

PUBLIC ACCOUNTS COMMITTEE
(1971-72)

(FIFTH LOK SABHA)

SIXTH REPORT

DELHI MILK SCHEME

[Para 80 of the Audit Report (Civil) 1970]



LOK SABHA SECRETARIAT
NEW DELHI

July, 1971/Asadha, 1893 (Saka)

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CORRIGENDA TO THE SIXTH REPORT OF P.A.C. (1971-72)
PRESENTED TO THE LOK SABHA ON 15-7-1971

<u>Page</u>	<u>para</u>	<u>Line</u>	<u>for</u>	<u>Read</u>
(v)	4	3	(Appendix IX)	(A ppendix IY)
14 & 100	2.24	9-10	Karia District Cooperative Milk Scheme	Kaira District Cooperative Milk Produ- cers' Union Limited, Anand.
26 7	3.33	7 3	latest estabiish ment	Latest establishment
27	3.35	11	food	feed
31 & 105	3.47	6		delete the words " of individual supply"
78 & 113	7.17	last line of sub-para	intimated them	intimated to them
91	11.6	3	expendi- tiously	expeditiously
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Summary of main conclusions/recommendations

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PART II*

Minutes of the sitting held on the 7th July, 1970
Minutes of the sitting held on the 8th July, 1970
Minutes of the sitting held on the 9th July, 1970
Minutes of the sitting held on the 5th July, 1971

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

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**PUBLIC ACCOUNTS COMMITTEE
(1971-72)**

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Shri Era Sezhiyan

MEMBERS

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21. Shri Sheel Bhadra Yajee
22. Shri Niranjana Verma*.

SECRETARIAT

Shri Avtar Singh Rikhy—*Joint Secretary.*

Shri B. B. Tewari—*Deputy Secretary.*

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

*Resigned from the Committee with effect from 17th June, 1971.

INTRODUCTION

1. I, the Chairman, of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Sixth Report of the Public Accounts Committee (Fifth Lok Sabha) on paragraph 80 of the Audit Report (Civil) 1970 relating to the Delhi Milk Scheme.

2. The Appropriation Accounts (Civil) 1968-69 and Audit Report (Civil) 1970 were laid on the Table of the House on the 14th April, 1970.

3. The Committee of 1970-71 examined the paragraph relating to the Delhi Milk Scheme at their sittings held on the 7th and 8th July, 1970. Consequent on the dissolution of the Lok Sabha on 27th December, 1970, the Public Accounts Committee (1970-71) ceased to exist with effect from that date. The Committee of 1971-72 considered and finalised the Report at their sitting held on the 5th July, 1971 based on the evidence taken and the further information furnished by the Ministry of Food, Agriculture, Community Development and Co-operation (Department of Agriculture). The Minutes of the sittings from Par II* of the Report.

4. A statement containing summary of the main conclusions/recommendations of the Committee is appended to this Report (Appendix IX). 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 commendable work done by the Chairman and the Members of the Public Accounts Committee (1970-71) in taking evidence and obtaining information for this Report which could not be finalised by them because of the sudden dissolution of the Fourth Lok Sabha.

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

7. The Committee would like to express their thanks to the Officers of the Ministry of Food, Agriculture, Community Development and Cooperation (Department of Agriculture) and the Delhi Milk Scheme for the cooperation extended by them in giving information to the Committee.

NEW DELHI ;

July 8, 1971

Asadha 17, 1893 (Saka)

ERA SEZHIYAN,

Chairman,

Public Accounts Committee.

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

1.2. A bill seeking to establish a corporation introduced on the 4th September, 1970 was not passed before the dissolution of the Fourth Lok Sabha. The following clause in the Bill related to the appointment of auditor:

“21(1) After the closure of accounts each year, the Corporation shall appoint, with the previous approval of the Central Government, an auditor for the audit of the said accounts.

(2) The auditor appointed by the Corporation shall be a person who is qualified to act as an auditor of a company under section 226 of the Companies Act, 1956, and shall receive such remuneration as the Corporation may, in consultation with the Central Government, fix.”

1.3. The Committee note that the Delhi Milk Supply Corporation Bill, which was introduced on the 4th September, 1970, lapsed consequent on the dissolution of Fourth Lok Sabha. The Committee hope that Government would bring forward a fresh Bill early. The Committee would suggest that a provision should be made therein for audit of the Corporation's accounts by the Comptroller and Auditor General.

CHAPTER II

WORKING RESULTS

Audit Paragraph

2.1. The working results of the Scheme for the three years ending with March 1969 are given below.

Simplified proforma accounts have been annexed as Appendix XV to the Audit Report (Civil) 1970.

(Rupees in lakhs)

	1966-67	1967-68	1968-69
Government capital at the close of the year	210.14	208.85	211.46
Block Assets* (Gross)	254.06	271.55	318.63
Turnover	677.90	682.42	808.50
Loss	14.66	146.71	76.42
Interest on capital	8.92	11.38	10.77
Percentage of loss on turnover	2.16	21.50	9.45
Percentage of loss (excluding interest on capital) on turnover	0.85	19.83	8.12

*Block assets do not include buildings and air-conditioning plant valued at Rs. 100.97 lakhs as on 31st March 1969. This fact was also pointed out in paragraph XVI.9 of Audit Report (Commercial), 1963. The Ministry have stated January 1970 that "this practice has been continuing since the inception of the Scheme in 1959 and will come to an end as soon as the D.M.S. is converted into a Statutory Corporation from the financial year 1970-71."

2.2. The decrease in loss during 1968-69 by Rs. 70.29 lakhs as compared with 1967-68 was due to increase in the selling prices of milk in December 1967 (the full impact of which was reflected in the accounts of the year) and again in February 1969. The cumulative loss incurred by the Scheme since inception to 31st March 1969 amounted to Rs. 417.68 lakhs.

2.3. While considering the working of the Scheme up to 31st March 1968 on the basis of a note furnished by the Ministry, the P.A.C. had recommended in paragraph 1.19 of its Eighty-Second Report (1968-69) that with increase in sale price and enhanced

turnover, it should be possible for the Scheme not only to reduce the losses but also to break-even and in due course to wipe out the accumulated losses incurred during earlier years.

2.4. The Ministry have stated (January 1970) that "the Scheme expects to make a reasonable profit during 1969-70."

[Para 80(2) Audit Report (Civil) 1970.]

2.5. The Committee pointed out that in 1966-67, the loss was Rs. 14.66 lakhs while in 1967-68 it was Rs. 146.71 lakhs, even though there was only a marginal difference in the turn-over and wanted to know the reason for the ten-fold increase in losses. The witness stated: "The main reason for this was that the price of milk... required to be raised very substantially by 24 per cent. This was more or less in keeping with the general rise in the price index, but unfortunately, because of the procedures involved in increasing the price of milk supply to the consumers, this has happened for instance, there is the Managing Committee; then there is the Governing Body. There was some delay in getting this increase in price, a delay of eight months."

2.6. Asked whether the time-lag of eight months could not be avoided, the witness stated: "The normal procedure is that the proposal is considered by the Managing Committee and then by the Advisory Committee under the Chairmanship of the Mayor and after that the prices were considered by the Governing Body under the Chairmanship of the Minister of State. These are recommendatory bodies and the decision of the Government was based on the recommendations of these bodies. There was some delay in the constitution of these committees as elections had intervened and the Committee had to be re-constituted because there are a number of elected members on these bodies. It was felt necessary that an important matter like price should be duly considered and approved by the Committee because of its effect on the public. For that reason, Government decision was not taken till the Committees were formed. This has resulted in this delay."

2.7. Asked about the working results of the scheme for the year 1969-70, the witness stated that the proforma accounts for the year 1969-70 were not ready. He added that the scheme seemed to have turned the corner and that there should be a reasonable profit.

2.8. As regards the turnover in 1969-70, the witness stated: "The turn-over figures are budgeted at Rs. 9.49 crores and the estimated turn-over is Rs. 11.16 crores. We have had more supply of milk. We are now distributing milk according to the full capacity of the plant."

2.9. To an enquiry as to whether the anticipated profit was due to rise in the price of milk in February, 1969 or due to streamlining the organisation, the Chairman, Delhi Milk Scheme, replied: "The price of milk was fixed on the basis of the estimated procurement cost which was anticipated then. At the time the price was fixed, in February, 1969, we had gone to the Management Committee on the basis of the expected purchase prices that we may have to pay which was about Rs. 108 per quintal. This was based on the price which we had paid during the previous year with an anticipated increase of 4 to 5 per cent. After that, our experience in the year was that we had a very favourable season and a lot of milk was available. Instead of an increase in the price by 5 per cent that we had anticipated, it was possible to keep the purchase price of milk lower by about 3 per cent with the result we had a margin and whereas the intention in fixing the price was to operate on "no profit no loss" basis, i.e., the basic guideline—we are able to make a profit because we were able to purchase milk at a more favourable price. That has been the basic reason." The Additional Secretary, Department of Agriculture, added: "The figure, that is, Rs. 417.68 lakhs is a very heavy loss that we have so far incurred. Therefore, we rationalised the procedure as was suggested by the Public Accounts Committee itself. Now, at this time of the year, say, in July, if you want to anticipate what the price is going to be in February or March next year, we cannot do it. And no Milk Scheme in India can do it. So, we form a certain basis as to what a likely price is going to be. We work out our figures and we consult the Finance Ministry. What happened during 1969-70 is that a certain amount of check had been kept, as far as we could, to keep the incidental costs down. I shall not use the word overhead costs' because that is a matter of difficult proposition. Almost the price of every article is going up—the things that we buy, the stores and all that. Therefore, we are not able to tell you with any firmness as to what the eventual picture will emerge. The figures are there and they are being analysed. When that is done, we will be able to get a clear-cut picture. Until then, we know that that has been a good year for milk production. We are now paying Rs. 104 per quintal, if I remember correctly. That is not a very unreasonable price when we take the previous prices."

2.10. The Committee wanted to know the estimated profit for the year 1969-70. The Secretary, Department of Agriculture, stated: "In the Budget for 1969-70, we estimated a profit of Rs. 9.65 lakhs. This was on the basis of the increase of prices and what the Chairman (DMS) has explained is that the estimate was prepared on the price which will have to be paid for the milk. On

that there has been a little saving on account of very good supply of milk. Therefore, the figure of Rs. 9.65 lakhs should undergo a change in the upward direction."

It was understood from Audit that the *proforma* accounts as made available to them showed a net profit of Rs. 73.34 lakhs during 1969-70.

"In the next year, 1970-71 we have made an estimate of Rs. 12 lakhs profit."

2.11. To an enquiry whether the scheme would be in a position to wipe out the accumulated losses, the witness deposed: "It is very difficult to give any forecast but the very purpose of turning this Scheme into a Corporation is that it should run on commercial principles. We have also explained that there have been long time lag between the increase in procurement price of milk and the supply price of milk. There has also been a certain amount of subsidisation in regard to toned milk which is intended for the poorer sections of the community."

2.12. The Committee pointed out that according to the Audit para, the Block Assets did not include buildings and air-conditioning plant valued at Rs. 100.97 lakhs as on 31st March, 1969. The witness admitted that the correct commercial practice would be to include them and charge interest so that the profit and loss account would reflect the correct position. If the scheme had included these assets in their accounts the cumulative losses would have been more by Rs. 31.85 lakhs.

2.13. The Department in a note submitted to the Committee stated: "The Scheme has been directed to take over these assets so that the *proforma* accounts reflect the correct position regarding the capital assets of the Scheme."

2.14. The Committee wanted to know the break-up of loss/profit product-wise for four years ended 31st March, 1970. The Department of Agriculture in a note submitted to the Committee stated: "Delhi Milk Scheme has not been maintaining data in a form which will enable the working out of product-wise loss/profit for the four years ending 31st March, 1970. The accounts for the year 1969-70 have also not been finally closed. An attempt has been made by the Scheme to work out the overall product-wise loss/profit for the three years 1966-67 to 1968-69 on the basis of total sales of various products, selling prices realised and the cost of production as worked out at the end of each financial year as per allocations of expenditure on different products. The product-wise loss/profit in respect of various types of milk has been arrived at after allocating expenditure individually on various types of milk and leaving the entire balance as the

over-all expenditure on other by-products. Hence it has not been possible to work out individual product-wise loss/profit.

2.15. The information as furnished by the Department to the extent available for the years 1966-67, 1967-68 and 1968-69 is as follows:—

Types of products	Cost	Realisation	Margin
	(Rs.)	(Rs.)	(Rs.)
1966-67			
Standard Milk	4,03,15,770	4,01,48,485	(—)1,67,285
Cow Milk	7,24,858	5,77,412	(—)1,47,446
Toned Milk	1,10,29,384	90,10,389	(—)20,18,995
Double Toned Milk	41,14,135	30,06,859	(—)11,07,276
Sub Total	5,61,84,147	5,27,43,145	(—)34,41,002
Milk Products	1,30,72,083	1,50,46,931	(+)19,74,848
TOTAL	6,92,56,230	6,77,90,076	(—)14,66,154
1967-68			
Standard Milk	5,05,14,647	4,30,77,683	(—)74,36,964
Cow Milk	13,63,441	11,67,479	(—)1,95,962
Toned Milk	1,90,50,139	1,30,68,324	(—)59,81,815
Double Toned Milk	58,00,107	35,98,851	(—)22,01,256
Sub Total	7,67,28,334	6,09,12,337	(—)1,58,15,997
Milk Products	61,84,004	73,29,450	(+)11,45,446
TOTAL	8,29,12,338	6,82,41,787	(—)1,46,70,551
1968-69			
Standard Milk	5,40,05,259	5,25,96,021	(—)14,00,238
Cow Milk	16,38,692	13,03,431	(—)3,35,261
Toned Milk	2,11,96,878	1,87,58,916	(—)24,37,962
Double Toned Milk	48,02,186	35,49,675	(—)12,52,511
Sub Total	8,16,43,015	7,62,08,043	(—)54,34,972
Milk Products	68,48,418	46,41,503	(—)22,06,915
TOTAL	8,84,91,433	8,08,49,546	(—)76,41,887

2.16. The Committee enquired whether the Delhi Milk Scheme had been able to manufacture butter ghee, ice-cream, milk powder and baby food in large quantities to augment its income and wanted to know the quantities manufactured during each of the last three years. The Department of Agriculture, in a note submitted to the Committee, have stated:

The Delhi Milk Scheme is essentially a liquid milk processing and distribution organisation, intended to work on "no loss no profit" basis. Products like butter, ghee, ice cream and roller dried S.M.P. are manufactured by the Scheme mostly during the flush season when some surplus milk or fat is available. The scheme has not therefore been able to augment its income to any large extent by the manufacture and sale of these products..... while some profit was earned by the scheme by the sale of products during the years 1966-67 and 1967-68, there was a loss during the year 1968-69. The final accounts for the year 1969-70 have not yet been closed. However, the scheme expects to make an over all profit. To this the manufacture and sale of these products are likely to have contributed. Baby food is not being manufactured by the Delhi Milk Scheme. The quantities of butter, ghee and ice cream manufactured during the last 3 years from 1967-68 to 1969-70 are given below:—

Name of Product	1967-68	1968-69	1969-70
1. Table Butter (KG)	1,88,715	1,37,877	1,62,994
2. White Butter (KG)	4,13,123	6,09,208	9,07,497
3. Ghee (Kgs.) (*)	1,92,999	3,66,483	5,94,153
4. Ice-Cream			
Cups-(a) 125 cc (Nos.)	90,891	67,327	49,537
Cups-(b) 75 cc (Nos.)	28,872	67,930	53,241
Cups-(c) Bars (Nos.)	1,90,747	1,57,109	1,03,472
Bricks-(d) 500 ccs (Nos.)	2,862	1,762	1,185
Bricks-(e) 1000 ccs	663	1,166	6,68
5. 'A' Grade Powder (KG)	1,99,980	1,80,780	2,21,120
6. 'B' Grade Powder (KG)	2,380	25,670	6,990
7. Sterilised Flavoured Milk	5,63,924	9,14,152	3,73,309

(*Ghee is also manufactured from white butter)

Overhead charges

2.17. Asked if the increase in overhead charges contributed to losses, the witness stated: "There has been no appreciable increase in the over-head costs. In 1965-66 it was 4.66 paise per litre; it was 4.29 for 1966-67, 5.31 for 1967-68 and 4.81 for 1968-69."

