

PUBLIC ACCOUNTS COMMITTEE
1960-61

THIRTY-FOURTH REPORT
(SECOND LOK SABHA)

[Appropriation Accounts (including Proforma Commercial Accounts) (Civil), 1958-59 and Audit Report (Civil), 1960]

REPORT — Part — I

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LOK SABHA SECRETARIAT
NEW DELHI

March, 1961
Phalguna, 1882 (Saka)

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 42. Pervaje's Book House, Koppikar Road, Hubli.
 43. The S. S. Book Emporium, 'Mount-Jop' Road, Basavangudi, Bangalore—4.

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PART II

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2074(Aii) LS—1.

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
1960-61

CHAIRMAN

Shri Upendranath Barman

MEMBERS

2. *Shri Rohan Lal Chaturvedi
3. Shri Maneklal Maganlal Gandhi
4. Shri R. S. Kiledar
5. Shri Vinayak Rao K. Koratkar
6. Shri T. Manaen
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19. Dr. Shrimati Seeta Parmanand
20. Shri V. C. Kesava Rao
21. Shri Mulka Govinda Reddy
22. Shri Jaswant Singh.

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

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

INTRODUCTION

1. The Chairman of the Public Accounts Committee, having been authorised by the Committee to present the Report on their behalf, present this Thirty-fourth Report on the Appropriation Accounts (including Proforma Commercial Accounts) (Civil), 1958-59 and Audit Report thereon.

2. The Appropriation Accounts (including Proforma Commercial Accounts) (Civil), 1958-59 and Audit Report, 1960 were laid on the Table of the House on the 29th April, 1960.

3. The Committee examined these Accounts and Audit Report thereon during their sittings held in September, October, November and December, 1960.

4. The Committee desired to be furnished with further information on a number of points from the various Ministries. *In some of these cases, the requisite information has not been received so far. The Committee are, therefore, unable to comment on some of those points. They trust that the Ministries concerned will send the information at an early date.*

5. As regards the implementation of recommendations of the Committee made in their earlier Reports the Committee could not make any headway in the absence of the requisite information from some of the Ministries concerned regarding action taken or proposed to be taken by them on some of the recommendations. The Committee had stressed the importance of furnishing this information in time in paras. 38 and 5 (Introd.) of their 5th and 16th Reports (1st Lok Sabha). Despite repeated reminders, some Ministries have not furnished the notes/statements. Such delays dislocate the programme of business of the Committee. *The Committee desire that the Ministries should furnish the requisite information expeditiously so as to enable them to examine the adequacy of the action taken on their recommendations. Prolonged delay in the implementation of the recommendations will deprive the recommendations of their value as, by the efflux of time, the purpose in view will be lost.*

6. A brief record of the proceedings of each sitting of the Committee has been maintained and forms part of this Report. (*Printed separately as Part II of the Report*).

7. A statement showing the summary of the principal recommendations of the Committee has been appended to this Report (Appen-

(vi)

dix IV). For facility of reference, these have been printed also in italics in the body of the Report.

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

NEW DELHI;
The 5th March, 1961

Phalguna 14, 1882 (Saka)

UPENDRANATH BARMAN,
Chairman,
Public Accounts Committee.

I

**FINANCIAL RESULTS OF THE GOVERNMENT OF INDIA
(CIVIL GRANTS), 1958-59**

During the year 1958-59, the Voted Grants for Civil Expenditure stood at Rs. 1198.66 crores (original Rs. 1054.73 crores and supplementary Rs. 143.93 crores) and appropriations for 'charged' expenditure stood at Rs. 5693.31 crores (original Rs. 5645.71 crores and supplementary Rs. 47.60 crores). The total expenditure against these grants and appropriations was Rs. 1043.66 crores and Rs. 5405.16 crores respectively. Out of this expenditure, 671.52 crores were on Revenue Account, Rs. 526.20 crores on Capital Account and Rs. 5251.09 crores on disbursement of Loans and Advances. There was thus a net saving of Rs. 443.15 crores over final grants and appropriations (Voted Grants Rs. 155.00 crores and Charged Appropriations Rs. 288.15 crores).

2. Under Voted Grants, saving occurred in 119 out of 130 Grants, the percentage of savings ranging from 0.14 to 65.36. Nine Grants alone were responsible for about 74% of the total savings. Similarly, under Charged Appropriations, savings occurred in 30 out of 36 cases.

3. The statement below shows the savings under Capital Heads of the accounts:—

	1957-58	1958-59
	(in crores of Rs.)	
Final Grants and Appropriations	620.55	622.62
Savings	126.36	96.42
Percentage of Savings	20.36	15.49

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

	1957-58		1958-59	
	Savings (—)	or Excess (+)	Savings (—)	or Excess (+)
	Original	Final	Original	Final
Voted	(—) 13.94	(—) 18.98	(—) 1.05	(—) 12.93
Charged	(+) 10.99	(—) 0.13	(—) 4.26	(—) 5.06

5. Obviously, these large savings occurring over a large number of grants indicate defective budgeting. In a planned economy, pre-

paring the budget is more an administrative task with a view to translate into action the planning decisions previously reached. In other words, the financial system has only to ensure that the right amount of money is available in the right place in accordance with the plan. The Committee are, therefore, concerned to see such wide fluctuations between the budget provisions and the accomplishments at the close of the year. The Committee would once again like to impress upon the Ministries the necessity for correctly estimating their requirements and working up to them with the closest degree of approximation, making a periodical review of the progress of expenditure during the year. With the refinements introduced in the technique of expenditure control in August, 1958, the Committee trust that the position will improve from next year.

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

- (i) Revenue,
- (ii) Capital, and
- (iii) Loans and Advances.

(In thousands of Rupees)

	1958-59		
	Original Grant or Appropriation	Final Grant or Appropriation	Actual expenditure
Expenditure met from Revenue (Voted)	4,39,35,09	4,53,25,88	4,04,22,92
Expenditure met from Capital (Voted)	5,37,36,48	6,22,38,26	5,26,07,65
Disbursements of Loans and Advances (Voted)	78,01,83	1,23,01,83	1,13,35,06
TOTAL—(Voted)	10,54,73,40	11,98,65,97	10,43,65,63
Expenditure met from Revenue (Charged)	2,62,89,75	2,68,48,96	2,67,29,19
Expenditure met from Capital (Charged)	23,84	24,13	12,62
Disbursements of Loans and Advances (Charged)	53,82,57,71	54,24,57,71	51,37,74,43
TOTAL—(Charged)	56,45,71,30	56,93,30,80	54,05,16,24
Total Expenditure met from Revenue	7,02,24,84	7,21,74,84	6,71,52,11
Total Expenditure met from Capital	5,37,60,32	6,22,62,39	5,26,20,27
Total Disbursements of Loans and Advances	54,60,59,54	55,47,59,54	52,51,09,49
GRAND TOTAL (Charged and Voted)	67,00,44,70	68,91,96,77	64,48,81,87

Excesses over Voted Grants|Charged Appropriations

7. The actual expenditure during the year exceeded the Grants|Appropriations in 15 cases—11 Voted Grants and 4 Charged Appropriations. The Committee have already examined the reasons for the excesses with reference to the facts of each case and have submitted a separate Report*, recommending the regularisation of those excesses in accordance with the provisions of Article 115 of the Constitution.

*Thirty-second Report (Second Lok Sabha).

II

BUDGETING AND CONTROL OVER EXPENDITURE

8. In the year under report, gross savings totalling Rs. 155.43 crores (12.93 per cent) occurred in 119 out of 130 Voted Grants as against 118 out of 129 Grants in the preceding year, the percentage of savings ranging from 0.14 to 65.36 per cent. The following nine Grants alone were responsible for about 74 per cent of the total savings:—

- (i) 38—Miscellaneous Departments and Other Expenditure under the Ministry of Finance (Rs. 10,43,70,021).
- (ii) 44—Agriculture (Rs. 2,75,02,513).
- (iii) 74—Miscellaneous Departments and other Expenditure under the Ministry of Labour and Employment (Rs. 2,78,62,777).
- (iv) 83—Miscellaneous Departments and other Expenditure under the Ministry of Steel, Mines and Fuel (Rs. 7,41,45,589).
- (v) 116—Other Capital Outlay of the Ministry of Finance (Rs. 52,08,19,310).
- (vi) 117—Loans and Advances by the Central Government (Rs. 9,66,77,322).
- (vii) 119—Purchase of Foodgrains (Rs. 6,45,39,752).
- (viii) 127—Capital Outlay of the Ministry of Rehabilitation (Rs. 5,36,63,269).
- (ix) 128—Capital Outlay of the Ministry of Steel, Mines and Fuel (Rs. 17,91,40,476).

Out of the total gross savings in the voted grants, a surrender of Rs. 139.68 crores was accepted by the Ministry of Finance. The latter included a sum of Rs. 1,11,500 surrendered from grants which resulted in excess. Similarly there were savings of Rs. 288.16 crores (5.06 per cent) in 30 out of 36 Charged Appropriations. The two Appropriations "Loans and Advances by the Central Government" and "Repayment of Debt" alone accounted for a saving of Rs. 286.8 crores. A sum of Rs. 268.86 crores was surrendered. The latter included a sum of Rs. 1,19,500 surrendered from two appropriations which resulted in excess.

9. Supplementary grants for Rs. 143.9 crores representing 13.6 per cent of the original voted grants were obtained during the year, but grants under the following 5 heads ultimately proved unnecessary.

S. No.	No. and Name of Grant	Amount of Supplementary Grants or Appropriations	Amount of Savings
		Rs.	Rs.
1.	22-Tribal Areas	40,81,000	1,02,37,532
2.	70-Multi-purpose River Schemes	10,00,000	31,70,664
3.	95-Supplies	5,03,000	10,67,721
4.	130-Capital Outlay on Roads	1,50,00,000	1,68,57,361
5.	134-Delhi Capital Outlay	50,00,000	65,23,650

10. In the following cases the bulk or substantial portion of the Supplementary Grants or Appropriations remained unutilised.

		Rs.	Rs.
1.	5-Miscellaneous Departments and Expenditure under the Ministry of Commerce and Industry	52,68,000	30,72,247
2.	18-Scientific Research	40,00,000	24,13,666
3.	32-Stamps	21,80,000	17,62,132
4.	110-Capital Outlay of the Ministry of External Affairs	26,84,000	14,45,120

Under individual sub-heads there were several cases of re-appropriation and modification which proved excessive or unnecessary.

11. As already explained in para 7 above there were 11 cases of excesses over voted grants involving a total of Rs. 42.43 lakhs whereas in the Charged Section, there were 4 cases of excesses and the total amount involved was Rs. 1.82 lakhs.

12. From the detailed review of works expenditure included in the different grants attached to the Appropriation Accounts, the Committee find that there are differences between the expenditure on works and the budget provision under the various grants and appropriations. The results of the year disclose a net saving of 22 per cent over the consolidated provision for works expenditure under all the grants. The principal variations were under Grant No. 74—Miscellaneous Departments and other Expenditure under the Ministry of Labour and Employment, 127—Capital Outlay of the Ministry of Rehabilitation, 130—Capital Outlay on Roads, 135—Capital Outlay on Buildings and 137—Capital Outlay of the Department of Atomic Energy. *This indicates that both the accuracy of budgeting and control of expenditure during the year left much to be desired.*

13. The Committee will now refer to some of the specific cases of over-budgeting and laxity of control over expenditure during the year under report as disclosed in the accounts.

MINISTRY OF COMMERCE & INDUSTRY

Appropriation Accounts (Civil), 1958-59, Vol. II

- (a) *Grant No. 2—Industries-C1(1) Grants for the Development of Handloom Industry, page 8—*

The grant resulted in a saving of Rs. 154.53 lakhs out of which Rs. 124.57 lakhs was under the sub-head C. 1(1)—Grants for the Development of Handloom Industry. The original provision under this Sub-head was to the tune of Rs. 300.00 lakhs and it was subsequently increased to Rs. 355.10 lakhs by re-appropriation. *The Committee are constrained to observe that the re-appropriation under this sub-head was in the wrong direction.*

MINISTRY OF EDUCATION

Appropriation Accounts (Civil), 1958-59, Vol. V

- (b) *Grant No. 20—Education—Sub-head D. 3(5) (2)—Column 3—Page 35—*

An expenditure of Rs. 24,500 incurred on a scheme of “National Awards for teachers” involving “New Service” was met from savings under this sub-head.

The Committee feel that this expenditure should not have been met without obtaining a supplementary grant.

MINISTRY OF FINANCE

Appropriation Accounts (Civil), 1958-59, Vol. I

- (c) *Grant No. 32—Stamps—Note 1, page 57—*

The original voted grant of Rs. 2.34 crores had been increased to Rs. 2.56 crores by a supplementary grant of Rs. 21.80 lakhs taken in February, 1959. The grant, however, disclosed a saving of Rs. 17.6 lakhs out of which a sum of Rs. 16.6 lakhs was surrendered.

It was stated in evidence that the supplementary demand was taken to meet the demand of additional water mark paper by the Security Press. As it transpired subsequently that the paper indented would not arrive before the close of the year, the excess amount was surrendered. A further sum of Rs. 1 lakh, however, could not be surrendered in time as information about the non-ceipt of indented plant, machinery and stores was received late.

The Committee desire to know the exact date on which order for the water mark paper was placed and the date when Government came to know that the paper would not arrive before the close of the financial year 1958-59. They also desire to know the date on which that paper was subsequently received.

(d) *Grant No. 116—Other Capital Outlay of the Ministry of Finance*
—Page 173—

Out of the final grant of Rs. 89,85,87,000 there was a saving of Rs. 52,08,19,310.

It has been explained by the Ministry that the large surrenders had to be made because some of the projects for which funds were provided could not be got approved by the U.S. Government as required under the Agreements with that Government. While noting that delays are likely to be experienced in obtaining the approval in such cases, large savings, in the Committee's opinion, generally indicate over-budgeting.

MINISTRY OF FOOD AND AGRICULTURE

(e) *Appropriation Accounts (Civil), 1958-59, Vol. VII—*

The Committee came across over-budgeting in Grant No. 43—Forest (26.13 per cent), Grant No. 44—Agriculture (17.49 per cent) Grant No. 45—Civil Veterinary Services (23.60 per cent). They deprecate the tendency to provide for schemes which are not ripe for execution. They desire that this should be avoided in future.

MINISTRY OF HEALTH

(f) *Appropriation Accounts (Civil), 1958-59, Vol. VIII—*

Out of the final provision of Rs. 14,06,97,000 under Grant No. 49—Public Health there was a saving of Rs. 2,32,73,651, viz., 16.54 per cent. Similarly, under Grant No. 50—Miscellaneous Departments, against the final provision of Rs. 87,61,000 there was a saving of Rs. 26,67,859, viz., 30.45 per cent.

The Committee observe that large grants for public health schemes under Group Head B of Grant No. 49—Public Health remained unutilised. In their opinion, it will be futile to provide funds for schemes unless the necessary machinery to implement them is geared up within the year.

MINISTRY OF HOME AFFAIRS
Appropriation Accounts (Civil), 1958-59, Vol. IX

(g) *Grant No. 60—Himachal Pradesh—*

Withdrawal of funds to avoid the lapse of budget grant—Note 16, page 101—

A sum of Rs. 8,360 sanctioned by the Himachal Pradesh Administration in March, 1959 for payment as subsidy for the construction of houses during the year 1958-59 was withdrawn from the Treasury on 31st March, 1959 and placed under 'Revenue Deposit' on the same day. The amount remained unutilised until the date of audit (*viz.*, 24th July, 1959). Another sum of Rs. 15,200 sanctioned for the same purpose in another district was drawn from the Treasury on the 30th March, 1959, but was actually disbursed during the next financial year (April to June, 1959). Out of this, a sum of Rs. 9,500 was spent on the maintenance, repairs and rents of houses.

It was explained to the Committee that the amounts were withdrawn by the Collectors of two districts under the misapprehension that the grants could be utilised within a period of 6 months from the date of their withdrawal even if the period extended into the next financial year.

The Committee are surprised to hear this. They learn that necessary instructions have since been issued in this behalf and they trust that such cases of withdrawal of funds to avoid lapse of grants will not recur. They would, however, like the Ministry to impress upon all the sanctioning authorities the imperative need of sanctioning expenditure sufficiently in advance so that progress of the welfare schemes is not retarded and funds are utilised for the intended purposes.

(h) *Grant No. 65—Miscellaneous Departments and expenditure under the Ministry of Home Affairs—*

Out of the final grant of about Rs. 8.76 crores there was a saving of about Rs. 2.63 crores, *viz.*, 30.02 per cent. This was stated to be mainly due to non-utilisation of funds by the State Governments under the various schemes such as welfare of backward classes (saving Rs. 1.20 lakhs), social and moral hygiene (saving Rs. 60.5 lakhs) and fire services (saving Rs. 65 lakhs). The main reason for non-utilisation of funds by the State Governments was reported to be their difficulty to provide matching grants.

In connection with the matching grants to the States, the Public Accounts Committee (1957-58) in para 18 of their Eighth Report observed that in order to pinpoint the responsibility on the States

for the efficient and economic execution of the schemes in their sphere for which they were granted subsidy in the form of matching grants by the Centre, in the first year, the Central grants towards these schemes should be placed at the disposal of the State Governments in advance at the commencement of the financial year with the condition that they should be utilised only on the schemes accepted for assistance. In subsequent years, the grants to be made should be regulated with reference to the State's performance in the previous year in fulfilling its own part of the programme as contemplated while making the grant. *Had this been done, there would not have been overprovisioning as had happened.*

MINISTRY OF IRRIGATION AND POWER

(i) Appropriation Accounts (Civil), 1958-59, Vol. XI

Grant No. 124—Capital Outlay on Multi-purpose River Schemes,
Page 13—

As against the final provision of Rs. 4.22 crores under the head Capital Outlay on Multipurpose River Schemes, the actual expenditure amounted to Rs. 3,14,80,247, resulting in a saving of Rs. 1,07,19,753.

The Committee were informed that the bulk of the saving (Rs. 95 lakhs) under the Grant was due to lesser drawals of funds by the D.V.C. from the Centre as the Corporation had large unspent balances brought forward from the previous year. *The Committee feel that the fact that the D.V.C. had large unspent balances brought forward from the previous year should have been taken into consideration at the time of budgetary allocations. They trust that such instances of defective budgeting will not recur.*

MINISTRY OF REHABILITATION

Appropriation Accounts (Civil), 1958-59, Vol. XIV

(j) Grant No. 127—Pages 11—13—

There was a saving of Rs. 5.3 crores against the total provision of Rs. 21 crores in this Grant as large funds provided for Dandakaranya Scheme remained unutilised.

The Committee were informed in evidence that the provision in question was on an *ad hoc* basis. *The Committee are averse to such unrealistic provisions. They learn that steps have been taken to effect better coordination between the D.D.A. and the State Governments regarding the programme of rehabilitation of displaced persons in Dandakaranya. They trust that provision in the budget will in future be made after careful assessment of the programme and the capacity for its execution.*

III

IMPORTANT OBSERVATIONS ON INDIVIDUAL MINISTRIES

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

MINISTRY OF COMMERCE & INDUSTRY

KHADI AND VILLAGE INDUSTRIES BOARD/COMMISSION

Irregularities in a contract for the manufacture of Ambar Charkhas, Para 21, Pages 18-19—

15. The Khadi Board set up by Government in February, 1953, for the development of khadi and village industries entered into a contract in September, 1956 with a Cooperative Society for the supply of 2,500 sets of Ambar Charkhas at Rs. 80 each by December, 1956, subject, *inter alia*, to the following conditions:—

- (i) Financial assistance by way of interest free loan of Rs. 1 lakh would be given by the Board in three instalments; the first instalment of Rs. 25,000 to be disbursed immediately, the second of Rs. 25,000 to be paid after approval of the sets and the last of Rs. 50,000 to be released only after the delivery of 1,000 properly tested sets.
- (ii) Payment of 50 per cent only of the price of each consignment of charkhas would be made against delivery of the sets the balance being adjusted against the loan indicated above.

The first instalment of Rs. 25,000 was paid to the Society on 7th September, 1956. A sum of Rs. 10,500 was again paid on 8th November, 1956 before the commencement of production to enable the society to tide over its financial difficulties. The balance of the second instalment amounting to Rs. 14,500 was also disbursed to the Society on 14th December, 1956 subject to the taking over of the available assembled Ambar Charkhas by the Board against the funds advanced. The society supplied only 400 Charkhas by March, 1957 against which a payment of Rs. 16,000 was made. A further advance of Rs. 15,000 was made to the Society on 30th March, 1957. The Society could deliver only a small number of sets by August, 1957 against 2,500 sets contracted for with the result that a total amount

of Rs. 43,680 was outstanding against it for repayment on that date. The Khadi and Village Industries Commission which succeeded the Khadi Board on 1st April, 1957 did not agree to advance further loans and decided to take over incomplete sets from the Society. In the meantime, the Society had auctioned the incomplete sets at the risk of the Commission on 5th November, 1957 for Rs. 36,000.

On 31st December, 1957, the Society filed a suit against the Commission claiming damages amounting to Rs. 1,06,587 and the suit was pending in court. Meanwhile, the Society was wound up on 18th January, 1958 by the Registrar of Co-operative Societies on various other grounds including one of misuse of controlled materials and an official liquidator had been appointed. Efforts were being made by the Commission to enforce recovery of the outstanding loans through the liquidator.

Besides the above transactions, grants to the extent of Rs. 5,945 had been given by the Commission in August and September, 1957 to the Society for conducting a training course during 1957-58. A claim for the refund of the entire amount had also been filed with the liquidator as the grant was not utilised for the purpose for which it was sanctioned.

16. The Chairman of the Khadi and Village Industries Commission stated in evidence that the Society had been recommended by the State Co-operative Department and appeared to have the necessary resources for fulfilling the contract. As for the payment of the second instalment, it was contended that the payment was made after two sample charkhas had been approved and the payment was therefore in accordance with the terms of the contract.

17. The Committee, however, understand from Audit that shortly after the disbursement of the first instalment of Rs. 25,000 to the Society, adverse reports regarding the affairs of the Society were received. The Asstt. Director, Ambar Programme who was deputed to inspect the factory of the Society advised the Board on 9th October, 1956 not to extend any further help to it and to take steps to recover the amount already paid. Although the Registrar of Co-operative Societies on whose recommendation the Society was awarded the work was apprised of these adverse reports and requested to furnish a report after investigation, the Board disbursed a sum of Rs. 10,500 on the 8th November, 1956 without waiting for the report from the Registrar of Cooperative Societies. The Registrar advised the Board on 26th November to stop advancing further loans to the Society. Despite this, Rs. 14,500, the balance of the second instalment, was disbursed to the Society on 14th December, 1956.

18. *In the face of the above facts, the Committee are unable to understand how it could be claimed that the payment of the second*

instalment was in accordance with the terms of the contract. In the opinion of the Committee, the action of the Board in disbursing the second instalment and subsequent sums to the Society completely lacked justification.

It was urged before the Committee at one stage that the Board did not have sufficient experience of the Ambar Charkha in the initial stages of the scheme. If so, a prudent course would have been to place an experimental order on the Society. They regret to observe that the implementation of the scheme in the present case has been completely faulty resulting in a loss. The Committee consider that the reasons for the various irregularities in the case should be gone into and a report furnished to them. As for the recovery of the outstanding dues from the Society (in liquidation), the Committee understand that the prospects are not too bright. They would like to be apprised of the final outcome.

19. The Committee enquired why the Society, with such a background, was advanced a sum of Rs. 5,945 in August-September, 1957 for conducting a training course during 1957-58. They were informed by the Member-Secretary that it was considered advisable to impart training to the carpenters in the manufacture of Ambar Charkhas. As the Society had delivered 400 charkhas, the Commission believed at that time that the Society could impart proper training to the carpenters. *The Committee are not convinced with this explanation.*

Irregularities in the Vastrasawalamban Scheme, Para 22(A), pages 19-20—

20. Under a scheme of financial assistance for the development of khadi, a person, who spins yarn required for his own use and gets it woven from a registered khadi weaving institution is entitled to a rebate of 75% of the weaving charges paid by the institution to its weavers or 31 nP. per sq. yd. whichever is less. The registered institution which weaves the cloth is also paid establishment subsidy of 12 nP. per sq. yd. by the Khadi Commission to recoup the expenditure incurred by the institution towards promotion of the scheme. The charges paid to the weavers, less rebate admissible, are collected from the self-spinners by the institution which in turn claims from the Commission reimbursement of the rebate allowed to the self-spinners along with the establishment subsidy mentioned above on the strength of triplicate copies of cash memoranda issued to the self-spinners. The number of registered institutions functioning under that scheme in 1958-59 was about 600 and the total payment

made during the period from 1953-54 to 1958-59 about Rs. 1.86 crores, covering both weaving rebate and establishment subsidy.

The internal auditors of the Commission reported that one of the institutions, instead of collecting the yarn from *bona fide* self-spinners and then issuing it to weavers for weaving, had disbursed the rebate on weaving charges to weavers on cloth purported to have been woven out of yarn given to them direct by self-spinners. Thus the weavers had been paid both the weaving charges and the rebate payable to the self-spinners. The amount of such rebate paid in 1955-56 was Rs. 1,715.

Another institution was reported to have claimed rebate and establishment subsidy from the Commission by making entries in its books on the basis of information collected by its employees during their periodical visits to the villages in their area, of yarn supplied by certain persons direct to weavers and of woven cloth allegedly returned to them by these weavers, without physically verifying the existence of yarn or cloth or making sure that the yarn supplied was really yarn spun by persons for their own use.

In the case of another institution, the Zonal Director discovered that bogus entries of yarn purchased and khadi cloth woven were made in order to get the benefit of both the rebate and the establishment subsidy.

In respect of lumpsum amounts placed at the disposal of a State Board for disbursement of the above subsidy to registered institutions, several instances were detected by the internal auditors where the institutions had claimed establishment subsidy and also production/sales subsidy which was not admissible under this scheme. A sum of Rs. 1,880 out of an amount of Rs. 2,806 due on that account was recoverable from the institutions concerned (December, 1959).

21. In evidence, the Committee were informed that 10 cases of overpayment had been investigated by the Commission and necessary recoveries had been effected from some of them. There were two cases on which the decision of the Commission had been challenged. *The Committee desired to be furnished with the particulars of the ten cases which are still awaited.*

22. It was admitted before the Committee that there were certain lacunae in the scheme. The Commission's own internal auditors were examining a number of cases with a view to devise measures to plug the loopholes in the running of the scheme. *The Committee feel that this should be expedited. They were also given to*

understand that the question of recasting the entire swawalambani scheme is also under examination. They would await the results of the examination.

Paras 22(B) and 22(C), page 21—

23. Under this scheme the payment of 12 nP. per sq. yd. paid by the Khadi Commission to the registered institutions which wove the cloth as establishment subsidy was to enable the institutions to recoup the expenditure incurred by them.

Audited statements of account and utilisation certificates prescribed by Government were not obtained from the institutions. When questioned by Audit, the Commission is reported to have claimed that the subsidy was payable at a flat rate without any condition and had sought the orders of Government deleting the provisions regarding furnishing of the audited statements of accounts and certificates.

24. In evidence, the Committee were informed that Government would consider revision of the new rates for subsidies if the test audit of payment of subsidy to some institutions revealed that the amounts of subsidy paid at those rates were higher than the actual expenditure incurred by the institutions. The Committee understand that Audit has selected 30 institutions and intimated the Ministry on 19th September, 1960 for the test check. *The Committee desire that this test check should be completed at an early date and further action taken in the light of the results.*

Irregularities in running a Vidyalaya—para 24, pages 21—23—

25. The Khadi Board started a Vidyalaya during 1953-54 for training personnel in the technique of certain industries. The audit of the accounts of the Vidyalaya for the period 1954-55 and 1955-56 conducted in November 1956, revealed that the cash book and other initial accounts of the institution were maintained in a very unsatisfactory manner. Instances were noticed in which sale proceeds realised were neither credited in the accounts nor deposited in the bank; payments were made for private and unauthorised purposes; advances of large amounts were given to employees and private individuals, the recovery of which was neither properly effected nor accounted for; the stock accounts of raw materials and finished products were not maintained properly and no physical verification of stores had been conducted. Following a report by Audit to Government, the cash book and other initial records for the period 1954-55 were recast. A test check of the recast accounts by Audit in December, 1958 indicated various other irregularities.

26. In evidence, the Committee were informed that during the initial years of the establishment of this institution there was no

separate staff for maintaining accounts and the Principal and the staff, according to a deliberate decision, were themselves maintaining these accounts with the help of some social workers. It was also admitted before the Committee that the accounts were not kept properly and there had been various lapses during this period. *The Committee find it difficult to accept such explanations. With the establishment of the institution, qualified staff for maintenance of accounts should have been engaged. The Principal of the institution, who had taken upon himself the responsibility for the work, should have ensured that the work was done properly. Employment of persons untrained in accounts for this work was regrettable. It is unfortunate that the Khadi Board also did not exercise proper control on the maintenance of accounts in the Vidyalaya. The Committee understand that the Khadi Commission had since posted qualified and experienced staff to set the accounts of the institution right and to maintain them properly. They trust that such irregularities in maintaining accounts will not recur.*

27. As regards the outstandings the Committee were informed that the figures were found to be very much less than those reported in the Audit Report and a note would be submitted indicating the latest position. *The Committee drew attention to certain objectionable features in the leasing of 140 acres of cultivable land attached to the institution to a private party and called for a note. Both these notes are still awaited.*

Irregularities in the accounts of a Karyalaya (Nasik)—para 25, pages 23-24—

28. The Khadi Board started a Saranjam Karyalaya (Workshop) in 1955 mainly for the manufacture and supply of implements required for one of the industries. A sum of about Rs. 4 lacs was invested in the workshop upto 31st March, 1959. The profit and loss accounts of the workshop showed that it suffered a loss of Rs. 95,985 upto 31st March, 1959. The local audit of the accounts of the workshop also revealed various irregularities. One of these was that buildings to house the workshop were constructed at a cost of about Rs. 1.21 lakhs through two private contractors without framing proper technical estimates in consultation with the C.P.W.D. and without inviting open tenders.

