

**PUBLIC ACCOUNTS COMMITTEE
(1963-64)**

**NINETEENTH REPORT
(THIRD LOK SABHA)**

[Appropriation Accounts (Civil), 1961-62 and Audit Report (Civil), 1963 relating to Ministries of Commerce and Industry (now Ministries of Industry, International Trade), Community Development, Panchayati Raj and Co-operation, Economic and Defence Co-ordination and Education]



**LOK SABHA SECRETARIAT
NEW DELHI**

February, 1964

Magha, 1885 (Saka)

Price : Rs. 1.15

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CORREENDA TO

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**See 18th Report of PAC (3rd Lok Sabha)

**PUBLIC ACCOUNTS COMMITTEE
(1963-64)**

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SECRETARIAT

Shri H. N. Trivedi—Deputy Secretary.

Shri Y. P. Passi—Under Secretary.

*Declared elected on 29th November, 1963 *vice* Shri Bhakt Darshan ceased to be a Member of the Committee on his appointment as Deputy Minister.

**Declared elected on the 29th August, 1963 *vice* Shri Nawab Singh Chauhan.

INTRODUCTION

- As authorised by the Public Accounts Committee, I hereby present this Nineteenth Report on the Appropriation Accounts (Civil), 1961-62 and Audit Report (Civil), 1963 in so far as they relate to the Ministries of Commerce and Industry (Now Ministries of Industry and International Trade), Community Development, Panchayati Raj and Co-operation, Economic and Defence Co-ordination and Education.

2. The Appropriation Accounts (Civil), 1961-62 and Audit Report (Civil), 1963 was laid on the Table of the House on the 18th April, 1963. The Committee examined these at their sittings held on 23rd (afternoon), 24th (forenoon and afternoon), 26th and 27th September and 11th November, 1963. A brief record of the proceedings of each sitting of the Committee has been maintained and forms part of the Report (Part II*).

3. The Committee have already presented a separate Report (Eighteenth Report—Third Lok Sabha) on the Delhi Development Authority (Ministry of Health). They propose to deal with the remaining Ministries referred to in the Accounts and Audit Report mentioned above in separate Reports.

4. The Committee considered and finalised the Report at their sittings held on 5th and 10th February, 1964.

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

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

They would also like to express their thanks to the officers of the Ministries concerned for the co-operation in giving detailed information asked for by the Committee during the course of their evidence.

NEW DELHI:

February 12, 1964

Magha 23, 1885 (Saka).

MAHAVIR TYAGI,

Chairman,

Public Accounts Committee.

*Not printed. [One cyclostyled copy will be laid on the Table and five copies placed in the Parliament Library along with the Twentieth Report (Third Lok Sabha.)]

I

MINISTRY OF INDUSTRY

Khadi and Village Industries Commission

Page 110, para. 101 (i) and (ii):

A summary of the Commission's receipts and payments during 1961-62 is given below:—

RECEIPTS		PAYMENTS	
(In crores of Rupees)			
Opening Balance	0.49	Amounts refunded to Government against advances received for Trading operations	1.00
From Government :			
Loans	6.22		
Grants	8.51	14.73	
Receipts from institutions etc.		Payments to : institutions etc.---	
Repayments of Loans	11.25	Loans	17.51
Refunds of amounts invested in trading operations	5.96	Trading Operations Grants	4.42 7.79
Refunds of unutilised Grants, etc.	0.56	Administrative expenses	1.31
Miscellaneous Receipts	0.60	Closing balance	1.56
TOTAL		33.59	TOTAL 33.59

The progressive total of sums given as loans by Government upto 1961-62 was Rs. 49.16 crores. Out of this amount, loans to the extent of Rs. 19.55 crores which had fallen due for repayment to Government in October, 1962 had not been repaid by the Commission. The Commission had stated that the loans were to be continued and that Government had been approached for the renewal of the loans repayable in October, 1962.

Explaining the position, the representative of the Ministry stated that the Commission had requested Government that the loans,

originally given for five years, which had fallen due for repayment in October, 1962 might be renewed for a further period of five years. The chief ground for this request was that these loans had been given to the Commission to finance Khadi operations and that it was not possible for the Commission to repay this amount out of any surplus profits that the Khadi operations might have gained from them during that period and unless the Khadi operations came to an end, it was not possible for the Commission to repay the loans. In reply to questions, the witness added that out of the loans received by the Commission from Government, loans were advanced by it to institutions partly for capital items like buildings but mostly as working Capital i.e., for purchase of cotton, raw material, and advances for production of Khadi, etc. The witness assured the Committee that practically all such loans and advances were strictly recoverable. Even so, it was explained, as the operation of the Khadi institutions yielded very little or no margin of profit it was difficult for the Commission to repay the loans as long as the Khadi operations were to be continued. In reply to another question it was added that in the costing of Khadi, the cost of cotton, implements, labour etc. was being taken into account, but from the sale of Khadi it was not possible to make up all the cost involved. It was also not possible to suggest a period within which the Khadi industry would become self-sufficient. It was added that the Government was aware of this position and felt that the loans should be long term loans. The matter was being considered in consultation with the Ministry of Finance.

The Committee note from the explanation furnished to them that the loans amounting to Rs. 19.55 crores initially given to the Commission for five years (repayable by October, 1962) are not expected to be repaid in the foreseeable future. They were also informed that the loans are virtually interest free, annual subsidies being given to the Commission to enable it to pay interest. The Commission received during the years 1960-61 and 1961-62 Rs. 3.64 crores and Rs. 1.97 crores respectively as subsidy. The Committee feel concerned at being told that even in the distant future extending to 30 or 40 years, it was difficult to envisage precisely as to when the necessity of renewal of loans to the Commission would cease and the Khadi industry would become self-sufficient. This seems to indicate that the term 'loan' is a misnomer in this case and that it virtually amounts to a grant. While the Committee do appreciate the importance of giving suitable encouragement to Khadi and Village Industries, they are of the view that this important factor viz., that the loans given to the Khadi and Village Indus-

tries Commission will not be returnable in the foreseeable future; indicates the need for a fresh look at and a new approach to Government policy in this respect.

The Committee have also noticed that conditions of repayment of loans advanced by the Commission to various bodies have often been relaxed and that the period for which large funds are committed is grossly underestimated. They are clear that due to the laxity inherent in such a state of affairs, loanees are likely to pay scant regard to the conditions of the loan. The Committee urge, therefore, that Government should closely examine all proposals for loans including the manner of their utilisation before sanctioning them and should insist that loans should be treated by the loanee as loans and not as grants.

Grants and Loans—Pages 110—112, para 101 (iii):

2. The table below sets out the grants and loans disbursed by the erstwhile Khadi and Village Industries Board between 1953 and 1957 and by the Commission from 1st April, 1957 to 31st March, 1962 and the amounts for which utilisation certificates are awaited:

Year	Amount disbursed (Total of Grants & loans).	Amount for which utilisation certifica- tes are awaited.	Amounts which according to the utilisation certifica- tes have to be re- funded or regularised.	Refunds received balance regulari- sed.	Balance for which regularisa- tion and or refunds are due.
1	2	3	4	5	6
(Figures in crores of rupees)					
<i>Khadi & Village Industries Board 1953-57.</i>					
Registered Institutions	15.64	..	1.88	1.14	0.74
State Boards State Governments }	3.81	2.26	0.56	..	0.56
TOTAL	19.45	2.26	2.44	1.14	1.30

1	2	3	4	5	
<i>Khadis & Village Industries Commission—1957—60</i>					
Registered Institutions	36·86	4·56	3·95	0·29	3·66
State Boards	11·05	11·01	..	..	..
State Governments	4·08	4·08	..	..	..
TOTAL	51·99	19·65	3·95	0·29	3·66
<i>1960-61</i>					
Registered Institutions	11·72	3·90	..	..	..
State Boards	8·73	8·70	..	..	..
State Governments	0·53	0·53	..	..	..
TOTAL	20·98	13·13	..	..	..

The amounts shown in column (4) have either not been utilised at all, in which case they have to be refunded or have been utilised in excess of the permitted amounts on authorised schemes, in which case they have to be regularised. In a few instances, they have been incurred on unauthorised schemes, in which case the Commission has to decide whether they should be refunded or the schemes authorised.

Government had permitted extension of time upto 31st March, 1960 for utilisation of funds disbursed as grants to institutions till 31st March, 1958. Unutilised amounts totalling Rs. 2·37 crores had not, however, been recovered from these institutions till October, 1962, of which Rs. 1·30 crores related to the period 1953—57 and Rs. 1·07 crores to the year 1957-58.

Repayment of loans advanced by the Commission to the extent of Rs. 4·75 crores (inclusive of Rs. 2·42 crores due from State Boards) was overdue on 30th September, 1962 (as against Rs. 2·77 crores as on 30th June, 1961). Taking into account further recoveries made upto 15th December, 1962 the overdue amount still outstanding was Rs. 3·89 crores. In respect of loans totalling Rs. 7·38 lakhs, legal proceedings for recovery had been or were proposed to be instituted by the Commission against 50 institutions, some of which had gone into liquidation.

The representative of the Ministry agreed during the course of evidence that the amounts spent on unauthorised schemes or where utilisation certificates were not available, should have been refunded. The Commission had since taken certain decisions with a view to realising these amounts rapidly. In this connection, the Commission

had decided in compliance with an earlier recommendation of the Public Accounts Committee not to give further loans to institutions which had defaulted in repayment; but in its implementation, account was taken of the normal time-lag between the giving of a loan and the coming in of the utilisation certificate. In extenuation, the Committee were informed that the term "unauthorised schemes" did not mean that these schemes were outside the normal activities of the Khadi Commission but that prior sanction had not been obtained for them. The Committee, however, desired to be furnished with a note indicating the nature of the unauthorised schemes and the amounts spent thereon (amounts for each scheme to be shown separately). The note is awaited. The Committee would like here to emphasise their previous recommendation made in para 57 of their Seventh Report (3rd Lok Sabha) that further grants/loans should not be made available to those organisations which have not furnished utilisation certificates in respect of earlier grants in time. The Committee also desire to emphasise that a serious view shou'd be taken of the diversion of funds by the grantees for unauthorised objects.

The Committee note from the Audit Report that utilisation certificates were awaited from the State Boards and State Governments practically for the entire amount (Rs. 24:32 crores) disbursed to them from 1957-58 to 1960-61. In addition such certificates were also awaited from them for a sum of Rs. 2.26 crores disbursed during 1953-57. The Committee are of the view that a special drive on the part of the Commission and the Ministry is necessary to improve the position.

3. With regard to the certificates due from the Registered Institutions, the Committee were informed that the position had very substantially improved during the last one year. It was also reported that due to difficulties encountered by the institutions in utilising funds during the permissible period of one year, the Commission had proposed to Government to extend the period for utilisation of grants to 18 months, and it was hoped that if these proposals were agreed to, the utilisation certificates would be received in time in a large number of cases. Replying to a question whether schemes were examined and approved before loans were granted, the representative of the Ministry stated that loans were given only after a *prima facie* assessment had been made that the scheme put forward by an institution was capable of implementation.

The Committee suggest that, in cases where institutions do not require the entire grants/loans for use within a short period, payment should be made to them in instalments, subsequent instalments being withheld in cases where certificates for utilisation of earlier instalments have not been received within a reasonable time.

As regards repayment of loans advanced by the Commission, the Committee see with concern that the amount overdue for repayment had risen to Rs. 4.75 crores as on 30th September, 1962 from Rs. 2.77 crores as on 30th June, 1961, about 50% of the amount being overdue from the State Boards. The Committee urge that all necessary steps, legal and administrative, should be taken to recover these outstandings. They would watch the position through the next Audit Report.

"Gram Ekais" Scheme—Page 112, para 101 (iv).

4. The Commission had made provision, in their Third Five Year Plan, for the organisation of 3,000 "Gram Ekais" (integrated development centres) each with a population of 5,000. As against the budget provision of Rs. 6 lakhs made during 1961-62 expenditure of Rs. 5.65 lakhs was incurred by the Commission on the pay and allowances and training of the organisers, gram sahayaks and inauguration of "Ekais". The Estimates Committee have observed in their 167th Report that this scheme is not covered by the objects of the Commission set out in the Khadi and Village Industries Commission Act, 1956, and is, therefore, *ultra vires* of the said Act. The question of amending the Act to bring this scheme within its purview was stated (August 1962) to be under the consideration of the Government; in the meantime, the Commission continued to incur expenditure on this scheme during 1962-63.

The Committee enquired about the decision of Government with regard to the "Gram Ekais" scheme in the light of the comments of the Estimates Committee in their 167th Report (2nd Lok Sabha). The representative of the Ministry stated that the Ministry of Law had been again consulted in the matter and their revised advice was as under:

"As regards the amendment suggesting the new sub-clause 15(2) (j), Shri Mehta read out in detail the opinion of the Attorney General and stated that insofar as the activities of the Commission in respect of coordination with other bodies related to the planning of the programme—even of an integrated rural programme—and the actual expenditure was only in respect of schemes covered by the Khadi and Village Industries Commission there could be no objection. The basic points to be considered in such case was what was the pith and substance of the programme. If the pith and substance of the programme was to plan and the Commission would not enter into details of carrying out the activities covered by other agencies there could be no objection. It was decided that in

the light of this clarification we should address the Ministry inviting its attention to the views of the Estimates Committee on the Gram Ekais Programme."

The witness added that the "Gram Ekais" activities in the main came within the purview of the Khadi and Village Industries Commission Act. There were a few activities, which did not come within the purview of this Act (e.g. Agriculture, Health, rural development etc.) but no expenditure was being incurred by the Commission in respect thereof, as the existing staff supervised them in addition to their normal duties. The Government were now of the view that it was not necessary to amend the Act to enable the "Gram Ekais" activity to continue.

The Committee are of the view that in the light of the observations of the Estimates Committee and also the reservations made by the Ministry of Law the continued incurring of expenditure on Gram Ekais Scheme without amending the Act is not justified. Even if the Act is amended, it is worthwhile considering if it would be right and proper for the Khadi and Village Industries Commission to undertake activities which are likely to be a duplication of the work carried out by Community Development Department and other agencies of the Government.

Defalcations—Pages 112 and 113, para 101 (vi).

5. During the period 1955 to 1962, 77 cases of defalcation of cash and stores involving an amount of Rs. 1.43 lakhs through pilferage, manipulation of account books, etc. occurred at centre of the Commission in the Andhra Zone. A tabular summary of the cases is given below:—

	Number of cases	Amount involved
		Rs.
Theft	11	24,161
Defalcation/Mis-appropriation	16	25,156
Stock deficits	48	86,691
Miscellaneous	2	8,302
	77	1,43,310

Out of these, 27 cases involving Rs. 33,477 had been finalised by recovery of Rs. 29,309 and write off of Rs. 4,168. In the remaining

cases, Rs. 18,172 had been recovered and Rs. 265 written off. The regularisation of the balance of Rs. 91,396 was awaited (November, 1962). The Commission had observed in this connection that the "amounts involved are not considerable in proportion to the large turn over (about a crore) in the trading operations in that zone" and that the defalcations were "deliberate and wilful acts of a criminal nature committed by some employees."

With regard to regularisation of the remaining cases amounting to Rs. 91,396, the representative of the Ministry stated that a further small recovery had been made; the matter was being followed up. To a question whether any security was taken from the employees who handled cash, the Committee were informed that no cash security was taken but arrangements existed for taking the fidelity insurance to cover the risk. With regard to the past cases of criminal nature, the employees concerned were being prosecuted.

The Committee would like to be informed of the result of the prosecution in due course. The Committee hope that administrative arrangements in the zone will be tightened up so as to check possibility of further defalcation of cash and stores.

Trading Units—Pages 113 and 114, para 101 (vii).

6. There were 29 trading units under Khadi Industry and 18 units under Village Industries on 31st March, 1962. Their working results for the year 1961-62 (with the exclusion of figures of 2 Village Industries Units which were not available) are summarised below:—

Sl. No.	Particulars	Capital at charge	Block Assets	Depre- ciation	Profit (+) Loss (—)	Precent- age of return on Ca- pital employ- ed.
1	2	3	4	5	6	7
(Figures in lakhs of rupees)						
I.	<i>Units working at profit</i>					
	(i) Khadi (14 Units)	190·85	4·91	0·77(+)	10·06	5%
	(ii) Village Industries (8 Units)	5·64	0·15	0·02(+)	0·27	5%
II.	<i>Units working at loss</i>					
	(i) Khadi (13 Units)	266·20	8·48	1·15(—)	10·44	
	(ii) Village Industries (6 Units)	5·82	0·08	0·01(—)	0·26	

1	2	3	4	5	6	7
III. Units which do not show any profit or loss						
(i) Khadi (2 Units)	.	3.56	Nil.	Nil.	..	
(ii) Village Industries (2 Units)	.	0.33	Nil.	Nil.	..	
Grant Total (Khadi & Village Industries)	.	472.40	13.62	1.95	(—)0.37	

The bulk of the profit earned by the Khadi Units was accounted for by the profit of Rs. 8 lakhs in the Department which supplies Khadi for Government requirements against contracts placed by the Director General, Supplies and Disposals. The question of refunding the profit earned by this Department to the consignees through the D.G.S. & D., as originally envisaged by the erstwhile Khadi Board and subsequently pointed out in para 11 of Audit Report, 1961, was still under the consideration of Government.

