case and we shall have to consider the offers for stores manufactured from admixture 90% indigenous wool and 10% nylon, as the cancelled A/T against which risk purchase is being effected was on that basis. Cheaper offers have been received with assistance basis also.

M/s. B.I. C., Kanpur have quoted at the rate of Rs 23.07 per each and have asked for special Import Licence for nylon and also for assistance for Drill o.o; plastic buttons etc. They have set delivery as 13 months after receipt of nylon against special import licence to be issued by Govt. We have asked them to withdraw the condition for import licence and other assistances to which reply is still awaited.

Lower quotations have been received from some unregistered firm. The capacity reports for those firms have been called for from the respective inspecting officers and are awaited.

The tenders will be decided on receipt of replies to aforesaid references. It will thus be seen the offers received are still under consideration and as such, no final comments can be given at this stage.

Sd/-

(M. SINGH)

Dy. Director Supplies,

For Director General of Supplies & Disposals.

COPY

No. TWI-1/1016/07 5A/076/077A/I/706

DIRECTORATE GENERAL OF SUPPLIES & DISPOSALS.

New Delhi-1, the 28th December, 1966.

To

The Director of Ordnance Services, Army Headquarters,
MGO Branch,
C. P. Section,
DHQ PO New Delhi-11.

Subject:— Local purchase of jerseys.

Ref:—Your letter No. 86720/C/OS/P/II dt. 28-12-66.

Further to this office letter of even and dated it is confirmed that the statement made in para 1 by President Northern India Hosiery Mfrs. Corporation Ludhiana in this letter No. NIL dated 27th December 1966 is correct.

Sd/-

(M. SINGH)

Dy. Director Supplies,

For Director General of Supplies and Disposals.

Recommendation

"It is revealing to note that out of the total quantity of local purchase of 95,214 pullovers, 87,891 were purchased from 23 out of 25 firms holding contracts during the period and that they received extra payments amounting to about Rs. 5.27 lakhs. The Committee cannot resist the impression that the firms might have deliberately delayed nominating the spinners to receive the nylon to be released by the Textile Commissioner as by 31st December, 1966 they had procured orders directly from the indenter at higher rates. Government might consider whether under such circumstances it is at all desirable to resort to local purchase at higher rates from the firms holding contracts to supply the same goods.

[S. No. 31 (Para 2.112) of Appendix VII to the Seventh Report (Fifth Lok Sabha)].

Action taken

As has been explained in reply to Serial No. 29 (Para 2.110) the delay in the release of nylon did not materially affect the delivery, as, in any case, prior to deletion of the advance sample clause on 17-1-67, the supplier could not have offered stores for inspection.

The supply position of jerseys pullovers woollen during the winter season 1966 against demands placed on the DGS&D was critical. In December, 1966, the Army authorities informed the Defence Ministry that due to the failure of supplies against the contract placed by the DGS&D with M/s. Pearl Woollen Mills Ludhiana, and the delayed coverage of Defence demands by the DGS&D, dues out for issue to the troops to the extent of 1.98 lakh Nos. approximately, had accumulated and more were still mounting. Due to non-availability of jerseys pullovers, particularly, during the winter season for issue to the troops, great inconvenience had been caused, apart from affecting the morale of the troops.

From the above, it would be seen that the firms did not deliberately delay the nomination of spinners to take advantage of higher rates directly quoted to the indenter.

As a matter of general policy, the DGS&D does not favour direct purchases in respect of stores on contract. Attentions are made through various sources/agencies to sort out hold-ups and to ensure that supplies came forth.

In regard to the purchases effected by the indenter at higher rates, the Ministry of Defence have already informed the Committee of the reasons for resorting to local purchase with higher nylon contents which are as under:—

"The percentage of nylon content was raised from 10 to 15% consequent upon the revised specification. Specification No. IND TC/1528(a) laid down 10% nylon and 90% indigenous wool while the revised specification No. IND TC/1528(d) changed the percentage of mixture to 15% nylon and 85% indigenous wool. This was done to improve the feel of the jerseys, as there were complaints that these were quite rough. There has been further change brought about in the yarn mixture. The existing specification provides 70% wool, 15% nylon staple and 15% viscose staple in order to give still better feel".