2.18. When the Committee drew attention of the witness to the recommendation contained in 27th Report (Fourth Lok Sabha) regarding reduction of overhead charges, the witness added: "In so far as the overhead costs are concerned, there seems to be very little scope. Office salaries have remained constant, stationery, printing and audit charges, furniture, interest on capital, electricity expenses, miscellaneous expenses are the other heads. We have furnished detailed break-up to establish that these items would not perhaps admit of any substantial reduction."

2.19. According to the witness, apart from the price paid for the milk the expenditure is booked under four account heads: procurement charges, processing charges, distribution charges and over heads and interest. They totalled 20.04 paise in 1965-66, 19.84 in 1966-67, 22.64 paise in 1967-68 and 23.75 paise in 1968-69 and the main causes for the increase in later years have been the frequent increases in salaries and allowances which had to be given, increase in transportation due to rise in the price of diesel oil, a little increase on account of the rise in electricity charges and a little higher rate of depreciation as the plant gets older.

2.20. In a note dated 7-11-68 submitted to the Committee which has been reproduced in pages 2 to 4 of the Eighty-Second Report, the Department of Agriculture had *inter-alia* stated that the Expert Team headed by Dr. V. Kurien recommended a norm of 21 paise per litre as handling, processing and distribution and other charges taking into consideration the circumstances existing in the scheme in 1964. Drawing attention to this the Committee wanted to know the break-up of the norm of 21 paise and the present position. The witness stated: "Now the total is turning out to be round about 23 paise; there is an increase of two paise on account of increase in the wage-cost, transportation charges, electricity charges etc. which could not have been visualised. The Kurien Committee gave its report in 1964."

2.21. When asked by the Committee as to what extent the cost of transportation in the Central Depot had increased, the Secretary, Department of Agriculture stated that the transportation charges under procurement which used to be 2.71 paise in 1965-66 were now

2.94 paise in 1968-69. The reasons were two-fold. One was the increase in the price of fuel and the other was that the vehicles were getting older.

2.22. Explaining further the Chairman, Delhi Milk Scheme stated: "We have been utilising all the vehicles we have and it has not been possible to replace any vehicles so far. All the vehicles which had been purchased 10 years ago are in use. They are being overused. They are used to deliver milk twice at night to cope up with the increasing quantity. We are now going in for 35 more vehicles, and there is a proposal for purchasing 35 more vehicles after that which will be in replacement, for handling all the quantity which we expect to handle by the end of this year."

2.23. The Committee desired to be furnished with a detailed note showing the break-up of the overall cost of milk per litre for the past six years ending 31st March, 1970 indicating the over-head charges as compared with the norms laid down by Kurien Committee under various heads. The Department in a note submitted to the Committee stated: "Part III of the Kurien Committee Report on the working of the Delhi Milk Scheme deals with "Determining a budget and a set of economic prices for the Delhi Milk Scheme". The Committee has in this part of their report made a broad assessment of the costs likely to be incurred by the Delhi Milk Scheme in the handling of milk at various stages and on this basis arrived at the following figures:—

1. Transportation costs from sub-centre to chilling centres	1.34 paise per litre.
2. Costs at chilling centres (at handling level of 10,000 litres per day)	2.20 paise per litre
3. Ice expenses	1.08 paise per litre
TOTAL	4.62 paise per litre

This figure has been rounded off by the Committee to 5 paise per litre on the basis of a likely through-put on an average of 7,500 to 10,000 litres per day.

The estimated cost of transportation of milk from the chilling centres to the Central Dairy has been worked out by the Committee at .63 paise, .68 paise or .75 paise per litre according as the distances covered in fetching the milk is 100, 150 or 250 miles per trip. Including this transportation charges the cost of reaching one litre of milk from the chilling centres to the Central works out to 5.75 paise on the basis of 250 miles per trip for fetching the milk. Against this assessment made by the Kurien Committee the procurement and transportation charges of milk from Sub-Centres to chilling centres

and from chilling centres to Central Dairy for the years 1964-65 to 1968-69 works out as follows;—

Particulars	(Paise per litre) Cost actually incurred by the D.M.S.					
	Cost assessed by Kurien Commit- tee	1964-65	1965-66	1966-67	1967-68	1968-69
Procurement and transportation charges from the sub-centres to the Chilling Centres and the Chilling Centres to Central Dairy.	5.75	7.514	7.560	7.384	7.872	9.049

The Kurien Committee had, thereafter, estimated the expenses in the processing and distribution of milk in the Central Dairy including over head charges on interest, audit, depreciation etc. at 13.8 paise per litre for a volume of 1,60,000 litres, 11.4 paise per litre for a volume of 2,60,000 litres, 10.00 paise per litre for a volume of 3,60,000 litres of fresh milk received. These charges include .63 paise, .68 paise or .75 paise per litre on account of transportation of milk from the chilling centres to the Central Dairy which has already been included in the table mentioned above as part of procurement charges. Therefore, excluding the transportation cost at .75 paise per litre the expenses on processing works out 13.05 paise per litre, 10.65 paise per litre, 9.45 paise per litre according as 1,60,000, 2,60,000 or 3,60,000 litres of fresh milk is received.

The actual volume of milk received on an average during the years 1964-65 to 1968-69 was as follows:—

Year	Actual average quantity of fresh milk received
	Litres
1964-65	.06,883
1965-66	1,41,482
1966-67	1,72,144
1967-68	1,57,989
1968-69	1,67,142

The Kurien Committee had worked out the estimated cost of processing on the basis of handling of different volumes of fresh milk received at the Central Dairy. The scheme has, however, been maintaining records to show the per litre expenses on processing and distribution on all types of milk processed and sold by the Scheme. The Scheme receives fresh milk on an average percentage of about 6.7 per cent fat which is issued in the form of Standardised milk containing 5 per cent fat and Toned Milk containing 3 per cent fat and Double Toned Milk containing 1.5 per cent fat. Further in the lean summer months the shortage in fresh milk is also made up by reconstituting the milk from white butter and S.M.P. The processes involved in the pasteurisation, standardisation, toning and double toning as also re-combination of milk to the extent required from fat and S.M.P. is the same for all types of milk. Therefore, it is felt that the correct method of assessment of cost would be the per litre expenses on account of processing and distribution and other over-head charges on the total quantity of all types of milk manufactured and sold by the Scheme rather than working it out in the form of cost per litre of fresh milk received for such processing. It is therefore, not possible to directly compare the estimated cost as assessed by the Kurien Committee in terms of per litre cost of fresh milk received. However, the cost as worked out by the Kurien Committee (including transportation charges) from the chilling centres to the Central Dairy on the basis of the average quantity of fresh milk received in the different years is indicated below in comparison with the cost per litre actually incurred by the Delhi Milk Scheme based on the expenditure involved processing and distribution of all types of milk in the respective years.

Year	Kurien Committee's estimated cost per litre on account of processing, distribution and other over-heads excluding material loss	Average qty. of fresh milk received	(Paise per litre) Cost per litre actually incurred by the D. M.S. in the processing and distribution of all types of milk (on distribution)
1964-65	13.05	1,06,883	14.62
1965-66	13.05	1,41,482	15.67
1966-67	13.05	1,72,144	15.17
1967-68	13.05	1,57,989	17.39
1968-69	13.05	1,67,143	18.33

The earlier figure of 21* paise mentioned as the norm fixed by the Kurien Committee has, it appears, been indirectly worked out on the basis of the procurement cost of milk at 64 paise per litre at the chilling centres including the price of milk against which a selling price of 80 paise per litre was indicated for buffalo milk. This works out to a figure of 16 paise per litre in fetching the milk from the chilling centres to the Central Dairy, its processing and distribution. To this figure 5 paise per litre estimated by the Committee as the cost upto the point of collection of milk at the chilling centres appears to have been added to arrive at the over all norm of 21 paise per litre. The distribution cost, pasteurisation cost, quality control and other over head charges on account of interest, depreciation etc. are likely to be the same for all types of milk, it could be held that the Kurien Committee had taken an overall norm of 5 paise per litre as the cost upto the Chilling Centres and 16 paise per litre as the cost of transportation of milk from chilling centres to the central dairy, its processing and distribution including other heads. If this is accepted then a comparison of the handling charges for the period from 1964-65 to 1968-69 with the norms indicated by the Kurien Committee would be as follows:—

	Cost as assessed by the Kurien Com- mittee	Cost actually incurred by the Delhi Milk Scheme				
		1964-65	1965-66	1966-67	1967-68	1968-69
Procurement and transportation charges from the sub-centres to chilling centres and chilling centres to Central Dairy	5.75	7.51	7.56	7.38	7.87	9.05
Processing, distribution and overheads	15.25	14.62	15.67	15.17	17.39	18.33
TOTAL	21.00	22.13	23.23	22.55	25.26	27.38

While verifying the factual position, Audit had the following to say: "The figure of 21 paise has nowhere been worked out by the Kurien Committee. In view of this assumption made by the Scheme in working out the figure of 21 paise per litre and intimating this figure to the P.A.C. earlier in 1968-69, cannot be vouchsafed in Audit.

On the basis of the data given in the Kurien Committee Report, the cost of handling processing etc., works out as follows:—

1. Cost up to the stage of collection	—5.00 paise per litre.
2. Out of pocket expenses such as processing transport, bottling, quality control, overhead charges etc.	—13.80 ,
3. Material Loss etc., @ 3%	—0.64 ,
TOTAL	19.44 ,

2.24. The Committee in their Twenty-Seventh Report (Fourth Lok Sabha) took note of the fact that the Delhi Milk Scheme was incurring losses since its inception upto 31st March, 1967. The Committee are disturbed to find that the working results for the subsequent years 1967-68 and 1968-69 have also disclosed losses. The biggest ever loss of Rs. 146.71 lakhs was incurred during 1967-68. The cumulative loss upto 31st March, 1969 amounted to Rs. 417.68 lakhs. The Committee see no justification for losses in a Project of this kind which elsewhere has been found to be profitable for example Karia District Co-operative Milk Scheme. The Government should keep a close watch on the Scheme taking expert advice as and when necessary as it is of prestigious importance being located in the Capital of the Country. The Committee trust that Government would make fullest use of the expertise on the subject available in the country. During evidence the Committee were informed that the Scheme expected to show profit during 1969-70 partly due to rationalisation of procedures and control over incidental costs and partly due to increase in sale price given effect to from 22nd February, 1969. The Committee subsequently understood from Audit that the proforma accounts for the year 1969-70, as made available to them, showed a net profit of Rs. 73.34 lakhs. In this connection, the Committee would like to be apprised of the extent of profit arising from the operational efficiency and that accruing from increase in the sale price effective from the 22nd February, 1969, or lower cost of procurement of milk, separately. The Committee hope that with the increase in turnover and better control over expenditure losses would be wiped off and the Scheme would be able to function on a 'no profit no loss' basis.

2.25. The Committee note that the Block Assets of the Scheme did not include buildings and airconditioning plant valued at Rs. 100.97 lakhs as on 31st March, 1969 and that consequently the cumulative loss remained understated to the extent of Rs. 31.85 lakhs. The Committee trust that the position would be rectified in the accounts for the year 1969-70.

2.26. The Scheme has sustained loss even on milk products during the year 1968-69 for the first time in three years ended 31st March, 1969. The Committee would like to know the specific reasons for the loss sustained in the sale of milk products during the year 1968-69 alone.

2.27. The Committee find that the profitability or otherwise of each of the by-products could not be worked out by the Scheme in the absence of product-wise details of cost of production. The

Scheme should maintain accounts in a form which will enable working out of individual product-wise loss-profit so that production capacities of products that yield a margin of profit may be fully utilised in the financial interest of the Scheme.

2.28. It is disconcerting to observe a rising trend in procurement, transportation, processing, distribution and overhead expenses. The cost of procurement of milk and transportation upto the Central Dairy which ranged from 7.38 paise to 7.87 paise per litre during the four years 1964-65 to 1967-68 suddenly jumped to 9.05 paise in 1968-69 as against a norm of 5.75 paise fixed by the Kurien Committee. Further the cost of processing, distribution and other overheads went up from 14.62 paise in 1964-65 to 18.33 paise in 1968-69 as compared to the norm of 13.05 paise. The Committee need hardly emphasise the necessity for an item-wise control of cost with the help of periodical cost analysis. The Committee have dealt with the deficiencies in this regard elsewhere in this Report.

