

# PUBLIC ACCOUNTS COMMITTEE (1966-67)

## FIFTY-EIGHTH REPORT

(THIRD LOK SABHA)

[Appropriation Accounts (Civil), 1964-65 and Audit Report (Civil), 1966 relating to Departments of Atomic Energy, Aviation, Cabinet Secretariat and Ministries of Commerce and External Affairs]

PAW  
(Lok Sabha)  
Quarter  
Acc. No. 26320 (1).  
Date. 23.11.66

LOK SABHA SECRETARIAT  
NEW DELHI

September, 1966

Bhadra, 1888(S)

Price : Rs. 1.44

336.3951R  
K6

**LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA<sup>4</sup>  
SECRETARIAT PUBLICATIONS**

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
<b>ANDHRA PRADESH</b>					
1.	Andhra University General Cooperative Stores Ltd., Waltair (Visakhapatnam).	8	13.	Deccan Book Stall, Ferguson College Road, Poona-4.	45
<b>RAJASTHAN</b>					
2.	G. R. Lakshmi Pathy Chetty and Sons, General Merchants and News Agents, Newpet, Chandragiri, Chittoor District.	94	14.	Information Centre, Government of Rajasthan, Tripolia, Jaipur City.	38
<b>ASSAM</b>					
3.	Western Book Depot, Pan Bazar, Gauhati.	7	15.	Swastik Industrial Works, 59, Holi Street, Meerut City.	3
<b>BIHAR</b>					
4.	Amar Kitab Ghar, Post Box 78, Diagonal Road, Jamshedpur.	37	16.	Law Book Company, Sardar Patel Marg, Allahabad-1.	48
<b>GUJARAT</b>					
5.	Vijay Stores, Station Road, Anand.	35	17.	Granthaloks, 5/1, Ambica Mookherjee Road, Belgharia, 24 Parganas.	10
6.	The New Order Book Company, Ellis Bridge, Ahmedabad-6.	63	18.	W. Newman & Company Ltd, 3, Old Court House Street, Calcutta.	44
<b>MADHYA PRADESH</b>					
7.	Modern Book House, Shiv Vilas Palace, Indore City.	13	19.	Firms K.L. Mukhopadhyay, 6/1A, Banchharam Akrur Lane, Calcutta-12.	24
<b>MAHARASHTRA</b>					
8.	M/s Sunderdas Gianchand, 601, Girgaum Road, Near Princess Street, Bombay-2.	6	20.	Jain Book Agency, Connaught Place, New Delhi.	1
9.	The International Book House (Private) Limited, 9, Ash Lane, Mahatma Gandhi Road, Bombay-1.	22	21.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	3
10.	The International Book Service, Deccan Gymkhana, Poona-4.	26	22.	Atma & Sons, Kashmere Gate, Delhi-6.	9
11.	Charles Lambert & Company, 101, Mahatma Gandhi Road, Opposite Clock Tower, Fort, Bombay.	36	23.	J. M. Jains & Brothers, Mori Gate, Delhi.	11
12.	The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-1.	60	24.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15
			25.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20
			26.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	29

CORRIGENDA TO THE FIFTY-EIGHTH REPORT OF P.A.C.  
(1964-65) PRESENTED TO LOK SABHA ON 7.9.1966.

Page	Para	Line	For	Read
(ii)		After line 7	Insert	'5th Sept., 1966 (AN)"
2.	1.6	8	Department	Department
	1.7	2	achitct	architect
	1.8	1	achitcts	architects
3		4	achitct	architect
	1.10	4	foregin	foreign
		7	only 4 to 5	only R.4 to 5
4	1.11	5	Archiects	Architects
	1.16	1	Commmittee	Committee
	1.17	4	correlation	corelation
5.	1.20	9	architctural	architectural
6	1.24	1	Committee	Committee
7	1.26	1	onditions	conditions
12	2.9	2	equipmnt	equipment
16	3.4	6	setllement	settlement
		7	recommenda- tion	recommendations
18	3.11	4	1969	1960
21	3.23	6	Instiute	Institute
	3.25	3	Admistrative	Administrative
24	4.2	2	correlate	corelate
27	4.12	1	know	knew
31	4.28	4	shows	show-
47		1	statue	statute
51	foot note	2	permitted	remitted
59	5.1	2	laks	lakhs
71	5.51	6	permature	premature
88	2	7	aneillaries.	ancillaries.
90		6	C.P.I.	C.F.I.
100		12	rescur	recur
106		15	with	was
107		23	more	mere
114	Col.2	4	54.17	5.17
117	Col.2	2	5.33	5.35
	Col.4	10	No.68(5)/	No. F 68(5)/
			FD/60	FD/60

## CONTENTS

	<b>PAGE</b>
<b>COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE, 1966-67</b>	(iii)
<b>Introduction</b>	(iv)
<b>CHAPTERS</b>	
I. Department of Atomic Energy	I
II. Department of Aviation	10
III. Cabinet Secretariat	15
IV. Ministry of Commerce	24
V. Ministry of External Affairs	59
<b>APPENDICES</b>	
I. Statement showing the present position in respect of un-finished NSS tabulation work in the Indian Statistical Institute, Calcutta on 1st April, 1964 (Ref. para 3.11 of the Report)	74
II. Note indicating in a chronological order the action taken by the Ministry of Commerce on the irregularity pointed out repeatedly by Audit from 1955 onwards and the hierarchy of staff in Trade Centre, New York (Ref. para 4.34 of the Report)	79
III. Copy of the letters No. F. 1/RO/ADM/62, dated the 18th December, 1961 and No. 7/3/58-E, dated 14th March, 1962 from the Embassy of India, Khartoum to the Ministry of Commerce and Industry, New Delhi (Ref. para 4.43 of the Report)	86
IV. Extracts from D.O. letter No. KHA/EST/745/9/65 dated 7th April, 1966 from the First Secretary (Commercial) Embassy of India, Khartoum to Shri S. Than, Director (FT), Ministry of Commerce, New Delhi (Ref. para 4.43 of the Report)	88
V. Statement showing particulars of remittance to the Consolidated Fund of India, grant from Government and the balance to the credit of the Board—yearwise (Ref. para 4.117 of the Report)	89
VI. Statement showing outstanding amounts of Principal, interest payable by loanees to the Coffee Board as on 1-7-1966. (Ref. para 4.138 of the Report)	91
VII. Note on para 45 of Audit Report furnished by the Ministry of External Affairs (Ref. para 5.31 of the Report)	92
VIII. Note on para 46 of Audit Report furnished by the Ministry of External Affairs (Ref. para 5.55 of the Report)	95
IX. Note on para 45 of Audit Report furnished by the Ministry of Home Affairs (Ref. para 5.56 of the Report)	97
X. Summary of the main conclusions/recommendations	98
	(i)

**PART II—Minutes\***

Minutes of the sittings of the P.A.C. held on:—

11th July, 1966 (Afternoon)

13th July, 1966 (Forenoon)

14th July, 1966 (Forenoon)

15th July, 1966 (Forenoon)

20th July, 1966 (Afternoon)

---

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

**PUBLIC ACCOUNTS COMMITTEE  
(1966-67)**

**CHAIRMAN**

**Shri R. R. Morarka**

**MEMBERS**

2. Sardar Buta Singh
3. Shri B. L. Chandak
4. Shri Ram Dhani Das
5. Shri Shivajirao S. Deshmukh
6. Shri Cherian J. Kappen
7. Shri M. R. Krishna
8. Shri B. P. Maurya
9. Shri Man Singh P. Patel
10. Shri G. Yallamanda Reddy
11. Shri Prakash Vir Shastri
12. Shri Sheo Narain
13. Shri S. T. Singh
14. Shri Ku. Sivappraghassan
15. Shri U. M. Trivedi
16. Shrimati Devaki Gopidas
17. Shri P. K. Kumaran
18. Shri Om Mehta
19. Shri Gaure Murahari
20. Shri M. C. Shah
21. Shri B. K. P. Sinha
22. Col. B. H. Zaidi.

**SECRETARIAT**

Shri N. N. Mallya—*Joint Secretary.*

Shri H. N. Trivedi—*Deputy Secretary.*

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

## INTRODUCTION

I, the Chairman of the Public Accounts Committee, do present on their behalf this Fifty-eighth Report on the Appropriation Accounts (Civil), 1964-65 and Audit Report (Civil), 1966 in so far as they relate to Departments of Atomic Energy, Aviation, Cabinet Secretariat and Ministries of Commerce and External Affairs.

2. The Appropriation Accounts (Civil), 1964-65 and Audit Report (Civil), 1966 were laid on the Table of the House on the 15th March, 1966. The Committee examined these at their sittings held on the 11th July, 1966 (AN), 13th July, 1966 (FN), 14th July, 1966 (FN), 15th July, 1966 (FN) and 20th July, 1966 (AN). A brief record of the proceedings of each sitting forms part of the Report (Part II).\*

3. The Committee considered and finalised the Report at their sitting held on the 5th September, 1966.

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

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

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

NEW DELHI;  
September 5, 1966.  
Bhadra 14, 1888 (S).

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

---

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

## CHAPTER I

### DEPARTMENT OF ATOMIC ENERGY

*Construction of a housing colony for the Tata Institute of Fundamental Research—Para 78. pages 86-87*

In September, 1960 the Atomic Energy Commission decided to construct a housing colony to provide accommodation for the officers and staff of the Tata Institute of Fundamental Research (a body mainly financed by grants given by the Government of India) and lease it to the Institute on a long-term basis on payment of rent to be agreed upon.

1.2. In February, 1960, the Department of Atomic Energy appointed a firm of foreign architects for designing the colony. Payments were to be made to them as follows:—

Phase I	Initial sketches, Plans, designs, elevations.	20% of the fees due on completion and approval of initial design drawings.
Phase II	Preliminary designs, drawings, reports, specifications, etc.	30% on completion and approval of the preliminary designs.
Phase III	Detailed working drawings, estimates of quantities, etc.	10% on completion of detailed drawings for foundations. 30% on completion of detailed working drawings, etc.
		Balance of 10 per cent on completion of construction work or not later than 3 years of completion of phase III.

1.3. After payments amounting to Rs. 1.63 lakhs for phases I and II of the work had been made to the architects, they were informed that it was not possible to entrust them with any further work in relation to the project, since they failed to produce acceptable layout plans in accordance with instructions given to them. The architects, however, claimed in December, 1962 that the agreement was signed after the project had been accepted by the authorities not only in general layout, but in essential details, all of which appeared in phase I. The work for phases II and III was proceeded with as required by the authorities between July, 1960 and October, 1960. They

added further that after a lapse of nearly 11 months, they had been suddenly informed that the general layout would be modified in order to accommodate two additional buildings on the available land. The architects, therefore, demanded a payment of Rs. 32,538 for actual work done under phase III and an additional amount of Rs. 21,692 as compensation to make it up to two-thirds of the total amount due, as prescribed in the scale of charges of the Royal Institute of British Architects. The Department agreed to make a payment amounting to Rs. 34,038 in full and final settlement. The total payments made to the architects for work which had not been finally approved, thus came to Rs. 1.97 lakhs.

1.4. In April, 1963, the Department entrusted the work of preparation of the Master Plan for the housing colony to another foreign architect and the Plan was completed by him on a payment of Rs. 39,560. The work in connection with designs has, however, been entrusted to architects of the Architecture and Civil Engineering Division of the Department.

1.5. The Department stated (January, 1966) that the expenditure on the staff of the Division is not likely to exceed Rs. 90,000. They added that the architectural ideas of the first architects have been followed by the second architect and the Department and the total expenditure on preparation of designs (including the payments to the two architects) would be much less than what would have been incurred if the original architects had completed the work.

1.6. The Department have since decided in November, 1964 to entrust the work of construction of the housing colony to the Tata Institute of Fundamental Research itself, by providing funds to it in the form of grants-in-aid. The expenditure on this project up to March, 1965 was Rs. 6.82 lakhs (Rs. 2.37 lakhs on fees paid to foreign architects and Rs. 4.45 lakhs on preliminary items such as survey, earth filling, etc.) and this has been treated as capital expenditure of the Department. The question of the ownership of the building has still to be decided (January, 1966).

1.7. In reply to a question as to the reasons for preferring a foreign architect and the basis of his selection, the Secretary of the Department of Atomic Energy stated that the late Secretary of that Department made the selection of the architects.

1.8. The selection of foreign architects was made primarily on the basis of observation of their performance in Italy. The late Secretary of the Department in his various travels and visits abroad

was particularly impressed by the buildings which this architect designed and built in Italy. He had a reputation of doing rather advanced experiments and developments in the manner of construction and a contact of such an architect with Indian architects in engineering was considered worth while.

1.9. The Committee asked if Indian architects would not have been capable of bringing advanced technology in architecture from foreign countries. The witness stated that Indian architects were quite competent and they had given a fine account of themselves. There were different housing projects and only a small portion was allotted to the foreign architects.

1.10. The Committee enquired, if the performance of the Indian Architect, was good, what was the necessity to appoint a foreign architect. The witness once again reiterated that there was nothing wrong with the Indian Architects but in selecting the foreign architect it was expected that he might have some bright ideas to contribute. The Financial Adviser added that out of a total outlay of Rs. 20 crores the share of foreign architect was only 4 to 5 crores. This work was part of a proposal which included an engineering laboratory, radiological laboratory etc. The building contemplated was of 25 storeys with different types of R.C.C. work. The foreign exchange involved in engaging a foreign architect was to the extent of Rs. 2 lakhs during that particular period and it was sanctioned on the understanding that more satisfactory work would be done by foreign architects for this complex piece of work. The Financial Adviser further added that Tata Institute of Fundamental Research had also wanted the design & layout to be prepared by a foreigner.

1.11. It was also stated in evidence that another reason for engaging a foreign architect was that according to a letter dated 28th March, 1959 of a Member of the Atomic Energy Commission addressed to the Department of Economic Affairs:

"there are no competent Indian Architects who can undertake multistorey housing project at Colaba (as many as 25 storeys may have to be built)."

1.12. The Member for Finance, Atomic Energy Commission in reply to a specific question whether there was any other point on the basis of which sanction for foreign exchange was given by Department of Economic Affairs, Ministry of Finance, stated "For the Housing project, there is no other point".

1.13. On an enquiry whether it was a 13 storey building or 25 storey building, the witness explained that the architect was supposed to design it for 25 storeys but when the whole question of layout was examined, the late Secretary of the Department was not pleased with the layout and the successive designs of the architects. Ultimately the late Secretary came to the conclusion that a multistorey structure of that type did not fit in with the surroundings. So he dropped the proposal of a 25 storey building from the scheme.

1.14. The Committee desired to know whether the introduction of new designs fell within the purview of the Atomic Energy Commission. The witness stated that although the responsibility for research in advanced building designs fell within the purview of an institution such as Roorkee Laboratory, yet it was expected of individual Ministries to do their best that they could for the task which they had and they had to exercise their judgement to secure the best possible solution and this solution was not taken independently of the main task.

1.15. In reply to a question whether the Roorkee Institute was consulted or whether any designs were invited from this institute, the witness stated that Roorkee Institute was available to all. It should be seen that the fullest interaction took place of the advanced thinking from Roorkee with the projects elsewhere. It was perhaps never visualised that every public project should be referred to Roorkee. There was no doubt that the Atomic Eenergy Establishment which had a vast building programme should be constantly in touch with organisations such as the Roorkee Institute to introduce the best of the thinking and designing. But it would not preclude one from going ahead and engaging a foreign architect, a fine architect, in exceptional cases, so as to apply the best possible technique as they saw it.

1.16. When the Commmittee enquired why they could not apply the best possible technique in this case the witness stated that it was only a means to an end. The reason why the foreign architect was brought in was that it was assumed by those who took the decision, that, by this means, they would be injecting into Indian professional scene a worthwhile concept and an element which would be useful.

1.17. The Committee asked whether the importance that they placed on the good design and drawing of the housing colony was necessary for achieving the scientific efficiency in a laboratory and whether there was any correlation between the two. The witness

explained that one of the most important problems which they constantly faced was the problem of "Brain drain". The Indian scientists, technologists and technicians often left the country for a variety of reasons and many of these were connected with conditions of work within the laboratories, living conditions and facilities for doing one thing or the other. This could have been achieved with the help of Indian architect also and its suitability or otherwise could have been seen only in retrospect.

1.18. The Committee desired to know whether the foreign architect had to be paid in full for the work he did irrespective of the fact that he could not do the work to their satisfaction. The witness stated that this was the most unfortunate aspect. There was a controversy between the architect and the Department and they had to terminate his contract before time. The Committee pointed out that the Atomic Energy Commission did not appear to be in a hurry for building this housing colony. The witness stated that when the A.E. Commission ran into difficulties they could not find immediate solution and the project dragged on. However, attempts were made to minimise the difficulties so that the work might not suffer.

1.19. In answer to a question the witness stated that if the work done by the foreign architect was entrusted to architects of the Engineering division of the Department from the very beginning, the cost would have been less.

1.20. Asked as to why on the failure of the foreign architect the work was entrusted to another foreign architect, the witness explained that the other foreign architect was already on the job and the experience he had with the Department went to show that he would be useful to the Department. It was the basis of his (architect's) experience of other projects that led the late Secretary to select him again. The second foreign architect was asked to do only marginal job on the layout. Afterwards, the remaining work was in fact, taken up by the architectural division of the Atomic Energy Commission.

1.21. About the progress of construction and the revised estimates for completion of the work, the witness informed the Committee that the estimates would be a little more than Rs. 1 crore and this was due to the fact that there was an increase in the cost of construction by 25 per cent. The witness added that although they desired to complete the work as quickly as possible, they were handicapped for want of financial allocations which were not freely available. But their immediate target was to complete the

80 flats and then review the position to expedite the other projects. But he could not give a target date for the completion of the work.

1.22. As regards the terms and conditions about payment of rent etc. by the Institute the witness stated that those had not been settled yet and added that the Tata Institute and the Atomic Energy Establishment had many staff who were interchangeable and common. It was however, rather unusual that the important factor like this was left open so long.

1.23. The Committee feel that there was not enough justification for allotting a part of the work to foreign architects, specially in view of the facts, as brought out in evidence, that:—

- (i) Indian Architects were quite competent and had given fine account of themselves.
- (ii) If the work done by the foreign architect was entrusted to the Engineering Division of the Department from the very beginning, the cost would have been less.
- (iii) The late Secretary of the Department who selected the architect himself was not pleased with the layout and successive designs of the architect.
- (iv) It was thought that there was no competent Indian Architect to undertake multi-storey building which will have as many as 25 storeys. Subsequently, however, the Scheme was modified and the building was limited to 13 storeys only.

The net result in this case has been that there has been considerable delay in completing the work and consequential increase in the cost of the project. While the Committee appreciate that it might become necessary to consult foreign architects for the design and construction of buildings to house highly advanced scientific and technological laboratories for which technical 'know-how' may not be available within the country, they are of the view that engaging foreign architects for building a residential colony lacks justification. The Committee hope that such instances will not recur.

1.24. The Committee also consider it unfortunate that sufficient care was not taken with regard to the different aspects before the agreement was signed with the foreign architect due to which controversies arose later, resulting in considerable delay in the completion of the project.

1.25. There is another aspect of this case which needs examination by the Department. The Committee were told in evidence that the Tata Institute of Fundamental Research and the Atomic Energy Establishment had many staff who were interchangeable and common. While the Committee feel that this may be necessary for better and greater efficiency in the scientific work, they desire that suitable rules, conditions of service, etc., be clearly laid down so that no administrative or other problems are created later.

1.26. The Committee also desire that the terms and conditions of payment of rent by the staff of the Tata Institute should be fixed without further delay.

*Delay in construction--para 79, pages 87-88*

1.27. Plots of land measuring 19.89 lakh square yards acquired by the Department, mainly between 1958 and 1961 in different localities in Greater Bombay at a cost of Rs. 82.99 lakhs for construction of residential flats for officers and staff have not been put to use so far (January, 1966).

1.28. The Department have stated in January, 1966 that the construction of accommodation for some lower categories of personnel has been started and for the construction of accommodation of senior officers the sanction for construction has been obtained.

1.29. In addition, the Department has not utilised for construction the available open space of 6,750 square yards (cost Rs. 10.13 lakhs), out of another plot of 13,500 square yards of land purchased together with structures in March, 1960 at a cost of Rs. 20 lakhs.

1.30. The Department has stated in January, 1966 that the construction has been impeded over the past many years because of 4,000 families occupying a crucial portion of land. There are a number of other pockets of land occupied by smaller colonies, the residents of which have to be re-settled. It has been further stated that an agreement has now been reached with the Maharashtra Government, under which the Deptt. has to buy an alternative plot of land on which the residents of "Janata Colony" could be settled.

1.31. When the Committee enquired whether at the time of acquiring the huge area of about 20 lakh sq. yds. they had definite plans to put up the residential quarters for junior & higher grade officers, the Secretary explained that the Atomic Energy programme had grown rather rapidly from plan to plan and it had been pos-

sible to really get a more definite idea of the total responsibility in the growth that would be possible. The main part related to the Trombay plant and there they wanted to go ahead with housing colony straightaway. The other plots for senior officials were meant for taking care of future anticipated demands related to the growth of the programme as a whole and it was felt that unless land was acquired at a time when it was available, it would become increasingly difficult to acquire it. They had, therefore, visualised from the beginning that as the thing grew according to the plan, a large number of scientists and engineers would have to be recruited in future and they had to make provision in the appropriate time in the most economic way possible. He further added that they had definite plans to go ahead immediately with the housing colony near the Trombay area. The other lands were acquired for putting up superior type of quarters for the more senior staff who would be employed but a definite plan for their completion of these was not visualised at this stage.

1.32. In reply to another question the witness stated that 2½ per cent of the houses would be completed by September, 1966 and 12½ per cent was being planned and would be taken up for execution towards the end of the year and would be completed in 18 months. As regards the balance of 85 per cent the progress would depend upon the financial outlay that would be sanctioned. The witness added that the plan for the entire housing colony was there, but it was only a question of phasing the construction.

1.33. The Committee drew attention to the fact that there was always a saving on the capital account in the establishment and the saving varied from 42 to 70 percent and desired to know why there was a large saving year after year. The witness explained that when they received a grant, a bulk of it was diverted to important projects of research and development and it had always been their endeavour to see that nothing happened to hinder the progress of scientific jobs even if it caused some inconvenience and hardship to their staff. They had to keep the balance. At every stage attempts were made to keep reserve funds for what was believed to be the scientific and development programme of technology.

1.34. The Committee enquired why the surplus funds were not utilised for the housing colony which suffered for lack of funds. The Member (Finance) stated that finance was not the limiting factor so far as the housing colony was concerned.

1.35. The Committee have now been furnished with a detailed note on this case by the Department of Atomic Energy, as "all the facts concerning this case could not be brought out in support of evidence tendered by the representatives of this Department at the meeting of the Public Accounts Committee". It has been stated in the note *inter alia* that "the Janata Colony and the site of the Naval Store Depot are so situated however that until they are shifted it is impossible to build a township on any rational basis and the network of roads and of sewage pipes and the water distribution system cannot be laid out on a simple or straightforward scheme." It has also been added in the note that "in brief due to enormous difficulties encountered in shifting the Janata Colony, the construction work could not be undertaken earlier". The Committee have also been informed that it was only in the middle of 1965 that some solution could be found to the question of shifting the Janata Colony and some land on the other side of Sion Trombay Road was purchased by the Deptt. for that purpose. This site was acceptable to the residents of Janata Colony as well as to Bombay Municipal Corporation and work on its development was in progress.