It is clear from the above that the stores purchased direct by the indenter were of a different specification with higher nylon content and of superior quality. Justification for higher rates contained in the letter dated 27-12-66 from the President, Northern India Hosiery Manufacturers Corporation to Lt.O.S., Army H.Q., New Delhi (copy enclosed) may also please be seen, in this connection.

With regard to the observation of the Committee that the direct purchases were made from the same firms holding that contracts, it may be stated that the sources of supplies of jerseys to Defence specification, which are required to be supplied to very rigid standards, are located at Ludhiana except B.I.C., whose rates are normally higher than those of the smaller units. By and large, the local purchase could only materialise from the same sources of supplies.

[Deptt. of Supply OM No. 12(24)/69-PIII dated 10-3-72]

Recommendation

"Token liquidated damages of Rs. 3104 were levied on firm 'A'. The Committee may be informed of the total amount of damages levied and recovered from all the 25 firms as also the reason why the appropriate quantity of local purchase made was not cancelled from the quantity contracted for which each firm and full liquidated damages recovered."

[S. No. 32 (Para 2.113) of Appendix VII to the Seventh Report (Fifth Lok Sabha)].

Action taken

A statement indicating the amount of liquidated damages levied on all the 25 firms is enclosed. The statement indicates the amount recoverable/recovered as per the terms and conditions of the relevant contracts keeping in view the merits of each case in the light of office orders and the legal opinion.

For the quantity not cancelled from the quantity contracted for, attention is invited to Para 3 of the minutes of the meeting held in the room of Additional Secretary, Ministry of Defence on 16th December, 1966 which reads as under:—

"It was agreed that the one lakh quantity now authorised for local purchase will be reduced from the indent of 4,03,800 and the DGS&D would cover only the remaining quantity of 3,03,800."

Cancellation of this quantity for which local purchase was authorised was formally conveyed by DOS, Army H.Q. vide their letter No. 86720/C/OS/PII dated 16-2-67. Subsequent to this as a result of review, further demand of jerseys was revealed and the suspension for procurement of 1,00,000 jerseys was withdrawn under DOS letter dated 7-3-67.

[Deptt. of Supply OM No. 12(24)/69-P III dated 10-3-72].

Statement showing the recovery of Liquidated Damages

Sl. No.	A T No. & Date		Qty. on order	Qty. supplied	Full L/D	L D levied	L D recovered	Remarks
1	2		3	4	5	6	7	8
1.	TWI-1/1016/077 A/T 64 PAOD dt. 4-10-66.		8,347 Nos.	8,259 Nos.	5,897/-	Nil	Nil	M/s. Variety Hosiery Mills. I D not levied as the delay was due to piecemeal release of yarn.
2.	-do-	65/	8,347 "	8,347 "	4,736/-	473/-	473/-	M/s. Raibahadur Knitting Works.
3.	-do-	66/	8,347 "	8,303 "	7,023/-	700/-	700/-	M/s. K.K. Dhanda & Co.
4.	-do-	67/	8,348 "	7,961 "	8,298/-	Nil	Nil	M/s. Rajpur Stores. Token I.D. not levied as Rs. 1931 recovered due to lower price trend.
5.	-do-	68/	3,000 "	3,000 "	4,958/-	496/-	496/-	M/s. Oosha Woollies.
6.	-do-	69/	13,200 "	13,200 "	10,385/-	1,039/-	1,039/-	M/s. Jainson Hosiery.
7.	-do-	70/	8,347 "	8,347 "	12,552/-	1,000/-	1,000/-	M/s. Ludhiana Wool Syndicate. Token I.D. levied, as there was delay in receipt of raw material.
8.	-do-	71/	8,347 "	8,233 "	8,960/-	896/-	896	M/s. Bhasin & Co.
9.	-do-	72/	8,347 "	8,347 "	63/-	..	..	M/s. Swadeshi Karyala. Token LD of Rs. 6/- waived.
10.	TWI-1/1016/077A/I/73/FAOD dt. 4-10-66.		8,347 Nos.	8,235 Nos.	854/-	85/-	85/-	M/s. Vir Hosiery.
11.	-do-	74/ -do-	8,347 "	8,347 "	3,163/-	316/-	316/-	M/s. Ghenab Hosiery.