These working results had been arrived at after taking into account subsidies aggregating Rs. 4,19,402 on the sale and production of Khadi, etc. paid as grants by the Commission, and without taking into account the interest on capital. If interest on capital at 4½ per cent. (the rate charged on loans taken by the Commission from Government) were also taken into account, the total loss of Rs. 0.37 lakhs shown in 1961-62 would be increased to Rs. 30 lakhs. A comparison with the total profit/loss shown in the four preceding years is shown below:—

Year	Capital (average of opening balance & closing balance over the year)	Profit (+) Loss (—) (without allowing interest on Capital)	Return on Capital (%)	Profit (+) Loss (—) (after allowing interest on Capital)
(Figures in lakhs of rupees)				
1957-58	283.88	(+) 6.00	(+) 2.11%	(—) 6.77
1958-59	347.10	(+) 6.15	(+) 1.77%	(—) 9.47
1959-60	391.69	(+) 4.42	(+) 1.13%	(—) 13.21
1960-61	568.58	(+) 7.19	(+) 1.26%	(—) 18.40
1961-62	658.54	(—) 0.37	..	(—) 30.00

It is a matter of concern to the Committee that instead of the trading activities paying their way as experience is gained, the losses are steadily rising and even the small profit earned by certain units has been mainly out of the supplies of Khadi made to Government Department. It was stated on behalf of the Commission in extenuation that the Centres would make losses in the initial period of their working but steps were now being taken to see that they would be economically worked and there would be no losses and that in course of time they would make profits. The Committee would like to be informed of the steps taken in this direction and of the results achieved.

7. In reply to a question, the Secretary of the Ministry stated that there was an understanding with D.G. S. & D. that if any profit was directly attributable to supplies to D.G.S. & D. he was entitled to those profits; but there was a difference of opinion as to the quantum of profit and that the question of refund of profits earned by some units on the supply of Khadi to the Government Departments (consignees) through the D.G.S. & D. was under the active consideration of the Ministry of Finance and as soon as they took a decision in the matter, the same would be implemented.

The Committee would like the Ministry of Finance to take an early decision with regard to the refund of profits to Government through D.G.S. & D.

Bone Digesters—Page 114, para 101 (viii)

8. Out of 367 bone digesters purchased (mostly during the period 1954-55 to 1959-60) for utilisation in the bone crushing units started with the Commission's funds, 139 units valued approximately at Rs. 1.5 lakhs were found to be not functioning by January, 1962, due to defects in the machinery or non-availability of raw material, the social customs of the people also acting as an impediment. A sum of Rs. 55,000 was sanctioned in November, 1962 for repairing them.

The Committee were informed that the task of repairing all the defective bone digesters and supplying them to the areas where they were required, had been taken in hand. About 40 bone digesters had since been repaired and sent to various areas. 277 bone digesters out of 367 were now working. The Committee enquired whether it was not defective planning to locate the digesters at places where raw materials were not available. The representative of the Khadi Commission stated that they had since taken up some intensive centres where flaying, tanning and bone digesting could be done simultaneously and these bone digesters would be put into use in those centres.

The Committee hope that the remaining bone digesters will also be repaired soon and put to productive use to avoid further loss on this account.

*Irregularities in disbursement of grants/loans to an institution—
Pages 114 and 115—para 102—.*

9. During a period of about two years and a half from December, 1955 to May, 1958 the All India Khadi and Village Industries Board/Commission disbursed, on various occasions, loans and grants aggregating Rs. 1,56,050 and Rs. 98,122 respectively to the Bhopal Rajya Khadi and Gramodyog Sangh, Bhopal without ascertaining whether the funds already released had been fully utilised.

An inspection of the accounts of the institution in February, 1960 by the Commission's internal auditors showed that the liabilities as on 31st January, 1960 exceeded the assets on that date by about Rs. 1.42 lakhs and that only a small cash balance of Rs. 2,000 was available with this institution. The unsatisfactory state of affairs continued till January, 1961 when assets with a book value of Rs. 95,124 were taken over by the Zonal Office of the Commission.

A subsequent inspection by the Commission's internal auditors in April, 1962 showed the following position:—

- (a) the accounts of the institution had been audited only upto 1956-57; no proper accounts had been maintained for subsequent period;
- (b) the accounts books and the connected records were not traceable;
- (c) of the loans and grants referred to above, amounts of Rs. 1,23,772 and Rs. 58,218 respectively had remained unspent and were repayable on 31st March, 1960.

The institution is reported to have ceased functioning in 1960-61.

The Committee desired to know whether the accounts books and the connected records of the institution had been traced and got audited. The representative of the ministry stated that the accounts had been reconstructed. It was further stated that no payment was made to the institution after it was found that there was something wrong with its accounts. The last payment of Rs. 4,000 made on 8th January, 1958, (according to Audit, however, the last payment was made on 2nd May, 1958, of an amount of Rs. 2000 as Amber loans) and the irregularity came to notice in November, 1958. With

regard to the latest position of assets and liabilities of the institution, the Committee were informed that the amount recoverable was Rs. 1,22,945, and the value of assets was Rs. 61,859 and the amount still to be recovered was Rs. 61,086. The matter had been taken up with the Chairman of the Institution and it was hoped that his reply would be satisfactory.

The fact that out of a total of Rs. 2.54 lakhs disbursed till May, 1958 as loans and grants to Bhopal Rajya Khadi and Gramodyog Sangh, Bhopal as much as Rs. 1.82 lakhs were found refundable on 31st March, 1960, makes it clear that no verification was made of the utilisation of funds given earlier before making further releases. Apparently the funds were diverted to other purposes. The Committee are surprised that internal audit was undertaken only about two years after the disbursements were completed and, in the meantime, the Commission were complacent about the matter. The Committee feel that had the officials of the Commission been inspecting this institution properly, as was required of them, the deteriorating financial position of the institution would have come to their notice earlier and remedial action could have been taken in time. They desire that serious notice of the lapses at every stage should be taken and responsibility fixed.

Subsidized Sales of Sub-standard Khadi—Page 115, para 103—

10. With a view to enabling the clearance of accumulated stocks with Khadi producing institutions, the Government of India advanced a loan of Rs. 2.70 crores in March, 1961 to the Commission for the purchase of surplus Khadi from the aided institutions or for the grant of loans to these institutions to meet the loss arising from the disposal of the accumulated stocks at reduced rates. The Commission acquired surplus Khadi worth about Rs. 2.82 crores in all, but the goods continued to remain in the godowns of the respective institutions, who bore the storage charges. The Commission met the insurance charges amounting to Rs. 43,000.

Subsequently, in September, 1961, loans to the extent of Rs. 188.68 lakhs were advanced by the Commission to the aided bodies with the approval of the Government to enable them to take back the stock of sub-standard Khadi and dispose of them by allowing an additional rebate. 50 per cent of this additional rebate, subject to an over-all ceiling amount of Rs. 25 lakhs fixed by Government, was to be borne by the Commission. In spite of these concessions, the institutions could dispose of stocks worth about Rs. 73.58 lakhs only (October, 1962). The Commission had not yet

worked out their share of the loss on account of additional discounts allowed by the institutions on these sales, but the amount was expected to be of the order of Rs. 7 lakhs.

In view of the slow pace of disposal and the inability of the institutions to liquidate the accumulated stocks, the Commission was again authorised by Government in June, 1962, to procure sub-standard goods still lying with the institutions and to sell them after processing or converting them into ready-made garments, subject to the condition that the total loss to the Commission under the scheme including any additional rebates allowed should not exceed Rs. 37 lakhs. Clearance of the remaining stock of sub-standard Khadi valued at Rs. 1.15 crores had not materialised (October, 1962).

Explaining the background of the case the representative of the Ministry stated that there was a continuing increase of stocks of sub-standard Khadi but it was unavoidable when Khadi operations were increasing because whosoever could spin, the yarn was taken from him and payment made. It was added that the Commission felt that unless the accumulated stock of sub-standard Khadi was lifted, there could be no fresh production and hence some solution had to be found, and the action referred to in the audit para, was thought to be the solution. This transaction did not involve any rebate or extra payment to the institution. It was added that except for Rs. 60 lakhs out of Rs. 1.89 crores worth of stocks that were to be disposed of, the loans had been recovered.

The Committee are unable to understand why the surplus and sub-standard khadi was in the first instance purchased outright and left with respective institutions presumably to be sold by them and subsequently loans amounting to Rs. 1.89 crores were still given to enable the very same stock-holders to repurchase the stocks to be sold at an extra rebate. The straightforward course, would have been to ask the stock-holders in the very beginning to sell the stocks at an extra rebate and to reimburse them to the extent Government agreed to share the actual loss. The Committee feel that the course actually followed amounts to wrong use of public money, to which they take serious exception.

The Committee desired to be informed regarding the extent of loss suffered by the Khadi and Village Industries Commission/Government of India in the clearance of the accumulated stocks of the surplus and sub-standard Khadi, and also wanted a full explanation of the various transactions involved. The Secretary of the Ministry agreed to furnish a note on the subject. The note is awaited.

Assets created by grantees wholly or mainly out of funds given by the Khadi and Village Industries Commission—Page 116, para 104.

11. Orders were issued by the Ministry of Finance in February, 1960 that assets created wholly or substantially out of Government grants should not, without their prior sanction, be disposed of or encumbered or utilised for purposes other than those for which the grants were sanctioned. In March, 1961 they further ordered that a register of permanent and semi-permanent assets created by non-Government bodies wholly or mainly out of the grants should be maintained and a copy thereof furnished annually to the sanctioning authorities to enable them to maintain permanent block accounts of such assets. The question of adoption by the Khadi Commission of a similar procedure in regard to grants made by them to various bodies was stated to be still under consideration (October, 1962) and in the meantime there were no records with the Commission to indicate the assets acquired by the concerned institutions with the grants made available to them.

At the outset the representative of the Ministry stated that the Commission had accepted the decision of Government and action had been initiated for preparation of full details of the assets of the grantees. To a question whether the Commission had decided to maintain accounts only of assets of the value of Rs. 5,000 and more, the representative of the Ministry replied in the affirmative, but added that the matter would be considered by the Ministry of Industry in consultation with the Finance Ministry who were likely to accept it. With regard to measures taken to safeguard against disposal or utilisation of the assets for purposes other than those for which the loans or grants were given, the Committee were informed that the hypothecation deeds taken by the Commission from the institutions provided that such encumbrances and disposals would not take place.

The Committee are unhappy to note the delay in implementing the decision of the Government of India by the Commission in this respect. They hope that the records in the present cases will be completed as quickly as possible.

II

MINISTRY OF INTERNATIONAL TRADE

Overpayment of Rent, pages 30-31, para 29

12. The Government of Kenya allotted a plot of land in December, 1944 to an Indian merchant on a lease of 99 years at an annual rent of Rs. 667 for the specific purpose of building a house thereon for the residence of the Indian Trade Commissioner.

The Indian merchant built a house on this plot and leased it out to the Trade Commissioner at a fixed rent of 350 shillings (Rs. 233) p.m. by means of an agreement entered into in December, 1945 by the Indian Trade Commissioner as a party. This agreement also stipulated that the landlord would be responsible for major structural repairs. After about three weeks, however, (on 30th December, 1945) the agreement was materially amended by exchange of letters between the landlord and the Trade Commissioner, according to which the landlord was entitled to increase the monthly rent at any time after 8th December, 1948 on condition that such increased rent was not higher than the standard rent as assessed by the local authorities. In agreeing to this modification the Trade Commissioner confirmed in writing a statement made by the landlord in the following terms: "You and I have agreed that the said agreement does not convey correctly the terms agreed between us and that you and I signed the agreement while we were in a hurry and I did it without perusing the same."

With effect from 1st July, 1949, the rent was increased to the standard rent of sh. 625 (Rs. 417) per month. In October, 1952, a further increase of 10 per cent with effect from June, 1952 was sanctioned by Government on the recommendation of the Trade Commissioner which was demanded by the landlord in terms of an Ordinance issued by the Kenya Government. Another increase of 20 per cent was sanctioned by Government from 1st July, 1953 following an amendment of this Ordinance. The rent was again refixed at a higher figure of sh. 1,100 (Rs. 733) from 1st November, 1959 from which date the Ordinance was repealed; the sanction was accorded by Government in October, 1960 on the ground that the landlord had undertaken to carry out major structural repairs to the building and that the rent already fixed was low in comparison with the market rate.

The relaxation of the terms of the agreement from time to time to the advantage of the landlord entailed an overpayment of Rs. 47,000 upto 30th September, 1962. The additional payment at the rate of Rs. 500 per month was being continued.

The Secretary of the Ministry explained to the Committee that when the agreement was originally entered into and amended on 30th of December, 1945, Government were not a party thereto. (Although the wordings of the agreements are: "The Indian Trade Commissioner in East Africa hereinafter called the Trade Commissioner). The Trade Commissioner then was not entitled to rent free accommodation but only to house rent allowance. In his personal capacity, therefore, he entered into an agreement with the Indian merchant for hiring a house for himself. Sometime in 1949 the Trade Commissioner became entitled to rent free accommodation and at that stage the Government approved the lease as then existing. **The Committee are not satisfied with his explanation. They learn that the agreement was as between the Indian Merchant and "the Indian Trade Commissioner" in East Africa, and it also bound the latter's successors in office. Besides the agreement was not for any specified short term but for "all time to come". It was irregular that such an agreement should have been entered into by the Trade Commissioner without the approval of Government. Even more indefensible is his further action in agreeing to amend the agreement materially whereby though he was himself ensured a house at a reasonable rent for three years, the landlord was permitted to increase the rent thereafter. The Committee are surprised that no explanation appears to have been asked for from the Trade Commissioner in 1949 or afterwards when the Government had already come into the picture in regard to the agreement.* The Committee consider it desirable that Government should ensure that Indian representatives abroad strictly follow the prescribed procedure. Any breaches thereof should be dealt with promptly and effectively.**

13. At the instance of Audit the following matters were under examination in consultation with the Ministry of Law:—

- (i) The validity of the amendment permitting an increase in rent which was agreed to by the Trade Commissioner in spite of the provision in the original agreement that the monthly rent of sh. 350 will be the basic rent "for all time".
- (ii) The applicability of the local Rent Control Ordinance to this particular agreement between the landlord and the Trade Commissioner.

*The official is no more alive.

The Committee enquired about the legal position. The Secretary of the Ministry stated that at the instance of the Law Ministry the legal position was got examined by a practising counsel of Mombasa and in the light of his opinion the Law Ministry had advised that the change in the original agreement effected on 30th December, 1945 was the crucial stage and that the revision of the rates of rent subsequent thereto could not be helped in the light of the amended agreement.

The Committee note that rent had been increased with effect from June, 1952 and again from 1st July, 1953 in terms of the local Rent Control Ordinance although there was a stipulation in the Ordinance that "nothing in this Ordinance shall be taken to authorise an increase of rent except in respect of a period during which, but for the provisions of the Ordinance, the landlord would be entitled to obtain possession". The landlord in this case was precluded from obtaining possession of the building at any time in view of the special provision in the agreement. **The Committee were not convinced that there was a legal compulsion under the Ordinance to agree to the increase in rent.** They, therefore, desired to see the final advice of the Law Ministry. The Ministry of International Trade has furnished an extract from the Advice of the Law Ministry which is at Appendix I*. In the opinion of the Committee reference to the right of re-entry for any breach of the terms of the agreement in the note (Appendix I) is not strictly relevant to the issue.

In view of the terms of the original agreement which laid down that major repairs were the responsibility of the landlord himself and the fact that the ordinance had already been repealed on the 1st November, 1959, the Committee find no justification for the increase of rent sanctioned in October, 1960, with retrospective effect from 1st November, 1959, on the ground that the landlord had agreed to undertake major repairs costing about Rs. 20,000.

Exhibitions/Fairs—pages 31 to 33, para 30

14. A total expenditure of Rs. 61.10 lakhs was incurred during the four years ending with 1961-62 in connection with the participation in exhibitions and fairs in foreign countries on 70 occasions in all. The value of exhibits taken from India on these occasions totalled Rs. 29 lakhs (Rs. 24 lakhs through the trade and Rs. 5 lakhs on Government account), but goods of the value of Rs. 19 lakhs had to be brought back to India. The sales effected amounted only to Rs. 2.66 lakhs (involving a loss of Rs. 0.18 lakh as compared with the book value)

*Not vetted by Audit.

and the value of goods damaged or lost in transit was Rs. 0.64 lakh. The remaining goods were left with the local agents or with the Missions (Rs. 5.67 lakhs) or presented to different parties (Rs. 0.81 lakh).

(A) Delay in disposal of exhibits

In spite of instructions from Government, instances of delay in the disposal of the exhibits left with the Missions came to notice as indicated below:—

Name of the Fair/Show-room/Mission	Period of exhibition	Value of goods still lying with the Missions	Remarks
		Rs.	
Leipzig Autumn Fair, 1958.	1958	25,000 (April '62)	In December, 1961, it was stated that in some cases damages already sustained warranted reduction in price of the goods by 60% to 75%.
Consulate General, Hamburg.	..	12,000 (April '62)	

The Committee desired to be supplied with a break up under broad heads like cost of construction of pavilions and other items of the expenditure of Rs. 61.10 lakhs incurred during the four years ending with 1961-62 in connection with the participation in exhibitions and fairs in foreign countries. They also desired to be informed of the expenditure incurred in the shape of travelling and daily allowance of officials sent abroad in connection with such participation. This information has been furnished (Appendix II).