2.29. It was urged before the Committee during evidence that the norms laid down in 1964 could not be compared with the expenses in later years. Further, according to Government, the correct method of assessment of unit cost of processing, distribution and other overheads would be on the basis of total quantity of all types of milk—standard, toned and double toned—manufactured and sold by the Scheme whereas Kurien Committee had taken the quantity of fresh milk received as the basis. The Committee would suggest that revised norms, if necessary may be worked out on a comparable basis for various stages of operation by an independent expert in association with a person well versed in cost accounts.

CHAPTER III

MILK PROCUREMENT

Audit Paragraph

3.1. (a) The Milk Processing Plant installed at the Central Dairy has an installed capacity of 7,000 maunds (2.55 lakh litres) of wholesome milk per day in double shift. The target of procurement as fixed by the Management *vis-a-vis* the actual procurement of milk during the last 3 years was as under:—

(Milk procured in lakhs of litres)

Year	Procurement perday		
	Target	Actual	
		Quantity	Percentage of Target
1966-67	1.86	1.72	92
1967-68	2.00	1.58	79
1968-69	1.66	1.67	100

3.2. In their reply to the recommendation contained in paragraph 3.50 of the 27th Report of the P.A.C. (1967-68), Government had stated that steps were being taken to procure more milk in 1968-69 as compared with that obtained in 1967-68 and that with increase in procurement it would be possible not only to augment the supply of liquid milk to the city of Delhi above the present level of about 2.25 lakh litres per day but also to produce larger quantities of butter, ghee and ice cream, etc.

3.3. It will, however, be seen from the data given above that procurement of milk in 1968-69 increased only marginally over that of 1967-68 and was far short of the installed capacity of 2.55 lakh litres per day.

3.4. In this connection, the Ministry have stated (January 1970) as follows:—

“The higher targets of liquid milk procurement based on the optimum installed capacity (2.55 lakh litres) would be prescribed as soon as the Scheme is in a position to take additional supplies of milk during winter months, which could be converted into skimmed milk powder for utilisation during the summer months. Necessary spray drying equipment and balancing stations are being installed for this purpose.”

[Para 80(3)(a) Audit Report (Civil), 1970].

(a) *Milk Procurement*

3.5. The Committee enquired why the Scheme was not procuring milk to the maximum installed capacity—viz. 2.55 lakhs litres. The Committee also wanted to know the actual procurement for 1969-70. The witness stated: “In 1969-70, 720,17,373 litres were procured during the whole year. That was the raw milk which we got. But we must make a distinction between this raw milk procurement and the processing capacity. The installed capacity has to be in excess of the magnitude of procurement.”

3.6. According to the Secretary, Department of Agriculture the Delhi Milk Scheme was using the full capacity of the milk processing plant.

3.7. Clarifying the position further, the Chairman, Delhi Milk Scheme added: “The capacity of the plant is related to the processing capacity. It does not matter whether the milk that is utilised is procured or it is reconstituted.”

3.8. The Committee wanted to know the position in regard to procurement with reference to target fixed for the year 1969-70. The Additional Secretary, Department of Agriculture stated: “In 1969-70, the target was 2.06 lakhs litres, while we got 1.97 lakhs litres; this came to 95.14 per cent; so there was a gap. This was on the procurement side, not on the plant capacity or the installed capacity.”

3.9. The Committee wanted to know the basis on which the targets were fixed. The witness stated: “We do it at the time of framing the budget. The recommendations come from the Chairman, Delhi Milk Scheme when he formulates the budget. He initiates it in consultation with his own technical staff who look at the procurement side. It is based on two things. Firstly, it is based on the quantity of milk

that was procured in the previous year; then we also try to anticipate the likely trend; on the basis of these, the Chairman (Delhi Milk Scheme) takes a view, as to how much milk is likely to be procured. This is seen by us and then it is seen by Finance, and then we eventually make the budget estimates; in the budget estimates we put it; but there is no single individual who fixes the targets."

3.10. To a question, the witness added: "It is an estimate; very largely, a guess work."

3.11. Explaining that it is not necessary to procure raw milk to the maximum installed capacity of the processing plant, the witness deposed as follows:

"On the procurement side, the maximum that the plant can handle is 2.55 lakhs litres. Tomorrow if by good luck we get this quantity up to the installed capacity of raw milk we would not be able to handle the milk for this reason that in Delhi there is a definite demand for toned milk. Then there is the question of storage. Therefore, the installed capacity for processing milk should be higher than the total quantity procured. Ultimately it will all largely depend on consumer preference. In Australia and many other countries, they do not take the high fat percentage of milk and therefore there must be mechanical adjustments for withdrawing the fat. So, you do not need raw milk up to the installed capacity of the processing plant."

3.12. The Committee understood from Audit that the Ministry stated (January, 1970) as follows:

"The higher targets of liquid milk procurement based on the optimum installed capacity (2.55 lakhs litres) would be prescribed as soon as the Scheme was in a position to take additional supplies of milk during winter months, which could be converted into skimmed milk powder for utilisation during the summer months. Necessary spray drying equipment and balancing stations were being installed for that purpose."

3.13. During evidence, the Committee wanted to know the steps taken by the Scheme with regard to the installation of spray drying equipment and balancing stations. The witness stated: "The spray drying equipment has arrived and it is expected to be commissioned by March, 1971. We have got land for the 'balancing station' at Bikaner from the Rajasthan Government and the order for equipment

has been placed." The Secretary, Department of Agriculture informed the Committee that the capacity was expected to go up to 4.35 lakhs. litres after the installation of the above mentioned equipments.

3.14. Asked about the reasons for the variation in the level of procurement from year to year, the witness stated: "It has turned out that 1967-68 happened to be one of the worst drought affected year in this area. That is how there was a very big shortfall. That year also taught us to issue a control order during summer months banning the use of milk for luxury products, sweets etc. The order has had some effect because the drop in the supply of milk in summer months is not as marked as it used to be in the previous year."

3.15. The Committee wanted to know the places from where the milk was procured at present by the Delhi Milk Scheme. The Additional Secretary, Department of Agriculture stated: "Our milk shed is in the adjoining areas of Delhi; for instance, we buy in Meerut, Bulandshahr, Gurgaon, Karnal, etc. We get some quantity from Gujarat and Cow's milk from Bikaner."

3.16. Explaining the procurement procedure adopted by the Delhi Milk Scheme, the Chairman of the Scheme said: "The bulk of our milk is procured through milk suppliers who are middlemen and they are entitled to a commission. The price we declare is payable to milk supplied through the middlemen or persons who bring milk upto a roadside point and the quality is 6.5 per cent fat and 9 per cent S.N.F. We have departmental procurement in Bikaner and the price we declare is applicable directly to the milk producers. We have also been reserving Karnal for direct procurement of milk and for co-operatives in that area. The co-operatives are given a commission that is normally given to the milk suppliers. In Karnal we also give them the benefit of the fat advantage. The price is fixed on the basis of 6.5 per cent fat and in summer it is likely to go up to 8 per cent. Instead of the middlemen making the profit, we want to pass on this profit directly to the producer and the producer gets a much higher price than he would normally be able to get if he dealt through the contractors. These are the various methods of payments to the villagers."

3.17. Referring to the proposal of setting up co-operatives in the Jalmang area of Karnal district, the Committee enquired whether any progress had been achieved in that direction. The witness stated: "We have 34 co-operatives operating in Karnal."

"In the Karnal area, these cooperatives were set up three or four years ago. Initially we started procurement departmentally. We had the men going to the villages and bringing the milk to the chilling centres. But we found the difficulties. One was that we had to disburse the entire cash to all the villagers directly which meant there was always the danger that the cash may not find its way. The other difficulty was that these people who were employed for bringing the milk from the villages, in some cases, left our service and they carried the milk away with them. So it was not found to be a very happy answer and it was then decided to have a change-over to cooperatives. We started the cooperative structure last year, in fact, in an organised way. We had a large number of difficulties in the organisation of cooperatives, particularly where the men had to make payments for the fat test inside the villages. So it was necessary to organise testing procedure inside the villages which had not been normally done. Even in Kaira, it had never been attempted. We tried to organise the testing methods on the basis of composite samples collected over a period rather than daily because ultimately the cost would be much more. For these reasons, there was some difficulty in getting these cooperatives organised satisfactorily. But we are now in close contact with the State Governments concerned and the directors and we have been holding a large number of meetings for discussing these things and place the organisation in a satisfactory manner. So far, the effect has been limited."

3.18. The Committee enquired about the present position of the proposal for having monopoly procurement of milk. The witness stated: "We have given up the idea unless we are driven to it. We modelled it on the sugarcane procurement. We have given it up. I do not think it will go through."

3.19. The Committee drew attention of the witness to the note (dated 7th November, 1968) from the Department of Agriculture regarding action taken by Government on the recommendation of the Committee contained in para 3.49 of their 27th Report (Fourth Lok Sabha) which *inter-alia* stated as follows:—

"The need for cattle development in milk shed of various fluid milk plants has been well recognised by the Government and a number of intensive cattle development projects have been sanctioned for milk sheds of various Milk Schemes, a basic idea of these projects is linking a large dairy with the project so that the dairy gets advantage

of the additional milk generated, and the products get an easy assured market. Four such projects have been sanctioned for milk shed of the Delhi. Milk Scheme in districts of Meerut in U.P., Gurgaon and Karnal in Haryana and Bikaner in Rajasthan. These programmes are centrally sponsored and outlay as follows has been provided over the Five Year Plan period for the various projects—

Meerut Project	..	Rs. 71.32 lakhs
Bikaner Project	..	Rs. 120.00 lakhs
Karnal Project	..	Rs. 83.52 lakhs
Gurgaon Project	.	Rs. 77.08 lakhs

The intensive cattle Development Programme provides for a comprehensive programme covering simultaneous action on all fronts concerned with increasing production of milk which will be channelised to the plant in a specified area covering about 1,00,000 breedable milch animals."

3.20. Referring to the four projects centrally sponsored, the Committee enquired whether the progress made was satisfactory. The witness stated:

"I would not like to say 'Yes' because the milk production scheme is such that there is a tremendous ground yet to be covered. The position is, we have got the various data here; for instance, we have the artificial insemination scheme; a number of centres have been opened. The diseases of the cattle are looked after, we have made progress in the programme of breeding also. We are spending roughly about Rs. 40 lakhs in these four projects. Our current years' estimate is about Rs. 50 lakhs from memory. Our technical people are in overall charge of the programmes, some senior gazetted officers and the Directors of the States visited these areas and helped in implementation of the projects. But this is a matter which will take time to show improvement. Some progress has certainly been made; probably good progress has been made. But it is a matter of personal reaction as to how soon we would have results. We have gone in for a very large number of extension Schemes in regard to the cattle development work around the milk centres. We do hope that visible results of these measures will start coming sooner rather than later."

3.21. When pointed out by the Committee that the procurement figures in regard to milk did now show that much had been done, the witness added:

"Some work has been done; the figures are tentative. The Chairman of the Delhi Milk Scheme, has estimated that we draw half of our milk requirements from these four intensive areas. The Delhi Milk Scheme has collected 51,289 quintals from March 1970 from these areas, as against a total of 67,800 quintals procured by the Delhi Milk Scheme from all the other areas."

3.22. When pointed out by the Committee that huge amounts had been sanctioned for the four projects, but the results were not commensurate with the amount sanctioned, the witness stated:

"The development is in the hands of the State Government. We have some arrangement for coordination. But we will have to do a great deal more to make these cattle development programmes more effective. We provide for all the different kinds of services, as the report itself mentions. Our difficulty is we do not have a proper scientific assessment machinery under the statistical organisation to answer the question about improvement in the milk production. Although we provide the money, willy-nilly it has to be done through the State organisations."

3.23. According to the Secretary, Department of Agriculture, the Intensive Cattle Development Scheme was not intensive enough. Enough was not being done for the breeding programme and for the fodder and feed. So far as the fodder was concerned there was always competition with the food crops.

3.24. The Committee desired to be furnished with the figures regarding procurement of milk from each of the four intensive areas viz. Meerut, Gurgaon, Karnal and Bikaner for the last four years ending 31st March, 1970. The Department of Agriculture, in a note submitted to the Committee have furnished the information as follows:

"Milk is brought by contractors/Cooperative Societies to the chilling centres of the Scheme not only from the areas covered under intensive cattle development projects but also from other adjoining areas. Delhi Milk Scheme has

not been maintaining records to show specifically the procurement of milk from areas covered under the four intensive cattle development projects. However, the procurement figures of milk received from contractors/cooperative societies who have been supplying milk from these areas to the extent practicable, are given below:—

(Figures in Quintals)

	1966-67	1967-68	1968-69	1969-70
Meerut	2,42,024	1,95,818	2,20,367	2,36,513
Gurgaon	57,111	50,608	73,502	82,560
Karnal	10,893	4,692	4,747	13,558
Bikaner	25,717	36,433	32,521	6,872

3.25. The Committee also wanted to know the quantity of Milk produced within the State of Delhi during 1967-68, 1968-69 and 1969-70. The Department, in a note, furnished the information as given below:

The following quantity of milk was procured within the State of Delhi during the last 3 years.

Year	Quantity
	Kgs.
1967-68	50,660
1968-69	39,229
1969-70	1,00,117

3.26. The Committee enquired whether any research had been done to determine what was the economic and balanced diet for cattle. The Deputy Director General, ICAR, stated:—

“In the field of animal nutrition, work has been going on for the last 20 years. The agency is the National Dairy Research Institute and its substations, and the Indian Veterinary Research Institute, Izzatnagar. There are several regional animal nutrition stations set up by the ICAR in different regions of the country. We have now fairly precise formulations for not only balanced diet but also a compounded cattle feed industry. There are 13 such compounded cattle feed factories which produced balanced mixture for milch

cattle and other categories of cattle. The total turn over of these 13 factories is about 100,000 tonnes annually. The factories are situated in different parts of the country, some in U.P. some in Bombay, and many of them in the South. Gujarat has one of the largest factories. There is one near about Meerut."

3.27. To another enquiry about the popularisation of cattle feed, the witness stated: "It is extremely popular. When the farmer finds that the milk yield is more, he purchases the cattle feed. The question of price is there. The ingredients fluctuate very much. One main ingredient is maize which is priced high in certain parts of the year and becomes uneconomic for the farmer to use. The farmer is quite conscious that balanced cattle feed is useful to him in increasing milk production."

3.28. The Committee wanted to know whether any survey had been carried out in the four districts Meerut, Bikaner, Karnal and Gurgaon regarding popularisation of the new cattle feed and increase in milk production. The Addl. Secretary in the Department of Agriculture stated:

"This survey has not been carried out but we can find out how much has been sold through Government units. But that will be a very small part of the total requirements. We have to make it acceptable to the farmer on a large scale and that is the effort that is being made. We are very conscious of the fact that feed fodder is really turning out to be a difficult thing."