1.36. In the note it has further been stated that the total area acquired or to be acquired worked out to 378 acres. In addition, it was intended to take over the site of the Janata Colony (54 acres) and some Railway land (37 acres) at present occupied by the Indian Navy. Out of this total area of 469 acres, 100 acres will not be suitable as a residential area. Out of the remaining 369 acres, 91 acres (Janata Colony and Railway lands) are yet to be taken over.

1.37. It appears to the Committee that the whole plan of this construction scheme has been haphazard. An overall view of the land required, its suitability, availability, etc., was not taken and all the pros and cons of this scheme were not examined in detail. Lack of proper planning was, therefore, partly responsible for delay in execution of this housing scheme. The Committee are also unable to accept lack of funds as a plea for delay in construction work as the Member (Finance), Atomic Energy Establishment, admitted in evidence that finance was not the bottleneck.

1.38. The Committee hope that a careful watch will be kept on the development of residential colony in future, and that the story of lapse of funds on the one hand and the shortage of housing accommodation on the other, will not be repeated.

## CHAPTER II

### DEPARTMENT OF AVIATION

*Non-utilisation of machinery—Para 35, Page 42.*

The Director General, Civil Aviation purchased a seven-ton "Rolligon" transport chassis from a firm in U.S.A. through the India Supply Mission, Washington at a total cost of nearly Rs. 4 lakhs (inclusive of customs duty and other charges). The contract with the foreign firm provided that no inspection would be carried out by the Mission but that a certificate of inspection, test and packing signed by an officer or the principal of the firm would be furnished.

2.2. The equipment on its receipt in India was put to test in July, 1962 and it was found to be defective in several respects; it was considered that the equipment was "not likely to serve the purpose for which such a large expenditure" had been incurred. In September, 1962, the Department requested the Mission to examine the possibility of returning the equipment to the supplier who, however, stated that the defects pointed out arose from lack of familiarity with the equipment, and gave some operating instructions for putting the equipment to use. Although a period of nearly three and a half years has elapsed since the equipment was received, it has not so far (December, 1965) been possible for the Department to say whether the equipment is suitable for the purpose for which it was purchased.

2.3. It was stated by Government in September, 1965 that the non-utilisation of the equipment for the purpose for which it was intended was directly attributable to the failure of the firm to supply the "power take-off" unit as a part of the order. Government informed Audit in December, 1965 that the firm had agreed to supply one "Power take-off" unit and that the question of its suitability was under correspondence with the firm. It had been further stated that India Supply Mission had been asked to take up with the firm the question of claiming damages for the delay in its supply.

2.4. The Committee asked about the particulars of the equipment. The Secretary of the Ministry stated that the seven-ton "Rolligon" transport chassis had a roller attached to it with the help of which it could negotiate slushy ground. It was a new equipment the type of which the Department did not have before. The need for this equipment arose when in 1959 a Super Constellation of Air India caught fire in Bombay and the fire equipment could not reach the place of accident due to slushy ground that intervened between the air strip and the place of accident. The then Director General of Civil Aviation who was on the look out for a vehicle capable of negotiating slushy ground, saw an advertisement and after making enquiries about the vehicle through Indian Embassy in Washington asked for the particulars from the manufacturer. On receipt of these particulars it was felt that the vehicle might be suitable for the purpose and a fire crash tender could be mounted on the vehicle. The witness further stated that according to the specifications of the vehicle received from the manufacturer, it was found that *prima facie* it was suitable. The manufacturers had also stated that it would serve the purpose. It was after satisfying that the vehicle would be able to negotiate slushy grounds, that the Civil Aviation authorities decided to purchase the vehicle as an experimental measure. Accordingly, a tender was issued based on both the purposes viz. (i) the vehicle was to negotiate slushy ground and (ii) a fire crash tender was to be mounted upon it. The fire crash tender was a separate equipment. Several firms were consulted. When it was found that the fire crash tender was very expensive it was decided to have the crash tender indigenously and to purchase only the vehicle from the manufacturer.

2.5. In reply to a question the witness stated that it was a general purpose equipment and no enquiries had been made to find out if this equipment was being used in aerodromes in any other country. It was admitted by the witness that the Department did not have a demonstration of the equipment before they decided to purchase it. He further admitted that no specific conditions were laid down in the tender or contract that the equipment should perform the particular job of negotiating slushy ground, but added that there was a warranty clause that the equipment should conform to the specifications. The technical specifications were determined by the Department. He added that they had also communicated to the firm the use to which they intended to put the vehicle.

2.6. The Committee enquired as to why the equipment was not being used. The Director General, Civil Aviation stated that the

Department purchased the equipment as a chassis on which a body for putting water and foam compound and driving it with a pump, was to be mounted indigenously. A special pump was required to pump out the water from the body mounted on the chassis. This pump was not available. He added that the manufacturer did not agree to supply the required power unit to drive the pump and informed that it was the responsibility of the firm who built the body in India to supply that. So the equipment, in consultation with ICAO, was converted into a rescue-cum-fire vehicle mounted with 18 cylinders of CO<sub>2</sub> and a saw in order to make an opening for the passengers to come out of the aircraft if its doors were locked. When the Committee pointed out that neither any technical advice about the machine was obtained beforehand nor its other requirements were foreseen by the Deptt., the witness admitted that at the time of placing the order the exact requirements of the power take-off unit were not fully appreciated.

**2.7. The Committee regret to note this lapse on the part of the Department.**

2.8. In reply to a question the witness stated that the firm had supplied power take-off unit for driving winch and not for the purpose of mounting a crash fire tender.

2.9. The Committee were informed by the Secretary of the Ministry that the indent for the equipment was placed on 27-4-1961 and the delivery was received at Bombay on 25th June, 1962. In July, 1962 it was put to test and the defects observed were communicated to Washington in September, 1962.

2.10. The Committee feel that the purchase of the new equipment at a total cost of nearly Rs. 4 lakhs was effected in a casual manner. The Department had a specific purpose in view for which they desired to acquire the equipment. But they made no enquiries to find out if this equipment was in use in any aerodrome in any other country. Nor did they have any demonstration to see whether the equipment would be able to perform the task for which it was to be purchased. Nor did they specify in the contract or in the tender that the equipment should perform the particular job of negotiating slushy ground.

2.11. The Committee, therefore, recommend that while purchasing any costly equipment from a foreign country, the Ministry and Department should do well to satisfy themselves fully with regard to technical and other matters before placing orders for the same.

2.12. The Committee then referred to the fact that according to the terms of purchase of the chassis, it would be accepted on the basis of a certificate of inspection signed by an officer of the firm and there was to be no independent inspection and inquired about the reasons thereof. The witness stated that the Indian Government had no facilities of inspection in Washington. The India Supply Mission had also accepted this term of the contract as they themselves had no inspection facilities. The witness further informed the Committee that the clause that inspection would not be carried out by the I.S.M. was provided in a standard printed form. Then the Committee drew the attention of witness to Para 67 of the Manual of Office Procedure for Supplies, Inspection & Disposals which dealt with the I.S.M. and which provided that in case an indentor felt that inspection was desirable, the Mission would arrange for it through proper outside agencies. To this the witness replied that I.S.M. had written to them that no technical inspection officers were attached to the Mission and as such the inspection of the stores was not carried out.

2.13. The witness further stated that when the firm supplied the chassis, they mentioned that it could negotiate slushy ground. What was new to the firm were the specifications for crash fire tender being mounted on the chassis. That tender would have cost Rs. 3 lakhs in foreign exchange so it was decided to manufacture it locally. In the meantime power take-off unit came in and until that was cleared, the body could not be manufactured.

2.14. The Committee then pointed out that in order to save Rs. 3 lakhs, the expenditure of Rs. 4 lakhs incurred in the purchase of chassis became infructuous as it had been lying idle since 1962 and had yet to serve the original purpose. The witness contended that the equipment was there not only to strengthen the fire fighting apparatus that was needed but also as a rescue vehicle, although it was not available for the original purpose. The D.G.C.A. added that the vehicle was meant for carrying foam fire extinguishers. Instead of that, they have put in CO<sub>2</sub> cylinders and it was a crash tender still. On being pointed out that the equipment had not been used even upto May, 1966 for its intended purpose, the witness admitted the delay of four years in its use since its receipt in June, 1962.

2.15. The Committee enquired whether the fact, that a fire fighting crash tender was to be mounted on the chassis, was communicated to the supplier of the equipment or whether the Depart-

ment anticipated that these two loads would require a special power take-off unit. The witness admitted that an omission had occurred in this respect. At the time of placing the contract the details of power take-off-unit were not specified. It was only mentioned that the Department would like a power take off unit put on the transfer case. It was later on that details about H.P., R.P.M. were specified in 1964. The firm then expressed their inability to supply the power take-off unit saying that the R.P.M. etc. were not known to them in any power take off unit which could be mounted.

2.16. Asked whether the Department was not responsible for the failure to put the equipment into use for 4 years, the Secretary stated that the "earliest it could have been used in the circumstances was in 1963. It passed the test only in 1963. I will certainly say that it should have been done at that time." He urged, however, in extenuation that "it was treated to be an experimental supply and perhaps sufficient mind was not applied to the incidental problems and to the necessary problems that arose out of it...."

2.17. The Committee regret to note that at the time of placing the contract, details of the power take-off-unit were not specified. They also fail to understand as to why the Department had agreed to purchase the equipment on the basis of a certificate of inspection issued by the representative of the supplying firm.

2.18. The Committee feel that if the Department had so desired, the equipment could have been inspected by some other agency with the help of India Supply Mission, Washington. Thereby the defects and shortcomings of the equipment, which came to the notice of the authorities on its arrival in India, would have come to notice before its despatch. Because of the procedure of purchase adopted in this case there has already been an avoidable delay of four years in putting the equipment to its proper use. The Committee also desire that suitable instructions should be issued to the Government deptts, that they should satisfy themselves about the utility of any foreign equipment for the specific purpose for which it is required, before spending valuable foreign exchange in importing the same.

2.19. Asked if the supplier supplied the equipment according to the order, the witness stated that except the power take-off-unit, the supply was according to the order. Regarding the question of claiming damages from the firm, the witness stated that the Department was negotiating for damages in respect of power take-off-unit. The I.S.M. in Washington had taken up the case with the firm but no reply had so far been received. The Department had

taken the stand that supplier's power taken-off-unit was inadequate for the purpose.

2.20. In reply to a question the Committee were informed that so far no legal opinion had been taken in this case.

2.21. The Committee fail to understand why no legal opinion was taken in this case at any stage. They would like to be informed of the final result of the claims of damages against the firm. The Committee would also like to be informed of the date from which the equipment was put to use.

## CHAPTER III

### CABINET SECRETARIAT

*Non-Finalisation of accounts with and non-completion of work by the Indian Statistical Institute—Para 34—Pages 41-42.*

In paragraph 32 of the (Central Civil) Audit Report, 1964, a mention was made of the large "on account" payments to the Indian Statistical Institute.

3.2. A review of the accounts of the Department of Statistics, conducted in May, 1965, showed that the Institute had claimed a further sum of Rs. 91 lakhs in respect of jobs undertaken during 1960-61 to 1963-64 over and above the "on account" payments amounting to Rs. 179.06 lakhs already made to it for the same period.

3.3. A total sum of Rs. 50 lakhs had been drawn by the Institute in instalments of Rs. 22.66 lakhs, Rs. 7.34 lakhs and Rs. 20 lakhs during the years 1961-62 to 1963-64 from the State Bank of India, as an overdraft guaranteed by Government. The interest at the rate of 6½ per cent annum on the overdraft paid by the Institute amounted to Rs. 3.48 lakhs.

3.4. The Cabinet Secretariat informed Audit in December, 1965 that the claim of the Institute for the additional amount of Rs. 91 lakhs, the regularisation of the "on account" payments and the question of reimbursement of the amount paid as interest on the overdraft facility were pending settlement with a three-man settlement committee (including a representative of the Ministry of Finance) since May, 1964 and that their recommendation were expected shortly.

3.5. The present position regarding pending work relating to the years 1961-62, 1962-63 and 1963-64, which was stated to be 5 per cent, 20 per cent and 25 per cent respectively in July, 1964, could not be ascertained as it has been stated that with the switching over to the grant-in-aid system of payments with effect from 1st April, 1964, the Institute is not required to make any valuation estimates of this nature. In respect of jobs entrusted to the Institute during 1964-65, the Institute had agreed in June, 1964 to complete 15 items during that year. However, the Institute could deliver the end-results relating to 6 items only.

3.6. Asked about the reasons for resorting to the device of guaranteeing by Government the over draft facility of the Institute, the Cabinet Secretary stated that the facility of overdraft was an integrated part of the system of payment on contract basis. He added that under this system, until the work was done, payment would not fall due; while during the process, the work was going on, some finances were necessary. Clarifying further, the representative of the Department of Statistics informed the Committee that under the contract system of payment, the original idea was that the work would be paid for at whatever stage it might be. In 1960-61, the system was changed to payment against completed work only. Before any work could be completed and delivered, there were various stages of processing to be gone through and the Institute had to have funds to meet the expenditure thus incurred by it on these intermediate stages of processing. The Institute wanted to have some working capital which could be provided either by way of advances from Government or by way of arranging overdraft facilities. The Institute preferred the overdraft facility from the banks on the ground that in this case the interest would go into working charges and they would be prompted to work more efficiently. The Institute originally wanted Rs. 20 lakhs but as the value of work increased, the overdraft was also increased to Rs. 50 lakhs. The amount represented the advance given to the Institute against the value of work in the pipeline when the contract system was closed.

3.7. In reply to a question, the Committee were further informed that during the 4 years (1960-61 to 1963-64) the Institute had incurred an expenditure of Rs. 271 lakhs against which it had received only Rs. 180 lakhs for deliveries on the basis of values quoted by the Institute, which could not be verified. The difference of Rs. 91 lakhs included two elements. One was the claim of the Institute that Rs. 180 lakhs contained certain escalation rates and work volumes which they had not taken into account and which would justify additional payment (about Rs. 30 lakhs). The other element was a sum of Rs. 60 lakhs which represented the value of the work in pipeline which was not ready for delivery on 1st April, 1964, but was deliverable with some additional effort.

3.8. The Committee enquired whether the facility of overdraft given to the Institute would continue. The representative of the Department stated that in relation to the contract period the overdraft was meant only to cover the value of work in process. When the grant-in-aid system was introduced (from 1st April, 1964) there were two sets of claims for payment. One related to the deliveries already made in which expenditure was more due to escalation of

charges. The other was in relation to the work, which under the contract system qualified for payment on completion but which under the new system of grant-in-aid became entitled for payment as on 1st April, 1964. Payment under the new system would cover only work done after 1st April, 1964.

3.9. The Committee would like to be informed of the action taken in this regard on the basis of the report of the Settlement Committee.

3.10. Asked about the latest position of jobs completed by the Institute, the representative of the Department stated that out of 15 items during 1964-65, the end results of 6 items were delivered. The remaining 9 items were included in the end results to be delivered in 1965-66. Out of these 9 items, the end results of 4 items were delivered during 1965-66 and one more end result was received on 25th May, 1966.

3.11. From the statement (Appendix I\*) of arrears of work as on 1st April, 1964 furnished at the instance of the Committee, it is noted that the work pertaining even to the 15th Round relating to the period July, 1959 to June 1969 is still pending even after a lapse of more than six years although these were included in the programme for delivery during 1964-65 and 1965-66. Out of 19 items of work shown in the statement under various round schedules as pending on 1st April, 1964 and the end results of which were to be delivered during 1964-65 and 1965-66, the end results of only 9 items have been delivered so far leaving a balance of 10 items still outstanding. In most of these pending cases, the work is held up at machine tabulation stage.

3.12. The Committee had in the past occasion to comment on the abnormal delay on the part of the Institute in delivering the end results. As a matter of fact according to the statements furnished to the PAC of 1964-65 by the Cabinet Secretariat (Appendix III of 29th Report—Third Lok Sabha), the tabulation of 15th Round should normally have been completed by end of 1962, that of 16th Round by end of 1963 and that of 17th Round by the end of 1964. The work is, therefore, very much in arrears. This indicates that there is considerable scope for improvement in completing more expeditiously the work entrusted to the Institute.

3.13. The Committee would like to stress that statistics relating to a particular period, if delivered after the lapse of several years lose much of their value and usefulness.

3.14. The Committee would, therefore, again stress the desirability of getting end results from the Institute in time. The Committee

---

\*Not vetted by Audit.

would also like the Government to examine in each case whether there is any justification for entertaining extra claims for payment by the Institute for completing any portion of the work later than the time schedule.

3.15. The Committee pointed out that the figure of Rs. 91 lakhs represented the actual expenditure incurred by the Institute during 1960-64 and that whatever expenditure was incurred by the Institute would have to be paid by the Government whether by way of grant or on the basis of contract. The witness agreed so far as payment of Rs. 60 lakhs was concerned but as regards Rs. 30 lakhs he said that it was subject to three-man committee Report.

3.16. Asked about the control exercised by the Government over the expenditure of the Institute, the witness stated that, the amount of money given to the Institute was decided by the Government and voted by Parliament. Moreover, with the appointment of a Financial Advisor the internal working of the Institute would improve. But as regards the effective control exercised on the Institute the witness admitted that de-facto Government had no full financial control over the Institute under the Indian Statistical Institute Act, 1959. He, however, added that the provisions of the Act were not so inadequate inasmuch as they provided for an annual committee which was supposed to go into the entire working of the Institute for the purpose of Government's work and make a recommendation what Government should do. Further they had appointed a Special Review Committee also. The Committee, however, pointed out that the Government did not exercise as much control as was necessary to safeguard the public revenue so far as this Institute was concerned.

3.17. The Committee regret to note that although the Government is meeting nearly cent per cent expenditure of the Institute yet it had no effective financial control over the Institute.

3.18. From the past performance of the Institute and the large amount of grants given to them by Government year after year, the Committee feel that the special treatment given to the Institute by Government has not been fully justified. In the opinion of the Committee, the working of the Institute vis-a-vis the large amounts of grants-in-aid and other payments made to them (Rs. 6.13 crores from 1958-59 to October 1964) by Government leave much to be desired.

3.19. In reply to a question the Director General, Central Statistical Organisation informed the Committee that the report of the 3-man Settlement Committee was in draft stage. The work was

more or less complete. This Committee was appointed to examine the claim of the Institute for additional grant of Rs. 91 lakhs, the regularisation of the "on account" payments and the question of reimbursement of the amount paid as interest on the overdraft facility.

3.20. In reply to a question, the witness stated that the grants-in-aid were being given to the Institute on the basis of the recommendations made by the Committee appointed annually. The witness further added that a review was made every year by a Statutory body but a comprehensive review was being undertaken by a special Committee.

3.21. The Committee enquired the reasons and the advantages for switching over from contract system to the grant-in-aid system. The witness informed the Committee that under the new system of grant-in-aid, they had a number of controls operating. One of them was that under the contract system, the budget never came before the Review Committee appointed by them, but after the introduction of grant-in-aid system the Budget Review Committee reviewed the budget in detail before it was presented to the Government. Secondly, they were getting quarterly progress reports which they could not insist under the contract system. These progress reports were also looked into by the Central Statistical Organisation with a view to see that the work was progressing as originally scheduled. He further added that under the new system they paid only that much amount which was spent by the Institute as per the approved budget.

3.22. It is surprised that despite the fact that the Department was now receiving quarterly progress reports which were being looked into by the Central Statistical Organisation, the progress of work of the Institute was far from satisfactory. The Committee wonder whether in the circumstances, even the new system would result in improvement of the situation. They would however watch the working of the new system of payment by grants-in-aid through future Audit Reports on audit of sanctions. It is understood that under Section 6 of the Indian Statistical Institute Act, the accounts of the Institute are audited by private auditors, who are appointed by the Central Government after consultation with the Comptroller and Auditor-General of India. In order to have effective control on the grants-in-aid, the Cabinet Secretariat have issued a revised set of instruction on 17th December, 1965 to the Auditors, and the Auditors have agreed to comply with the instructions while auditing the Institute's accounts in future. It is hoped that the Cabinet

Secretariat will be able to utilise this power to give the instructions to keep a closer watch on the proper utilisation of the grants-in-aid in future.

3.23. As regards the valuation of work done by the Institute, the Committee were informed that evaluation was not possible because it could not be done under the contract system also. The witness further added that it was certain that under the new system the amount was spent for the purpose for which it was given. The audited accounts of the Institute were also reviewed by the Department.

3.24. The Committee are glad to note that a Review Committee has now been appointed in pursuance of sub-section (i) of Section 9 of Indian Statistical Institute Act, 1959 by Government as suggested by Public Accounts Committee in para 3 of their 29th Report (PAC—Third Lok Sabha). The Committee would like to be informed of the findings of the Review Committee in due course.

*Misappropriation of Government Money—Appendix I—Para 81 page 193.*

3.25. A misappropriation of Rs. 11,434 by the cashier of the Office of the Joint Director, Industrial Statistics Wing, Central Statistical Organisation, Calcutta, was detected by the Administrative Officer of that office in June, 1965. Subsequently, during a special audit of the accounts of the office carried out between July and September, 1965, the amount actually misappropriated between the period 1961-62 to 1964-65 was found to be Rs. 13,071 as detailed below:—

- (i) Money drawn from the treasury but not credited in the cash book (Rs. 16,740);
- (ii) fictitious payments recorded in the cash book (Rs. 2166);
- (iii) shortage found on physical verification of cash made by the department (Rs. 1,266);
- (iv) payments recorded in the cash book against which evidence of payment to rightful persons could not be produced (Rs. 442);
- (v) deduct payments made but not shown in the cash book (Rs. 7,543).

Besides, there were a large number of instances where money were temporarily misappropriated.

3.26. The cashier of the office was placed under suspension with effect from 2 June, 1965. Government informed Audit in December,

1965 that the case had been handed over to the Special Police Establishment in August, 1965, and that further action in the light of their advice would follow.

3.27. Explaining the position the representative of Central Bureau of Investigation stated that the case was registered in September, 1965. In connection with the investigation of the case, certain documents, namely bills on which the money was drawn and the cheques issued in respect of those bills, were required from the A.G. West Bengal. The Central Bureau of Investigation would be writing to C. & A.G. in order to expedite the supply of remaining documents to C.B.I. as the bulk of the documents were still due to be received from A.G. West Bengal. It is understood from Audit that in the absence of full details of vouchers, cheque numbers and dates etc. the documents required by the C.B.I. could not be located. The witness further added that in the case, in question, it was a failure on the part of some-body to observe the rules. Certain bills, which were drawn were not entered in the cash book. The person responsible for checking the cash book should have compared it with the bill register.

3.28. In reply to a question the Secretary to the Deptt. stated that disciplinary action against persons other than the cashier would be taken only after the investigation by C.B.I. were over.

3.29. The Committee desired to know the total amount involved in this case. The representative of the C.B.I. informed the Committee that when the case was referred to them the total amount involved was Rs. 10,000 only but now it was found to be a little over Rs. 13,000.

3.30. The Committee asked about the amount temporarily misappropriated in this case. The witness promised to give figures later on.

3.31. From the statement\* furnished to the Committee later it is obvious that the following temporary misappropriation also took place:

	Rs.
(1) By tampering payees' receipt . . . . .	1240.22
(2) Temporary misappropriation by not recording transactions in the cash book . . . . .	765.00
(3) Temporary misappropriation by delaying accounting of encashed bills in the cash book . . . . .	2478.00
(4) Temporary misappropriation by recording payments in the cash book on earlier dates . . . . .	146.65
<b>TOTAL . . . . .</b>	<b>4629.87</b>

\*Not vetted by Audit.