The Committee were further informed in the course of evidence that the total expenditure on exhibitions as such in 1961-62 was Rs. 19 lakhs whereas Rs. 6.42 lakhs were spent only on maintaining the Directorate of Exhibitions in Delhi. This appeared to be disproportionate. The Committee suggest that the Ministry should make a close examination to see whether the expenditure incurred on the Directorate is commensurate with its responsibility and also explore avenues of making economy in its expenditure. It would be useful if the O. & M. Team is asked to examine whether the amount of expenditure

incurred by the Directorate (including the T.A. of officers) is commensurate with the number of exhibitions in which our country participated, as also the number and value of exhibits sent.

15. The Committee enquired whether the goods left with the local agents or Missions (Rs. 5·67 lakhs) had since been disposed of. They were informed that those had still to be disposed of by the Missions. Elucidating the position the Secretary of the Ministry added that in the East European countries where the economy was centrally planned, the exhibits were disposed of on the spot at the exhibitions. Elsewhere, only samples were exhibited and it was not expected that there would be sale of goods at the exhibition. Further the undisposed of exhibits belonging to private parties in India were returned to them. Of the other exhibits which were supplied by Government Agencies some were of the nature of decorative goods and these were re-used as long as possible. The other kinds of departmental exhibits were handloom fabrics or handicrafts. Because of their being used in exhibition more than once they were decreasing assets and their book value did not represent their existing worth. According to the latest instructions goods received back were disposed of by auction as soon as they arrived. In regard to disposal of goods abroad the following difficulties pointed out by the Ministry earlier in reply to observation of the Committee in para 15 of their 8th Report (Third Lok Sabha) were reiterated:—

“Exhibits are only samples and few in number in each kind and are not in bulk which alone local importers would be readily interested in purchasing. They are also shop soiled and undergo depreciation in the course of display, exposure and handling. The exhibits being imported without prepayment of import duties etc., permission to dispose of exhibits, specially on rates of duties and taxes based on the market value of the goods after display is only obtained with considerable difficulties. Import licences being obtained by buyers are also insisted in certain countries before the sale can be effected. The disposal of exhibits abroad is thus achieved only with great difficulty. However, the Missions had been instructed to do so in order to economise expenditure on the return of goods to India and also as it will lead to goods reaching the consumer. Strict instructions have recently been issued to the Missions to expedite action either for disposal locally wherever possible or to return the goods to India in a short period.”

Of the two instances of inordinate delay in the disposal of the exhibits left with the Mission (referred to at page 31 of the Audit

Report) the Committee ascertained the position in regard to the goods worth Rs. 25,000 reported to be remaining undisposed of since the Leipzig Autumn Fair, 1958 to April 1962. They were informed that goods worth about Rs. 7612.50 which belonged to a firm in Delhi had been returned to it and of the balance, sales at reduced prices could be effected in February, 1963 at considerable efforts for goods of the value of Rs. 5061.00. Further efforts were under way to dispose of the balance but the demand was very poor.

While the Committee note the difficulties pointed out by the Ministry they feel that the inordinate delays in disposing of the unsold exhibits/articles indicated absence of planning and timely review of the possibility of their being sold abroad. They suggest that after an exhibition is over, goods capable of being sold abroad should be carefully screened in the light of trade enquiries received and the balance returned to India immediately. A time limit should also be laid down within which goods, if not sold abroad should be returned to India for disposal (provided financially it is worthwhile to bring back the goods).

(B) Maintenance of Stock Registers in the Directorate of Exhibitions, New Delhi:

16. During a local audit of the Directorate conducted in June, 1962, it was noticed that the defects in stock registers, commented upon in paragraph 18 of Audit Report, 1962 continued to persist. The entries were incomplete and in several cases unauthenticated. It was not possible to ascertain readily how many articles of the same description and specification were lying in stock. In many instances, transfers from the central stock register to the exhibition/fair stock registers maintained for each exhibition and *vice versa* could not be linked. In many cases, the source of receipt of the articles was not mentioned in the registers. A physical verification conducted in 1961 disclosed damages amounting to Rs. 64,104.

It was explained to the Committee by the Secretary of the Ministry that the damages referred to above were calculated on the basis of the book value of the articles whereas the actual value of such articles which had been used and re-used would be very low. He added that damages and depreciation of certain articles could not be avoided when they were being exposed and transported frequently although every care was being taken for packing them properly. In regard to the deficiencies in the maintenance of stock registers pointed out in the Audit Report the Secretary stated that every effort was being made to bring the entire position to as systematic a level as possible. In actual practice, however, difficulties were encountered

in identifying articles after they had been used because they lost their labels. He felt that the continuance of the detailed accounting of such unsaleable articles was really not worthwhile and that it would be the endeavour hereafter to dispose them of by auction at the earliest opportunity. **While the Committee agree that there is no point in retaining such articles in stock they feel that the stock registers must be maintained in such a manner as to facilitate proper control of the stocks. In particular it should be necessary to keep a record as to when and how articles get damaged so that deficiencies in the arrangements come to light and can be avoided.**

(C) Defective Planning.

- (i) *Casablanca International Fair, 1961 and the Indian Exhibition in Accra, 1961 etc.*

17. During the local audit of the Embassy of India, Rabat in June, 1962 it was noticed that Government had sanctioned an amount of Rs. 1,27,800 against the actual expenditure of Rs. 93,300 and the Mission's estimate of Rs. 71,800. In respect of the Indian Exhibition in Accra, 1961 and Leipzig Fair, 1961, the unspent balances left over after the closure of the Exhibitions amounted to Rs. 1.15 lakhs and Rs. 47,610 respectively.

Adverting to para 14 of their Eighth Report (Third Lok Sabha), wherein the Committee (1962-63) had dealt with two instances reported by Audit in 1962 in which amount far in excess of requirements had been sanctioned by the Ministry, the Committee enquired whether the Ministry had taken steps to restrict the sanctioning of funds to reasonable requirements. The Secretary of the Ministry stated that the Missions usually regarded the Ministry as niggardly in sanctioning the funds estimated by them. In regard to the Casablanca International Trade Fair, 1961 (Rabat), however, it was stated that the Mission's estimate of expenditure amounting to Rs. 71,800 related to an area of 150 sq. metres only against the booked area of 315 sq. metres which the Ministry regarded as necessary for proper display of exhibits. Accordingly, it was contended that the Ministry's estimate of Rs. 1,27,800 was conservative and justified. Asked to explain the utilisation of Rs. 93,300 only, the witness stated that the saving was the result of implementation of the instructions for economy in regard to local staff, labour charges, publicity, storage and entertainment. Further, an amount of Rs. 7970 was saved due

to the allocation of space in a cheaper sector in the Fair by the Fair authorities.

Exhibition in Accra, 1961 (Saving Rs. 1.15 lakhs)

In this connection, the representative of the Ministry stated that the High Commission of India at Accra had originally estimated an expenditure of Rs. 50,547, but had advised that the estimates might be based on the experience of the previous Indian Exhibition held in 1956 of which the papers were available in the Ministry, providing 25 per cent more for rise in prices etc. In 1956, the expenditure incurred was Rs. 1,05,000 and, therefore, keeping in view the advice of the Mission, a formal provision of Rs. 1,31,000 was made. It was, however, envisaged that in 1961 Exhibition, considerable emphasis should be given to the Indian Engineering goods which had an export potential in Ghana, and also to construct an additional temporary building adjoining the hall. For this a provision of Rs. 65,000 was added to the estimate; but the officer concerned was instructed to effect economy. As a result of co-operation of the Ghana Government, considerable work had been done through their P.W.D. at a very much less cost than what was anticipated. Considerable saving (Rs. 55,000) was effected by obtaining materials and fixtures on hire with the help of the Ghana Government. By prudent expenditure on other items also e.g. local staff, local transport, entertainment etc., a total amount of Rs. 41,000 was saved. On transport also a saving of Rs. 15,000 was effected by diverting the goods to another Exhibition instead of returning them to India. It was contended that the saving of Rs. 1,12,000 thus effected could not be anticipated while the estimates were sanctioned.

While the Committee welcome economies effected by local officers despite excessive funds sanctioned by the Ministry in the cases mentioned above, they cannot escape the conclusion that these instances indicate lack of proper planning. With funds in excess of requirements made available to local authorities, the temptation to be extravagant would be difficult to resist. The Committee are surprised that the representative of the Ministry of Finance should have agreed to such inflated estimates. They could understand if the estimates were higher (or lower) by about 5 to 10 per cent than the actuals; but the Ministry's estimates, which were higher by Rs. 34,500 (37 per cent) in the case of the Casablanca Fair, 1961 and Rs. 81,000 (more than 50 per cent) in the case of Accra, are obviously excessive. The Committee, therefore, reiterate the need to evolve a better system to avoid recurrence of such instances.

(ii) *Somalia International Fair, 1961.*

18. In regard to the Somalia International Fair, 1961 (28th September to 12th October, 1961) the question of participation was taken up in January, 1961. But an architect was sent from India only in August, 1961. An expenditure of Rs. 1.20 lacs was incurred on the construction of the pavilion against the Somalian International Fair-Committee's estimate of Rs. 37 to 40 thousand and the Ministry's estimate of Rs. 64 thousand. The Director who was deputed from India subsequently had stated that "It is not only extremely defective from the modern architectural point of view but it in itself is one of the most expensive ways of setting up a pavilion". There was no record of detailed estimates for measurements for the various items of work done. The expenditure on this Fair was the highest for any of the Fairs (twelve), except one, in which the Ministry participated during 1961-62.

In this connection the following remark of the Indian Ambassador was brought to the notice of the Committee:

"This excess payment we cannot therefore escape.....I should, however, in this connection like to note that the contract was most haphazardly made. There are quite a few items against which no rates were quoted and we are on that account at the mercy of the contractor.....What is most surprising to me is that even when an architect had been sent out from India and he was there, such omission occurred....."

The Secretary of the Ministry admitted the validity of the Ambassador's criticism. He also conceded that had the actual cost been anticipated the Ministry might have decided against participation in the Fair. He stated in extenuation, however, that there was no local Indian Mission in Somalia and the Somalian Government were pressing for Indian participation.

The Government's participation in the Fair was not, it appears, inspired wholly by economic considerations. A token participation would have met the needs of the situation. Even if the Ministry's estimate of Rs. 64,000 for construction of the pavilion alone is regarded as justified, there is no justification for an additional expenditure of Rs. 56,000 especially when an Architect had been sent for from India.

Show Rooms

19. The number of show-rooms maintained in foreign countries under the supervision of local Missions and the expenditure incurred on them are shown below :

Year	No. of Show-rooms	Expenditure for purchases, etc. in India	Expenditure incurred abroad	Total
(In lakhs of rupees)				
1958-59	13	0.39	7.91	8.30
1959-60	14	1.09	9.60	10.69
1960-61	15	1.46	9.86	11.32
1961-62	15	1.39	12.95	14.34
TOTAL		4.33	40.32	44.65

It is seen from the above statement that whereas the number of show-rooms remained the same in 1961-62 as in 1960-61 and the expenditure for purchases etc. in India was slightly less in 1961-62 than in 1960-61, the expenditure incurred abroad was higher in 1961-62 by Rs. 3.09 lakhs (32 per cent.). From the break-up of the expenditure furnished during the course of evidence, it is seen that the increase mainly occurred under 'Other Charges' (Rs. 2.24 lakhs) viz., under contingencies. The smaller increases of personnel costs were explained as due to increments and revision of pay scales. The Committee could not get any explanation for the fact that during the four years 1958-59 to 1961-62, the expenditure incurred abroad (Rs. 40.32 lakhs) was so disproportionate in relation to the expenditure on purchases etc., in India (Rs. 4.33 lakhs). The latter apparently represents the cost of articles displayed and the former, the cost of displaying them. **The Committee desire that a detailed analysis of expenditure should be made by the Ministry to see whether by a more rational arrangement the cost of running the show-rooms cannot be reduced without impairing their utility.**

20. The Committee enquired whether the volume of trade in respect of the items displayed in the show-rooms had increased with the countries concerned. The Secretary of the Ministry expressed the view that the show-rooms were useful promotional agencies. He added, however, that, it would be difficult to determine the relationship between a show-room and its trading effect. **The Committee feel that efforts should be made to lay down suitable criteria**

to determine the usefulness and efficiency of a show-room abroad. There should also be an attempt made periodically to determine on statistical basis the extent of return, by way of increase in trade, in respect of the promotional activities undertaken through the show-rooms.

Show-rooms in Nairobi, Baghdad and Colombo.

21. In Nairobi, premises intended for a show-room were taken from 1st July, 1961 on a monthly rent of Rs. 3,976 and the show-room opened in January, 1962. Although the decision to open the show-room had been taken in March, 1960 and lists of exhibits had been finalised by December, 1960, the exhibits were actually received in August, 1961. On opening the cases, however, it was found that these were inadequate and unsuitable to inaugurate the show-room. A supplementary supply was arranged in December, 1961. It was reported even after the inauguration of 15th January, 1962 that the range of exhibits was poor and inadequate. The expenditure on the rent of premises and cost of staff employed upto December, 1961 worked out to Rs. 43,712. The work of renovation and decoration of premises in this case was entrusted to a contractor whose quotation was higher by Rs. 5,200 than that quoted by another contractor. The latter was not considered precise or accurate, but this defect was, however, not substantiated by the actual record of the quotation examined by Audit.

In Baghdad the show-room at Bahrein was opened in December, 1961, although the premises had been taken earlier from the 11th February, 1961 at an annual rental of Rs. 32,400.

* In the show-room at Colombo, it was noticed that out of the 4 rotational displays planned for the year 1960-61, 3 were held during the year, but exhibits were not displayed as planned due to delay in receipt of exhibits. There were also indications that valuable display area was not being fully utilised. Stores valued at over Rs. 19,000 were lying in stock for over 3 years (September, 1962).

The Secretary of the Ministry generally agreed that better results could have been achieved with better planning. The crux of the problem in respect of show-room at Colombo, according to him, was the difficulty in ensuring that all the numerous private parties sent their goods exactly according to time schedule. The Committee regret to observe that all the three cases referred to above indicate lack of proper planning and co-ordination resulting in wasteful expenditure. They point to the necessity of streamlining the working of the Directorate of Exhibitions. In their opinion,

the failure of the Directorate to ensure reasonable compliance with time schedules in connection with the opening of show-rooms and exhibitions does not reflect well on the efficiency of the Directorate which is maintained at the annual cost of Rs. 6.42 lakhs (1961-62). The Committee hope that steps will be taken to turn the Directorate of Exhibitions into a really effective instrument in this regard.

Loss due to fire—Pages 33 and 34, para 31.

22. A fire occurred on 26th April, 1959, in the building of the Export Promotion Exhibition, due to electrical short circuiting. The damage to goods and structure was estimated at Rs. 4.17 lakhs approximately.

An enquiry conducted by the Additional District Magistrate, Delhi, in May, 1959 indicated that some defects in the electric installation had not been set right by the Electrical Department, that the fire prevention equipment was wholly inadequate in the Exhibition Hall and that the negligence shown by the Security Assistant on duty in remaining outside the Pavilion prevented timely detection of the fire. The Ministry had, however, stated that in the course of a departmental enquiry conducted after the receipt of the Additional District Magistrate's report, it was established that the electric installations had been reported to be in good condition after due inspection by a technical officer of the Central Public Works Department. The file containing the report of the departmental enquiry was stated to be missing (January, 1963).

Explaining in brief the background of the case, the representative of the Ministry stated that a Polish delegation was to come and it was decided that some exhibition should be put for their benefit. This was done within a period of just 10 days and all necessary precautions had been taken. The fire took place early on a Sunday morning and there was nobody inside the Pavilion. With a view to fixing responsibility a departmental enquiry was considered necessary. However, difficulty arose as according to the departmental enquiry the fire could not be attributed to defects in electric installations as they had been reported to be in good condition by a competent engineer. Nevertheless the two reports agreed in regard to the negligence on the part of the Security Officer. No action could, however, be taken against him as he was only borne on the work-charged establishment and had been discharged before the enquiry was completed. It was added that normally the articles of exhibition were insured but in this case the parties did not take insurance. The Secretary of the Ministry accepted

that unfortunately the entire record with the exception of the two reports of enquiry was not available.

The Committee were surprised to learn that whereas the departmental enquiry discounted the possibility of the fire having been caused by defective electrical installation, it was not able to establish any other cause. Further, the Security Officer who had been held negligent by the magisterial enquiry was allowed to leave scot free before the completion of the departmental enquiry. This has created an impression in the mind of the Committee that the proceedings of the departmental Committee were directed more towards shielding the erring people than towards finding out the facts. The mysterious disappearance of the relevant file further confirms this impression. It is clear that the normal precaution of entrusting the custody of the file to a responsible officer was not taken during the pendency of departmental action. The Committee suggest that this matter should be investigated again at a higher level, and, *inter alia* responsibility for the loss of the file fixed and result communicated to them. In this connection attention is invited to O. & M. Division Circular D.O. No. 9/15/57-O.&M., dated the 20th July, 1957 requiring a report of loss of file to the O. & M. Division and to fix responsibility. The Committee would like to know whether a report was made to the O. & M. Division.

Tea Board

Infructuous expenditure on rented accommodation due to delay in the construction of a building.—page 116, para 105.