29. It was admitted in evidence that there was a deviation from the recognised C.P.W.D. procedure in this case. It was urged in extenuation that a comparison with the estimates of the C.P.W.D. on a similar other work indicated that the estimates of the C.P.W.D. for this work would have been higher and construction by C.P.W.D. would also have taken a longer time. *The Committee do not appreciate the basis for such statements which are purely conjectural. They*

trust that the Khadi Commission will in future follow the prescribed procedure in this matter which has much to commend in itself.

30. The Committee then referred to sub-para 2(ii) of the Audit para and enquired about the necessity to purchase timber worth about Rs. 2,10,000 on several occasions in 1956-57 and the reason for not inviting tenders on most of the occasions. It was explained that the bulk of the purchase was of the approved type for manufacturing Ambar Charkhas in the Karyalayas. Out of Rs. 2.10 lakhs worth of timber purchased on 25 occasions, timber worth Rs. 2.03 lakhs was purchased from one firm and only in one case the purchase was of more than Rs. 1 lakh. In this case quotations had been called for from 3 firms and the order was placed with the lowest tenderer. No written contract was, however, entered into in this case although the terms for execution of the work were agreed to in advance of the transaction. The remaining purchases were for small amounts and no quotations were, therefore, called for.

The Committee are far from happy over the manner of the purchase of the timber. They do not see why tenders could not have been invited in all cases and formal agreements stipulating the unit rate, terms of delivery and inspection entered into with the tenderers. The purchase of timber on as many as 25 occasions during a short period indicates lack of planning and foresight.

31. As for the loss of Rs. 95,985 it was explained to the Committee that though a portion was due to the lower sale price fixed for the Charkhas than their production cost during the initial stages, the major portion of the losses was incurred during the years 1957-58 and 1958-59 due to labour troubles and workers' go-slow tactics. It was added that the institution was not incurring any loss currently.

The Committee learn that after these irregularities came to the notice of the Ministry detailed instructions have been issued to the Khadi Commission for guidance and compliance. The Committee hope that these instructions and the manual said to be under preparation for the guidance of the institutions will go a long way in reducing the scope for such mistakes.

Irregularities in disbursement of Grants—Loans to a Private Institution—para 26, page 24—

32. The Khadi Board disbursed loans and grants amounting to Rs. 20,158 and Rs. 9,188 respectively to a private institution between August, 1954 and 15th February, 1955. Without receiving from the institution a statement of accounts of the previous loans and grants, asked for on 18th February, 1955, further loans and grants amounting to Rs. 6,725 and Rs. 4,755 respectively were made between 23rd February, 1955 and 8th May, 1956.

The inspection of the accounts of the institution by the Board's internal auditors in February, 1957 revealed that the institution had utilised Rs. 17,480 and Rs. 7,100 out of loans and grants respectively on unauthorised purposes such as construction of buildings and that a sum of Rs. 540 only was standing to its credit at its Bank.

The assets of the institution had now been taken over by the State Board but the loan amount due to the Commission had not yet been repaid to the Commission by the State Board (July, 1960).

33. *The Committee would like to be informed of the reasons for disbursing further loans and grants to the institution when it had not rendered accounts for the earlier loans and grants. They would also like to know the latest position of recovery of the loan from the State Board.*

Irregularities in the grant of a loan to an Institution—para 27, pages 24-25—

34. An institution registered under the Societies Registration Act, 1860 applied in March, 1955 for a loan of Rs. 5 lacs to the Khadi Board for the production of Khadi. The institution was asked to route the demand duly supported with the required documents through the State Board concerned. Subsequently, the Secretary of the institution instead of complying with these requirements contacted personally the members of the Advisory Board who on the strength of oral discussions and the examination of certain documents produced by him disbursed to him on 10th December, 1956 as a special case and on a trial basis, an interest free loan of Rs. 51,000 subject, however, to the conditions that (i) the repayment should be made by 9th December, 1957 and (ii) monthly progress reports showing the manner of utilisation of funds should be furnished.

The institution neither repaid the loan by the due date nor furnished any monthly progress reports. Owing to certain adverse reports received regarding the affairs of the institution, attempts were made by the Khadi Commission (which replaced the Khadi Board from 1st April 1957) to examine the books of the institution. But the institution evaded such an examination. The Commission decided on 11th September, 1958 that the entire amount of loan should be recovered from the institution in one lump but the recovery is still to be effected.

35. The Committee were informed in evidence that the institution was reported to be a well-established one in that area where the Board had not set up any institution then. A number of men prominent in public life were on its Board of Trustees. So far as khadi

development programme was concerned, the Board (now Commission) could grant direct aid to institutions, provided those were sponsored and run under the direction of persons prominent in public life.

The Committee regret to note that the loan intended for the propagation of khadi had not been utilised for that purpose and the chances of its recovery are also bleak. They would urge greater caution and more vigilance on the part of the Commission in the disbursement of loans/grants in future.

Irregularities in the accounts of a Karyalaya (Bangalore)—para 28, pages 25—28—

36. The Khadi Board started in 1955, a Karyalaya (Workshop) for the manufacture and supply of Ambar Charkhas and other implements. The Karyalaya was managed by an 'Honorary' Official, who was paid an honorarium of Rs. 500 per month. The Karyalaya was later expanded into two units which were handed over for management to a State Board on 22nd September, 1958 and 13th December, 1958 respectively. A loss of Rs. 1.15 lakhs was incurred by the Karyalaya during the years 1955-56 to 1958-59. A test audit of the accounts of the various Karyalayas conducted in February/March, 1958, revealed several irregularities which were brought to the notice of Government and the Commission in July, 1958. A Committee of Enquiry was set up by the Commission in January, 1959 to investigate into (i) the loss incurred by the Karyalaya and (ii) the financial irregularities pointed out by Audit. The Enquiry Committee submitted a Report in June, 1959, to the Commission confirming the losses suffered by the Karyalaya. Various other lapses and the reasons leading to them were also referred to therein.

37. In evidence the Committee were informed that the report of the Enquiry Committee had been considered by the Commission and suitable action taken for the recovery of the amounts found due from the persons concerned. A sum of Rs. 4,000 had already been recovered from the Technical Adviser. The report was now under Government's consideration. *The Committee would like to be informed of the action taken or proposed to be taken by Government on the findings of the Enquiry Committee.*

Irregularities in the accounts of subsidy on production and sale of Khadi—para 29, pages 28-29—

38. The local audit of the accounts of the subsidy on production and sale of khadi conducted in October, 1958 revealed *inter alia* the following irregularities:

(i) Production subsidy was being paid on selling price instead of on cost of production. At the instance of Audit, Government inform-

ed the Commission in February, 1959 that production subsidy should be based only on the direct costs of materials, wages and a margin to cover establishment expenses for production, and that the Commission should recover over-payments from the institutions concerned (estimated at several lacs of rupees) in respect of past transactions. The Commission did not accept this position and the matter was under further correspondence between the Commission and Government.

(ii) Production subsidy was payable to institutions only in respect of their own production. In several cases, production subsidy had, however, been paid on goods purchased by the institutions. The Commission had stated that these cases were under examination.

(iii) In a number of cases it was noticed by internal auditors/ Zonal Directors that sales subsidy and rebates (allowed to purchasers of khadi and recouped from the Commission) were paid in respect of fictitious retail sales. One institution alone was reported to have claimed subsidy and rebate amounting to nearly a lac of rupees on such sales during the period January, 1957 to December, 1958. These cases were under further investigation.

39. The Committee were informed that the basis of payment of production subsidy was still under consideration in consultation with Audit. As regards cases mentioned in sub-para (ii) above, investigations into these cases had been completed and the overpayments recovered in some of the cases. As for claims of subsidy and rebate on fictitious sales these cases had been examined by the Commission and certain decisions taken in the matter. As a result, the certificates of five institutions had been cancelled and they had been removed from the register. Some others had been asked to reorganise their affairs. The matter had also been reported to Government. *The Committee are gravely concerned to see such an unsatisfactory state of affairs. They are firmly of the view that the whole scheme and the mechanism of its operation requires a thorough check-up if the tax-payers' money set apart for khadi schemes is to be well spent and on the intended purposes. The Committee trust that Government will pay timely attention to this. The Committee would like to know the further developments in this matter.*

Appropriation Accounts (Civil) 1958-59, Vol. II—Grant No. 2—Industries—Working of Various Emporia—Audit Comment No. 8, page 27—

40. Attention had been drawn in the para referred to above to the unprofitable working results of the Khadi Emporia run by the Commission at a number of places. The Committee had commented on this matter in para 17 of their Twenty-fifth Report, Volume I. From a

note* they understand that Government expect the emporia to work on a "no profit no loss" basis after the initial stages and a close study of their working is proposed to be undertaken by a special Committee. *The Committee desire to be informed of the measures suggested by the special Committee for the improvement of these institutions and action taken thereon by Government.*

Audit Report (Civil), 1960—Part I

Infructuous expenditure by an autonomous Board—para 23, page 21—

41. The Tea Board (an autonomous Board financed by Government from Cess Fund) hired an accommodation @Rs. 1,100 per month from 1st April, 1956 which was raised to Rs. 2,200 per month from August, 1956, for the purpose of opening a propaganda centre in a city. In order to carry out interior decoration of the centre, (intending tenderers were to see the interior decoration at the Bombay Centre for guidance) tenders were invited on 25th May, 1956, but as no precise specifications were laid down for decoration work, only two firms tendered, the difference between the two quotations being about a lac of rupees. The tenders were scrapped for reasons not considered valid by Audit and orders were placed by negotiations on a third firm on 23rd July, 1957 for Rs. 84,489. The decoration work was completed on 10th March, 1958. The centre was ultimately started on 27th March, 1958, i.e. 23 months after the hiring of the accommodation.

42. In evidence, the Committee were informed that the rent of the accommodation had originally been fixed at Rs. 2,200 per month and the landlord was persuaded to give a rebate of 50 per cent. for the first four months, during which the Board could not use the accommodation for the intended purposes.

43. Regarding the delay of 23 months in starting the centre, the Committee were informed that tenders were called on May 25, 1956, and they were received in June, 1956. Of the two tenders one was for Rs. 1,37,596 and the other for Rs. 39,550. The second tender was carefully scrutinised and the conclusion reached was that the party had not appreciated the kind of work expected of it. Negotiations were started with the other tenderer and the work was entrusted to him. Just about that time, the proprietor of that firm died and a certain amount of latitude was shown to the firm because firstly the firm promised to do the work and secondly finding another party would have meant further delay. Subsequently, however, the work had to be entrusted to a third party.

*Not printed.

The Committee are hardly convinced with the explanation. Obviously the time estimated by the Tea Board (four months) for getting the Centre at Madras ready was too unrealistic. It seems the Board had also not been quite alive to the fact that every month of delay was costing Rs. 2,200. In their opinion, expenditure on the payment of rent for the premises without its being put to use for the intended purpose was a wasteful expenditure.

44. Another point which exercised the Committee was the extra payment of Rs. 16,000 over the negotiated amount of about Rs. 85 thousands to the contractor for the job. They were informed that the extra payment was due to certain additions to the work while in progress and the cost of additions had been scrutinised and certified as reasonable by the C.P.W.D. engineers before the bills were paid. *The Committee desired to be furnished with a note indicating precisely the different items of additional work done and the certified cost thereof. But the note is still awaited.*

Loss of exhibition goods—para 19, page 16—

45. In pursuance of Government's policy of giving commercial publicity abroad to India's exports, a Mission had been permitted in January, 1957 to retain for display in a small sample room some exhibits valued at Rs. 7,021 left over from an exhibition held about that time. The exhibits had been partly kept in steel trunks in the sample room and partly displayed. Some pilferages of the exhibits had come to notice in July and September, 1957 and only an incomplete physical verification was conducted during the period April to November, 1958. Local audit of the accounts revealed a shortage of exhibits worth Rs. 5,254. Certain exhibits had been distributed to the officials of the Mission without proper authority.

46. In evidence, the Committee were informed that the Head of the Mission used to exercise his discretion in disposing of such left-over exhibits, but the usual practice was to send them back to India. In the present case, it came to notice that the keys of the boxes were kept in the room itself (which was admitted as a careless act) which facilitated pilferage of the exhibits. As for those taken away by the staff, the cost had been recovered from them.

The Committee learn that detailed instructions had been issued by the Ministry in December, 1959 regarding custody and disposal of left-over exhibits. They trust that these instructions will be strictly followed by the Missions in future.

Losses and other irregularities in the management of fairs/exhibitions—para 20, pages 17-18—

47. During a local audit of the accounts of a Mission*, it was observed that while the accounts of the 1955 fair had still to be compiled, the Ministry participated in three more such foreign fairs/exhibitions during 1956 and 1957. No separate accounts of the goods received for these exhibitions were kept and the goods were allowed to be mixed up with those left over from the previous fair. No proper record of the quantity and value of these goods was maintained and the original invoices were also not forthcoming. The total value of goods received during 1955-57 from various sources, including private parties, was Rs. 2,48,653 (approx.). No reliable quantity or value account of the disposal of these goods was maintained. The sale proceeds (including, in many cases, departmental charges of 10 to 25 per cent) amounted to Rs. 96,641. In addition, goods valued at Rs. 9,317 were presented to high dignitaries and sold to the officers and staff of the Embassy. Against the balance of the goods valued at more than Rs. 1,42,695, there was only a small quantity of goods in stock the value of which could not be determined exactly for want of original invoices or identification marks.

Of the sale of Rs. 96,641 mentioned above, goods worth Rs. 6,000 had been sold by the Head of the Mission to himself and to the officials of the Embassy at concessional prices (in certain cases at 40 per cent. the invoice value) without authority from Government.

An expenditure of Rs. 128 per month was being incurred on the rent of the godown where the remaining stocks had been kept. These stocks had not been removed to the new Chancery building, where sufficient storage space was available from 15th August, 1957 though the Ministry had been informed in May, 1958 that the goods had been placed in the cellar acquired with the above Chancery building.

To enable the Mission to prepare a proper account of the goods received, disposed of and in stock a temporary hand was appointed in January, 1957 for two months on a pay of Rs. 550. No account was, however, prepared by him and the expenditure of Rs. 1,100 approximately thus proved nugatory.

48. In evidence, the Committee were informed that the work involved a physical verification of about 30,000 to 40,000 items in different consignments which was beyond the capacity of the limited staff of that Mission. It was argued before the Committee that the

* Similar irregularities relating to this Mission were reported in para 25(d) of the Audit Report, 1957.

Ambassador might as well have refused responsibility for individual items as there was a feeling that there had been pilferage in transit. The movement of the same goods from place to place and their release in dribbles from customs custody added to the difficulties in stock taking.

The Committee appreciate the magnitude of the work involved and difficulties enumerated before them. At the same time they feel that accounts of the fair should have been compiled and for this purpose additional temporary staff could have been employed. In their opinion, there was an urgent need for the physical verification of the stock when there was a suspicion of pilferage in transit. In the absence of such a check it is difficult to say with certainty when and where the loss of goods took place. The Committee desire that the accounts of all these fairs/exhibitions should be finalised without further delay and the loss assessed. They would also like to know the value of the goods now in stock and steps taken for their disposal.

49. As for the sale of exhibits to the staff of the Embassy, the Committee were informed that the sale had been regularised by realising the price of goods (Rs. 184), and to prevent recurrence of such things detailed instructions had also been issued. *The Committee consider that it will be good from many points of view if the left-over goods are disposed of as far as possible through emporia or private shops in the foreign countries.*

Avoidable losses due to under-charging of rent—para 30, pages 29-30—

50. In order to promote foreign interest in Indian arts and crafts and to encourage the sale of exhibits, Government held an exhibition during October, 1958 to January, 1959. Besides the Departments of the Central and State Governments, several autonomous bodies and other private parties participated in the exhibition. Originally the expenditure on this exhibition was estimated at Rs. 50,00,000 which was revised to Rs. 64,46,000 (January, 1959). A sum of Rs. 48,00,000 was expected to be realised as entry fees from visitors and rent charges for space occupied by the participants.

No formal sanction for the expenditure for the scheme as a whole was issued but individual sanctions for various amounts aggregating Rs. 48,94,860 had been issued so far. An account of the total expenditure incurred and the receipts realised by Government had not been prepared and submitted for verification by Audit.

A Steering Committee was set up to guide and supervise the planning and organisation of the exhibition. The rules and regulations framed by that Committee prescribed also the rates of admis-

sion and of rent to be charged. Orders delegating financial and rule-making powers to the Steering Committee had, however, not been made available to Audit.

- (i) A scrutiny of the records pertaining to the recoveries of rent at the rates prescribed by the Steering Committee revealed that a total sum of Rs. 2,38,777 (approximately) including Rs. 1,14,329 recoverable from private parties, had been short realised on the following counts:

	Rs.
(a) Rent charged for space less than that actually occupied.	1,30,813
(b) Rent realised at rates lower than those prescribed.	69,900
(c) Remission of rent.	38,064
	2,38,777

- (ii) One hall measuring 4,814 sq. ft. and 7 stalls of 240 sq. ft. each for which the prescribed rent for the duration of the exhibition was Rs. 61,580 remained vacant.

It was explained to Audit that the hall remained vacant through an oversight. The reasons for non-allotment of the stalls could not be ascertained as all the applications, including those rejected, received for allotment of the stalls, were not available.

Arrears amounting to Rs. 9,21,382 (of which Rs. 31,418 were due from private parties) on account of rent were outstanding (May, 1959). It was stated that bills for Rs. 3,38,606 had been accepted by the parties concerned and the amount was being adjusted during the year 1959-60. Similarly, recoveries for a total amount of Rs. 56,727 on account of electric, water and telephone charges were pending from the parties concerned (May, 1959).

51. According to the Secretary of the Ministry it was a case of wrong billing in the first instance rather than "under-charging of rent". In most of the cases, the bills included rent for roads etc. which were not chargeable. In reply to specific queries about the cases of "rent charged for space less than actually occupied" and "rent realised at rates lower than those prescribed" the Committee were informed that all the cases had been gone into and in no case there had been under-charging of rent. But the Committee were given to understand by Audit that certain concrete cases had come

to notice in respect of which the position was otherwise. The Committee do not consider this state of affairs satisfactory. Even granting there had been wrong-billing in the first instance, the position should have been reviewed in time and recovery of rent effected correctly. In the face of the reported existence of concrete cases of under-charging of rent, the Committee find it difficult to accept the Ministry's assurance. They would urge that a thorough examination of the cases be made by the Ministry in consultation with Audit and a report furnished.

52. As regards the recovery of arrears, the latest position was that Rs. 1,18,000 and Rs. 7,900 respectively were due from public sector and private participants. The Committee are unhappy to learn that even 2 years after the exhibition there should be arrears of rent pending.

SINDRI FERTILIZERS AND CHEMICALS LTD.

Shortage of gypsum—para 82(ii), page 90—

53. Since the commencement of production from 31st October, 1951 to the 31st March, 1958 the Company received 1,64,357 tons of gypsum (valued at Rs. 61.17 lakhs) short from the mines. The percentage of shortage on the quantity despatched varied from year to year, viz. 5.9 per cent upto 1953, 2.09 per cent in 1953-54, 2.5 per cent in 1954-55, 3.5 per cent in 1955-56. In September, 1956 the percentage of normal wastage of gypsum was fixed at 4 per cent of the Railway weight, on the basis of the actual shortages noticed upto that date. The shortage, however, rose to 6.21 per cent in 1956-57 and 8.19 per cent in 1957-58, the value inclusive of freight thereon and usual wastage of 4 per cent being Rs. 16.07 lacs and Rs. 20.48 lacs respectively in these 2 years.

54. In evidence, the Committee were informed that though some shortage of gypsum was inevitable owing to loss in transit in open wagons and pilferage, etc. a portion of the loss was only a paper loss. If allowances were made for the defective weighment and difficulties in physical verification of the stock of gypsum which got powdered in handling and buried in the ground, the net loss would be between 2-3 per cent. In order to assess the shortages exactly and to estimate as accurately as possible the quantity of gypsum that gets powdered in handling and buried, the Company had indented for modern weighing machines for proper weighment and had ordered more frequent physical verifications. It had also been decided that one or two train loads of gypsum should be completely checked from the source to the destination to find out the percentage of loss in transit. It was added that the percentage

of shortage had come down to 5·5 per cent in 1958-59. It is, however, understood from Audit that the percentage of shortage rose to 10·1 per cent in 1959-60.

55. The Committee consider that the shortage as assessed periodically in the stock of gypsum should receive greater attention than it does at present. When once the limits for transit loss are laid down, it should be seen that they are not exceeded. The Company should also calculate the quantity of gypsum consumed on the basis of the quantity of fertiliser manufactured, with reference to the standards laid down by the Company. This will enable the company not only to locate the reasons for the shortage of gypsum but also to control the cost of production.

56. In reply to a question the Committee were informed that the per ton cost of production of ammonium sulphate at Sindri is slightly higher than the cost of imported fertiliser. In the Committee's opinion, this indicates that control of cost of production calls for greater attention.

**MINISTRY OF EDUCATION
CENTRAL SOCIAL WELFARE BOARD
Audit Report (Civil), 1960**

Excessive releases of grants for Welfare Extension Projects resulting in accumulation of heavy cash balances—para 31(b), page 31—

57. During the year 1956-57, the approved budget for 263 Welfare Extension Projects was Rs. 89,31,500. The actual cash expenditure of these Projects was, however, Rs. 41,83,980. The Social Welfare Board's share at 50% of this expenditure thus came up to Rs. 20,91,990. Taking into account the balance of Rs. 7,70,058 carried over from the previous years' grants, the Board should have released Rs. 13,21,932 only. Even after adding another Rs. 4 lakhs being the maximum proportionate contribution (actual amount not known) on the assessed value of the services rendered for the full year by honorary workers in Project Implementation Committees, the Board should have released only Rs. 17,21,932. Actually, however, amounts aggregating Rs. 28,12,700, viz., more than Rs. 10 lakhs over its stipulated share, were disbursed by the Board.

In spite of heavy cash balances lying with the Welfare Extension Projects advance releases of grants amounting to Rs. 4,39,000 were made for these Projects during 1956-57 for utilisation in 1957-58. Similarly, at the end of the year 1957-58, advance releases of grants for the year 1958-59 at Rs. 3,000 to Rs. 5,000 for each Project were made by the Board.

Of the 435 Projects functioning during the year 1957-58, accounts in respect of 255 only had been received by the Board (August, 1959) and even these accounts were not in a final form.

58. Commenting upon similar excessive releases of grants to Welfare Extension Projects during the years 1954-55 and 1955-56, the Public Accounts Committee (1958-59) had suggested in para 41 of their 18th Report (Second Lok Sabha) that the Board should, in consultation with the Ministry of Finance and Audit, evolve a suitable procedure whereby the grant of subsidies, their disbursements and accounting, etc. could be simplified in order to ensure smooth working of the Board. The Committee inquired what action had been taken on the above suggestion. They were informed in evidence that a grants-in-aid committee was set up in December, 1959 to evolve a new procedure in the light of the past experience of the Board. That committee had already held three to four sittings and its work was expected to be finalised in the next two to three sittings. *The Committee would like to be apprised of the recommendations of the afore-mentioned committee and the action taken thereon by the Board.*

59. As regards delay in the receipt of audited accounts, the Committee inquired why the accounts in respect of 180 Projects, out of a total of 435 projects functioning during 1957-58, had not been received in the Board even by August, 1959. The Chairman of the Board ascribed it to delay in auditing the accounts of these Projects. The Deputy Comptroller and Auditor General, however, intervened to point out that Audit could not take up the accounts for audit as they were not complete in all respects. In a number of cases, these were not in a final form. The Chairman of the Board promised to look into the matter and submit a further report to the Committee. *The Committee would defer their comments till the requisite information is received from the Ministry of Education through Audit.*

Training Scheme in 'After-care' and 'Social and Moral Hygiene' Courses—para 31(3), page 35—

60. In February, 1956, the Board evolved a scheme to train about 140 persons at an estimated cost of Rs. 2,13,000 in 'After-care' and 'Social and Moral Hygiene' courses, for employment in the 'Homes and Shelters' set up in the various States. The training period was fixed as one year during which the trainees were to be paid a monthly stipend of Rs. 100 each and each trainee was required to serve for a period of at least 3 years in any of the 'Homes and Shelters' if an appointment was offered within 3 months of the completion of the training.

The training course was started in July, 1956, at two schools in 2 cities and two batches of trainees numbering 67 in all were trained by July, 1957 and 1958 respectively. The expenditure on this training was Rs. 2,45,511. Of the 67 trainees, 24 were appointed by May, 1958 from the first batch which had completed training in July, 1957 while only 8 trainees were employed by April, 1959 from the second batch which had completed training in July, 1958. The expenditure incurred on the scheme was not, according to Audit, fully productive.

61. In evidence, the Chairman of the Board stated that under the Scheme for the establishment of 'shelters and Homes' which was sponsored by the Ministry of Home Affairs, in consultation with State Governments, 331 District Shelter Homes and 80 State Level Homes were to be established during the Second Plan period. The demand for trained personnel to man these Homes was estimated at 500. To start with, the Board, which was responsible for financing and executing the training part of the Scheme, made arrangements for the training of two batches of 50 trainees each. After these persons had been trained, State Governments, in consultation with whom the whole Scheme had been drawn up and who were also represented on the committees to select candidates for training, appointed in some cases untrained persons in preference to trained ones. Discouraged by this, the Board discontinued the training scheme after about 100 persons had been trained. Giving the latest position regarding employment, the witness stated that 57 out of the 100 persons trained under the scheme had been appointed to posts intended for them.

The Committee regret to see that the Scheme drawn up to train 500 persons should have been discontinued after training only 100 persons and that 43 out of them should still remain unabsorbed (two and a half years after the completion of their training). They trust that vigorous efforts will be made by the Ministry of Home Affairs to persuade the State Governments to appoint these trained persons to the posts for which they were trained so that their training may not go waste. In future before starting such schemes, the State Governments should be asked to give their firm requirements of trained personnel and their capacity to absorb them.

Training of Auxiliary Nurse Midwives for Welfare Extension Projects—para 31 (g), pages 35-36—

62. A five-year scheme for training of Auxiliary Nurse Midwives for Welfare Extension Projects was instituted in August, 1955, the entire expenditure was to be borne by the Social Welfare Board. The expenditure included non-recurring grants of about Rs. 1,100

per trainee to the various private and voluntary institutions imparting the training for extensions and alterations of buildings and purchase of equipment for the trainees and a monthly stipend of Rs. 50 per trainee. Grants amounting to Rs. 8,38,947 were paid by the Board during the years 1955-56 to 1958-59.

The scheme was terminated prematurely in September, 1957. As a result, the buildings and the equipment acquired by the Institutions from the grants sanctioned by the Board became the property of those Institutions.

The following other irregularities were, *inter alia*, noticed in its working:

- (i) Non-recurring grants were released by the Board in lump sum on the basis of number of candidates to be trained at a particular Institution as recommended by a Government Department. The actual selection of the candidates was made by the Institution concerned in consultation with the State Advisory Boards afterwards. The procedure adopted by the Board for release of grants was somewhat defective inasmuch as it resulted in overpayments of grants to the Institutions, as also of utilisation of amounts for purposes other than those for which they were sanctioned by the Board.
- (ii) The Institutions in receipt of grants from the Board were required to send statements of accounts audited by Chartered Accountants in support of utilisation of the grants. Such accounts were, however, not received from most of the Institutions (April, 1959). A considerable portion of over Rs. 8 lakhs paid by the Board during the years 1955-56 to 1958-59, thus remained unauthenticated.

63. In evidence, the Chairman of the Board stated that the training scheme was drawn up by the Ministry of Health who were also in charge of its implementation. The responsibility of the Board was limited to the financing of the scheme. From the very start, the scheme did not work as desired. In some institutions, there was an initial shortfall of recruits and in some others, the trainees left a few days after they were recruited. In the circumstances, the scheme which was scheduled to run for five years, was terminated by the Ministry of Health within a period of just over two years when hardly five per cent of the persons required by the Board for its welfare Projects had been trained. In reply to a question, the witness stated that at the time of terminating the scheme,

the Ministry of Health had assured the Board that its remaining requirements for trained personnel would be met in full under the Integrated Community Development Scheme. Nothing had, however, been done by the Ministry pursuant to this assurance and the Board's requirements to the extent of 95% still remained to be met.

The Committee regret to observe that the scheme was neither well-planned nor well-executed. A considerable part of the initial expenditure of over Rs. 8 lakhs incurred on this scheme was, in their opinion, infructuous. It is unfortunate that the Ministry of Health did not take steps to meet the Board's requirements of trained personnel under the Integrated Community Development Scheme.

64. As regards payments already made to the institutions, the witness stated that in the case of recurring grants, steps had already been taken to get the overpayments refunded. Recovery of overpayments of building grants, however, was not practicable where the buildings had already come up. It was pointed out by Audit that a number of the Institutions had not rendered accounts to the Board. The Chairman of the Board observed that the matter was now being pursued by the Board. *The Committee trust that the Board will pursue the matter vigorously.*

Losses in publications—Para 31 (h), pages 36-37—

65. An examination of the expenditure and sale accounts of the two journals issued by the Board (*viz.*, 'Social Welfare' and 'Samaj Kalyan') revealed that net losses of Rs. 1,49,358, Rs. 1,16,006 and Rs. 84,531 were incurred by the Board during the years 1956-57, 1957-58 and 1958-59 respectively.

Some of the factors leading to the loss were as follows:

- (i) Of the total number of copies published, not more than 58% were issued for sale in any month. Nearly 37% of the remaining were distributed free of charge to important officials and non-officials and institutions and the balance remained unutilised.
- (ii) In February, 1958 the price of both the journals was fixed at 35 nP. per copy. As against this, the production cost as calculated in 1956-57 was Rs. 0-12-9 per copy.