3.32. The Committee would like to be informed of the final action taken in this case after the investigations of the Central Bureau of Investigation were over.

**CHAPTER IV**  
**MINISTRY OF COMMERCE**

**Audit Report (Civil), 1966**

*Unusual grant of import licence to a firm in lieu of reduction in price—para 36, pp. 42-43.*

2.59 Lakh aluminium badges were got manufactured by a firm in Bombay in July-August, 1963 for presentation as souvenirs to the visitors to the Indian Exhibition at Moscow, held during the period 21 July, 1963 to 18 August, 1963. Open quotations for the supply were not invited and the terms of the purchase were settled after placement of the order with the firm. Originally, the firm demanded a price of 45 paise per badge, but on negotiations, agreed to reduce the price to 20 paise per badge. In addition to the payment of Rs. 51,800 towards cost of the badges, the firm was given import licence for Rs. 1 lakh for importing aluminium sheets and chemicals (Rs. 81,500) and stainless steel (Rs. 18,500). The steel was not used in the manufacture of the badges and the quantity of aluminium sheets and chemicals allowed to be imported was used by the firm not only for the manufacture of the badges but also for other items processed in their factory.

4.2. The Ministry stated in December, 1965 that there was no intention to correlate the value of the import licence with the value of the material actually consumed in the preparation of the badges and that the licence was granted only as an incentive for the purpose of getting the badges manufactured as cheaply as possible.

4.3. The badges were to be supplied with ribbons (each 1-1/2"—2" long), but the firm provided ribbons only to the first batch of 10,800 badges. No recovery was made for the non-supply of ribbons with the remaining 2.48 lakh badges. According to the Ministry, ribbon of the particular noncrushable quality was not available in the market and it was not considered appropriate to reduce the price due to its non-supply, as the firm had already agreed to supply the badges at an extremely low rate and the possible reduction in price on this account would have been negligible.

4.4. For the transport of the badges to Moscow by air, Government had to incur an expenditure of Rs. 10,160.

4.5. The Committee pointed out that in this case the total price of the badges was only Rs. 51,800 whereas import licence for importing aluminium sheets etc. worth Rs. 1 lakh was given to the firm and desired to know the reasons for the unusual grant of import licence of much higher value to the firm. The representative of the Ministry of Commerce stated that this licence when sanctioned, was not really co-related to the value of the badges. It was only to give them material which they would normally require in the course of production in their factory. It was an encouragement or inducement for them to manufacture these badges quickly and at very favourable rates. In reply to a question, the witness stated that the decision to give a licence to the manufacturers of the badges was taken primarily because the price originally quoted by the manufacturers was on the basis that manufacturers should be given a licence to the extent to which it was given. The price quoted at that time by the firm was about 45 paise per badge, whereas the market price in Bombay was assessed between Re. 1 to Rs. 1.50 per badge (approximately). He added that they were also not certain whether any other firm had the capacity to manufacture all these badges within such a short time.

4.6. The Committee enquired whether the firm reduced the price of the badges because Government gave them indirectly a subsidy by giving them import licence for other items. The witness stated that owing to the urgency of the case, they did not have time to go through the normal procedure for obtaining financial sanction for the badges and they had to partly accommodate this party to get these badges.

4.7. As regards profits made by the firm in this case, the witness stated that they tried to investigate through their technical officer who was sent out to Bombay to negotiate this deal. This officer intimated that "the profit on this would not really amount to much more than Rs. 50,000 and the price we have paid for these badges is also in the region of about Rs. 50,000. Altogether it will come to about a little more than Rs. 1 lakh." He added that there had not been any profiteering by the firm on the licence issued to them. The witness contended that the number of badges was 2,59,000, the total price given was Rs. 51,800 and that the firm might have made a profit of Rs. 50,000 because of this licence.

4.8. On being asked whether the firm demanded the licence for the material required for the manufacture of the badges or they wanted the licence for an extra amount when they quoted 45 paise per badge, the witness stated that the firm asked for more. They

were able to get the price of the badges reduced from 45 paise per badge to 20 paise per badge and they also reduced the amount of the licence to Rs. 1 lakh. The C & A.G. pointed out that according to the Ministry, the firm demanded 45 paise per badge provided import licence for the material required by them was given. But the Ministry got the price reduced to 20 paise per badge by giving them import licence for an amount which was more than that required for the actual manufacture. He read the following extract from the letter dated 31-3-65 from the Ministry of Commerce to the Accountant-General.

"M/s... quoted a much lower rate of Rs. 0.45 per piece subject to their being granted a quota for 6 tons of aluminium sheets and import licence for other materials to the value of Rs. 25,000. After further negotiations, this party was prevailed upon to execute the order for the supply of 21 lakh badges at a very nominal rate of 20 paise per piece and the issue to them of import licence to the extent of Rs. 1 lakh was agreed also."

4.9. The Special Secretary of the Ministry stated that it was obvious that "the material was not required for these badges." The stainless steel and the chemicals were additional. He added that they had verified that the firm used the material for their own legitimate purposes. In reply to a question, the Committee were informed that 1500 nos. of badges were given free by the firm for their own publicity and these were distributed in Moscow to the staff and others at the exhibition. The badges did not contain the name of the firm.

4.10. Explaining the reasons why this firm was selected, the representative of the Ministry stated that in the beginning of July, 1963, there was a demand for badges from their officers who had gone to organise the exhibition in Moscow. When they were considering this demand, they received a proposal from this firm to present some badges to Government so that the quality of their work could be known abroad. The Ministry of Commerce agreed to the proposal. 1500 badges were given by the firm to the Ministry free of cost. Those badges were taken to Moscow exhibition and were widely appreciated there. Afterwards demand for more badges came from Exhibition authorities in Moscow.

4.11. In reply to a question, the witness stated that the idea of preparing badges was that of Government but the firm had also written to them about the same time. The letter from Moscow

was dated 2nd July and the letter from the firm was dated 3rd July, saying that the firm had been advised by the Manager of Exhibitions, National Small Industries Corporation, New Delhi, to contact them for all available information on the proposed exhibition at Moscow.

4.12. It was stated further that as Government know that the firm was capable of manufacturing badges, they enquired from the firm whether they could produce these badges. On getting confirmation from the firm, they sent an officer to Bombay to find out how the badges could be produced to the best advantage. The officer finally selected this firm. The officer who was in Bombay carried those badges on the 19th or 20th July, 1963 to Moscow. On 26th July a letter was received from Moscow asking for more badges and on the same date the processing of the case was done. On the 26th July a telegram was sent to the firm to proceed with manufacture of those badges. On the evening or night of the 26th July an officer was sent. He negotiated with the firm and finalised the price. Originally the price was 45 paise. Then it was reduced to 20 paise.

4.13. The Committee enquired whether the original order was for 5 lakh badges or 2½ lakh badges when this firm had quoted 45 paise per badge and asked for 6 tons of indigenous aluminium sheets and an import licence for Rs. 25,000, the witness stated that the original order was for 5 lakh badges and the original quotation of the firm (viz. indigenous supply of 6 tons of aluminium sheets and an import licence for Rs. 25,000) was for 5 lakh badges. When the party came to Delhi to finalise the order, the same was then reduced to 2½ lakh badges because the firm could produce only 2½ lakh badges during the stipulated time.

4.14. In reply to a question, the Committee were informed that a particular design of the badges was suggested by authorities in-charge of Exhibition in Moscow and the firm produced this design.

4.15. The Committee desired that a comprehensive note on this para might be furnished stating the following:

- (i) Reasons for the grant of import licence to the firm for Rs. 1 lakh for importing aluminium sheets and chemicals and stainless steel when the firm had requested for indigenous supply of aluminium sheets of 6 tons and additional import licence for Rs. 25,000 for permissible raw materials.

(ii) Whether it was a deliberate decision of the Government to compensate the firm by giving an import licence for an excess quantity.

The note has been furnished.

4.16 The Committee find from the note following sequence of events and facts in this case:

1. When the original proposal came from officers at Moscow in June 1963 for some badges to distinguish the workers, it was mentioned therein that it was not possible to get them locally made in time for the Exhibition and should be got made in India. The Ministry reported that efforts should be made in Moscow to procure them.

2. In reply dated 2nd July, 1963, received in the Ministry on 6th July, 1963, the Ministry were advised that prices locally were estimated at Rs. 15.60 to Rs. 20.80 per piece of the design prepared by the Exhibition Officer, Moscow and it was doubted if supply could be arranged before 21st July, 1963. In a letter dated 3rd July, 1963 the firm concerned from Bombay introduced themselves to the Ministry (received in the Ministry on 10th July, 1963), sending specimen of their work.

3. Then the Ministry addressed the firm on 12th July, 1963 asking if they could supply 1500 badges in 2 or 3 days to the design sent from Russia, free of cost, in view of the good publicity that would result to them. The Managing Director of the firm discussed with the Ministry on 15th July, 1963 and agreed to manufacture and supply free of cost 1500 badges. This the firm actually did.

4. It seems, that after these badges reached Moscow there were persistent and constant demand for these from the visitors. So decision that order for 5,00,000 badges might be placed with this particular firm was communicated in a note dated the 24th July, 1963 from the Exhibition Officer, Moscow to the Ministry. This note was received in the Ministry on 26-7-63. On the same day instructions were issued to the firm over the telephone to take up manufacture of 5 lakh badges immediately. On the same day they were telegraphically instructed that the first batch of badges should be flown to Moscow by the first available flight.

5. After all this was done, an officer went to ascertain market rates at Bombay and settle the terms of supply. He and the Joint Chief Controller of Imports, Bombay found that rates in Bombay

market were Re. 1 to Rs. 1.50 per piece and it was doubtful if supplies from other manufacturers could be arranged within the time limit. The officer of the Technical Development Directorate himself communicated the final offer of the firm in a telegram dated 27th July. For the first time, in this telegram, the other facilities required by the firm such as additional indigenous supply of aluminium sheets for 6 tons in six months and import licence for Rs. 25,000 for permissible raw material were communicated.

6. The party was then called to Delhi, as for reasons of economy it was felt that a smaller number of badges might be ordered. The Managing Director of the firm reached Delhi on 30th July, 1963. The rate of 20 paise per piece was negotiated for complete deliveries by 15th August, 1963 of 2,50,000 badges. The Managing Director requested for an import licence of adequate value as the new rates were stated to cover only their nominal labour charges and as they had to stop all other work. He also requested for permission to import anodic quality high purity aluminium sheet.

7. Ultimately, actual user licences in the total amount of Rs. 1 lakh for importing aluminium sheets, chemicals, dyes etc. and stainless steel were issued to the firm.

8. The note further stated that for the supply of 2,50,000 badges, the firm was compensated to the extent of Rs. 1,06,800 (Rs. 51,800 in cash payment plus Rs. 55,000 by way of advantage in importing stainless steel) which works out to 41 paise per badge.

4.17. The Committee are concerned to note the way in which the whole transaction took place.

4.18. They are surprised to find that the value of the import licence sanctioned was not co-related with the value of material actually consumed in the preparation of the badges and it included certain items e.g., stainless steel which were not used in the manufacture of badges. The licence was granted only as an incentive for the purpose of getting the badges manufactured cheaply and in a short time. The Committee feel that there was an element of hidden subsidy in the fixation of price of badges.

4.19. The Committee are left with the impression that this hidden subsidy or compensation was deliberately given only to circumvent the regular procedure and to avoid the financial sanction, etc. The method also enabled them to show the cost of these badges fictitiously low.

4.20. The Committee do not know whether any attempts were made to find out the rates from other firms if the facilities of import licences, etc., were also to be offered to them.

4.21. It is surprising that the firm was asked to go ahead with manufacture before the terms were settled. The low rates offered by the firm and later on further reduced by them were, obviously due to their expectation that certain facilities were to be given to them. Moreover, the details of the items for which import licences were requested for also varied from the original offer to the offer after negotiation. It is also surprising that although the number of badges ordered was reduced to half (from 5 lakhs to 2.50 lakhs), no reduction in the quantity etc., to be imported of raw material etc., appears to have been made. The Committee feel that this should have been done as non reduction in the quantity of raw material gave to the firm an unintended benefit.

4.22. The Committee do not consider it a healthy practice to issue import licences for the raw materials which are either not required for the manufacture of article ordered or in excess of requirements. In their view, such actions of Government are not only irregular but also tax the foreign exchange resources unnecessarily.

4.23. The Committee desire that responsibility for deviation from the regular procedure of placing order after assessing the financial implications fully should be fixed.

#### Show-rooms, para 38, page 44

4.24. The number of show-rooms maintained by the Ministry through the Indian Missions abroad and the expenditure incurred on them during the three years ending 1964-65 are indicated below:—

Year	No. of show-rooms	Expenditure incurred in India	Expenditure incurred abroad	Total
(In lakhs of rupees)				
1962-63	17	1.37	15.98	17.35
1963-64	17	1.46	17.00	18.46
1964-65	17	0.84	14.51	14.35

4.25. The Committee asked the procedure obtaining in the Ministry for a periodical appraisal of the utility of show-rooms maintained by Indian Missions abroad and for deciding on their continuation or otherwise. The witness stated that this matter of show-rooms abroad had been under general review even before the audit had pointed out certain lacunae. A decision had been taken that instead of running show-rooms as a show-room, they might be run as part of the State Trading Corporation establishment so that the sales-rooms as well as show-rooms could be combined and run commercially. Hence about two months back it was finalised that they would be handed over to the State Trading Corporation. The show-room at Nairobi had been taken over by the S.T.C. and other 8 show-rooms would be handed over to them within the next few months. With regard to the remaining show-rooms, the S.T.C. would make a reassessment of their utility in the other centres. The reason for handing over of show-rooms to the S.T.C. was that the show-rooms at present were "being manned by Government servants who are not competent to transact any business." The S.T.C. would run them on a commercial basis, take and execute orders and be legally responsible.

4.26. Asked whether the show-rooms had not been functioning properly, the witness stated that the show-rooms had been greatly helpful in publicising Indian products abroad. But it had not its full effect. For export promotion it had become necessary that show-rooms should have officers who would be able to negotiate business with intending purchasers and also take orders for supply of Indian goods.

4.27. In evidence, it was stated that this matter of show-rooms abroad had been under general review even before the audit had pointed out certain lacunae. About two months back it was finalised that they would be handed over to the State Trading Corporation who will run them on a commercial basis.

4.28. The Committee would like to suggest that in view of the difficult foreign exchange position it is imperative to conserve foreign exchange worth every rupee and hence the Government must carefully examine the actual utility of these show-rooms. These shows rooms sales-rooms which have not justified their continuance by the results, must be discontinued. The Committee feel that mere transfer to S.T.C. would not solve the problem.

*Avoidable expenditure and losses due to irregular maintenance of store accounts para 39, pages 46-47*

4.29. (a) An inspection of the accounts of the Trade Centre, New York, conducted in 1955 showed that the Centre had not maintained proper accounts of the exhibits received and disposed of since its inception in 1949. This irregularity was also pointed out in subsequent inspection reports. The Centre was closed in November, 1964; but for the reconstruction of accounts staff had to be retained for 8 months on which an extra expenditure of Rs. 1.20 lakhs had to be incurred. The reconstructed accounts for the period from 1949 to 1960, which were made available to Audit in November, 1964 showed that:—

- (i) stock of the value of Rs. 1.05 lakhs had not been accounted for;
- (ii) a loss of Rs. 1.23 lakhs was incurred as a result of the auction/disposal of stock valued at Rs. 1.53 lakhs.

4.30. The Ministry have stated in January, 1966 that "the difference between original book value of items disposed of abroad after displays and the value realised in their disposal should not be treated as loss but only as depreciation (in normal course) of exhibits which have served the purpose of visual commercial publicity."

4.31. (b) The desirability of closing the Trade Centre had been under correspondence between the Consulate General and the Ministry since December, 1961, but the final decision to close the Centre was taken in 1964. This resulted in an avoidable expenditure of Rs. 4.43 lakhs on staff in addition to Rs. 0.94 lakh on rent of building which had to be retained till the end of March, 1965.

4.32. The Committee desired to know the action taken on the objections repeatedly raised by Audit since 1955 on the non-maintenance of proper stock accounts of exhibits at the Trade Centre, New York. The witness stated that from the headquarters, they had been periodically reminding this Trade Centre to send yearly stock verification reports and periodical reports but those were not sent. Once they did send a statement which they called annual verification report but that did not conform to the normal form. So it was sent back. The Trade Centre did not again furnish the normal returns required by them to assess the situation of their stock holdings. It was in 1960 that a proper attempt was made for a complete physical stock verification. He added that the staff there was mostly local except one Indian assistant. The staff was fast changing and the main reason was that the local men were paid low salary. With their inadequate knowledge of accounting, they were not in a position to maintain proper stock records. The situation as it had emerged

was brought to the notice of the Ministry for the first time in 1962. The witness added that there was a little administrative difficulty because of dual control between the Ministries of Commerce and External Affairs but admitted that the responsibility was of Ministry of Commerce.

4.33. The Committee desired that a comprehensive statement might be furnished in a chronological order indicating the action taken by the Ministry of Commerce on the irregularity pointed out repeatedly by Audit from 1955 onwards. A statement might also be furnished showing the hierarchy of staff in Trade Centre, New York.

4.34. The Ministry of Commerce have furnished notes on the above points (Appendix II).

4.35. The Committee regret that proper stock accounts of exhibits at the Trade Centre, New York, were not maintained from 1949 to 1960 despite the fact that the irregularity was pointed out by Audit from 1955 onwards on more than one occasion.

4.36. The Committee were surprised to learn from the witness that from the headquarters they had been periodically reminding this Trade Centre to send yearly stock verification reports and periodical reports but those were not sent. The Committee cannot appreciate such a helpless position. The Committee desire that responsibility should be fixed for non-compliance of these instructions and also steps be taken to ensure expeditious compliance of Government instructions.

4.37. At the instance of the Committee, the Ministry of Commerce have furnished a statement showing the hierarchy of the staff in Trade Centre, New York from 1955 to 1964. The Committee find from the statement that from January, 1955 to December, 1964 except for one Manager and one Assistant all other staff was local. In evidence, it was stated that staff was fast changing and the main reason was that the local men were paid low salary. With their inadequate knowledge of accounting, they were not in a position to maintain proper stock records.

4.38. The Committee regret to note that having realised that the local men had inadequate knowledge of accounting, and that the state of accounts was in a very bad shape, nothing was done to remedy this state of affairs. From 1955 to 1964, no efforts were made to post such India based staff as had sufficient knowledge of accounting. On the other hand, the number of local staff was increased from four in 1955-56 to nine in 1958-63. This shows that objections raised by Audit were not taken seriously and there was

a laxity of supervision and control on the part of the Officers of the Consulate General. This is all the more surprising in view of the fact that a highly paid Manager was in charge of the Trade Centre upto February, 1963.

In the opinion of the Committee, a decision to close the Trade Centre should have been taken much earlier in order to save public funds.

**Extra expenditure on renting of a house, para 40, page 47**

4.39. The different officers posted as First Secretary (Commercial) in the Indian Missions at Khartoum occupied since September, 1957 the house originally rented for the Head of the Mission in 1955 on a monthly rent of Rs. 1,644 increased to Rs. 2,025 with effect from 1 May, 1960.

4.40. In November, 1961 the Ministry pointed out to the Mission that the house was very large and had accommodation which was in excess of the scale prescribed for an officer of the status of a First Secretary and directed that an alternative accommodation should be hired on a lower rent. The Mission did not make any attempt to secure a smaller house on a lower rent, but continued to retain the larger house after informing the Ministry in March, 1962 that a smaller accommodation, if leased afresh would cost more and that the furniture purchased for the use of the officer would not fit into a smaller house. However, enquiries made by the Mission in July, 1964 (when there was a change in incumbency of the post of First Secretary) revealed that accommodation within the scale prescribed for a First Secretary would be available on a monthly rent of Rs. 1,095. The Mission also held at that time that the items of furniture were not so large as not to fit into any other house.

4.41. The inaction of the Mission in not securing an alternative accommodation on a lower rent even after the issue of a directive from the Ministry resulted in an extra expenditure of about Rs. 30,624 on the higher rent of the house till 31 July, 1964, when its lease was terminated.

4.42. The Committee desired that a comprehensive note might be furnished stating the following:

- (i) "Did not the Ministry call for full details of this accommodation while according sanction to the hiring of the house originally? If so, how has it been stated to Audit in January, 1966 that the directive was based on an erroneous impression?"

- (ii) It is understood from Audit that the Mission had itself informed the Ministry in July, 1964 that the house consisted of four bed rooms, a drawing room and a dining room besides a small study room and two long covered verandahs in addition to a garrage and a servant's quarter. What were the reasons for the contradictory statements made by the Missions?
- (iii) Did the Ministry make any enquiries and satisfy themselves that the Embassy had made a sincere attempt to secure a smaller house on a lower rent and had also consulted the local Government before informing the Government of India?
- (iv) Have the Ministry enquired whether there was any excessive purchase of furniture for the use of the First Secretary."

4.43. The Ministry of Commerce have furnished the note which *inter alia* states:—

(i) The accommodation was originally hired by the Ministry of External Affairs in 1956 for an Officer of First Secretary's status who was also the Charged' Affairs then. Subsequently on an officer of Ambassador's status being appointed as the Head of the Mission, this house was taken over by the Ministry of Commerce as residence for the First Secretary (Commercial). It is seen from the Ministry of External Affairs file on the subject that they had received the full details of the accommodation in the house before according sanction to its hire. These details showed four bed rooms, one drawing-cum-dining room and one study room apart from ancilliaries. The Ministry's directive to the Mission was based on these data indicating the existence of six rooms. Subsequently in their letter dated 18th December, 1961 and dated 14th March, 1962 (Appendix III) the Mission indicated that there were only five rooms and that there was no separate study-room.

(ii) Apart from the question of the existence of a study-room a fresh point of doubt seemed to have arisen consequent on the Mission letter dated 1st July, 1964 wherein they have indicated that the house consisted of four rooms, one drawing room, one dining room and one small study exclusive of ancilliaries. In view of the conflicting statements from the Mission on the subject, they (Mission) were addressed recently to indicate the correct position in this respect. In their letter dated 7th April, 1966 (Appendix IV) they have

stated that "there was no separate dining room, there was only a drawing-cum-dining room and that their earlier letter dated 1st July, 1964 was erroneous."

(iii) "As far as the availability of cheaper houses is concerned, it will be appreciated that the Head of the Mission, being on the spot, is in a better position to judge local conditions and the Ministry have more or less to go by the report of the Mission in this behalf." The Mission have stated that all possible efforts were made to find alternative accommodation for the First Secretary but none was available then, which could have resulted in saving to Government. "The Mission's earlier report that a smaller house would be costlier and the position in 1964 when a smaller house could be found at a cheaper rent, has been explained by the Mission as due to certain exceptional circumstances existing in 1964." It appears that consequent on an expectation that the African Development Bank would be established in Sudan and in order that shortage of housing may not adversely affect the decision about the location of the Bank, the Sudanese Government gave liberal loans and other facilities for housing. Due to the impact of these policies in housing situation the rent levels were relatively lower in 1964.