23. In December, 1957, the Tea Board entered into a contract for the construction of a building for housing their office and providing residential accommodation for the Chairman, with the stipulation that the building should be completed before May, 1959 (15 months from the date of handing over possession of the site). Although more than 3 years had since elapsed the building was still incomplete (July, 1962). The installation of 2 lifts and of an air-conditioning plant was in progress. The contract for lifts was, however, placed only in June, 1959 (two months after the stipulated date of completion of the building) and the order for the air-conditioning plant was placed only in April, 1961, even though the Central Public Works Department and the *ad hoc* Building Committee of the Tea Board had recommended in November, 1957/June, 1957 that the contracts should be placed sufficiently in advance so that the completion of building could synchronise with the installation of these services. The selection of contractors for hardware fittings for doors was made only in June, 1959. Apart from

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this, certain additions and alterations to the building were proposed as late in August, 1961 and approved by the Government in December, 1961 and the architects were advised in January, 1962 to place contracts therefor.

Although some portions of the building were occupied in stages between 1959 and 1961 the delay in the completion had resulted in the continued retention of rented accommodation involving extra expenditure amounting nearly to one lakh of rupees from January, 1960 (i.e., from a date 8 months beyond the originally stipulated date of completion) up to December, 1961.

During evidence the Committee ascertained that the cost of putting up the building (since completed) was Rs. 39.36 lakhs of which Rs. 5.29 lakhs were spent towards air-conditioning it. Prior sanction of Government was stated to have been obtained for all items of expenditure. The building contained 20,000 sq. feet of office and residential accommodation and also had other accommodation like Board-room, Visitors' room, Staff Canteen, a small auditorium and a library. The entire building was required for the office of the Tea Board. **The Committee doubt whether such an elaborate building costing Rs. 39.36 lakhs (more than Rs. 150 per square foot of built area) is consistent with the basic requirement of the Board and justified by the prevailing standards of living in the country. They feel that Government should take some concrete steps to curb the general tendency on the part of autonomous, semi-autonomous or departmental bodies to spend extravagantly on buildings. The Committee suggest that some suitable standards of austerity should be laid down by Government in regard to putting up of public buildings which should accord well with austerity expected to be observed by the tax-payer.**

24. The Committee desired to know why the order for the lifts and the air-conditioning plant was not placed earlier despite the recommendations of the Central Public Works Department and the *ad hoc* Building Committee of the Tea Board. The representative of the Ministry stated that the main reasons for delay in placing orders were the procedure of examination from all points of view and the availability of foreign exchange. The Chairman, Tea Board added that the delay in placing these orders and the contract for hardware and the belated sanctioning of certain additions and alterations did not materially affect the occupation of the building later. The process of construction of the building was slow. It could not have been completed "within 15 months from the date of handing over possession of the site" because this stipulation

was made contingent on the fact that the controlled materials like cement and steel would be supplied to the contractor. There being acute shortage of both these commodities, more particularly of steel, these could not be readily procured despite all efforts made by the Tea Board and they had to be supplied in a phased manner. The architects who were responsible for the supervision of the construction had certified that the delay was due to unavoidable circumstances beyond the control of the contractors themselves.

The Committee do not think that the inordinate delay of more than three years in completing the works beyond the due date (May, 1959) originally envisaged has been convincingly explained. The case discloses unrealistic planning and lack of drive on the part of the Tea Board to ensure earlier completion of the works. Due to delays at various stages the rented building could not be vacated as planned. This in turn resulted in the incurring of heavy rent charges (about Rs. one lakh). The Committee suggest that such delays be avoided in future.

*Audit Report on the Accounts of the Tea Board for the year 1961-62:
Para. 1—Tea Propaganda.*

25. It was pointed out that the expenditure of the Tea Board was increasing as would be observed from the following table:—

	1957-58	1958-59	1959-60	1960-61	1961-62
	(In lakhs of rupees)				
Administration	8.92	9.36	9.27	8.72	9.81
Propaganda in India	26.79	32.21	24.02	18.23	20.60
Abroad	52.24	43.26	45.73	30.11	31.42
Tea Licensing	4.40	4.44	4.78	4.60	4.98
Research & Development	1.47	1.08	2.84	6.43	41.33
Labour Welfare	6.27	6.46	7.42	5.00	7.39
Works	1.96	6.01	4.10	2.60	6.76
Statistics & Misc.	2.06	2.12	2.01	2.16	2.99
TOTAL	104.12	104.94	100.17	77.85	125.28

The Committee had observed in para 71 of their Seventh Report (Third Lok Sabha) that they were unable to appreciate the necessity for heavy expenditure on propagation of tea in India which was already being well looked after by the trade. The Committee had recommended acceleration of promotional activity abroad. They were

informed that due note had been taken of the Committee's observations. Even in 1961-62 the net expenditure on the tea propaganda in India after taking credit for receipts of Rs. 7 lakhs was Rs. 14 lakhs. In 1962-63, this had further come down to Rs. 12 lakhs. The mobile vans were being diverted to tea-centres in foreign countries. Of the two tea centres which were established in Madras and Bombay, the former had been closed down. It was considered necessary to retain the Bombay Tea Centre because many foreign tourists visited Bombay. Tea buffets were being run in New Delhi at Udyog Bhavan, Yojna Bhavan and Parliament House. It was stated that such places served as training ground for persons to be sent abroad eventually. The campaign abroad was also stated to have been intensified, the expenditure during 1962-63 being Rs. 36 lakhs against Rs. 31 lakhs in 1961-62. The revised estimate for the current year was Rs. 76 lakhs. It was proposed to spend Rs. 1.29 crores in 1964-65. The Committee were further informed that the Board had a concerted plan of opening tea centres in all important places in Europe.

The Committee feel that there is scope for further reduction in expenditure incurred in India by the Tea Board.

Para 2—Labour Welfare Activities

26. It was pointed out by Audit that Rules were yet to be framed by Central Government under Section 10(3) of the Tea Act, 1953 so as to regulate adoption of measures for securing better working conditions and the provision and improvement of amenities and incentives to workers. Such activities were being run in accordance with certain rules framed by the Tea Board itself. The Committee were informed that the rules had been drafted and were being vetted by the Labour Ministry. They would be issued soon. **The Committee would like to be supplied with a copy of the rules.**

27. According to information available with the Board in June, 1963, the unspent balance out of welfare grants made during 1951-52 to 1957-58 to some State Governments was as follows:—

Year of Grant	Name of State Govt.	Amount sanctioned/paid	Unspent balance
1	2	3	4
1951-52	Government of Assam	2,00,000	24,181
1955-56	Do.	14,400	3,250

1	2	3	4
1951-52	Government of West Bengal	1,00,000	} 1,42,287
1955-56	Do.	29,310	
1956-57	Do.	40,850	
1957-58	Do.	1,21,700	
1957-58	Do.	10,118	
1951-52	Government of Punjab	5,000	156
1954-55	Government of Uttar Pradesh	24,000	} 2,027
1955-56	Do.	3,000	
1951-52	Government of Madras.	35,000	13,905
1951-52	Government of Mysore	5,000	575
1955-56	Government of Madras. (Transferred from Kerala Govt.)	7,865	1,341
1951-52	Govt. of Kerala	30,000	} 23,599
1955-56	Do.	10,850	
1954-55	Tripura Administration	17,000	449

The Board had asked the State Governments to refund all unspent balances as on 1-4-1963. No amount had been refunded so far (June, 1963).

The Committee were informed by the Chairman Tea Board that some of the State Governments had sent replies. The Government of West Bengal, however, had not given any reply in regard to refund of the unspent balance of Rs. 1,42,287. The Committee are surprised to note that refund is still awaited from State Governments in respect of unspent balances out of funds granted between 1951-52 and 1957-58. They suggest that the Ministry may use its good offices to expedite refunds by State Governments to the Tea Board. The Committee would like to be informed of the result.

III

MINISTRY OF COMMUNITY DEVELOPMENT, PANCHAYATI RAJ AND CO-OPERATION (NOW COMMUNITY DEVELOPMENT & CO-OPERATION)

Non-recovery of dues from a Society—para 97—page 105

28. For the purpose of establishing a "Dead Cattle Disposal Centre" on a co-operative basis and for training villagers in flaying and tanning, Delhi Administration entered into an agreement with a Co-operative Industrial Society in New Delhi in February, 1956. The agreement, *inter-alia*, stipulated that:—

- (i) Government would grant a loan of Rs. 15,000 to the Society for meeting the expenditure on the construction of a suitable building for the Centre. The loan was to be repaid by the Society with interest @ 4½ per cent per annum in five annual instalments commencing from the expiry of one year after the payment of the last instalment of the loan.
- (ii) Government would place at the disposal of the Society, a jeep and a trailer costing Rs. 15,500 and certain equipment costing Rs. 3,300. The Society would be responsible for the maintenance and repairs of the jeep and trailer and would pay to the Government hire charges at a rate to be worked out on the basis of depreciation charges. They were also required to pay a hire of Rs. 10 per month for use of equipment.

The loan of Rs. 15,000 was paid to the Society in two instalments of Rs. 10,000 and Rs. 5,000 on 17th April, 1956 and 31st March, 1957 respectively. The jeep and trailer were handed over to the Society on 28th October, 1955 and 25th November, 1955 respectively even before the formal execution of the agreement. Other equipments were transferred on 16th July, 1956.

The Society had paid an amount of only Rs. 213 so far on accounts of interest. An amount of Rs. 19,311 was overdue towards repayment of loan and interest till December, 1962. The question of fixing of suitable hire-charges for jeep and trailer was not, however, considered by the Administration till June, 1959. In February, 1960, a

report was received that the jeep had outlived its life and required extensive repairs. The rate of hire had not been fixed and intimated to the Society till December, 1962. The nominal hire-charges of Rs. 10 per month for use of other equipment have not been paid by the Society from the very beginning.

In evidence, the Secretary of the Ministry stated that this society consisted of de-notified tribals, Kanjars. Normally the co-operative societies were financed by the Co-operative Central Bank, and the Department of Co-operation fixed the credit limit of the Societies. But in this case the Delhi Administration sponsored the case and gave loan to the Society directly from the block funds. The Department of Co-operation which arranged for its audit had brought the matter to the notice of the Delhi Administration. They had asked them about a year ago to take action to liquidate the Society, to recover the assets and to pay off the debts. The Delhi Administration, however, felt that its working should be watched for sometime more. The Government also nominated a Managing Committee in 1962 and had a series of discussions with the Delhi Administration with a view to improving the working of the Society. But the position so far had been disappointing.

The Committee were also informed that the society had got equipment—factory construction—worth Rs. 50,000 and six acres of land in the green belt worth about Rs. 90,000. However, as the Society had obtained loan from various other sources, the priority of the claims of Government would depend on the terms of agreement as well as on the Act under which the loan had been advanced.

•In two notes submitted by the Ministry, it is reported that the following loans were granted to the Society:

	Rs.
(1) Loan from Director of Industries	2,800
(2) Loan from the Khadi & Village Industries Commission	9,750
(3) Loan from Government.	15,000
(4) Loan from Indraprasta Cooperative Society	7,487
(5) Another loan from the Khadi & Village Industries Commission	19,400

The loans from the Department of Industries for Rs. 2800 and from the Khadi and Village Industries Commission for Rs. 9750 were processed through the Co-operative Department. In recommending the

loans, the Department had examined the eligibility of the Society to borrow, taking into account the aggregate liability of the Members, as prescribed in the bye-laws.

The Government loan Rs. 15000 was recommended by the Development Commissioner, Delhi (who is also *ex-officio*, Registrar of the Co-operative Societies) to the Delhi State Administration and was sanctioned in two instalments. The loan was sanctioned to the society against the mortgage by the society of the land measuring 13,500 sq. yds. purchased by the society for Rs. 13,000, along with the buildings to be constructed thereon. Further, it has been stated that in the case of Government loans, under Section 65, of the Bombay Co-operative Societies Act, 1925, as extended to Delhi, all dues to Government from the Society or its members or its past members can be recovered as arrears of land revenue. The Co-operative Department, as such did not process this loan application.

The loan of Rs. 7487/- by the Indraprastha Co-operative Society Ltd., and the loan of Rs. 19,400/- by the Khadi & Village Industries Commission were granted to the Society direct without consulting the Registrar of Co-operative Societies.

The Committee are surprised to find that the Society, which had already received substantial loans from various sources (amount Rs. 35,037/-) and which had defaulted from the very beginning in the repayment of the Government loan, was granted further loan by the Khadi and Village Industries Commission to the extent of Rs. 19,400/- (bringing the total to Rs. 54,437/-) without even consulting the Registrar of Co-operative Societies. The Committee would like to be informed of the reasons for the granting of the additional loan by the Commission and whether the position about the repayment of the earlier loans was examined and necessary safeguards provided before the additional loan was granted to the Society.

The undesirability of several governmental agencies financing a co-operative society without reference to Co-operative Department is obvious as is brought out by this case. The Committee, therefore, recommend that Government may issue strict instructions that Governmental or quasi-Governmental bodies must invariably get the application of a co-operative society for loan processed through the Co-operative Department under the bye-laws applicable to borrowing by the Societies, and they should be required to submit full details of grants or loans received by them from other sources before such grants or loans are sanctioned to them.

The Committee are not happy over the manner in which the Delhi Administration has acted in this case. It is regrettable that the

Administration failed to exercise proper watch over the working of the Society and, although the Society defaulted in the payment of interest and instalments of loan from the very beginning, no effective step was taken to recover the dues with the result that an amount of Rs. 19,311 was over due from the Society upto December, 1962. Apart from the recovery of loan, even the hire charges for the Jeep and trailer handed over to the Society in October-November, 1955 and the nominal hire charges of Rs. 10/- per month for the use of other equipment had not been recovered from the Society. The Committee could get no satisfactory explanation for these lapses on the part of the Administration. They desire that this matter should be properly investigated and responsibility fixed.

The Committee also observe that even when the Ministry suggested to the Delhi Administration that, as the Society had no viability, action should be taken to liquidate the Society, to recover the assets and to pay off the debts, the Administration thought it fit to watch its working for some time more. But, the Committee regret to note that, according to the Ministry's own statement, the position so far had been disappointing. The Committee, therefore, suggest that all necessary steps should be taken for the recovery of the loan and other outstanding dues from the Society without any further delay.

IV

MINISTRY OF ECONOMIC AND DEFENCE COORDINATION (NOW DEPARTMENT OF SUPPLY)

Timber contracts placed by the Director-General of Supplies and Disposals—para 79—pages 80 and 81 of the Audit Report.

29. (a) Six contracts for the supply of timber were placed with a firm who was a lessee of the Jammu and Kashmir Forest Department. The supplies were to be completed by different dates within the period July, 1956 to December, 1957. The firm defaulted in their supplies. The Director General of Supplies and Disposals cancelled the acceptances of tenders in December, 1957 without any financial repercussions on either side and placed purchase orders with the Chief Conservator of Forests, Jammu and Kashmir at the rates concluded with the firm. The Chief Conservator of Forests completed the supplies in respect of four orders and refused to supply in respect of two of the orders, as the rates of timber covered by these orders had subsequently gone up. In one case, the indentor purchased the material from another source incurring an extra expenditure of Rs. 18,784 and in respect of the other, a contract was placed on the Himachal Pradesh Forest Department in December, 1962. The estimated extra cost involved in this repurchase is Rs. 29,474.

During the course of evidence the Committee enquired as to the circumstances under which the acceptance of tenders were cancelled without any financial repercussions on either side instead of imposing a penalty on the contractor for failure to supply the material. The D. G. S. & D. explained that at first extensions of delivery period were granted to the firm but when it failed to supply the timber the Purchase Organisation placed orders on the Forest Department of the State Government and they were thus able to obtain bulk of the supplies ordered. As regards claiming of damages from the contractor, it was stated that in respect of one of the contracts liquidated damages had been claimed but general damages were not recovered in any of the 6 cases because contracts were transferred at the same rate to the Chief Conservator of Forests, Jammu and Kashmir and "there was no question of damages". The D. G. S. & D. went on to say "the question of collecting damages was not upper-most in our mind. Our object was to get the supplies". **The Committee are**

surprised at the stand taken by the D. G. S. and D. on the question of collecting damages from defaulting contractors. Such an attitude on the part of the Purchase Organisation reduces the penalty clauses of the agreement to a mere nullity. The Committee urge that complacency in such matters should be avoided, else the capacity of the Purchasing Organisation will be seriously undermined.

30. It was reported to the Committee that even though the contracts were transferred to the C. C. F., J. & K., the same firm continued supplying the material. At first it was explained to them that contractually the C. C. F. was responsible for the supplies and the Purchase Organisation did not go into the details of the arrangements made by him. But attention of the witnesses was drawn to the explanation earlier given to Audit according to which the contracts were transferred to the C. C. F., J & K. on the understanding that the same firm would be responsible for the execution of supplies. Again the Purchase Organisation had also written to the firm saying that after the transfer of the contract to the C. C. F., the firm would be responsible to that authority for the supply of the outstanding quantities of timber. The D. G. S. & D. admitted that there was no need for them to address the firm in this regard. The Committee were further informed by Audit that in a letter addressed to the firm the D. G. S. & D. had referred to the firm's request for the transfer of the contracts to the Forest Department. The D. G. S. & D. explained that they had obtained this letter from the firm indicating its agreement to the cancellation of the contract so that it might not claim any damages from the Government for breach of contract. From the facts of the case disclosed above the Committee could not get away from a feeling that the Purchase Organisation had gone out of its way to accommodate the contractor by effecting a technical transfer of the contract to the C. C. F. The plea that the firm's prior agreement was obtained as a precautionary measure to guard against its claiming damages from the Government could not be sustained as it was the contractor who was mainly at fault and he could have been made liable for non-fulfilment of the terms of the contract. The Committee feel that all the considerations determining the course of events have not come to light. The explanation creates an impression that the officers concerned had not acted with due regard to the public interest. The case merits a thorough enquiry and fixation of responsibility. In their opinion the proper course would have been to cancel the contracts at the risk and expense of the firm and to obtain supplies through the C. C. F. J. & K., if necessary.