3.29. The Committee wanted a detailed note regarding the progress made in the setting up of intensive cattle development projects in the districts of Meerut in U.P., Gurgaon and Karnal in Haryana and Bikaner in Rajasthan, indicating *inter alia* their impact on milk production in these areas. The Department of Agriculture in a note submitted to the Committee, have stated:

"With a view to increasing the production of milk rapidly for supply to Delhi Milk Scheme, the Ministry of Food and Agriculture sanctioned in June, 1967 the establishment of 4 Intensive Cattle Development Projects in the States of Rajasthan, Uttar Pradesh and Haryana. These are Central Sector projects for which the Central Government bears the entire expenditure. The Projects are located in the Districts of Bikaner (Rajasthan) Meerut (UP) and Gurgaon and Karnal (Haryana) wherefrom Delhi Milk Scheme is collecting milk. These are comprehensive projects and attend to all aspects of cattle development such as controlled breeding, mass castration of scrub bulls, effective disease control, subsidised rearing of calves, feeds and

fodder development, rural dairy extension and organisation of milk producers' cooperatives etc. These projects cover about 6.9 lakhs of breedable cows/she buffaloes. Special emphasis on improvement of cattle for augmentation of production of milk by taking up systematic breeding with improved Indian milch breeds and/or of suitable exotic breeds and on development of feeds and fodder resources is being laid in these projects. Breeding facilities are provided to the animals through a net work of A.I. Centres and sub-centres set up under the Projects. Superior breeding bulls are located at the Semen Bank, Artificial Insemination Centres to collect semen any inseminate animals. Semen of these high quality bulls is also transported from the Artificial Insemination Centres to the sub-centres to breed the village cows so as to bring about a progressive improvement in the genetic merit of the cattle population covered under these projects. A statement showing the progress achieved in the 4 Intensive Cattle Development Projects during the last three years under major items of activities is appended (Appendix I). It will, however, be seen from the increase in procurement of milk by Delhi Milk Scheme, that, by and large, the Incentive Cattle Development Projects in the milk sheds of Delhi Milk Scheme are making a satisfactory progress. It is expected that with the introduction of cross breeding, the production of milk will further increase when the project will be in full swing by the end of the Fourth Five Year Plan.

3.30. The Committee also wanted to know the steps that had been taken towards cattle development in the state of Delhi. The Department, in a note submitted to the Committee, stated:

“The Union Territory of Delhi has a cattle population of about 1.7 lakhs. The territory forms a part of the home-tract of Haryana breed of cows and Murrah breed of buffaloes. The outlay for the Fourth Plan for Animal Husbandry Sector in Delhi is Rs. 60 lakhs, out of which an amount of Rs. 8 lakhs has been allocated for the year 1970-71. The improvement and development of Cattle in the Union Territory is being taken care of by the following projects:—

1. Key Village Scheme.
2. Construction of Veterinary Hospitals.
3. Loans for purchase of milch animals.
4. Establishment of Gosadan-cum-Transit Camp.
5. Goshala Development Scheme.
6. Eradication of rinderpest.

3.31. The Committee wanted to know the out-come of the proposal to have a second dairy. The Chairman, Delhi Milk Scheme stated: "We have made progress in that. We have already negotiated the land and selected the land. We have to take it over. It is intended to proceed with this after the necessary arrangements for acquisition of land are made. We are in the process of trying to have the possession of the land. The matter is under reference to the ADM (Land Acquisition)."

3.32. Referring to the problem of procurement, the Committee wanted to know the prospects for the commissioning of the second dairy. The Secretary, Department of Agriculture stated: "You might have learnt by now of a very ambitious scheme of dairy development which is being tried around in the four metropolitan cities of Delhi, Bombay, Madras and Calcutta. We have set up a Dairy Development Corporation with an outlay of Rs. 100 crores and the scheme is that by stepping up supplies of milk with the Skimmed Milk Powder and later on by improving the genetic stock and the fodder, it would be possible to arrange plentiful supply of milk not only for these metropolitan areas but the hinterland also. The scheme has just started and the details of this have been gone into carefully with international experts also. There is a very substantial cattle development programme. It will not be just setting up a Government cattle farm. It will be done as a part of agricultural development, a kind of mixed farming. We hope that this scheme would work according to schedule and make it possible to arrange the full supply of milk to these four metropolitan cities."

3.33. The Committee wish to point out that adequate procurement of milk is the very basic of satisfactory working of the Scheme. The Delhi Milk Scheme has since purchased a spray drying equipment to take additional supplies of milk during winter months and convert into skimmed milk powder for utilisation during summer months and the equipment was expected to be commissioned by March, 1971 latest position has not however been intimated by Government. The Committee expect that the Scheme would take appropriation measures to step up procurement of milk in order to ensure optimum utilisation of the plants throughout the year and to reduce the unit cost of milk and milk products.

3.34. The Committee are not satisfied with the present arrangement for the procurement of milk under which bulk of the purchase is made on commission basis through middlemen. In the opinion of the Committee, the milk producers should get the benefit in full:

4.6. (b) Neither any proper account of fat utilised was maintained by the Scheme till 31st March, 1968 notwithstanding the fact that the need for maintenance of such an account was pointed out by Audit in August 1964, nor has any norm been laid down so far (January 1970) in respect of the loss of fat in processing.

4.7. According to the overall fat utilisation account prepared by the Scheme for the year 1968-69, there was a loss of fat of 81,365 Kgs. valued at Rs. 9.76 lakhs; the percentage of loss being 1.97 per cent. Of the total quantity handled. The loss of fat during the period from April 1969 to October 1969 ranged between 0.05 per cent. and 2.46 per cent; the average loss being 1.07 per cent.

4.8. The Ministry have stated (January 1970) that the Scheme is being advised to determine the norms for the loss of fat in processing. [Para 80(4) Audit Para (Civil) 1970]

4.9. Explaining the various stages in which loss and wastage of milk and other products occur, the witness told the Committee as follows:

"We have divided it into two stages, because it is handed over from one section to another, and there is an assessment of the quantity as well as quality in between and so it is possible to identify the loss separately from the stage of procurement upto the Central Dairy and then from the Central Dairy onwards. When the Central Dairy takes over the milk, there is some wastage and a test is made of the milk that is received; we judge that against the price that we have paid for that milk at the chilling centres. So it is possible to control it in two stages, because two different sections of the Dairy are concerned."

"The third stage is after processing, when the milk is ready for conversion to products/into bottles. As regards the loss at this stage, we have found that it is not necessary to lay down any norms, and there is individual accounting of every bottle after that stage. We are handing over a certain number of bottles to the milk van drivers who then hand them over against challans to the depots, and the depots are making cash sales against them and they have to render account for every single bottle. So, there is no loss which we suffer there. We are taking into account every single bottle that is lost. These are sealed bottles, and we are accounting for every single bottle."

Of course, there could be some loss in the sense that some bottles may get broken and all that. But they are fully accounted for."

4.10. The Committee desired to know the basis on which the norm for loss of fat from the stage of procurement to its receipt at the Central Dairy initially fixed at 1.25 per cent (w.e.f. 1-6-69) and was refixed at 1 per cent with effect from 1-7-70. The Chairman, Delhi Milk Scheme stated: "No norms have been laid down by the Kurien Committee in this respect. These norms have been defined on the basis of our own experience. The norms are in three stages. One relates to the losses from the point of procurement of milk at our milk collection and chilling centres upto the point of their reaching the Central Dairy. After that, we assess the losses in milk that is received in the Central Dairy and the milk that is issued on the basis of that or the milk products that are produced from the plant, and the third stage is after it leaves the Central Dairy upto the point of sale. We have gone into all these three stages, and on the basis of data compiled by the Internal Audit Section which was organised in 1968, we have defined these norms. Studies of these data were made to have a rational solid basis for the norms that may be laid down. As regards these norms, the first part was from the procurement end upto the point of receipt in the Central Dairy. The norm was laid down at 1.25 per cent earlier, on the basis of data collected earlier, but when we started enforcing our norms and calling for explanations, whenever the fat loss was higher than the norm, it resulted in a certain tightening of controls and some saving, and it was thus possible to reduce this norm upto 1 per cent. Since then, we have also laid down the norms for the processing losses, in respect of both the milk converted into milk bottles and the milk converted into products."

4.11. Dealing with the norm for the loss during processing, the witness went on to say: "Then we come to the question of the norm of loss within the dairy during processing. We have laid down the norms separately for the summer season and for the winter season. The reason for that is that in winter we get a larger quantity of milk, and a part of that milk is converted into products which are dependent entirely on hundred per cent handling of fat; the losses in the later case are liable to be higher as compared to the case when we are using milk only for production of bottles. The losses in respect of fat are liable to be higher when we are handling fat as such as compared with that when we are using milk only for production of bottled milk which is the situation during summer. So, we have laid a lower norm for the summer months and a higher

and the amount paid therefor from January to December 1969 month-wise.

Months	1968		*	1969	
	Total milk procured	Amount paid		Total milk procured	Amount paid
	Kgs.	Rs.		Kgs.	
January	1,98,901.2	1,02,868.85		37548.5	27,119.90
February	2,52,456.1	1,48,856.30		36384.0	22,832.35
March	4,20,342.8	1,96,097.70		48782.1	24,586.90
April	5,04,913.0	3,22,328.55		66208.6	35,977.65
May	5,05,505.7	3,11,826.25		77753.8	55,853.80
June	5,05,877.8	3,49,118.20		74321.3	57,122.00
July	5,34,620.5	3,14,139.25		71394.0	53,311.70
August	4,68,042.0	3,37,383.65		99514.3	58,639.05
September	3,40,610.5	2,92,888.50		86155.8	74,484.85
October	1,50,916.1	1,45,214.60		49701.5	54,063.10
November	71,198.3	67,585.80		255763.2	24,272.50
December	47,698.4	35,581.40		19,754.4	15,665.40

1. The low per cent in the year 1969 as compared to the year 1968 was due to famine condition which led to migration of milch cattle from the milk procurement area.

3.47. The Committee were informed that as there was direct departmental procurement at Bikaner, testing of individual supplies of milk, being prohibitively expensive, was not done and that some improvements have been made since January, 1969. The Committee do not approve of the existing arrangement as they consider that the testing of individual supply is a must to guard against procurement of sub-standard or adulterated milk. The steps taken in this regard may be reported to them.

*While verifying the factual position, Audit had the following to say: "On local verification in Audit of the figures at Bikaner, it was found that the total milk procured as indicated by the Ministry also included the quantities of curdled and soured milk for which no payment is made (Quantities of such milk, though asked for, have not been furnished by the Scheme to the D.C.A., New Delhi.)

Similarly, the figures of 'amount paid' do not represent the actual amount paid for the quantity of milk procured in each month. These figures represent the total amount paid, including arrears of earlier months."

These observations were communicated by the D.C.A., New Delhi, to the Ministry on 10-12-1970.

CHAPTER IV

PROCESS/TRANSIT LOSSES

Audit Paragraph

4.1. (a) No norms have so far been laid down for the loss and wastage of milk and other products during handling, processing and distribution although this deficiency was pointed out in paragraph XVI-6 of Audit Report (Commercial), 1963 and Section XXIII-5 of Audit Report (Commercial), 1966.

4.2. The Management have stated (November, 1969) that, after a careful review, it has been decided to fix a norm of 1.25 per cent for loss of fat from the stage of procurement of milk at the chilling centres to its receipt at the Central Dairy and that "the question of fixing norms for the loss of fat in processing and the loss of milk in distribution is under active consideration and Audit will be informed of the further development in due course."

4.3. The Ministry have, however, stated (January, 1970) that, as the loss of fat from the stage of procurement to its receipt should not exceed 1 per cent, the Scheme has been asked to refix the norm at not more than 1 per cent with effect from 1st July, 1970.

4.4. As regards the fixation of norm for transit loss from the chilling centres to the Central Dairy, it may be mentioned that the Management have fixed only the norms in terms of fat loss and not with reference to the quantity of milk. As against the proposed percentage of 1.25., the fat loss in respect of buffalo milk during 1968-69 ranged between 0.07 per cent and 4.81 per cent in respect of various centres.

4.5. So far as the transit loss in terms of quantity of milk is concerned, the transit loss in respect of cow milk transported from Bikaner to Delhi during the month of July 1968 amounted to 13,310 Kgs. valued at Rs. 8,651.50 and represented 2.6 per cent of the total quantity transported during that month. The Management have explained (November, 1969) that the transit loss was due to rough handling of the freezing cans by the Railway staff, loss due to spillage, etc. The Ministry have stated (January, 1970) that "these losses will be avoided after the introduction of the insulated rail tankers for transport of milk from Bikaner to Delhi for the procurement of which the indents have been placed with the D.G.S. & D."

standard laid down in the Accounting manual is 4 per cent. The position is not bad. In fact, we are doing pretty well. Because of the practical difficulty and the cost involved we have not gone into the testing of milk supplied by individual producer. There are two ingredients in the milk which we would like to be assured of fat content and protein content. There are two procedures—one is test by specific gravity and the other is a detailed one.”

3.39. To a question, the witness stated that the sample was taken after the milk was received by the collection and chilling centres. Individual testing was prohibitively expensive. So the scheme tried to evolve a certain practical method in dealing with milk.

3.40. The Secretary, Department of Agriculture added:

“No loss has been incurred because on the total collection at the Bikaner chilling centre we have found that year after year the fat content is higher than the standard fat content of cows milk which we have laid down. May be the position was not explained properly. The overall loss might not have been properly explained. We concede that in an individual case of buying milk from buyers the Delhi Milk Scheme might have done badly but on the overall collection at our chilling centre there has been no loss.”

3.41. The Committee then pointed out that it was not only a question of loss but also a question of irregularity. The Committee desired to know the reason for changing the procedure in 1969 if there was no loss under the old system of procurement. The witness stated:

“We have only improved the procedure to the extent that we are now making tests of the cans of milk. But a proper procedure will be that if we collect milk from so many producers, we should test the milk supplied by each producer. We are still not doing it. Our internal audit has gone into this question from 1965 onwards. At the chilling centre, we were taking the measurements of the fat content. It has been brought out by the internal audit that the fat content was in the neighbourhood of 4.5 per cent whereas the standard fat content for the cow's milk is 4 per cent. Before 1965, we do not have the figures, it is very difficult to conclude one way or the other. If, on

test, after 1965, we had come to this conclusion, may be the position was holding good even in earlier years. But we will not be able to deny that there was no loss."