1	2	3	4	5	6	7	8		
12.	TWI-I/1016/077A/1/73/ 75/ FAOD dt. 4-1-66	-do-	8,347 Nos.	8,242 Nos.	6,396/-	640/-	640/-	M/s. Minerva Hosiery.	
13.	-do-	76/	-do-	8,347 „	8,342 „	12,479/-	1,248/-	1,248/-	M/s. United Hosiery.
14.	-do-	77/	-do-	8,347 „	8,347 „	2,164/-	216/-	216/-	M/s. P.K. Owsal Hosiery.
15.	-do-	78/	-do-	8,347 „	8,347 „	674	67	67	M/s Laxmi Hosiery
16.	-do-	79/	-do-	8,347 „	8,347 „	..	..	..	M/s. Swadeshi Mfg. Supplies within the refixed D.P.
17.	-do-	80/	-do-	8,347 „	8,347 „	5,508/-	551/-	551/-	M/s. Adya Industries.
18.	-do-	81/	-do-	8,347 „	8,259 „	2,596/-	260/-	260/-	M/s. Brij Hosiery.
19.	-do-	82/dated 10-10-66	-do-	14,000 „	14,000 „	54,555/-	..	..	M/s. Regular Traders. Claim for I.D. dropped as per the advice of Ministry of Law and Ministry of Finance.
20.	-do-	83/	-do-	14,000 Nos.	..	..	..	..	M/s. Broadway Hosiery. A/T cancelled without financial repercussions as advised by Ministry of Law.
21.	-do-	84/ -do- dt. 4-10-66	-do-	3,000 „	3,000 „	..	..	..	M/s. Bharat Karyala Stores supplied within the refixed D/P.
22.	-do-	85/ -do- dt. 10-10-66	-do-	14,000 „	14,000 „	31,305/-	3104/-	3,104/-	M/s. Vadhawa Hosiery.

3.	-do-	86/do- dt. 10-10-66.	8,347 "	8,346 "	..	..	..	M/s. Kalwindra Hosiery. No LD levied as per the opinion of Min. of Law.
24.	-do-	89/do- dt. 15-10-66.	7,000 "	..	..	..	..	M/s. Kaushal Hosiery Works. A/T cancelled without financial repercussion as advised by Min. of Law.
25	-do-	90/do- dt. 18-10-66.	14,000 "	..	..	..	..	M/s. Gautam Hosiery & Textiles. A/T cancelled and purchased at lower rates.

Recommendation

"The Committee strongly feel that in this case the proposal for negotiation was itself not well conceived. It was only subsequently that a view was taken that 'with regard to textiles the tendency has been to increase the prices all the time and therefore for sometime to come we may have to consider placing orders at whatever prices are available'. The Committee would like to know how this fact was ever looked at the time the tenders were opened."

[S.I. NO. 38 (Para 2.140) of Appendix VIII to Seventh Report
(Fifth Lok Sabha)]

Action Taken

When the file was received at the DGS&D Headquarters from DS(Tex), Bombay, containing the purchase proposals for the coverage of the items on demand, it was thoroughly examined and the view was taken that the order on the two lowest tenderers, *viz.*, M/s. NK Textiles and Cawnpore Dyeing could not be placed, as their capacity had already been booked and that the offers of the other firms in the field were much on the high side. It was, therefore, proposed to have negotiations with a view to bring down the prices to a reasonable level. This department had, however, suggested that the DGS&D should have a second look at their proposal and ascertain exactly, the period up to which these two firms were booked, so that orders for some quantities at least beyond that period, could be placed on them, as their quotations were the lowest. On receipt of this information, the proposal for coverage of 3 items [1(a), 3(c) and 4(80% only)] was approved and for the balance, it was decided to conduct negotiations with the firms, who were within the zone of consideration. The decision to resort to the course of negotiations, for the balance items except the 3 items mentioned above, was a deliberate one and was taken, after giving due weight to all the relevant factors which warranted consideration at that time.

2. During the process the negotiations were conducted, it was however not possible to bring round the firms to reduce their prices and the Department had to pay the higher prices.