31. (b) In respect of six contracts entered into during 1948—1950 a sum of Rs. 1,69,504 is still due to Government from a firm by way

of extra expenditure incurred in repurchase of stores at the firm's risk and cost. The firm had deposited security amounting to Rs. 90,000 in the form of two bank guarantees in February and June, 1948 respectively, each valid for one year. The Director General of Supplies and Disposals did not take timely action to invoke or revalidate the guarantees within the said period. No amount could, therefore, be recovered from the firm, which went into liquidation in 1951.

In evidence, the D. G. S. & D. informed the Committee that there was some dispute regarding the quantity actually supplied by the firm. According to the firm it had supplied 1,970 tons of material against the first contract for 2,000 tons. The balance of 30 tons was later cancelled. The consignee, however, stated that they had received only 1,814 tons. The S. P. E. investigated the matter and reported that the firm had actually despatched 1,968 tons. If this were accepted, the amount of damages to be claimed from the firm would be considerably less (about Rs. 13,000 only) than that mentioned in the Audit Report. As for the omission to invoke or revalidate the bank guarantees within the stipulated period, the Committee were informed that by the time the guarantees expired, they had not received any complaints against firm. **The Committee understood that a penalty of censure had been imposed on the officer who released the inspection notes for the full quantity even though non-receipt of 186 tons of timber had been reported.** They, therefore, inquired how this irregularity arose and why only a minor penalty of 'censure' was imposed for such a serious lapse. The D. G. S. & D. stated that the officer presumably belonged to the Railway Administration. **However, he promised to furnish a detailed note to the Committee on the subject giving the circumstances under which the inspection notes were released. This note is still awaited.** As for the Purchase Organisation, the witness added that an officer had been censured for not scrutinising the language of the bank guarantee which had some lacuna. **The Committee would like to know the steps taken to ensure that in future the bank guarantees are duly revalidated wherever necessary.**

Irregularities in Contracts—Sub-para C (i) and (ii)

32. A firm defaulted in making supplies and committed irregularities in twenty-one contracts entered into between 1955-56 and the disputes were reported in October, 1956 to the Special Police Establishment for investigation and prosecution of the firm. No case was registered against the firm but action for blacklisting them was recommended in May, 1958. The firm was not, however, blacklisted

on the ground that it was holding a lease from the Ministry of Food and Agriculture for exploitation of forests in the Andamans for 25 years from 1951 and was in a monopolistic position in respect of valuable species of timber. Dealings were only partially suspended with them in 1959 and their registration is stated to have been withdrawn.

In 1960, however, three contracts worth Rs. 8.95 lakhs were again entered into with the same firm. The firm defaulted in their supplies and the contracts were cancelled in June, 1962 at the risk and expense of the firm. No risk purchases were, however, made as the consignees in two cases, no longer required the stores, and in the third case, timber of the particular species could not be obtained from any other source.

The Committee inquired why fresh contracts were given to the firm when its defaults in the earlier cases had come to light. The D. G. S. & D. explained that the firm was the sole agent for Burma Timber and for Andaman Hardwood it was the only source of supply. So whenever these species of wood were required the Purchase Organisation had to place orders on this firm.

However, an order had since been issued under the Defence of India Rules appointing the Chief Conservator of Forests, Andamans as an authorised controller, who is entitled to give instructions to any manager on behalf of the firm in regard to full extraction and disposal of timber.

The Public Accounts Committee had occasion to review the unsatisfactory performances of the firm during the last five years, when several cases of irregularities and breaches of agreements committed by the firm were reported to them. They were informed in September, 1961 that the question of terminating the agreement with the firm was under consideration of Government, but it was not possible to do so immediately as certain disputes between the Government and the firm were pending in arbitration. The Committee had then recommended in para 90 of their 42nd Report (Second Lok Sabha) (this was reiterated in para 46 of their 7th Report—Third Lok Sabha) that the opinion of the Attorney General should be sought regarding the future course of action. They would await the final decision taken in this regard.

Pending recoveries Sub-para (c) (iii)

33. In the following three cases recoveries were pending from the firm against certain old contracts.

(1) In two contracts placed in 1950, a sum of Rs. 81,475 became due to Government in December, 1956 by way of general damages.

Only a sum of Rs. 1,991 was recovered by the Director General in 1958 and the recovery of the balance amount had remained unsettled till November, 1962.

(2) In another contract in 1955, the firm had obtained an overpayment of Rs. 96,650 by despatching less quantity of material to the consignee. The recovery of the amount was still outstanding in December, 1962.

(3) During 1948—50 twenty-three contracts were placed for the supply of Burma Teak Squares. The firm after placement of the contracts, demanded an increase in price on account of statutory increase imposed by a foreign Government. This demand was rejected in April, 1951 and at the instance of the firm the case was referred to arbitration in March, 1954. The firm's claim amounted to Rs. 12.95 lakhs together with interest on the amount. A settlement was ultimately reached eight years later in March, 1962, outside arbitration by Government agreeing to pay Rs. 10.75 lakhs to the firm. Government also abandoned their claim for liquidated damages for shortage in supply of timber to the extent of Rs. 1.44 lakhs.

The Committee were informed that in the first case an out of court settlement was reached as the Government was not able to establish the market price for the product on the particular date. In the second case the overpayment had since been recovered from the firm.

With regard to the third case, it was explained that although there was no provision for payment of increased price under the contract agreement, the D. G. S. & D. had in a letter dated 28th October, 1950 agreed to consider the claims of the firm for increase in price on the merits of each case. The firm had produced before the arbitrator complete evidence, purchase registers, ledgers, cash books, invoices, bills of exchange etc. in support of their claims. It was therefore, felt that in view of the evidence the possibility of the award going in favour of the firm could not be ruled out, in which case the Government would have been required to pay a heavier amount *viz.* the amount claimed by the firm and interest thereon (about Rs. 21 lakhs). **The Committee are not fully convinced by these arguments. In their opinion the commitment that the D. G. S. & D. made in the letter he wrote to the firm after the finalisation of the contract indicating his willingness to consider the claims of the firm outside the terms of the agreement, weakened the Government's case. They desire that the circumstances under which this commitment was made to the firm should be investigated, and responsibility fixed.**

Non-verification of the financial standing of Vessel-owners, para 83, pages 83-84

34. The para in the Audit Report cited the following two cases in which losses were sustained owing to non-verification of the financial standing of the ship-owners before entering into contract with them:—

(i) Between March-August, 1958, the I.S.M. preferred 'Despatch' and 'Cargo damage' claims aggregating \$ 25,443 on a Shipping Company in respect of 5 contracts. There was also a 'General Average' claim aggregating \$ 16,250 due to the Vessel-owners. As the Company did not settle the claims despite repeated requests, the Mission initiated legal proceedings on 17th November, 1958 for the recovery of the "Despatch" and "Cargo damage" claims. In the meantime, the financial condition of the Company deteriorated. The legal Adviser to the Mission, therefore, negotiated a settlement with the Company for \$ 1,897 (after setting off the General average claim). This resulted in a net loss of \$7,296 (i.e. Rs. 34,744) to Government.

(ii) A steam ship carrying from U.S.A. to India 9842 long tons of wheat valued at Rs. 29.26 lakhs was held up at Port Said owing to the inability of the owners of the ship to meet current expenses and to pay wages to the crew etc. The wheat had to be sold to the Government of U.A.R. as it was not considered economical to transport it to India in another vessel. On 2nd April, 1960 Government filed a claim against the owners of the ship for damages amounting to £E35,942 (Rs. 4,92,360 approx.) comprising loss in sale of wheat, shortage of 85 tons, 90% freight already paid reduced by amount received from the Government of U.A.R., and other expenses incurred by them. As the only asset of the owners was the ship, which was too small to satisfy even the other claims which enjoyed priority, an out of court settlement was reached by the Government with the ship-owners for £E 8,000 plus £E 1,600 on account of lawyer's honorarium and judicial fees, resulting in a loss to the extent of £E 27,942 (Rs. 3,82,525 approx.).

The representative of the Department of Supply informed the Committee in evidence that in both of the cases references had been made to the Banks in the country and their advices regarding the financial position, performance etc. of the ship-owners was considered to be satisfactory. It was further urged that in chartering of ships, often contracts had to be placed on shipping companies within a few hours and there was no time or opportunity left with the Mission to verify the antecedents, financial standing etc. of every company. The shipping Companies were also reluctant to

furnish bank guarantees. In view of these circumstances, instructions had since been issued to the I.S.M. to review the financial position of the Shipping Companies once in a year and to keep their information up-to-date. **The Committee learn from the evidence that in the first case [sub-para (i) of para 83 of Audit Report] the financial position of the Company was checked up only in November, 1958 and later, whereas the contracts had been concluded with it before March, 1958. This obviously betrays an unsatisfactory position. In the second case the information available in February, 1959 had shown that the financial position of the firm was not satisfactory, although according to a guarded assessment, the firm was considered as "not unreliable". While the Committee welcome the instructions now issued to the I.S.M. in regard to a continued review of the financial position of the various Shipping Companies, they would like to stress the need for caution against entering into contracts with Companies who are known to be in financial difficulties.**

35. With regard to the second case referred at (ii) the Committee learnt from Audit that the Supply Mission had paid 90% of the freight on the advice of their legal advisers even though the agents of the ship-owners had denied all responsibilities or liability of the owners to complete the voyage and had recommended non-payment of freight until the vessel cleared Aden. The Committee inquired from the representative of the Ministry details as to the date on which payment was made to the company and the date on which advice from the agents of the ship-owners was received. The witness promised to furnish a note to the Committee.

This has since been received (Appendix III). According to the note, the payment was authorised on 29-1-60, and the warning was received on 15-2-60. It is however, not clear when the actual payment was made. It has further been stated in the note that the question of withholding 90% payment was duly considered by the Mission; but payment was made on legal advice. **The Committee are not convinced of the justification of making an advance payment in the peculiar circumstances of the case.**

Non-submission of accounts of spares—para 114. pages 132-33

36. 100 sets of overhaul spares for Avon 203 engines were purchased by Air Headquarters from M/s. Rolls Royce Ltd. Of these, 70 sets were to be held in bond stores at the suppliers' works for use in the overhaul of engines entrusted to them under a contract

dated 9th December, 1959. Clause 2 of the contract made the suppliers responsible for rendering accounts of spares used on each engine and the I.S.D. London had the right to inspect the records of the Suppliers in respect of spares held by them. According to the Audit Report, no accounts were furnished by the suppliers nor were their records inspected to ensure the correctness of the quantity and value of spares left with them.

The India Store Department took the view that the final accounting of the stores was not their responsibility and that after the spares had been delivered, it was the responsibility of the purchaser to ensure that they were correctly accounted for. The purchasers' representative, namely, the Air Adviser to the High Commissioner, London, on the other hand pressed the view that as it was a contractual matter, the India Store Department should be responsible. It was only in December, 1962 that the India Store Department, London, agreed to check certain statements of accounts which had since been obtained from the Company. The checking had not been completed till February, 1963, as revised and certified accounts were awaited from the Company.

The Committee were informed in the course of evidence that accounts for a part of the spares had been submitted by the foreign firm which had been checked and found to be satisfactory. Accounts for the balance were expected to be received from the firm shortly. **The Committee may be informed of the latest position in this regard.**

The Committee also regret that two departments of the Government should have tried to evade responsibility for the inspection of accounts and records of the foreign firm as a result of which the matter remained under dispute for three years. They trust that Government will look into such cases and devise suitable measures to avoid lapses of this nature.

V
MINISTRY OF EDUCATION
Central Social Welfare Board

Status and functions—page 91, para 90

37. The Central Social Welfare Board was set up by a resolution of the Government of India with effect from 12th August, 1953. It functions under the administrative control of the Ministry of Education. The Board has no separate legal existence as a Statutory Body or Registered Society.

The functions of the Board are to survey and meet the financial needs of Social Welfare Organisations, evaluate their programmes, objects, etc. The schemes of the Board mainly relate to welfare of women and children and handicapped persons and are executed through the State Social Welfare Advisory Boards. Funds sanctioned by the Central Government are first withdrawn from the Treasury by the Board and credited to their own account in the State Bank of India. The expenditure of the Board (including the grants given by them) is met by withdrawing funds by cheques from that account. During the period August, 1953 to March, 1962, funds made available to the Board by the Central Government and the expenditure met therefrom were as follows:—

	Grants-in-aid by Ministry of				Expenditure			
	Educa- tion	Com- & In- dus- try	Home and Ex- ter- nal Affairs	Ad- min- istra- tion	Pur- chase of Jeeps	Grants paid by the Board to State Institu- tions.		
(In lakhs of rupees)								
August '53 to March								
1959	5,33·13	1·32	0·76	33·82	62·25	17·25	415·86	
1959-60	1,90·00	6·95	..	8·93	18·51	5·62	165·48	
1960-61	2,27·25	1·47	0·17	9·96	0·49	7·08	211·96	
1961-62	1,82·19	2·43	0·77	11·56	0·01	7·83	165·01	
TOTAL	11,32·57	12·17	1·70	64·27	81·26	37·78	958·31	

It was reported to the Public Accounts Committee (1962-63) that the financial transactions of the Central Social Welfare Board, which legally form part of the transactions of the Government, were being kept outside the Consolidated Fund of India. Since it had no legal identity distinct from the Government, giving of grants to the Board was not only constitutionally irregular but also fraught with risk in case of default. The Secretary, Ministry of Education had then agreed that the existing position was "anomalous". The Committee had, therefore, suggested (para 25 of 8th Report—3rd Lok Sabha) that the question of placing the Board on a statutory footing should be pursued. During the course of evidence the Committee enquired if any decision had been reached in this regard. They were informed that there were certain legal and constitutional complications arising in the way of implementing this suggestion. It was felt that once the Board became a statutory body, it would have to function with some rigidity and its scope of activities would also be limited—it would then function largely as a planning and supervisory organisation and its grant giving functions might have to be curtailed.

On being asked whether the Board should not adhere to the constitutional provisions, it was admitted by the Secretary, Ministry of Education that a "Central Organisation should only perform what it was competent to perform". He added that this suggestion would be kept in view at the time of giving a final shape to the powers and functions of the Board. It was also urged before the Committee that the Board had undertaken on an *ad hoc* basis certain training schemes in Welfare work and it was apprehended that once it became a statutory body it would not be able to carry on these projects. On being asked whether these activities were not incidental to the main functions of the Board, the witness stated that "they were probably beyond the scope of the resolution under which the Board functions, but they would be considered incidental too." **The Committee regret to observe that even though more than 10 years have elapsed since the Board was set up, Government have not been able to constitute the Board as a legal entity and lay down precisely the scope and functions of this body, and in the meantime the Board has been allowed to undertake projects which are "beyond the scope of the resolution under which it was created".** Further, in the opinion of the Committee the doubts and fears expressed by the Ministry regarding the curtailment of functions of the Central Social Welfare Board on its being placed on a statutory footing do not appear to be well founded. Already there are other statutory bodies, like the Khadi and Village Industries Commission, the

University Grants Commission etc., which enjoy powers to give grants-in-aid to private institutions. There should, therefore, be no difficulty in the case of this organisation. The Committee, therefore, reiterate their earlier recommendation contained in para 25 of 8th Report (3rd Lok Sabha) and would urge upon the Ministry to initiate legislation without further delay to regularise the anomalous position arising from the constitutionally irregular practice of giving grants to a body without a legal personality and keeping the funds outside the Consolidated Fund of India.

38. Discussing further the functions of the Central Social Welfare Board, the Chairman of the Board informed the Committee that they were giving grants for rural work in the Welfare Extension Projects, and the State Boards had appointed Project Implementation Committees at village level who implemented the welfare schemes for children, women and the handicapped persons. As indicated in the table set forth in the preceding paragraph, the Board is receiving Grants-in-aid from different Ministries. The Commerce & Industry Ministry gave funds for Cottage and Small Scale Industries, whereby women of the lower income group could supplement their income, while the External Affairs Ministry have sanctioned grants for the welfare activities in tribal areas. The Committee were anxious to know as to how work of the different centres was being co-ordinated and whether there was any duplication of efforts in the present set up, specially between institutions functioning under the Ministry of Community Development and Co-operation and those set up by the Central Social Welfare Board. It was explained that as far as Welfare Extension Projects in the rural areas were concerned, the two agencies (The Board and the Community Development Administration) had pooled their resources and staff. The Project Implementation Committees worked jointly with Panchayats, Development Blocks etc. Whatever resources the Community Development had earmarked for women and children were handed over to the Project Implementation Committees. The Committee are of the view that in the present situation when even the powers and functions of the Social Welfare Board are not well defined, there is bound to be a duplication of efforts by various agencies. They would therefore suggest that this matter should be looked into and suitable steps taken to demarcate the sphere of activities for the various organisations doing welfare work so that duplication of efforts may be eliminated. The feasibility of entrusting the work of supervision of social welfare in rural areas to Zila Parishads and Community Development Blocks may also be examined.