Commenting upon similar losses incurred by the Board in the publication of the two journals during the years 1954-55 and 1955-56, the Public Accounts Committee (1958-59) had, in para 46 of their 18th Report (Second Lok Sabha) *inter alia*, suggested that the feasibility of reducing the number of copies for free distribution to the minimum should be examined by the Board.

66. In evidence, the Chairman of the Board stated that pursuant to the above suggestion of the Committee, the number of copies freely distributed had been considerably brought down and that now only those persons who expressed a desire to read and contribute were being supplied with free copies of the journals. As regards other measures taken by the Board to reduce the losses in the publication of these journals, the witness stated that a committee had been appointed to examine, *inter alia*, the possibility of reducing the cost of production of the journals. Efforts were also being made to push up the sales of the journals.

The Committee would like to await the report of the aforesaid committee and the action taken thereon by the Board. They would also like to be informed of the outcome of the efforts made by the Board to push up the sales of the two journals.

Factual verification of draft Audit paragraphs—

67. During the course of their examination of para 31 of the Audit Report, the Committee came across several instances where the facts contained in the Audit para were controverted by the Chairman of the Social Welfare Board. Referring to the procedure regarding the finalisation of paragraphs for inclusion in the Audit Reports according to which Ministries were allowed a period of six weeks for the factual verification of draft paragraphs, the Committee inquired why the Board did not explain the correct position when the draft para was sent for factual verification. The Secretary, Ministry of Education, observed that the requisite information which was to be received from the Projects and institutions located in villages all over the country did not arrive within that time. In reply to a question, the Secretary added that the information received was not communicated to Audit later.

The Committee would like to reiterate that the Ministries and Departments to whom draft Audit paragraphs are sent for factual verification should make every effort to adhere to the prescribed time-limit of six weeks so that the picture of Government's handling of nation's finances presented to Parliament is based on undisputable facts. If, in exceptional cases, it is not possible to do so, the correct position should be brought to the notice of the Committee through Audit as soon as possible so as to enable them to arrive at proper conclusions without any waste of time.

Irregular payments of Grants-in-aid—para 32, pages 38—40—

68. Amounts exceeding Rs. 1 crore had been paid to a Voluntary Organisation (*viz.*, Bharat Sewak Samaj) by different Ministries of the Government of India since 1953-54 (upto 1957-58) to carry out its

day to day social activities mainly in the field of public co-operation. It was observed that grants had been sanctioned greatly in excess of actual requirements and that large unspent balances were retained by the Organisation over periods ranging from six months to two years. The conditions attached to various grants were also not complied with by the Organisation resulting in a number of irregularities.

69. In evidence, the Committee inquired what arrangements existed to ensure that the purposes for which grants were given by the various Ministries to the Samaj in the field of public co-operation did not overlap. The representative of the Planning Commission stated that a Co-ordination Committee for Public Co-operation consisting of the representatives of the Planning Commission and the Ministries concerned had been set up. All applications for grants were placed before this Committee. Asked whether with a view to ensuring greater co-ordination, it would not be preferable to channelise all the grants given to the Samaj through a single Ministry, the witness stated that the Commission had itself been anxious that this should be done, but no effective arrangements in this regard could be arrived at so far. The matter was still under the consideration of Government. *The Committee desire that an early decision in the matter should be taken.*

70. As regards the procedure for determining the requirements of the Samaj and releasing grants to it, the Committee learn from a note* furnished at their instance by the Ministry of Education that in the initial stages, grants were sanctioned by that Ministry for specific camps and were released in full. At this stage, the estimates of requirements were not based on any firm data as no such data were available then. Later on, the camp organisers were given the bulk of the amount due for each camp leaving a small margin for subsequent adjustment on receipt of audited accounts. With effect from April, 1958, the requirements of the Samaj were determined for the whole year on the basis of its estimates and past performance. The total amount so determined used to be released in quarterly instalments, after taking into account the utilisation of funds already advanced to it and receipt of audited accounts of camps held during a specified period. A maximum period of six months was allowed to the Samaj for the submission of accounts. To ensure this, the forms on which the accounts were to be submitted had been simplified. The Samaj had also been permitted to have the accounts locally audited in the Districts where the camps were held by the Block Development Officers, Inspector of Schools, Deputy and Assistant Inspectors of

*Not printed.

Schools, sub-Divisional Officers, District Development Officers, Headmasters and Principals of Government Schools and Colleges. The Ministry claimed that the present procedure was an improvement over the earlier arrangements in that utilisation of funds was accounted for against the lump sum grants and the question of adjustments against grants of the previous years was no longer there.

The Committee consider that this arrangement of getting accounts audited by untrained persons is unsatisfactory and considering the size of the amount (Rs. 1 crore) that is being given to the Bharat Sewak Samaj, it is desirable that they should have some system of internal audit by qualified auditors appointed for the purpose with the approval of the Comptroller and Auditor-General.

MINISTRY OF EXTERNAL AFFAIRS

Audit Report (Civil), 1960—Part I

Delay in the construction of Embassy buildings on a plot of land purchased in a foreign capital—para 33, pages 40-41—

71. A plot of land measuring approximately 3·1 acres with a house, garage and staff quarters in one portion thereof was purchased in March, 1953 at a foreign capital for Rs. 3·5 lakhs approximately for construction of Chancery and Embassy buildings which were till then housed in private buildings at an annual rental of Rs. 44,208.

At the time of purchase, it was expected that with a small investment on repairs and expansion of the existing building, it could be used as Chancery, and that a building for the Embassy could be constructed on the extra land at an estimated cost of Rs. 2·5 lakhs. After the purchase was made, it was found that the building would require large scale repairs and that it would not also be adequate for the purposes of the Chancery. Accordingly new constructions were recommended both for the Chancery and the Embassy in June, 1953.

The proposal to construct a Chancery and an Embassy building was deferred in December, 1956 in view of foreign exchange difficulties. It was revived in September, 1958 and approval of the Government to an estimate of Rs. 4,10,500, inclusive of local architects' fees and the cost of deputation of one engineer from India, for the construction of Embassy building alone, was conveyed in October, 1959. Certain modifications in the building suggested by the Embassy in November, 1959 were approved by Government in December, 1959. According to the programme since drawn up, the construction work would commence in May, 1960 and the building was expected to be ready for occupation by the end of June or July, 1961.

According to the original anticipations, the accommodation of the Chancery as well as Embassy, including the land was estimated to cost Rs. 7.5 lakhs while the cost of land and the Embassy building alone was likely to cost Government about Rs. 7.65 lakhs. The delay in constructing the buildings had resulted in the payment of monthly rent for the Chancery and Embassy buildings at varying rates ranging from 2,167 units to 2,500 units till 11th September, 1959, and at 7,500 units from 12th September, 1959, when a new Embassy building was rented at 6,000 units (Rs. 3,175) per month. Sanction of Government for renting of the new Embassy building was awaited (March, 1960).

72. It was admitted in evidence that the land was purchased without adequate preliminary scrutiny. Construction work thereon could not be taken up as the foreign Government had been refusing permission for construction. The Committee enquired why the plot could not be sold away in that case. They were informed that the foreign Government wanted the plot for their own use but they might pay only the cost price instead of the present market price. *The Committee are unhappy over this stalemate. They would urge that Government should take early steps to resolve this.*

Overpayment of pay and allowances to a Government servant—para 34, page 42—

73. A Government servant posted to a Mission abroad in October, 1948, was compulsorily transferred to India in February, 1954 and removed from service in November, 1956. He was overpaid a total sum of Rs. 11,614 on the following counts:—

- (i) Special pay of Rs. 1,840 paid by the Mission @ Rs. 40 p.m. from 1st October, 1948 to 31st July, 1952 to which he was not entitled.
- (ii) Local house rent allowance paid over a period of three years at the maximum rate admissible to his grade (Rs. 595.24 p.m.) without limiting it to the actual rent paid, viz., Rs. 333.33 p.m. resulting in an overpayment of Rs. 9,429.

The Ministry explained in October, 1959 that the officer, in addition to the house rent, paid separately to the landlord as furniture hire for which he produced receipts from the landlord all at one time, immediately before his departure from the country in February, 1954 showing a monthly payment of Rs. 261.91 as hire since January, 1953.

- (iii) Overpayment of Rs. 407.12 as subsistence allowance during suspension from 20th October, 1955 to 31st August, 1956 out of which a sum of only Rs. 62.50 was recovered.

No action was taken to recover the overpayments from the official prior to his removal. Government's displeasure had been conveyed in December, 1959 to three clerks held responsible for the overpayment of subsistence allowance.

74. In evidence, the Committee were informed that the officer was allowed to draw the special pay by the Mission as he was in receipt of the same while on duty in India and as it was shown in his last pay certificate. Its payment was stopped as soon as it was realised to be a mistake in August, 1952. It was, however, pointed out by Audit that the Ministry could have detected the mistake and stopped the erroneous payment of special pay in July, 1951, when the fact was reported to the Ministry by the Mission. In extenuation, it has been urged by the Ministry that the information called for in July 1951 was in connection with examination of proposals for additional staff for the Mission and the question of payment of special pay was not looked into at that time. *The Committee, however, observe from the note* furnished by the Ministry that this question came for review in April, 1952 and although it was clearly established that it was an irregular payment, it was continued by the Mission till the end of August 1952 when the Ministry issued telegraphic orders stopping the payment of special pay. The Committee could see no justification for the continuance of the payment after April, 1952.*

MINISTRY OF FINANCE

DEPARTMENT OF ECONOMIC AFFAIRS

Audit Report (Civil), 1960—Part I

Large expenditure on Bullion Keeper's establishment—para 89, pages 105-106—

75. As gold and silver coins are no longer minted by Government, it has been suggested by Audit that rigid control over bullion transactions at every stage is perhaps not quite essential; the existing system of dual control of metals through the Bullion Keeper and the Bullion Registrar could possibly be substituted by a combined bullion keeping and bullion registering which might lead to substantial economies in the connected staff, which during the three years 1957-58 to 1959-60 had amounted to Rs. 1.44, Rs. 1.01 and Rs. 1.04 lakhs respectively (excluding the Bullion Keeper's own pay and allowances).

76. In evidence, the Committee were informed that the question of integrating the two establishments was very much before Government and that certain executive and procedural difficulties *viz.*, the accounting procedure, the standardisation of the operational basis and

*Appendix I.

cent. per cent. verification of stock were in the way; until they were overcome, the re-organisation of the Mint establishment could not be taken up. It was added that the rush of work due to the introduction of decimal coinage had interfered with the consideration of the above problems.

77. *The Committee do not consider that the difficulties enumerated above are insurmountable. The Estimates Committee 1958-59 had made a similar recommendation in para. 14 of their Forty-sixth Report.*

The Committee also understand from Audit that the combined system of bullion keeping and registering already introduced in the Silver Refinery has been functioning satisfactorily. They would, therefore, urge that this question of integrating the establishments in all the mints should not be delayed any further.

Repayment liability on account of foreign Loans—para 90, pages 107—111—

78. According to Audit, the net repayment liability as on 31st March, 1959 was of the order of Rs. 3·92 crores. The total amounts involved in the discharge of those loans, together with interest thereon would amount to the following sums in the seven years ending 31st March, 1956:—

1959-60	Rs. 21.59	crore
1960-61	Rs. 39.32	,,
1961-62	Rs. 54.23	,,
1962-63	Rs. 32.60	,,
1963-64	Rs. 27.59	,,
1964-65	Rs. 26.13	,,
1965-66	Rs. 24.85	,,

The Committee desired to know the arrangements made for the repatriation of the loans according to the above schedule.

79. They were informed that Government had arranged for the repayment of the instalments due in 1959-60 and 1960-61. Government had approached the foreign countries to accept rephasing of repayments of existing loans. As for future loans, Government would like them to be sufficiently long-dated with an initial period of moratorium so that their repayment would be dispersed widely without undue strain on the economy. *The Committee trust that Government will pay due attention to this question and evolve a plan for borrowing funds from abroad and their repayment after taking into consideration all foreseeable factors in the near future.*

MINISTRY OF FOOD & AGRICULTURE

Department of Agriculture

Audit Report (Civil), 1960—Part I

Suspected loss of Government money due to non-observance of financial rules—para 37, pages 44—46—

80. Following the detection of unaccounted shortages of Rs. 10,842·67 in an office in November, 1958, the matter was reported to Government and the cashier was suspended with effect from 6th January, 1959. At the instance of the Ministry a special audit of the accounts of that office for the period 1st April, 1956 to 31st August, 1958 was undertaken in March, 1959 which revealed that a sum of Rs. 20,818 had not been accounted for by the cashier during that period. Lack of control on the part of the supervisory officers and non-observance of the financial rules and the prescribed procedure had facilitated the loss. The whole case was under departmental investigation (September, 1959). It had been suggested to the Department by Audit that the accounts for the entire period from 22nd January, 1950 to 5th January, 1959 during which the present cashier had held charge should be reconstructed.

81. It was stated in evidence that the recasting of the accounts was likely to be completed in a period of about six months. The question of fixing responsibility of individual officers was also under examination.

82. The Committee understand that in this case Government money was kept in the sole custody of the cashier under single lock and the system of double lock was not in force despite clear orders to this effect in Rule 109 (1), C.T.R. *They are concerned to learn that the administrative officers in charge did not care to see that the prescribed procedure and the financial rules were being followed. They feel that the departmental investigations should be expedited and the officers at fault dealt with suitably. The Committee desire that as required under the Rules, only those persons who have pledged adequate security should be entrusted with the duties of handling cash. It should be further ensured that the receipts are remitted to the Treasury as early as possible so that there is no unnecessary accumulation of cash with the cashier. Verification of cash by the supervisory authorities should also be more frequent.*

Irregularities in the Accounts of Forest Department, Andamans

Reclassification of timber from one quality to another—para 38 (i), pages 46-47—

83. The North Andamans Agreement of Licence between Government and the licensee firm specifies different formulae for the calcu-

lation of royalty for different species of timber based on their marketable categories. Under clause 13 of the agreement, two species of timber, viz. "Gurjan" and "White Chuglam" could be categorised either as plywood (higher category) or as hardwood (lower category) at the discretion of the Chief Conservator of Forests (C.C.F.) according to the actual quality of the logs extracted from time to time, the decision of the Chief Conservator of Forests being final. It was, however, noticed in Audit that the above species of timber, classified at a higher rate of royalty was subsequently reclassified to a lower rate. To an enquiry from Audit, the Ministry are reported to have stated that plywood logs develop defects after their shipment from Andamans i.e. in transit or in the sales depots of the lessee in Calcutta, which render them unsuitable for use in plywood manufacture: these logs have, therefore, to be sold as hardwood. The correct classification of particular lots or consignments of timber for royalty purposes can thus be established only after their sale. Audit, however, has held that clause 12(i) of the Agreement read with clauses 13 and 18 *ibid* provides that where a species of timber is common to two or more categories the C.C.F. shall assign a particular category to it according to its quality before export and such classification shall be final. A test check of such cases by Audit revealed that the royalty forgone amounted to Rs. 74,929.

84. In evidence, the Committee were informed that the Ministry of Law had confirmed the view that the C.C.F. had no power to reclassify timber which was once classified before export. It was admitted that the earlier view viz. that the C.C.F. could review his own classification was wrong as it was inconsistent with the terms of the Agreement.

85. The Committee enquired whether the sum of Rs. 74,929 would now be recovered from the lessee and in respect of further consignments royalty would be recovered from the lessee on the basis of the classification recorded by the C.C.F. before their export. The Secretary, Department of Agriculture (Ministry of Food and Agriculture) informed the Committee that the question of recovering the sum of Rs. 74,929 was under examination in consultation with the Ministry of Law. As regards future recoveries, the legal position had been communicated to the C.C.F. and to the lessee in July 1960 and royalty would be recovered according to the terms of the agreement. In reply to a question, the Committee were given to understand that the lessee was in arrears (to the tune of about Rs. 14 lakhs) in paying royalty and he had paid only an advance at the rate of Rs. 40 per ton since 1957-58. *The Committee are gravely concerned to see this state of affairs. It is not clear whether C.C.F. had sought clarification from the Ministry of the precise implications of*

the relevant clauses regarding classification of timber before he chose to reclassify the species of timber in question on the basis of their marketable value. It was a serious failure on his part if he had not done so. The Committee would urge that expeditious action should be taken to recover the arrears of royalty up to date and to ensure that payment of royalty on such species of timber on the basis of its first classification by the C.C.F. is made by the lessee promptly and regularly.

Short recovery of royalty—para 38 (ii), pages 46-47—

86. The Agreement provided for the payment of royalty *inter alia* on hardwood and ornamental wood calculated at 50 per cent. of the f.o.b. price determined by the Chief Conservator of Forests (C.C.F.) each quarter of a year on the timber sales at open auction held for contractor's timber at his depot and for departmentally extracted timber at Government's depot. The weighted average price fetched at the lessee's depot and the Government's depot formed the basis of calculation of the said f.o.b. price and the royalty. The lessee had not, however, held any auctions during the years 1955-56 and 1956-57 but sold the timber by private negotiation and did not disclose the prices realised by him. The Department, therefore, billed him for royalty for the year 1955-56 on actual extractions on the basis of the weighted average price realised in the sale of similar timber in the Government's own depot at Calcutta. When the contractor did not agree to pay royalty on the basis of the prices realised in the Government depot, the Government decided to charge royalty from the lessee for the years 1955-56 and 1956-57 on the basis of the auction rates prevailing in 1954-55 at his own depot. This relaxation of the agreement by Government according to Audit had resulted in royalty being forgone to the extent of Rs. 2.78 lakhs.

87. In evidence, the Committee were informed that the relevant clause 14 of the agreement required that "the price of logs of timber per ton shall be generally determined by sales by open auction conducted under the joint supervision of the Chief Conservator's nominee and the licensee." As the lessee did not sell the timber by auction during the years 1955-56 and 1956-57 the weighted average price of timber, which was the basis for calculating the royalty payable, could not be computed. Nor did the lessee disclose the prices at which he sold the timber by private negotiation during this period. Government, therefore, decided to calculate the royalty payable for the years 1955-56 and 1956-57 on the basis of weighted average price for 1954-55. It was urged in support of this modification that Government were pushed to that position as they had nothing to go by. In reply to a question, it was stated by the Secretary, Department.

of Agriculture that the lessee could sell the timber from his depots by private negotiation without holding auctions and that Government had no powers to insist that auctions should be held. It was, however, pointed out by Audit that under the terms of the contract the lessee could dispose of the timber by such other methods as were approved by the Chief Conservator of Forests, and the lessee had thus broken the terms of the Agreement. The Committee enquired why Government could not invoke the provisions of clause 18 of the Agreement and stop further exports of timber from the island by the lessee when he had failed to pay the full royalty within the stipulated period of 30 days. The Secretary, Department of Agriculture informed the Committee that it was a drastic step which required careful consideration.

88. *The Committee are not happy at the manner in which Government have proceeded in the matter of realisation of the royalty for the years 1955-56 and 1956-57 from the lessee. They do not see why Government chose to deviate from the provisions of the Agreement by adopting the weighted average price of the year 1954-55 as the basis for calculating the royalty for the two succeeding years. When the lessee had sold the timber by private negotiation without obtaining the approval of the Chief Conservator of Forests and refused to disclose the prices, it was a clear case of breach of the terms of the Agreement and Government should have taken legal opinion before acting in the manner they did.*

Ex-gratia refund of interest partly recovered and non-recovery of interest due under agreement, para. 38 (iii), page 47—

89. The lessee firm had also failed to make the quarterly payment of royalties, due to Government under the agreement, for long periods. Failure on the part of the firm to pay royalty due within 30 days of the receipt of the bill entitled Government to charge interest at 12 per cent per annum on unpaid balance, to stop further exploitation and ultimately to cancel the licence if payment of the unpaid balance together with interest was not made by the firm within a year of the receipt of the bill. Upto May, 1958 the amount of royalty due from the firm had accumulated to about Rs. 31 lakhs. In the meantime the firm which had been served with a notice of cancellation of the agreement in March, 1958 had made a request for extension of time by two months from the date of expiry of the notice. While granting the extension, Government entered into a Supplemental Agreement in April, 1958, whereby, *inter alia* the firm undertook to pay on or before the 12th June, 1958 all Government dues on the timber exported upto 12th June, 1957. While settling the above payment, the firm not only declined to pay any interest

on overdue arrears under the principal agreement but also claimed refund of Rs. 55,052·50 which had been recovered from it upto 1956 on account of such interest. The firm contended that under the Supplemental Agreement of April, 1958 only arrears of royalty were payable by it and not interest for late payment as provided under the principal agreement. Although the Administrative Head of the Union Territory held that the payment of royalty should include interest, the sum of Rs. 55,052·50 had been refunded by Government to the firm *ex gratia* in October, 1958. The formal sanction of Government had not been communicated to Audit (December, 1959).

90. It was explained to the Committee that a telegram was sent to the Chief Conservator of Forests on October 14, 1958 stating that "interest charges on royalty should not be taken into account in intimating outstanding royalty. Interest amount may be taken separately and allowed to be paid by them (the firm) on or before 31st October, 1958." The telegram was misunderstood by him to mean that only the principal amount was to be realised and interest returned. It was, however, admitted before the Committee that the explanation of the Officer was being obtained for having refunded the amount.

91. *The Committee find it difficult to accept the above plea. In their opinion, the telegram was in unambiguous terms and there was hardly any room for "misunderstanding". When the firm had paid only about Rs. 16 lakhs against the outstanding royalty of Rs 31 lakhs (approx.), the proper course for the Chief Conservator of Forests was to set off the interest of Rs. 55,000 paid by the firm towards the arrears due. His action in refunding this amount in cash, therefore, lacked justification. The Committee consider that this matter requires investigation.*

92. *The Committee were also informed that there were a number of other breaches of the Agreement on the part of the lessee. If so, they enquired why Government did not take action to terminate the contract under the provisions of the Agreement. The witness informed the Committee that the matter was under the active consideration of Government. The Committee are concerned at the halting manner in which Government are handling this case. The Agreement was entered into in 1950—ten years back—and would be in force for 25 years, i.e. till 1975. The lessee had not been paying the royalty fully for the past four years or so and Government had not chosen to enforce their rights under the terms of the Agreement. In the course of evidence it was admitted before the Committee that the agreement was not a "very fine piece of work". If so, the Committee are surprised why action had not been taken by Government to*

rectify the relevant clauses. They are distressed at the "wait and see" attitude on the part of the Government which is costing the Exchequer rather heavily. In their opinion, the matter requires prompt attention and stern action if losses are to be avoided. In this connection, the Committee would also invite attention to para. 35 of their 25th Report (Second Lok Sabha)—Vol. II.

(Department of Food)

Audit Report (Civil), 1960—Part I

Misappropriation of sale proceeds of Export Quota Rights, Para. 39, pages 48-49—

93. A Central Purchase Organisation entered into an agency agreement with a firm on 31st October, 1956, for the purchase, blending and supply of tea to Defence Services during the period 14th July, 1956 to 31st May, 1958. The agreement stipulated reimbursement of the cost of the tea at "actuals" plus remuneration for other services rendered by the purchasing agents. In order that the blended tea might conform to the indentor's specifications, the agents had often to purchase a superior quality of tea meant for export, and the 'Export Quota Rights' thus accruing had been, later on, sold by the agents to other dealers interested in tea export. Although the agreement was silent on the subject, the agents used to credit the sale proceeds of such quota rights to Government by deducting the amounts from their bills for the cost of tea.

In the course of a local audit of the accounts of the agents conducted in June, 1957, it was noticed that a sum of Rs. 4,61,169 realised by the agents as sale proceeds of Export Quota Rights during the period September, 1956 to January, 1957 had not been credited by them to Government either directly or by way of deduction from their bills. In the periodical returns submitted to the Purchase Organisation and its Accounts Officer during that period, the Agents had shown the quantity and the rate at which such quota rights were contracted for sale, but they indicated the amounts realised on account of such sales as 'Nil' and claimed payment for the full cost of tea amounting to Rs. 35,50,342 which was paid.

The Purchase Organisation requested the agent firm on 4th July, 1957 to deposit the money but in spite of repeated reminders the firm failed to do so. Government on 19th September, 1957 forfeited the security deposit of Rs. 98,664 and also withheld an amount of Rs. 1,286 due to the firm on other bills. The firm had gone into liquidation on 11th March, 1958 and a claim for the balance of recovery of Rs. 3,84,572 (including further sums of Rs. 7,620 due on other accounts and Rs. 15,733 as interest) had been lodged by the

organisation with the Official Liquidator on 7th May, 1959. The recovery was still awaited (November, 1959).

According to Audit the firm had within the knowledge of the Purchase Organisation temporarily withheld an amount of about Rs. 10 lakhs on account of sale of Export Quota Rights during the year 1954-55 against an earlier contract. Despite that fact the Organisation took no special safeguards to ensure that the sale proceeds of the Export Quota Rights were credited to Government account immediately after realisation.

94. Elucidating the system of purchase of quality tea, the witness stated that Export Quota Rights vested with the tea estates to the extent of the better quality tea owned by them. With the sale of such tea at the auctions, the ownership of the corresponding Export Quota Rights also passed to the purchaser. The rights thus accruing to the purchaser could separately be resold by him in the market. If so, the Committee thought that when once a portion of the superior quality tea was utilised by the agent in blending tea for supply to Defence Services, the Export Quota Right should only cover the balance of the superior quality of tea left with the agent. The Committee, therefore, enquired why Government did not take action to acquire the Export Quota Right relating to the quantity of superior tea used in blending tea for supply to Defence Services. The witness stated that the agency system had been in force since 1918 and the present case was the first of its kind. *The Committee do not see how this could answer the point raised by them. In their opinion, this matter needs looking into as the existing practice is likely to lend itself to malpractices.*

95. The Committee were informed that the misappropriation of sale proceeds had occurred in this case not because of any defect in the system of purchase but was due to the failure of the agent to credit the sale proceeds of the Export Quota Rights to the Government in time. *The Committee are surprised to hear this. The same firm had defaulted in exactly the same manner to the tune of Rs. 10 lakhs in 1954-55 and Government should, therefore, have taken necessary steps to ensure that a similar situation did not recur. It was admitted before them that had the Director of Purchase and the Chief Pay & Accounts Officer been vigilant the moneys withheld could have been detected within a couple of months. But by the time they detected the mistake the firm had gone into liquidation.*

The Committee regret to observe that these officers had failed in their duties. As regards the realisation of the amounts, the Committee understand that a claim has been lodged with the official liquidator. The Committee would suggest that the Department may

consider in consultation with the Ministry of Law the question of instituting proceedings against the individual partners of the firm for criminal breach of trust.

*Appropriation Accounts (Civil), 1958-59, Volume VII—Grant No. 120—
Other Capital Outlay of the Ministry of Food & Agriculture*

Extra expenditure on diversion of imported sugar, Note 26, page 169—

96. During the period June, 1954 to August, 1955 an extra expenditure of Rs. 15,05,625 had been incurred on diverting imported sugar from Madras port and on transit dues as the stocks at Madras had been found to be much in excess of requirements.

97. It was explained to the Committee that the object of the import of sugar was to bring down prices by meeting the unsatisfied demand. But with the import of sugar, its off-take had come down from 19,000 tons to 13,000 tons and 14,000 tons to 8,000 tons and then to 3,000 tons a month. As sugar was liable to deterioration and the off-take in Madras was slow, it was diverted to the bigger market of Calcutta.

The Committee feel that much of the extra expenditure of more than Rs. 15 lakhs incurred on diverting the imported sugar from Madras port and on transit dues could have been avoided had alternative ports been mentioned in the shipping contract. They are not convinced with the plea that it could not be done due to the prevailing trade conditions, as it was admitted that it was the usual practice to mention alternative ports in the shipping contracts. The Committee trust that such omissions will not recur.

CENTRAL WAREHOUSING CORPORATION

Audit Report (Civil), 1960—Part I—Para 84, pages 91-92

98. The accounts of the Central Warehousing Corporation upto 1958-59 were subjected to a supplementary audit. Against a target of 100 warehouses to be constructed during the Second Five Year Plan, not a single warehouse had been constructed by the Corporation upto the end of March 31, 1959. It had, however, rented 9 godowns at several places since December, 1957 as an experimental measure.

Though the Board of Directors decided in March, 1959 to accelerate substantially the programme of the Corporation, it had been stated by the Corporation on April 7, 1959 that the target of 100 warehouses for the Second Plan period would have to be revised downward for the following reasons:—

- (i) the Corporation had come into *de facto* existence only in the middle of 1957 and several of the State Warehousing Corporations had come into existence even later,
- (ii) warehousing being a new venture, the Board of Directors preferred to start warehousing in hired accommodation as a measure of caution and in order to gain experience, and
- (iii) the construction of warehouses had to await the acquisition of suitable sites, preparation of designs and investigations regarding availability of steel and other building materials, all of which were bound to take considerable time and add to the delay in starting construction work.

Five warehouses were under construction during the year 1959-60. The total number of warehouses functioning during that year was 26 which were in hired accommodation. The expenditure on the rental of the hired accommodation and on the concerned establishment along with the corresponding receipts was as follows:—

	1957-58	1958-59	1959-60
	Rs.	Rs.	Rs.
(a) Receipts from warehousing	1,145	76,195	3,81,198
(b) Rent paid by the Corporation for the hired godowns.	13,013	63,993	1,55,494
(c) Establishment expenses	1,54,945	4,25,794	4,59,193
(d) Net loss to the Corporation	1,21,457	4,30,458	2,69,300

Under Section 19(1) of the Agricultural Produce (Development & Warehousing) Corporation Act, 1956, the Central Government had fixed the minimum rate of annual dividend guaranteed by them on the shares of the Corporation at 3½% per annum. The amount payable by the Central Government on that account worked out to Rs. 1,34,735·65, Rs. 3,80,921·06 and Rs. 5,92,925·70 for the years 1957-58, 1958-59 and 1959-60 respectively.

99. It was explained to the Committee that with the establishment of the Corporation in 1957, warehouses could not be organised immediately as the requisite personnel was to be recruited and trained. The number of warehouses at the end of the Second Five Year Plan was expected to be 40 against a target of 100. But all that would really be the work of the last 3 years of the Plan. Moreover, the target of 100 for the Central Warehousing Corporation and 250 for the State Warehousing Corporation was fixed *ad hoc* without any proper market surveys. The functions of the Central and State Corporation were also not clear at that time.