(iv) The entitlement for furniture of a First Secretary is as detailed on pages 83/84 of the IFS (PLCA) Rules, 1961. This scale is almost identical to the one in force in 1957 also as detailed on pages 277/278 of the Manual of External Affairs Instructions 1947-56. The CDA (Charge'd' Affairs) at Khartoum was sanctioned by the Ministry of External Affairs in their letter No. 47-10/Prop. II/57 dated 24th January, 1958, furniture, some items of which were over and above the normal entitlement of a First Secretary. However, for purposes of present case it is found from the list of furniture at the residence of the First Secretary, as furnished by the Missions, that the following items were in excess of the normal entitlement of the First Secretary:—

No.	Items	Units Admissible	Units in actual possession	Excess	
				1	2
1.	Book Case . . .	1	2		1
2.	Wooden Shelves . . .	Nil	2		2
3.	Wooden Rack . . .	Nil	1		1

1	2	3	4	5
4. Pantry Table	.	1	2	1
5. Beds	.	4	9	5
		(The First Secretary had four members in all in his family)		
6. Hanging Shelves Almirahs		4	5	1
		(four bed rooms) (including one steel almirah)		
7. Towel Rail	.	2	3	1
8. Dining Table	.	1	2	1 (Small)

4.44. Apart from the above, the following items were sanctioned specially for the CDA (Charge'd' Affairs), but later on these were retained by the First Secretary though it was not admissible in the list of his entitlement.

Tables for Cock Tail Parties 3

Chairs for Cock Tail Parties 8

The purchase of these items was made for the former CDA and were not specifically purchased for the First Secretary (Com.). In view of the difficulties about the storage of the furniture as has been explained by the Mission, the above items continued to be retained in the residence of the First Secretary.

4.45. The Committee are surprised to find that the Indian Mission at Khartoum failed to furnish the correct details of the accommodation originally, as a result of which the Ministry gave a direction on an erroneous impression. They would like to know the reasons for the contradictory statements made by the Mission and whether the Ministry have ascertained what the correct position is.

4.46. From the note furnished by the Ministry of Commerce, the Committee find that the First Secretary had a number of items of furniture in his possession which were over and above the normal

entitlement. The Committee would like to know the steps taken to utilise the excess furniture for other purposes.

### TEA BOARD

*Tea Plantation Finance Scheme. Para 139, pages 165-168*

4.47. The Tea Plantation Finance Scheme for advancing loans to the tea estates for replanting, replacement and/or extension of old tea areas, was sanctioned by the Government of India in June, 1962. It provided for a sum of Rs. 5 crores to be placed at the disposal of the Tea Board for being utilised as a revolving fund for the purpose; the drawals by the Board are treated as loans granted on 1 October of that year, bearing 5 per cent interest (raised to 5½ per cent with effect from 1 April, 1965) repayable after 15 years. The total amount drawn by the Board since the inception of the scheme, to the end of October, 1965, is Rs. 151.25 lakh.

4.48. The loan assistance is admissible to the tea estates at Rs. 7,400 per hectare for plain gardens and Rs. 9,900 per hectare for hill gardens, to be drawn in 4 and 5 instalments respectively. The loanee estates are required to furnish, *inter alia*, a bank guarantee before the release of the first instalment of the loan, and a mortgage deed before the release of the second instalment.

4.49. The Committee enquired whether the amount of the revolving fund was much in excess of requirements or the scheme had not come up as anticipated. The Deputy Chairman, Tea Board, stated that the amount of Rs. 5 crores was for a period of five years. The Tea Plantation Finance Scheme was started in 1962 and so far they had spent Rs. 2½ crores out of 5 crores. Rs. 1 crore was earmarked for irrigation loans and for that they had received only one application. In reply to a question the witness admitted that the sanction of Rs. 1 crore was in excess of requirements as far as irrigation was concerned. He added that this amount was proposed by the Board and approved by Government. It was not in the original scheme.

4.50. The witness added that 18,000 acres had been covered so far under the scheme. In reply to a question, the witness stated that no target had been fixed for the total acreage to be covered. But the target fixed for Fourth Plan was 1,20,000 acres. The Special Secretary, Ministry of Commerce, added that it was, of course, desirable to have a target, but it was not necessary to have a target.

4.51. Asked on what basis Rs. 5 crores had been estimated for a period of 5 years, the Deputy Chairman, Tea Board, stated that the estimate was made on a rough basis.

4.52. The Committee regret to note that a revolving fund of such a huge amount (Rs. 5 crores) was placed at the disposal of the Tea Board on the estimate which "was made rather on a rough basis" without estimating the amount which would be required to advance loans to the Tea Estates for replanting, replacement and/or extension of old tea areas. The Committee feel that some targets in respect of these items viz., replanting, replacement and/or extension of old tea areas should have been fixed. They are also surprised to know that the Tea Board has received only one application for irrigation loans for which the Tea Board have earmarked a crore of rupees. This shows that the scheme was not based on a full and realistic assessment.

4.53. The Committee trust that in future Government will not sanction huge amounts on ad hoc basis and money will be given to institutions, etc., only after satisfying their capacity to utilise such amounts.

Sub-para (A) & (B), pages 165-166.

4.54. (A). A total sum of Rs. 153.61 lakhs was disbursed by the Board from the inception of the scheme to the end of October, 1965, involving 81 cases, as shown below:—

(i) Cases in which the first instalments only have been released.

No. of cases	Year of release	Amount
(In lakhs of rupees)		
2	1963	1.33
12	1964	7.77
14	1965	12.79
<b>Total 28</b>		<b>21.89</b>

(ii) Cases where the second (and in some cases even the subsequent) instalments have been released.

No. of cases	Year of release of first instalment	Total amount (in lakhs of rupees)
41 . . .	1963	108.37
12 . . .	1964	23.35
<b>Total 53 . . .</b>		<b>131.72</b>
<b>Total (i) &amp; (ii) 81 . . .</b>		<b>153.61</b>

4.55. On the amount of Rs. 21.89 lakhs mentioned at (i) above, mortgage deed has been executed in respect of one case only, involving an amount of Rs. 0.75 lakh; of the rest, personal guarantees from the Managing Directors/Agents of the borrowing estates and other private parties have been obtained in 17 cases involving an amount of Rs. 14.25 lakhs instead of bank guarantees. In 10 cases involving an amount of Rs. 6.89 lakhs, bank guarantees were obtained.

4.56. Of the amount of Rs. 131.72 lakhs mentioned at (ii) above, no mortgage deeds have been got executed so far in 42 cases involving an amount of Rs. 100.56 lakhs.

4.57 (B). Under the scheme, the second instalment of the loan should be paid 12 months after the date of payment of first instalment. In the case of one estate, the second instalment amounting to Rs. 13,156 was released in March, 1964, only nine months after the first instalment amounting to Rs. 25,300 had been paid in June, 1963, without even verifying whether the planting had been carried out satisfactorily as required under the scheme.

4.58. The Committee desired to know why in one case the second instalment of loan was released within 9 months (against 1 year prescribed in the scheme) without even verifying whether the planting had been carried out. The Deputy Chairman, Tea Board, stated that the loanee had delayed in taking the first instalment of loan. After the sanction of the loan, payment of the first instalment could not be finalised because certain financial objections were raised. In the meantime, in order not to hold up their progress of cultivation,

the second instalment was given only three months ahead because that was a season in which only they could do the work. In reply to a question, the witness added that in regard to remaining cases, it was released only after one year.

**4.59. The Committee hope that such cases would be avoided in future.**

**4.60.** With regard to grant of the first instalment of loan in 17 cases on the basis of personal guarantees from the Managing Directors/ Agents of the borrowing estates and other private parties instead of on the basis of bank guarantees, the Special Secretary, Ministry of Commerce, stated that by experience they had found that the system of obtaining bank guarantees was both costly and time-consuming. Therefore, a specific proposal had been put up by the Tea Board itself that instead of bank guarantees they should obtain individual guarantees of managing directors etc. This proposal was now under examination of the Ministry. The Finance Ministry had agreed for a limited period. It was resolved that the Tea Board might continue to give loans on the bond of managing directors.

**4.61.** The Committee enquired how any loan was given on the personal guarantees before the Finance Ministry and the Commerce Ministry had agreed to the proposal. The Deputy Chairman, Tea Board stated that it was given on the basis of the decision taken by the Board and the *ex-post facto* sanction came later on. The witness stated that the Board passed a resolution suggesting an amendment to the rules, then it was sent to Government. Subsequently, Government's permission came. They had asked for this permission in the middle of 1965.

**4.62.** In reply to another question, the Deputy Chairman, Tea Board stated that if the bank guarantee was for a certain period and the mortgage deed was not executed then either the bank guarantee would be renewed or the personal guarantee was called for. The witness further stated that to his knowledge there was no case where the bank guarantee had lapsed.

**4.63.** The Committee desired that a note might be furnished stating the following:

- (i) The date when the audit para was received by the Tea Board;
- (ii) The date when the decision to give loan on the personal guarantees was taken by the Tea Board;

(iii) The date when the *ex-post facto* sanction was accorded. The note has been furnished.

4.64. The Committee take exception to the procedure adopted by the Tea Board in releasing the first instalment of loans to the Tea Estates on the basis of personal guarantees from the Managing Directors/Agents, instead of on the basis of bank guarantees as prescribed in the scheme.

\* 4.65. In evidence, the witness had stated that the loan was given on the basis of the decision taken by the Tea Board and the *ex-post facto* sanction from Government came later on. In the note furnished to the Committee it is stated that "formal *ex-post facto* sanction of the Government has not yet been received. The matter was under consideration in consultation with the Ministry of Finance and until a final decision was taken, it was considered necessary by the Ministry that the loan should be advanced on the basis of the Board's resolution and *status quo* should be maintained. *Ex-post facto* approval of the Board was accorded on 22nd March, 1966."

4.66. The Committee are unhappy to note that in evidence the correct information was not given to the Committee. They desire that in future every care should be taken by the witnesses to give factual information to the Committee.

4.67. The Committee also regret to note that the decision to give loan on the personal guarantees was taken by the Tea Board on 3rd December, 1963 and not on the approval of the Government. They also find that the Tea Board asked Government to accord sanction in the middle of 1965 only i.e., after a period of 1½ years. The Committee trust that in future Tea Board would not act in this irregular manner.

4.68. In reply to a question, the witness admitted that unfortunately there were some cases where the second instalments were paid before the execution of the mortgage deed. Now they were insisting that mortgage deed should be executed before the grant of second instalment.

4.69. At the instance of the Committee, the Ministry of Commerce have furnished a note stating that out of 42 cases mortgage deeds in 14 cases have been executed. The Committee desire that all efforts should be made to get mortgage deeds executed in the remaining cases.

Sub-para (D)—Page 167.

4.70. Two loans aggregating Rs. 2.75 lakhs were sanctioned by the Board to a tea estate, on 26 April, 1963 (Rs. 1.48 lakhs) and on 1 September, 1964 (Rs. 1.27 lakhs), for the extension of 20 hectares and 17.16 hectares respectively; the first loan was disbursed on the

, basis of the value of fixed assets shown in the audited balance sheet as at the end of December, 1962, while the latter, on the basis of a valuation certificate from a firm of tea brokers.

4.71. The audited balance sheet as on 31 March, 1964, however, showed the value of fixed assets at Rs. 4.01 lakhs only; on this basis, the estate was eligible for a loan not exceeding Rs. 2 lakhs as against Rs. 2.75 lakhs sanctioned by the Board. Out of the latter, instalments amounting to Rs. 2.10 lakhs have so far been drawn by the estate during the period from June, 1963 to May, 1965.

4.72. An excess assistance of Rs. 0.75 lakh has, thus, been sanctioned by the Board, on the basis of which excess assistance of Rs. 0.57 lakh has actually been released to the estate.

4.73. The loan instalments have been released on the basis of personal guarantees of Rs. 1.64 lakhs and Rs. 0.46 lakh furnished by a chartered accountant and another private individual respectively instead either of a bank guarantee or a mortgage deed.

4.74. In the case of the excess assistance of Rs. 0.57 lakh, the witness stated that they would recover this amount. The Tea Board had served them with notices to refund the excess money. The Committee enquired why they relied on the certificate of the brokers and not on the audited balance sheet. The witness stated that the Tea Board passed a resolution for an amendment to the Rules and according to it on the basis of brokers' valuation certificate loans could be given. This resolution was now before Government for approval. In the meantime Government approved in March, 1966 that until such time as the scheme was finally amended this might be continued. When the Committee pointed out that the loan was disbursed in 1962, the witness stated that they had applied to Government long ago.

4.75. The Committee regret that the Board had in this case also deviated from the rules relating to the schemes in anticipation of obtaining Government's approval. They desire that such irregular practices should be stopped immediately. They consider it as an unhealthy practice to deviate from rules and then to approach Government to regularise it. The proper course (for the Tea Board) would have been to get the rules first amended, if necessary, and then act accordingly.

4.76. The Committee desired to know the reasons for accepting personal guarantees from a Chartered Accountant and another private individual instead of either a bank guarantee or a mortgage

deed. The representative of the Ministry admitted that the arrangements as they existed at present were not altogether satisfactory. They were trying to replace the present arrangement by something which would be more satisfactory and less objectionable.

4.77. The Committee pointed out that according to the Board's solicitor, the value of the fixed assets belonging to Chartered Accountant would be worth Re. 1 lakh as against Rs. 1.64 lakhs for which he stood guarantee. The Committee enquired why the loan instalments were released without even verifying the credit-worthiness of the guarantor. The Deputy Chairman, Tea Board, stated that reference was made to the bank regarding the financial position of this person.

4.78. The Committee regret to note that the existing arrangements for taking guarantees at the time of releasing loan instalments are unsatisfactory. They would like to be informed of the revised arrangements as soon as introduced. They may also be informed whether the tea estate have now furnished adequate security for the entire amount of Rs. 1.64 lakhs.

*Sub-para (E), pages 167-168*

4.79. Under the scheme, the loan assistance is admissible to those tea gardens only which are not in a position to undertake extension of plantation out of their own resources.

4.80. In March, 1963, the Board sanctioned a loan of Rs. 5.99 lakhs to an estate for carrying out new planting on 8.93 hectares, according to the following phased programme:—

Year	Area (In hectares)
1963	30.35
1964	30.35
1965	20.23

4.81. In March, 1963 and 1964, a total amount Rs. 1.12 lakhs—being the amount of the first instalment—was released to the estate for carrying out the first phase involving 30.35 hectares. In August, 1964, the estate reported to the Board that they had carried out extension over 16.79 hectares (including 11.78 hectares carried out in 1962) and replanting on uprooted areas over 2.78 hectares, stating that it was not possible for them to undertake any further extension owing to the land being low-lying. As the sanction to the loan did not cover planting done by the estate in 1962, the payment of Rs. 1.12 lakhs resulted in an excess release of Rs. 0.44 lakh.

4.82. In February, 1965 the estate requested that the shortfall of 10.78 hectares in the planting of 30.35 hectares for which the loan instalment had been released, might be adjusted against the planting of 12.42 hectares carried out by them in October, 1961 from their own resources. This request was, however, turned down by the Board on 29 January, 1966 and the estate was advised to select alternative sites to complete the sanctioned programme. In the meantime, loan funds, amounting to Rs. 0.40 lakh continue to be retained by the estate.

4.83. With regard to the excess release of Rs. 0.44 lakh, the witness stated that they had asked the tea estate to refund the amount obtained in excess. The tea estate had not refunded the amount so far. It would be adjusted against next instalment.

4.84. The Committee desired that a note might be furnished stating the date when the Tea Board asked the estate to refund the amount obtained in excess by them. The note has been received.

4.85. It is stated in the note that the estate was asked on 30th April, 1966 to refund the amount paid in excess. The Committee also notice that although the Tea Estate reported to the Board as early as August, 1964 that it was not possible for them to undertake any further extension, it was not until April, 1966 that the Estate was asked to refund the amount paid in excess. They fail to understand why the repayment of the amount was not demanded even in August, 1964. It has also been stated that the company had on the 10th July, 1966, submitted that it has now 15 hectares of suitable land in the estate ready for carrying out new extension and has requested the Board to allow them to carry out extension in the area and to retain the amount demanded from it, for adjustment towards payment of the 1st instalment of the proposed extension, viz., Rs. 55,500. The matter was stated to be under examination.

**4.86. The Committee would like to be informed of the final decision taken in this matter.**

*Pages 193-94—Appendix I*

487. *Extra Expenditure*—An extra expenditure of Rs. 12,750 was incurred by Government upto December, 1965 consequent on fixation of pay of an I.C.S. officer in relaxation of Government orders of November, 1958 under which the pay of an officer on re-employment should not exceed Rs. 3,000 (inclusive of all pensionary benefits).

4.88. The officer was appointed Chairman of the Tariff Commission with effect from 1 July, 1964 on a fixed pay of Rs. 3,750 per month and on his re-employment after his resignation from the Civil Service with effect from 1st August, 1964, he was allowed to draw the same pay of Rs. 3,750 (inclusive of pensionary benefits).

4.89. This relation involved a further extra liability of Rs. 13,500 during the unexpired period of the term of three years allowed to the officer.

4.90. The officer was due for super-annuation on 18 November, 1964. On 7 May, 1964, an offer was made to him for his appointment to the post of Chairman, Tariff Commission on a fixed pay of Rs. 3,750 per month including the period after his super-annuation, when his continuance in the post was to be on re-employment basis. The fact that, under the orders, his pay on re-employment should not exceed Rs. 3,000 per month came to notice soon thereafter (but before formal orders regarding his appointment were issued on 16 June, 1964), but the relaxation was agreed to as a special case, on the ground that the Ministry of Commerce had "committed themselves to rather irrevocably."

4.91. The Committee desired to know why an I.C.S. officer was allowed to draw Rs. 3,750 (inclusive of pensionary benefits) on re-employment as Chairman of the Tariff Commission in relaxation of Government orders of November, 1958 under which the pay of an officer on re-employment should not exceed Rs. 3,000 (inclusive of all pensionary benefits). The Special Secretary, Ministry of Commerce, stated that in this case, this particular officer was not prepared to accept anything below a certain salary. This case was, therefore, examined at the highest level both in the Ministry of Commerce and Ministry of Finance. It had also gone with the details of salary to the Appointments Committee of the Cabinet. The case was discussed and decision was taken there. The witness added that Government orders for fixing salary of retired officers were for normal compliance by departments and other appointing authorities. But that did not mean that Government had no authority to fix salary of any particular individual in any manner they liked.

4.92. The Committee enquired whether the Cabinet was informed of the full facts, namely, (i) that in the previous cases this had not been done; (ii) the order of 1958 prohibited giving a salary higher than what was entitled to i.e. Rs. 3,000 inclusive of pension etc. The Financial Adviser stated that so far as the Chairman of the Tariff Commission was concerned, it was an appointment which

was governed by a statute of its own. According to the Tariff Commission Act, 1951, the conditions of service of members of the Commission were to be determined by the Government. The relevant sub-section of the Act provided "There shall be paid to Members of the Commission such salaries and allowances as may be determined by the Central Government" with the proviso "that such salaries and allowances shall not be varied to the disadvantage of a Member after his appointment". He further added that provisions of the statute would completely over-rule any provision with regard to any executive order.

4.93. This Member was in service at the time he joined as Chairman of the Tariff Commission. At that time it was agreed as a serving officer that he would receive Rs. 3,750 p.m. The Financial Adviser added that he had ascertained from this officer and he had said that he made it clear to Government that he would not accept anything less.

4.94. The Committee desired to know whether 1958 order was or was not applicable to the Chairman of Tariff Commission, and if it was applicable, why this lapse was made. The witness stated that the point was regarding his re-employment pay viz., once he had been appointed, at Rs. 3,750, per month his terms could not be changed to his disadvantage during the period of 3 years. This period of 3 years was single indivisible period.

4.95. The Committee drew the attention of the witness to the note dated the 4th June, 1964, by one Deputy Secretary, in the Ministry of Home Affairs. In paragraph 3 of that note he said:

4.96. "As regards the pay that Shri..... (this officer) should get after retirement, attention is invited to Finance Ministry's O.M. No. 8(34)-Est.III/57 dated the 25th November, 1958. According to the instructions contained in the O.M., the pay to be paid to any retired officer on re-employment cannot exceed Rs. 3,000 inclusive of pension. In the past, the Ministry of International Trade did consider a pay of Rs. 3,500 to Shri..... 'A' in the same post as Chairman of the Tariff Commission in relaxation of these instructions. However, the decision was not to take recourse to relaxation, and ultimately Shri 'A' was paid only Rs. 3,000 minus pension. We have also other cases of this type where Shri 'B' and Shri 'C' were paid Rs. 3,000 minus pension on their re-employment as the Chairman of the Films Censor Board etc.

4.97. In view of this precedent and in accordance with the instructions issued by the Finance Ministry we should suggest to

the Ministry of International Trade that while Shri ..... (this officer) may be paid Rs. 3,750 as long as he is in service, after his retirement he should be paid only Rs. 3,000 minus pension".

4.98. The Financial Adviser stated that the note did not indicate that Shri 'A' while holding the post of Chairman of the Tariff Commission was paid one pay and then after retirement was paid a lesser pay, or in other words his pay was reduced. According to the above note, he was paid Rs. 3,000 when he was appointed to the post. He added that under the statute the pay of the Chairman of the Tariff Commission could not be reduced in the middle of his term. The Committee referred to the note dated 27th June, 1964 of one Joint Secretary, Ministry of Home Affairs. Para 3 of the note was:

4.99. "However, the Ministry of Finance have cited two specific instances where the pay was reduced on re-employment in one case from Rs. 3,500 and in another from Rs. 3,750 to Rs. 3,000 inclusive of pension. Both these cases occurred in the Tariff Commission and it might not have been difficult to follow these precedents but for the fact that the Ministry of Commerce seem to have committed themselves to this officer rather irrevocably. Even so, I do not think that the expedient of granting extension of service should be adopted in this case, and the Ministry of Commerce might try to persuade the Finance Ministry for a special pay fixation."

4.100. The Financial Adviser stated that even from this note it was not clear that these two particular persons were actually holding the post of Chairman of the Tariff Commission on the pay of Rs. 3,500 and Rs. 3,750 and after retirement in the same post, the pay was reduced.

4.101. The Committee understand from Audit that Shri 'A' (another officer) was first appointed as Chairman, Tariff Commission w.e.f. 14-9-1959 on a monthly pay of Rs. 3,500 p.m. upto the date of super-annuation i.e. 12-3-1960. Thereafter he was given an extension of service upto 13-9-1962 and he was given the same pay during this extended period. He was re-appointed as Chairman on re-employment basis w.e.f. 14-9-62 for a further period of 2 years, and his pay was fixed at Rs. 3,000 p.m. less pensionary benefits. In this case, however, the officer concerned was paid Rs. 3,750 p.m. even after the date of his retirement.

4.102. Even though Government have powers to fix pay in such cases, the Committee feel that the criteria to be followed in fixing

**the pay particularly after re-employment should be uniform in all cases.**

### **CENTRAL SILK BOARD**

#### **Audit Report on the accounts of the Central Silk Board for the year 1964-65**

##### **Para 4:**

4.103. From 1st January, 1957, the Board has been handling the clearance, storage and distribution of silk imported by the State Trading Corporation of India. The recovery of the cost of services rendered to the Corporation was, however, based until 31 March, 1963 on the actual pay and allowances of the staff employed by the Board instead of the gross cost of the service as required under the rules. Recovery of the difference between the gross cost and the actual cost for the period 1 January, 1957 to 31 March, 1963, amounting to Rs. 1.29 lakhs was waived by Government in June, 1965.

4.104. The Committee desired that a note might be furnished stating why no timely action was taken to recover the correct amount due from the State Trading Corporation. In the written note the Ministry of Commerce have stated that the agreement with the State Trading Corporation entered into by the Central Silk Board on 4th March, 1957 stipulated only recovery of actual expenditure incurred by the Board in the clearance, storage, customs duty, insurance, handling and distribution of imported raw silk under clause (3). As such the Board had been recovering the actual cost incurred on the establishment with reference to the pay and allowances from the month of January, 1957 onwards.