39. As indicated in the table set forth above the administrative expenses of the Board upto 31.3.1962 amounted to Rs. 64.27 lakhs. In addition, according to information furnished by the Ministry, the sum of Rs. 37.78 lakhs given to the State Boards included administrative expenses of the State Boards to be borne by the Central Social Welfare Board (Rs. 28.17 lakhs) and the expenditure on account of Pay and Allowances and T.A. of Inspectors and Welfare Officers of the Central Board attached to the State Boards (Rs. 9.61 lakhs). Further, 50% of the administrative expenses of the State Board were borne by the respective State Governments. If this amount is added, total administrative expenses of the Central and State Boards would come to Rs. 130.22 lakhs. Thus as against the total grants of Rs. 958.31 lakhs paid to the Institutions by the Central Social Welfare Board either directly or through the State Boards, the administrative expenditure of the Central and State Boards amounted to Rs. 130.22 lakhs or about 13.5% which is obviously disproportionate to the service rendered by the Board.

40. According to Audit while the annual expenditure on field work had decreased that on administration was increasing year after year. In extenuation of the increase in the annual expenditure it was stated in evidence that it was mainly due to the revision of the scales of pay of staff and the setting up of new State Advisory Boards. In order to examine the matter further the Committee desired to be furnished with a break-up of the expenditure showing the amount spent on the T.A. of staff and honorary workers, refreshments, Seminars and publicity etc. A note* received from the Ministry in this regard is at Appendix IV.

*The Committee view with concern that while the grants paid to the institutions had decreased from Rs. 211.96 lakhs in 1960-61 to Rs. 165.01 lakhs in 1961-62, the administrative expenditure of the Central Social Welfare Board increased from Rs. 9.96 lakhs in 1960-61 to Rs. 11.56 lakhs in 1961-62, out of which the expenditure on T.A. and D.A., publicity, refreshments, conferences and seminars and contingencies amounted to Rs. 5.22 lakhs. (The amount would be still higher if the expenditure incurred on these accounts by the State Boards were taken into consideration). The Committee are, therefore, definitely of the opinion that there is scope for curtailment of administrative expenditure specially at the Centre, in view of the fact that most of the implementation and execution of the various projects is done through the agencies of the State Boards.

*Not vetted by Audit

Utilisation of Grants, pages 91-92, para 90 (A)

41. In respect of applications for "one year grants" which constitute about 80 to 85 per cent of the total number, State Boards have been made responsible, with effect from 1st April, 1961, for release of funds to the institutions concerned and for final acceptance of the accounts submitted by them. In regard to grants-in-aid made before April, 1961, the position on 15th November, 1962 was as follows:—

	No. of institutions/projects for which grants were given	Total amount of grants given by the Board	Unspent balance lying with the Projects/institutions on the basis of accounts received	No. of Projects/institutions from which accounts are still due
(In lakhs of rupees)				
Second Plan Period Grants	840	107.28	1.37	62
*Other Grants (1958-59 to 1960-61)	6,284	154.30	2.44	1,225
*Welfare Extension Projects (1958-59 to 1960-61)	762	215.57	8.83	59

*The information relating to grants given prior to 1958-59 has not been collected by the Board.

The Committee inquired as to how the Central Social Welfare Board satisfied itself that the grants given by it to the institutions were utilised for the purpose for which they were given. The Secretary, Ministry of Education stated that they had Inspectors who performed sample checks and also utilisation certificates had to be certified by Chartered Accountants or, where the amounts were small, by Gazetted Officers. On being asked as to why utilisation certificates were outstanding for such a long time (in some cases for more than 8 years), the witness stated that the Board had to deal with voluntary organisations which were not very efficient and well organised and in certain cases it had to enter into lengthy correspondence to obtain these certificates. He added that from the year 1961 further grants were not being given to any institution unless the accounts in respect of earlier grants were accepted by the Central or State Board, as the case might be. As regards the outstand-

ing cases, the Secretary claimed that the figure had now been reduced from 1225 to 566 cases. **The Committee trust that the Central Social Welfare Board and the State Advisory Boards would exercise due vigilance to ensure that the grants given by them to the voluntary organisations are properly utilised.**

42. With regard to the procedure to assess the suitability of voluntary institutions to be given grants-in-aid, as it is difficult for the Central Board to have a true picture of the working of the voluntary organisations spread over the whole country, **a suggestion was made that these institutions might be asked to submit applications for grants through the State Governments, the Zila Parishads or other local authorities who, in the light of their local knoweldge, might recommend deserving cases. The Secretary to the Ministry of Education agreed to examine the suggestion. The Committee may be informed of the decision taken in this regard.**

Expenditure on Jeeps—pages 92-93, para 90(B)

43. A sum of Rs. 81.26 lakhs was spent upto 31st March, 1962 on the purchase of 588 jeeps, 18 station wagons, one car and 219 trailers and accessories. They were obtained for use in Welfare Extension Projects. It was, however, decided in 1958 to abolish after the Second Plan period, the projects as originally patterned. 248 jeeps were rendered surplus when the Projects were closed down on the 1st April, 1961. Out of these, 159 were transferred to the voluntary organisations on the basis of a decision to provide one jeep to each voluntary organisation which took up welfare work at four centres or more, and 3 jeeps were transferred to other Government organisations. The remaining 86 jeeps were lying unused with different State Boards. The number of surplus trailers was not known.

During the local audit, conducted for the year 1960-61 and 1961-62, it was noticed that the log books were not being maintained properly. In many cases, purpose of the journey was not given while in other cases sufficient details were not mentioned to know whether the journey was official or not. **These facts seem to indicate that there is a certain amount of extravagance in the use of jeeps.**

44. The Committee were informed in evidence that out of the remaining 86 jeeps, 3 had been allotted to other Government organisations and the rest were being allocated for certain functions which had been approved by the Ministry of Education. As regards maintenance of log books etc. it was explained that instructions had been issued from time to time. There had been certain lapses

which were being looked into. The Committee consider it unfortunate that assets on such a large scale to the tune of more than Rs. 80 lakhs were created without a proper assessment of the long term requirements. They are also surprised that the representative of the Ministry of Finance should have agreed to this expenditure on such a large scale. They would like to be informed of the disposal of surplus trailers and jeeps. The Committee hope that the Ministry will take suitable steps to ensure the proper up keep and maintenance of these vehicles by the voluntary organisations. They Ministry should also lay down clearly the purposes for which these vehicles may be used.

University Grants Commission

Irregular payment of grants—pages 116-117, para 106.

45. (a) The University Grants Commission, established under the University Grants Commission Act, 1956, is mainly financed by grants-in-aid from the Central Government. The functions of the Commission are defined in Section 12 of the Act which reads as follows:—

“It shall be the general duty of the Commission to take in consultation with the Universities or other bodies concerned, all such steps as it may think fit for the promotion and co-ordination of University education and for the determination and maintenance of standards of teaching, examination in certain universities and for the purpose of performing functions under this Act. The Commission may.....allocate and disburse, out of the funds of the Commission, such grants to other Universities as it may deem necessary for the development of such Universities or any other general or specified purpose.”

In 1959, the Ministry of Law was consulted on the question whether the functions of the Commission, as stated in the Act, would cover the grants by the Commission direct to “India International Centre”, which was a Society registered under the Registration of Societies Act, and not a University. The Ministry of Law advised that while a direct grant by the Commission to any other body, except the Universities, would not be permissible under the provisions of the Act, the Commission would be free in allocating the grants to Universities to include in their consideration the additional finance which the Universities would require for becoming corporate members of the India International Centre.

The Commission sanctioned grants amounting to Rs. 7.60 lakhs in all, to different Universities during the years 1959-60 to 1961-62, to enable them to make payments to the "Centre" for the construction of its buildings in Delhi. According to Ministry of Law these grants were not covered by the advice previously given by them. As such the payments cannot be considered as falling within the purposes for which the Commission is empowered to make grants under the Act.

In extenuation it was urged before the Committee that there was a misunderstanding on the Commission's part of the opinion of the Law Ministry. They thought that they were competent to grant funds to the Universities to become Members of the Centre as well as to make payments for the construction of the Centre's building. In reply to a question it was stated that the Chairman of the U.G.C. was at that time the President of the Board of Trustees of the India International Centre. But it was explained that the grants were given as a result of unanimous decision taken by the Commission. It was also pleaded in the course of evidence that the payments were made in good faith and were in the interests of higher education in the country and the objectives of the Centre were in line with those of the Universities. **The Committee are hardly convinced by this explanation. In their opinion the Law Ministry's advice contemplated only grants to be made to the Universities so as to enable them to become corporate members of the India International Centre. To any detached observer, the advice is not capable of being stretched to cover contributions by the Universities to the Building Fund of the Centre. The Committee learn from Audit with surprise that the Secretaries of the Ministries of Finance and Education who were *ex-officio* members of the Commission also acquiesced in the decision of the Commission. It is also doubtful whether the statutes governing the Universities permit them to make such contributions. While the Committee note that the purpose of the building grant was unexceptionable, they cannot ignore the fact that the Commission had acted beyond the powers and functions laid down in the Act. They trust that steps will be taken to see that statutory bodies like the Commission acted with due circumspection to see that such instances are not repeated. They were informed that the grants made by the Commission were now a *fait accompli* and nothing further could be done in the matter. The Committee, however, are of the opinion that it is necessary to regularise such cases where the Commission had acted beyond its statutory powers and to take steps to ensure conformity with the provisions of the Statute in future.**

(b) In a similar case, the University Grants Commission released grants aggregating Rs. 1.50 lakhs to Universities upto March, 1962 with the specific direction that a substantial portion thereof should be paid to the University Film Council. This organisation is also a registered Society and procures films for display through Film Clubs, organised by the Universities.

In evidence, the Secretary, Ministry of Education explained that the grants given to the Universities were partly to finance their membership of the Film Council and partly to support the activities of Film Societies in the Universities, which were part of the Universities programme. In the opinion of the Ministry, objectives of the Film Council were entirely educational and its activities were meant to contribute to the quality of education through the medium of films. **The Committee desire that this matter viz. the competence of the U.G.C. to sanction such grants might be referred to the Ministry of Law and their opinion communicated to the Committee.**

Utilisation of grants made by the Commission, para 1 of Audit Report on the Accounts of the U.G.C. for the year 1960-61.

46. In all cases of grants-in-aid, it is usual for the sanctioning authorities to obtain audited statements of accounts from the grantees and ensure that the grants paid were duly spent for the purpose for which these were given. They also issue utilisation certificates to Audit.

According to the Audit Report, the issue of utilisation certificates is considerably in arrears. As on 31st August, 1963, utilisation certificates were awaited in respect of grants disbursed upto end of 1961-62 to the extent of about Rs. 31 crores.

In extenuation the Secretary, U.G.C. stated that most of the pending cases related to buildings. The completion of buildings was a complicated process and the local fund authorities had to examine in detail whether the expenditure had been incurred properly. Thereafter, the accounts and certificates of the local fund Authorities were scrutinised in the Commission's Office for issue of utilisation certificates. **The Committee are not satisfied with this explanation. Since it is through these audited accounts that the U.G.C. exercise a check over proper utilisation of grants by the various institutions it is only desirable that the audited accounts are received by them in time. The Commission, will, therefore, be well advised to prescribe a time limit for the receipt of these accounts so that the utilisation certificates may be issued in time.**

Central Universities, para 107, pp. 117-120.

(A) Banaras Hindu University:—

47. *Outstanding dues.*—The dues against students were not worked out by the University till March, 1961. The dues of the different departments against employees and outsiders upto the end of March, 1961 totalled Rs. 2.19 lakhs. In most of the cases there was no possibility of recovery as the employees had left the University long ago and the whereabouts of some private parties were not known. Some of the dues against outsiders had become time-barred.

The Committee were informed in evidence that a substantial amount of the recoveries involved merely adjustment against some University departments in the relevant year's accounts. A sum of Rs. 7903 relating to electricity and water supply department were proposed to be written off. The outstanding dues against employees and private consumers were reported to be small and a substantial portion thereof had already been recovered. As regards dues in respect of income from properties etc. it was stated that the major portion (Rs. 50,000) was on account of property in East Pakistan, claims in respect of which had been rejected by the Pakistan Government. Rs. 35,452 pertained to property in Bihar where the donors were themselves appointed as Collectors of revenues and recovery had become difficult on account of abolition of Zamindari. The balance (Rs. 62,398) comprised irrecoverable rent for staff quarters and dues from sale of fruits, trees etc., which were in arrears for a long time, and some of which might have to be written off. **The Committee hope that the University will pursue the recovery of these dues vigorously and take proper steps to avoid their accumulation in future. They would like to be informed of the action taken.**

(B) Aligarh Muslim University

48. *Collection of fees and arrears thereof.*—According to the University rules, the students may pay their fees in instalments at their convenience subject to the condition that the entire dues are cleared before they are permitted to appear at the final examination. This condition was not enforced strictly and it resulted in an accumulation of total dues to Rs. 5.57 lakhs by March, 1960. The major portion of this amount had now become irrecoverable. Year-wise analysis of the above dues was not available.

In evidence, it was explained to the Committee that the accounting procedure followed by the University was defective. In certain

cases students' names had been removed from the rolls but they were continued to be charged the fees for the whole session and the amount was shown as arrears. In other cases dues realised from the students had not been credited to the accounts. It was further stated that about half of the amount had since been recovered and a sum of Rs. 2 lakhs would have to be written off.

The Committee regret to note that the dues recoverable from students were allowed to accumulate, in spite of the fact that the desirability of regular collection of fees etc. was impressed on the University through successive Audit Inspection Reports. They desire that such complacency in financial matters should be seriously viewed by the University authorities. The Committee trust that such cases will not be allowed to recur.

NEW DELHI;

February 12, 1964

Magha 23, 1885 (Saka).

MAHAVIR TYAGI

Chairman,

Public Accounts Committee.

APPENDICES

APPENDIX I

(Para 13 of Report)

No. 16-TC (13)/62

GOVERNMENT OF INDIA

MINISTRY OF INTERNATIONAL TRADE

New Delhi, the 27th December, 1963.

OFFICE MEMORANDUM

SUBJECT: *Audit Report (Civil), 1963—further information in respect of last sub para at page 30.*

The undersigned is directed to refer to Item No. 1 of the list of points received with the Lok Sabha Secretariat Office Memorandum No. 2/1/3/63/PAC dated the 30th September, 1963, on which the Public Accounts Committee desired to be furnished with further information regarding the final opinion of the Ministry of Law in regard to the points mentioned in the last sub para at page 30 of the Audit Report (Civil) 1963 and to forward herewith a copy of the relevant para of the Ministry of Law's note No. 13396/63-Adv. (A) dated the 25th July, 1963 giving their opinion on "the applicability of the local Rent Control Ordinance to the particular agreement between the land lord and the Trade Commissioner".

(S. THAN)

Director of Foreign Trade.

To

The Lok Sabha Secretariat,
New Delhi.

NOTES IN THE MINISTRY OF LAW

(Department of Legal Affairs)

Advice (A) Section

* * * * *

2. Regarding the increase of rent from Shs. 350 p.m. to Shs. 625 p.m., the Audit's objection has proceeded on the basis that the Trade Commissioner had an absolute right to continue in possession of the building. Actually, it is not so. Under clause 14 of the agreement, the landlord had the right of re-entry for any breach of the terms of the agreement. The Trade Commissioner also did not act on his own when a demand for the standard rent was made. The

landlord approached the Rent Control Board which fixed the rent at Shs. 625 p.m. after taking due cognizance of the restrictive covenant in the Kenya Government's letter dated 13th December, 1944, leasing out the plot to the landlord. The sanction of the Government was therefore obtained for this increase. The objection to the further increase from Shs. 625 p.m. also proceeds on the erroneous impression that the Trade Commissioner could have continued indefinitely without agreeing to the increases sanctioned by the Ordinance of 1949. Here also, the Trade Commissioner sought the necessary clarification from the Rent Control Board before he agreed to the increase in the rent. The letter dated 1-8-52 of the Rent Control Board does not support the contention of the Audit that the increases could be allowed only in those cases where the landlord was entitled to obtain possession. In fact, the letter from the Rent Control Board supports the view taken by the Counsel that it was open to the landlord to terminate the tenancy by a notice to quit and then claim the increase in rent. According to the Counsel, the agreement dated 8th December 1945 was not registered. It could operate only as a contract inter parties of a monthly tenancy on the terms and conditions set out therein. In that connection, the Counsel has referred to the notices of termination given by the landlord and has opined that the Trade Commissioner had no option under law but to pay the increased rents.

3. As regards the objection to the increase in rent after the repeal for the Ordinance of 1949, there is no justification in law for the view that the rent automatically reverted to the sum of Shs. 350 p.m. when the Ordinance of 1949 was repealed. In other words, the Ordinance of 1959 does not purport to affect the previous operation of the Ordinance of 1949 or anything duly done or suffered thereunder. It does not also purport to affect any liability incurred under the repealed Ordinance. Such a view does not also advance our interest as the Trade Commissioner cannot then claim the protection that the law affords a statutory tenant.

* * * *

Sd/- G. VENKATASUBRAMANIAN,

Deputy Legal Adviser.

23-7-63.

Tele: 36687

APPENDIX II

(Para 14 of Report)

MINISTRY OF INTERNATIONAL TRADE

Statement showing the break-up of expenditure incurred on exhibitions abroad during the period 1958-59 to 1961-62.