100. The Committee enquired about the number of warehouses constructed by the State Corporations and whether those had been utilised fully. They were informed that the State Corporations were running 169 warehouses and by and large they had good business although all of them were not fully utilised. *The Committee trust that efforts will be made to see that all warehouses are utilised fully.*

101. The Committee understand that at present the warehouses helped mostly the traders who were able to obtain credit against the stocks held. The proportion of producers utilising the warehouses is small but is showing a slight tendency to increase. *The Committee desire that steps should be taken to familiarise the cultivators with the advantages of the service so that they are attracted to it in large numbers and help in making the service self-supporting.*

MINISTRY OF HEALTH

Delay in the grant of patent rights for the medicines evolved at the Central Institute of Research in Indigenous Systems of Medicine, Jamnagar—

102. During the course of their on-the-spot study-visit to the above-mentioned Institute in September 1960, the Public Accounts Committee were informed that some of the medicines evolved at the Institute had not so far been granted patent rights. As an instance, the case of 'Aswagandha' was cited wherein the patent right had not been granted though more than three years had elapsed since it was evolved.

In evidence, the Adviser in Indigenous Systems of Medicine stated that the Ministry of Health were concerned only with scientific investigations, and obtaining of patent rights did not fall within their purview.

103. *In the opinion of the Committee, the Ministry of Health should be equally interested in securing patent rights for the medicines evolved at the Institute as in the research and scientific investigations conducted at the Institute. Any delay in securing such rights is fraught with the risk of exploitation by unauthorised and unscrupulous persons. The fruits of so much labour and cost will not be available to the public unless patent rights for these medicines are acquired and the medicines commercially produced by suitable agencies. The Committee trust that the Ministry of Health will pay attention to this aspect and ensure that the results of the researches are made available for the benefit of the public.*

MINISTRY OF HOME AFFAIRS

*Loss and other irregularities in colonisation clearance contracts—
Para 41, Pages 49—51—*

104. In partial implementation of a scheme of rehabilitation of displaced persons, two plots of forest land measuring 600 and 500 acres were selected for immediate clearance in 1954 in Andamans. Another plot, measuring about 3,000 acres, was taken over for the same purpose in 1956. The department executed after negotiation an agreement in 1954 for the first two plots and another in 1956 for the 3rd plot, with a firm for the work of clearance in these areas at the rates of Rs. 365, Rs. 410 and Rs. 460 per acre respectively. The rates were based on the results of a small departmental experiment of "clear felling" over an area of 2 acres only with manual labour (which came to Rs. 142-4-0) carried out in 1953. The high rate of Rs. 460 was agreed to in the case of the 3rd plot, with the main object of having the whole area cleared by a target date, viz., 31st March, 1956. Only 100 acres out of 3,000 were cleared by that date by the Contractor. Two interest free advances of Rs. 2·5 lakhs (in November, 1954) and Rs. 8 lakhs (Rs. 5 lakhs in December, 1955 and Rs. 3 lakhs in January, 1956) were paid to the contractor for purchase of capital equipment.

105. It was explained to the Committee that the rates of Rs. 365 and Rs. 410 per acre payable to the firm were based on the results of small departmental experiments carried out in the Middle Andamans which came to Rs. 142-4-0 and Rs. 169-8-0 per acre respectively, representing the actual labour charges involved. Since the labour was employed on monthly basis, Sundays and 'paid Government holidays' were also included in calculating the rates payable to the contractor. Certain other charges (e.g., those relating to motor boats, tools, overheads, transport, heaping and burning, etc.) and a

depreciation allowance of Rs. 75 per acre on the machinery and equipment were added thereto for arriving at the rates payable to the contractor.

106. It was urged before the Committee that the contractor had originally demanded one-third of the cost of the machinery as depreciation but Government agreed to pay a flat rate of Rs. 75 per acre for the actual area cleared instead of an outright grant. *The Committee feel that the depreciation allowance of Rs. 75 per acre on the machinery and equipment allowed to the firm was rather too high when in the case of the third plot the revised rate of Rs. 325 per acre contained a provision for depreciation of only Rs. 14 per acre on machinery. The Committee are of opinion that the Government while calculating the depreciation allowance should have also taken into consideration the fact that they had made interest free advance of Rs. 2.5 lakhs to the firm in November, 1954.*

107. In justification of the payment of an advance of Rs. 8 lakhs to the contractor the Committee were informed that the advance was made for expeditious procurement of heavy machinery and equipment required for the clearance of the third plot estimated to cost Rs. 13,80,000 at Rs. 460 per acre. The estimated value of this work was later reduced to Rs. 8.2 lakhs and agreed to by the contractors as a result of reduction of the rate, by way of penalty of Rs. 325 per acre consequent on his failure to complete the work by the target date under the original contract. *The Committee regret to observe that Government had failed to have the work completed within the stipulated time in spite of their advancing a large amount interest free. They learnt that the first instalment of advance, viz., Rs. 5 lakhs was given even before the execution of the agreement. They see no convincing reason for this. Nor are they satisfied with the plea that "the drawing up of an agreement necessarily takes time and for this reason it was not considered practicable to await the finalisation of the contract for making the payment of the advance". The Committee are distressed to learn that the advance has not yet been adjusted. They desire that early steps should be taken to adjust the advance and finalise the payment on account of the work.*

108. The Committee understand that the firm refused to disclose the details of equipment purchased by it against the advance of Rs. 2.5 lakhs in November, 1954, while equipment worth Rs. 2.9 lakhs only, out of the advance of Rs. 8 lakhs, was used for the work on the third plot. According to a note* furnished to the Committee

*Appendix II.

“the firm have not been able to satisfy the Government that equipment worth Rs. 2·5 lakhs was purchased by them entirely for Government work”. *It is thus obvious that the advances to the firm were unduly liberal resulting in avoidable loss to Government by way of interest.*

Suspected loss to Government, para 42, pages 51-52—

109. Following some serious irregularities noticed in the accounts of the Union Public Service Commission in 1957-58, the accounts for 1958-59 were scrutinised in greater detail during June-July, 1959. Non-observance of the financial rules and the prescribed procedure as also lack of control on the part of the drawing and disbursing officer, facilitated the various irregularities. The cashier of the office suspected to be responsible for the apprehended loss of Rs. 10,271·67 was suspended with effect from 2nd June, 1959, and the case was reported to be under police investigation (November, 1959). A departmental enquiry covering the whole field with a view to examining the working of the arrangements for handling cash transactions during the past years and fixing responsibility as suggested by Audit was stated to be in train.

110. It was explained by the Secretary of the UPSC that an experienced Accounts Officer who had been deputed to go through the accounts had completed nearly half of the work and that within the next five or six months he would complete the whole work.

The Committee trust that this work will be completed expeditiously and the total loss determined. The Committee would like to be informed of the results of the Police investigations and the departmental action taken against the various officers, especially the drawing and disbursing officer whose laxity facilitated the various irregularities detailed in the audit para.

Disposal of outstanding objections and inspection reports, paras 91-92, page 112—

111. The number of outstanding inspection reports and audit objections was reported to be large against the Ministry of Home Affairs amongst others.

112. It was explained to the Committee that the Ministry were making special efforts to dispose of the outstanding inspection reports and the number of outstanding as on 31st August, 1959 was 6,262 as against 7,941 as on 31st March, 1959; out of which 3,581 items related to the Delhi Administration. The latest position was that audit objections against Delhi Administration had been reduced to about 2,000 in March, 1960. The Committee were assured that further steps would be taken to dispose of outstanding objections.

The Committee are not happy over this state of affairs as some of the objections are 7-8 years old. They regret to observe that in spite of their repeated recommendations and instructions issued by the Ministry of Finance, inspection reports and audit objections are allowed to accumulate. They desire that each Ministry should fix a target date for clearance of outstanding audit objections and see that the date is adhered to.

Appropriation Accounts (Civil), 1958-59, Volume IX

Himachal Government Rosin and Turpentine Factory, Nahan, Note 6, page 98—

113. According to Audit, during the year 1958-59, the direct cost of production of the various products sold by the factory worked out to Rs. 21,43,620 while their sale proceeds amounted to only Rs. 16,80,400, resulting in a loss of Rs. 4,63,220. The Committee inquired why the products of the factory were sold at a price which was not sufficient to cover even the direct production cost. They were informed that the sale of goods below their cost of production had created some suspicion against the officer concerned and the case was under investigation by the Special Police Establishment. *The Committee would like to be informed of the result of the investigation and action taken by the Ministry against the officer.*

114. The Committee were informed that the procedure for fixing the price of products of the factory had since been modified and the factory had made a net profit of Rs. 4,22,848 during the year 1959-60.

MINISTRY OF REHABILITATION

Non-maintenance of records in a Rehabilitation Office—para 44, pages 54-55—

115. Under the Evacuee Interest (Separation) Act, 1951 and the Rules made thereunder, the work of separation of interests of 'evacuee' and 'non-evacuee' in the composite properties in Delhi State was entrusted to a Government office in March, 1952, which was required to maintain proper records of these properties, their subsequent disposal and collection of fees, etc. It was noticed in local audit conducted in March, 1956 that the property accounts which constituted the basic records were not being maintained. Though this matter was brought demi-officially in March, 1956 to the notice of the Ministry by Audit and the unsatisfactory state of the accounts was also pointed out in subsequent audits conducted in March, 1957, March 1958 and May, 1959, the accounts remained in a very incomplete form and according to Audit it was not possible to verify:—

- (i) whether all composite properties had been included in the property registers;

- (ii) whether the sale proceeds had been correctly credited to Government account and shares of non-evacuee interests had been paid to them; and
- (iii) whether proper adjustment in respect of custodian fee, etc. had been made in each and every case.

The total number of such properties at the end of May, 1959 was stated to be 2,538 urban and 2,393 rural. These figures were also not susceptible of verification by Audit in the absence of complete property registers.

116. It was stated in evidence that the registers could not be written up as the requisite staff was not in position. The work was now in progress and it was expected to be completed within a few months.

The Committee regret to observe that the initial accounts were not maintained in the prescribed form and it has taken too long to bring them up to date. The Committee would urge that comments from Audit regarding non-maintenance of accounts should receive prompt attention at the hands of the Ministries so that the accounts could be scrutinised and reported upon in time by Audit.

The Committee will in this case await the comments of Audit after scrutiny of the accounts since brought up-to-date.

Expenditure on development of a Township—para 45, page 55—

117. In November, 1950 Government sanctioned a scheme for the construction of a township in a State for the rehabilitation of displaced persons under a Town Development Board to which a sum of Rs. 33·12 lakhs was given for the construction of houses, shops, parks, roads, schools, water supply and electricity installations, etc. during the period 1950-51 to 1957-58. A sum of Rs. 29·46 lakhs was spent by the Board on the construction of 610 quarters (including 16 superior type quarters), 153 shops and 14 godowns besides other works of public utility through the State Public Works Department during the years 1950—57. The balance of Rs. 3·66 lakhs was spent on recurring charges like maintenance, etc.

Out of the 267 displaced families brought to the Township during the years 1952-53 and 1953-54, only 100 families were in residence in June 1959, the rest had left for want of adequate means of livelihood. Even after accommodating non-sponsored and non-displaced families, 109 quarters, 98 shops and 14 godowns were lying vacant in March, 1959, with the result that as against an estimated revenue of 4,47,667 (approximately) upto October, 1958, only a sum of Rs. 2,33,503 was assessed for recovery from individuals in occupation of quarters and

shops/godowns. A sum of Rs. 1,09,151 only had been recovered till December 1958 and the outstanding rent and water charges amounted to Rs. 1,09,152 excluding a sum of Rs. 14,457 on account of rent, which had been written off in November, 1956.

118. It was stated in evidence that the State Government had a plan for the development of the area around this township for settling ex-soldiers and landless persons and had approved various schemes for setting up a number of industries, a dairy farm, etc. The Central Government also, therefore, decided to construct this township for the rehabilitation of the displaced persons. However, the schemes of the State Government did not go through as the area in question was liable to be flooded every year and had no direct link with any big market or a railway line. The Central Government had established a few cottage industries there in order to develop the economy of the township. Efforts were also being made to get a sugar mill established there as it was a sugarcane growing area.

119. The Committee understand that there were more than 300 tenements lying vacant and there was no immediate prospect of these tenements being put to use. The recurring expenditure on the township was about Rs. 90,000 a year including the maintenance of these tenements. The township had been transferred to the State Government with effect from the 7th March, 1959, and the net deficit would be borne by the two Governments in an agreed ratio. *While the Committee appreciate the need for establishing new townships for settling the displaced persons, they regret to observe that the scheme in this case was both ill-conceived and badly executed. It is also surprising that effective steps were not taken to develop the economy of the township at least after it became evident that the displaced families were leaving the township for want of adequate means of livelihood.*

The Committee note that a large amount (Rs. 1.09 lakhs till December, 1958) is outstanding from the occupants of quarters and shops/godowns by way of rent and water charges. They trust that effective steps would be taken to expedite recovery of these arrears.

Overpayments due to non-application of amended rule from the date of its notification—para 49, pages 59-60—

120. On 4th September, 1956, Government issued an amendment to Rule 19 of the Displaced Persons (Compensation and Rehabilitation) Rules, 1955, the effect of which was to deliberalise the amount of compensation payable to certain types of undivided Hindu families. The amendment to the Rule was not given effect to from the date of its Notification as required under the Codal rules, but various Regional Settlement Commissioners gave effect to these orders from different

dates ranging from 7th September, 1956 to 12th January, 1957. When the attention of Government was drawn to this by Audit Government issued orders on 7th May, 1958, that the amendment to Rule 19 should take effect from the date of the receipt of the amendment in each Regional Settlement Commissioner's Office. Audit objected to this and suggested that all cases finalised after 4th September, 1956 by applying the unamended rule should be reviewed and overpayments recovered. The Ministry thereupon in consultation with the Ministries of Law and Finance agreed on 11th September, 1959 to obtain a list of all such cases for regularisation.

121. The Committee were informed in evidence that on the basis of reports received from all but two regions the total amount overpaid was found to be Rs. 23,394. The reports from the two regions were also expected soon. Efforts were being made to recover the overpayment made to the displaced persons. *The Committee, however, feel that overpayments in this case could have been avoided if the amendment had been given effect from the date of its notification, as required under Codal Rules. They would urge that expeditious action should be taken for the final settlement of these cases. They also trust that such cases will not recur.*

Loss in sale of Evacuee Properties, para 51, page 61—

122. Under the provisions of Displaced Persons (Compensation and Rehabilitation) Rules, 1955 the non-allotable evacuee properties are sold by public auction. The highest bidder is required to deposit 10% value of the bid on the fall of hammer and the balance 90% on acceptance of the bid by the Organisation responsible for making compensation payments. In case the purchaser is a displaced person having a claim for compensation he is allowed to have the amount adjusted against the compensation due to him, 'in lieu of cash payment.'

It was noticed in local audit in 1957-58 and 1958-59 that in a number of cases the claimant purchasers, after they had given their consent for adjustment of the balance of 90% from their compensation claims, had later on been allowed to withdraw their bid on one pretext or the other after forfeiting only 10% value of their bid from their compensation claims. In five such cases alone the re-auction of the properties resulted in a net loss of Rs. 58,442 after taking into account the 10% forfeiture.

123. The Committee enquired why the purchasers were allowed to resile from their bid after forfeiting only 10% value of the bid from their compensation claims. The representative of the Ministry stated that in the Displaced Persons (Compensation and Rehabilitation) Rules there was no provision for deducting more than 10% of

the value of the bid in such cases. There was, however, provision in an appendix to the rules to the effect that Government could recover the actual loss suffered in re-auctioning. But Government refrained from invoking this provision and recover the loss from the displaced persons. Government have, however, instructed the Regional Settlement Commissioners that, as a general rule, if the compensation due to a displaced person was adequate to cover the bid price, permission for resiling from the bid should not be given. It was added in passing that although there were losses as a result of re-auction of the property in the cases mentioned in the Audit Report, there was profit in some others.

The Committee trust that the instructions issued by the Ministry will be strictly followed in future.

MINISTRY OF SCIENTIFIC RESEARCH AND CULTURAL AFFAIRS

Irregular payment of allowances—para 52, page 61—

124. Certain work-charged staff, employed outside the municipal limits of Delhi/New Delhi, were paid house rent allowance and city compensatory allowance amounting to Rs. 31,605 by the Department of Archaeology during the period 1st January, 1947 to 30th November, 1956 even though these allowances were admissible only to staff, whose places of duty were within the municipal limits. The irregularity was first brought to the notice of the Department in January, 1954, and later, reported to the Ministry in March 1954. Nevertheless, the payment was continued to be made for nearly three years thereafter and was stopped only from 1st December, 1956. Government issued orders in December, 1958, waiving the recovery of the entire over-payment of Rs. 31,605.

125. In evidence, it was stated that the allowances in question were paid to the staff employed at some works near Hauz Khas and Qutab Minar which were taken over by the Department of Archaeology from the C.P.W.D. The staff were in receipt of the allowances when they were under the control of the C.P.W.D. and, therefore, were continued to be paid by the Department of Archaeology after the change-over. Further, though the works were outside the municipal limits of Delhi and New Delhi, the employees had to spend a part of their time in their office which was situated within such limits. After it was pointed out by Audit that the allowances were inadmissible to the staff employed at these works, the matter was referred to the Ministry of Finance. And as a result, the allowances were stopped in the case of staff employed near Qutab Minar, but continued in the case of staff employed near Hauz Khas.

126. The Committee could see no justification for continuing the payment of the allowances for nearly three more years when it had been objected to by Audit in January 1954. They would invite attention to the recommendation of the Public Accounts Committee in para 21 of their Report on the accounts of 1946-47, according to which payments objected to in audit should be held in abeyance, pending a final decision in the matter. Had this been done, a part of the over-payment could have been avoided. The Committee trust that Ministries and Departments of Government will henceforth strictly comply with the afore-mentioned recommendation.

MINISTRY OF STEEL, MINES & FUEL

(Department of Iron and Steel)

IRON AND STEEL CONTROL ORGANISATION

Placement of contracts on a black-listed firm—para 55, pages 64-65—

127. During August-September, 1954 the Ministry of Works, Housing and Supply black-listed a firm with all its branches and associate firms under intimation to all the Ministries of the Central Government. The persons connected with this firm floated a limited company in another name at the end of the year 1954. The Iron and Steel Control Organisation placed on the newly formed company about 52 contracts valued at about Rs. 23 crores during the period June, 1955 to October, 1956 for the import of steel.

128. In order to secure uniformity in the principles and procedure of black-listing firms, the Ministry of Works, Housing and Supply issued general instructions in March, 1956 whereby the black-listing order was extended to new firms/companies floated/run under different names by any of the partners of the black-listed firm. In October, 1956 the Ministry of Steel, Mines and Fuel further issued separate orders banning all business dealings with this firm, both in the old name as well as in the new name. Even after the issue of these orders, ten more contracts were placed on the new firm during the period November, 1956 to January, 1957 valued at Rs. 4.12 crores.

129. The Committee enquired why the Iron and Steel Organisation placed contracts to the extent of Rs. 23 crores during the period June, 1955 to October, 1956 on the firm constituted by the persons connected with the main firm black-listed in 1954. The explanation of the witness was that in both the black-listing orders issued by the Ministry of Works, Housing and Supply during the period August-September, 1954—which specifically mentioned the names and addresses of the black-listed branches and associates of the firm—there was no reference to the new firm. From this, the Iron and Steel

Control Organisation presumed that the Ministry of Works, Housing and Supply, having gone into the whole matter, might not have considered it necessary to black-list the new firm. It was, however, admitted in evidence that the Iron and Steel Control Organisation, at the time it placed contracts with the new firm, was aware of the fact that its partners were the same as those of the black-listed firm.

130. *When it was within the knowledge of the Iron & Steel Control Organisation that the partners of the new firm were the same as those of the black-listed firm, it passes the comprehension of the Committee how the Iron & Steel Controller could presume in the way he is reported to have done. The fact that orders valued at Rs. 4.12 crores were placed on the firm by the Iron & Steel Controller even after the orders, dated October 1956 from Government indicated beyond doubt that it was a clear case of disregard of the Government's orders.*

131. As regards the ten contracts placed on the new firm during November, 1956—January, 1957, the Committee inquired why these contracts were placed despite the explicit orders of the Ministry of Steel, Mines and Fuel in October, 1956 banning all business dealings with this new firm also. It was stated by the representative of the Department of Iron & Steel that according to the explanation furnished by the Iron & Steel Control Organisation, these orders had to be placed on the firm as advance letters in respect of 7 contracts had already been issued and verbal commitments in respect of the remaining three already made. To a question whether there was anything on record to support the Iron & Steel Control Organisation's statement regarding verbal commitments in the case of three contracts, it was stated that there was no clear evidence on the file; but from the drafts of certain unissued letters of earlier dates lying in the file, a reasonable presumption to this effect could be made.

132. Audit brought to the notice of the Committee the following extracts from a letter, dated the 26th October, 1956 issued by the Ministry to the Iron and Steel Controller:—

“Any agreement with this firm that the Iron and Steel Controller might have entered into for stock-holdership should also be terminated after giving required notice. In other words, except the issue of export and import licences for which the firm may be eligible under the Export and Import Control Act, the Controller should not have any dealings in future with this firm.”

In the light of these orders, the question of honouring verbal assurances did not arise. The Committee deplore the manner in which the case was handled.

133. The Committee learnt from Audit that even the main firm which had been black-listed by the Ministry of Works, Housing and Supply with all its branches and associate firms in August-September, 1954 was appointed by the Iron and Steel Controller as a controlled stockist of iron and steel with effect from the 4th May, 1955. When Audit later asked the Iron and Steel Controller whether it was desirable to appoint a black-listed firm as a controlled stockist, the Iron & Steel Controller in his letter, dated the 28th September, 1955, replied:—

“In view of the very important position that the firm occupies as an importer of steel, we have not found it convenient to impose any ban on their participation in imports. The particular stock agreement that has been entered into with effect from 4th May, 1955 is in respect of finished products out of certain quantity of Russian billets imported by the firm on their own account but supplied for Government purposes at a very favourable rate. As the ban has been imposed on this firm in respect of disposal of surplus materials only we propose to continue to deal with them so far as imports of steel are concerned.”

134. Commenting upon the above reply of the Iron & Steel Controller, the Secretary, Department of Iron & Steel stated in evidence that on a reference being received from Audit, the matter was considered in all its aspects by the Ministry who came to the conclusion that the stand taken by the Iron & Steel Controller was not correct and that the black-listed firm should not have been appointed as a controlled stockholder. Accordingly, orders were issued by the Ministry in October, 1956 cancelling the name of this firm from the list of controlled stockholders.

The Committee are amazed that the Iron and Steel Control Organisation should have gone to the length of appointing a black-listed firm as a controlled stockist regardless of Government orders.

The Committee feel that it is a fit case to be investigated further for fixation of responsibility for the irregularities revealed.

Delay in effecting recoveries—para 56, page 65—

135. In February, 1956 the Iron & Steel Control Organisation placed a contract with an Indian firm for the supply of 7,945 tons of imported steel to be shipped from foreign ports by December, 1956. The firm shipped 2,629 tons by December, 1956, another 1,204 tons by March, 1957 and expressed its inability to supply the balance and requested for its cancellation. The Organisation obtained the advice

of Government Solicitor, who stated in July, 1957 that Government were entitled to recover from the defaulting firm the difference between the contract price and the market price provided the market price was higher. The Organisation, however, did not take any effective steps to work out the recoverable amount and prefer the claim against the firm till Audit urged for prompt action in October, 1958. Claims for Rs. 3,08,621 (extra cost on account of risk purchase) and Rs. 14,586 (liquidated damages) were preferred against the firm in January, 1959 and February, 1959 respectively but the recovery of the amounts was still pending (September, 1959).

136. In extenuation of the delay in working out the recoverable dues and preferring the claim against the firm in question, it was stated by the Iron & Steel Controller in evidence that the relevant file was under action for some time in connection with another case. Thereafter, a reference had to be made to the Indian Embassy at Bonn for verifying the freight rate and f.o.b. prices of the material obtaining in the continent at that time.

The Committee are concerned to observe that the Iron and Steel Control Organisation should have taken 15 months in verifying the freight rate and f.o.b. prices of the material obtaining in the Continent. They are firmly of the opinion that the delay in this case, was unconscionable.

The Committee were given to understand that the case was being referred to arbitration and that arrangements in regard to the appointment of the arbitrator were under way. *The Committee would like to be apprised in due course of the final outcome of the case.*

Non-recovery of dues from a firm—Para 57, pages 65-66—

137. In March and May, 1954, the Iron & Steel Control Organisation issued import licences to a manufacturing firm for the import of about 3,530 tons of billets for its own consumption, on the condition that in case the landed cost of the material was less than the corresponding statutory price, the difference would be paid to the Steel Equalisation Fund. On demand by the Organisation on 3rd August, 1955 for the payment of the difference, the firm contended on 16th August, 1955 that it was entitled to retain 4 per cent remuneration on landed cost which was admissible under Public Notification, dated 22nd April, 1952 to commercial importers who disposed of such imports under the authority of and in the manner prescribed by the Organisation. The firm's request was acceded to in January, 1956 and it was allowed to retain a sum of Rs. 67,640 as remuneration.

In December, 1956 it was pointed out by Audit that as the steel was consumed by the firm in its own works, it was not entitled to the remuneration either in terms of the Public Notification or conditions of the licences granted to it. Government agreed with this view and directed the Iron & Steel Control Organisation in September, 1957 to effect recovery of Rs. 67,640 from the firm. The actual recovery was still awaited (January, 1960). In extenuation, it was stated by the Iron & Steel Controller that necessary action in the matter was initiated by his Organisation in the middle of December, 1957 but there was protracted correspondence between them as the firm protested against the claim.

138. The Committee feel that much of the trouble could have been avoided had the Organisation been vigilant and strict in dealing with the claim for remuneration. It is nearly four years since the matter was raised by Audit and the dues in question are yet to be realised. The Committee understand that the matter is now before Government for decision. They trust that an early decision will be taken in the matter.

*Loss due to non-enforcement of the terms of contracts—Para 58—
pages 66-67—*

139. On 11th May, 1956, a certain firm offered 2,000 tons of MS Angles and 5,000 tons of MS Rounds, after negotiations to the Iron & Steel Control Organisation at C.I.F. prices of Rs. 724 and Rs. 698 respectively per ton on the condition that if these prices were found to be higher than the prices obtained against tender enquiry (to be issued within 15 days) for similar type of the material and the same specification, the firm would be asked to reduce its prices accordingly within 30 days; and in case of non-acceptance of the reduced price, it would be allowed to sell the material elsewhere at the landed cost. The firm was informed about acceptance of its terms of offer on 17th May, 1956 and simultaneously tenders were invited on 16th May, 1956 for similar type of material. As the lowest quotations received in respect of tender enquiry were Rs. 659/4 per ton for Angles and Rs. 663/8 to Rs. 683/12 per ton for various items of MS Rounds, the firm was asked on 25th June, 1956 to reduce its prices accordingly or in the alternative to sell the materials elsewhere at full landed cost. The firm did not accept the lower prices on the plea that materials offered against the open tenders were products of Continental Re-rolling Mills while the stores offered by it were of better quality, strength and finish, being the products of main producers in Japan. On 14th July, 1956, the firm was informed that its plea was unacceptable. On further negotiation the firm agreed to accept reductions in price of Rs. 4 and Rs. 3 per ton in respect of Angles and Rounds respectively and final contracts stipu-

lating the prices of Rs. 720 and Rs. 695 per ton were accordingly issued on 10th August, 1956 and 12th August, 1956 respectively. According to Audit, purchase of the steel from the firm at prices higher than the lower quotations without entering into fresh contracts with other lower tenderers resulted in avoidable extra expenditure of Rs. 2,25,082.

140. In evidence, the Committee enquired why after rejecting the firm's plea of superior quality of the materials offered by it on the 14th July, 1956, the Iron & Steel Control Organisation entered into agreements with it a few days later on the basis of just a nominal reduction in prices (from Rs. 724 to Rs. 720 per ton and from Rs. 698 to Rs. 695 per ton for Angles and Rounds respectively). The Iron & Steel Controller stated that as a result of discussions held by his Organisation with Finance in the presence of the firm's representative, it was agreed that the firm's offer for fully tested MS Rounds of Japanese origin in open hearth quality should not be lost. It was accordingly decided to confirm the acceptance of the offer, and, after negotiations, the price was reduced from Rs. 724 to Rs. 720 per ton.

141. While the Secretary of the Ministry admitted that the price paid to the firm was higher than the lower quotations, he urged in extenuation that had the offer been rejected, the firm would, under the terms of the agreement, have sold the steel in the market (to non-priority indentors) and it would not have been available for high-priority indentors awaiting allocation from the Iron & Steel Controller.

142. *The Committee are not fully convinced by this explanation. When the plea of superior quality urged by the firm was rejected, there was no apparent justification to pay substantially higher price for the steel purchased from this firm when other firms were willing to offer the materials at lesser rates. The interests of high-priority indentors would not have been affected as there were competitive tenderers ready to supply.*

143. *In para 24 of their 26th Report (Second Lok Sabha) the Committee had pointed out a number of instances in which the Iron and Steel Controller acted beyond his powers. Similar irregularities have been pointed out in the Audit Report (Civil), 1960. The Committee are constrained to observe that the Iron & Steel Controller had acted in his own way during this period and Government failed to take due notice of these omissions and commissions till Audit pointed them out. The Committee would suggest a thorough investigation into the working of this Organisation and devising of effective measures to prevent recurrence of such cases which may entail losses to Government.*

HINDUSTAN STEEL LIMITED

Non-maintenance of proper system of commercial accounts—Para 87 (i), pages 95-96—

144. The management and direction of two steel projects (*viz.*, Bhilai and Durgapur) were taken over from the Government by the Hindustan Steel Ltd., with effect from the 1st April, 1957. An adequate commercial system of accounts had not been introduced in these two projects, nor control accounts brought into use in the Headquarters office of the Company (in respect of the accounts maintained by the different Project authorities). Detailed assets registers, control ledgers like Store Purchase Ledgers, Total Debtors' and Creditors' Ledgers, etc. were not maintained by the two Projects. In one of the Projects, no Priced Store Ledger was maintained. Standard forms of accounting and uniform system of accounts in all the three Projects (Bhilai, Durgapur and Rourkela) had also not been introduced.