4.105. The Audit during the course of auditing the accounts of the Board for the financial year 1957-58 made certain observations.

4.106. The Audit Inspection Report for 1957-58 was received by the Board on 20th February, 1959. The implications of the recommendations made by Audit regarding recovery of expenses under F.R. 127 were examined by the Board with reference to the agreement with the State Trading Corporation. As recovery under F.R. 127 could not be effected by the Board straightaway without amending the agreement with the S.T.C., the matter was placed before the Standing Committee of the Board for consideration on 15-2-1961.

4.107. Pursuant to a resolution of the Standing Committee, the State Trading Corporation was addressed on 27-4-1961 to convey their acceptance to the proposed amendment, to enable the Board to work out the financial implications from 1-1-1957.

4.108. The decision of the State Trading Corporation (communicated in April, 1962) regretting their inability to agree for recovery of expenses under F.R. 127 for the earlier current or future period was brought to the notice of the Audit in May, 1962, who advised the Board in July, 1962 to apprise the Ministry and obtain special sanction of the Ministry, as it amounted to deviation of the normal rules.

4.109. The Ministry was however addressed only on 19-7-63 soliciting orders to the recovery under F.R. 127 or for relaxation of the said provision as pointed by the Audit. In the meanwhile as a result of prolonged correspondence and personal discussions, the STC had agreed in April, 1964 to the recovery of expenses under F.R. 127 with effect from 1st April, 1963. The STC expressed their inability to agree for the recovery under F.R. 127 for the earlier period as that would lead to certain administrative and financial complications. The decision of the Ministry conveying waiver of the recovery of difference of cost of establishment under F.R. 127 and that recovered on actual basis for the period prior to 31st March, 1963 was communicated to this office in July, 1965 only.

4.110. From the foregoing it has been urged that it may kindly be seen that the Board has taken necessary steps for the recovery of the amount.

4.11. The Committee regret to find that there has been avoidable delay in this case at different stages in the Board as well as in the Ministry. The Audit Inspection Report was received by the Board in February, 1959, but the matter was placed before the Standing Committee of the Board only on 15-2-61. After adoption of a resolution the STC was addressed more than two months later. Though Audit advised the Board in July, 1962 to obtain the orders of the Ministry for any deviation from the normal Rules, the Ministry was addressed by the Board only on 19-7-63, and a decision was given by the Ministry only in July, 1965. The Committee do not find any justification for a delay of more than six years in coming to a final conclusion in this case. They hope that such delays would be avoided in future.

It is understood from Audit that the Ministry while communicating their decision in July, 1965 stated that the forgoing of the payment due from the STC on account of CPF contribution for the period from 1-1-1957 to 31-3-1963 (amounting to Rs. 5,088) could

not be agreed to. No action to recover this amount was, however, taken by the Board till July, 1966. The Committee deprecate the inexplicable delay on the part of the Board in taking action on the decision of the Govt.

### RUBBER BOARD

#### Audit Report on the accounts of the Rubber Board for the year 1964-65

**4.112. General Fund.**—The main source of income of the Board is the amount made over to it by the Government of India under Section 12(7) of the Rubber Act, 1947 from out of the net proceeds of the excise duty levied on rubber produced in India. The Board is also levying fees for the issue of licences under the Act. Such proceeds are credited to the General Fund of the Board.

**4.113. Financial Results.**—A summary of the receipts and payments under the main heads during the last two years is given below:

Receipts	1963-64		Payments		1963-64		1964-65	
(In lakhs of Rupees)								
Opening Balance	5.18	1.83						
Excise duty (cess) Collected by the Board for credit to the Consolidated Fund of India.	30.80	47.16*	Collections of Excise duty cess credited to consolidated Fund of India		31.25	46.80		
			Administration		0.06	11.77		
			Research		2.47	2.90		
			Development :					
			Pay and allowances		2.63	3.69		
Grant from Govt. of India from out of Excise duty (cess) collections	64.55	71.19	Other charges; Contingencies, etc					
			(i) Replanting subsidy		53.68	52.46		
Licence Fees	0.62	0.79	(ii) Distribution of Planting materials		1.30	1.19		
Miscellaneous and Suspense receipts	3.28	5.01	(iii) Nursery expenses		2.48	1.97		
			(iv) Other items		1.89	1.73		
			Refund of Inspection fees		..	0.32		
			Expenditure under suspense		0.84	0.72		
			Closing balance		1.83	2.43		
	104.43	125.98			104.43	125.98		

\*This does not include the amounts of Rs. 66.40 lakhs collected by revenue authorities and permitted by them into Government treasuries and also the cess remitted by the producers and manufacturers directly into the Government Treasuries.

4.114. The percentage of expenditure on administration to the total expenditure during the three years ending 1964-65 works out to 7.2, 8.5 and 15.3.

4.115. Under Section 12(7) of the Act, the proceeds of the duty of Excise collected under the Act reduced by the cost of collections as determined by the Central Government are required first to be credited to the Consolidated Fund of India and then be paid by the Central Government to the Board for being utilised for the purposes of the Act, if Parliament by appropriation made by law in this behalf so provides. A statement showing the excise duty credited to the Consolidated Fund of India, amount provided for in the budget each year for payment to the Rubber Board and the amount paid to the Board for the four years ending 1964-65 is given below:—

	Amount credited to the Consolidated Fund of India	Amount provided in the Budget	Amount paid to the Board
(Rupees in lakhs)			
1961-62	31.87	48.80	39.91
1962-63	76.76	53.11	43.04
1963-64	51.99	59.55	64.55
1964-65	113.20	62.07	71.19

4.116. The Committee desired that a written note on the following question might be furnished:

During 1961-62 and 1963-64, the amounts paid to the Board was in excess of the amount credited to the Consolidated Fund during those years. During 1963-64 and 1964-65, payments were in excess of the provision made in the Budget for the purpose. Have the Ministry examined how far these would be in order?

4.117. The Ministry of Commerce have stated that the amounts collected by way of excise duty on rubber are credited to the Consolidated Fund of India and accounted for separately. The accumulated balances in this account less the amounts released to the Rubber Board, are carried forward from year to year. A statement

showing the particulars of remittances to the CFI, amounts released to the Rubber Board and the balances at the close of each year, is enclosed (Appendix V). Though the amounts paid to the Board during 1961-62 and 1963-64 were in excess of the cess collections credited to the Consolidated Fund in the respective years, it has been stated that the payments were well within the total amount of cess collections remaining in the Consolidated Fund.

4.118. Prior to 1955, all the amounts collected by way of rubber cess were paid directly to the Board but following an amendment to the Rubber Act, 1947, consequent on a recommendation of the Public Accounts Committee, these collections began to be credited initially to the Consolidated Fund. The identity of the cess collections is, however, maintained as Section 12(1) of the Rubber Act provides that the amounts realised by way of cess collections are to be utilised only for the purposes of the Act. The position, therefore, is that so long as the amounts released to the Rubber Board do not at any stage exceed the total amount of cess collections credited to the Consolidated Fund of India, it would not be irregular if in a particular year the amount released happens to be in excess of the cess collection for that year.

4.119. The Committee note that during 1963-64 while a sum of Rs. 59.55 lakhs was voted by Parliament the amount paid to the Board was Rs. 64.55 lakhs. Similarly, in 1964-65 while the amount voted by Parliament was Rs. 62.07 lakhs the amount paid to the Board was Rs. 71.19 lakhs. The Committee also find that according to the provision in Sec. 12(7) of the Rubber Act, 1947:

“The proceeds of the duty of excise collected under this section reduced by the cost of collection as determined by the Central Government shall first be credited to the Consolidated Fund of India, and then be paid by the Central Government to the Board for being utilised for the purposes of this Act, if Parliament by appropriation made by law in this behalf so provides.”

4.120. The Committee are unable to understand how the amount paid to the Rubber Board could be in excess of that voted by Parliament. They would like the Ministry to examine in the light of the specific provision in the Act or Rules under which this had been done.

Para 3:

“4.121. *Arrears in assessment and collection of Excise Duty.*—The work relating to the assessment and collection of the cess (excise

duty) under the Act has been entrusted to the Board under Section 12 of the Rubber Act. The incidence of duty was on producers upto 31st March, 1961 and on the manufacturers thereafter.

4.122. The assessment of duty on producers for the period upto 31st March, 1961 is still in arrears in 122,182 cases involving an estimated amount of Rs. 49.31 lakhs. Out of an amount of Rs. 143.85 lakhs (including the balance of Rs. 0.40 lakh relating to the periods prior to 1st January, 1955 assessed till 15th September, 1965, a sum of Rs. 3.66 lakhs is pending collection.

4.123. Regarding assessments of duty on manufacturers, as on 15th September, 1965, 623 cases are pending. In respect of assessments completed, a sum of Rupees 74.76 lakhs is pending collection. Effective steps are called for to liquidate the heavy arrears.

4.124. At the instance of the Committee, the Ministry of Commerce have furnished a note stating the steps taken and proposed to be taken by the Board/Ministry to speed up the finalisation of assessment and prompt recovery of amounts due.

4.125. In the note\* it is stated that the position in regard to assessment and collection of excise duty on producers as on 31-3-1966 was as follows:

1. Assessment upto 31-3-1966	Rs. 1,45,81,043
2. Amount collected	Rs. 1,42,02,519
3. Balance pending collection	Rs. **4,18,400
4. Number of cases of pending assessments	81,235

4.126. Every effort was being made by the Rubber Board to realise the arrears of excise duty as early as possible. At the beginning of the year (1965-66) there was only one officer on Special Duty attending to the work of assessment. In order to speed up the work, two more Officers on Special Duty were appointed on 19-4-65. Again, one more officer on Special Duty was appointed on 8.12.1965. The strength of the Clerical Staff and inspection staff under the Officers on Special Duty was suitably increased to complete the assessment work as speedily as possible. The position of

\*Not vetted by Audit.

\*\*This includes Rs 39,876 relating to periods prior to 1-1-1955)

assessment and collection as on 30.6.1966 is given below:

	Rs.
1. Assessment upto 30.6.1966	1,46,85,362
2. Amount collected upto 30.6.66	1,42,72,568
3. Balance pending collection (This includes the opening balance of Rs. 39,876 prior to 1.1.1955)	4,52,670*
4. Number of cases pending assessment	46,078
5. Action taken for liquidating the arrears	With the appoint- ment of additional staff the work was in good progress.

4.127. Government were taking steps to amend the Revenue Recovery Act, empowering the Collectors to delegate powers to their subordinated authorities to deal with a large number of recovery cases. After the amendment of the Act, large amount of arrears of cess is expected to be collected as arrears of land revenue.

4.128. The Committee trust that with the increase in the staff and other measures proposed to be taken by the Rubber Board, the Board would be able to complete the assessment work and there will not be any arrears of excise duty in future.

#### COFFEE BOARD

##### Audit Report on the accounts of Coffee Board for 1964-65

Para 3:

4.129. *Production of coloured films.*—As a measure of propaganda for increasing the sales of Indian coffee within the country and abroad, the Board produced through a private firm two coloured films ("Coffee for Export" and "From the Seed to the Cup") in March, 1960 at a total cost of Rs. 1.00 lakh. After effecting certain changes desired by the Ministry of Commerce fourteen 35 mm. prints of the film "Coffee for Export" (six in English and two each in French, Italian, Russian and German languages) were got ready in July, 1961. Nine of them were despatched in December 1961 to Indian Missions abroad for exhibition; the remaining five copies are still lying with the Board (November, 1965). Only three Embassies, however, reported about the screening of the films sent to them.

4.130 All the six 35 mm. prints of the film "From Seed to the Cup" were lying with the Board. The film could not be screened as a 'Documentary Film' because in the opinion of the Ministry of Information and Broadcasting, the film 'has not been found to be of adequate technical standard'. One copy of the film has, however, been sent lately (Nov. 1965) to the Five Year Plan Publicity Officer, Government of India, Bangalore for exhibition and the report of exhibition is awaited. (November, 1965).

4.131. The Committee desired that notes on the following questions might be furnished:

What is the latest position about the utilisation of prints of the second film "From Seed to Cup"?

Were the Ministry of Information & Broadcasting not consulted before producing the film? Could the film not be suitably edited to make it suitable for All India screening by the Ministry of Information and Broadcasting?

4.132. The Ministry of Commerce have stated that one copy of the film "From the Seed to the Cup" was lent to the Five Year Plan Publicity Office, Bangalore and that arrangements were being made to screen the film in Educational Institutions and Exhibitions and through the Boards' coffee vans. One of the Board's Coffee Vans at Calcutta has since been equipped with a Projector and arrangements have been made to screen this film through the coffee van. It is however understood from Audit that coffee Board in their letter dated 25-8-1966 have stated that the quotations for the Projector have been called for. **The Committee would like the Ministry to look into this and reconcile the factual position.**

4.133. The Ministry of Information and Broadcasting were consulted before producing the film, they expressed their inability to undertake production and, consequently, the production of the film was entrusted to a private agency on the select list of approved producers maintained by that Ministry.

4.134. The Film Advisory Board recommended an All India release of the film as a "DOCUMENTARY"; this could be done only by the Distribution Department of the Films Division of Ministry of Information and Broadcasting. But as that Ministry did not consider the film to be of adequate technical standard, the Films Division could not take up its distribution. The question of editing the film had not been considered so far.

4.135. **The Committee are not aware of the circumstances in which the Ministry of Information & Broadcasting expressed their inability**

to undertake production of the film which was meant for the purposes of propaganda to increase the sales of Indian Coffee within the country and abroad. They would like to be informed of the reasons why the Ministry of Information and Broadcasting did not undertake production of the film, at least as a Documentary.

4.136 The Committee would also like to be apprised whether in view of the fact that the film lacked adequate technical standard, any amount has been recovered from the private firm who produced this film.

**Para 5:**

**Outstanding principal and interest payable by the loanees to the Coffee Board**

4.137 (i) During the period from 1957-58 to 1964-65, a sum of Rs. 32.95 lakhs was advanced by the Board to the growers as Intensive Cultivation Loan for the development of the Coffee Estates. The position in regard to overdue instalments of loan and interest as on 1st September 1965 is given below:

Year in which the amount became due	Principal overdue	Interest overdue
	Rs.	Rs.
1960-61		61
1961-62		46
1962-63	30,382	1,310
1963-64	21,183	6,899
1964-65	66,705	29,896
<b>TOTAL</b>	<b>1,18,220</b>	<b>38,212</b>

The Board has stated (November 1965) that necessary action has been taken to recover the amounts and the progress of collection is satisfactory.

(ii) The posting of the Loan Registers in respect of the loans granted under Scheme—V of the Coffee Development Plan has not been completed for the year 1964-65 (Nov. 1965).

4.138. At the instance of the Committee, the Ministry of Commerce have furnished a note stating that as on 1.7.66, a sum of

Rs. 91,326 was due to be recovered from the loanees towards principal and Rs. 25,861 towards interest. A statement indicating the details, is enclosed (Appendix VI). Thus, since 1st September, 1965, a sum of Rs. 26,984 has been recovered towards principal and Rs. 12,351 towards interest.

4.139. The Committee are not happy to find that a large amount (Rs. 91,236 as principal and Rs. 25,861 as interest) is still due from loanees as on 1st July, 1966. They desire that vigorous steps should be taken by the Coffee Board to realise the outstanding amount, especially those relating to earlier years.

**CHAPTER V**  
**MINISTRY OF EXTERNAL AFFAIRS**  
**Audit Report (Civil), 1966**

*Non-utilisation of a building for the intended purpose—para 44, page 52:*

5.1. In June, 1964 Government purchased a building at a cost of Rs. 4 laks for use as residence of the Commissioner of India at Aden. Despite the fact that the Ministry was of the view that the building was one of the best house in Aden, the Commissioner, who was in occupation of a private house rented at Rs. 1,333 per mensem, did not move into the new building on the ground that it required certain additions and alterations and provision of servants quarters before it became fit from the representational point of view.

5.2. On 23rd July, 1964, the Commissioner, in consultation with the Ministry, shifted three members of his staff, who were residing in private flats rented at Rs. 750 per mensem (and whose residences had been declared unfit by the medical authorities of the Commission in October, 1963), into the new building till the completion of the additions and alterations suggested by him.

5.3. Government accorded their administrative approval to the additions and alterations to the new building at a cost of Rs. 50,000 in February, 1965. In July, 1965, the Commissioner selected a suitable Architect for looking after the construction work but immediately thereafter, at the suggestion of the Commissioner, who was under orders of transfer from Aden, the Ministry agreed to postpone the work relating to invitation of tenders etc. till the arrival of his successor sometime in October, 1965. The work has not been taken up so far and the Architect is reported to have expressed his inability to undertake the work, as he has decided to close his office in Aden (December, 1965).

5.4. The non-occupation of the house by the Commissioner and delay in completion of the work of additions and alterations resulted in non-utilisation of the house for the purpose for which it was intended and also entailed a net avoidable expenditure of Rs. 10,494

from July, 1964 to December, 1965, being the difference between the rent for the private residence occupied by the Commissioner and the saving effected as a result of shifting of the staff to the new building.

5.5. Explaining the background in regard to the purchase of the building, the Joint Secretary, Ministry of External Affairs, informed the Committee that the Ministry had been trying since 1961 to obtain alternative accommodation for the Commissioner. They had first tried in 1961 to obtain some property from the Government of Aden but were not successful. The Commissioner took considerable initiative and found a house for which the original price quoted was Rs. 8 lakhs.

5.6. The witness urged that the price of Rs. 8 lakhs was not unreasonable considering the situation in Aden, *viz.* (i) the extreme shortage of land (ii) the fact that a number of foreign representatives had moved in and were buying property and (iii) a large influx of British troops.

5.7. The Committee desired to know whether any valuation was made before the building was purchased. The Joint Secretary stated that the valuation was done in consultation with the Aden Municipality and the certificate regarding structural soundness of the building was obtained from a highly qualified British Engineer. The witness further added that the Ministry had worked out the price on the basis of local prevailing rates and the Aden Land Commissioner had considered the price reasonable.

5.8. In reply to a question, the witness stated that no valuation as such by professional persons was done before the property was purchased. The Ministry had tried by other means to verify whether the value was reasonable or not.

5.9. As regards the details of the transaction the witness stated that as a result of the energetic efforts and initiative of the Commissioner the Ministry were able to secure the house for Rs. 4 1/2 lakhs. The witness added that at the time of the purchase of the house, the Commissioner had made it clear to the Government that the house would require repairs to the tune of Rs. 1,50,000. It also appeared from the files that the Commissioner while informing the owner of the house had clearly indicated the reasons as to why the Government would offer only Rs. 4 lakhs as against the demand of Rs. 8 lakhs.

5.10. In reply to a question the witness stated that the Ministry were aware that the building would require repairs. But it was considered that the additional figure of Rs. 1,50,000 for repairs might make the purchase of the building uneconomical. While examining the financial implications of the proposal a figure of Rs. 50,000 was arrived at for repairs and it was incorporated in working out the overall economics of the proposition. On being asked whether it was finally settled between the Ministry and the Commissioner, the witness stated that in fact the Commissioner himself had prepared the first estimates on the basis of Rs. 50,000, which seemed to be the minimum requirements. The Ministry had made it clear to the Commissioner and the Commissioner ultimately had accepted the proposal.

5.11. On being pointed out that the Commissioner had never moved into the house, the witness stated that the latter had indicated that he would shift after the repairs were carried out. The Joint Secretary informed the Committee that the Ministry itself had given two alternatives to the Commissioner namely that the Commissioner should move into the house immediately or three members of the staff might be moved in subject to certain conditions. On being asked as to why alternatives were suggested to the Commissioner, the witness stated that it would not have been feasible for the Commissioner to move into the building when repairs were being carried out. The object was to move the Commissioner into the house as soon as the repairs were completed.

5.12. In this connection, the witness read out the letter dated 29.6.1964 addressed to the Commissioner which was as follows:

Your contention that ....'s house is not good enough for your occupation immediately on its purchase, has not been accepted. It is no doubt true that during construction/repairs a certain amount of disturbance is likely to be caused, but taking the Government's interest into consideration, one has to face such temporary disturbances. You have mentioned that it would be difficult for you to throw any representational party during this period of repairs. Could you kindly tell us how long the repairs are expected to take? In any case repairs at the front/prominent places should not take very long and it should not be difficult to arrange for entertainment elsewhere or even to adjust the timing of representational parties over a short period. As regards the accommodation of domestic staff, it is true that there are, at present, no separate

servants' quarters in the house and we have to construct these quarters as a long term arrangement. For the time being however, it may be possible for you to accommodate your two India-based servants in some portion of the main building itself. If, however, that is not considered feasible, you may even temporarily accommodate your servants in the existing shed outside in the compound and park your car in the compound itself. Regarding the position of the existing gate, we do not consider this as a real hindrance to your occupying the house after it is purchased. Even in rented houses, there may not be more than one gate—some of our Heads of Missions live in flats.

"3. As regards your alternative suggestion that instead of your shifting to the house immediately on its purchase, two or three members of the staff can as well be shifted to the house temporarily, thereby reducing the expenditure on double renting, we are not quite sure whether it would be possible to terminate the lease of 2 or 3 flats when the lease of 5 flats in the same house is stated to be on a joint lease. In any case we have no objection to this proposal provided that:

(i) 3 members of the staff (and not 2) including perhaps, a bachelor member are shifted to Shri..... house;"

5.13. The Committee desired to know why the time taken by the Ministry to sanction the amount of Rs. 50,000 for the repair of the building was so long. The witness stated that the Commission was informed that the repairs would have to be carried out within the figure of Rs. 50,000. The Commissioner had sent the estimates in October, 1964. The Ministry had issued the sanction between October, 1964 and February, 1965. In reply to a question the witness admitted that there was some delay in the Ministry in according the sanction but urged that the Ministry had to examine the matter fairly thoroughly. The Commissioner had certain difficulties in getting the estimates prepared locally because of the disturbed situation in Aden. Explaining the delay in finding an architect for repair, the witness stated that for economic reasons, it was decided to pay only two percent of the construction cost to the architect. Initially the Commissioner was unable to find anyone to do the job. He somehow found a Civil Engineer to undertake the job but it was found that the architect was not listed among the British architects and so he could not undertake the task. Finally the Commissioner was able to persuade a British firm to undertake the job as a special

case in the name of better Commonwealth relations. When the job was about to begin, the firm closed down the office in the face of terrorist activities and bombing, etc. in Aden, and left.

5.14. The Joint Secretary, stated that the house did not lie vacant, it was occupied by three members of the staff so as to avoid any possible loss to Government. Further the quarters in which the staff were living were declared unfit for human habitation by the local medical officer who was an authorised medical attendant of the Commission.

5.15. In reply to a question, the witness stated that at present no Commissioner was posted at Aden, but the house occupied by the previous Commissioner had been retained and a rent of Rs. 1,333 was still being paid. The previous Commissioner left in May. The house was still occupied by three members of the staff and no repairs had yet been carried out.

5.16. The Committee desired to know as to how many months it would take for the incoming Commissioner to occupy the house. The witness stated that the whole thing depended on the political situation in Aden. What was now planned was to send an Indian architect so that the work could be done quickly. He pointed out, however, that again it would become impracticable, if the local labour was in a state of unrest.

5.17. The Committee are not satisfied with the manner in which (this case of) the purchase of the building was dealt with. Before the building was purchased at a cost of Rs. 4 lakhs for use as residence of the Commissioner, steps were not taken by the Ministry to have the property valued by any independent agency but the Ministry had tried to verify the value by other means. The Committee suggest that in the case of purchase of properties in a foreign country, the Ministry may consider the feasibility of assessing before hand the value of property with the help of competent professional assessors.