3.42. The Committee then pointed out that the loss suffered by the Delhi Milk Scheme, on that account during the years 1962-68 had not been assessed by the management yet. The Committee wanted to know the reason. The witness stated: "We certainly, went into this question after audit drew our attention to the flow. The internal Audit has been able to check the figure from 1965 onwards. We are not in a position to say as to what exact fat content was in regard to overall collection of milk prior to 1965."

3.43. Referring to the step taken in 1969 to rectify the position, the witness further stated: "The intention was to further streamline the procedure. We do not say that the practice that we are following is strictly correct. We admit that the correct practice will be to test the milk as supplied by each producer. The Chairman of the Delhi Milk Scheme has explained the practical difficulties in adjusting that procedure. However, some improvement, what one might call a via media, has been effected after the audit drew our attention to this flaw. We have also made an indirect check to see what has been the extent of the loss and the picture which has emerged is not unsatisfactory."

3.44. To a question, the Chairman, Delhi Milk Scheme replied that the procedure was entirely confined to Bikaner Centre where they had peculiar difficulties.

3.45. The Committee wanted to know the average fat content of milk at the chilling centre in Bikaner during 1968-69. The Department of Agriculture, in a note submitted to the Committee furnished the following information: "Average fat content of the milk received at the chilling centre in Bikaner District during calendar years 1968 and 1969 is as follows:

1968	4.3 per cent fat
1969	4.5 per cent fat."

3.46. At the instance of the Committee, the Department of Agriculture furnished a statement as under showing (i) quantity of milk purchased at Bikaner and the amount paid therefor from January to December 1968 monthwise and (ii) the quantity of milk purchases

instead of allowing the middlemen to derive profit. To achieve this end in close cooperation with the State Governments concerned the Scheme should encourage establishment of genuine milk producers' cooperatives in the milk-shed areas from where milk is at present procured. The organisation of cooperatives which is one of the aims of the Intensive Cattle Development projects should, receive the priority that it deserves.

3.35. In spite of considerable expenditure on the Intensive Cattle Development Projects sanctioned for the milk shed of Delhi Milk Scheme in districts of Meerut in Uttar Pradesh, Gurgaon and Karnal in Haryana and Bikaner in Rajasthan, the Committee do not find any appreciable improvement in procurement. As against a quantity of 3,35,745 quintals of milk purchased in these areas in 1966-67, the quantity procured in 1969-70 was only 3,39,503 quintals. Admittedly the projects are not intensive enough and "there is a tremendous ground yet to be covered." According to the Secretary, Department of Agriculture, enough was not being done for the breeding programme and for the fodder and food. The Committee hope that Government will attend systematically to these shortcomings in the interest of improving milk production.

3.36. The Committee could not get any idea about the increase in the yield of milk consequent on the implementation of the cattle development projects. The witness informed the Committee that Government "do not have a proper scientific assessment machinery under the statistical organisation to answer the question about improvement in milk production." The Committee are unhappy about the inadequacy of the existing Government machinery in this regard. As these projects are centrally sponsored, the Committee feel that it is the responsibility of the Centre to ensure that these yield satisfactory results. In this connection the Committee would suggest that a periodical survey should be undertaken in the four ICDP areas so as to determine the extent of increase in milk production and devise further measures, in the light thereof to achieve higher production.

(b) *Payment at full rate for the sub-standard cow milk.*

Audit Paragraph

3.37. It was noticed in audit that in respect of procurement of cow milk at the Bikaner Centre, the Scheme was paying for the milk at the full rates without any reference to its fat and S.N.F. contents. It was only with effect from January, 1969 that the price was regulated with reference to the fat and S.N.F. contents. The loss suffered by the Scheme on this account during the years 1962-68 has not, however, been assessed by the Management.

[Para 80(3) (b) Audit Report (Civil) 1970]

3.38. The Committee pointed out that it was evident from the audit para that during the year 1962-68, payment was made without reference to the fat and S.N.F. contents. The Committee wanted to know the reason for the lapse. The Secretary, Department of Agriculture stated: "Broadly the picture is that since the milk is being collected from individual users (producers) it would cost much more in keeping the staff for testing fat content than the possibility of any loss. However, an analysis has also been made of the total collection of milk and we find that on the overall total, instead of incurring a loss there has been some gain because the fat content of the milk collected has been in excess of 3-5 on which we price our milk."

The Chairman, Delhi Milk Scheme added:

"As explained by Secretary, we have departmental procurement of milk in Bikaner. Bikaner is an extremely difficult area. We have to go right into the heart of the desert. After some distance we have to go by road and organise collection. The organisation of the testing of milk would involve certain amount of delay. That, besides the expenses, is the limiting factor. The collection of milk from the villages was started in 1962 and has been carried out on the basis of the rough and ready method of testing of quality. The procedure was that milk was accepted from various producers in milk cans which were identified producer-wise. After receipt the cans were tested individually so that even though it was not possible to identify this in respect of a particular producer it was possible to identify it to a group of three or more producers who have given sub-standard milk. So, in actual practice there was enforcement of the quality by the simpler negative approach. We would reject the milk of that particular can depending on the quantity of adulteration. We have found that by and large this works reasonably effectively. But after we have grown up, in the light of experience, we decided to streamline it still further. In January, 1969 we have introduced a system of test checking of S.N.F. by which we have been able to improve the situation a little more. So far as the overall situation is concerned the Internal Audit has found that the results are quite satisfactory during the years 1965-68 so far as fat content is concerned. The figures are 4.4 per cent in 1965, 4.6 in 1966 and 4.4 in 1967 and 4.3 in 1968 whereas the

informed the percentage of norms so fixed but not the basis on which these were fixed, as follows:—

“Government have fixed the limits for the losses at various stages as indicated below due to spillage and spoilage of milk in the Madras Dairy and Milk Project.

<i>Transistors</i>	<i>Percentage</i>
From Colony to Central Dairy	} 0.5%
From Rural Societies to Central Dairy	
From Rural Societies to Chilling Centre	} 0.5%
From Rural Societies to Bulk Coolers	
From Rural Societies to Erode Dairy	
From Erode Dairy to Central Dairy	} By lorry in 0.5%
From Chilling Centre to Central Dairy	
From Bulk Cooler to Central Dairy	} By road Tanker 0.25%
II. (a) <i>Loss in machinery excluding sampling</i>	
1. Central Dairy	1.00%
2. Erode Dairy	0.25%
3. Chilling Centre	0.10%
4. Bulk Coolers.	0.25%
(b) <i>Sampling (of the total quantities handled by the Project)</i>	
III. Loss in Distribution	0.25%

4.28. 4(b) The Committee drew attention of the witness to the fact that proper account of fat utilised was not maintained by the Scheme till 31st March, 1968 notwithstanding the fact that the need for maintenance of such an account was pointed out by Audit in 1964. The Committee wanted to know the impediments in the maintenance of a proper accounts of fat utilised. The Financial Adviser and Chief Accounts Officer of the DMS stated:

“We went into this question of fixation of norms yesterday in connection with sub-para 4(a). It was true that the Audit pointed out in 1964 that fat utilisation account had not been kept. But, an attempt was made to keep such an account from April 1, 1965. But, this ran into difficulties because of various practical problems that we had to face in each stage of processing in the Central Dairy. There was no sure method of assessing the exact quantum of fat in various stages of processing. Milk was first received for pasteurisation. After pasturisation a part of it is utilised for

milk products. Many process are involved before the milk can be converted into butter and ghee. At every stage, there is a loss. The technical officers were of the view that unless in the beginning itself we could assess as to what is the exact quantity of fat that was taken on for processing, it is not possible to assess the fat loss at every stage. So, after keeping an account for nine months, it had to be given up. This matter was discussed again with the technical officers. From 1st April, 1968, the internal audit section was strengthened, and this section started preparing a fat utilising account right from the time the milk is received in the chilling section as to what is the quantum of fat received and despatched from the Central Dairy and what is the quantum of fat that is given for processing as milk and milk products etc. After keeping the account for nearly about 15 months, we were able to prescribe the first norm and then we went on to fix the norm for the processing loss from 1st June, 1970. This is the short history, that I want to mention. There has been a delay no doubt, but there were practical difficulties also."

4.29. The Committee pointed out that as per audit para, the loss of fat during processing from April, 1969 to October, 1969 ranged between 0.05 per cent to 2.46 per cent, the average loss being 1.07 per cent. The Committee wanted to know the reason for such a wide variation from time to time. The Department of Agriculture in a note submitted to the Committee stated:

"The actual fat losses for the different months during the period from April, 1969 to October, 1969 was as follows:—

<i>Month</i>	<i>Percentage of loss/surplus</i>
April, 1969	(—) 1.25%
May, 1969	(—) 1.52%
June, 1969	(—) 0.29%
July, 1969	(—) 0.05%
August, 1969	(—) 1.37%
September, 1969	(—) 1.18%
October, 1969	(—) 2.46%

The loss of fat during the period from April, 1969 to September, 1969 ranged between 0.05 per cent to 1.52 per cent whereas in October, 1969 it was 2.46 per cent. Generally speaking, the loss of fat during the period from April to September in any year is less than the loss of fat during

4.25. The Committee desired to know whether there was any check to ascertain that the losses were genuine transit losses. The Department of Agriculture, in a note submitted to the Committee, stated:

“There are four stages involved in the despatch of milk from Bikaner till its receipt in the Central Dairy, *viz.*—

- (i) Transport of milk in hand carts from Bikaner Chilling Centre to Railway Station Bikaner and its loading in the train;
- (ii) Transpost of milk by rail from Bikaner to Delhi;
- (iii) Unloading of milk at Delhi Railway Station and its carriage from station platform to milk van sent for collecting the milk; and
- (iv) Receipt of the milk and weighment at Central Dairy.

It will be observed that at each stage milk cans are handled manually, unlike the milk which is received from other centres by road milk tankers in which the milk is pumped in at milk collection and chilling centres and pumped out at the Central Dairy. Chances of spillage and pilferage are thus comparatively more in the case of milk procured from Bikaner.

In order to reduce transit losses, frozen milk in G.I. cans is booked by the Manager, Milk Collection and Chilling Centre, Bikaner and the wagon is sealed in the presence of D.M.S. staff. At Delhi a Dairy Supervisor is sent to the Railway Station alongwith staff for receiving the milk from the Railway Station and the seal is broken in his presence. The losses will be considerably reduced after the introduction of rail milk tankers for transport of milk from Bikaner.”

4.26. Asked whether any comparative study of norms for losses prescribed by various dairies had been made, the witness explained: “We have tried to compare with other dairies. But unfortunately, except for the Madras Milk Scheme, we were not able to get any satisfactory reply from other dairies. It would appear that they do not have any satisfactory norms for this. Even from Madras, the comparison was not possible since we received the information

quite late. We are intending to send out our staff to study the norms in comparison with others."

4.27. The Committee wanted to know the norms prescribed by the Madras Milk Scheme for each item, and how those norms compared with those of Delhi Milk Scheme. The Department of Agriculture intimated to the Committee as follows:

"Various schemes dealing in milk and milk products viz., Bombay, Madras, Calcutta, Ahmedabad and Anand were requested by Delhi Milk Scheme on 30-10-1969 to intimate norms for handling, processing manufacturing losses in vogue in their respective Dairies. In spite of repeated reminders, no reply was received from them except from the General Manager, Kaira District Coop. Milk Producers' Union Ltd. Anand and Commissioner Production, Livestock Development, Madras Dairy.

M/s. Kaira District Cooperative Milk Producers' Union Ltd. intimated that "Losses will depend upon the size of the plant, operational efficiency, averages in quantity and quality to meet the legal standards etc. and that these losses would also vary according to the quantity of milk handled as liquid milk compared to products.

"In our plant larger quantity of milk is converted into products compared to liquid milk sales. We do not sell liquid milk in bottles but by tanker loads and therefore our handling losses will not be comparable in fixing up the norm of processing losses."

In response to another reference made by Delhi Milk Scheme they further confirmed that "the quantity handled in the plant varies to a great extent in different seasons. Because of this, proportion of liquid milk handled to product milk will also vary. In addition to this, we are manufacturing different types of milk products simultaneously so it is difficult to fix up the norms for losses and therefore we have not fixed any norms for handling losses."

Commissioner, Madras intimated on 12-1-70 that losses have been fixed in terms of milk only and no percentage for the loss of fat has been fixed. They were asked to indicate the norm so fixed and the basis on which these norms were fixed. In reply they

4.18. The Committee invited the attention of the witness to the fact that the transit loss in respect of cow's milk transported from Bikaner to Delhi during the month of July, 1968 amounted 13,310 Kgs. valued at Rs. 8651.50 and represented 2.6 per cent of the total quantity transported. The Committee asked whether it was not on the high side. The Chairman, Delhi Milk Scheme stated:

"Milk from Bikaner is brought under peculiar circumstances. Normally from other chilling centres milk is pumped into road tankers of 7000 litres capacity and there is no loss. But we went to Bikaner on a pilot basis and milk is frozen at an ice factory with which we have entered into a contract and the ice cans are transported to railway wagons and milk is brought overnight from Bikaner to this place and unloaded here. There is a slightly higher loss in this process. Ultimately milk will be transported from Bikaner by rail in tankers and we have ordered five tankers and they are expected to be received by the 31st March, 1971, the current financial year and when we receive them the handling will be smoother."

4.19. The Committee enquired whether the loss was due to bad or rough handling alone or it was due to theft. The witness stated that some theft could not be ruled out but there was no specific case of theft brought to the notice of the Scheme.

4.20. The Committee then enquired whether the Delhi Milk Scheme were entitled to prefer a claim against the Railway since the loss occurred during the railway transit. The witness stated that the wagons were sealed at Bikaner and the seal was broken by the Delhi Milk Scheme at Delhi. It was transported at owner's risk. In reply to another question, the witness further stated that there were losses every month; the audit examined it in respect of the month of July, 1968.

4.21. When asked by the Committee about the delay in procuring the tankers, the witness stated: "Tankers had to go with the balancing station; they are all part of the same deal. Besides the design for these tankers had to be prepared by the Railway Design and Standards Organisation at Lucknow in consultation with FAO experts on the basis of the tankers used in Bombay, which is used on the broad-gauge; here it will be metre-gauge and the capacity will be 21000 litres compared to 40000 litres at Bombay. After the designs were prepared, there is the inevitable process of purchase action through DGSD. We expect the tankers to be delivered by the two firms on which orders had already been placed, by 31 March 1971."