145. The Committee were informed by the representative of the Department of Iron & Steel in evidence that considerable progress in the introduction of commercial accounting at Durgapur and Bhilai had since been made, and during the year 1959-60, most of the registers and ledgers referred to in the Audit para had been introduced. There was still some leeway to be made up, particularly at Bhilai, but it was hoped, this would be done in the current year.

The Committee would like to watch further progress in the introduction of a full-fledged system of commercial accounting at the two Projects. They would also like to be informed of the steps so far taken by the Company to secure uniformity in the system of accounts in all the three Projects under its control.

Increase in costs due to changes in design and payment of demurrage charges—para 87 (ii) (a), page 96—

146. The Bhilai Project was undertaken in collaboration with the Government of the U.S.S.R. A project study incorporating the main specifications and drawings was prepared by the Government of the U.S.S.R. in December, 1955. On the basis of this report and subsidiary information obtained, the project authorities invited tenders and also resorted to negotiations with certain contractors for the construction work and supply of materials. The detailed drawings had, however, not been received in many of the cases before procurement action was taken. When these were received, it was found that provision had to be made for a large number of extra items which were not originally included in the project study and

for an increase in quantities previously indicated; it also entailed special methods of construction in some cases. This added to the cost of the project by an estimated amount of Rs. 4 crores.

147. In justification of the initiation of procurement action before the receipt of detailed drawings, the representative of the Department of Iron and Steel stated that according to the arrangements arrived at with the Russian Consultants, the completion of civil works at Bhilai was to synchronise with the arrival of plants from the U.S.S.R. so that no time was lost in their erection. Before starting the civil works, tenders had to be invited. As detailed drawings in many cases had not been received from the Consultants, tenders were invited on the basis of quantities and materials indicated broadly by the Consultants. An alternative course was to wait till detailed drawings in these cases too had been received; but it would have considerably delayed the completion of civil works.

148. While the Committee note the Company's anxiety to avoid delay in the completion of civil works in the present case, they trust that the Company will draw upon its past experience and arrange for the preparation of detailed drawings well ahead of construction schedules when setting up new Steel Plants in future. This would not only provide a more reliable basis for framing the estimates but also minimise chances of wastes and delays resulting from hurried procurements and changes in designs.

Para 87 (ii) (b), pages 96-97—

149. Many items of the plant, including heavy machinery as well as light structures, fully or partly assembled, were despatched in ships of the U.S.S.R. and other countries. Difficulties were encountered at Visakhapatnam in unloading the consignments because of the size of the machinery and equipment. The rate of unloading was consequently slow and resulted in the detention of the ships. This was largely responsible for a claim for demurrage of Rs. 62 lakhs for the period from August, 1956 to mid-1958.

It was stated in evidence that since the middle of 1958, the project authorities had not encountered any major difficulty in the unloading of consignments. Out of the demurrage claim of Rs. 62 lakhs, Rs. 47 lakhs had already been paid and Rs. 4 lakhs were due to be paid. An amount of Rs. 11 lakhs was under dispute, and, it was hoped, the claim for this would be withdrawn by the Consultants. *The Committee would like to be informed in due course of the final decision taken in the matter.*

Irregularities in the emergent local purchases of stores—para 87 (iii), page 97—

150. On grounds of emergency, local purchases of stores and electrical goods, costing about Rs. 26 lakhs were made at Bombay by certain officials of the Bhilai Project in the months of July and August, 1958. The following irregularities in respect of these purchases have been reported:—

- (a) It was alleged that after the tenders had been opened for the supply of electrical goods, valued at Rs. 14 lakhs, alterations had been made in the figures of some of the items in the tender of a particular firm and also in the comparative statement of tenders.
- (b) In some cases the rates in the quotations submitted by several firms were in pencil. Some of these were subsequently altered or erased.
- (c) Immediately after orders had been placed on the firm mentioned in (a) above, an item costing over Rs. 52,000 was cancelled as it was found that the material offered by it was not upto specification.
- (d) No receipt vouchers were available to show that the stores had been received at the plant site, nor were there any issue notes to show that these stores had been issued to works.

151. In evidence, the Committee enquired what action had been or was proposed to be taken against the officials responsible for these irregularities. They were informed by the representative of the Hindustan Steel that no departmental action against the suspected officials could be taken as the matter was pending police investigations and the relevant records were in police custody. The question of taking disciplinary action would be examined on receipt of police findings.

152. In reply to a question, it was stated that none of the suspected officials was suspended pending police investigations. In reply to another question, it was stated that of the four officials involved, one had since retired in the normal course, and the other three were still in the service of the Project.

153. *The Committee regret that though nearly two years have elapsed since the irregularities referred to in the Audit para were detected, disciplinary action in the matter has not yet been initiated, and one of the suspected officials has, in the meanwhile, been allowed to retire. The Committee have pointed out on more than one*

occasion that disciplinary action should be prompt. The explanation of the representative of the Hindustan Steel for delay in instituting disciplinary proceedings is not acceptable to the Committee. They would in this connection like to draw attention to para 30 of their 5th Report (First Lok Sabha) and para 13 of their 13th Report (First Lok Sabha) wherein they recommended that departmental proceedings against the suspected officials should not be held up pending the outcome of criminal prosecutions and that photostat copies of all documents having an important bearing on the disposal of the case should invariably be kept. The Committee fail to understand why the Company did not consider it necessary to suspend the suspected officials pending police investigations, as otherwise there is greater risk of the suspected officials influencing the evidence. They would like to be informed of the action taken against the officers in this case. The Committee also trust that the Company will in future deal with disciplinary cases with greater vigour and expedition.

Loss of cash amounting to Rs. 10,000—para 87 (v), page 98—

154. A shortage of Rs. 10,000 with one of the cashiers of the Bhilai Steel Plant was noticed on 7th April, 1959. A departmental committee was appointed to investigate the matter on or about 9th April, 1959 and a report to the Police was also made. It was noticed that no security deposit or any fidelity bond was taken from any of the cashiers employed, though the necessity for this was stressed by Audit in August, 1958.

155. In evidence, the Committee were informed by the representative of the Hindustan Steel that the departmental committee which had held preliminary investigations into the matter could not fix individual responsibility. The matter was then referred to the police who also failed to find any clue to the theft. The latest position was that the Cashier had been placed under suspension, and it was proposed to proceed against him departmentally. *The Committee would like to be apprised of the final outcome of the case in due course.*

156. To a question why no security or fidelity bond was taken from any of the cashiers, though the necessity for this was stressed by Audit in August, 1958, the representative of the Hindustan Steel admitted that it was a lapse on the part of the Company. He, however, added that with effect from May, 1959, this requirement was being enforced.

157. *The Committee regret to note that the Project authorities who had to handle cash transactions worth crores of rupees implemented this requirement of the financial rules only after the shortage*

was detected in April, 1959 although its necessity was stressed by Audit in August, 1958. They feel that it indicates disregard of financial rules and public exchequer on the part of the superior officers concerned for which responsibility should be fixed.

Loss of Rs. 1,68,000 in the purchase of cast-iron cement—para 87 (vi), page 98—

158. Following a demand for 50 tons of cast-iron cement in November, 1957 a telegraphic order was placed by the Bhilai Project authorities after enquiry on 17th June, 1958 with a firm at the rate of Rs. 3.25 per lb. at which the cement had been purchased earlier from the same firm in August, 1957. Meanwhile, in April, 1958 an offer from another firm to supply similar type of cement at Rs. 1.75 per lb. had been received with samples by the Project authorities. The quality of the cement was not examined in the project laboratory till October, 1958 when, according to Audit, its suitability was established. Audit felt that before the repeat order at the higher rate was placed by the Project authorities, the suitability of the material offered at the lower rate should have been examined.

159. The Committee were informed in evidence that the Chief Engineer of the Project over-ruled the opinion held by the Laboratory Assistant in-charge that the cement offered at the lower rate was suitable. The representatives of the Department of Iron & Steel and the Hindustan Steel further explained that 50 tons of the material were required for sealing the cooling plates of the second and third blast furnaces whose erection was scheduled to commence in June and September, 1958. Having in view their experience in the case of the first blast furnace, where due to delay in the receipt of this type of cement, the whole erection schedule was upset and the quality of work also suffered, the Project authorities wanted to ensure the availability of the requisite quantities of the material well in advance for use in the erection of the second and third blast furnaces. At the time of placing the repeat order, there were two alternatives before the Project authorities, either to purchase the material of proved quality at higher rates or to wait for the laboratory tests of the material offered at lower rates. On grounds of urgency the Project authorities chose the former course.

160. It was, however, pointed out by Audit that as against the orders of 25 tons and 50 tons placed by the Company in August, 1957 and June, 1958 only 18 tons and 20 lbs. were consumed respectively upto 25th July, 1959, i.e., more than a year after the placing of the repeat order. The Committee found it difficult to reconcile this with

the statement of the witness that at the time of placing the telegraphic order for 50 tons in June, 1958 the demand was urgent. The witness promised to check up the figures of consumption and furnish the information later. *The requisite information is still awaited.*

Extra-expenditure on account of manufacture of "inserts" amounting to about Rs. 2:50 lakhs—para (xi), pages 99-100—

161. Large quantities of iron "inserts" were required to be manufactured for embedding into the concrete masonry at Bhilai.

On the 11th March, 1957, the Project authorities called for tenders to be opened on the 21st March, for the manufacture of these inserts. In consultation with the main civil engineering contractor the authorities, however, entered into a contract on the 15th March, after the tender notice had issued for the fabrication of 'inserts' of various sizes, at rates ranging from Rs. 840 to Rs. 1470 per ton for the quantity needed in the six months ending October, 1957. The two lowest tenderers who had responded to the notice quoted Rs. 260 to Rs. 350 per ton. Even though the original contract covered only the supplies needed upto October, 1957 repeat orders were placed with this contractor upto 15th July, 1958 at the higher rates.

According to Audit, as a result of this hurried but apparently unnecessary arrangement there was an avoidable extra expenditure of about Rs. 2:50 lakhs.

162. In evidence, the representative of the Department of Iron and Steel explained that the fabrication of 'inserts' being a difficult job, the foreign experts had insisted that, in the interest of co-ordination with other works and expedition, the initial contract should be placed on the main Civil Engineering contractors. Accordingly, arrangements were arrived at with them in February, 1957, whereby they were to manufacture 'inserts' to meet six months' requirements. After this, there arose an additional demand for 'inserts'. To find out whether 'inserts' could be manufactured by other firms also, tenders were invited on the 11th March, 1957. In response to these tenders, quotations were received from two firms. One of these proved a failure and the other's performance was unsatisfactory. In the latter case, there was not only failure to supply the stipulated quantity but the delivery period was also not adhered to. The Deputy Comptroller and Auditor General intervened to point out that to the end of February, 1959, considerable quantities of 'inserts' (2593 tons) had been manufactured and supplied by other firms at much lower rates—in some cases rates paid to these firms being about one-fourth of those paid to the Civil Engineering contractors. The representatives of the Hindustan Steel, however, stated that the rates

paid to the various firms were not comparable inasmuch as the main Civil Engineering contractors used mostly cut piece, reinforcement and waste steel and were thus issued small quantities of new steel, larger issues of steel had to be made to the other firms who received extra payment for cutting steel and were also given some free equipment. The two firms offering lower rates had quoted only the labour rates. Considering the wide variations in rates, the Committee desired to be furnished with a comparative statement showing the quantities of 'inserts' manufactured and supplied by the various firms together with the comparable rates paid therefor. *The Committee regret that though about five months have elapsed, the statement called for by them is still awaited.*

Unnecessary expenditure of about Rs. 22 lakhs on construction of a road—para 87 (xiv) (a), page 101—

163. In March, 1957 the foreign experts at Bhilai advised the use of limestone for Civil Engineering construction work at the Project. A limestone quarry was located at a distance of about 16 miles from the Project site and for transporting the material to work-spot it was decided in December, 1957 to construct a new road from the quarry, which was completed in March, 1959 at a cost of Rs. ₹2 lakhs.

Till the time the road was ready, the Civil Engineering contractor, whose rates for limestone included a lead upto 16 miles only, had been using an old and longer road of 27 miles and had been paid for the extra lead of 11 miles, about Rs. 12 lakhs on the quantities conveyed from the quarry by this route. Meanwhile in March, 1959 a railway line was also laid between Bhilai and the limestone quarry, which eliminated the need for transport by road.

Audit felt that the construction of a new road at a cost of Rs. 22 lakhs merely for the purpose of shortening the lead for the transportation of materials from the quarry by about 11 miles did not appear to have been well advised from the financial point of view, especially since the road took 2 years to complete and the Civil Engineering contractor had meanwhile been paid extra lead by a longer route. Moreover by the time the new road was constructed (March, 1959) the cheaper rail route was also in commission.

164. According to the representative of the Department of Iron and Steel, the expenditure incurred on the construction of the road could not be considered unnecessary as the road had been found to be useful to the Project. Apart from the financial benefits that had accrued to the Project consequent on the shortening of the lead, the construction of an airstrip recently midway between Bhilai and the quarry and the proposed establishment of a township had made this

road quite necessary. The development of another limestone quarry had also added to its utility. In reply to a question, it was, however, admitted that at the time the construction of the road was taken up, none of the subsequent developments was in the mind of the Project authorities.

165. While the Committee note that the later events established the utility of the road, they cannot help observing that originally, the decision to construct the road only for the purpose of shortening the lead for transport of limestone from the quarry to the work-spot lacked financial justification especially when the cheaper rail route was also expected to be opened by about the same time.

Extra expenditure of Rs. 1.06 lakhs incurred in supplying and fixing of window shutters—para 87(xv), page 102—

166. In March-April, 1957, the tenders of three parties for the construction of 240 houses, including all wood work therein were accepted by the Durgapur Project authorities. Orders for the commencement of the work were also issued during March and May, 1957.

In May, 1957, the items relating to the supply and fixing of window shutters were withdrawn from the contractors. The window shutters were purchased in the open market and were fitted by contractors. The cost of shutters and their fitting amounted to Rs. 1,76,408 against Rs. 1,14,270 payable to the original contractor under the contract. In another case, the work relating to window shutters was withdrawn from the building contractors and both purchase and the fitting of the shutters was done departmentally, the cost being Rs. 2,30,107 as against Rs. 1,86,162 under the original contract. According to Audit, the avoidable expenditure in the two cases amounted together to Rs. 1,06,083.

167. The Committee were informed in evidence by the representative of the Hindustan Steel that after the contracts for the building of houses, including fixing of door and window shutters, had been placed, it was found that doors of the requisite quality (*viz.*, C.P. Teakwood), could not be supplied by the contractors as quality wood was not available in the market. Consequently, work relating to door shutters was withdrawn from the contractors. The contractors then represented that they should be exempted from the execution of window shutter work also. As a result, this work had also to be withdrawn.

168. The Committee enquired whether the Project authorities were able to procure door shutters of quality wood. The witness stated that the original specifications had to be changed. In reply to another question, it was admitted that both door and window

shutters, as per the changed specifications, could have been supplied and fixed by the contractors and that the withdrawal of wood work from the contractors was unfortunate.

The Committee are of the view that this case was not handled in a businesslike manner. Instead of withdrawing the wood work from the contractors on the plea of non-availability of quality wood (about which the Project authorities would no doubt have satisfied themselves) a better and more prudent course would have been to ask the contractors to use wood of revised specifications for which a rate reduction could also have been justifiably insisted on.

Extra expenditure in the purchase of bricks—para 87 (xvii), pages 102-103—

169. About 180 lacs of bricks were required at the Durgapur Project site for construction work. The entire supply could not be obtained from one contractor and tenders of five contractors were accepted in November, 1956 for the supply of 133 lac first class bricks (rates Rs. 32 to 36 per thousand) and 45 lac 2nd class bricks (rates from Rs. 29 to Rs. 35 per thousand). The supply was to commence in December, 1956 and 80 per cent. of the supply was to be made within five months and the balance within the next two months. During the period of seven months, however, only a small quantity (4 lacs) of second class bricks was actually supplied. The first class bricks offered for delivery by the different contractors were, on inspection by the senior engineers of the Project at the Kilns, found to be of a lower quality and were proposed for acceptance only as second class but the contractors did not accept this classification.

In July, 1957 all the contracts were terminated and fresh tenders were invited. In September, 1957 tenders of six contractors were accepted at considerably higher rates varying from Rs. 45 to Rs. 48.25 per thousand for first class bricks and from Rs. 44 to Rs. 45 per thousand for second class bricks. The Chief Project Officer did not exercise the power of risk purchase as provided in the original agreements. By terminating the previous contracts and accepting fresh tenders at higher rates an extra and avoidable expenditure of about Rs. 2.3 lacs was incurred.

170. In evidence the representative of the Hindustan Steel urged in extenuation that due to lack of sufficient experience in the early stages of the Project, the Project administration felt that the penalty clause could be invoked only in the case of delay in supply and not in a case of supply of defective material, which itself was under dispute. This view was, however, not accepted by the Ministry who

suggested to the Hindustan Steel that a claim be preferred. The Company, however, did not do so as in their opinion having once cancelled the contract, it was not possible to revive the claim.

The Committee are surprised to hear the above explanation. In their opinion, the Chief Project Officer had failed in his duty by not invoking the risk-purchase clause. The plea of misapprehension is unconvincing. Nor is the explanation for not preferring the claim as suggested by Government satisfactory.

Loss in setting up Jetties—para 87 (xviii), pages 103-104—

171. To speed up the clearance of shipments and their despatch to the project site at Rourkela, the management examined in August, 1957 the possibility of constructing departmental jetties at a place 16 miles upstream from the Calcutta docks. The consultants, however, gave their opinion (in February, 1958) that in view of the reduced shipment programme after September, 1958 and in the light of improved conditions at Calcutta Port. they did not expect any serious difficulties in the clearance of shipments at Calcutta. In spite of this opinion, the authorities decided on 19th February, 1958 to construct three departmental jetties at an estimated cost of Rs. 9 lacs to be completed before the monsoon of 1958. It was felt that even if the jetties were not ready before the monsoon, there would still be enough traffic afterwards to make the scheme profitable and even a modest traffic of about 50,000 tons per annum would make the scheme profitable.

The construction of the three jetties was taken up in March, 1958, but they could only be partially commissioned for work in February, 1959, as jetty No. 1 had meanwhile sunk below the required safety standard and the remaining two jetties were workable only for half their length. In July, 1959, i.e., in less than 5 months after they were commissioned, it was found that the jetties had suffered considerable damage and that the river basin had also silted up. The movement of the boats was, therefore, restricted to only 3 or 4 hours during high tide, thus keeping labour and machinery idle for the rest of the day. Only 11,100 tons of cargo could be handled through these jetties upto 17th November, 1959. The Project authorities recommended that the jetties should be disposed of and materials such as cranes, rails, etc. should be removed for use elsewhere.

172. The Committee were informed by the representative of the Department of Iron & Steel that it had since been decided not to dispose of the jetties but to use them not only for handling the imports of the Company, but also its exports. The Heavy Engineering Corporation was also expected to make use of them. In reply

to a question, it was stated that according to the estimates of the Project authorities, even a modest monthly traffic of 2,000—3,000 tons would make the jetties a paying proposition. As against this, the maximum handling capacity of the jetties was about 8—10 thousand tons per month.

In the opinion of the Committee, this is a typical case of defective planning. They trust that efforts will be made by the Hindustan Steel to encourage the use of these jetties by other Departments/Undertakings, besides the Heavy Engineering Corporation, with a view to ensuring that the handling capacity of the jetties is utilised to the maximum. Apart from adding to the revenues of the Company, this will relieve congestion at the Calcutta Port.

Low production of pig iron and steel at Rourkela and Bhilai—*

173. The Bhilai Steel Plant which had in operation two batteries of coke ovens and two blast furnaces, three out of the six open hearth furnaces and the blooming and billet mill, had produced about 487,000 tons of pig iron and 92,000 tons of steel ingots till the end of March, 1960. Production in the corresponding period of the Rourkela Steel Plant, which had likewise in production two batteries of coke ovens, two blast furnaces, the melting shop and the blooming and slabbing mill, was about 273,000 tons of pig iron and 68,000 tons of steel. Production of the two plants during the five months from April to August, 1960 had been as follows:—

	(In metric tons)			
	Rourkela		Bhilai	
	Pig iron	Steel	Pig iron	Steel
April 1960	32,787	15,625	55,539	23,761
May 1960	26,003	13,369	56,180	21,538
June 1960	26,191	14,360	46,507	22,034
July 1960	30,596	15,360	49,093	26,627
August 1960 (@ till 29th)	31,877@	16,392@	50,712	23,914

The rated capacity of the two blast furnaces at Rourkela—both of which had been proved—is reported to be 60,000 tons of pig iron per mensem, as against which the actual production during the period April—August, 1960 worked out, on an average, to less than 30,000 tons per mensem.

*Statement by the Minister of Steel, Mines and Fuel in Lok Sabha on 7th September, 1960 on a calling attention notice. [See Appendix III, Annexure No. 122 to L.S. Deb., dated 7-9-1960].

174. The Committee inquired why the production of pig iron at Rourkela had been very much less than the rated capacity so far. The Secretary, Department of Iron and Steel, informed the Committee that frequent break-downs in the dolomite calcining plant was the main reason for the low level of production of steel as well as pig iron at Rourkela. Despite the best efforts of the engineers, including the German suppliers and some specially-invited American experts, the plant did not work properly. Extensive repairs and realignments were again under way. In reply to a question, he stated that it would not be advisable to set up another dolomite calcining plant at Rourkela to guard against such possible breakdowns.

175. The Committee were given to understand that the level of production of pig iron at Rourkela was also conditioned by the capacity of the pig casting machine. Unless the pig iron (hot metal) was taken immediately for further processing, either by the pig casting machine or the steel melting shop, it will become a problem to dispose of the excess quantity of hot metal.

176. The Committee regret to note that so much loss of production should have been suffered at Rourkela on account of shortage of burnt dolomite caused by frequent breakdowns of the dolomite calcining plant. While the Committee note the reasons for the low production of pig iron at Rourkela during the period in question, they consider that all precautions should be taken to ensure a steady supply of burnt dolomite to avoid shortfall in production. They are concerned to see that even by utilising the dolomite obtained from other steel plants, the fall in production at Rourkela could not be avoided. The Committee, therefore, feel that it may be worthwhile to examine the feasibility of establishing another dolomite calcining plant so that a central reserve of burnt dolomite could be built up to meet emergent needs, if any, of all the steel plants.

177. As regards iron ore, the Committee learnt that no shortage of ore had been experienced at Rourkela, and consequently there had been no loss of production on this count at Rourkela. At Bhilai, however, shortage of iron ore had affected production. The real bottleneck lay in the transport of ore from the mines to the rail-head. The position had, however, shown signs of improvement of late.

178. The position of coal supply was also reported to be not quite satisfactory. The daily receipt of coal even during the period of low production of steel and pig iron at Rourkela, had not been equal to the daily consumption. The stocks of coal which were about 69,000 tons in January, 1960 had fallen to about 37,000 tons at the end of

August, 1960. The Committee were informed that unless a sufficient stock of coal was built up and a steady supply of coal was assured, commissioning of the third blast furnace and the coke oven battery thereof would have to be delayed. At Bhilai too, the position was reported to be almost the same.

179. According to the representative of the Department of Mines and Fuel who appeared before the Committee there had been no shortage of coking coal at pitheads. In fact, as a result of discussions with the coal industry, an additional supply of over 8 lakh tons of selected grade coals for the period June—December, 1960 had been arranged. However, due to the inadequacy of transport arrangements in Railways requisite quantities of coal could not be carried to the steel plants. As against the requirement of about 1,450 wagons per day by the steel plants of the Hindustan Steel Company the number of wagons made available by the Railways had been short by about 300-400 per day during the past few months.

180. In a note* furnished by the Ministry of Railways (Railway Board) at the instance of the Committee it has been stated that allotments for the Steel Plants including Bhilai and Rourkela during the months of May and June could not be arranged in full owing to certain operational difficulties and track doubling works envisaged under the Second Plan. These difficulties were further aggravated by the need to carry additional traffic on account of steel-works when the Railways' own construction was under way and were thus inevitable. The Railways had correlated their programme to the progress of work on washeries, ore and limestone mines by Hindustan Steel Limited which did not materialise as envisaged. •

181. *The commissioning of the steel plants requires a high degree of co-ordinated effort on the part of the Ministries of Steel, Mines and Fuel and of Railways and it is apparent that there had not been that much co-ordination. Part of it has been claimed to be due to unavoidable causes which may be rightly so. The result, however, is loss in production the effect of which it may not be possible to evaluate precisely. It is needless to point out that this enterprise requires clock-like precision and every phase of it has, therefore, to be planned accordingly. The Committee are glad to hear that measures have been taken to ensure that the production by the steel plants is not hampered by lack of supplies of ore or coal. They would await with interest the effect of these measures.*

*Appendix III.

(Department of Mines & Fuel)

NATIONAL COAL DEVELOPMENT CORPORATION

Unsatisfactory maintenance of accounts—Para 86 (ii), page 94—

182. According to Audit, the accounts of the National Coal Development Corporation had not been maintained properly and the entire accounting system required reorganisation.

183. In evidence, the representative of the National Coal Development Corporation stated that the current accounts of the Corporation were being maintained in accordance with commercial system of accounting introduced by the Corporation in consultation with the professional auditors. The accounts pertaining to the years 1956-57 to 1958-59, especially in respect of fixed assets, needed recasting. After these accounts had been recast, they would be forwarded to the professional auditors. If possible, the recast accounts for these years would be published along with the accounts for the year 1959-60.

184. *The Committee feel that the change-over in the accounting system is taking too long a time. As more than four years have elapsed since the administration of State Collieries was taken over by the Corporation, the Committee desire that the process of change-over from the Governmental to commercial pattern of accounting (including recasting of accounts for the years 1956-57 to 1958-59) should be completed at an early date and a report submitted to them.*

Avoidable payment of interest charges—Para 86 (iv), page 95—

185. The Corporation obtained a loan of rupees four crores at 4½ per cent interest from the Government in two instalments of rupees two crores each in January, 1958 and March, 1958. As the whole amount was not immediately required a total sum of Rs. 3·4 crores was deposited as "call deposits" @ 2½ per cent per annum with the State Bank of India in several instalments in February, 1958 and March, 1958. This resulted in extra payment of interest charges amounting to Rs. 1,43,288 to Government due to premature drawal of the loans.

186. In evidence, the Committee were informed by the representative of the Corporation that the first instalment amounting to Rs. 2 crores drawn by the Corporation in January, 1958 was disbursed by March, 1958 as expected. The expenditure out of the second instalment of the same amount, however, extended over six months (April-September, 1958), instead of over 2-3 months (April-June, 1958), as originally anticipated. The reason for the longer spreadover in the case of the second instalment was that a considerable part of it was for stores (including stores from abroad). As there was

delay in the receipt of stores, payment therefor was also correspondingly delayed.

187. The Committee understand from Audit that to obviate such cases of overdrawal of funds in future, the Corporation has introduced a new procedure for drawal of funds. *The Committee trust that the introduction of the new procedure will have the intended effect.*

MINISTRY OF TRANSPORT & COMMUNICATIONS

(DEPARTMENT OF TRANSPORT)

Mercantile Marine Department—page 14, Note 5, Appropriation Accounts, 1958-59, Vol. XVI—

188. In para 55 of the First Report (1951-52) the Public Accounts Committee had suggested the desirability of regulating the expenditure on the Mercantile Marine Department so as to make it self-supporting. In reply Government stated (*vide* Appendix LXXVI to Seventh Report 1952-53) that although it would not be practically expedient to make the Department entirely self-supporting, attempts would be made to secure the estimated income equal to one-half of the total expenditure incurred thereon. From the details of receipts and expenditure given in the Appropriation Accounts the Committee observe that in the case of West Bengal, Andhra Pradesh, Madras and Bombay receipts were very much less than half the expenditure as indicated below:

	Receipts	Expenditure
	Rs.	Rs.
West Bengal	3,33,012	18,65,258
Andhra Pradesh	9,809	3,39,929
Madras	22,239	1,21,375
Bombay	4,41,724	24,02,567

The note on the subject promised to them by the Ministry is still awaited.

MINISTRY OF WORKS, HOUSING AND SUPPLY

Avoidable expenditure due to non-acquisition of land before invitation of tenders—Para 64, page 71—

189. The departmental rules provide that tenders for works should be invited only after all the preliminaries had been completed. Tenders for two works of raising and strengthening bunds estimated to cost Rs. 3,19,040 and Rs. 2,93,474 were invited on 5th January, 1959 without acquiring land for excavating earth. Single tenders for Rs. 3,08,134 and Rs. 2,74,513 respectively were received from a

contractor who stipulated that in case the acceptance of the tender was not communicated to him within a week's time his offer should be treated as withdrawn. The contractor was informed that as it would take about two months for acquiring the land he should keep his offer open until then, but he did not agree. Fresh tenders were invited in February, 1959 but there was no response. As a result of negotiations it was decided in April, 1959 to award different parts of the work to petty contractors within a ceiling of 15 per cent to 12 per cent respectively above the schedule rates. The land was acquired in March, 1959 and possession was handed over to the C.P.W.D. in May, 1959. An extra outlay of about Rs. 40,000 representing the difference in cost of the items executed at the rates paid and those quoted by the original tenderer had been incurred upto September, 1959. The work was still under progress.