[Deptt. of Supply OM No. P-III-12(8)/69, dated 14-6-72]

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation

The Committee are concerned to note that the incidental expenses have gone up very much since the work relating to procurement, storage and distribution of foodgrains has been transferred to Food Corporation. The extent of this steep rise would be clear from the figures relating to the following two important components of incidental expenses. The transit and storage loss which worked out to Rs. 2.00 per tonne in 1967-68 increased to Rs. 13.70 in 1969-70. Expenditure on establishment which was Rs. 4.40 per tonne went up to Rs. 13.50 in 1969-70. In view of the large amount of consumer subsidy reimbursed to Food Corporation which includes the incidental expense incurred, the Committee consider that there should be stricter scrutiny of the reasonableness of the expenses and the correctness of their allocation to the transactions on behalf of Central Government. The Committee need hardly stress that with the gain of experience and the advantage of handling even larger quantities of foodgrains, the incidental expenses incurred by the Corporation per tonne, should progressively come down. Government who ultimately bear the burden of these charges should ensure that the Corporation effect necessary economies in their operations. The Committee suggest that the Food Corporation of India should investigate the reasons for the steep rise in transit and storage losses and take necessary remedial measures.

[S. No. 10 of Appendix VII (Para 156) to the Seventh Report of
P. A. C. (Fifth Lok Sabha)]

Action Taken

As regards the steep rise in the incidentals particularly in regard to transit and storage losses incurred by the Corporation in 1969-70 as compared to those incurred by the Department of Food, it may be stated that the two sets of incidentals are not comparable for the following reasons:—

- (a) The method of calculating the incidentals is different in the two cases. The Department of Food was calculating the incidentals on the quantity of grain purchased whereas the Food Corporation of India does it on the quantities sold.
- (b) In regard to storage loss, the Department of Food was taking into account only the losses actually regularised whereas the Food Corporation of India takes into account the total losses actually incurred whether or not the same is regularised in the same year.
- (c) The functions of the Food Corporation are much larger and wider in scope as compared to those of the Food Department. Indigenous procurement by the Department of Food was very negligible whereas this procurement by the Food Corporation is very large.

- (d) The movement of foodgrains by the Department of Food was very much limited, i.e., from the Ports to the nearby depots only whereas in the case of the Food Corporation, it is massive involving longer leads from the Procurement Centres as well as ports to the various Consuming Centres.
- (e) Food Department was not holding any sizeable buffer stocks whereas the Food Corporation has not only to maintain the public distribution system but also hold a very large buffer stock, the carrying cost of which is very high.

2. As compared to the quantities of foodgrains stored and the period of storage of the Department of Food in the year 1967-68, the quantity of foodgrains held and the period of storage of the Food Corporation in 1969-70 were very high. Consequently the incidentals on account of storage and storage losses are also higher.

3. The Food Corporation has already taken steps to reduce the incidentals particularly in regard to storage and transit losses by (i) laying down certain norms, (ii) introducing adequate quality control measures, (iii) employing squads to do surprise checks, (iv) moving foodgrains by covered wagons, (v) constructing new godowns by giving up sub-standard godowns, and (vi) evolving a practical plan for physical verification of stocks, staffing pattern in storage and quality control. Budget and financial control including inventory management are also being improved with the help of U.S.A.I.D. experts. There are, however, certain items like mandi charges, railway freight, cost of gunny, administrative charges of the State Governments on which the Food Corporation can hardly exercise any control.

This Note has been vetted by Audit.

[Deptt. of Food u.o. No. G. 25015/2/71-IF-II; dated 24-3-72]

Recommendation

"The Committee are distressed to find that final prices of jeep spares purchased on payment of advance of Rs. 49.16 lakhs in the year 1950-51 based on provisional prices, have not as yet been determined although 20 years have elapsed. In the meantime, sales tax amounting to Rs. 2.81 lakhs was also paid in 1962. That the firm had not come up with the claim for the payment of the balance should not have held up the finalisation of prices as possibility of the firm having received already in excess of amounts due could not be ruled out. The Committee would like it to be investigated as to why pending settlement of discrepancies final prices could not be determined promptly on receipt of the consignments."

[Sl. No. 11 (Para 2.39) of Appendix VII to Seventh Report (Fifth Lok Sabha)]

Action Taken

The finalisation of the prices could not be carried out earlier till the question of discrepancies was decided between the consignee and the suppliers. The final settlement on the discrepancies was done in 1966. The matter is now being further investigated and the results will be reported to the Committee in due course.

[Deptt. of Supply OM No. PIII-12 (27))/69, dated 12-9-72].