4.22. When asked by the Committee about the steps taken to prevent these losses in the meantime, the witness stated that milk was handled under very difficult conditions. However, the Scheme should have to look into the matter again to see if the losses could be brought down.

4.23. Asked whether it was possible to ensure a regular supply of cow milk in the city of Delhi, the Chairman, Delhi Milk Scheme explained the difficulties as follows:

“So far as the cow milk is concerned, we had difficulties in maintaining supplies over the last year and a half. Cow milk primarily comes from Bikaner and Bikaner was hit with famine. We used to get 20,000 litres earlier and gradually it has come down to just 3000 litres. The cattle is so emaciated that sometimes even this milk is not found fit for issue as such. So there has been a difficulty in maintaining, the issue of cow milk on a regular basis.”

4.24. The Committee desired to be furnished with a detailed statement showing (i) the quantity of milk transported from Bikaner to Delhi, (ii) quantity of milk lost in transit, (iii) its value during the years 1966-67 to 1969-70 monthwise. The Department of Agriculture in a note submitted to the Committee have furnished the information which is reproduced in Appendix II. The following position emerges:

Year	Quantity of milk despatched	Quantity lost in transit	Percentage of loss
	(litres)	(litres)	
1966-67	13,75,773	4,202	0.3
1967-68	32,24,830	59,901	1.9
1968-69 (upto Sep. 1968)*	26,32,553	71,934	2.7

*The weighbridge is stated to have gone out of order since October 1968 and hence quantity lost thereafter could not be assessed.

norm for the winter months. During the period April—September, it is 1 per cent in terms of fat; during the period October—March, it is 2.5 per cent in terms of fat. The over-all loss we have fixed at 2 per cent in the year.”

4.12. The norm for loss during processing was fixed as above (with effect from 1-6-70).

4.13. The Committee wanted to know the reason for the loss of fat during processing. The witness stated:

“The loss of fat occurs because the fat has a tendency to come up on the top and it sticks to the various pieces of equipment; it can be spilled and all that is part of the handling. The fat losses are higher when we are handling pure fat and lower when we are handling it in the form of milk.”

“In the process milk passes through a variety of equipments first it is poured from the tanker into the tanks; then from the tanks it flows into the chillers or the pasturisation plants, and there would certainly be some loss as a result of fat sticking to the various pieces of equipment.”

4.14. When pointed out by the Committee that the norm of 2.5 per cent during winter season is on the high side, the witness added: “The figure of 2.5 per cent would appear to be high but as the Chairman, Delhi Milk Scheme explained in winter months, the production of butter and ghee is very much larger. The contents of fat in butter is 85 per cent and of ghee 98 per cent. When fat is handled in that percentage if one meets with loss, it constitutes a high percentage of fat loss and thus the loss in terms of absolute fat could be more. We had already the idea of reviewing it periodically and if there is a decreasing trend, surely we can decrease it.”

4.15. The Committee wanted to know the steps taken or proposed to be taken by the Delhi Milk Scheme to reduce the loss in processing milk. The witness stated:

“As happened in the case of the norms set for procurement where it was possible to reduce the norm, we shall see what can be done. The norm is only a guideline against which we judge the performance of the dairy. It makes people careful as they have to answer for the shortcomings later on. In the procurement side, it acts as a healthy check on management and after some experience we hope it would be feasible to improve upon this. Obviously our efforts will be to ensure that the loss is

reduced to the minimum. Some improvements could be effected but then some losses are unavoidable. That happens as part of the handling. We cannot work altogether without losses."

4.16. The Committee desired to know the considerations which weighed with the Scheme for not fixing the norms for transit losses from the chilling centres to the Central Dairy in terms of quantity of milk.

4.17. The Department of Agriculture in a note submitted to the Committee stated:

"The norm for transit losses from the chilling centres to the Central Dairy has been fixed in terms of fat and not in terms of quantity of milk, because of the following reasons:—

- (a) Fat and SNF are the main ingredients of milk apart from water. It is with reference to the percentages of these two ingredients in milk that quantities of milk purchased at the milk collection and chilling centres (excepting Bikaner) are priced and paid for. Again during processing the shortages of either of these two ingredients are to be made up by addition of butter fat/SMP to bring it to the prescribed standard of quality; and
- (b) Norms with reference to the quantity of milk irrespective of its quality would not enable the scheme to exercise effective control over milk in transit as quantity of milk can be increased readily by addition of water. By fixing norm in terms of fat, the most valuable ingredient of milk, the Scheme seeks to exercise dual control over milk in transit both quantitatively and qualitatively. The quantum of fat in milk at the time of despatch is ascertained by multiplying the quantity of milk under despatch by the percentage of fat as per sample drawn by the Manager of Milk Collection and Chilling Centre. The quantity of milk received there-against at the Central Dairy is again multiplied by the percentage of fat as per sample of milk drawn by the quality control lab. of the Central Dairy to arrive at the quantum of fat actually received. The difference between the two quantities of fat is the transit loss which covers both quantitative and qualitative losses."

the period from October to March because in the former period only liquid milk is processed for distribution as such whereas in the latter period commencing from October, other products such as white butter, table butter and ghee are also prepared, as surplus fat for such products becomes available only during the winter months. During this later period in the production of white butter, table butter and ghee, fat as such has to be handled through various stages and its loss in terms of fat is thus higher than in the case of processing of liquid milk of different types for issue as such."

4.30. The Committee note that the norm for loss of fat from the stage of procurement upto the receipt in Central Dairy has been refixed as 1 per cent with effect from 1st July 1970 and that loss during processing has been fixed as 1 per cent during summer months and 2.5 per cent during winter months subject to an overall loss of 2 per cent in the year with effect from 1st June 1970. The Committee would like to stress that the losses should be reduced to the minimum and that the norms fixed should be periodically reviewed with a view to refixing them at the lowest possible level. In this connection it is worthwhile undertaking a comparative study of norms fixed by various milk schemes in the country after obtaining the particulars from the schemes from which they are yet to be received by the Delhi Milk Scheme.

4.31. The Committee are not convinced of the reasons adduced for not fixing the norms for the transit loss in terms of quantity. The loss of milk in transit from Bikaner has been increasing from 0.3 per cent of the total quantity despatched in 1966-67 to 2.7 per cent in 1968-69 (upto September, 1968). This suggests the need for fixing the norm in terms of quantity also as a check against any possible pilferage, adulteration of fat and loss of SNF content of milk. The Committee observe that the Milk Scheme in Madras has fixed norms in terms of quantity of milk.

4.32. The Scheme has sustained an extraordinary loss of milk in transit from Bikaner during 1968-69. The loss subsequent to September, 1968 is not susceptible of assessment as the weighbridge is stated to have gone out of order in October, 1968. While the peculiar conditions under which milk is procured and transported from Bikaner may warrant a slightly increased loss over the norm of 1 per cent fixed by the Scheme—which, however, is not borne out by the low percentage of loss during 1966-67—such high percentage of loss in

1968-69 cannot be regarded as inescapable transit loss. The Committee were informed during evidence that some theft could not be ruled out although there was no specific case brought to the notice of the Scheme. The Committee would like an investigation to be undertaken into the circumstances that led to such extraordinary losses during 1968-69 and appropriate action taken against the officials concerned. The Committee hope that the weighbridge would be repaired and brought into use forthwith and that care would be taken to ensure that it does not go out of order.

4.33. The Ministry intimated the Committee that the transit losses from Bikaner would be reduced after the introduction of rail milk tankers for which orders had already been placed. The Committee find that quantity of milk despatched per day from Bikaner was on an average 3,769 litres, 8,832 litres, 8,022 litres and 1,369 litres in the years 1966-67, 1967-68, 1968-69 and 1969-70 respectively. Against this background and taking into consideration the proposal to have a cheese plant installed at Bikaner, the Committee would like Government to make sure of the economics of procuring tankers of 21,000 litres capacity for transport of milk from Bikaner.

CHAPTER V

DISTRIBUTION AND SALE

Audit Paragraph

5.1. (a) In paragraph XVI-3 of Audit Report (Commercial), 1963 and Section XXIII-3 of Audit Report (Commercial), 1966 it was mentioned that the Scheme had not achieved the targets for the opening of the milk depots and All-day milk stalls. The position in this regard up to the period ending 31st March 1969 is indicated below:—

Particulars	Number to Opened as on	
	reopened on	31st March, 1969
Milk Depots	1,000	922
All-day Milk Stalls	50	13

In this connection, the Management have stated (November 1969) as follows:—

- (i) "The shortfall in the target has been due to the change in the designs of the milk booths in accordance with the beautification programme of the capital city. The revised designs have not yet been finalised."
- (ii) "The question of opening additional milk stalls has been held up for the time being pending review of the working of the existing All-day Milk Stalls."

5.2. As regards (i) above, the Ministry have stated (January, 1970) that revised designs have since been finalised and the contracts awarded for the construction of the remaining 78 milk-booths. [Para. 80(5) (a) Audit Report (Civil) 1970.]

(a) Distribution and Sale

5.3. The Committee enquired whether the Scheme had been able to increase the supply of good milk to the Delhi City and whether there had been any assessment of requirement of the city. The Committee also wanted to know in this connection the quantity of milk required per day and the average quantity of milk supplied per day during the years 1968-69 and 1969-70. The Department of Agriculture in a note submitted to the Committee intimated the position as given below:

"The Scheme has been able to increase the supply of liquid milk to the city. The average quantity of milk supplied during the years 1968-69 to 1969-70 is as follows:

1968-69	2, 27, 636 litres per day
1969-70	2, 57, 118 " "

Milk requirement for Delhi City has recently been broadly estimated as 7,00,000 litres per day at the end of 1974-75 by the National Dairy Development Board in connection with the formulation of W.F.P. Project 618."

5.4. Referring to the question of opening of additional all-day Milk Stalls which had been held up for the time being pending review of the working of the existing Milk Stalls, the Committee enquired whether the review had been completed. The Committee also wanted to know the results of the review. The Department, in a note, stated:

"A preliminary examination has shown that while there are seasonal variations in the quantum of sales particularly of milk products, most of the stalls are not economically viable. A detailed review of all milk stalls is being taken up and the results of such a review will be intimated as soon as it is completed."

5.5. The Committee wanted to know the progress made in the opening of milk booths. The Department, in a note, stated: "Against the target of 1,000 depots, 922 depots were opened by 31st March, 1969. Action is now in hand for construction of 100 more milk booths (200 depots) and thus increase the number of depots to 1122. Sites for the construction of 88 milk booths have been furnished to the CPWD and out of these, about 50 milk booths are nearing completion. Work on the remaining milk booths has been delayed as disputes in regard to sites for milk depots have been raised by inhabitants in a number of cases, in spite of the fact that these sites were

selected in consultation with the Local Municipal Councillors and have been formally approved by the Zonal Municipal Commissioner concerned. The milk booths are likely to be completed by the end of the current financial year."

5.6. In keeping with the objective of the Scheme of supplying good wholesome milk at a reasonable price to the consumer, the Scheme should be able, ere long, to meet the demands of the consumers in Delhi in a better way. The Committee find that as against the total estimated requirement of milk for Delhi city of 7,00,000 litres per day at the end of 1974-75 the Scheme was able to supply to the extent of 2,27,636 litres and 2,57,118 litres only during 1968-69 and 1969-70 which worked out to respectively 32.5 per cent and 36.7 per cent of the requirement. With the anticipated increase in the processing capacity consequent on the installation of a spray drying equipment, the Committee hope that the supply position would show substantial improvement.

5.7. The Committee trust that a detailed review of the working of all-day milk stalls will be completed and the question of opening of additional milk stalls decided early. The Committee would like to know the results of the review as also the progress in the opening of additional booths, 100 of which are expected to be constructed during the current financial year. In this connection the Committee would also like Government to examine the feasibility of introducing new features such as yoghurt for supply at railway stations, airport etc. for the benefit of passengers.

5.8. The Committee wanted to know whether any complaint was received regarding ghee sold by the Delhi Milk Scheme. The witness admitted that there have been some complaints which were, however, not regarding non-genuineness of ghee. To a question the witness stated that the Scheme had got its own testing laboratory. When pointed out by the Committee that there should be a regular procedure in getting the ghee tested in one of our national laboratories, the witness stated: "I think so. It would be worthwhile to go into the suggestion very earnestly."

5.9. The Committee then drew attention of the witness to a specific complaint appearing in the press about the adulterated ghee supplied by the Delhi Milk Scheme. The Secretary, Department of Agriculture stated: "This will certainly be looked into. From the tenor of discussion, it would have been quite clear that concern was being felt on this account and anyhow we had already decided that we would go into the whole scheme of manufacture and sale of ghee by the Delhi Milk Scheme."

5.10. The Committee wish to point out that there is much scope for improving the image of Delhi Milk Scheme in regard to quality of its products. As there have been some complaints regarding ghee, the Committee would suggest that there should be a regular procedure of getting the ghee tested in one of the national laboratories and of ensuring strict adherence to quality specifications to inspire confidence.

(b) *Defalcations and short deposits*

Audit Paragraph

5.11. Several cases of losses/non-accountal of Government money in the process of collection of sale proceeds have occurred in the Scheme. During the period from September 1962 to July 1968, 15 such cases involving Rs. 45,526 came to the notice of the Scheme in respect of which it either reported the matter to the Police and/or preferred claims on the Life Insurance Corporation. Out of these 15 cases, full recoveries amounting to Rs. 25,248 were made in 10 cases from the officials concerned. The position of the remaining 5 cases is indicated below:—

Claims pending with Life Insurance Corporation	No. of cases	Amount involved	Remarks
		Rs	
(a) Preferred within one month	1	₹8,998	The services of the official concerned, who was acquitted by the Court, have been terminated w.e.f. 15th November 1966.
(b) Preferred after one month	1	1,620	The official concerned is under suspension and the case is pending in the Court.
(c) Preferred after 5 years	2	5,090	One of the officials concerned is under suspension and the services of the other have been terminated. The cases are pending in the Court.
(d) No claim preferred so far	1	4,570	Deartmental enquiry is being held.
	<u>5</u>	<u>20,278</u>	

5.12. Besides the above outstanding amount as on 31st October 1969, a sum of Rs. 78,294 according to the books of the Scheme as on 31st March 1969, was short deposited by the Cash Clerks/Depot Managers. Out of this, Rs. 76,000 pertained to the period from 1964-65 to 1966-67. The Management have stated (November 1969) that a sum of Rs. 11,080 has since been settled/recovered and that steps are being taken to recover the remaining amount from the security deposits of the officials concerned.