190. In evidence, the Committee were informed that in pursuance of an interim recommendation of the Flood Relief Committee the bunds were to be raised before the onset of the monsoon of 1959. The Collector was requested to acquire the land on the 25th November, 1958 and tenders were invited thereafter. The Committee enquired why in view of the anticipated delay of two months in the land acquisition proceedings the tenderers were not asked to keep their offers open for a specific period on the lines of the procedure followed by the D.G.S.&D. The representative of the Ministry stated that this question had been considered earlier in consultation with the Ministry of Law and the "balance of the opinion was that it was better to leave things as they are rather than impose a time-limit". It was added that contractors usually kept their offers open for considerable periods. In case a time-limit was fixed it might act to the disadvantage of Government at times.

The Committee are not convinced of the above plea. In their opinion imposition of a condition that the tenderers should keep their offers open for a specified period will be definitely advantageous. The Committee, therefore, suggest that the matter be re-examined.

Defective planning of works and consequential avoidable extra expenditure—para 65, pages 71—73;

Loss of revenue and avoidable expenditure due to lack of proper planning—para 66, pages 73-74—

191. Cases involving delays in the provision of ancillary services in newly constructed residential buildings resulting thereby in avoidable extra expenditure and loss of revenue to Government have been reported in the two paragraphs referred to above.

192. In the first case (Para 65) the contract for masonry work on 624 'H' type and 564 'G' type quarters at a certain station was awarded on the 4th April, 1957, the stipulated dates of completion being 3rd March, 1958 and 3rd December, 1957. The buildings were actually completed in May, 1958 and December, 1958 respectively. Ancillary services were not provided promptly. The contract for wood work relating to the 624 'H' type quarters was given on 26th March, 1957 to the Hindusthan Housing Factory and was due to be completed on the 25th March, 1958. But it was actually completed on 8th November, 1959 only. Similarly the work of internal sanitation and water supply which was due for completion on 22nd May, 1958 was actually completed on 31st July, 1959. The original estimate for filtered water supply which was sanctioned in August, 1957 had to be revised in July, 1958, as the source of water supply was contaminated, and the work was completed on 22nd December, 1959. 8,000 rft. of cast iron pipe required for laying the water mains were purchased, on the plea of urgency, from the local Municipal Corporation in December, 1958, instead of through the Director General of Supplies and Disposals, at a cost of Rs. 4,82,372 involving an extra expenditure of Rs. 47,449 over the rate-contract prices. Some of the quarters were handed over without provision of electricity to the Director of Estates for allotment to Government servants during the period November, 1959 to January, 1960.

193. In the other case (para 66) the construction in a city of 616 'H' type and 220 'F' type quarters estimated to cost Rs. 33,75,761 was divided into two sections and awarded during February and March, 1957 for building portion alone to contractors. The construction of the 'H' type quarters was authorised to be commenced in February, 1957, and that of the 'F' type quarters in March, 1957, the time allowed for completion being eleven months in each case from the date of commencement. The construction of the 'H' type quarters was, however, completed only in April, 1958, and the 'F' type quarters in November 1958. The provision of doors and windows and ancillary services, i.e., water, sanitary and electric installations was not taken up immediately after the masonry works were finished. Sanitation and wood works were completed between October, 1959 and January, 1960. The work on 'outfall sewers' was held up as there were certain unauthorised hutments across the proposed alignment of the sewers. A proposal for the diversion of the sewer line away from the hutments involving an extra expenditure of Rs. 2,500 made in June, 1959 was not implemented. The huts were cleared only on the 15th September, 1959.

194. In evidence, the Committee were informed that the completion of the work was delayed mainly because of revision of the layout by the city Development Authority, late supply of wood work

by the Hindusthan Housing Factory and lack of coordination with the local authorities. It was, therefore, not proposed to claim any damages from the contractors. With regard to the procurement of cast iron pipes from the Municipal Corporation at a higher cost, it was stated that the purchase through the D.G.S.&D. would have taken a longer time.

195. It is quite obvious that in both the cases there had been bad planning and defective coordination. Similar cases were brought to the notice of the Committee in the past *vide* paragraph 89 of the 25th Report (1959-60)—Vol. I. *The Committee are concerned that such lapses continue to recur. They had urged upon the Ministry to take appropriate steps to ensure better coordination between the C.P.W.D. and the Municipal authorities, especially in the matter of providing ancillary services. They would like to be informed of the action taken in this regard.*

As for the local purchase of cast iron pipes at a higher cost, the Committee are not convinced by the plea of urgency. With proper planning, the extra expenditure could have been avoided.

Delay in preferring of claims, para 67, page 74—

196. An estate belonging to a registered Society was requisitioned on 3rd May, 1945 by the Defence Department under the Defence of India Rules. The property was handed back to the Society on 30th November, 1946 in pursuance of an agreement entered into by the Government with the owners on 26th November, 1946. According to the relevant clause in the agreement, the ownership of the entire estate and the Society building thereon, together with all assets, movable or immovable, created by Government during their occupation for purposes of the war, standing or left lying on the estate, would pass to the Society in full settlement of all claims between the Society and the Government. The Defence Authorities had advised the C.P.W.D. on the 27th November, 1946 to clear all the materials, stores, furniture etc. from the site, as the estate was to be handed over on the 30th November, 1946. At that time the C.P.W.D. had departmental stocks of bricks costing Rs. 1,53,000 lying in the estate. The Society treated the bricks as its property under the terms of agreement and removed bricks worth Rs. 1,34,754. The Ministry of Law when consulted in June, 1949 opined that the bricks were not assets created for the purpose of war and were not covered by the agreement and should be paid for by the Society.

197. The question remained unsettled for several years and was again referred to the Ministry of Law in September, 1957 who held that Government had a strong case for recovering the value of the bricks and that a formal notice of demand be sent to the Society. The notice was served in August, 1959.

198. In extenuation of the failure on the part of the C.P.W.D. to remove the bricks from the premises before the estate was handed

over to the Society, the Secretary of the Ministry of Works, Housing and Supply stated that the time given by the Defence authorities (three days) for the removal of the material was not adequate. The representative of the Ministry of Defence, however, informed the Committee that the C.P.W.D. was kept informed of the intention to derequisition the land to the Society from time to time. Earlier on the 29th July 1946 the Executive Engineer had been advised by the Defence Ministry not to incur any expenditure on the works as the estate was likely to be restored to the Society. On the 9th September, 1946 another communication was addressed to the Executive Engineer suggesting that stores, furniture etc. might be removed from the estate. *The Committee, therefore, find it difficult to accept the above plea. Even if the notice was short for the C.P.W.D. to remove the material, that Department should have taken suitable steps to protect its ownership rights over the departmental stores lying in the estate. The Committee are also not happy about the manner in which this case was handled by the officers of the Ministry after the Law Ministry expressed the opinion in June, 1949. They would like to be informed of the final outcome of the case.*

*Extra expenditure due to lack of scrutiny of contract documents—
para 68, pages 74-75—*

199. In a C.P.W. Division for a work estimated to cost Rs. 4,11,309 the lowest tender submitted on the 28th April, 1956, for Rs. 3,88,950 was accepted by the Additional Chief Engineer, and the acceptance was conveyed by the Executive Engineer on behalf of the President on the 7th July, 1956 to the tenderer. Later, while completing the agreement, it was noticed that one slip pasted on the last page of the tender, which provided for the supply of certain stores from the C.P.W.D. godowns and recovery of storage charges at 5% over and above the issue rate, was not signed by the contractor. When asked to start the work, the contractor wrote back to the C.P.W.D. contending that he did not take into account the slip pasted on the last page of the tender relating to payment of 5% storage charges, places of delivery, etc. and that his quotations were based on the assumption that the materials would be supplied by the C.P.W.D. on the site of the work and without the levy of 5% storage charges. A notice was served on the contractor on the 27th July, 1956 asking him to show cause why his earnest money of Rs. 10,000 should not be forfeited in terms of the agreement towards penalty of 10% of the estimated cost for delay in commencing the work. As the contractor did not give a suitable reply, fresh tenders were invited for the work on the 20th August, 1956. The lowest tender on this occasion (which was for Rs. 4,28,316), was

accepted by the Additional Chief Engineer on the 3rd December, 1956 involving an additional expenditure of Rs. 39,366 on the work.

200. The first contractor served a notice on the Executive Engineer on the 11th December, 1956, asking for refund of the earnest money and also claiming payment of Rs. 10,000 on account of damages. The case was referred to the Ministry of Law, who opined that since the acceptance of the tender had not been communicated by the competent authority, *viz.*, the Additional Chief Engineer, in the name of the President, no contract was ever concluded, that the parties were never "*ad idem*" and that no question, therefore, arose of the responsibility of the tenderer for breach and remedies of Government in respect thereof. The claim of the contractor for damages was also considered untenable. The refund of earnest money to the contractor was made in February, 1958.

201. In evidence the representative of the Ministry of Works, Housing and Supply stated that it was not the usual practice for contractors to sign every page of the tender documents. They usually signed only the statement submitting the tender and the schedule of materials. It was only at the time of concluding the contract that each page of the accepted tender was signed by the contractor. In this case the contractor had quoted too low a rate and when he realised that he could not take up the work he put forth this plea for withdrawing his offer. As regards the communication of the acceptance of tender, it was explained to the Committee that the Executive Engineer-in-charge had signed the letter addressed to the contractor in accordance with the practice prevalent at the time. The procedure has since been modified in that further powers have been delegated to the executive engineers who are now competent to accept tenders and communicate with contractors.

202. *In the opinion of the Committee, the C.P.W.D. did not display due caution while scrutinising the tender before communicating its acceptance to the contractor. Being important legal documents, tenders require scrutiny with meticulous care. In order to avoid any dispute and to safeguard the interests of State, the Committee consider that before accepting a tender it should be ensured that all pages and additions and alterations in the tender documents are signed by the tenderer. The Committee trust that the Ministry will impress this on the officers empowered to conclude contracts on behalf of Government.*

Payment of compensatory allowance to non-entitled persons—para 71, page 77—

203. Government sanctioned, in April, 1955, compensatory (local) allowance to the staff of a certain Engineering Circle. In December,

1955, the sanction was given retrospective effect from the 1st October, 1954, the date on which the Circle was created. Although the payment of this allowance to clerical staff was made conditional on their staying at the site of the work, no such condition was imposed in the case of other staff. As a result of references made by Audit in September, 1956 it was eventually clarified by Government in November, 1957 that the allowance was to be paid only to the officers and staff working and residing at the site of the work. Government decided in January, 1959 that the amounts overpaid to the non-entitled persons prior to 1st July, 1957 should not be recovered. The recovery of the amount paid in respect of the period October, 1954 to June, 1957 amounting to about Rs. 38,157, was waived by Government in January, 1959.

204. In extenuation of the delay of over a year in taking a decision on the Audit objection it was stated in evidence that an inter-departmental committee was appointed to look into the matter. It was, however, admitted that the decision should have been taken expeditiously.

205. In para 21 of their report on the accounts of the year 1946-47 the Public Accounts Committee had suggested that the views expressed by Audit should normally be accepted and acted upon provisionally pending final decision by the competent authority. *The Committee noted that even the Financial Adviser to the Ministry was oblivious of this recommendation. The Committee would like the Ministry of Finance to draw the attention of Financial Advisers to this important recommendation of the Committee.*

Delay in execution of works by contractors—para 72, pages 77-78—

206. Contracts entered into by the C.P.W.D. stipulate *inter alia* that in the event of the contractor's not adhering to the time schedule they would be liable to pay compensation at 1% of the estimated cost of the contract work for each day of delay, subject to a maximum of ten per cent of the said cost.

207. During the course of local audit inspections, it was noticed in February-March, 1959 that contractors often took an unduly long time in completing contract works and that in a large number of cases where extensions of time had been granted, the question of determination of liquidated damages had not been considered at all, by the competent authorities, even though a saving clause was included in the orders giving extensions of time that such extensions were granted without prejudice to the right of Government to recover liquidated damages.

208. The Committee were informed in evidence that each case of delay was examined by the Department to find out whether it was due to the fault of the contractor and appropriate damages claimed wherever necessary. In the cases referred to by Audit, the Additional Chief Engineer had examined all the cases and satisfied himself that the non-levy of liquidated damages was in order. It was, however, pointed out by Audit that there was nothing on record on those cases to confirm this statement. The Secretary, Ministry of Works, Housing and Supply stated that the right to levy liquidated damages was never extinguished and Government could exercise it always.

209. *The Committee are inclined to agree that in the absence of anything on record to indicate it, it will be difficult to know whether the question of claiming liquidated damages from the contractor was examined by the competent authority or not. They, therefore, suggest that in future every case where extension of time is given should be examined without delay for levy of liquidated damages and the decision arrived at recorded thereon.*

Chief Technical Examiner's Organisation—para 74, pages 79-82—

210. The Audit para gave a resumé of the activities of the C.T.E.'s Organisation during the half year ending on the 30th June, 1959. The total figures of the overpayment detected and provisionally assessed, overpayments admitted and the amounts actually recovered since the creation of the Organisation in May, 1957 were as shown below:

Period	No. of cases of over payment detected.	Amount of overpay- ment de- tected and provisio- nally assessed	No.	Overpayment ad- mitted by the Executive Engi- neers & intimat- ed to AGCR for watching reco- very.	Amount actually recovered (as on 31st Octo- ber, 1959.)
		Rs.		Rs.	Rs.
6/57 to 12/57	121	3,15,660	13	60,783	40,561
1/58 to 6/58	91	3,74,837	48	1,18,164	78,309
7/58 to 12/58	149	5,01,972	67	2,26,476	48,624
1/59 to 6/59	214	4,63,923	138	1,83,371	27,480

The Audit para also disclosed some of the more important cases of irregularities noticed by the Chief Technical Examiner.

211. In evidence the Chief Technical Examiner stated that on an average his Organisation was able to inspect about 60% of the works. His Organisation did not conduct a cent per cent check of the 60% either. When his attention was drawn to the increase in the number of defective works during the half-year period since January 1958, he

observed that it would not be proper to draw any conclusions about the working of the C.P.W.D. on the basis of the number of cases commented upon and the amount of overpayments detected by his Organisation. To quote his words "our observation might relate to very small items like a bolt missing or a nut missing." He did not mention any other yard-stick for assessing the performance of the Department. He felt, however, that there had been a marked improvement on the whole in the quality of construction since the setting up of this Organisation. *In the absence of any convincing data, the Committee find it difficult to accept the opinion of the C.T.E. In their view, the number of cases is an important index in this matter and any increase therein is normally indicative of a wider spread of defects. For correct appreciation of the position it would be better if the results of inspections carried out by the C.T.E. are compiled and presented in a manner which will enable the Committee to come to some conclusions about the working of the C.P.W.D. and whether the C.T.E., which was set up at their instance, is functioning on right lines.*

212. It was also brought to the notice of the Committee that there was a considerable time-lag in the settlement of cases reported upon by the C.T.E.'s Organisation. As an instance, out of 121 cases of overpayments detected by the C.T.E. during the period June to December 1957 only 13 cases had been settled so far. The Committee were concerned to learn this. In para 82 of the 25th Report (1959-60), Vol. I, the Committee had observed that the value of the work done by the C.T.E. would depend very much on the speed with which final decision is taken on his reports. *The Committee desire that the Ministry should issue strict instructions to the C.P.W.D. enjoining expeditious disposal of the reports from the C.T.E.*

213. The Secretary to the Ministry of W.H.S. expressed before the Committee his view that unless and until the findings of the C.T.E. that overpayment had been made in a case were accepted by the Chief Engineer, after examination at his end, inclusion of such a case in the Audit Report would be premature and would not present a correct picture to Parliament. *The Committee however note that the particular paragraph in the Audit Report gives simply a summary of the activities of the C.T.E.'s Organisation. They are, therefore, not in favour of omitting such a paragraph from the Audit Report.*

Loss in the working of Government hostels—para 75, pages 82-83—

214. The proforma accounts of the hostels run by Government in Delhi and Simla for the years 1949-50 to 1951-52 showed considerable

losses. Especially in the case of Kotah House, New Delhi and Grand Hotel, Simla, the losses were quite substantial as indicated below:

Year	Kotah House, New Delhi	Grand Hotel, Simla
	Rs.	Rs.
1949-50 . . .	(—) 28,573	(—) 100,705
1950-51 . . .	(—) 21,506	(—) 117,136
1951-52 . . .	(—) 35,946	(—) 122,866

The proforma account were sent by Audit to the Ministry in 1955 with the request to intimate the reasons for the losses as well as the steps taken, if any, to mitigate them. After prolonged correspondence the Estate Office intimated, in February, 1959, that the loss in respect of Grand Hotel, Simla, was unavoidable as the Hotel was intended primarily for the convenience of touring officers of the Central Government and as the rent charged from such officers included an element of subsidy from Government. Although the Ministry could not justify the loss incurred on Kotah House during the period in question, it was explained in November, 1959 that the shortfall in rent realisation was unavoidable since 1954-55 as the main building had been converted into a State Guest House with effect from 1st April, 1954.

215. In evidence before the Committee it was added that the losses in the working of Grand Hotel, Simla were mainly because of the fact that the building remained occupied for 3 to 4 months in the year. Government were, however, considering ways and means to minimise the losses by reducing overhead expenditure and making a part of the accommodation available to the public.

The Committee are concerned to see that losses are incurred by Government on this Hotel from year to year. Apart from reducing the overheads, the justification for continuing the concessional rates to touring officers may be examined with a view to curtailing the losses to the minimum.

Loss due to cancellation of a contract—para 79, pp. 85-86—

216. On 23rd October, 1951, the D.G. S. & D. contracted with a certain firm for the supply of 10,000 steel boxes for an ordnance factory. The contract *inter alia* provided that the delivery was to commence three weeks after the receipt of the steel sheets which was a controlled item and after the approval of the advance sample of box to be delivered by 27th November, 1951. The first advance sample (prepared from bazaar quality steel) was submitted in November, 1951. The firm was asked in December, 1951 to furnish three further samples made from the correct type of sheets, which it submitted only

on the 11th November, 1952. These samples were also found to be defective and the firm was asked to submit three fresh samples with the warning that approval to the steel sheets to be used would not be given before it was tested by an approved Government metallurgist. The three samples of the boxes submitted by the firm on the 16th January, 1953, were approved on the 19th January, 1953, subject to removal of minor defects. The approval of the raw material was received on 9th June, 1953 from the Government metallurgist but this was not communicated to the supplier. The firm lifted the bulk of the steel sheets from the controlled stock-holder in May, 1953.

Meanwhile as sufficient stocks of the boxes had accumulated in the factories the indenter desired on 15th April, 1953 to cancel the order in full or in part, if possible, without financial repercussions, the deliveries being deferred in the meanwhile. Thereupon the Purchase Organisation in consultation with the Law Ministry, gave notice to the firm on 25th May, 1953 to complete the contract by 12th June, 1953 failing which the contract would be cancelled at the firm's risk and expense. The firm protested, on 11th July, 1953, that as the approval of the sample of the raw material had not even then been received by it and the stock holders had not received all the sections of the steel required for the manufacture of the boxes, it could not proceed with the supply until these conditions were fulfilled. It, therefore, asked for extension of delivery period upto 30th September, 1953 which was turned down and in consultation with the Ministry of Law, the contract was cancelled on 30th July, 1953. The firm thereupon referred the case to arbitration. In November, 1954, the arbitrator awarded a sum of Rs. 63,000 (with subsequent interest at 6%) in favour of the firm subject to its delivering to Government all the finished and semi-finished goods left with it (estimated to be worth Rs. 30,000). In January, 1957 another award of Rs. 15,341 representing payment of storage charges and the costs of arbitration proceedings was also made in the firm's favour. Both these awards were accepted by Government and a sum of Rs. 79,541 was ultimately paid to the firm during March, and May 1955 and April, 1957.

217. In evidence, the Committee were informed that the contract was cancelled on the advice of the Ministry of Law as the firm delayed the supplies. To a question why the approval of the raw material was not communicated to the firm as alleged, the D.G.S. & D. stated that it was *probably* communicated to the firm orally.

218. *The Committee are astonished at the explanation. It passes their comprehension how on 25th May, 1953 a notice could be served on the firm asking it to complete the supply by 12th June, 1953 when the Purchase Organisation had not communicated its approval to the steel sheets. (In fact it received the approval of the Government*

metallurgist on the 9th June only). Again when the firm put forth this plea and requested for extension of the delivery period, the matter was apparently not given full consideration. It is obvious that the Purchase Organisation in its anxiety to get out of the contract, as the indenter was no longer in need of the articles, had completely overlooked the merits of the case. *It is, therefore, no wonder that the arbitration went against the Government. The Committee would advise caution in such matters as any hasty action affects adversely the financial interests of Government.*

219. *The Committee would also like to endorse the views of Audit that the agreement with the firm in this case was loosely worded as it left it to the firm to determine the date of commencement of the supplies by delaying taking delivery of the raw material. The Committee were assured that the standard terms of contract had since been revised to ensure greater precision in the clauses.*

NEW DELHI:
The 5th March, 1961
Phalguna 14, 1882 (Saka)

UPENDRANATH BARMAN,
Chairman,
Public Accounts Committee.

APPENDICES

APPENDIX I

Note from the Ministry of External Affairs on para. 34 of Audit Report (Civil) 1960 re: Over-payment of pay and allowances to a Government servant.

(Ref: para. 74 of the Report)

The Public Accounts Committee at its meeting held on 5th November, 1960 had asked for further details on the undermentioned points while discussing the question of overpayment of pay and allowances to a former stenographer in the Consulate General of India, San Francisco.

- (1) *When and how did the over-payment of pay and allowances to the officer come to notice of the Ministry? Why were the irregular payments not stopped then and the amount overpaid recovered from him before he was removed from service?*

While submitting statistics for examination of proposals for additional staff, the Consul General of India, San Francisco, in his letter dated 16th July, 1951 received in the Ministry on 30th July, 1951, furnished a statement giving details of sanctioned strength of the Consulate General together with the actual pay and allowances drawn by them as on 1st June, 1951. In that statement the stenographer in question was shown as drawing a special pay of Rs. 40 p.m. As the statement was called for specifically in connection with the examination of *additional* staff of the Mission as desired by the Ministry of Finance the question of payment of special pay, etc., was not looked into at that time. However, at the time of reviewing the case in April, 1952 the fact that the stenographer was drawing a special pay of Rs. 40 p.m. was duly noticed and the Consulate General was asked immediately to intimate the authority under which the Mission was allowing this special pay to the stenographer. The Consulate General in their letter dated the 15th May, 1952 stated that there were no specific orders on the records of the Mission granting this special pay, but they had allowed him this special pay on the basis of the entries in the stenographer's service Book, which showed that he was in receipt of special pay from 13th October, 1946. The Ministry was, however, not satisfied with the explanation and asked the Mission again on 20th June, 1952 to further clarify the position as to how he was allowed to draw this special pay when there were no specific orders. In reply, in their letter dated the 3rd July, 1952,

the Mission stated that though there were no specific orders on the point, the payment was made in consultation with the Accounts Officer of the Embassy of India, Washington. The matter was considered further in the Ministry in the light of this explanation and it was finally held that the special pay was being given without adequate authority. On the 29th August, 1952, the Mission was instructed telegraphically to stop the payment of special pay to the stenographer.

2. In view of the fact that special pay was drawn by the stenographer in good faith and the recovery of the amount of Rs. 1840 (the payment made at the rate of Rs. 40 p.m. from 1st October, 1948 to 31st July, 1952) would have caused hardship to him, the waiver of the recovery was recommended to the Ministry of Finance in October, 1952. That Ministry did not agree to the proposal as it was held by them that the aspect of 'hardship' was not enough to justify the non-recovery of the overpayment made. It was further examined in the Ministry of External Affairs and it was considered that as he had been continuously drawing special pay since 1948 there was obvious justification for the payment of the special pay to the stenographer. However, instead of sanctioning the special pay it was again recommended to the Ministry of Finance in April, 1953, that the recovery of the said amount should be waived as this course would have been cheaper. In the meantime the stenographer tendered his resignation on 16th January, 1953. The file was, therefore, withdrawn from that Ministry for consideration of the question of his resignation. Unfortunately, at this stage, the issue of special pay was lost sight of. The Consulate General was, however, asked telegraphically on 5th February, 1953 to withhold *all* payments pending decision regarding recovery of payments on account of the special pay, as a precautionary measure. Thereafter, the entire attention was focused on his repatriation to India from the U.S.A. and disciplinary action against him. This finally culminated in his being removed from Government service on 7th November, 1956.

3. As the Ministry felt that the special pay of Rs. 40 p.m. was paid to, and drawn by, the stenographer in good faith, the Ministry persisted in its attempt to get the amount regularised. The issue is still under the consideration of this Ministry and it is intended to pursue this case further with the Ministry of Finance.

(2) *What action is proposed to be taken against the Disbursing Officer in the light of the observations of the Finance Ministry?*

As explained above, the contention of this Ministry is that the payment of the special pay of Rs. 40 to the stenographer was not un-

justified. In the circumstances, the Disbursing Officer could not seriously be held to be at fault, as he authorised the payment on the basis of the entries in the Service Book. Apart from this, the Disbursing Officer also consulted the Accounts Officer attached to the Embassy of India, Washington.

K. V. PADMANABHAN,
Joint Secy. to the Govt. of India.

APPENDIX II

Note from the Ministry of Home Affairs para 41 of Audit Report (Civil), 1960 re: loss and other irregularities in colonisation clearance contracts.

(Ref: para 108 of the Report)

- (1) *On what basis were the clearance rates of Rs. 365, Rs. 410 and Rs. 460 per acre negotiated with the contractor in 1954 and 1956? The detailed break-up of these rates may be given. What were the dates on which these rates were calculated as also the dates when the contracts were entered into?*

The basis for the rates of Rs. 365 and 410 per acre is as follows:—

The costs of clear-felling over 2 acres, one in Bomulungta range and the second at Rangat range, were calculated on the basis of experiments carried out over an area of 2 acres. The experiments were carried out in 1953 and the method used was that 16 mazdoors were asked to work with dahs and cut the brushwood and the climbers. They were followed by another party of 8 mazdoors with axes who felled the trees. The experiments were conducted on areas from which extraction of marketable timber had already been carried out. In both the cases, the period of experiment, which was 5 days in one case and 6 days in the other, included a Sunday. The details are as follows:—

	Bomulungta Range (5 days)	Rangat Range (6 days)
	Rs.	Rs.
16 Mazdoors with dahs to cut brushwood, etc. @ Rs. 2/4/- a day.	180	216
8 mazdoors with axes for felling @ Rs. 2/4- a day.	90	108
1 Jawabdar @ Rs. 2/8/- a day.	12/8	15
Total	282/8	339/-
Cost per acre	142/4*	169/8

[*There appears to be a slight miscalculation in this figure.]

The results of the experiment over Bomulungta range formed the basis of the rates for Kalara and those over Rangat range for

Tugapur. Further considerations on account of holidays, supervision, over head-charges, transport, etc., were taken into account as follows:—

Items.	Cost per acre.	
	Kalara	Tugapur.
	Rs.	Rs.
1. Actual basic cost.	142/4	169/8
2. Sundays/Holidays of one Head worker at Rs. 3/- per day for 2 acres.	1/8	18/-
3. 24 mazdoors @ Rs. 2/8- per day for Sundays and Holidays for 2 acres.	30/-	30/-
4. Share of Deputy Ranger's pay including Sundays/Holidays for 6 days.	14/-	27/-
5. Motor Boats-tools, depreciation etc.	15/-	15/-
6. Overhead charges, transport, etc.	10/-	12/-
7. Heaping and burning.	50/-	50/-
8. 10% more for strict supervision.	27/-	30/-
	<u>289/12/-</u>	<u>335/-/-</u>
or	290/-/-	

On account of depreciation of machinery @ Rs. 75 per acre was added to these figures thus bringing the figures to Rs. 365 and Rs. 410 per acre respectively for Kalara and Tugapur valley areas.

It would be relevant and necessary to describe the background against which the rates finally agreed upon, were negotiated. The break-up of the basic costs of Rs. 142-4 and Rs. 169-8 was not known to the Ministry at the time of agreeing to the rates but the final calculations were agreed to on the basis of these basic costs which were communicated by the Andamans Administration who had evidently obtained these in turn from the Chief Conservator of Forests, Andamans. As already pointed out by us at the meeting of the Public Accounts Committee on the 10th September, 1960, the Administration proceeded under the impression, which was supported by the advice given earlier by the Ministry of Law, that the work could not be entrusted to a party other than the Licensee nor could it be departmentally taken up in areas mentioned in Schedule 'A' of the agreement with the contractor. The fact also remains that the department was not in a position to undertake the work on its own. On the other hand, the contractor agreed to do the work at the rates of Rs. 335 per acre in Tugapur and Rs. 290 per acre in Kalara (plus, of course, the depreciation charges). Even at that time the Company protested against the low figure of Rs. 50 allowed for heaping and burning and stated (In August 1954) that their General Manager

considered Rs. 110 to be the legitimate figure but to show their co-operation, they have "provisionally accepted Rs. 50 per acre for heaping and burning subject to revision on 1st April, 1955, after carrying out the actual experiment over a representative area under the supervision of the Forest Department". Actually, the Company have not been given any further enhancement of the rate on account of the low figure for heaping and burning. On the other hand, the cost of heaping and burning alone in the Middle Andamans on the basis of an experiment conducted in 1955 on an area of 95 acres in the presence of the Divisional Forest Officer came to Rs. 119 per acre. Thus, it would be seen that the estimate on the whole was low by about Rs. 69.

The depreciation allowance calculated at Rs. 75 per acre was allowed as against the demand of the firm that 1/3rd of the capital cost of equipment should be charged to the work. At the time of deciding these rates, a comparison was made with the approximate cost of departmental clear-felling by mechanical means which was reported by the Administrator, Andamans, to be Rs. 358 per acre exclusive of depreciation on capital equipment. In comparison with this rate, therefore, the proposed figures were considered reasonable.