Further information

In the action taken note furnished to the Lok Sabha Secretariat under this Department Office Memorandum No. 12(27)/69-PIII, dated 13th July, 1972, it was stated that the finalisation of prices could not be carried out earlier till the question of discrepancies was decided between the consignee and the suppliers, and that the final settlement of the discrepancies was done in 1966. It was also stated that the matter was being further investigated and the results would be reported to the Committee in due course.

The reason as to why finalisation of price could not be completed promptly has been further investigated. The DGS&D had sent a communication to the firm on 2-6-67 requesting them to submit their proposals for the finalisation of prices. In spite of reminders from the DGS&D, the firm failed to submit their proposals in this regard till 8-10-70 on the ground that supporting documents were not available with them. The delay that occurred in the finalisation of prices is therefore, attributable to the firm.

[Deptt. of Supply OM No. PIII-12 (27)/69 dated 29-3-73].

Recommendation

"The Committee would like to refer to a couple of other interesting features of these contracts:

- (i) One of the special conditions of the contracts specified that the basis for the finalisation of prices had been agreed to 'on the assurance that the F.O.B. prices to be indicated in the invoice should be the net prices and would include no over-riding commission due to (the firm) as agents of the manufacturers in India'. The manner in which it is proposed to verify the correctness of the assurance given may be intimated to the Committee.
- (ii) The inspection of stores on arrival in India was inadequate. Further after the inspection the stores were allowed to remain in the custody of the firm pending repacking and despatch by rail, which took considerable time. The Committee would like to know how such arrangements were agreed to and whether such practices are still followed."

[Sl. No. 18 (Para 2.46) of Appendix VII to the Seventh Report (Fifth Lok Sabha)]

Action Taken

In regard to (i) above, it is stated that whenever the quotations received are against a single tender enquiry or when the invitation to tender though on competitive basis results in a single quotation, in order to assess the reasonableness of the price quoted, the tenderer is asked to furnish a complete break up of costs. The built up of costs is generally as follows:—

- (i) Net f. o. b. price.
- (ii) Ocean freight and insurance charges.

- (iii) C.I.F. value at the port of entry.
- (iv) Landing & Clearing charges.
- (v) Customs duty with ICT to.
- (vi) Markup on the net landed cost (which shall be the total of (i) to (v) above). This would include firm's over-heads, firm's incharges etc.

At the time of concluding contracts on single tender basis or on competitive basis which result in the receipt of single quotation, it is ensured that the minimum margin of profit is allowed. After the above details are made available, the purchase officers have various methods for checking the correctness of the net f.o.b. price indicated by the firm. These are as follows:—

- (a) The purchase officer will consult the last purchase price.
- (b) If the prices quoted are not found reasonable, the firm will be asked to give justification for the higher prices.
- (c) If the justification provided by the firm is not found satisfactory, negotiations with the firm may be resorted to.
- (d) Where negotiations also result in failure, and it is felt that the Indian Agents went to take undue Advantage of their position by quoting unreasonable prices, the demand may finally be cross mandated to the Supply Mission London/Washington (C.R. O.O. No. 4/1-1-1971).

The above tests/methods are considered sufficient to ensure the correctness of the various elements constituting the cost of the store including the net f.o.b., cost of the stores and also the agency commission or agents profit margin.

As regard (ii) above, it is confirmed that the previous practice of payment against shipping documents to the firm is no longer being followed in cases where the contract is on for basis, unless a Bank Guarantee is first obtained from them.

It may also be mentioned that in F. O. R. contracts for imported stores the Indian Agent is responsible for the safe arrival of the goods up to destination. Since in an f. o. r. contract the normal payment terms are 90/95/98 on proof of despatch, the inspector inspects the stores at the firm's premises, puts his stamp in token of inspection, before despatch of the goods by rail by the supplier. In f. o. r. contracts the date of delivery is the date on which the stores are placed on rail. After inspection, the firm will have to ensure that the stores are put on rail in conformity with the stipulated delivery period or within the grace period. If the firm does not despatch the stores, for which the responsibility lies on them, they are liable to action as per general conditions of the contract for delayed supplies.

[Deptt. of Supply OM No. PIII-12 (27)/69, Dated 13-7-72]

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Recommendation

The Committee were informed that the Insurance Company had rejected the claim of Government in part discharge of an indemnity bond executed by them on the ground that the contractor had disputed the claim. The Government have since filed a suit in the Bombay High Court in March, 1970 for the recovery of the dues while the contractor has filed a suit against Government in July, 1967 for payment of Rs. 42.12 lakhs alleged to be dues to him. The Committee would like to be apprised of the outcome of these cross suits.