[Para 80(5)(b) Audit Report (Civil) 1970.]

Defalcation

5.13. The Committee drew attention of the witness to the five cases of defalcations/short deposits referred to in the Audit para. and pointed out that in one case involving Rs. 4,570, it was stated that departmental enquiry was being held. The Committee wanted to know the outcome of the enquiry and action taken thereon. The Chairman, Delhi Milk Scheme stated that in this particular case (involving Rs. 4,570) there was no claim possible from L.I.C. They had L.I.C. policy to cover only cash in transit. This was not cash in transit but related to the security deposits which they received from depot's staff at the rate of Rs. 10 per month. The total security was Rs. 200 for each depot. Money was deducted at the rate of Rs. 10 per month and it was deposited in the Post office savings bank so that they could draw interest on security. Money was kept in the premises of the Delhi Milk Scheme pending deposit in the post office when it was pilfered from the box. So far as the departmental enquiry was concerned, there was another case against that cash clerk and they had tried to link the two cases together. They waited for the report of the police. Since the cases were of serious nature they had terminated the services of the cash clerk.

5.14. The Department of Agriculture in a note submitted to the Committee further stated:

"The circumstances under which the theft took place were enquired into. The enquiry revealed that the theft was made possible entirely due to negligence of the cash clerk concerned who had not taken adequate precautions in keeping the key of the cash box in his office drawer. The services of the cash clerk have been terminated."

5.15. Referring to the two cases involving Rs. 5,090 and for which claims were pending with L.I.C., the Committee wanted to know the reason for the delay of 5 years in preferring the claims with the L.I.C. The witness stated: "This is unfortunate. There were two cases which were detected in 1962. Police action was started immediately. But unfortunately there was a lapse i.e. claim on L.I.C. was not preferred immediately. This matter came to our notice subsequently and we immediately filed a claim. The claim was filed with the pool—before the L.I.C. came into existence and now we have taken up with them. There is the technical lapse. The claim is time barred but the fact is that we have paid the premium and it should have been covered. We are trying to persuade L.I.C. to condone this.

We are regular customers of L.I.C. and we are paying Rs. 30,000 by way of premium every year. We are pursuing with them. The intention is to take it up at the higher level and induce them to give this small amount to us. The total claim in the last 10 years is not even equal to one year's premium. We hope to get the money."

5.16. The Committee enquired about the action taken against the persons responsible for that and also the action taken for the delay in preferring the claim. The witness stated that the two officials had been suspended. That was a very old case of 1962. Attempt was made to fix responsibility, but the officers concerned left long time ago. They had been concentrating more on the recovery of the money.

5.17. In reply to a question, the witness stated that it came to their notice in 1968. To a further question, the witness stated that the cases referred to were of cash clerks who had to collect the money from the Depot managers and bring it to the Central Dairy.

5.18. When asked about the security deposit from the cash clerks, the witness stated, that initially the cash clerks were required to submit a Fidelity Bond instead of cash security. Later when the Scheme had the Comprehensive Insurance Policy, it was decided that the Fidelity Bond was not required. They were correspondingly paid lesser cash handling allowance.

5.19. The Committee wanted to know the procedure followed for collection of money by cash clerks from Depot managers. The Committee also enquired whether any receipt was being issued by cash clerks for the money collected by them from depot managers. The witness stated: "There is a procedure. The cash clerk is sent round the depots along with the driver who collects the empty

bottles after the distribution of milk. While the Milk Van driver collects the empty bottles, the Cash Clerk collects the cash. There is a prescribed form. The challans account form is left at the depot and the depot manager is required to render an account on the form, of which three copies are prepared. One is detained by the Depot staff, and one by the Cashier and the other by the driver. And a receipt is duly given to the Depot Manager by the Cash Clerk in token of having received the money.

5.20. The Committee wanted to know the circumstances under which the loss of cash took place in each of the five cases referred to in the Audit paragraph and the latest position of settlement of claims lodged with L.I.C. and of the cases which were pending in the court. The Department of Agriculture in a detailed note submitted to the Committee stated:

(i) Circumstances leading to the loss of cash.

(1) Loss of Rs. 8,998.38

The loss pertains to the daily sale proceeds of milk depots from 18-9-66 to 23-9-66 which was not accounted for by the Cash Clerk incharge of the route. The Cash Clerk absconded from 24-9-66 and the matter was reported to the Police on 27-9-66, indicating details of the loss. The cash clerk was arrested by the Police authorities on 7-12-66 from which date he was also placed under Suspension. Criminal proceedings were started by Police authority against the cash clerk but the Court acquitted him on 26-3-68 on the ground that the Prosecution could not establish their charges of alleged misappropriation beyond any reasonable doubt. Police have come into appeal in the High Court on 6-11-68. The Services of the cash clerk have also been terminated by Delhi Milk Scheme under Rule 5 of CCS. Temporary Services Rule but the official have gone in appeal against the order, which is pending.

(2) Loss of Rs. 1,619.55

The amount of Rs. 1,619.55 represents the discrepancies/pendencies detected against another Cash Clerk for the period June, 1967 to December, 1967. On his failure to settle the same, the matter was reported to the Police. The concerned Cash Clerk was also placed under suspension with effect from 12-2-68. The police after investigation took the case to the Court of Law, where the same is pending for decision.

(3) Loss of Rs. 714.00

This represents short deposit of cash by one of the Cash Clerks and had come to notice in the course of checking in respect of collections made by this Cash Clerk. It was reported by the Cash Clerk on 19th November, 1962 that the Depot Manager of D. No. 258 had short deposited an amount of Rs. 695.40 towards the cost of advance milk cards during the period 3rd November, 1962 to 10th November, 1962. On enquiry from the Depot Manager, it was found that Rs. 750.21 was collected by the Cash Clerk, of which Rs. 714 was short deposited. The Cash Clerk was placed under suspension with effect from 26th November, 1962 pending investigation into the matter and the case was reported to the S.P.E. on 7th December, 1962 for further investigation. The Special Police Establishment Delhi started prosecution proceedings but the Magistrate acquitted him. The Special Police Establishment have gone in appeal to the Delhi High Court against the judgment of the lower Court and the case is pending for decision.

(4) Loss of Rs. 4,376.23

Rs. 3,100 out of this amount represents short deposit of cash collected by a cash clerk from Depot No. 351 (from 9th September, 1962 to 10th November, 1962) which came to notice in the course of checking of accounts pertaining to the aforesaid depot. It was suspected that the cash clerk had tampered with the figures entered in the form DMS-16, which represents the daily sales statement.

The matter was reported to the S.P.E. on 11th November, 1962 and from the same day (afternoon) the Cash Clerk was placed under suspension.

On further checking of the accounts of this Cash Clerk, it was found that Rs. 1,202.00 and Rs. 74.23 had also been misappropriated by the Cash Clerk by tampering the figures in the daily sales statement. This was also brought to the notice of S.P.E. on 17th December, 1962. The Cash Clerk was prosecuted but the Magistrate ordered that the Cash Clerk should furnish a bond for Rs. 2,000 for keeping good behaviour for a period of one year. The S.P.E. filed a revision and the Delhi High Court sentenced the Cash Clerk till the rising of the Court and to pay a fine of Rs. 1,000.

(5) Loss of Rs. 4,570.00

This amount represents the monthly deductions made from the Depot Managers (now Senior Depot Agents) in respect of the security deposits of Rs. 200.00 which amount each of the Depot Managers (Senior Depot Agents) are required to furnish in 20 instalments of Rs. 10.00 each, if not paid in full in one instalment. This amount, after it is deducted from the monthly commission of the S.D.As., by the area Cash Clerks, is deposited in the Central Dairy with a Cash Clerk employed for the purpose. This person after making necessary entries thereafter, deposits the amount in the Post Office which makes credit entries in the Pass Books of the various S.D.As.

The money thus collected in the Central Dairy used to be lost in a small cash box embodied on the top of another cash chest installed in the room of one of the Accounts Officer's of the Scheme.

The said Rs. 4,570.00 were reported to be kept in the safe by the concerned Cash Clerk on 26th April, 1968 in the presence of the cashier and the Accounts Officer etc. but the amount of Rs. 4,570 was found missing, when he opened the safe on 29th April, 1968. It is stated that the cash-incharge kept the key of the safe in the drawer of his table on 26th April, 1968 and took the same out on 29th April, 1968. The matter was reported by Delhi Milk Scheme to the Police. The latter intimated that despite their best efforts no clue could be found and that the case had been filed untraced on 31st January, 1969. However, the services of the Cash Clerk concerned had since been terminated by Delhi Milk Scheme.

20. (ii) Latest position of settlement of claims lodged with the L.I.C. together with the reasons for non-acceptance of the claim by them and of the cases which were pending in the Court is as follows:

<i>Name</i>	<i>Amount</i>
(1) Shri.....	Rs. 8,998.38

Latest position regarding claim with L.I.C.

The claim was preferred against the L.I.C. within the prescribed period. The L.I.C. vide their letter No. P.S.V./110/CT/112 of 21/22nd July, 1970, have expressed their inability to entertain our claim on the ground that the charge against the defaulter has not been proved in the court of Law. The matter has been taken up by DMS at a

higher level with the L.I.C. for the Settlement of the claim, especially on the ground that the case of the prosecution is still pending in the High Court.

Detailed position regarding proceedings pending in Court

Shri was acquitted by the court on 26th March, 1968 on the ground that the prosecution could not establish the charges of alleged mis-appropriation beyond any reasonable doubt. Police have gone in appeal in the High Court on 6th November, 1968 and the case is pending in the High Court.

(2) Shri Rs. 1,619.55

Latest position regarding claim with L.I.C.

The claim was not preferred against the L.I.C. within the prescribed period of one month. In their letter dated 21/22nd July, 1970, the Corporation have expressed their inability to entertain the claim being time-barred as the claim was preferred after one month. The matter has been taken up by Delhi Milk Scheme with the L.I.C. at a higher level to waive the technical plea of time bar and to consider the claim on its merits.

Detailed position regarding proceeding pending in Court

The prosecution case is still pending in the court. The last hearing of the case was fixed for 21st August, 1970.

<i>Name</i>	<i>Amount</i>
(3)	714.00

Latest position regarding claim with L.I.C.

The insurance claim was not preferred within the prescribed period. The *Ad-hoc* committee for winding up the Indian Insurance Companies Association Pool with whom the claim for the loss of cash was lodged have vide their letter No. C/18/68, C/19/68 of 17-7-70 informed that:—

Unless their outstanding premium amounting to Rs. 2428.01 are paid, they will not look in the claims filed by the Delhi Milk Scheme. The matter has been taken up by D.M.S. with the L.I.C. on 3-8-70, intimating them not to link up the two issues and urging upon the Corporation to settle the claim of Rs. 714.00.

Detailed position regarding proceeding pending in Court

The S.P.E. had on 14-6-66 gone in appeal in the High Court of Delhi against the judgement of the lower court acquitting Shri _____ as the case against him was not established to their satisfaction. The case is still pending in the High Court.

(4) Shri _____

Rs. 4,376.23

Latest position regarding claim with L.I.C.

The insurance claim was not preferred within the prescribed period. Position is the same as indicated against Shri In addition, the *Ad-hoc* committee has asked for a copy of judgement of the court against which revision was filed.

In respect of this case also, the *Ad-hoc* committee has been requested by Delhi Milk Scheme on 3-8-70 not to link up the non-payment of outstanding premium amounting to Rs. 2,428.01 with the claim of Rs. 4,376.23 on account of the loss of cash lodged with them. S.P.E. has also been requested to furnish a copy of the judgement of the court for onward transmission to the *Ad-hoc* Committee.

Detailed position regarding proceeding pending in Court

The court ordered Shri _____ to furnish a bond for keeping good behaviour for a sum of Rs. 2,000/ for a period of one year vide their order dated 10-2-68. The S.P.E. who had filed a revision petition for enhancement of the sentence informed vide their letter dated 20-1-70 that the revision petition came up for hearing before the High Court on 26-9-69. The revision was accepted by the Court and accused Shri _____ was sentenced till the rising of the Court and to pay a fine of Rs. 1,000/- or in default to undergo rigorous imprisonment for six months.

(5) Shri _____

Rs. 4,570.00

Latest position regarding claim with L.I.C.

No claim against the L.I.C. was preferred as the comprehensive policy taken by the Scheme with the L.I.C. of India covers only the cash-in-transit at various stages relating to the sale proceeds of milk and does not cover other cash which may be in the premises of D.M.S.

Detailed position regarding proceeding pending in Court.

The Police to whom the matter was reported, intimated vide their letter No. 5278/CIT dated 7th March, 1969, that despite the best efforts no clue could be found in this case, and that the case had been filed as un-traced as on 31-1-69".

5.21. The Committee invited attention of the witness to the short deposits of cash by the cash clerks/Depot. Managers amounting to Rs. 78,294 as on 31st March, 1969 of which only a sum of Rs. 11,080 had been settled/recovered. The witness informed the Committee of the latest position as follows:—

"In this case we have effected recoveries. Most of the amount is recovered by the security deposits of the depot staff. We had taken a decision earlier about the refund of security deposits after adjustment of the amount. We advertised i.e. gave in the papers so that the depot staff may come and settle the cases. We found that the depot staff was not coming forward. Quite a bulk of this amount was covered by the security. We took a decision that instead of waiting for them, we should, after having given a due chance to come and reconcile and reminding them, recover this amount from security deposit. That action has been started and we have made a considerable progress and we are hoping that by about September we will be able to recover the rest of the amount also."

5.22. The Committee pointed out that the security deposit was only Rs. 200/- per member. The Committee enquired whether it was sufficient to cover the amounts outstanding against each person. The witness stated: "The other extra amount available to us is: in case somebody's services are terminated we do not disburse the last pay till the accounts are settled. And we found that we have settled in all the cases. In only few cases, the amount has exceeded and in these cases we are making efforts to recover the money."

5.23. The Department of Agriculture in a note submitted to the Committee further stated:

"Out of Rs. 67,214/- a sum of Rs. 48,005.72 is outstanding on 18-11-1970. (Rs. 28,559.12 against Depot Managers and Rs. 19,446.60 against Milk Van Driver, Managers—All Day Milk Stalls and Cash Clerks). As regards the amount of Rs. 19,446.60 outstanding against Milk Van Drivers, Managers. All Day Milk Stalls and Cash Clerks, who are regular Central Government servants, efforts are being made to recover/reconcile them as early as possible.