5.18. The unfortunate aspect in this case is that after the building was purchased the Commissioner never moved into the house even though the house was considered to be "one of the best houses in Aden". From the facts placed before the Committee and from the letter dated 29th May, 1964 addressed to the Commissioner, it is clear that the Commissioner, instead of himself shifting to the building after its purchase, suggest that staff might be shifted to the building when repairs were being carried out. The Committee feel that the Ministry should have directed the Commissioner to shift to the building immediately after it was purchased.

5.19. The Committee regret to note that for the building purchased in June, 1964, the Government accorded their administrative approval to the additions and alterations to the building at a cost of Rs. 50,000 in February, 1965. The argument that the Ministry had to examine the matter fairly thoroughly is hardly convincing because from the facts placed before the Committee it is clear that the Ministry had already examined the matter so thoroughly that the expenditure on repairs was reduced from Rs. 1,50,000 to Rs. 50,000. Even the Commissioner had prepared the first estimates on the basis of Rs. 50,000. The Committee hope that the Ministry will take steps to avoid such instances of delay in future.

5.20. The Committee also note with regret that the house occupied by the previous Commissioner had been retained and a rent of Rs. 1333 per month was still being paid, though no Commissioner had yet been posted (July, 1966) the previous Commissioner left in May, 1966. The Committee would like to know the period for which the vacant possession of the residence was retained and the amount of rent paid therefor.

The Committee trust that steps will be taken early to make proper and full utilisation of the accommodation rented and acquired.

**Avoidable expenditure on hotel charges etc. Para 45, pages 52-53:**

5.21. The Ministry decided in August, 1963 to open a Trade Agency at Dubai and appointed the Vice Consul in the Consulate General of India, Muscat, as the Trade Agent. The officer, however, temporarily held charge of the Consulate General, Muscat, till the Consul General assumed charge on 8 October, 1963. Although the post of Vice Consul at Muscat was to be abolished from the date the post of Trade Agent at Dubai was filled, sanction to the creation of the latter post was issued only on 20 November, 1963 and the officer joined the post on 18 December, 1963. No arrangements for residential accommodation for the Trade Agent were, however, made during the intervening period of about 4 months from August, 1963 and the Trade Agent and his family, on arrival at Dubai, stayed in a hotel for 55 days from 18 December, 1963 to 10 Feb., 1964 and shifted from 11 Feb., 1964 to private accommodation rented at Rs. 585 per mensem. The expenditure on hotel charges and cash allowances paid to the officer for the period of his stay in the hotel amounted to Rs. 13,860 of which a substantial portion (Rs. 12,000 approximately) could have been avoided if the accommodation for the residence of the Trade Agent had been arranged in advance.

5.22. The Committee desired to know as to why necessary arrangements were not made in time for residential accommodation of the Trade Agent. The Joint Secretary, Ministry of External Affairs stated that the conditions in Dubai were somewhat peculiar. A small community became very rich over-night, the residential property available was very limited and the land-lords were demanding large sums of money and they were not willing to sign agreements.

5.23. The possibility of finding accommodation for the Trade Agent before he went into position was explored. The new Consul General immediately after his arrival at Muscat went on tour and had made efforts through the Indian Association and through local land-lords to find accommodation. He had arrived at some tentative settlement for accommodation. When the new Trade Agent went into position, it was found that the land-lord did not stand by his earlier agreement. The Trade Agent had to find alternative accommodation.

5.24. In reply to a question, the witness stated that the officer who ultimately became the Trade Agent was temporarily acting as Consul General in Muscat and he should himself have made the search for accommodation. This officer went to Dubai as the Trade Agent. He was actually appointed to the post from the date he took over charge on the 18th December, 1963.

5.25. On being asked about the standard of accommodation at Dubai and rent charged, the witness stated that the actual rent paid was Rs. 13,860 which covered hotel accommodation plus feeding expenses on a daily allowance basis. The witness added that the officer whose pay was about Rs. 800 p.m. was entitled to the basic rent of the accommodation provided plus daily allowance. The officer was entitled to hotel accommodation for 90 days but actually he had occupied hotel accommodation for 55 days.

5.26. In reply to a question, the witness stated that within the terms of the rules, the officer could stay in a hotel upto a maximum of 90 days and for this no sanction was necessary. Sanction would be needed if this period was exceeded.

5.27. On being asked as to whose responsibility it was to fix residential accommodation for the Trade Agent, the witness stated that basically, when a Mission was opened in an area where there was no real contact, it was left to the officer concerned to fix up accommodation as quickly as possible.

5.28. The Committee desired to know the basis on which the rates of allowances were fixed. The witness stated that the rates of allowances were fixed on the basis of the 'prevailing British rates'. The amount of allowance paid to the officer was based broadly on categorisation. The officer in the present case was a Grade I officer. The standard of accommodation specified was one room with bath and additional accommodation for the members of the family. The witness added that there were two rates, one was split rate and the other was an all-inclusive rate. In cases where a ceiling for a room plus daily allowance were prescribed, 25 per cent of the ceiling of rental applied when the wife accompanied an officer.

5.29. In reply to a question, the witness stated that all inclusive rates were fixed in Dubai and there was no ceiling rental. In the present case the charges included those of his wife and children also. The Committee were further informed that the rates were the same for all officers drawing salaries above Rs. 700 p.m. In this case the rates were fixed on 30th September, 1963, which was Rs. 72 (per head) per day, all inclusive.

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

- (a) What was the basis for calculation of Rs. 13,860 as hotel charges in this case?
- (b) What was the authority under which the amount was calculated?
- (c) What was the type of certificate received from the Head of the Mission?

5.31. The note furnished is at Appendix VII. It is seen from the notes that the Trade Agent was accompanied by his family consisting of his wife and three children and stayed in a hotel for 55 days from 18-12-1963 to 10-2-1964. The details of the amount of Rs. 13,860 admissible to the officer at  $3\frac{1}{2}$  times the rate of daily allowance of Rs. 72 per day for 55 days for the officer and his family are as follows:

Officer . . . . .	1
Wife . . . . .	1
One child above 12 years . . .	1
Two children below 12 years . . .	1
$\frac{1}{2}$ each . . . . .	1
Total : . . . . .	3 $\frac{1}{2}$

5.32. It is also seen from the notes that the Indian Association had asked the Consul General whether the accommodation for the Trade Agent should be arranged in a hotel and the Consul General agreed presumably, expecting the Trade Agent to spend a few days in a hotel before moving into the house.

5.33. The Committee note that it was decided by the Ministry in August, 1963 to open a Trade Agency at Dubai and the officer concerned joined the post only on 18th December, 1963. From the facts placed before the Committee, they feel that no serious attempt was made either by the Consul General at Muscat or by the particular officer concerned who himself temporarily held charge of the Consulate General Muscat till 8th October, 1963 to find out suitable accommodation at Dubai for the Trade Agent during this period of about 4 months from August to December, 1963. On the other hand, the Consul General had himself agreed before hand about arrangements being made in a hotel for the Trade Agent by the Indian Association. This does not agree with the statement made during evidence that the land-lord at the last minute on arrival refused to give him possession. The Committee would like the Ministry of External Affairs to look into this aspect again.

5.34. The Committee were told in evidence that the rates of daily allowance were the same for all the officers drawing salaries above Rs. 700 p.m. In the present case, the officer whose pay was only Rs. 800 p.m. drew a sum of Rs. 13,860 for 55 days stay in a hotel. Thus it appears, that there is no relation between the salary drawn or status of an officer and the allowance admissible to him. The Committee suggest that the Ministry may examine feasibility of fixing the allowances on a more rational basis.

5.35. It is also interesting to note that while under the orders contained in the Ministry's letter No. F.68(5.)/FD/60, dated the 9th June, 1960, officers who are obliged to stay in a hotel due to non-availability of the accommodation on their arrival at the station of posting abroad can be allowed at the discretion of the Head of Mission daily allowance at full rates prescribed for the station for a period of 56 days, in the present case, the officer concerned, stayed in the hotel for a period of 55 days and on the 56th day secured private accommodation.

5.36. The Committee have also been informed in a written note that the text of the appropriate certificate since recorded by the Head of the Mission is as follows:

"The Indian Association, Dubai informed me, while I was there on tour, about the accommodation in Hotel Airlines for Shri .... I.T.A. I agreed to this arrangement as per the rules applicable to these cases."

5.37. It has also been stated in the note that India based officers and staff posted to Mission and Posts abroad can stay in a hotel if the Head of the Mission/Post is satisfied that no alternative accommodation suitable to their status is available.

5.38. The Committee do not find this certificate in order in as much as it does not certify that no alternative accommodation suitable to the status of the officer was available as required under the Rules.

5.39. The Committee do not feel happy over the manner in which the whole case has been dealt with at various levels and are of the opinion that the extra expenditure of Rs. 12,000 (approx.) was avoidable.

*Erroneous payment—para 48-pages 53-54:*

5.40. Government issued orders on 18th November, 1948 and 26th April, 1956 extending the concession of pensionary benefits upon premature retirement to European non-Secretary of State Services officers who continued in employment after 15th August, 1947 on the understanding that one-third of the retirement benefits of the Government servants would be borne by the U.K. Government. In reply to an enquiry from the High Commission of India in U.K., Audit had pointed out in November, 1957, that this concession would be admissible only in the case of an officer who held a permanent pensionable post before 15th August, 1947. On a reference made by the High Commission to the Ministry of External Affairs in 1961, the latter, however, stated that the concession would be available to officers who had secured permanent appointments by 18th November, 1948.

5.41. Four officers who had obtained permanent posts between 15th August, 1947 and 18th November, 1948 were permitted to retire on various dates during 1962-64 before the normal retiring age. The claim for one-third of the cost of pensionary benefits was rejected by the U.K. Government in 1964 on the ground that those officers entered the permanent pensionable service of the Government of India after 14th August, 1947. The decision to take 18th November, 1948 as the effective date of permanency for the concession was cancelled by the Ministry in May, 1965. The erroneous payment which arose due to incorrect clarification amounted to £6,075 (about Rs. 81,000).

5.42. The Ministry stated in December, 1965 that unfortunately the point of reference made by the High Commission in 1961 was

not quite appreciated and the question of issue of *ex post facto* sanction in this respect was in process.

5.43 Explaining the case, the Joint Secretary, Ministry of External Affairs stated that the question related to procedure about the premature retirement of the British Personnel. The decision was taken after a careful study and despite the best efforts, a mistaken ruling was given. The decision was taken in consultation with other Ministries of the Government of India who had access to the rules and regulations regarding the employment of ex-British personnel. The idea at that time was that the British authorities would pay proportionate amount towards pension which was found to be incorrect in practice. Immediately it was discovered, a correction of the ruling was made. Though it was recognised that the original ruling was not correct, the only question was whether there was any additional loss to Government on premature retirement.

5.44 The Committee desired to know whether the British authorities were consulted for their share of the liability in respect of the pension before the pension amount was paid to the persons concerned. The witness stated that the real problem was about interpretation and the British authorities were not consulted again.

5.45 In reply to a question, the witness admitted that before the amount was paid, it would have been appropriate to ascertain the views of the British authorities.

5.46 In this connection, the Financial Adviser read out the following note dated 27.10.1961 from the Ministry of Home Affairs:

"The Ministry of External Affairs have inquired whether the right of premature retirement to European officers of the services other than the Secretary of State Services extended in this Ministry's letter No. 60/111/48-Ests. dated 18.11.1948 is still available. The matter has been examined in consultation with the Ministry of Finance and it has been decided that the right of premature retirement to European officers of the services other than Secretary of State Services extended by this Ministry's letter referred to above is still available to such officers who had secured permanent appointment under the Government of India by the 18th November, 1948. Ministry of External Affairs may please see."

5.47 When the Committee pointed out that the audit objection of 1957 was not brought to the notice of the Ministry of Home

Affairs, the Financial Adviser stated that the advice which had been given by the Ministry of Home Affairs was in relation to a specific reference. The Joint Secretary, Ministry of External Affairs added that the audit comment was dated 19.11.1957 and it seemed that it was not brought to the notice of the External Affairs Ministry. On being asked as to why the High Commissioner referred only to the orders of the Ministry of Home Affairs and not to the Audit objection, the witness stated that presumably, while making a reference, the audit objection must have escaped their notice.

5.48 The Committee desired to know whether any enquiry was made after the receipt of the Audit Report. The witness stated that the Ministry wrote to the High Commissioner on the general question. It appeared that even the audit when passing the claims locally had overlooked their own objection, otherwise the payment might have been stopped at that stage.

5.49. Explaining the case, the representative of the Ministry of Home Affairs, stated that the Ministry had already ordered an enquiry into this lapse and it was expected that the enquiry would be completed in the next two or three weeks. The witness added that the matter was taken up in 1948 with the British Government as to whether the European officers who did not belong to the Secretary of State's Services should also be given the right of premature retirement on proportionate pension. The British Government had agreed to share the expenses and the order was issued on 18.11.48 stating that European officers of non-Secretary of State's Services were also entitled to the benefit. In 1961, the Ministry of Railways had referred to case to the Ministry of Home Affairs and desired to know whether the concession was still available to the officers. It was while disposing of the reference of the Ministry of Railways, that this slip occurred. 18.11.1948 which was the date of the issue of the order was mentioned as the effective date instead of 15.8.47. It was this slip which had led to all this confusion.

5.50 The witness explained that the letter of 18.11.48 "was not very happily worded" and did not cover two points. The first point was that the letter did not indicate any date by which the eligibility would be determined. When it was discovered that this was an omission, another O.M. was issued on 19.4.49 stating that only those officers who were in permanent employment on 15.8.1947 would be eligible for this concession. The second point was that the letter did not specify upto how long this benefit would be available. It was with reference to this particular omission that the Ministry of Railways

had asked for the views of the Ministry of Home Affairs and at the same time the West Bengal Government and the Ministry of External Affairs, at the request of the Indian High Commissioner in London, had also asked for the views of the Ministry of Home Affairs as to whether this concession continued to be available. At that time while it was stated that the concession continued to be available, it was also mentioned unfortunately that it continued to be available or was still available to officers who were in permanent employment on 18.11.1948.

5.51 In reply to a question, the witness added that the payment was not a loss in the sense that those people would have ordinarily earned pension at the end of their career. On being pointed out that the persons would have earned pension provided they served for the full term, the witness stated that the Government could also give them premature pension.

5.52 In reply to a question, the witness stated that the errors lay in giving the person a right which he did not possess. The Secretary, Ministry of Home Affairs added that "anybody who got any benefit on the basis of that decision got a benefit to which he was not entitled." On being asked whether the Ministry were aware of the audit objection, the witness stated that the Audit had preaudited the pension paper and the audit objection of 1957 was not before the Ministry when the permission was given to the Ministry of External Affairs. The witness further stated that if the bills had been presented for payment to the British Treasury reasonably quickly, it was possible that the Ministry could have stopped with one case and would not have had four cases. The bills of 1962 had actually been collected in 1964.

5.53 In reply to a question, the witness stated that the Ministry were not entitled to recover the amount from the British Government under the agreement. This was an erroneous interpretation on the part of the Ministry.

5.54 The witness agreed, in reply to a question that if it was discovered that in this case some persons were not entitled to pension (not having put in service for requisite number of years); "the entire thing would be a loss."

5.55 From the notes (Appendix VIII) furnished at the instance of the Committee by the Ministry of External Affairs, it is seen that the High Commissioner of India felt certain doubts on the continuing validity of Government orders dated 18th November,

1948 and accordingly referred the matter to Audit in November, 1956. Audit held in January 1957 that while it might be reasonable to assume that 18.11.1948 was the effective date since no other date was mentioned and since the orders were the result of constitutional changes, it would be more appropriate to apply them to those officers who were permanent before the 15th August, 1947. Discussions continued with Audit only with regard to continuing validity and recovery of 1/3 contribution from the Commonwealth Relations Office. It is also seen from the note that when some cases arose in 1961 the High Commissioner as a measure of precaution referred to Government the question of continuing validity of the orders of 18.11.1948.

5.56 From the notes (Appendix IX) furnished at the instance of the Committee by the Ministry of Home Affairs, it is seen that 4 persons who were permitted to retire on various dates during 1962-64 before the normal retiring age had put in service between 17 years 3 months to 23 years.

5.57. The Committee are unhappy to note that due to a lapse on the part of the Ministry of Home Affairs, entire payment (amounting to Rs. 81,000) towards pensionary benefits has been made to persons who were not entitled to such benefits.

5.58. The Committee fail to understand as to how the date 18-11-1948 (which was the date of issue of the order) could be mentioned as the effective date of permanency for the concession instead of the date 15-8-1947. It appears, that there is no machinery in the Ministry of Home Affairs to detect such errors.

The Committee are also surprised to note that the letter of 18-11-1948 "was not very happily worded" and did not cover two important aspects. They desire that instructions should be issued that orders and letters should be drafted in clear and unambiguous terms so as to avoid confusion at a later stage. Moreover, special care should be taken to check that in important communications conveying decisions etc. dates, facts and other material points are correctly mentioned.

5.60. The Committee desire that the findings of the enquiry and the action taken thereon may be communicated to them.

NEW DELHI;  
September 5, 1966.  
Bhadra 14, 1888 (S).

R. R MORARKA,  
Chairman,  
Public Accounts Committee.

---

## **APPENDICES**

---

## APPENDIX I

(Ref. Para No. 3-11 of the Report)

CABINET SECRETARIAT

*Statement showing the present position in respect of unfinished NSS tabulation work in the Indian Statistical Institute, Calcutta on 1st April, 1964.*

75

Items of N.S.S. tabulation work in progress as on 1-4-64	Value estimated by the Institute of the work in progress on the basis of expenditure incurred by the Institute upto 31-3-64	Whether delivery of finished work i.e. end-results, Tables with Notes relating to the work in progress included in the programme of work entrusted to the I.S.I. during 1964-65 & 1965-66	Whether end-results Tables with Notes were actually delivered by the I.S.I.	Position as on 1-4-66 in respect of end-results not delivered so far
--	---	---	---	--

1

2

3

4

5

(Rs. in lakhs)

1. 15th round Schedules (Period : July 1959 to June, 1960) :

(i) Sch. 10: Employment & unemployment	14.27	Yes	No.	Pending at the Machine Tabulation stage.
(ii) Sch. 12: Population, births & deaths Priority II tables and some of the priority I tables.		Yes	No.	Priority II tables are pending at the Machine tabulation stage. Tabulation of some of the Priority I tables have subsequently been dropped.

1	2	3	4	5
(Rs. in lakhs)				
2. 16th round Schedules (Period : July 1960— August, 1961).				
(i) Sch. 1·0 : Consumer Expenditure— Priority II tables		Yes (Received in May, 1966)	Yes	Delivered.
(ii) Schs. 6·1 & 6·2 : Land holdings—Priority II tables.	11·93	No.	No.	Pending at the Post Machine Tabulation stage on 1-4-66.
(iii) Sch. 12·0 : Population, births and deaths.		No.	No.	Delivery of end-result not included in the programme for 1966-67 also, as the re- sources did not permit. Will be included in the programme for 1967-68.
3. 17th round Schedules (Period : Sept. 1961 to August 1962).				
(i) Sch. 1·0 : Consumer Expenditure— Priority I tables.		Yes	No.	Pending at the cyclostyling stage and is expected to be delivered shortly.
Sch. 1·0 : Consumer Expenditure— Priority II tables.		No	No	Pending at the Machine Tabulation stage on 1-4-66. Delivery of end-re- sult not included in the programme for 1966-67 also as the resources did not permit. Will be included in the pro- gramme for 1967-68.
(ii) Sch. 1·4 : Capital formation		Yes	Yes (Received in July, 1965)	Delivered.
(iii) Schs. 6·1 & 6·2 : Land holdings— Priority I Tables.		Yes	No	Only few tables have been delivered. The matter is being taken up with the I.S.I. for the delivery of remaining tables as per the tabulation programme.

Sch. 6.1 & 6.2 : Land holdings— Priority II tables.	24.16	No	No	Pending at the Machine Tabulation stage on 1-4-66.
(iv) Sch. 10.2 : Employment & unemployment in Rural areas.		No	No	End-result not included for delivery during 1966-67, as the resources did not permit. Will be included under delivery of end- results in the programme for 1967-68.
(v) Sch. 10.0 Urban Labour Force		Yes	Yes (Received in May, 1966)	Delivered.
(vi) Sch. 12.0 : Population births and deaths—Priority I tables.		Yes	No	Pending at the machine tabulation and post machine tabulation stages. Included in the programme for 1966-67.
Sch. 12.0 : Population, births and deaths—Priority II tables.		No	No	The tabulation is being entrusted to the Electronic Computer Unit of the I.S.I. The work is yet to start.
(vii) Sch. 15.0 : Pilot study on Morbidity.		Yes	No	Pending at the machine tabulation stage. Included in the programme for 1966-67.
4. 18th round Schedules (Period : February 1963 to January, 1964).				77
(i) I.O : Consumer Expenditure (key items).		Yes	Yes (Received in April, 1966)	Delivered.
Sch. I.O : Consumer Expenditure Priority I tables.		Yes	No	Pending at the machine tabulation and post machine tabulation stages. Included in the programme for 1966-67.
Sch. I.O : Consumer Expenditure Priority II tables.		No	No	Pending at the punching stage. End-result not included for delivery during 1966-67 also, as the resources did not permit. Will be included in programme for 1967-68.

1	2	3	4	5
(Rs. in Lakhs)				
(ii) Sch. 1.03 : Income of Rural Labour households.		Yes	No	Pending at the post machine tabulation stage. Included in the programme for 1966-67.
(iii) Sch. 2.51 : profession and liberal arts.		Yes	No	Do.
(iv) Sch. 3.0 : Village statistics		No	No	Pending at the machine tabulation stage. End-result not included for delivery during 1966-67 also. As the resources did not permit. Will be included in the programme for 1966-67.
(v) Sch. 5 series : Land Utilisation and Crop cutting surveys : 1962-63.	12.00	Yes	Yes Received in May, 1964	Delivered.
Sch. 5 series : Land Utilisation and Crop cutting surveys : 1963-64.		Yes	Yes Received in April, 1966	Delivered.
(vi) Sch. 10.0 : Urban Labour Force		Yes	No	Pending at the machine tabulation and post machine tabulation stages. Included in the programme for 1966-67.
(vii) Sch. 12.0 : Population, births and deaths.		No	No	Punching work is over. Machine tabulation will be included in the programme for 1967-68. Work involved is very heavy and could not be included under end-results during 1966-67.
5. Annual Survey of Industries Schedules		Yes	Yes (Received in June, 1964)	Delivered.
(i) A.S.I.—1959				

(ii) A.S.I.—1960 (P1)	Yes	Yes (Received in May, 1964)	Delivered.
A.S.I.—1960 (P2)	No	No	Pending at the Post Machine Tabulation stage. Included in the programme for 1966-67.
(iii) A.S.I.—1961 (P1)	Yes	Yes (Received in Sept. 1964)	Delivered.
A.S.I.—1961 (P2)	No	No	Pending at the Machine Tabulation stage. Included in the programme for 1966-67.
TOTAL		62 36	

## APPENDIX II

(Ref. Para 4.34 of Report)

### MINISTRY OF COMMERCE

(EXHIBITION BRANCH)

*Note of further information called for by the PAC regarding Para 39—(Pages 46-47) Audit Report (Civil), 1966—'Avoidable expenditure and losses due to irregular maintenance of store accounts'.*

(i) A comprehensive statement in a chronological order may be furnished indicating the action taken by the Ministry of Commerce on the irregularity pointed out repeatedly by Audit from 1955 onwards.