[S. No. 3 (Para 1.20) of Appendix VII to the Seventh Report of the P.A.C.
(Fifth Lok Sabha)].

Action Taken

The out-come of the suits will be intimated to the Committee after the suits have been decided.

This Note has been vetted by Audit.

[Dep'tt. of Food u. o. No. G. 25015/2/71-IF II, dated 18-11-71].

Recommendation

The Committee note that the contractor has repudiated the claim of Government for Rs. 0.93 lakh which has been referred for arbitration. They would like the results of the arbitration proceedings to be intimated to them.

[S. No. 5 of Appendix VII (Para 1.31) to the Seventh Report (Fifth Lok
Sabha)].

Action Taken

The results of the arbitration proceedings will be intimated to the Committee soon after the Award becomes available. In the meanwhile the old Arbitrator has resigned and a new Arbitrator has been appointed.

This Note has been vetted by Audit.

[Dep'tt. of Food u. o. No. G. 25015/2/71-IF II, dated 8-11-71].

Recommendation

"The Committee note that advance payments to the extent of 90 per cent of the provisional prices were made on production of shipping document as a special case in spite of the fact that the contract was an f. o. r. contract. There was no inspection of stores prior to shipment and there was only a 'superficial' inspection at the port of entry. Even the inspection at firm's premises appears to have been limited to a test check. As there were heavy shortages amounting to Rs. 14.58 lakhs reported on receipt of stores at the consignee's end, the Committee would like to be assured that there was no short import of spares. If there was no short import the Committee would suggest that Government might examine whether there was any misutilisation of import licence and foreign exchange allowed to the firm. If however the entire quantity had been imported it should be investigated as to how the quantity short received by the consignee was otherwise disposed of by the firm".

[Sl. No. 12 (Para 2.40) of Appendix VII to Seventh Report (Fifth Lok Sabha)].

Action Taken

The matter is being investigated and the findings will be reported to the Committee in due course.

[Deptt. of Supply OM No. PIII-12 (27)/69, dated 12-9-72].

Further Information

In the action take note furnished to the Lok Sabha Secretariat under this Department's Office Memorandum No. 12(27)/69-PIII, dated 13th July, 1972, it was stated that the matter was being investigated and the findings would be reported to the Committee in due course.

The investigations as to whether there was any misutilisation of the Import Licence or the foreign exchange allowed to the firm are still in progress. The Committee will be informed of the result of the investigation in due course.

[Deptt. of Supply OM No. PIII-12(27)/69 dated 29-3-73].

Recommendation

"It is surprising that in one case owing to a typographical error that went uncorrected Government could not claim a sum of Rs. 7471 which had to be written off. Failure to detect the typographical error in the letter of reference to arbitration is simply inexcusable. In two other cases the relevant files were destroyed as no instructions had been given at the time of sending them to the Record Room, that they should be reviewed further before actual destruction. The Committee would like to know whether disciplinary action was taken to fix responsibility for the lapses in these three cases and delinquent officials suitably punished."

[Sl. No. 25 (Para 2.81) of Appendix VII to Seventh Report (Fifth Lok Sabha)].

Action Taken

So far as failure to detect the typographical error in the letter of reference to Arbitration is concerned, the person primarily responsible for this mistake was the dealing Assistant, who prepared the note in the Litigation Section of this Organisation. The dealing Assistant belonged to the Indian Audit Department. When the disciplinary aspect was examined the matter was referred to the Comptroller & Auditor General of India, who intimated that no action against the dealing Assistant was considered necessary. The matter was further examined and CAG was again requested to reconsider the matter. The CAG's office obtained the explanation of the dealing Assistant and after examining it, decided not to initiate any disciplinary proceedings against the person concerned.

As regards the other two cases, where the files were destroyed as no instructions had been given at the time of sending them to the Record Room that they should be reviewed further before actual destruction, the matter is under examination and the result of the investigation in these cases will be furnished to the Committee.

[Deptt. of Supply OM No. PIII-12 (48)/69, dated 3-2-1972)].

Recommendation

"During evidence the Committee were informed that there were 58 writ petitions pending before different High Courts regarding recovery of Sales Tax paid prior to 1966 on transactions which were in the course of import. The Committee would like to know the outcome of these writs."