Again, the terms of the agreement contemplated the work of clear-felling by (a) cutting and felling of those trees of marketable specifications within the area and removing them therefrom and (b) by clearing the whole of the area of all other forest growth by cutting, heaping and burning it. As the experiments on the basis of which the final rates calculated were held on an already exploited area, the figures of Rs. 142/4/- and Rs. 169/8/- related only to item (b) above. The additional costs on account of item (a) were neither calculated nor taken into account.

"In this connection, it may be stated that under the terms of the North Andamans Agreement, the firm was required to cut, fell and extract all trees in strict accordance with the approved Working Plan. In the ordinary course, if the areas in question had been cleared after they were duly included in the Working Plan, no charges for cutting, felling and extracting trees would have been payable to the firm. The areas had, however, to be cleared urgently for the purpose of colonisation and the firm as a special gesture of Co-operation agreed to undertake this work."

It would, thus, seem that, although at the time of agreeing to the rates the fact that a Sunday had already been taken into account was lost sight of, on the whole there has been considerable under-estimation of the final rates on account of the lesser costs of heaping

and burning and non-inclusion of the costs of cutting, felling and removal from site of trees of marketable specifications. The rates also compared well with the reported departmental figures for clearance by mechanical means. Above all, there being only one party with whom we could negotiate the reasonability of the final rate has to be determined in the context of the possibility of getting the work done by alternative arrangements which was out of the question.

The figures of Rs. 460 per acre was reached after negotiation. The firm wanted Rs. 495 per acre. The details of Rs. 495 which they gave, were as follows:—

	Rs.
(i) Basic cost of felling and cutting brushwood. (The vegetation, though to a large extent is similar to that found in Kalara in view of the difficulties peculiar to this place, Rs. 22 per acre more than Kalara rates are provided for this area).	.. 235/-
(ii) Heaping and burning. (Last year's sanction of Rs. 50 was accepted under protest on the distinct understanding that it will be revised after joint supervision of this work. In actual execution, it was found to cost more than Rs. 100 per acre).	.. 100/-
(iii) 10% more for strict supervision.	.. 33/8
(iv) One third share of cost of equipment.	.. 103/-
(v) Three fourth share of the cost of tram line construction.	.. 23/12
TOTAL:	.. 495/4
or	.. (495/- per acre).

After negotiations by the Chief Conservator of Forests, the Firm offered to accept the rate of Rs. 470 per acre with reluctance. The Chief Commissioner, Andamans, was asked to make further efforts to get the rates brought down to some reasonable figure. Thereafter the C.C. reported that the Co. was agreeable, as a gesture of co-operation and goodwill, to accept the rate of Rs. 460 per acre.

Dates.—The rates for Tugapur and Kalara areas were quoted by the firm in their letter, dated 3-8-1954 addressed to the Chief Conservator of Forests. The rate of Rs. 495 for Diglipur area (which was ultimately brought down to Rs. 460 which was concurred in by the Ministry of Finance on 12-12-1955) was quoted by the firm in their letter of 5th August, 1955, addressed to the Chief Commissioner, Andamans Islands. The contract for clearance of areas at Tugapur and Kalara was dated 6th November, 1954, and that for Diglipur area 27-1-1956.

2. *Is the Government satisfied that equipment worth Rs. 2.5 lakhs was purchased by the contractor entirely for Government work? Why did the firm refuse to disclose the details of the equipment purchased?*

The purchase of capital equipment worth Rs. 2.5 lakhs was considered necessary and reasonable for getting the work done within the short period. It was for this reason that the Government agreed to make an advance payment of Rs. 2.5 lakhs towards purchase of capital equipment recoverable by adjustment against payments in respect of the work. We are not aware as to why the firm refused to disclose the details of equipment purchased. The firm have not been able to satisfy the Government that equipment worth Rs. 2.5 lakhs was purchased by them entirely for Government work.

On the other hand, the fact whether the equipment worth Rs. 2.5 lakhs was purchased by the contractor entirely for Government work was not verified nor did the Administration satisfy themselves on this point. The entire work was actually completed within a period of about six months from the date of execution of the agreement, and as the work was completed in so short a period, this aspect was not specifically examined as it was clear that the work of that size could not have been completed within the limited period without harnessing considerable capital equipment.

3. *A copy each of the references made to the Law Ministry regarding the legal right of the lessee to be awarded the contract for clearance work and the opinions given by the Ministry of Law on both the occasions and dates of the references to the Law Ministry and the legal opinions may also be given.*

A copy each of the following papers is enclosed:—

- (i) Letter No. 2-22(8)/55, dt. 6-7-1955 from the C.C., Andamans, to the Min. of Law, seeking their opinion (Annexure I).

- (ii) Letter No. 13738/55-Adv., dt. 9-9-1955 from the Min. of Law to the C.C., Andamans, giving their advice (Annexure II).
- (iii) Note No. 2-103/56-F.II, dt. 8-3-1957 at pp. 45—47/N of the F.No. 2—103/56-F.II of the Min. of Food & Agriculture, seeking the advice of the Min. of Law. (Annexure III).
- (iv) Notes in the Min. of Law recorded under u.o. No. 31243/Adv./57, dt. 21-3-1957, from the Min. of Law, giving advice (Annexure III).

The copies of each of the references are enclosed and they contain the dates.

4. *Why was the second advance pitched at as high as Rs. 8 lakhs for a work which involved a total estimated expenditure of Rs. 8.2 lakhs? Why was the advance paid over to the contractor before issue of the formal sanction and execution of the agreement? Has the advance been since adjusted by the Licencee?*

The advance of Rs. 8 lakhs was given against the work originally estimated to cost about Rs. 13.8 lakhs and not Rs. 8.2 lakhs which indicates the revised estimates. At the time of negotiations, the area for clearance was estimated to be 3,000 acres and at the rate of Rs. 460 per acre which was agreed upon, the estimate of the cost of clearance works out to Rs. 13.8 lakhs. On the other hand, if the work had to be done within the stipulated period the advance had necessarily to be substantial. The work involved clearance of about 3,000 acres within a period of only four months, which itself was of a colossal nature, the tackling of which the department's resources did not permit. Unless whosoever was entrusted with the clearance of this large area possessed capital equipment in substantial measure, it was clearly impossible to complete the work within the short period prescribed. This second advance was considered inevitable at that time if the work was to be done within the stipulated period. The amounts of advance had to be made available as early as possible with a view to cutting out delays in the commencement of the work. The orders for giving the contract were received by the Administrator on the 17th December, 1955. The time left for the company for the clearance of the anticipated 3,000 acres was only 3½ months and there was urgency in the procurement of the necessary stores to enable the Company to complete the work within the stipulated period. The first instalment of Rs. 5 lakhs was accordingly made immediately on receipt of the orders referred to above, and the second instalment was paid on the execution of the agreement. It

was for this reason that the first instalment of the advance was paid in December, 1955 although the contract was entered into only in January, 1956. The drawing up of an agreement necessarily takes time as it has to be drafted with due regard to all the issues involved taking into account legal opinion where necessary, and for this reason it was not considered practicable to await the finalisation of the contract for making the payment of the advance. The advance has not yet been adjusted because the final payment on account of the work has not been finalised and made.

The note has been vetted by Audit.

A. D. PANDE,
Jt. Secy. to the Govt. of India.

ANDAMAN & NICOBAR ADMINISTRATION

From

Shri Sankar Nath Maitra, I.C.S.,
Chief Commissioner,
Andaman and Nicobar Islands.

To

Shri K. M. Bhandarkar,
Secretary to the Govt. of India,
Ministry of Law, New Delhi.

Port Blair, the 6th July, 1955.

Sir,

Under the Five Year Plan, forests are being cleared in the Andamans, and colonists, mainly displaced persons, are being settled. A certain area at Diglipur, North Andaman is proposed for clearance in the immediate future. This area (North Andaman) has been leased for a period of twenty five years to Messrs. P. C. Ray and Co. (India) Ltd., for extraction of timber. A copy of the North Andaman Agreement of Licence is enclosed. Particular reference is drawn to clauses 4 and 5 of the Agreement of Licence. A question has now arisen as to the agency that might undertake clear felling in this area. Specifically the questions are:—

- (a) Whether P. C. Ray & Co. (India) Ltd., have the sole right of extraction of timber, clear felling, etc., in North

Andaman as per schedule (A) of the Agreement of licence; and

- (b) Whether the Forest Department or any agency other than P. C. Ray & Co., (India) Ltd., can extract, clear fell, etc. within the leased area (Schedule A) but outside the Working Plan as mentioned in the clause 4 of the Agreement of Licence.

2. As clearance of this area is required to be taken up at once, and delay in making the necessary arrangements might upset the entire programme of clearance, it is earnestly requested that authoritative legal opinion on the questions raised above may kindly be communicated to us as soon as possible. As we have no spare copy of the Agreement of Licence this may kindly be returned with your reply.

Yours faithfully,
Sd./- S. N. MAITRA,
Chief Commissioner.

Copy to:—

The Secretary to the Government of India, Ministry of Home Affairs.

ANNEXURE II

No. 13738/55-Adv.
GOVERNMENT OF INDIA
MINISTRY OF LAW

New Delhi, September 8, 1955.

From

Shri H. C. Daga,
Deputy Secretary to the Government of India,

To

The Chief Commissioner,
Andaman and Nicobar Administration,
Port Blair.

SUBJECT:—North Andamans Agreement of Licence.

Sir,

With reference to your letter No. 2-22(8)/55, dated the 6th July, 1955 on the above subject addressed to the Secretary of this Ministry, I am directed to say that "clause 4 of the Licence granted to-

M/s. P. C. Ray and Co., (India) Ltd., must be read with clause 5 thereof. That clause gives the licensee the right to fell and extract annually the full yield of the North Andamans forests subject to conditions prescribed in the licence. There is no express reservation in the licence of a power to undertake departmental operations or to grant other licences for exploitation of any areas not specified as clear-felling and selection felling areas in the working plan. Clause 10 of the licence merely makes provision for departmental removal of any trees or materials left over by the licensee in areas worked by him. Reading the licence as a whole, the clearly expressed intention therefore appears to be to grant the licensee the exclusive rights of exploitation of the entire yield of the forests which are described in Schedule A.

This construction is in conformity with the tender notice, the qualifying words in clause (4) of which refer to the mode of exploitation and do not operate to limit or cut down the local extent of the licence. It would be reasonable to interpret clause 4 of the agreement of licence also in the same way as intended to ensure systematical working and prevent commission of waste by the exploitation of areas not ripe for cutting down. Properly constructed, therefore, clauses 4 and 5 mean that whenever cutting operations are to be undertaken in any area in the forests specified in Schedule A, such operations shall be carried out exclusively by the licensee. Hence the answer to question (a) raised in your letter under reply is in the affirmative and to question (b) therein in the negative.

Yours faithfully,

Sd/- H. C. DAGA.

Deputy Secretary.

ANNEXURE III

I have seen the Law Ministry's file No. 13366/55, in which they have given their interpretation of clauses 4 and 5 of the Agreement, on a reference received direct from the Chief Commissioner, Andamans. We had also accepted that interpretation. As the observations made by the Dy. IGF on last page are not quite in accord with the interpretation given by the Ministry of Law, it will be necessary to refer these papers to that Ministry for their opinion as to whether in view of the explanations given by the Dy. IGF, the departmental clearance work undertaken in the North Andamans, without interfering in any manner with the exploitation of the Forests as provided for in the Agreement of Licence, would constitute an infringement of any of the provisions of the Agreement of Licence.

2. Ministry of Law may kindly see for favour of advice. If necessary, they may discuss the matter with the Dy. IGF (40988).

Sd/-

7-3-1957.

Ministry of Law (Mr. H. C. Daga)

Min. of F. & A. U.O. No. F. 2-103/56-F, dt. 8-3-57.

Notes in the Ministry of Law.

I have discussed this case with I.G.F. and Dy. I.G.F.

2. As will appear from clauses 4, 8 and 10 of the North Andamans Agreement of Licence, the Licensee's rights thereunder are strictly limited by the provisions of the working Plan compiled for these forests, which is liable to be revised from time to time. Our previous opinion dated 22nd July, 1955 (communicated to the Chief Commissioner on 9th September, 1955) and 28th November, 1956 have duly emphasised this. It has been now clarified in the course of the discussion that the North Andamans working plan at present in force provide for exploitation only of a defined portion out of the total area of these forests and is to remain in operation for a specified short period of few years only after which, during the period of the present license, a new working plan would take its place.

3. Keeping this fact in view, the position under the provisions of the License as respects the departmental clearance of lands situate in these forests for colonisation purposes is as follows.

4. All rights of the licensee to trees and material left over by him in Tugapur coupe II which has been already worked by him have been extinguished under clause 10 of the License, and the clearance of this area and removal of the left over trees and materials departmentally by the Chief Conservator will be in conformity with the express provision of that clause.

5. Diglipur-Paglipur, Balmi and Parangara areas can be utilized for colonisation purposes if, and in so far as, they are not specified as areas to be worked during the period of the current working plan. And further, if, as appears to be the case, these areas are not to be made available during the duration of the License under the present or the succeeding working plan for even selection felling, no question of permitting selection felling by the licensee in them will arise, except in so far as such selection felling may be necessary for making up the quantity of 75,000 tons of timber.

(see below).

6. The Bacon's Bay area falls in coupes X, XII and XIV of the North Austen series in P.B.I. These coupes are included for working during the period of the present Working Plan. It is, however, proposed to allot land out of these coupes for agricultural purposes and there will be no regeneration. If so, it is permissible to exclude the land to be allotted for agricultural purposes from the coupes by revising the Working Plan. Previous intimation should, however, be given to the licensee of the revision, to avoid any possible plea of unfairness, even though this may not be strictly necessary in one view of clause 4 of the License. The Licensee's consent, however, to the revision is not necessary.

It is further to be observed that since the area is going to be used immediately for agricultural purposes, the revision of the Working Plan should not be postponed until shortly before 1961 when the first of the three coupes becomes due for working. The revision should be made before the area is allotted for agricultural purposes.

In this connection, it is further to be observed, that though clause 5 of the license merely gives an estimate of the annual yield, which may be less or more, and therefore, does not import a guarantee, clause 6 contains a guarantee of the quantity of timber to be shipped annually by the licensee. If, therefore, the licensee is prevented by any act of Government from discharging this obligation, Government's right in regard to this enforcement against him would be prejudiced. Hence, if the omission of the three coupes or any part thereof from the Working Plan has the effect of reducing the total yield below 75,000 tons, which is the relevant guaranteed quantity, other clear-felling areas must be demarcated for working in the years 1961, 1963 and 1965 or the deficiency must be made good by allotting commercial timber trees in selection felling areas.

7. Subject to what has been said above, we agree that the clearance of land in the forests may be undertaken by the Forest Department for purposes of colonisation without giving rise to any claims by the licensee against Government for infringement of rights under the License.

Sd/- H. C. DAGA,
Deputy Secretary.

Ministry of Agriculture (T. S. Krishnamurti)

M/Law U.O. No. 31243/Adv./57, dt. 21-3-1957.

Copy of letter No. 1-56(48)/56-F, dated 24th August, 1956, from Sardar Gurbachan Singh, Secretary to the Chief Commissioner, Andaman and Nicobar Islands to the Secretary to the Government of India, Ministry of Food and Agriculture (Agriculture), New Delhi.

SUBJECT:—*Clear-felling of Diglipur—Agreement with Messrs. P. C. Ray and Co. (India) Ltd.*

I am directed to refer to your telegram No. 2-59/56-F, dated the 9th July 1956 on the subject mentioned above and to say that this Administration approached the Government of India for sanction to give the contract for the clearance of Diglipur area on 11th August, 1955. The necessary orders were communicated to this Administration only on 17th December 1955. On account of the delay in the receipt of the orders from the Government of India the time left for the Company for the clearance of the then anticipated area of 3,000 acres was only 3½ months *viz.*, from mid December 1955 to 31st March, 1956. The Company who were in negotiation with this Administration were pressing for the payment of the advance of Rs. 8 lakhs for the procurement of the necessary stores to enable them to complete the clearance work within the stipulated time. It was anticipated when making the suggestion that orders would be received sufficiently in time to enable the Company to place necessary orders for stores at leisure and part of the cost alone would be required to be paid in the first instance and the rest could be paid at leisure after some interval. However as orders were received very late and the Company required the entire advance amount for purchase of equipment, the advances were made at such short intervals in the interest of early and timely clearance of the entire Forest area. The first instalment of the advance of Rs. 5 lakhs was paid to the firm immediately on receipt of orders on 17th December, 1955 and as the Company was still pressing for the payment of the remaining advance the second instalment was paid to them on 27th January, 1956 after the execution of the necessary Agreement. There was no time for this Administration to enter into correspondence with the Company or arrange for a check-up or inspection of articles purchased by them. It was feared that any delay on the part of the administration would seriously hamper the activities of the Company and land might not become available for colonisation during the year.

Yours faithfully,

Sd/-

Secretary to the Chief Commissioner.

APPENDIX III

Note from the Ministry of Railways (Railway Board) regarding low production of iron and steel at Rourkela and Bhilai on account of shortage of coal and iron ore.

(Ref.: Para 180 of the Report)

In connection with the Statement made by the Minister of Steel, Mines and Fuel on 7th September, 1960 in the Lok Sabha regarding low production of iron and steel at Rourkela and Bhilai on account of shortage of coal and iron ore, the Public Accounts Committee have asked for the following information from the Ministry of Railways:—

- (i) What were the reasons that as against a monthly programme of 66,000 tons, quantities of coal transported to steel plants were only about 34,700 tons in May and 32,000 tons in June, 1960?
- (ii) What steps have been taken or are proposed to be taken by the Railways to ensure that production programme of the Steel Plants in the public sector is not hampered on account of inadequate arrangements for coal transportation to steel plants?

2. Regarding (i) above, supplies of coal to Rourkela Steel Plant during the months of May and June 1960 were as under—

	Programmed quantity	Allotments by Coal Controller	Actual receipts
May 1960			
Washed (Kargali) . . .	35000	45000	33197
Unwashed (Jharia) . . .	66000	29000	34764
Total	101000	74000	67761
June 1960			
Washed (Kargali) . . .	35000	40000	35995
Unwashed (Jharia) . . .	66000	29000	32571
Total	101000	69000	68566

3. Allotment of wagons for movement of coal to the steel plants is made by the Coal Controller from within the overall wagon offerings in the South Eastern Railway and in the Industrial Area direction from Dhanbad Area of the Eastern Railway.

The daily average overall wagon offerings and loading, as also allotments to Steelworks during the months of May and June are shown below:—

Month	Daily Average overall offering	Daily Average loading	Daily Average allotment to steel work
May . . .	3920	3881	835
June . . .	4211	4317	801

Allotment for the Steel Plants including Bhilai and Rourkela during the months of May and June could not be arranged upto the full extent of the programmes due to operational difficulties caused by the need to allow a daily block of four hours duration on the Asansol-Dhanbad, Asansol-Rourkela and Durgapur-Rajkherwan sections to progress electrification of these sections, extensive remodeling of major yards like Adityapur, Tatanagar, Bondamunda/Rourkela, Bhilai, Asansol, Ondal, etc., and track doubling works envisaged under the Second Plan. These difficulties were further aggravated by the need to carry additional traffic on account of steel works when the railways' own construction were under way. They were thus inevitable because the railways' own programme which should have preceded that of setting up the Steelworks had to be carried out simultaneously with that of the Steelworks under the same Plan period.

4. While there was no major setback in supplies of coal to the Steelworks for want of transport so far, it was realised in September 1960 that the situation needed careful watch at the highest level in view of the fact that both railways' own construction programme as well as that of the Steelworks was reaching a climax. On the one hand, the execution of the railways' capacity works in their final stage interfered more with the normal flow of traffic than previously and on the other the Steelworks progress of washeries, ore and limestone mines had not reached the final stage of completion on which alone railways had based themselves in planning their requirements. There was thus need to accommodate the Steelworks by agreeing to certain movements that were not initially envisaged even at the cost of additional operational strain on the railways. Accordingly, the Government examined the question of supply of coal to the Steel

Plants in the context of this situation. A number of decisions were taken such as enforcing coal loading on Sundays, expeditious release of inward wagons in Steelworks, progress elimination of *ad hoc* unplanned movements on account of Steelworks which had been agreed to even at the cost of additional operational strain to the railways in the initial stages, etc. As a result, the supplies of coal have now improved to the required level.

5. As regards item (ii) above, the following further measures have been taken to improve the wagon availability for movement of coal and other industrial raw materials to the Steel Plants—

- (i) Department of Iron and Steel is taking steps to expedite the installation of washeries for Steelworks whence block rakes of BOX wagon can be loaded as well as for non-coking coal for the beneficiation of non-coking coal for railway requirements.
- (ii) Installation of tippler and mechanical handling facilities in the Steelworks to accelerate the release of inward loaded wagons and thus quicken their turn-round.
- (iii) Progressive elimination of unplanned moves like loading iron ore for Rourkela from Barajamda instead of from Barsua.
- (iv) BOX type of wagons, with a carrying capacity of 55 tons, have been introduced primarily for the movement of coal so that faster and heavier coal trains could be run to the Steelworks.
- (v) Steps have been taken to speed up the production of wagons so as to make more wagons available.
- (vi) Ministry of Steel, Mines and Fuel have undertaken to create coal dumps at important consuming centres and the construction of bunkers at major collieries. The movement to such coal dumps is to be arranged in block rakes of BOX type wagons and other ordinary wagons which would accelerate the movement of coal.
- (vii) Question of loading on Sundays at the same level as on week days has been taken up by the Ministry of Steel, Mines and Fuel with the coal industry.

- (viii) Major industries are being asked to ensure that the loading on Sundays and holidays is at the same level as on week days.
- (ix) Overage and condemned wagons are being pressed into service by re-conditioning them for short lead movements and periodical overhauls of wagons has been temporarily suspended.
- (x) A drive has been instituted to keep a special watch on the movements of wagons with a view to eliminate avoidable detentions.

This issues with the concurrence of the Ministry of Steel, Mines and Fuel, but has not been seen by Audit.

APPENDIX IV

Summary of Conclusions/Recommendations

S. No.	Para No.	Ministry/Deptt. concerned	Conclusions/Recommendations.
1	2	3	4
1	4 (Introd.)	All Ministries	The Committee desired to be furnished with further information on a number of points from the various Ministries. In some of these cases, the requisite information has not been received so far. The Committee are, therefore, unable to comment on some of those points. They trust that the Ministries concerned would send the information at an early date
2	5 (Introd.)	Do.	The Committee had stressed the importance of furnishing information in time as regards action taken on the recommendation made in their earlier Reports in paras 38 and 5 (Introd.) of their 5th and 16th Reports (First Lok Sabha). They desire that the Ministries should furnish the requisite information expeditiously so as to enable them to examine the adequacy of the action taken on their recommendations. Prolonged delay in the implementation of the recommendations will deprive the recommendations of their value as, by the efflux of time, the purpose in view will be lost.
		Do.	Large savings occurring over a large number of grants indicate defective budgeting. In a planned economy, preparing the budget is more an administrative task with a view

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			<p>to translate into action the planning decisions previously reached. In other words, the financial system has only to ensure that the right amount of money is available in the right place in accordance with the plan. The Committee are, therefore, concerned to see such wide fluctuations between the budget provisions and the accomplishments at the close of the year. They would once again like to impress upon the Ministries the necessity for correctly estimating their requirements and working up to them with the closest degree of approximation, making a periodical review of the progress of expenditure during the year. With the refinements introduced in the technique of expenditure control in August, 1958 the Committee trust that the position will improve from next year.</p>
4	12	All Ministries	The review of works expenditure indicates that both the accuracy of budgeting and control of expenditure during the year left much to be desired.
5	13 (a)	Commerce and Industry	The Committee are constrained to observe that the re-appropriation under sub-head C. 1 (1) of Grant No. 2.—Industries was in the wrong direction
6	13 (b)	Education	The Committee feel that the expenditure incurred on the scheme of National awards for teachers involving "New Service" should not have been met without obtaining a supplementary grant.
7	13 (c)	Finance	The Committee desire to know the exact date on which order for the water mark paper was placed and

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			the date when Government came to know that the paper would not arrive before the close of the financial year 1958-59. They also desire to know the date on which that paper was subsequently received.
8	13 (d)	Finance	While noting that delays are likely to be experienced in obtaining the approval in such cases, large savings, in the Committee's opinion, generally indicate over-budgeting
9	13 (e)	Food and Agriculture	The Committee deprecate the tendency to provide for schemes which are not ripe for execution. They desire that this should be avoided in future.
10	13 (f)	Health	In the opinion of the Committee it will be futile to provide funds for schemes unless the necessary machinery to implement them is geared up within the year.
11	13 (g)	Home Affairs	The Committee are surprised to hear that the amounts were withdrawn by the Collectors of two districts under misapprehension that the grants could be utilised within a period of 6 months from the date of their withdrawal even if the period extended into the next financial year. They learn that necessary instructions have since been issued in this behalf and they trust that such cases of withdrawal of funds to avoid lapse of grants will not recur. They would, however, like the Ministry to impress upon all the sanctioning authorities the imperative need of sanctioning expenditure sufficiently in advance so that progress of the welfare schemes is not retarded and funds are utilised for the intended purposes.

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12	13 (h)	Home Affairs	The Committee feel that had their earlier recommendations contained in para 18 of the Eighth Report (Second Lok Sabha) been followed, there would not have been over-provisioning.
13	13 (i)	Irrigation and Power	The Committee feel that the fact that the D. V. C had large unspent balances brought forward from the previous year should have been taken into consideration at the time of budgetary allocations. They trust that such instances of defective budgeting will not recur.
14	13 (j)	Rehabilitation	The Committee are averse to unrealistic provisions. They learn that steps have been taken to effect better co-ordination between the D. D A. and the State Governments regarding the programme of rehabilitation of displaced persons in Dandakaranya. They trust that provision in the budget will in future be made after careful assessment of the programme and the capacity for its execution.
15	18	Commerce and Industry (Khadi and Village Industries Commission)	<p>(i) In the face of the facts before them, the Committee are unable to understand how it could be claimed that the payment of the second instalment was in accordance with the terms of the contract. In the opinion of the Committee, the action of the Board in disbursing the second instalment and subsequent sums to the Society completely lacked justification.</p> <p>(ii) It was urged before the Committee at one stage that the Board did not have sufficient experience of the Ambar Charkha in the initial stages of the scheme. If so, a prudent course would have been to place an experimental</p>

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			order on the Society. They regret to observe that the implementation of the scheme in the present case has been completely faulty resulting in a loss. The Committee considers that the reasons for the various irregularities in the case should be gone into and a report furnished to them.
			(iii) As far the recovery of the outstanding dues from the Society (in liquidation) the Committee understand that the prospects are not too bright. They would like to be apprised of the final outcome.
19	Commerce and Industry (Khadi & Village Industries Commission)		(iv) The Committee are not convinced with the explanation that as the Society had delivered 400 charkhas, the Commission believed at that time that the society could impart proper training.
16	21	Do.	(i) The Committee desired to be furnished with the particulars of the ten cases of over-payment which are still awaited.
	22	Do.	(ii) The Committee feel that the examination of the cases should be expedited. They were given to understand that the question of recasting the entire Swawalamban Scheme is also under examination. They would await the results of the examination.
	24	Do.	(iii) The Committee understand that Audit has selected 30 institutions and intimated the Ministry on 19th September 1960 for the test check. They desire that this test check should be completed at an early date and further action taken in the light of the results.

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17	26 Commerce and Industry (Khadi & Village Industries Commission)	<p>(i) With the establishment of the institution, qualified staff for maintenance of accounts should in the Committee's opinion have been engaged. The Principal of the institution who had taken upon himself the responsibility for the work should have ensured that the work was done properly. Employment of persons untrained in accounts for this work was regrettable. It is unfortunate that the Khadi Board also did not exercise proper control on the maintenance of accounts in the Vidyalaya.</p> <p>(ii) The Committee understand that the Khadi Commission had since posted qualified and experienced staff to set the accounts of the institution right and to maintain them properly. They trust that such irregularities in maintaining accounts will not recur.</p>	
	27	Do.	<p>(iii) The Committee were promised notes regarding outstandings as well as about certain objectionable features in the leasing of 140 acres of cultivable land attached to the institution to a private party. Both these notes are still awaited.</p>
18 (i)	29	Do.	<p>(i) In regard to the irregularities in the accounts of Karyalaya (Nasik) it was admitted in evidence that there was a deviation from the recognised C. P. W. D. procedure in this case. It was however urged that a comparison with the estimates of the C. P. W. D. on a similar other work indicated that the estimates of the C. P. W. D. for this work would have been higher and construction by C. P. W. D. would also have taken a longer time. The Committee</p>

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			do not appreciate the basis for such statements which are purely conjectural. They trust that the Khadi Commission will in future follow the prescribed procedure in this matter which has much to commend in itself.
30	Commerce and Industry (Khadi & Village Industries Commission)		(ii) The Committee are far from happy over the manner of the purchase of the timber. They do not see why tenders could not have been invited in all cases and formal agreements stipulating the unit rate terms of delivery and inspection entered into with the tenderers. The purchase of timber on as many as 25 occasions during a short period indicates lack of planning and foresight.
31	Do.		(iii) The Committee learn that after these irregularities came to the notice of the Ministry detailed instructions have been issued to the Khadi Commission for guidance and compliance. The Committee hope that these instructions and the manual said to be under preparation for the guidance of the institutions will go a long way in reducing the scope for such mistakes.
19	33	Do.	The Committee would like to be informed of the reasons for disbursing further loans and grants to the institution when it had not rendered accounts for the earlier loans and grants. They would also like to know the latest position of recovery of the loan from the State Board.
20	35	Do.	The Committee regret to note that the loan intended for the propagation of khadi had not been utilised for that purpose and the chances of its recovery are also bleak.