Sl. No.	Year	Rent of Space	Construction, Decoration, installation etc.	Electricity, Water and Telephone etc.	Publicity	Local Transport	Local Staff	Port Dues including handling charges, return of Exhibits etc.	Labour charges	Entertainment
I	2	3	4	5	6	7	8	9	10	11
1	1958-59 . . .	1,44,799	2,49,557	18,199	19,719	5,971	28,128	34,535	6,913	23,565
2	1959-60 . . .	3,90,124	7,47,131	47,007	1,15,767	70,037	1,16,061	2,16,530	25,863	64,782
3	1960-61 . . .	2,24,998	5,39,391	11,090	62,031	27,191	46,675	50,887	9,268	24,621
4	1961-62 . . .	3,19,603	7,44,160	46,292	1,37,189	53,810	1,18,688	1,47,129	78,533	51,804
TOTALS . . .		10,79,524	22,80,239	1,22,588	3,34,706	1,57,009	3,09,552	4,49,081	1,20,577	1,64,772

APPENDIX II—contd.

(Para 14 of Report)

MINISTRY OF INTERNATIONAL TRADE

Statement showing the break-up of Expenditure incurred on exhibitions abroad during the period 1958-59 to 1961-62—contd.

Sl. No.	Year	Contingen- cies	Cost of dis- mantling	Storage Charges	Local Insu- rance	Miscellaneous (Details or files not available)	Total B2(4)	Purchase of goods in India B2(7)	Grand Total	T.A./D.A. on Deputa- tion abroad.
1	2	12	13	14	15	16	17	18	19	20
1	1958-59 . . .	10,312	..	3,214	797	..	5,45,709	72,431	5,18,140	81,019
2	1959-60 . . .	75,794	4,009	2,835	1,449	64,077	19,41,466	3,79,450	23,20,916	2,00,996
3	1960-61 . . .	25,012	93	200	126	12,198	10,33,781	1,99,093	12,32,874	1,22,675
4	1961-62 . . .	45,151	1,400	867	1,874	(—)60,373	16,86,127	2,53,025	19,39,152	2,34,529
TOTALS .		1,56,269	5,502	7,116	4,246	15,902	52,07,083	9,03,999	61,11,082	6,39,219

APPENDIX III

(Para 35 of Report)

MINISTRY OF WORKS, HOUSING & REHABILITATION

Department of Supply

Further information arising out of Audit Report (Civil) 1963 desired by the Public Accounts Committee at their sitting held on 26th, September, 1963.

Para 83—Non-verification of the financial standing of vessel-owners
Sub-para (ii)

The India Supply Mission paid 90% of the freight despite the fact that the agents of the ship-owners denied all responsibilities or liability for the inability of the owners to complete the voyage and had recommended non-payment of the freight until the vessel cleared Aden.

- (i) The date on which 90% payment was made to the ship-owners; and
- (ii) The date on which advice was received from the agents of the ship-owners may be stated.

Action taken by Government.

The main question to be answered is why the India Supply Mission, Washington paid 90% of the freight to the ship-owners of S. S. Valiant Faith despite the warning received by them that the shipping company was in financial difficulty. It may be stated at the outset that, this warning was given not by Ship-owner's agents but by the Ship Brokers M/s. Macklostl and Company (Agents through whom ships are chartered by I.S.M.) who denied responsibility for stranding vessel and recommended non-payment of 90% freight to the ship-owners. The communication from the Ship Brokers was received by the Mission on the 15th February, 1960 while 90% freight had been authorised by them on the 29th January, 1960. In fact, the Mission had considered the advisability of withholding 90% of the freight for the time being even though the owners were pressing for it, but the Legal Adviser warned them that it would be illegal to take such a step on the assumption that the

owners would not be able to fulfil the contract. A copy of the Legal Adviser's letter dated the 3rd February, 1960, in this context will be found at Annexure I.

2. It may be stated that the question of liability of payment of 90% freight was again examined in 1961 in the case of S.S. Valley Forge the terms of Charter Party of which were similar to that of S.S. Valiant Faith, referred to above.

The relevant Charter Party incorporated the following provision regarding earning and payment of freight:-

Preamble: "That the said steamship.....shall with all convenient speed sail and proceed to one or two safe berths, one safe port U.S. North of Hatteras excluding Albany or at charterer's option, one or two safe berths, one safe U.S. Gulf port, and there load.....wheat in bulk.....and being so loaded shall therewith proceed to one or two safe ports on the East Coast of India, at charterer's option of discharging at Haldia anchorage.....and deliver the same, agreeable to Bills of Lading, *on being paid freight* as follows: Twenty-two dollars seventy five cents (\$ 22.75) U.S. currency, per ten of 2240 lbs. if vessel loads one safe port U.S. North of Hatteras excluding Albany;.....Freight rate to be reduced by twenty five cents (0.25) per ton.....on entire cargo if vessel* discharges at Haldia anchorage; *Freight payment as per clause No. 8*".

*the 90% freight was paid at the minimum rate of \$ 22.50 per ton.

Clause 8—"The owners shall be paid 90% freight promptly after receipt of properly certified invoices supported by documents listed below which should be sent to India Supply Mission etc."

"Balance of 10% of freight with any adjustment of despatch/demurrage, dead freight and/or extra freight shall be paid promptly but not later than a period of 90 days from the date of completion of discharge, assuming that no dispute exists....".

3. Under the above provision, the whole freight is earned immediately upon loading of cargo although 10% of freight is not paid till the vessel completes discharge of cargo at the destination. In support of this, attention is invited to the copy of a letter dated the 23rd January, 1961 from the Legal Adviser to the Mission (Annexure II)*.

*Not printed

4. Against the above background, it will be appreciated that the Mission had no alternative but to pay 90% of freight in the case of S.S. Valiant Faith.

Sd/- N. J. KAMATH,
Joint Secretary to the Government of India.

NEW DELHI;

Dated the 12 November, 1963.

ANNEXURE I

Copy of letter dated 3rd February, 1960 from M/s Nelson, Healy, Baillie & Burke, New York to the India Supply Mission, Washington.

I confirm telephone conversation of yesterday prior conversations last week with Mr. Atkinson with respect to the payment of \$199,305.75, representing 90% of the freight due on the full cargo of grain shipped on the S.S. "Valiant Faith" under Charter Party dated December, 4, 1959, with Ocean Carriers Corporation as Agents for Lib Steamship Corporation, which freight had been assigned to Commercial Bank of North America.

You told Mr. Atkinson that you had been informed that there was a possibility that the vessel would be libeled upon her entering a port in the Mediterranean to take on bunkers, therefore the suggestion had been made that the freight be withheld to take care of such a contingency. We pointed out, however, that you could not anticipate such a action and that the withholding of the freight rightfully due to the owners would, in effect be a breach of contract which might result in your being held liable for damages. Consequently, we recommended that the freight be paid promptly to the assignee, which I understand was done on Saturday, January 30, 1960.

APPENDIX IV

(para 40 of the Report)

MINISTRY OF EDUCATION

SW—3 SECTION

Statement showing the information called for by the Public Accounts Committee vide Lok Sabha Sectt. O.M. No. 2/1/6/63-PAC dated the 24th December, 1963.

Information called for by the PAC	Ministry's reply	Remarks
1	2	3

Para 90 (page 91) of Audit Report (Civil)

Statements may be furnished giving :—

- (i) a break up of the expenditure of the Central Social Welfare Board (1961-62) showing the amount spent on Travelling Allowance of Officers and staff, Refreshments, Seminars, Publicity etc., indicating its percentage to social welfare activities (excluding expenditure on administration).
- (i) Kindly see the statement at Annexure I attached.

1	2	3
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(ii) (a) the total number of honorary workers engaged by the Board (separate figures to be given of those belonging to the staff and those on Boards, Committees, etc.)

(ii) In all, 2,497 honorary workers are working under the auspices of the Board. The break up is as under:—

(i) Staff of the Central Board	3
(ii) Non-official members of the Central Board	15
(iii) Non-official members of the State Boards	220
(iv) Non-official members of the Project Implementing Committees	2249
(v) Non-official members of Child Care Committees	10
TOTAL	2497

(b) The total expenditure incurred during 1961-62 on their T.A. & D.A., Car Allowance, residential accommodation, entertainment etc.

No expenditure on car allowance, residential accommodation and entertainment etc. of honorary Workers was incurred by the Central Social Welfare Board during 1961-62. Expenditure incurred on their T.A. and D.A. is shown below:—

	Rs.
(a) Staff of the Central Board	8,500
(b) Members of the Central Board	27,100
(c) Non-official members of the Child care Committee	21,300

(In addition the Chairman, Child Care Committee was paid an ho-

norarium of Rs. 2,200 on account of conveyance allowances etc.)

(d) Non-officials of the State Boards;

The required information is not available with the Central Social Welfare Board and its collection is an extremely difficult task since it would involve a detailed examination of more than 350 accounts of the State Boards and Welfare Extension Projects, spread all over the country. It would also involve a detailed examination of log books of all the project jeeps in which the non-officials might have travelled either alone or with some officials. Further, some of the Welfare extension projects, which were functioning in 1961-62, have since been closed down. Their records are not in a state to permit the collection of the required information.

ANNEXURE

Statement showing the break up of the administrative expenditure of the Central Social Welfare Board during 1961-62 and its percentage to social welfare activities of the Board.

(A) Administrative Expenditure	(Rs. in lakhs)
1. T. A. and D. A.	0.79
2. Publicity.	2.07
3. Refreshments	0.01
4. Conferences and Seminars	0.05
5. Contingencies	2.30
TOTAL	5.22
(B) Expenditure on Social Welfare Activities	165.01
(C) Percentage of (A) to (B)	3.16 %

APPENDIX V

Summary of main Conclusions/recommendations

Sl. No.	Para No. of Report	Ministry/Deptt. Concerned	Conclusions/Recommendations
1	2	3	4
1	1	Industry Finance	(i) The Committee note from the explanation furnished to them that the loans amounting to Rs. 19.55 crores initially given to the Commission for five years (repayable by October, 1962) are not expected to be repaid in the foreseeable future. They were also informed that the loans are virtually interest free, annual subsidies being given to the Commission to enable it to pay interest. The Commission received during the year 1960-61 and 1961-62 Rs. 3.64 crores and Rs. 1.97 crores respectively as subsidy. The Committee feel concerned at being told that even in the distant future extending to 30 or 40 years, it was difficult to envisage precisely as to when the necessity of renewal of loans to the Commission would cease and the Khadi industry would become self-sufficient. This seems to indicate that the term 'loan' is a misnomer in this case and that it virtually amounts to a grant. While the Committee do appreciate the importance of giving suitable encouragement to Khadi and Village Industries, they are of the view that this important factor viz., that the loans

given to the Khadi and Village Industries Commission will not be returnable in the foreseeable future, indicates the need for a fresh look at and a new approach to Government policy in this respect.

Industry

(ii) The Committee have also noticed that conditions of repayment of loans advanced by the Commission to various bodies have often been relaxed and that the period for which large funds are committed is grossly underestimated. They are clear that due to the laxity inherent in such a state of affairs, loanees are likely to pay scant regard to the conditions of the loans. The Committee urge, therefore, that Government should closely examine all proposals for loans including the manner of their utilisation before sanctioning them and should insist that loans should be treated by the loanee as loans and not as grants.

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Industry

(i) The Committee would like here to emphasise their previous recommendation made in para 57 of their Seventh Report (3rd Lok Sabha) that further grants/loans should not be made available to those organisations which have not furnished utilisation certificates in respect of earlier grants in time. The Committee also desire to emphasise that a serious view should be taken of the diversion of funds by the grantees for unauthorised objects.

(ii) The Committee note from the Audit Report that utilisation certificates were awaited from the State Boards and State Governments practically for the entire amount (Rs. 24.32 crores) disbursed

to them from 1957-58 to 1960-61. In addition such certificates were also awaited from them for a sum of Rs. 2.26 crores disbursed during 1953—57. The Committee are of the view that a special drive on the part of the Commission and the Ministry is necessary to improve the position.

3 3 Industry

The Committee suggest that, in cases where institutions do not require the entire grants/loans for use within a short period, payment should be made to them in instalments, subsequent instalments being withheld in cases where certificates for utilisation of earlier instalments have not been received within a reasonable time.

As regards repayment of loans advanced by the Commission the Committee see with concern that the amount overdue for repayment had risen to Rs. 4.75 crores as on 30th September, 1962 from Rs. 2.77 crores as on 30th June, 1961, about 50% of the amount being overdue from the State Boards. The Committee urge that all necessary steps, legal and administrative, should be taken to recover these outstandings. They would watch the position through the next Audit Report.

4 4 Industry

 Law

The Committee are of the view that in the light of the observations of the Estimates Committee and also the reservations made by the Ministry of Law the continued incurring of expenditure on Gram Ekai Scheme without amending the Act is not justified. Even if the Act is amended, it is worthwhile considering if it would be right and proper for the Khadi & Village Industries Commission to undertake activities which are likely to be a duplication of the work carried out by Community Development Department and other agencies of the Government.

5 5 Industry

The Committee would like to be informed of the result of the prosecution in due course. The Committee hope that administrative arrangements in the zone will be tightened up so as to check possibility of further defalcation of cash and stores.

1	2	3	4
6	6	Industry	<p>It is a matter of concern to the Committee that instead of the trading activities paying their way as experience is gained, the losses are steadily rising and even the small profit earned by certain units has been mainly out of the supplies of Khadi made to Government Departments. It was stated on behalf of the Commission in extenuation that the Centres would make losses in the initial period of their working but steps were now being taken to see that they would be economically worked and there would be no losses and that in course of time they would make profits. The Committee would like to be informed of the steps taken in this direction and of the results achieved.</p>
7	7	<u>Industry</u> <u>Finance</u> <u>Supply</u>	<p>The Committee would like the Ministry of Finance to take an early decision with regard to the refund of profits to Government through D.G.S.&D.</p>
8	8	Industry	<p>The Committee hope that the remaining bone digesters will also be repaired soon and put to productive use to avoid further loss on this account.</p>
9	9	Industry	<p>The fact that out of a total of Rs. 2.54 lakhs disbursed till May, 1958 as loans and grants to Bhopal Rajya Khadi and Gramodyog Sangh, Bhopal as much as Rs. 1.82 lakhs were found refundable on 31st March, 1960, makes it clear that no verification was made of the utilisation of funds given earlier before making further releases. Apparently the funds were diverted to other purposes. The Committee are surprised that internal audit was undertaken only about two years after the disbursements were completed and, in the mean-time, the Commission were complacent about the matter. The Committee feel</p>

that had the officials of the Commission been inspecting this institution properly, as was required of them, the deteriorating financial position of the institution would have come to their notice earlier and remedial action could have been taken in time. They desire that serious notice of the lapses at every stage should be taken and responsibility fixed.

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Industry
Finance

The Committee are unable to understand why the surplus and sub-standard khadi was in the first instance purchased out right and left with respective institutions presumably to be sold by them and subsequently loans amounting to Rs. 1.89 crores were still given to enable the very same stock-holders to repurchase the stocks to be sold at an extra rebate. The straight forward course, would have been to ask the stock-holders in the very beginning to sell the stock at an extra rebate and to reimburse them to the extent Government agreed to share the actual loss. The Committee feel that the course actually followed amounts to wrong use of public money, to which they take serious exception.

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The Committee desired to be informed regarding the extent of loss suffered by the Khadi & Village Industries Commission|Government of India in the clearance of the accumulated stocks of the surplus and sub-standard khadi, and also wanted a full explanation of the various transactions involved. The Secretary of the Ministry agreed to furnish a note on the subject. The note is awaited.

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Industry
Finance

The Committee are unhappy to note the delay in implementing the decision of the Government of India by the Commission regarding maintenance of accounts of assets of the grantees. They hope that the records in the present cases will be completed as quickly as possible.

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International Trade

The Committee are not satisfied with the explanation of the Trade Commissioner. They learn that the agreement was as between

the Indian Merchant and "the Indian Trade Commissioner" in East Africa, and it also bound the latter's successors in office. Besides the agreement was not for any specified short term but for "all time to come". It was irregular that such an agreement should have been entered into by the Trade Commissioner without the approval of Government. Even more indefensible is his further action in agreeing to amend the agreement materially whereby though he was himself ensured a house at a reasonable rent for three years, the landlord was permitted to increase the rent thereafter. The Committee are surprised that no explanation appears to have been asked for from the Trade Commissioner in 1949 or afterwards when the Government had already come into the picture in regard to the agreement. The Committee consider it desirable that Government should ensure that Indian representatives abroad strictly follow the prescribed procedure. Any breaches thereof should be dealt with promptly and effectively.

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International
Trade

The Committee were not convinced that there was a legal compulsion under the Ordinance to agree to the increase in rent. They, therefore, desired to see the final advice of the Law Ministry. The Ministry of International Trade has furnished an extract from the advice of the Law Ministry. In the opinion of the Committee reference to the right of re-entry for any breach of the terms of the agreement in the note is not strictly relevant to the issue.

In view of the terms of the original agreement which laid down that major repairs were the responsibility of the landlord himself and the fact that the Ordinance had already been repealed, on the 1st November, 1959, the Committee find no justification for the increase

of rent sanctioned in October, 1960, with retrospective effect from 1st November, 1959, on the ground that the landlord had agreed to undertake major repairs costing about Rs. 20,000.

14 14 International Trade
 Cabinet Sectt.

The Committee were informed in the course of evidence that the total expenditure on exhibitions as such in 1961-62 was Rs. 19 lakhs whereas Rs. 6.42 lakhs were spent only on maintaining the Directorate of Exhibitions in Delhi. This appeared to be disproportionate. The Committee suggest that the Ministry should make a close examination to see whether the expenditure incurred on th Directorate is commensurate with its responsibility and also explore avenues of making economy in its expenditure. It would be useful if the O. & M. Team is asked to examine whether the amount of expenditure incurred by the Directorate (including the T.A. of officers) is commensurate with the number of exhibitions in which our country participated, as also the number and value of exhibits sent.