[Sl. No. 26 (Para 2.82) of Appendix VII to Seventh Report (Fifth Lok Sabha)].

Action Taken

The present number of writ petitions pending in the various courts is 75. The break up of this figure is as under:—

1. Bombay High Court	47
2. Calcutta High Court	21
3. Madras High Court	4
4. Delhi High Court	3
	<hr/>
	75

These writ petitions have not been posted for hearing, so far. The Government Counsels entrusted with these writ petitions have been fully briefed to defend them, as and when the petitions come up for hearing. The Department is in constant touch with the Government Counsels as well as Government Solicitors with regard to the progress of these writ petitions. The Committee would be apprised of the outcome of these writ as and when they are decided by the Courts and certified copies of the judgments thereof are received by the Government.

[Deptt. of Supply OM No. P III-12 (48)/69, dated 3-2-72)].
473 LS—6

Recommendation

"As against the original demand of 11.01 lakhs of two types of key hearing plates, risk purchases were made to the extent of 9.61 lakhs and damages amounting Rs 5.23 lakhs had been claimed from firm 'A'. The Committee were informed that in a suit filed by the firm against the damages, the Calcutta High Court had held that there was no concluded contract and that the judgment was being examined. The Committee would like to know the outcome of the examination."

[Serial No. 40(Para 2.160) of Appendix VII to Seventh Report
(Fifth Lok Sabha)].

Action Taken

Certified copy of the order in connection with the judgment delivered by the Calcutta High Court on 19-6-70 has not yet been received. The matter will be examined after receipt of the court order; and special leave appeal before the Supreme Court, if considered necessary, will be filed after the receipt of the order from the Registrar of the Calcutta High Court.

[Deptt. of Supply OM No. 12(46)/69-PIII, dated 7-3-72)].

Recommendation

"According to DGS&D firm 'B' finally backed out on account of the orders for the supply of sleepers placed on them by the Railway Board direct and the Committee note that firm 'A' had also similarly secured orders from the Railway Board. The Committee were given to understand that the cast iron bearing plates are purchased through the DGS&D whereas cast iron sleepers are purchased directly by the Railway Board. As some foundaries make both of them, the Committee recommend that in order to have a coordinated procurement of these railway track items, the purchases should be entrusted to one agency. The Committee would like to be informed of the outcome of the reference made by the DGS&D to the Ministry of Supply for taking up the matter with the Railway Board in this connection."

[Serial No. 41(Para 2.161)Appendix VII to Seventh Report
(Fifth Lok Sabha)].

Action Taken

The matter is still under the consideration of the Ministry of Railways (Railway Board). The decision when arrived at, will be communicated to the Committee.

[Deptt. of Supply OM No. 12(46)/69-PIII, dated 7-3-72)].

ERA SEZHIYAN

Chairman

Public Accounts Committee.

NEW DELHI ;
April 27, 1973
Vaisakha 7, 1895 (S)

APPENDIX

Summary of main Conclusions/Recommendations

S. No.	Para No.	Ministry/Dept. Concerned	Conclusion/Recommendation
(1)	(2)	(3)	(4)
1	1.4	Food Supply	The Committee hope that final replies in regard to those recommendations to which only interim replies have so far been furnished will be submitted to them expeditiously after getting them vetted by audit.
2	1.9	Shipping & Transport	The Committee note that the reasons for the inordinate delay in preferring claims in this case, do not appear to have been examined. Further the procedures in this regard are yet to be reviewed by the Port Trust in consultation with the Regional Director (Food). The Committee wish to stress that the Ministry of Shipping and Transport should ensure that these are done expeditiously and the results intimated.
3	1.12	Food	The Committee have been given to understand that out of the 12 outstanding returns of stock position of foodgrains, which were due by February, 1970, 4 have since been received and that the remaining 8 returns related to stocks held by the Fair Price Shops in West Bengal. The question of recovery of differential cost in these cases is stated to be still under litigation. The Committee would like to be apprised of the outcome.
4	1.15	Do.	The Committee observe that in pursuance of their recommendation, all the State Governments/Union Territories have since been stressed suggesting that supplementary agreements may be executed in all cases in which the agreements with the whole salers/millers etc., do not provide a clause for the recovery/refund consequent on price revision of foodgrains

(1)	(2)	(3)	(4)
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For the future also, it has been suggested that a specific clause empowering the State Governments to recover/refund the price differential should be introduced in the agreements to be entered into. The Committee would like Government to see that the State Governments/Union Territories comply with their instructions at any early date.