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			They would urge greater caution and more vigilance on the part of the Commission in the disbursement of loans/grants in future.
21	37	Commerce and Industry (Khadi & Village Industries Commission).	The Committee would like to be informed of the action taken or proposed to be taken by Government on the findings of the Enquiry Committee who looked into the losses and the financial irregularities in the accounts of the Bangalore Karyalaya.
22	39	Do.	The Committee are firmly of the view that the whole scheme and the mechanism of its operation requires a thorough check-up if the tax-payer's money set apart for khadi schemes is to be well spent and on the intended purposes. They trust that Government will pay timely attention to this. They would like to know the further developments in this matter.
23	40	Do.	The Committee desire to be informed of the measures suggested by the special Committee for the improvement of the Khadi Emporia and action taken thereon by Government.
24	43	Commerce & Industry.	(i) The Committee are hardly convinced with the explanation of the Ministry. Obviously the time estimated by the Tea Board (four months) for getting the Centre at Madras ready was too unrealistic. It seems the Board had also not been quite alive to the fact that every month of delay was costing Rs. 2,200. In their opinion, expenditure on the payment of rent for the premises without its being put to use for the intended purpose was a wasteful expenditure.

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	44	Commerce and Industry.	(ii) The Committee desired to be furnished with a note indicating precisely the different items of additional work done at the Centre and the certified cost thereof. But the note is still awaited.
25	46	Do. . .	The Committee learn that detailed instructions had been issued by the Ministry in December, 1959 regarding custody and disposal of left-over exhibits. They trust that these instructions will be strictly followed by the Missions in future.
26	48	Do. . .	(i) The Committee feel that accounts of the fair should have been compiled and for this purpose additional temporary staff could have been employed. In their opinion, there was an urgent need for the physical verification of the stock when there was a suspicion of pilferage in transit. In the absence of such a check it is difficult to say with certainty when and where the loss of goods took place. The Committee desire that the accounts of all these fairs/exhibitions should be finalised without further delay and the loss assessed. They would also like to know the value of the goods now in stock and steps taken for their disposal.
	49	Do. . .	(ii) The Committee consider that it will be good from many points of view if the left-over goods are disposed of as far as possible through emporia or private shops in the foreign countries.
27	51	Do. . .	(i) The Committee are not satisfied with the explanation given as regards the reported under-charging of rent. Even granting there had been wrong-billing in the first

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			instance, the position should have been reviewed in time and recovery of rent effected correctly. In the face of the reported existence of concrete cases of under-charging of rent, the Committee find it difficult to accept the Ministry's assurance. They would urge that a thorough examination of the cases be made by the Ministry in consultation with Audit and a report furnished.
	52	Commerce and Industry	(ii) The Committee are unhappy to learn that even 2 years after the exhibition there should be arrears of rent pending.
28	55	Commerce and Industry (Sindri Fertilizers and Chemicals Ltd.)	(i) The Committee consider that the shortage as assessed periodically in the stock of gypsum should receive greater attention than it does at present. When once the limits for transit loss are laid down, it should be seen that they are not exceeded. The Company should also calculate the quantity of gypsum consumed on the basis of the quantity of fertiliser manufactured, with reference to the standards laid down by the Company. This will enable the Company not only to locate the reasons for the shortage of gypsum but also to control the cost of production.
	56	Do.	(ii) In reply to a question the Committee were informed that the per ton cost of production of ammonium sulphate at Sindri is slightly higher than the cost of imported fertiliser. In the Committee's opinion, this indicates that control of cost of production calls for greater attention.
29	58	Education	(i) The Committee would like to be apprised of the recommendations of the Committee appointed

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			in December, 1959 to evolve a new procedure regarding disbursement, accounting etc. of grants-in-aid and the action taken thereon by the Central Social Welfare Board.
59	Education	(ii) In evidence, the Chairman of the Social Welfare Board promised to look into the reasons for delay in the receipt of audited accounts in respect of Welfare Extension Projects functioning during 1957-58 and to submit a further report to the Committee. The Committee would defer their comments till the requisite information is received from the Ministry of Education through Audit.	
30	61	<u>Education</u> Home Affairs	The Committee regret to see that the Training Scheme in 'After-Care' and 'Social and Moral Hygiene' courses drawn up to train 500 persons should have been discontinued after training only 100 persons and that 43 out of them should still remain unabsorbed (two and a half years after the completion of their training). They trust that vigorous efforts will be made by the Ministry of Home Affairs to persuade the State Governments to appoint these trained persons to the posts for which they were trained so that their training may not go waste. In future before starting such schemes, the State Governments should be asked to give their firm requirements of trained personnel and their capacity to absorb them.
31	63	<u>Education</u> Health	(i) The Committee regret to observe that the scheme for training of Auxiliary Nurse Midwives was neither well-planned nor well-

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			executed. A considerable part of the initial expenditure of over Rs. 8 lakhs incurred on this scheme was, in their opinion, infructuous. It is unfortunate that the Ministry of Health did not take steps to meet the Board's requirements of trained personnel under the Integrated Community Development Scheme.
	64	Education	(ii) The Committee trust that the Central Social Welfare Board will vigorously pursue the question of expeditious submission of audited statements of accounts in respect of grants given by it.
32	66	Do.	The Committee would like to await the report of the committee appointed by the Social Welfare Board to examine, <i>inter alia</i> , the possibility of reducing the cost of production of the 'Social Welfare' and the 'Samaj Kalyan' and the action taken thereon by the Board. They would also like to be informed of the outcome of the efforts made by the Board to push up the sales of the two journals
33	67	Do. <hr/> All other Ministries	The Committee would like to reiterate that the Ministries and Departments to whom draft Audit paragraphs are sent for factual verification should make every effort to adhere to the prescribed time limit of six weeks so that the picture of Government's handling of nation's finances presented to Parliament is based on undisputable facts. If, in exceptional cases, it is not possible to do so, the correct position should be brought to the notice of the Committee through Audit as soon as possible so as to enable

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			them to arrive at proper conclusions without any waste of time.
34	69	Education <u>Planning Commission</u> <u>Finance</u>	(i) The Committee desire that an early decision should be taken on the question of channelising all the grants given by Government to the Bharat Sewak Samaj through a single Ministry.
	70	Education	(ii) The Committee consider that the arrangement of getting accounts of camps organised by the Samaj audited by untrained persons is unsatisfactory and considering the size of the amount (Rs. 1 crore) that is being given to the Samaj it is desirable that they should have some system of internal audit by qualified auditors appointed for the purpose with the approval of the Comptroller and Auditor-General.
35	72	External Affairs	The Committee are unhappy over the stalemate about the construction of Embassy buildings on a plot of land purchased in a foreign capital. They would urge that Government should take early steps to resolve this.
36	74	Do.	The Committee could see no justification for the payment of special pay of Rs. 40 per month to the official after April, 1952.
37	77	Finance	The Committee do not consider that the difficulties enumerated by the Ministry are insurmountable. They understand from Audit that the combined system of bullion keeping and registering already introduced in the Silver Refinery has been functioning satisfactorily. They would, therefore, urge that this question of integrating the establishments in all the mints should not be delayed any further.

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38	79	inance	The Committee trust that Government will pay due attention to the question of repayment liability on account of foreign loans and evolve a plan for borrowing funds from abroad and their repayment after taking into consideration all foreseeable factors in the near future.
39	82	Food & Agriculture (Department of Agriculture).	The Committee are concerned to learn that the administrative officers in charge did not care to see that the prescribed procedure and the financial rules were being followed. They feel that the departmental investigations should be expedited and the officers at fault dealt with suitably. They desire that as required under the rules, only those persons who have pledged adequate security should be entrusted with the duties of handling cash. It should be further ensured that the receipts are remitted to the Treasury as early as possible so that there is no unnecessary accumulation of cash with the cashier. Verification of cash by the supervisory authorities should also be more frequent.
40	85	Do.	It is not clear to the Committee whether the Chief Conservator of Forests had sought clarification from the Ministry of the precise implications of the relevant clauses regarding classification of timber before he chose to reclassify the species of timber in question on the basis of their marketable value. It was a serious failure on his part if he had not done so. The Committee would urge that expeditious action should be taken to recover the arrears of royalty upto date and to ensure that payment of royalty on such species of timber on the basis of its first

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			classification by the C.C.F. is made by the lessee promptly and regularly.
41	88	Food & Agriculture (Department of Agriculture).	The Committee are not happy at the manner in which Government have proceeded in the matter of realisation of the royalty for the years 1955-56 and 1956-57 from the lessee. They do not see why Government chose to deviate from the provisions of the Agreement by adopting the weighted average price of the year 1954-55 as the basis for calculating the royalty for the two succeeding years. When the lessee had sold the timber by private negotiation without obtaining the approval of the Chief Conservator of Forests and refused to disclose the prices, it was clear case of breach of the terms of the Agreement and Government should have taken legal opinion before acting in the manner they did.
42	91	Do.	(2) The Committee find it difficult to accept the plea that the telegram was misunderstood by the Chief Conservator of Forests. In their opinion, the telegram was in unambiguous terms and there was hardly any room for "misunderstanding". When the firm had paid only about Rs. 16 lakhs against the outstanding royalty of Rs. 31 lakhs (approx.), the proper course for the Chief Conservator of Forests was to set off the interest of Rs. 55,000 paid by the firm towards the arrears due. His action in refunding this amount in cash, therefore, lacked justification. The Committee consider that this matter required investigation.

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92	Food and Agriculture (Department of Agriculture)		<p>(ii) The Committee are concerned at the halting manner in which Government are handling this case. The Agreement was entered into in 1950—ten years back—and would be in force for 25 years, i.e., till 1975. The lessee had not been paying the royalty fully for the past four years or so and Government had not chosen to enforce their rights under the terms of the Agreement. In the course of evidence it was admitted before the Committee that the agreement was not a “very fine piece of work”. If so, the Committee are surprised why action had not been taken by Government to rectify the relevant clauses. They are distressed at the “wait and see” attitude on the part of the Government which is costing the Exchequer rather heavily. In their opinion, the matter requires prompt attention and stern action if further losses are to be avoided. In this connection the Committee would also invite attention to para 35 of their Twentyfifth Report (Second Lok Sabha), Vol. II.</p>
43	Food & Agriculture (Department of Food).		<p>(i) In the opinion of the Committee the matter regarding the sale of Export Quota Rights requires looking into as the existing practice is likely to lend itself to mal-practices.</p>
95	Do.		<p>(ii) The Committee are surprised to hear that the mis-appropriation of sale proceeds had occurred in this case not because of any defect in the system of purchase but due to the failure of the agent to credit the sale proceeds of the Export Quota Rights to the Government in time. The same firm had defaulted in exactly the same manner to the</p>

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			<p>tune of Rs. 10 lakhs in 1954-55 and Government should, therefore, have taken necessary steps to ensure that a similar situation did not recur. It was admitted before them that had the Director of Purchase and the Chief Pay & Accounts Officer been vigilant the moneys withheld could have been detected within a couple of months. But by the time they detected the mistake the firm had gone into liquidation.</p>
		<p>Food & Agriculture (Deptt. of Food)</p>	<p>(iii) The Committee regret to observe that the officers had failed in their duties. As regards the realisation of the amounts, the Committee understand that a claim has been lodged with the official liquidator. The Committee would suggest that the Department may consider in consultation with the Ministry of Law the question of instituting proceedings against the individual partners of the firm for criminal breach of trust.</p>
44	97	Do.	<p>The Committee feel that much of the extra expenditure of more than Rs. 15 lakhs incurred on diverting the imported sugar from Madras port and on transit dues could have been avoided had alternative ports been mentioned in the shipping contract. They are not convinced with the plea that it could not be done due to the prevailing trade conditions, as it was admitted that it was the usual practice to mention alternative ports in the shipping contracts. The Committee trust that such omissions will not recur.</p>
45	100	Do.	<p>(i) The Committee trust that efforts will be made to see that all warehouses are utilised fully.</p>

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101	Food & Agriculture (Deptt. of Food)	(ii) the Committee desire that steps should be taken to familiarise the cultivators with the advantages of the warehousing service so that they are attracted to it in large numbers and help in making the service self-supporting.	
46	103	Health	In the opinion of the Committee, the Ministry of Health should be equally interested in securing patent rights for the medicines evolved at the Institute as in the research and scientific investigations conducted thereat. Any delay in securing such rights is fraught with the risk of exploitation by unauthorised and unscrupulous persons. The fruits of so much labour and cost will not be available to the public unless patent rights for these medicines are acquired and the medicines commercially produced by suitable agencies. The Committee trust that the Ministry of Health will pay attention to this aspect and ensure that the results of the researches are made available for the benefit of the public.
47	106	Home Affairs	(i) The Committee feel that the depreciation allowance of Rs. 75 per acre on the machinery and equipment allowed to the firm was rather too high when in the case of the third plot the revised rate of Rs. 325 per acre contained provision for depreciation of only Rs. 14 per acre on machinery. The Committee are of opinion that the Government while calculating the depreciation allowance should have also taken into consideration the fact that they had made interest-free advance of Rs. 2.5 lakhs to the firm in November, 1954.
107	Do.	(ii) The Committee regret to observe that Government had failed to have the work completed within	

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			<p>the stipulated time in spite of their advancing a large amount interest free. They learnt that the first instalment of advance, viz., Rs. 5 lakhs was given even before the execution of the agreement. They see no convincing reason for this. Nor are they satisfied with the plea that "the drawing up of an agreement necessarily takes time and for this reason it was not considered practicable to await the finalisation of the contract for making the payment of the advance." The Committee are distressed to learn that the advance has not yet been adjusted. They desire that early steps should be taken to adjust the advance and finalise the payment on account of the work.</p>
108	Home Affairs	(iii)	<p>The Committee feel that the advances to the firm were unduly liberal resulting in avoidable loss to Government by way of interest.</p>
28	110	Do.	<p>The Committee trust that scrutiny of the accounts will be completed expeditiously and the total loss determined. The Committee would like to be informed of the results of the police investigations and the departmental action taken against the various officers, especially the drawing and disbursing officer whose laxity facilitated the various irregularities detailed in the audit para.</p>
4	113	Do. All Ministries	<p>The Committee are not happy over the accumulation of audit objections as some of the objections are 7-8 years old. They regret to observe that in spite of their repeated recommendations and instructions issued by the Ministry of Finance, inspection reports and audit objections are allowed to</p>

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			accumulate. They desire that each Ministry should fix a target date for clearance of outstanding audit objections and see that the date is adhered to.
50	113	Home Affairs	The Committee would like to be informed of the result of the Police investigation into the losses incurred at the Himachal Pradesh Rosin & Turpentine Factory, Nahar, and of the action taken by the Ministry against the officer concerned.
51	116	Rehabilitation	The Committee regret to observe that the initial accounts of composite properties were not maintained in the prescribed form and it has taken too long to bring them upto-date. The Committee would urge that comments from Audit regarding non-maintenance of accounts should receive prompt attention at the hands of the Ministries so that the accounts could be scrutinised and reported upon in time by Audit.
			The Committee will in this case await the comments of Audit after scrutiny of the accounts since brought upto-date.
52	119	Do.	(i) While the Committee appreciate the need for establishing new townships for settling the displaced persons they regret to observe that the scheme in this case was both ill-conceived and badly executed. It is also surprising that effective steps were not taken to develop the economy of the township at least after it became evident that the displaced families were leaving the township for want of adequate means of livelihood.

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			(ii) The Committee note that a large amount (Rs. 1.09 lakhs till December, 1958) is outstanding from the occupants of quarters and shops/godowns by way of rent and water charges. They trust that effective steps will be taken to expedite recovery of these arrears.
53	121	Rehabilitation	<p>The Committee feel that over-payments to the displaced persons could have been avoided if the amendment to rule 19 of the Displaced Persons (Compensation and Rehabilitation) Rules, 1955, had been given effect from the date of its notification as required under Codal Rules.</p> <p>They urge that expeditious action should be taken for the final settlement of the cases of overpayments to the displaced persons. They also trust that such cases will not recur.</p>
54	123	Do.	<p>The Committee trust that the instructions issued by the Ministry regarding grant of permission to the displaced persons to resile from their bids will be strictly followed in future.</p>
55	126	<p>Scientific Research & Cultural Affairs</p> <hr/> <p>All other Ministries</p>	<p>The Committee could see no justification for continuing the payment of the allowances for nearly three more years when it had been objected to by Audit in January 1954. They would invite attention to the recommendation of the Public Accounts Committee in para 21 of their Report on the accounts of 1946-47, according to which payments objected to in audit should be held in abeyance, pending a final decision in the matter. Had this been done, a part of the overpayment could have been avoided. The Committee trust that Ministries and Departments of Government will</p>

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			henceforth strictly comply with the afore-mentioned recommendation.
56	130	Steel, Mines & Fuel (Deptt. of Iron & Steel)	(i) When it was within the knowledge of the Iron and Steel Control Organisation that the partners of the new firm were the same as those of the blacklisted firm, it passes the comprehension of the Committee how the Iron and Steel Controller could presume in the way he is reported to have done. The fact that orders valued at Rs. 4.12 crores were placed on the firm by the Iron and Steel Controller even after the orders dated October, 1956 from Government indicated beyond doubt that it was a clear case of disregard of the Government's orders.
	132	Do.	(ii) In the light of orders issued by the Ministry of Steel, Mines and Fuel (Deptt. of Iron and Steel) to the Iron and Steel Controller on the 26th October, 1956, the question of honouring verbal assurances in respect of three contracts placed after October, 1956 did not arise. The Committee deplore the manner in which the case was handled.
	134	Do	(iii) The Committee are amazed that the Iron and Steel Control Organisation should have gone to the length of appointing the main blacklisted firm as a controlled stockist regardless of Government orders
		Do.	(iv) The Committee feel that it is a fit case to be investigated further for fixation of responsibility for the irregularities revealed.
57	136	Do.	(i) The Committee are concerned to observe that the Iron and Steel

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Control Organisation should have taken 15 months in verifying the freight rate and f.o.b. prices of the material obtaining in the Continent. They are firmly of the opinion that the delay in this case was unconscionable.

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

(ii) The Committee were given to understand that the case was being referred to arbitration and that arrangements in regard to the appointment of the arbitrator were under way. The Committee would like to be apprised in due course of the final outcome of the case.

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Do.

The Committee feel that much of the trouble could have been avoided had the Iron & Steel Control Organisation been vigilant and strict in dealing with the claim for remuneration. It is nearly four years since the matter was raised by audit and the dues in question are yet to be realised. The Committee understand that the matter is now before Government for decision. They trust that an early decision will be taken in the matter.

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Do.

The Committee are not fully convinced by the explanation that had the offer been rejected, the firm would, under the terms of the agreement, have sold the steel in the market (to non-priority indentors) and it would not have been available for high-priority indentors awaiting allocation from the Iron & Steel Controller. When the plea of superior quality urged by the firm was rejected, there was no apparent justification to pay substantially higher price for the steel purchased from this firm when other firms were willing to offer the material at lesser rates. The interest of high-priority indentors would not

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have been affected as there were competitive tenderers ready to supply.

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| 60 | 143 | S. M. & F. (Deptt. of I. & S.) | In para 24 of their 26th Report (Second Lok Sabha), the Committee had pointed out a number of instances in which the Iron and Steel Controller acted beyond his powers. Similar irregularities have been pointed out in the Audit Report (Civil), 1960. The Committee are constrained to observe that the Iron & Steel Controller had acted in his own way during this period and Government failed to take due notice of these omissions and commissions till Audit pointed them out. The Committee would suggest a thorough investigation into the working of this Organisation and devising of effective measures to prevent recurrence of such cases which may entail losses to Government. |
| 61 | 145 | (Deptt. of I & S) . | The Committee would like to watch further progress in the introduction of a full-fledged system of commercial accounting at the Bhilai and Durgapur Projects. They would also like to be informed of the steps so far taken by the Company to secure uniformity in the system of accounts in all the three Projects under its control. |
| 62 | 148 | Do. | While the Committee note the Hindustan Steel's anxiety to avoid delay in the completion of civil works in the present case, they trust that the Company will draw upon its past experience and arrange for the preparation of detailed drawings well ahead of construction schedules when setting up new Steel Plants in future. This would not only provide a more reliable basis for |

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			framing the estimates but also minimise chances of wastes and delays resulting from hurried procurements and changes in designs.
63	149	(Deptt. of I & S)	The Committee would like to be informed in due course of the final decision taken regarding Rs. 11 lakhs stated to be under dispute between the Hindustan Steel and their Consultants.
64	153	Do.	The Committee regret that though nearly two years have elapsed since the irregularities referred to in the Audit para were detected, disciplinary action in the matter has not yet been initiated, and one of the suspected officials has, in the meanwhile, been allowed to retire. The Committee have pointed out on more than one occasion that disciplinary action should be prompt. The explanation of the representative of the Hindustan Steel for delay in instituting disciplinary proceedings is not acceptable to the Committee. They would in this connection like to draw attention to para 30 of their 5th Report (First Lok Sabha) and para 13 of their 13th Report (First Lok Sabha) wherein they recommended that departmental proceedings against the suspected officials should not be held up pending the outcome of criminal prosecutions and that photostat copies of all documents having an important bearing on the disposal of the case should invariably be kept. The Committee fail to understand why the Hindustan Steel did not consider it necessary to suspend the suspected

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			officials pending police investigations, as otherwise there is greater risk of the suspected officials influencing the evidence. They would like to be informed of the action taken against the officers in this case. The Committee also trust that the Company will in future deal with disciplinary cases with greater vigour and expedition.
65	155	S.M. & F. (Deptt. of I & S)	(i) The Committee would like to be apprised of the final outcome of the case referred to in para 87(v) of Audit Report (Civil), 1960 in due course.
	157	Do.	(ii) The Committee regret to note that the Project authorities who had to handle cash transactions worth crores of rupees implemented this requirement of the financial rules only after the shortage was detected in April, 1959 although its necessity was stressed by Audit in August, 1958. They feel that it indicates disregard of financial rules and public exchequer on the part of the superior officers concerned for which responsibility should be fixed.
66	160	Do.	It was pointed out by Audit that as against the orders of 25 tons and 50 tons placed by the Company in August, 1957, and June, 1958 only 18 tons and 20 lbs. were consumed respectively upto 25th July, 1959. The Committee found it difficult to reconcile this with the statement of the Secretary, Department of Iron & Steel that at the time of placing the telegraphic order for 50 tons in June, 1958 the demand was urgent. The witness promised to check up the figures of consumption and furnish the information later. The requisite information is still awaited.

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67	162	S.M. & F. (Deptt. of I & S)	The Committee regret that though about five months have elapsed, the comparative statement showing the quantities of 'inserts' manufactured and supplied by the various firms together with the comparable rates paid therefor called for by them is still awaited.
68	165	Do.	While the Committee note that the later events established the utility of the road, they cannot help observing that originally, the decision to construct the road only for the purpose of shortening the lead for transport of limestone from the quarry to the work-spot lacked financial justification especially when the cheaper rail route was also expected to be opened by about the same time.
69	168	Do.	The Committee are of the view that this case was not handled in a businesslike manner. Instead of withdrawing the woodwork from the contractors on the plea of non-availability of quality wood (about which the Project authorities would no doubt have satisfied themselves), a better and more prudent course would have been to ask the contractors to use wood of revised specifications for which a rate reduction could also have been justifiably insisted on.
70	170	Do.	The Committee are surprised to hear the explanation that due to lack of sufficient experience in the early stages of the Project, the Project administration felt that the penalty clause could be invoked only in the case of delay in supply and not in a case of supply of defective material, which itself was in dispute. In their opinion, the Chief Project Officer had failed in his duty by not invoking the risk-purchase

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			<p>clause. The plea of misapprehension is unconvincing. Nor is the explanation for not preferring the claim as suggested by Government satisfactory.</p>
71	172	S. M. & F. (Deptt. of I & S)	<p>In the opinion of the Committee this is a typical case of defective planning. They trust that efforts will be made by the Hindustan Steel to encourage the use of these jetties by other Departments/Under-takings, besides the Heavy Engineering Corporation, with a view to ensuring that the handling capacity of the jetties is utilised to the maximum. Apart from adding to the revenues of the Company, this will relieve congestion at the Calcutta Port.</p>
72	176	Do.	<p>The Committee regret to note that so much loss of production should have been suffered at Rourkela on account of shortage of burnt dolomite caused by frequent breakdowns of the dolomite calcining plant. While the Committee note the reasons for the low production of pig iron at Rourkela during the period in question, they consider that all precautions should be taken to ensure a steady supply of burnt dolomite to avoid shortfall in production. They are concerned to see that even by utilising the dolomite obtained from other Steel Plants, the fall in production at Rourkela could not be avoided. The Committee, therefore, feel that it may be worthwhile to examine the feasibility of establishing another dolomite calcining plant so that a central reserve of burnt dolomite could be built up to meet emergent needs, if any, of all the Steel Plants.</p>

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73	181	<p>S. M. & F. (Deptt. of I. & S.)</p> <hr/> <p>Deptt. of M. F.</p> <hr/> <p>Railways (Railway Board)</p>	<p>The commissioning of the steel plants requires a high degree of co-ordinated effort on the part of the Ministries of Steel, Mines and Fuel and of Railways and it is apparent that there had not been that much co-ordination. Part of it has been claimed to be due to unavoidable causes which may be rightly so. The result, however, is loss in production the effect of which it may not be possible to evaluate precisely. It is needless to point out that this enterprise requires clock-like precision and every phase of it has, therefore, to be planned accordingly. The Committee are glad to hear that measures have been taken to ensure that the production by the steel plants is not hampered by lack of supplies of ore or coal. They would await with interest the effect of these measures.</p>
74	184	<p>S.M. & F. (Deptt. of M. & F.)</p>	<p>The Committee feel that the change-over to the commercial system of accounting is taking too long a time. As more than four years have elapsed since the administration of State Collieries was taken over by the National Coal Development Corporation, the Committee desire that the process of change-over (including recasting of accounts for the years 1956-57 to 1958-59) should be completed at an early date and a report submitted to them.</p>
75	187	Do.	<p>The Committee understand from Audit that to obviate cases of overdrawal of funds in future, the National Coal Development Corporation has introduced a new procedure for drawal of funds. The Committee trust that the introduction of the new procedure will have the intended effect.</p>

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76	188	Deptt. of Transport.	The note on the working of the Mercantile Marine Department promised to the Committee by the Ministry is still awaited.
77	190	W.H. & S.	In the opinion of the Committee imposition of a condition that the tenderers for works should keep their offers open for a specified period will be definitely advantageous. They suggest that the matter be re-examined.
78	195	Do.	<p>(i) It is quite obvious that in both the cases (referred to in paras 65 and 66 of Audit Report) there had been bad planning and defective coordination. The Committee are concerned that such lapses continue to recur. They had urged upon the Ministry to take appropriate steps to ensure better coordination between the C.P.W.D. and the Municipal authorities, especially in the matter of providing ancillary services. The Committee would now like to be informed of action taken in this regard.</p> <p>(ii) As for the local purchase of cast iron pipes at a higher cost, the Committee are not convinced by the plea of urgency. With proper planning the extra expenditure could have been avoided.</p>
79	196	Do.	(i) The Committee find it difficult to accept the plea that the time given by the Defence authorities for the removal of the material was not adequate. Even if the notice was short for the C.P.W.D. to remove the material, that Department should have taken suitable steps to protect its ownership rights over the departmental stores lying in the estate.

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			(ii) The Committee are also not happy about the manner in which this case was handled by the officers of the Ministry of W.H. & S. after the Law Ministry expressed the opinion in June, 1949. They would like to be informed of the final outcome of the case.
80	202	W. H. & S.	In the opinion of the Committee, the C.P.W.D. did not display due caution while scrutinising the tender before communicating its acceptance to the contractor. Being important legal documents, tenders require scrutiny with meticulous care. In order to avoid any dispute and safeguard the interests of State, the Committee consider that before accepting a tender it should also be ensured that all pages and additions and alterations in the tender documents are signed by the tenderer. The Committee trust that the Ministry will impress his on the officers empowered to conclude contracts on behalf of Government.
81	205	<u>W.H. & S.</u> Finance	In their report on the accounts of the year 1946-47 the Public Accounts Committee had suggested that the views expressed by Audit should normally be accepted and acted upon provisionally pending final decision by the competent authority. The Committee noted that even the Financial Adviser to the Ministry was oblivious of this recommendation. They would like the Ministry of Finance to draw the attention of Financial Advisers to this important recommendation of the Committee.

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82	209	W. H. & S.	In the absence of anything on record to indicate it, it will be difficult to know whether the question of claiming liquidated damages from the contractor was examined by the competent authority or not. The Committee suggest that in future every case where extension of time is given should be examined without delay for levy of liquidated damages and the decision arrived at recorded thereon.
83	211	Do.	(i) In the absence of any convincing data, the Committee find it difficult to accept the opinion of the C.T.E. that there had been a marked improvement on the whole in the quality of construction since the setting up of this Organisation. In their view, the number of cases is an important index in this matter and any increase therein is normally indicative of a wider spread of defects. For correct appreciation of the position it would be better if the results of inspections carried out by the C.T.E. are compiled and presented in a manner which will enable the Committee to come to some conclusions about the working of the C.P.W.D. and whether the C.T.E., which was set up at their instance, is functioning on right lines.
	212	Do.	(ii) The Committee desire that the Ministry should issue strict instructions to the C.P.W.D. enjoining expeditious disposal of the reports from the C.T.E.
	213	Do.	(ii) The Committee note that the particular paragraph (para 74) in the Audit Report gives simply a summary of the activities of the C.T.E.'s organisation. They are, therefore, not in favour of omitting such a paragraph from the Audit Report.

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84	215	W.H. & S.	The Committee are concerned to see that losses are incurred by Government on Grand Hotel, Simla from year to year. Apart from reducing the overheads, the justification for continuing the concessional rates to touring officers may be examined with a view to curtailing losses to the minimum.
85	218	Do.	(i) The Purchase Organisation, in its anxiety to get out of the contract, as the indentor was no longer in need of the articles, had completely overlooked the merits of the case. The Committee would advise caution in such matters as any hasty action affects adversely the financial interests of Government.
	219	Do.	(ii) The Committee would like to endorse the views of Audit that the agreement with the firm in this case (para 217) was loosely worded as it left it to the firm to determine the date of commencement of supplies by delaying taking delivery of the raw material. The Committee were assured that the standard terms of contract had since been revised to ensure greater precision in the clauses.