(ii) What is the hierarchy of staff in Trade Centre, New York.

*Ministry's reply.*

(i) A comprehensive statement in chronological order indicating the action taken by the Ministry of Commerce on the irregularities in the store accounting in the New York Trade Centre pointed out by Audit in their inspection reports from the year 1955 onwards is given in the Annexure I.

(ii) A statement showing hierarchy of staff in the Trade Centre, New York from 1955 onwards is submitted in Annexure II.

## ANNEXURE 1

**Re: Para 39 (Pages 46-47) of Audit Report (Civil), 1955- Chronological statement showing the action taken by the Ministry of Commerce on the irregularities pointed out by Audit in account of stocks in the Trade Centre, New York-1955 onwards.**

### 1. 1953-54 to 1955-56 (Up to July, 1955).

Extract of only para 16(b) of the report relating to payment of extra renumeration to local staff, was sent by Ministry of External Affairs under endorsement No. F-6-24 Audit-55 dated 30-1-1957 for action by the Ministry of Commerce. There was no objection relating to the stores accounts of the Trade Centre in New York.

### 2. 1955-56 to 1956-57 (August 1955 to July 1956).

Extract of para 26 sent by Ministry of Finance, External Affairs Division with d.o. letter No. 10478-EAI/56 dated 17-10-56 for action in the Ministry of Commerce.

#### *Trade Centre*

26(a) Register of stock has not been properly maintained. Items received from India have not been classified into various categories. No index is provided. It has not been possible in audit to verify that all items have been duly brought on to stock. Column for money value should also be provided.

26(b) No record to show that physical verification was carried out during the period of review. The necessity for verification was brought to notice in item 9 of the previous report on which no action was taken. Immediate steps should be taken to conduct exhaustive physical verification of stock and intimate results to audit."

#### *Ministry's reply*

These extracts were sent to the Consulate General, New York with Ministry's letter No. 34-I-Exh(7)/56 dated 17-11-1956 for immediately furnishing replies to Audit under advice to the Ministry and to issue instructions to the staff to comply with the instructions of audit. By d.o. of even number dated 9/17-11-1956 another extract was forwarded

for necessary action to the Consul General. D.O. reminder was sent to the Consul General on 6.7.2-1957 followed by telegraphic reminder to the Consul General, New York on 22.5.57, with post copy. Consul General replied in his letter No. Admn. 43.3/2395 dated 24-4-57 endorsed to the Audit Officer, Washington stating:—

"26(a) Items received from India have been brought on to stock register as per invoices and consignment number. Index has been provided in the Register. Invoices are maintained in a separate file and all entries on the invoices have been transcribed on the stock register. Money column is now being provided in the stock register and regarding 26(b) the inventory of stock on hand has been completed and inventory lists are being checked against the stock register. Results will be communicated to Audit and Government".

Ministry's letter No. 34-I-Exh(7) 56 dated 8-10-57 to the Audit Officer and endorsed to Consulate General, New York, Ministries of Finance and External Affairs requesting confirmation of settlement of para 26(a) and stating that the Mission was being requested to expedite report of results of stock verification.

Audit Officer, Washington in his letter No. LA4(7)Pt-I/674 dated 1.11.57 informed that para 26(a) was settled.

Consulate General, New York was reminded by endorsement dated 4-11-57 to furnish the information regarding para 26(b).

Copy of Ministry's endorsement dated 8-10-57 supplied to Consul General on 9-12-57 as desired in Consulate General's letter No. AC34/ 56/67/4200 dated 21-11-57.

Audit Officer informed on 27.3.58 that the Mission was being requested to submit stock verification report without further delay, copy endorsed to Consulate General.

3. 1956-57 to 1957-58 (from Aug. 1956 to July, 1957).

Extracts of paras 15 and 16 sent with Ministry of External Affairs No. F. 6-13/Aud. 58 dated 30-9-58 together with extracts of Mission's reply bearing No. ACE. 84-57-58/1634 dated 16-4-58 contained no objection relating to the store accounts of the New York Trade Centre.

4. 1957-58 to 1958-59 (Aug. 1957 to May, 1958)

No audit report was received for this period.

## 5. 1958-59 to 1959-60 (from June 1958 to July, 1959)

Extract of para 6(b) only was received under Audit Officer, Washington letter No. LA-4(10) Pt. 1/2058 dated 6-1-61 asking for Ministry's comments and report of action taken, and this objection did not relate to the stores accounts of the New York Trade Centre.

## 6. 1959-60 to 1960-61 (Aug. 1959 to June, 1960)

Extract of para 31(a) together with Mission's reply was received with the Audit Officer's letter No. LA 4(11) Pt. I/2218 dated 27-1-1961.

"Stock account of exhibits received, sold, disposed of and in hand kept by the Consulate General in respect of Chicago Fairs, 1959 and 1960 and New York World Trade Fair, 1960 were not made available to Local Audit Party and could not therefore, be checked."

The Mission had replied to the Audit Officer, copy of which was sent with the Audit Officer's letter cited above, that the file could not be produced because dealing assistant was on leave but however, the files were made available to the Audit party before they left. They explained the disposals of the goods of these fairs and assured that the details of the disposals of goods would be made available to the next Audit party. The Audit Officer had observed that the Consulate General had been requesting to make the necessary records available to the next audit party. Ministry replied in letter No. 162-Exh(2)'61 dated 10-5-61 that it had no further remarks to offer.

Audit Officer was requested to confirm settlement of the objection in letter No. 162-Exh(2) AC 60 dated 22-2-1962. This objection (which related to stock accounts only of three fairs, in 1959-60) was confirmed as settled in letter dated 12-4-1962 by the Director of Audit, Washington.

## 7. 1960-61 to 1961-62 (July 1960 to April, 1961).

Extracts received with Director of Audit, Washington endorsement No. LA-4(12) Pt. 1 728 dated 10-7-1961.

Para 26 "Stock accounts of Fairs and Exhibitions (Chicago Fairs 1959 and 1960 and New York World Fair, 1960) which, in reply to para 31(a) of the previous audit report, it was stated, would be made available to the next Audit party was not shown to Audit for the reason that the register was incomplete. Immediate action is to be taken to complete the stock register and inform audit.".

***Ministry of reply***

Consulate General was addressed for their comments on 21-8-1961. The Mission replied in their endorsement dated 1-9-61 to the audit officer that the work of preparation of stock registers was nearing completion and that the required particulars were going to be transmitted to the Ministry shortly and also promised to report the progress to the Audit Officer, Washington.

This reply was received on 29-3-1961. The Ministry was already in correspondence with the Mission in regard to proper accounting of stock and the Mission had stated in January, 1961 that inventories and detailed physical check of exhibits had been taken on hand and was being expedited. The Stock verification report was submitted by the Mission in April, 1962 under letter No. TC/976, dated 6th April, 1962.

As the Report on the stock verification sent by the Mission was incomplete, lacking in details and unsatisfactory as all goods were not properly accounted for, the Ministry considered that the matter required detailed investigations. Therefore, special steps were taken in the Ministry to compile from the Ministry's records, detailed information of the consignments of goods sent to the Showroom and Trade Centre, New York right from the beginning; their disposal as tractable in the Ministry's records and as intimated by the Mission from time to time, and of the goods that should have been in the stock of the Trade Centre. The Mission was furnished these compilations with the Ministry's D.O. letter No. 26-Exh(7) /55-ST dated 21-12-1962, addressed to the Consul General and instructing him to put the records in proper order by thorough rechecking and re-examination of all available records and the stock in hand with the help of the data and information furnished by the Ministry and reconcile the discrepancies and the stock accounts. The Consul General was also instructed not to overlook the question of fixing the responsibility if after all his effort, there should be goods unaccounted for. The reconstruction of the stores records of the Trade Centre and reconciliation of the stores accounts was undertaken at the instance of the Ministry.

## ANNEXURE II

*Para—39 of Local Audit Report (Civil)—1966 [Pages 46-47] Statement showing the hierarchy of the staff in the New York Trade Centre*

I. No posts sanctioned separately for Trade-Centre for the period from 1949 to 1954 when the Show-room was functioning in the premises of the Consulate General of India, New York.

Designation	Scale of pay	No. of posts	Remarks
<b>II. From January, 1955 to February, 1956 :</b>			
1. Manager (India based)	Rs. 2,000.00 P.M.	One	Post held by a local appointee.
2. Assistant (Do.)	Usual scales	One	
3. Secretary-cum-Steno (Local)	\$ 200.00 P.M.	One	
4. Receptionist (Local)	\$ 175.00 P.M.	One	
5. Clerk (Local)	At local rates	One	
6. Messenger (Local)	At local rates	One	
	Total posts	<u>Six</u>	
<b>III. From March, 1956 to October, 1958 :</b>			
1. Manager (India based)	Rs. 2,000.00 P.M.	One	Post held by a local appointee.
2. Assistant (Do.)	Rs. 160—450	One	
3. Secretary-cum-Steno (Local)	\$ 250—10—330	One	
4. Senior Clerical Assistant (Local)	\$ 250—330	One	
5. Junior Clerical Assistant (Local)	\$ 175—200	One	
6. Clerk (Local)	\$ 220—280	One	
7. Receptionist	\$ 220—280	One	
8. Messenger (Local)	\$ 175—200	One	
	Total posts	<u>Eight</u>	
<b>IV. From November, 1958 to February, 1963 :</b>			
1. Manager (India based)	On fixed pay of Rs. 2,000/- P.M.	One	Post held by one of the Deputy Director (Local) till Nov. 1961 & thereafter by an I.F.S. Officer of Grade IV.

Designation	Scale of pay	No. of posts	Remarks
2. Assistant (India based)	Rs. 160—450 Rs. 210—530	One	
3. Secretary-cum-Steno (Local)	Rs. 250—10—330	One	
4. Senior Clerical Assistant (Local)	Rs. 250—10—330	One	
5. Junior Clerical Assistant (Local)	Rs. 175—200	One	
6. Clerk (Local)	Rs. 220—280	One	
7. Receptionist (Local)	Rs. 175—200	One	
8. Messenger (Local)	Rs. 175—200	One	
9. Dv. Director (Local)	Rs. 310—10—400	Two	Only one post filled up and was working as the Manager of the Trade Centre.
10. Market Assistants (Local)	Rs. 250—10—330	Two	
11. Stenographers (Local)	Rs. 250—10—330	Two	
	Total Posts	Fourteen	

V. From March, 1963 to December, 1964 :

1. Manager (India based)	Rs. 350—900	One
2. Assistant (Do.)	Rs. 210—430	One
3. Assistant Manager (Local)	Rs. 310—400	One
4. Secretary-cum-Stenographer (Local)	Rs. 250—330	One
5. Clerk (Local)	Rs. 220—280	One
6. Messenger (Local)	Rs. 175—200	One
	Total Posts	Six

### **APPENDIX III**

**(Ref. Para 4.43 of Report)**

#### **MINISTRY OF COMMERCE**

**Copy of letter No. F. 1/RO/ADM/62 dated 18th December, 1961 from the Embassy of India, Khartoum to the Ministry of Commerce and Industry, New Delhi.**

**SUB:—Renting of residential accommodation for the First Secretary (Commercial), Embassy of India, Khartoum.**

**Dear Ministry,**

**Please refer to your letter No. 41-TC(3)/60 dated 16th November, 1961.**

**2. The residential accommodation of Shri D. S. Khosla, First Secretary, consists of 5 rooms, one drawing-cum- dining room and 4 bed rooms (exclusive of ancillaries) and not six. The information seems to have been arroneously supplied.**

**3. Mr. Khosla is not very happy with his present accommodation but since houses with less accommodation cost twice the rent of the present house he has no other alternative but to continue in this house. Recently due to the opening of a number of diplomatic and Technical Aid Missions and the arrival of a large number of experts under different schemes the rents have shot up like any thing.**

**4. The rent of the Chancery building is less because it was rented out some time in 1955 when the rents were low. Moreover it is an old and delapidated building. But even for this, the Government had to raise the rent by another S£ 25.00 per month.**

**Copy of letter No. 7/3/58-E dated 14th March, 1962 from the Embassy of India, Khartoum to the Ministry of Commerce and Industry, New Delhi**

**Sub:—Renting of residential accommodation for the First Secretary (Commercial), Embassy of India, Khartoum.**

**Dear Ministry,**

**Please refer to your letter No. 41-TC (3) /60 dated 14th February, 1962 on the above subject.**

2. In this connection your attention is invited to our letter No. 7-2/58-E dated the 10th June, 1957 where we stated that a room for office has to be built. Later on in our letter of even number dated 30th September, 1959 we said that there is further necessity of any modification to the residence. From this it may be seen that no study room was ever constructed. The First Secretary (Commercial) has five rooms with aneillaries.

3. As we have stated before that house with less accommodation cost much more than the present house. The housing situation is extremely accute here. Recently the Japanese have rented a smaller house for £LS 350/- per month. Moreover, the furniture acquired for the First Secretary's residence is very bulky and combursome and was intended for big rooms of the house now rented. It will not fit into a smaller house and would have to be disposed off. These are the few points which were considered and in spite of the inconvenience, it was decided that in the interest of the economy the First Secretary should continue to live in the present house.

**A rough sketch of his house is enclosed.**

## APPENDIX IV

(Ref. Para 4.43 of Report)

### MINISTRY OF COMMERCE

**Extracts from D.O. Letter No. KHA/EST/745/9/65 dated 7th April 1966 from the First Secretary (Commercial) Embassy of India, Khartoum to Shri S. Than, Director (FT), Ministry of Commerce, New Delhi.**

\*\*\*

\*\*\*

\*\*\*

(iv) I have now examined all the papers and have consulted the Ambassador. He confirms that there was no separate dining room in the residence occupied by Shri Khosla. It was a sitting room-cum-dining room as is normal in most hired houses in Sudan. It is very rarely that separate dining-rooms are available in the Sudanese houses and therefore the impression created in the Attache's letter that there was a separate dining room is erroneous and incorrect.

## APPENDIX V

Ref. Para 4.117 of Report

MINISTRY OF COMMERCE

**Statement showing particulars of remittance to the Consolidated Fund of India, drawn on this credit of the Board—Year-to-date**

Year	Remittance to C.P.I.				Total remittance Grant from Govt				Balance to the credit of the Board									
	Excise duty		Licence fee		1		2		3		4		5		6			
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.		
1955-56	.	.	.	.	2,569	56	.	.	2,569	56	.	.	2,569	56	2,569	56		
1956-57	.	.	.	.	23,80	554	66	.	23,80	554	66	.	3,84	000	00	19,99	124	22
1957-58	.	.	.	.	20,64	453	64	.	1,17	782	00	.	21,82	235	64	17,00	000	00
1958-59	.	.	.	.	20,33	452	25	.	46,659	00	.	.	20,80	111	25	17,00	000	00
1959-60	.	.	.	.	20,77	331	95	.	45,336	00	.	.	21,22	667	96	14,00	000	00
1960-61	.	.	.	.	21,55	258	56	.	48,259	00	.	.	22,03	507	56	15,43	000	00
1961-62	.	.	.	.	31,47	917	37	.	39,493	00	.	.	31,87	410	37	39,91	100	00
																	34,40,957	00

1 1962 (Aiii) 15-16	2		3		4		5		6	
	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.	Rs.	P.
1962-63	76,76,227.47				76,76,227.47		43,04,400.00		68,12,784.47	
1963-64	51,99,263.50				51,99,263.50		64,55,000.00		55,57,047.07	
1964-65	1,13,20,290.23				1,13,290,90.23		71,19,000.00		97,58,338.20	
1965-66	1,30,54,397.08				1,30,54,397.08		71,53,000.00		1,56,59,735.28	
<b>TOTAL</b>	<b>5,11,11,696.28</b>		<b>2,97,539.00</b>		<b>5,14,09,235.28</b>		<b>3,57,49,500.00</b>		<b>1,56,59,736.20</b>	

## APPENDIX VI

(Ref. Para. 4-138 of Report)

### MINISTRY OF COMMERCE

*Outstanding Amounts of Principal Interest Payable by Loanees to the  
Coffee Board as on 1-7-1966.*

The position as on 1-7-1966 with regard to the recovery of the outstanding dues from loanees is shown below:

Year of account	Principal overdue	Interest overdue
	Rs	Rs.
1960-61		61
1961-62		46
1962-63	28,769	1,310
1963-64	19,496	4,529
1964-65	42,971	19,915
<b>TOTAL</b>	<b>91,236</b>	<b>25,861</b>

## APPENDIX VII

(Ref. Para No. 5.31 of the Report)

### MINISTRY OF EXTERNAL AFFAIRS

#### Audit Report (Civil), 1966

*Page 52-53, para 45—Avoidable Expenditure on hotel charges etc.*

Q. 1(a) What was the basis for calculation of Rs. 13,860 as hotel charges in this case?

**Reply.**

The Trade Agent was accompanied by his family consisting of his wife and three children aged 16 $\frac{1}{2}$ , 11 $\frac{1}{2}$  and 8 $\frac{1}{2}$  years old. He stayed in a hotel for 55 days from 18-12-1963 to 10-2-1964. In accordance with the orders contained in this Ministry's letter No. F. 68 (5) FD/60 dated the 9th June, 1960, officers who are obliged to stay in hotel due to non-availability of the accommodation on their arrival at the station of posting abroad can be allowed at the discretion of the Head of Mission daily allowance at full rates prescribed for the station for a period of 56 days. The all inclusive rate of daily allowance prescribed for Dubai is Rs. 72 per day and the officer if authorised by the Head of Mission would be entitled to full rate for himself, 3/4 the rate for wife and children of or above the age of 12 years and at 1/2 rate for children upto 12 years of age.

The calculation for the amount of Rs. 13,860/- is as follows:

- (i) Rate of daily allowance fixed for Dubai—Rs. 72/- per day.
- (ii) Quantum of daily allowance admissible for the officer and family.

Officer	1
Wife	3 $\frac{1}{4}$
One child above 12 years	3 $\frac{1}{4}$
2 children below 12 years at 1 $\frac{1}{2}$ each.	1
Total	3 $\frac{1}{4}$

- (iii) Rate of daily allowance, admissible per day  $Rs. 72 \times 3\frac{1}{4} =$   
 $Rs. 252/-$ .
- (iv) Period of stay in hotel—55 days.

(v) Amount admissible to the officer—Rs.  $252 \times 55 = 13860/-$ .

Q. 1(b) What was the authority under which the amount was calculated?

**Reply.**

According to Rule 15(6) IFS(PLCA) Rules, 1961, if the Head of Mission is satisfied that no alternative accommodation is available for an officer on his first arrival at the station, he may authorise such officer, his family and his entitled Indian servant to stay in hotel suitable to their respective status for such minimum period as may be necessary but not exceeding three months. The cost of such accommodation shall be met by the Government. Under the instructions issued in this Ministry a letter No. F. 63(5) FD 60, dated the 9th June, 1960, officers who are permitted to stay in hotel due to non-availability of the accommodation on their arrival at the station of posting abroad are entitled to daily allowance at full rate prescribed for the station for the period of 56 days. The quantum of daily allowance admissible to the officer who is accompanied by his family has been prescribed in Para 7(2) (ii) of Annexure-XIX of the IFS (PLCA) Rules 1961. The rate of daily allowance has been laid down in this Ministry's letter No. F. 73(23)-FD 61 dated 30-9-1963.

Q. (c). What was the type of certificate received from the Head of Mission?

**Reply.**

As already explained, India-based officers and staff posted to Missions & Posts abroad can stay in Hotel if the head of the Mission/ Post is satisfied that no alternative accommodation suitable to their status is available. While the Consul-General Muscat was at Dubai on tour of the Trucial States, The Indian Association asked him whether accommodation for the Trade Agent should be arranged by them in the Hotel Airlines where the rates were less than that of the others. To this, the Consul-General agreed, presumably expecting the Trade Agent to spend a few days in the hotel before moving into the house. On arrival at Dubai, the Trade Agent was not able to get the landlord to honour the arrangement made by the Consul-General for a house and so moved into the Hotel Airlines as reserved

by the Indian Association, with the approval of the Consul-General. The text of the appropriate certificate since recorded is given below:—

"The Indian Association, Dubai informed me, while I was there on tour, about the accommodation in Hotel Airlines for Shri O. N. Bhalla, I.T.A. I agreed to this arrangement as per the Rules applicable to these cases."

Sd/-S. K. ROY,

*Joint Secretary to the Government of India.*

## APPENDIX VIII

(Ref. Para No. 5.55 of the Report)

### MINISTRY OF EXTERNAL AFFAIRS

#### Audit Report (Civil), 1966

*Pages 53-54—para 46—Erroneous payment.*

**Q. 2. A detailed note indicating:**

(a) Why the High Commission did not bring to the notice of the Ministry the comments of audit made in 1957?

**Reply.**

The High Commission of India felt certain doubts on the continuing validity of Government orders dated 18th November, 1948 and accordingly referred the matter to Audit in November, 1956. Audit held in January, 1957 that while it might be reasonable to assume that 18-11-1948 was the effective date since no other date was mentioned and since the orders were the result of constitutional changes, it would be more appropriate to apply them to those officers who were permanent before the 15th August, 1947. This latter view was reiterated by them again in November, 1957 and this was accepted by the High Commission. Discussions continued with Audit only with regard to continuing validity and recovery of 1/3 contributions from the Commonwealth Relations Office. In January, 1958 Audit held that the concession remained valid and on 31st January, 1958 the Chief Accounting Officer agreed that the recovery should be claimed from the Commonwealth Relations Office. There was thus a final and full agreement between the High Commission and Audit in regard to the application of the orders and the outstanding cases were settled on that basis.

Consequently, in the light of those discussions, no necessity arose to communicate the audit comments to the Ministry.

(b) How the Audit comments escaped their notice?

**Reply.**

As could be seen from the reply given under (a) above the question of continuing the concession was finally settled as early as January, 1958. When some cases arose in 1961, the High Commission as a measure of abundant precaution referred to Government the

question of continuing validity of the orders of 18-11-1948. Government decided that the right of preretirement was available to such of the European Officers of non-Secretary of States Services who secured permanent appointment under the Government by the 18th November, 1948. Moreover, these pension claims were passed after pre-audit by Audit, during 1962-63 without any further comments presumably due to the Government orders of November, 1961 being in accord with their decision of January 1962 about the continued validity of the orders. The above position will indicate that the audit comments did not escape notice.

(c) How the audit comments were finally disposed off?

*Reply.*

The four pension cases under consideration were settled in consultation and with the agreement of Audit and no objections similar to these of 1957 were raised. It appears that there was no conflict between the views of Audit and the Government's decision in regard to the applicability of the orders. It would appear that Audit felt some doubts about their own decision only when the Commonwealth Relations Office in August, 1954 rejected the claim to bear their share of the pensions on the ground that the persons concerned were made permanent after 15th August, 1947.

## APPENDIX IX

(Ref. para No. 5.56 of the Report)

### MINISTRY OF HOME AFFAIRS

#### Audit Report (Civil), 1966

*List of points on which further information was desired by the Public Accounts Committee at their sitting held on the 20th July, 1968.*

##### 17. Para 45: Erroneous payment:

How many years' service had the officers concerned put in (in the Indian High Commissioner's Office in U.K. or elsewhere) at the time of their retirement?

The particulars of the officers concerned of the Ministry of External Affairs are mentioned below:—

Name of the Officer	Date of birth Age on retirement	Date of entry into Service	Last date of service	*Number of Years' service
1. Mr. Douglas Blyton Jones	6-4-1913 50 yrs. 8 months.	14-5-1945	[ 31-12-1963	18 years 8 months.
2. Mrs. Eileen Frances Fitzpatrick	24-1-1921 41 yrs. 2 months.	22-8-1940	20-3-1962	21 yrs. 7 months.
3. Mr. Anne Marie Mc-Dowell	8-8-1926 36 yrs. 4 months.	8-10-1945	1-1-1963	17 years. 3 months.
4. Miss Muriel Helen Moss	5-11-1902 59 yrs. 11 months.	9-10-1939	30-9-1962	23 years.