5 I 18 Food

The Committee are glad to note that the relevant section of the Food Corporation Act has been amended empowering the Comptroller and Auditor General of India to direct the manner in which the accounts of the Corporation shall be audited by the Commercial auditors and to conduct a supplementary or test audit of the accounts.

6 I 21 Do.

The Committee note that the Food Corporation has already taken steps to reduce incidentals particularly in regard to storage and transit losses. It is important, however, to know how effective the steps taken by them have been. The Committee regret that the staffing pattern of the Corporation does not appear to have been reviewed, with a view to effecting economies on establishment overheads. In view of the large amount of consumer subsidy reimbursed by Government to the Corporation, the Committee desire to stress that this question should also be carefully considered. The action taken in this regard as also the impact of the steps already stated to have been taken by the Corporation to reduce the incidentals may be reported to the Committee.

7 I 26 Supply

The explanation of the Department regarding the inordinate delay in determination of final prices of jeep spares purchased is not convincing. The D G S & D is stated to have taken the initiative only on 2-6-67.

The Committee cannot but deprecate this inordinate delay. They feel that sorting out of the discrepancies may be necessary for settlement of claims but it should not have held up the fixation of final price for each of the items purchased. They accordingly wish to reiterate that this lapse should be investigated. The present position in regard to the determination of the final prices may also be intimated to the Committee.

8	1.30	Supply	<p>The Committee had raised a number of issues relating to the import of jeep spares which deserved serious and urgent considerations by Government. They are surprised that a matter of such importance is still under investigation. They suggest that the matter be dealt with a sense of urgency and would like to know the date by which the investigation would be completed.</p>
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9	1.34	Do.	<p>The Committee note that on the basis of the report of the officials who examined the documents received from the firm for finalisation of their claims, instructions have been issued to the Chief Pay and Accounts Officer to recover a further sum of Rs. 4,07,648 from the firms bills pending finalisation of the report. The Committee desire that final settlement should be effected within three months and reported to them.</p>
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10	1.37	Do.	<p>The Committee desired to know the manner in which it was proposed to verify the correctness of the assurance given by the firm that the F.O.B. prices to be indicated in the invoice should be the net prices and would include no overriding commission due to the firm as agents of the manufacturers in India. The reply of the Department in this behalf is not relevant to the point. The Committee would, therefore, suggest that in case such a condition is stipulated in contracts, Government should have some reliable basis for verifying whether the Commission due to the Indian agents is actually excluded.</p>
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(1)	(2)	(3)	(4)
11	I 42	Supply	The Committee took note of the fact that as on 30th June, 1970 dues recoverable on various accounts from the suppliers amounting to Rs. 6.07 crores were pending in 5465 cases. From the reply it is seen that the Chief Pay and Accounts Officer forwarded lists of only 1384 items outstanding in the demand registers as on 30th June, 1970 which were passed on to the respective purchase Directorates/Offices so that action might be taken to clear them. Similar action should be taken in respect of the remaining 4081 cases without delay.
12	I 43	Do.	Further it has been intimated that out of 1384 cases reported only 295 cases have been cleared so far. The Committee are concerned to note the slow progress in the clearance of outstanding dues. They would urge once again that appropriate steps should be taken forthwith to realise the dues in all the remaining cases early.
13	I 44	Do.	Out of 1315 cases, where provisional payments had been made, awaiting finalisation as on 1st August, 1970, 682 cases are stated have been cleared. The remaining cases should be finalised early. Further a review of other cases of non-fulfilment of contracts, delayed or defective supplies etc. should also be made with a view to assessing the recoveries to be effected as suggested by the Committee.
14	I 47	Do.	In respect of all three cases where the Committee had noticed some avoidable delays and lapses Government have reiterated their earlier instructions for compliance by the officials. The Committee would point out that effectiveness of the performance lies in the strict observance of instructions. They accordingly desire that any lapse on the part of the officials should, be suitably dealt with so that it may act as a deterrent.
15	I 50	Do.	The Committee desire that the final out come in these cases be intimated to them as early as possible.