15 15 International Trade

While the Committee note the difficulties pointed out by the Ministry they feel that the inordinate delays in disposing of the unsold exhibits/articles indicated absence of planning and timely review of the possibility of their being sold abroad. They suggest that after an exhibition is over, goods capable of being sold abroad should be carefully screened in the light of trade enquiries received and the balance returned to India immediately. A time limit should also be laid down within which goods, if not sold abroad should be returned to India for disposal (provided financially it is worthwhile to bring back the goods).

16 16 International Trade

While the Committee agree that there is no point in retaining unsaleable articles in stock they feel that the stock registers must be maintained in such a manner as to facilitate proper control of the stocks. In particular it should be necessary to keep a record as to when and how articles get damaged so that deficiencies in the arrangements come to light and can be avoided.

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International Trade

While the Committee welcome economies effected by local officers despite excessive funds sanctioned by the Ministry in the cases mentioned above, they cannot escape the conclusion that these instances indicate lack of proper planning. With funds in excess of requirements made available to local authorities, the temptation to be extravagant would be difficult to resist. The Committee are surprised that the representative of the Ministry of Finance should have agreed to such inflated estimates. They could understand if the estimates were higher (or lower) by about 5 to 10 per cent than the actuals; but the Ministry's estimates, which were higher by Rs. 34,500 (37 per cent) in the case of the Casablanca Fair, 1961 and Rs. 81,000 (more than 50 per cent) in the case of Accra, are obviously excessive. The Committee, therefore, reiterate the need to evolve a better system to avoid recurrence of such instances.

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International Trade

The Government's participation in the fair was not, it appears, inspired wholly by economic considerations. A token participation would have met the needs of the situation. Even if the Ministry's estimate of Rs. 64,000 for construction of the pavillion alone is regarded as justified, there is no justification for an additional expenditure of Rs. 56,000 especially when an Architect had been sent for from India.

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International Trade

The Committee desire that a detailed analysis of expenditure should be made by the Ministry to see whether by a more rational arrangement the cost of running the show-rooms cannot be reduced without impairing their utility.

- 20 20 International Trade The Committee feel that efforts should be made to lay down suitable criteria to determine the usefulness and efficiency of a show-room abroad. There should also be an attempt made periodically to determine on statistical basis the extent of return, by way of increase in trade, in respect of the promotional activities undertaken through the show-rooms.
- 21 21 International Trade The Committee regret to observe that all the three cases indicate lack of proper planning and co-ordination resulting in wasteful expenditure. They point to the necessity of streamlining the working of the Directorate of Exhibitions. In their opinion, the failure of the Directorate to ensure reasonable compliance with time schedules in connection with the opening of show-rooms and exhibitions, does not reflect well on the efficiency of the Directorate which is maintained at the annual cost of Rs. 6.42 lakhs (1961-62). The Committee hope that steps will be taken to turn the Directorate of Exhibitions into a really effective instrument in this regard.
- 22 22 International Trade The Committee were surprised to learn that whereas the departmental enquiry discounted the possibility of the fire having been caused by defective electrical installation, it was not able to establish any other cause. Further the Security officer who had been held negligent by the magisterial enquiry was allowed to leave scot free before the completion of the departmental enquiry. This has created an impression in the mind of the Committee that the proceedings of the departmental Committee were directed more towards shielding the erring people than towards finding out the facts. The mysterious disappearance of the relevant file further confirms this impression. It is clear that the normal precaution of entrusting the custody of the file to a responsible officer was not taken during the pendency of departmental action. The Committee suggest that this matter should be investigated again at a higher level, and, *inter alia*, responsibility for

the loss of the file fixed and result communicated to them. In this connection attention is invited to O. & M. Division Circular D.O. No. 9/15/57—O. & M., dated the 20th July, 1957 requiring a report of loss of file to the O. & M. Division and to fix responsibility. The Committee would like to know whether a report was made to the O. & M. Division.

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|----|----|---------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 23 | 23 | International Trade | <p>(i) The Committee doubt whether such an elaborate building costing Rs. 39.36 lakhs (more than Rs. 150 per square foot of built area) is consistent with the basic requirement of the Board and justified by the prevailing standards of living in the country.</p> |
| | | <p>International Trade
 <hr/> W. H. & R.
 <hr/> Finance
 <hr/> A 1 other Ministries</p> | <p>(ii) They feel that Government should take some concrete steps to curb the general tendency on the part of autonomous, semi-autonomous or departmental bodies to spend extravagantly on buildings. The Committee suggest that some suitable standards of austerity should be laid down by Government in regard to putting up of public buildings which should accord well with austerity expected to be observed by the tax-payer.</p> |
| 24 | 24 | International Trade | <p>The Committee do not think that the inordinate delay of more than three years in completing the works beyond the due date (May, 1959) originally envisaged has been convincingly explained. The case discloses unrealistic planning and lack of drive on the part of the Tea Board to ensure earlier completion of the works. Due to delays at various stages the rented building could not be vacated as planned. This in turn resulted in the incurring of heavy rent charges (about Rs. one lakh). The Committee suggest that such delays be avoided in future.</p> |

- 25 25 International Trade The Committee feel that there is scope for further reduction in expenditure incurred in India by the Tea Board.
- 26 26 International Trade The Committee would like to be supplied with a copy of the rules framed under Section 10(3) of the Tea Act, 1963.
- 27 27 International Trade The Committee suggest that the Ministry may use its good offices to expedite refunds by State Governments to the Tea Board. The Committee would like to be informed of the result.
- 28 28 Community Dev. & Co-operation (i) The Committee are surprised to find that the Society, which had already received substantial loans from various sources (amount Rs. 35,037) and which had defaulted from the very beginning in the repayment of the Government loan, was granted further loan by the Khadi and Village Industries Commission to the extent of Rs. 19,400 (bringing th total to Rs. 54,437) without even consulting the Registrar of Co-operative Societies. The Committee would like to be informed of the reasons for the grant of the additional loan by the Commission and whether the position about the repayment of the earlier loans was examined and necessary safeguards provided before the additional loan was granted to the Society.
- Community Dev. & Co-operation (ii) The undesirability of several governmental agencies financing a co-operative society without reference to Co-operative Department is obvious as is brought out by this case. The Committee, therefore, recommend that Government may issue strict instructions that Governmental or quasi-Governmental bodies must invariably get the application of a co-operative society for loan processed through the Co-operative Department under the bye-laws applicable to borrowing by the Societies, and they should be required to submit full details of grants or loans received by them from other sources before such grants or loans are sanctioned to them.

Community Dev. &
Co-operation

Home Affairs

(iii) The Committee are not happy over the manner in which the Delhi Administration has acted in this case. It is regrettable that the Administration failed to exercise proper watch over the working of the Society and, although the Society defaulted in the payment of interest and instalments of loan from the very beginning, no effective step was taken to recover the dues with the result that an amount of Rs. 19,311 was over due from the Society upto December, 1962. Apart from the recovery of loan, even the hire charges for the Jeep and trailer handed over to the Society in October-November, 1955 and the nominal hire charges of Rs. 10 per month for the use of other equipment had not been recovered from the Society. The Committee could get no satisfactory explanation for these lapses on the part of the Administration. They desire that this matter should be properly investigated and responsibility fixed.

Community Dev. &
Co-operation

Home Affairs

(iv) The Committee also observe that even when the Ministry suggested to the Delhi Administration that, as the Society had no viability, action should be taken to liquidate the Society, to recover the assets and to pay off the debts, the Administration thought it fit to watch its working for some time more. But, the Committee regret to note that, according to the Ministry's own statement, the position so far had been disappointing. The Committee, therefore, suggest that all necessary steps should be taken for the recovery of the loan and other outstanding dues from the Society without any further delay.

Such an attitude on the part of the Purchase Organisation reduces the penalty clauses of the agreement to a mere nullity. The Committee urge that complacency in such matters should be avoided, else capacity of the Purchasing Organisation will be seriously undermined.

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Deptt. of Supply

From the facts of the case the Committee could not get away from a feeling that the Purchase Organisation had gone out of its way to accommodate the contractor by effecting a technical transfer of the contract to the C.C.F. The plea that the firm's prior agreement was obtained as a precautionary measure to guard against its claiming damages from the Government could not be sustained as it was the contractor who was mainly at fault and he could have been made liable for non-fulfilment of the terms of the contract. The Committee feel that all the considerations determining the course of events have not come to light. The explanation creates an impression that the officers concerned had not acted with due regard to the public interest. The case merits a thorough enquiry and fixation of responsibility. In their opinion the proper course would have been to cancel the contracts at the risk and expense of the firm and to obtain supplies through the C.C.F. J. & K., if necessary.

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Deptt. of Supply

(i) The Committee understood that a penalty of censure had been imposed on the officer who released the inspection notes for the full quantity even though non-receipt of 186 tons of timber had been reported. They, therefore, inquired how this irregularity arose and why only a minor penalty of 'censure' was imposed for such a serious lapse. The D.G.S. & D. stated that the officer presumably belonged to the Railway Administration. The D.G.S. & D. promised to furnish a detailed note to the Committee on the subject giving the circumstances under which the inspection notes were released. This note is still awaited.

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Deptt. of Supply

(ii) The Committee would like to know the steps taken to ensure that in future the bank guarantees are duly revalidated wherever necessary.

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Deptt. of Supply

Food & Agriculture

The Public Accounts Committee had occasion to review the unsatisfactory performances of the firm mentioned in the Audit para during the last five years, when several cases of irregularities and breaches of agreements committed by the firm were reported to them. They were informed in September, 1961 that the question of terminating the agreement with the firm was under consideration of Government, but it was not possible to do so immediately as certain disputes between the Government and the firm were pending in arbitration. The Committee had then recommended in para 90 of their 42nd Report (Second Lok Sabha) (this was reiterated in para 46 of their 7th Report—Third Lok Sabha) that the opinion of the Attorney-General should be sought regarding the future course of action. They would await the final decision taken in this regard.

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Deptt. of Supply

The Committee are not fully convinced by the arguments regarding payment of increased price to the firm. In their opinion the commitment that the D.G.S. & D. made, in the letter he wrote to the firm after the finalisation of the contract indicating his willingness to consider the claims of the firm outside the terms of the agreement, weakened the Government's case. They desire that the circumstances under which this commitment was made to the firm should be investigated, and responsibility fixed.

34 34 Deptt. of Supply The Committee learn from the evidence that in the first case [sub-para (i) of para 83 of Audit Report] the financial position of the Company was checked up only in November, 1958 and later, whereas the contracts had been concluded with it before March, 1958. This obviously betrays an unsatisfactory position. In the second case the information available in February, 1959 had shown that the financial position of the firm was not satisfactory, although according to a guarded assessment, the firm was considered as "not unreliable". While the Committee welcome the instructions now issued to the I.S.M. in regard to a continued review of the financial position of the various Shipping Companies, they would like to stress the need for caution against entering into contracts with Companies who are known to be in financial difficulties.

35 35 Deptt. of Supply The Committee are not convinced of the justification of making an advance payment in the peculiar circumstances of the case.

36 36 Deptt. of Supply The Committee were informed in the course of evidence that accounts for a part of the spares had been submitted by the foreign firm which had been checked and found to be satisfactory. Accounts for the balance were expected to be received from the firm shortly. The Committee may be informed of the latest position in this regard.

Defence

Finance

The Committee also regret that two departments of the Government should have tried to evade responsibility for the inspection of accounts and records of the foreign firm as a result of which the matter remained under dispute for three years. They trust that Government will look into such cases and devise suitable measures to avoid lapses of this nature.

37 37 Educa'ion
Finance The Committee regret to observe that even though more than 10 years have elapsed since the Central Social Welfare Board was set up, Government have not been able to constitute the Board as a legal entity and lay down precisely the

scope and functions of this body, and in the meantime the Board has been allowed to undertake projects which are "beyond the scope of the resolution under which it was created". Further, in the opinion of the Committee the doubts and fears expressed by the Ministry regarding the curtailment of functions of the Central Social Welfare Board on its being placed on a statutory footing do not appear to be well founded. Already there are other statutory bodies, like the Khadi and Village Industries Commission, the University Grants Commission etc., which enjoy powers to give grants-in-aid to private institutions. There should, therefore, be no difficulty in the case of this organisation. The Committee, therefore, reiterate their earlier recommendations contained in para 25 of 8th Report (3rd Lok Sabha) and would urge upon the Ministry to initiate legislation without further delay to regularise the anomalous position arising from the constitutionally irregular practice of giving grants to a body without a legal personality and keeping the funds outside the Consolidated Fund of India.

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Education
Community Development and Cooperation

The Committee are of the view that in the present situation when even the powers and functions of the Social Welfare Board are not well defined, there is bound to be a duplication of efforts by various agencies. They would therefore suggest that this matter should be looked into and suitable steps taken to demarcate the sphere of activities for the various organisations doing welfare work so that duplication of efforts may be eliminated. The feasibility of entrusting the work of supervision of social welfare in rural areas to Zila Parishads and Communities Development Block may also be examined.

39	39	Education	<p>As against the total grants of Rs. 958.31 lakhs paid to the Institutions by the Central Social Welfare Board either directly or through the State Boards, the administrative expenditure of the Central and State Boards amounted to Rs. 130.22 lakhs or about 13.5 per cent which is obviously disproportionate to the service rendered by the Board.</p>
40	40	Education	<p>The Committee view with concern that while the grants paid to the institutions had decreased from Rs. 211.96 lakhs in 1960-61 to Rs. 165.01 lakhs in 1961-62, the administrative expenditure of the Central Social Welfare Board increased from Rs. 9.96 lakhs in 1960-61 to Rs. 11.56 lakhs in 1961-62, out of which the expenditure on T.A. and D.A., publicity, refreshments, conferences and seminars and contingencies amounted to Rs. 5.22 lakhs. (The amount would be still higher if the expenditure incurred on these accounts by the State Boards were taken into consideration). The Committee are, therefore, definitely of the opinion that there is scope for curtailment of administrative expenditure specially at the Centre, in view of the fact that most of the implementation and execution of the various projects is done through the agencies of the State Boards.</p>
41	41	Education	<p>The Committee trust that the Central Social Welfare Board and the State Advisory Boards would exercise due vigilance to ensure that the grants given by them to the voluntary organisations are properly utilised.</p>
42	42	Education Community Development and Cooperation	<p>A suggestion was made that the voluntary institutions might be asked to submit applications for grants through the State Governments, the Zila Parishads or other local authorities who, in the light of their local knowledge, might recommend deserving cases. The Secretary to the Ministry of Education agreed to examine the suggestion. The Committee may be informed of the decision taken in this regard.</p>

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43	43	Education	The facts placed before the Committee seem to indicate that there is a certain amount of extravagance in the use of jeeps.
44	44	<u>Education</u> <u>Finance</u>	The Committee consider it unfortunate that assets on such a large scale to the tune of more than Rs. 80 lakhs were created without a proper assessment of the long term requirements. They are also surprised that the representative of the Ministry of Finance should have agreed to this expenditure on such a large scale. They would like to be informed of the disposal of surplus trailers and jeeps. The Committee hope that the Ministry will take suitable steps to ensure the proper upkeep and maintenance of these vehicles by the voluntary organisations. The Ministry should also lay down clearly the purposes for which these vehicles may be used.
45	45	<u>Education</u> <u>Finance</u> <u>Law</u>	(i) The Committee are hardly convinced by the explanation furnished by the Ministry regarding contributions by the Universities to the Building Fund of the India International Centre. In their opinion the Law Ministry's advice contemplated only grants to be made to the Universities so as to enable them to become corporate members of the India International Centre. To any detached observer, the advice is not capable of being stretched to cover contributions by the Universities to the Building Fund of the Centre. The Committee learn from Audit with surprise that the Secretaries of the Ministries of Finance and Education who were <i>ex-officio</i> members of the Commission also acquiesced in the decision of the Commission. It is also doubtful whether the statutes governing the universities permit them to make such contributions. While the Committee note that the purpose of the building grant was unexceptionable, they cannot ignore the fact that the Commission had acted beyond the powers and functions laid down in the Act. They

trust that steps will be taken to see that statutory bodies like the Commission acted with due circumspection to see that such instances are not repeated. They were informed that the grants made by the Commission were now a fait accompli and nothing further could be done in the matter. The Committee, however, are of the opinion that it is necessary to regularise such cases where the Commission had acted beyond its statutory powers and to take steps to ensure conformity with the provisions of the statute in future.

Education
Law

(ii) The Committee desire that the matter relating to the competence of the U.G.C. to sanction grants to universities for becoming members of the Film Council might be referred to the Ministry of Law and their opinion communicated to the Committee.

46 46 Education

The Committee are not satisfied with the explanation with regard to the delay in the issue of utilisation certificates. Since it is through the audited accounts that the U.G.C. exercise a check over proper utilisation of grants by the various institutions it is only desirable that the audited accounts are received by them in time. The Commission, will therefore, be well advised to prescribe a time limit for the receipt of these accounts so that the utilisation certificates may be issued in time.

47 47 Education

The Committee hope that the Banaras Hindu University will pursue the recovery of outstanding dues vigorously and take proper steps to avoid their accumulation in future. They would like to be informed of the action taken.

48 48 Education

The Committee regret to note that the dues recoverable from students were allowed to accumulate, in spite of the fact that the desirability of regular collection of fees etc. was impressed on the Aligarh Muslim University through successive Audit Inspection Reports. They desire that such complacency in financial matters should be seriously viewed by the University authorities. The Committee trust that such cases will not be allowed to recur.