(\*Nearest to a month)

Sd/-.

A.D. PANDE,

Joint Secretary to the Govt. of India.

## APPENDIX X

### Summary of main Conclusion/Recommendations

S. No.	Para No. of Report	Ministry/Dept. concerned	Conclusions/Recommendations
1	2	3	4
1.	1.23	Deptt. of Atomic Energy	<p>The Committee feel that there was not enough justification for allotting a part of the work to foreign architects, especially in view <sup>§</sup> of the facts, as brought out in evidence, that:</p> <ul style="list-style-type: none"><li>(i) Indian Architects were quite competent and had given fine account of themselves.</li><li>(ii) If the work done by the foreign architect was entrusted to the Engineering Division of the Deptt. from the very beginning, the cost would have been less.</li><li>(iii) The late Secretary of the Department who selected the architect himself was not pleased with the layout and successive designs of the architect.</li><li>(iv) It was thought that there was no competent Indian Architect to undertake multistorey building which will have</li></ul>

as many as 25 storeys. Subsequently, however, the Scheme was modified and the building was limited to 13 storeys only.

The net result in this case has been that there has been considerable delay in completing the work and consequential increase in the cost of the project. While the Committee appreciate that it might become necessary to consult foreign architects for the design and construction of buildings to house highly advanced scientific and technological laboratories for which technical 'know how' may not be available within the country, they are of the view that engaging foreign architects for building a residential colony lacks justification. The Committee hope that such instances will not recur.

8

2. 1.24 Deptt. of Atomic Energy

The Committee also consider it unfortunate that sufficient care was not taken with regard to the different aspects before the agreement was signed with the foreign architect due to which controversies arose later, resulting in considerable delay in the completion of the project.

3. 1.25 -do-

There is another aspect of this case which needs examination by the Department. The Committee were told in evidence that the Tata Institute of Fundamental Research and the Atomic Energy Establishment had many staff who were interchangeable and common. While the Committee feel that this may be necessary for better and greater efficiency in the scientific work, they desire that suitable

rules, conditions of service etc. be clearly laid down so that no administrative or other problems are created later.

4. 1.26 -Do- The Committee also desire that the terms and conditions of payment of rent by the staff of the Tata Institute should be fixed without further delay.

5. 1.37 -do- It appears to the Committee that the whole plan of this construction scheme has been haphazard. An overall view of the land required, its suitability availability etc. was not taken and all the pros and cons of this scheme were not examined in detail. Lack of proper planning was, therefore, partly responsible for delay in execution of this housing scheme. The Committee are also unable to accept lack of funds as a plea for delay in construction work as the Member (Finance), Atomic Energy Establishment, admitted in evidence that finance was not the bottleneck.

6. 1.38 -do- The Committee hope that a careful watch will be kept on the development of residential colony in future, and that the story of lapse of funds on the one hand and the shortage of housing accommodation on the other, will not be repeated.

7. 2.10 Deptt. of Aviation The Committee feel that the purchase of the new equipment at a total cost of nearly Rs. 4 lakhs was effected in a casual manner. The Department had a specific purpose in view for which they desired to acquire the equipment. But they made no enquiries to find out if this equipment was in use in any aero-drome in any other country. Nor did they have any demonstration to see whether the equipment

---

1

2

3

4

would be able to perform the task for which it was to be purchased. Nor did they specify in the contract or in the tender that the equipment should perform the particular job of negotiating slushy grounds.

8. 2.11      Deptt. of Aviation

The Committee, therefore, recommend that while purchasing any costly equipment from a foreign country, the Ministry and Department should do well to satisfy themselves fully with regard to technical and other matters before placing orders for the same.

9. 2.17      -do-

The Committee regret to note that at the time of placing the contract, details of the power take-off-unit were not specified. They also fail to understand as to why the Department had agreed to purchase the equipment on the basis of a certificate of inspection issued by the representative of the supplying firm.

8

10. 2.18      -do-

The Committee feel that if the Department had so desired, the equipment could have been inspected by some other agency with the help of India Supply Mission, Washington. Thereby the defects and shortcomings of the equipment, which came to the notice of the authorities on its arrival in India, would have come to notice before its despatch. Because of the procedure of purchase adopted in this case there has already been an avoidable delay of four years in putting the equipment to its proper use. The Committee also desire that suitable instructions should be issued to the Government departments that they should satisfy themselves about the utility of any foreign

equipment for the specific purpose for which it is required, before spending valuable foreign exchange in importing the same.

11. 3.21 -do-

The Committee fail to understand why no legal opinion was taken in this case at any stage. They would like to be informed of the final result of the claims of damages against the firm. The Committee would also like to be informed of the date from which the equipment was put to use.

12. 3.9 Cabinet Sectt.

The Committee would like to be informed of the action taken in this regard on the basis of the report of the Settlement Committee.

13. 3.11 -do-

From the statement (Appendix I) of arrears of work as on 1-4-1964 furnished at the instance of the Committee, it is noted that the work pertaining even to the 15th Round relating to the period July, 1959 to June 1960 is still pending even after a lapse of more than six years although these were included in the programme for delivery during 1964-65 and 1965-66. Out of 19 items of work shown in the statement under various round schedules as pending on 1-4-1964 and the end results of which were to be delivered during 1964-65 and 1965-66, the end results of only 9 items have been delivered so far leaving a balance of 10 items still outstanding. In most of these pending cases, the work is held up at machine tabulation stage.

20

14. 3.12 -do-

The Committee had in the past occasion to comment on the abnormal delay on the part of the Institute in delivering the end results. As a matter of fact according to the statement furnished to the PAC of 1964-65 by the Cabinet Secretariat (Appendix III of 29th Report-Third Lok Sabha), the tabulation of 15th Round should normally

1	2	3	4
			have been completed by end of 1962, that of 16th Round by end of 1963 and that of 17th Round by the end of 1964. The work is, therefore, very much in arrears. This indicates that there is considerable scope for improvement in completing more expeditiously the work entrusted to the Institute.
15	3.13	Cabinet Secrt.	The Committee would like to stress that statistics relating to a particular period, if delivered after the lapse of several years lose much of their value and usefulness.
16	3.14	-do-	The Committee would, therefore, again stress the desirability of getting end results from the Institute in time. The Committee would also like the Government to examine in each case whether there is any justification for entertaining extra claims for payment by the Institute for completing any portion of the work later than the time schedule. <span style="float: right;">2</span>
17	3.17	-do-	The Committee regret to note although the Government is meeting nearly cent percent expenditure of the Institute yet it had no effective financial control over the Institute.
18	3.18	-do-	From the past performance of the Institute and the large amount of grants given to them by Government year after year, the Committee feel that the special treatment given to the Institute by Government has not been fully justified. In the opinion of the Committee, the working of the Institute vis-a-vis the large amounts of

grants in-aid and other payments made to them (Rs. 6.13 crores from 1958-59 to October, 1964) by Government leave much to be desired.

19 3.22

-do-

It is surprising that despite the fact that the Department was now receiving quarterly progress reports which were being looked into by the Central Statistical Organisation, the progress of work of the Institute was far from satisfactory. The Committee wonder whether in the circumstances, even the new system would result in improvement of the situation. They would, however, watch the working of the new system of payment by grants-in-aid through future Audit Reports on audit of sanctions. It is understood that under Section 6 of the Indian Statistical Institute Act, the accounts of the Institute are audited by private auditors, who are appointed by the Central Government after consultation with the Comptroller & Auditor General of India. In order to have effective control on the grants-in-aid, the Cabinet Secretariat have issued revised set of instructions on 17-12-1965 to the Auditors, and the Auditors have agreed to comply with the instructions while auditing the Institute's accounts in future. It is hoped that the Cabinet Secretariat will be able to utilise this power to give instructions to keep a closer watch on the proper utilisation of the grants-in-aid in future.

50

20 3.23

-do-

The Committee are glad to note that a Review Committee has now been appointed in pursuance of sub-section (i) of Section 9 of Indian Statistical Institute Act, 1959 by Government as suggested by Public Accounts Committee in para 3 of their 29th Report (P.A.C.—Third Lok Sabha). The Committee would like to be informed of the finding of the Review Committee in due course.

1	2	3	4
21	3.32	Cabinet Sectt	<p>The Committee would like to be informed of the final action taken in this case after the investigations of the Central Bureau of Investigation were over.</p>
22	4.17	Ministry of Commerce	<p>The Committee are concerned to note the way in which the whole transaction took place.</p>
23	4.18	-do-	<p>They are surprised to find that the value of the import licence sanctioned was not co-related with the value of material actually consumed in the preparation of the badges and it included certain items e.g. stainless steel which were not used in the manufacture of badges. The licence was granted only as an incentive for the purpose of getting the badges manufactured cheaply and in a short time. The Committee feel that there was an element of hidden subsidy in the fixation of price of badges.</p>
24	4.19	-do-	<p>The Committee are left with the impression that this hidden subsidy or compensation was deliberately given only to circumvent the regular procedure and to avoid the financial sanction etc. This method also enabled them to show the cost of these badges fictitiously low.</p>
25	4.20	do-	<p>The Committee do not know whether any attempts were made to find out the rates from other firms if the facilities of import licences, etc. were also to be offered to them.</p>
26	4.21	-do-	<p>It is surprising that the firm was asked to go ahead with manufacture before the terms were settled. The low rates offered by the firm and later on further reduced by them were, obviously due to</p>

19

their expectation that certain facilities were to be given to them. Moreover, the details of the items for which import licences were requested for also varied from the original offer to the offer after negotiation. It is also surprising that although the number of badges ordered was reduced to half (from 5 lakhs to 2.50 lakhs), no reduction in the quantity etc. to be imported of raw material etc. appears to have been made. The Committee feel that this should have been done as non-reduction in the quantity of raw-material gave to the firm an un-intended benefit.

27 4.22 -do- The Committee do not consider it a healthy practice to issue import licences for the raw materials which are either not required for the manufacture of articles ordered or in excess of requirements. In their view, such actions of Government are not only irregular but also tax the foreign exchange resources unnecessarily.

28 4.23 -do- The Committee desire that responsibility for deviating from the regular procedure of placing order after assessing the financial implications fully should be fixed.

29 4.28 -do- The Committee would like to suggest that in view of the difficult foreign exchange position it is imperative to conserve foreign exchange worth every rupee and hence the Government must carefully examine the actual utility of these show-rooms. Those show-rooms/sales-rooms which have not justified their continuance by the results, must be discontinued. The Committee feel that more transfer to STC would not solve the problem.

30 4.35 -do- The Committee regret that proper stock accounts of exhibits at the Trade Centre, New York, were not maintained from 1949 to 1960

1	2	3	4
---	---	---	---

despite the fact that the irregularity was pointed out by Audit from 1955 onwards on more than one occasion.

31 4.36 Ministry of Commerce

The Committee were surprised to learn from the witness that from the headquarters they had been periodically reminding this Trade Centre to send yearly stock verification reports and periodical reports but those were not sent. The Committee cannot appreciate such a helpless position. The Committee desire that responsibility should be fixed for non-compliance of these instructions and also steps be taken to ensure expeditious compliance of Government instructions.

32 4.38 -do-

The Committee regret to note that having realised that the local men had inadequate knowledge of accounting and that the state of accounts was in a very bad shape, nothing was done to remedy this state of affairs. From 1955 to 1964, no efforts were made to post such India based staff as had sufficient knowledge of accounting. On the other hand, the number of local staff was increased from four in 1955-56 to nine in 1958-63. This shows that objections raised by Audit were not taken seriously and there was a laxity of supervision and control on the part of the officers of the Consulate General. This is all the more surprising in view of the fact that a highly paid Manager was in charge of the Trade Centre upto February, 1963.

In the opinion of the Committee, a decision to close the Trade Centre should have been taken much earlier in order to save public funds.

33 4.45 -do- The Committee are surprised to find that the Indian Mission at Khartoum failed to furnish the correct details of the accommodation originally, as a result of which the Ministry gave direction on an erroneous impression. They would like to know the reasons for the contradictory statements made by the Mission and whether the Ministry have ascertained what the correct position is.

34 4.46 -do- From the note furnished by the Ministry of Commerce, the Committee find that the First Secretary had a number of items of furniture in his possession which were over and above the normal entitlement. The Committee would like to know the steps taken to utilise the excess furniture for other purposes.

35 4.52 -do- The Committee regret to note that a revolving fund of such a huge amount (Rs. 5 crores) was placed at the disposal of the Tea Board on the estimate which "was made rather on rough basis" without estimating the amount which would be required to advance loans to the tea estates for replanting, replacement and/or extension of old tea areas. The Committee feel that some targets in respect of these items, viz. replanting, replacement and/or extension of old tea areas should have been fixed. They are also surprised to know that the Tea Board has received only one application for irrigation loans for which the Tea Board have earmarked a crore of rupees. This shows that the scheme was not based on a full and realistic assessment.

36 4.53 -do- The Committee trust that in future Government will not sanction huge amounts on ad-hoc basis and money will be given to institutions etc. only after satisfying their capacity to utilise such amounts.

1	2	3	4
37	4.59	Commerce	The Committee hope that such cases would be avoided in future.
38	4.64	-do-	The Committee take exception to the procedure adopted by the Tea Board in releasing the first instalments of loans to the Tea Estates on the basis of personal guarantees from the Managing Directors/Agents, instead of on the basis of bank guarantees as prescribed in the scheme.
39	4.66	-do-	The Committee are unhappy to note that in evidence the correct information was not given to the Committee. They desire that in future every care should be taken by the witnesses to give factual information to the Committee.
40	4.67	-do-	The Committee also regret to note that the decision to give loan on the personal guarantees was taken by the Tea Board on 3rd December, 1963 and not on the approval of the Government. They also find that the Tea Board asked Government to accord sanction in the middle of 1965 only i.e. after a period of 1½ years. The Committee trust that in future Tea Board would not act in this irregular manner.
41	4.69	-do-	The Committee desire that all efforts should be made to get mortgage deeds executed in the remaining cases.
42	4.75	-do-	The Committee regret that the Board had in this case also deviated from the rules relating to the schemes in anticipation of obtaining Government's approval. They desire that such irregular practices

should be stopped immediately. They consider it as an unhealthy practice to deviate from rules and then to approach Government to regularise it. The proper course (for the Tea Board) would have been to get the rules first amended if necessary and then act accordingly.

43 4.78 -do- The Committee regret to note that the existing arrangements for taking guarantees at the time of releasing loan instalments are unsatisfactory. They would like to be informed of the revised arrangements as soon as introduced. They may also be informed whether the tea estate have now furnished adequate security for the entire amount of Rs. 1.64 lakhs.

44 4.86 -do- The Committee would like to be informed of the final decision taken in this matter.

45 4.101 -do- The Committee understand from Audit that Shri 'A' (another officer) was first appointed as Chairman, Tariff Commission w.e.f. 14.9.1959 on a monthly pay of Rs. 3,500 p.m. up to the date of super-annuation i.e. 12.3.1960. Thereafter he was given an extension of service up to 13.9.62 and he was given the same pay during this extended period. He was reappointed as Chairman on re-employment basis w.e.f. 14.9.1962 for a further period of 2 years, and his pay was fixed at Rs. 3,000 p.m. less pensionary benefits." In this case, however, the officer concerned was paid Rs. 3750 p.m. even after the date of his retirement.

6 4.102 Commerce

Even though Government have powers to fix pay in such cases, the Committee feel that the criteria to be followed in fixing the pay particularly after retirement should be uniform in all cases.

47 4.111 -d-

The Committee regret to find that there has been avoidable delay in this case at different stages in the Board as well as in the Ministry. The Audit Inspection Report was received by the Board in February, 1959, but the matter was placed before the Standing Committee of the Board only on 15.2.61. After adoption of a resolution the STC was addressed more than two months later. Though Audit advised the Board in July, 1962 to obtain the orders of the Ministry for any deviation from the normal rules the Ministry was addressed by the Board only on 19.7.63, and a decision was given by the Ministry only in July, 1965. The Committee do not find any justification for a delay of more than six years in coming to a final conclusion in this case. They hope that such delays would be avoided in future.

It is understood from Audit that the Ministry while communicating their decision in July, 1965 stated that the forgoing of the payment due from the S.T.C. on account of C.P.F. contribution for the period from 1.1.1957 to 31-3-1963 (amounting to Rs. 5,088) could not be agreed to. No action to recover this amount was, however, taken by the Board till July, 1966. The Committee deprecate the inexplicable delay on the part of the Board in taking action on the decision of the Government.

48 4.119

-do-

The Committee note that during 1963-64 while a sum of Rs. 59.55 lakhs was voted by Parliament the amount paid to the Board was Rs. 64.55 lakhs. Similarly, in 1964-65 while the amount voted by Parliament was Rs. 62.07 lakhs the amount paid to the Board was Rs. 71.19 lakhs. The Committee also find that according to the provision in Section 12(7) of the Rubber Act, 1947:

"The proceeds of the duty of excise collected under this section reduced by the cost of collection as determined by the Central Government shall first be credited to the Consolidated Fund of India, and then be paid by the Central Government to the Board for being utilised for the purposes of this Act, if Parliament by appropriation made by law in this behalf so provides."

Encl

49 4.120

-do-

The Committee are unable to understand how the amount paid to the Rubber Board could be in excess of that voted by Parliament. They would like the Ministry to examine in the light of the specific provision in the Act or Rules under which this had been done.

50 4.128

-do-

The Committee trust that with the increase in the staff and other measures proposed to be taken by the Rubber Board, the Board would be able to complete the assessment work and there will not be any arrears of excise duty in future.

51 4.132

-do-

The Committee would like the Ministry to look into this and reconcile the factual position.

1	2	3	4
		Commerce	
	4.135		The Committee are not aware of the circumstances in which the Ministry of Information & Broadcasting expressed their inability to undertake production of the film which was meant for the purposes of propaganda to increase the sales of Indian Coffee within the country and abroad. They would like to be informed of the reasons why the Ministry of Information and Broadcasting did not undertake production of the film, at least as a Documentary.
52	4.136	-do-	The Committee would also like to be apprised whether in view of the fact that the film lacked adequate technical standard, any amount has been recovered from the private firm who produced this film.
53	4.139	-do-	The Committee are not happy to find that a large amount (Rs. 91,236 as principal and Rs. 25,861 as interest) is still due from loanees as on 1.7.66. They desire that vigorous steps should be taken by the Coffee Board to realise the outstanding amount especially those relating to earlier years.
54	54.17	External Affairs	The Committee are not satisfied with the manner in which (this case of) the purchase of the building was dealt with. Before the building was purchased at a cost of Rs. 4 lakhs for use as residence of the Commissioner, steps were not taken by the Ministry to have property valued by any independent agency but the Ministry had tried to verify the value by other means. The Committee suggest that in the case of purchase of properties in a foreign country, the Ministry

55 5.18

-do-

may consider the feasibility of assessing beforehand the value of property with the help of competent professional assessors.

The unfortunate aspect in this case is that after the building was purchased the Commissioner never moved into the house even though the house was considered to be "one of the best houses in Aden". From the facts placed before the Committee and from the letter dated 29.6.1964 addressed to the Commissioner, it is clear that the Commissioner, instead of himself shifting to the building after its purchase, suggested that staff might be shifted to the building when repairs were being carried out. The Committee feel that the Ministry should have directed the Commissioner to shift to the building immediately after it was purchased.

56 5.19

-do-

The Committee regret to note that for the building purchased in June, 1964, the Government accorded their administrative approval to the additions and alterations to the building at a cost of Rs. 50,000 in February, 1965. The argument that the Ministry had to examine the matter fairly thoroughly is hardly convincing because from the facts placed before the Committee it is clear that the Ministry had already examined the matter so thoroughly that the expenditure on repairs was reduced from Rs. 1,50,000 to Rs. 50,000. Even the Commissioner had prepared the first estimates on the basis of Rs. 50,000. The Committee hope that the Ministry will take steps to avoid such instances of delay in future.

The Committee also note with regret that the house occupied by the previous Commissioner had been retained and a rent of Rs. 1333

1

2

3

4

per month was still being paid, though no Commissioner had yet been posted (July, 1966) (the previous Commissioner left in May, 1966). The Committee would like to know the period for which the vacant possession of the residence was retained and the amount of rent paid therefor.

The Committee trust that steps will be taken early to make proper and full utilisation of the accommodation rented and acquired.

58

5.33

External Affairs

The Committee note that it was decided by the Ministry in August, 1963 to open a Trade Agency at Dubai and the officer concerned joined the post only on 18th December, 1963. From the facts placed before the Committee, they feel that no serious attempt was made either by the Consul General at Muscat or by the particular officer concerned who himself temporarily held charge of the Consulate General, Muscat till 8th October, 1963 to find out suitable accommodation at Dubai for the Trade Agent during this period of about 4 months from August to December, 1966. On the other hand, the Consul General had himself agreed before hand about arrangements being made in a hotel for the Trade Agent by the Indian Association. This does not agree with the Statement made during evidence that the land-lord at the last minute on arrival refused to give him possession. The Committee would like the Ministry of External Affairs to look into this aspect again.

91

59

5.34

-do-

The Committee were told in evidence that the rates of daily allowance were the same for all the officers drawing salaries above Rs. 700 p.m. In the present case, the officer whose pay was only Rs. 800 p.m. drew a sum of Rs. 13,860 for 56 days stay in a hotel. Thus it appears, that there is no relation between the salary drawn or status of an officer and the allowance admissible to him. The Committee suggest that the Ministry may examine the feasibility of fixing the allowances on a more rational basis.

60

5.33

-do-

It is also interesting to note that while under the orders contained in the Ministry's letter No. 68(5)/FD/60, dated the 9th June, 1960, officers who are obliged to stay in a hotel due to non-availability of the accommodation on their arrival at the station of posting abroad can be allowed at the discretion of the Head of Mission daily allowance at full rates prescribed for the station for a period of 56 days, in the present case, the officer concerned, stayed in the hotel for a period of 55 days and on the 56th day secured private accommodation.

61

5.38

-do-

The Committee do not find this certificate in order in as much as it does not certify that no alternative accommodation suitable to the status of the officer was available as required under the Rules.

62

5.39

-do-

The Committee do not feel happy over the manner in which the whole case has been dealt with at various levels and are of the opinion that the extra expenditure of Rs. 12,000 (approx.) was avoidable.

1	2	3	4
63	5.57	External Affairs/ Home Affairs	The Committee are unhappy to note that due to a lapse on the part of the Ministry of Home Affairs, entire payment (amounting to Rs. 81,000) towards pensionary benefits has been made to persons who were not entitled to such benefits.
64	5.58	-do-	The Committee fail to understand as to how the date 18th November, 1948 (which was the date of issue of the order) could be mentioned as the effective date of permanency for the concession instead of the date 15th August 1947. It appears, that there is no machinery in the Ministry of Home Affairs to detect such errors.
65	5.59	-do-	The Committee are also surprised to note that the letter of 18th December, 1948 "was not very happily worded" and did not cover two important aspects. They desire that instruction should be issued that orders and letters should be drafted in clear and unambiguous terms so as to avoid confusion at a later stage. Moreover, special care should be taken to check that in important communications conveying decisions etc. dates, facts and other material points are correctly mentioned.
66	5.60	-do-	The Committee desire that the findings of the enquiry and the action taken thereon may be communicated to them.