In so far as recovery of Rs. 28,559.12 from the Depot Managers (now called Sr. Depot Agents) is concerned, in all 802 Sr. Depot Agents are involved and the position is as follows:—

The Sr. Depot Agents are required to deposit a sum of Rs. 200/- each as security. This security deposit is deducted in monthly instalments of Rs. 10/- each and credited to a Post Office Savings Bank Account pledged in the name of the Chairman, Delhi Milk Scheme. The Senior Depot Agents are liable to transfer from one depot to another frequently. The deductions of security deposit from Sr. Depot Agents is watched by the Accounts Section of the D.M.S. with reference to the first depot in which the Sr. Depot Agent is employed. The Accounts Section has a record of over 4,000 erstwhile depot managers/Senior Depot Agents, whose security deposit is available with the D.M.S. These pertain to many of the erstwhile Depot Managers, who are no longer in the Delhi Milk Scheme Service and whose security deposit has not yet been released. It has also been found that the names of several Sr. Depot Agents are common and it has therefore become difficult to link the security deposits with the persons against whom the amounts are outstanding. Meanwhile vigorous steps have been taken to gather the full service particulars of the Sr. Depot Agents from whom amounts are recoverable. Besides security deposit, the amount of Commission last payable to the Sr. Depot Agent is also available to the scheme for adjusting the outstanding amount. Therefore, the number of cases in which the security deposit will not be sufficient to meet the outstanding amount is not likely to be very large.

Prior to November 1963, depot accounts were being maintained annually and proper procedure for auditing them satisfactorily had not been established. Only test check of the accounts was being conducted by Internal Audit and the discrepancies thus noticed were being settled/recovered from the depot managers.

In November, 1963, a Machine Accounting Section was established and day to day checking of the depot accounts was started. For the reconciliation/settlement of the discrepancies, the concerned depot managers were being issued memos, through the concerned cash clerks but the response from the Depot Managers was very poor. These depot Managers were also not regular employees of the Scheme and many of them left Delhi Milk Scheme leaving their security deposits/amount of Commission last payable to them with the Delhi Milk Scheme.

In order to make speedy adjustment of outstanding dues from the security deposits and Commission last payable to the ex-depot managers, it was decided on 19-10-70 to finalise the cases of security deposits without scrutiny of the accounts but after obtaining Indemnity Bonds from the Depot Managers concerned. For effecting the releases of security deposits and reconciliation/settlement of outstanding discrepancies, applications from ex-depot Managers were invited by issue of a notice in the local newspapers on 27-11-67. More than one thousand applications from ex-depot managers were received. In the process of release of security deposit of these depot Managers it has been possible to reconcile/recover the discrepancies for a substantial amount.

The pace of progress of clearance on the basis of the ex-depot managers coming forward to finalise their cases for the release of security deposit/payment of Commission last drawn has been very slow. It was accordingly decided by Delhi Milk Scheme on 22nd May, 1970 that the outstanding discrepancies should be unilaterally adjusted against the security deposit/commission last payable to the ex-depot managers. The work was started in the last week of May, 1970 and substantial amounts have been adjusted from the security deposit/commissions of the 135 ex-depot Managers. It is expected that further large adjustments will be completed within a few months.

5.24. The Committee are distressed to find a large number of cases of defalcation and short deposit of cash aggregating over a lakh of rupees. The Committee take a serious view of the lapse in not reporting the cases to the L.I.C., wherever necessary, promptly. The Committee would like to be apprised of further progress made in the realisation of money and also of the outcome of the cases pending in the courts.

5.25. With a view to avoid repetitions of such cases, the Committee would like Government to examine the feasibility of obtaining suitable security from the cash clerks. Further, as the cash security to be furnished by the Depot Managers amounts to Rs. 200 only, it is necessary that the account of collections is verified and discrepancies settled with utmost promptitude in future.

5.26. One of the cases of loss of cash relates to the security deposits recovered in instalments from Depot Managers and kept in the premises of Delhi Milk Scheme pending deposit in the post office savings

bank. The Committee would like to know whether there was any delay in depositing the amount in the savings bank and if so why.

5.27. The Committee hope that the Scheme would tighten up the internal audit in such a way that non-accountal of cash and short deposit of cash are detected and severely dealt with immediately after occurrence as that alone can be an effective deterrent against such malfeasance. There should also be a system of periodical surprise verification of cash, if it is not already in vogue.

CHAPTER VI

SUPPLY OF SKIMMED MILK POWDER BY THE WORLD FOOD PROGRAMME AUTHORITIES

Audit Paragraph

6.1. In terms of the agreements (mentioned below) executed between Government and the World Food Programme authorities, the following quantities of skimmed milk powder were supplied to the Scheme for the production of Double Toned Milk for distribution to the low income group in Delhi:—

Agreement No. and date	Quantity stipulated in the agreement	Quantity actually supplied	Remarks
	M. tons	M. tons	
233 of November, 1964	850	850	The Project was closed in August, 1967.
348 of December, 1966	1,167.9	780 (upto 31st March 1969)	

6.2. The following features in the implementation of these agreements deserve mention:—

(i) *Agreement No. 233*

(a) According to Article I of the agreement, the Double Toned Milk, prepared out of the powder, was to be sold at 40 paise per litre. As against this sale price, the cost per litre ranged between 40.75 paise and 66.17 paise during the period 1st June, 1965 to 1st August, 1967, thereby resulting in a total loss of Rs. 21.34 lakhs. Even after excluding the cost (Rs. 14.69 lakhs) of power supplied as free gift, the net loss would work out to Rs. 6.65 lakhs.

(b) According to the agreement, the sale proceeds, limited to the cost of power, were required to be credited to a revolving fund and had to be utilised on the projects approved by the World Food Programme. It was stated (November, 1968) by Government that a scheme for the investment of these funds with the concurrence of the World Food Programme authorities, was under consideration. Government have further stated (January, 1970) that a Dairy Development Project, estimated to cost about Rs. 50 lakhs, to be financed from the sale proceeds limited to the cost of power donated by the World Food Programme under this agreement as well as agreement No. 348 [*vide* item (ii) below], has been formulated and will be implemented as soon as necessary formalities are completed.

(c) The supply of power was made in strong paper bags, with polythene lining which were packed in wooden crates (each containing 60 bags).

As the wooden crates could not be accommodated in the closed Railway wagons, these had to be transported in open wagons. As a result of transportation through open wagons, the Scheme had to incur extra freight and crane charges amounting to Rs. 1.08 lakhs. In addition, a quantity of 14.747 M. tons of powder, valued at Rs. 0.19 lakh was received in bags in torn condition and was declared unfit for human consumption.

According to the Ministry, "the entire damage to the consignmentoccurred because of not adhering to the packing on an export standard."

Although the above mode of packing was indicated by the World Food Programme authorities in December, 1964, no steps appear to have been taken by Government|Scheme to visualise the difficulties in handling the over-sized consignment with consequential higher cost of transportation.

The Ministry have stated (January 1970) that "it is unfortunatethat the difficulties likely to be experienced in handling the over-sized consignment at Indian ports and during rail transit in India were not visualised for want of experience of handling this type of W.F.P. donated gift consignment."

(ii) *Agreement No. 348*

(a) The funds generated from the sale of milk corresponding to the cost of powder were required to be deposited in a separate account and were to be utilised for certain specific purpose. As stated in item (b) under agreement No. 233, the scheme for the investment of these funds is still (January 1970) to be implemented.

(b) The agreement did not provide either for the fixation of initial sale price of milk or for its subsequent revision. The price fixed for the sale of milk was 40 paise per litre during the period from 2nd August, 1967 to 25th December, 1967, 50 paise from 26th December, 1967 to 21st February, 1969 and 60 paise thereafter. As against the above selling prices, the cost per litre worked out to 66.17 paise during the above periods, thereby leading to a loss of Rs. 22.64 lakhs. Even after adjusting the cost (Rs. 15.01 lakhs) of the powder supplied as free gift, the net loss would work out to Rs. 7.63 lakhs.

Although the World Food Programme authorities had agreed in February, 1967 to a reasonable increase in the sale price, the price was actually increased to 50 paise per litre with effect from 26th December, 1967. Had this increase been given effect to from 2nd August, 1967, when supplies made out of the powder commenced, the scheme would have avoided a loss of Rs. 3.27 lakhs on the quantity of 32,74,354 litres of milk distributed from 2nd August, 1967 to 25th December, 1967. The Ministry have stated (January, 1970) that the delay of a few months occurred due to the fact that the proposal for increase involved a major policy decision and had to be processed by the different agencies.

[Paragraph 80(6)—Audit Report (Civil), 1970.]

6.3. At the instance of the Committee, the Department in a note submitted to the Committee explained the reasons for the continued sale of double toned milk below cost price as follows:

“Agreement No. 233 was executed with World Food Programme in November, 1964. This agreement provided that 850 M. Tonnes of skimmed milk powder to be supplied by World Food Programme to Delhi Milk Scheme would be mixed with local buffalo milk|fat to produce double toned milk with a fat content of 1.5 per cent and SNF content not less than 9 per cent to be sold at a price of about 40 paise per litre. Prior to this date, the Delhi Milk Scheme had no experience of manufacturing ‘Double Toned Milk’. The cost of production had therefore to be broadly estimated on various levels of production. A proposal for fixation of selling price of double toned milk was put up by Delhi Milk Scheme to the Management Committee at its 16th meeting held on 18th December, 1964 indicating a cost price of 39.72 paise per litre to 40.89 paise per litre depending upon whether 33,000 litres or 25,000 litres were produced per day. The Management Committee considered this proposal and recommended a price of 40 paise per litre keeping in mind the fact that under the cash and carry system that had been introduced with effect from October, 1964 it was necessary to fix the price in multiples of 4 so that a round price could be fixed for 1/2 litre and 1/4 litre bottles. The recommendations of the Management Committee were approved by the Government after these were considered by the Advisory Committee and the Governing Body of the scheme and were made effective from June, 1965. The next occasion on which the question of revision of selling price of milk (including D.T.M.) was taken up

was in the 21st meeting of the Management Committee held on 30th July, 1965. By that time the cost of production of D.T.M. had gone upto 51.33 paise per litre and a price of 52 paise per litre was proposed by the Delhi Milk Scheme for consideration of the Management Committee. The Management Committee felt that the poorest section of the community got the double toned milk the price of which should not be revised, as such revision could be considered only in respect of future Agreements and that the commitment made under Project No. 233 to sell the D.T.M. at a price of about 40 paise per litre should be honoured. The Advisory Committee of the Delhi Milk Scheme at its 14th meeting held on 18-8-1965 however recommended a price of 52 paise per litre for double toned milk. The Governing Body of the Scheme which met on 14th October, 1965 adhered to the price of 40 paise per litre only. The price of 40 paise per litre as recommended by the Governing Body was accepted by the Government and this price continued to prevail.

The question of revision of selling price of D.T.M. again came up for consideration before the Management Committee at its 29th meeting held on 20-12-1966. At that time the cost of production of D.T.M. was 59.86 paise per litre and a price of 60 paise per litre was recommended by Delhi Milk Scheme which was also approved by the Management Committee. The Management Committee, however, desired that the increase in price may be made effective only after consultation with World Food Programme Authorities. The W.F.P. authorities were approached for increase in the selling price of D.T.M. in January, 1967 when it was pointed out to them that against the selling price of 40 paise per litre, the cost of production was as high as 59.86 paise per litre. The matter was discussed with the representatives of World Food Programme in February, 1967 when they indicated that they had no objection to a reasonable increase being effected. The Advisory Committee and the Governing Body had to be reconstituted after the General elections. The recommendations of the Managing Committee were again reviewed by the Committee which reiterated the selling price of 60 paise per litre at its 32nd meeting held on 30th August, 1967. The new Advisory Committee at its 19th meeting held on 13th October, 1967, however, recommended a selling price of 50 paise per litre for D.T.M. against 60 paise recommended by the Management

Committee against the cost of production of 60.23 paise per litre obtaining at that time. The proposal was considered by the Governing Body of the Scheme at its 11th meeting held on 6th November, 1967 by which time the cost of production had gone up to 64 paise per litre and was proposed accordingly by the Delhi Milk Scheme for consideration by the Governing Body. The matter was, however, finalised only in the 12th meeting of the Governing Body, which was held on 22-11-1967 when a price of 50 paise per litre as recommended by them. This price of 50 paise per litre as recommended by the Governing Body was accepted by the Government on 26-12-1967.

The matter was considered again at the 37th meeting of the Management Committee held on 18-12-1968 when on the basis of the cost of production of 56 paise per litre, the same was recommended as the selling price. The Management Committee approved this proposal but the Governing Body at its 15 meeting held on 20-1-1969 approved a price of 60 paise per litre which was ultimately accepted by the Government on 12-2-1969 and this price became effective from 22-2-1969.

Under the procedure then existing, the proposals for fixation of selling prices were considered by the Management Committee, the Advisory Committee and the Governing Body of the D.M.S., before final fixation of price by Government was decided. The procedure has, however, been modified as the Advisory Committee has since been abolished with effect from 15th October, 1968. Since rise in price of double toned milk touches the poorest section of the community, Government acted in consultation with the Advisory Committee and Governing Body which include, among other, leading public men."

6.4. Referring to the loss of Rs. 7.63 lakhs incurred by the Scheme under W.F.P. 348 upto 21-2-69, the Committee enquired whether there was any loss subsequent to 31-3-1969, even after increasing the price of the double toned milk to 60 paise per litre. The witness stated, "348 agreement is still in operation. According to the present programme it would continue to run upto the end of August, 1970. We had increased the price of the double toned milk, which is being supplied by the Delhi Milk Scheme, in order to reduce loss and, if possible to even out the supply of this double toned milk so far as the subsequent transactions are concerned." The FACAO, Delhi Milk Scheme added: "The position is that we have worked out the cost of double

toned milk in 1969-70. It does show—the accounts have not been finally closed—that there is a small margin of profit. In other words, there is no loss insofar as 1969-70 is concerned.”

6.5. In reply to a question the witness further added: “When the price was raised to 60 Np. per litre, the estimated cost of double toned was 66 Np., but since then we have been able to reduce the price of purchase of milk because of the favourable supply position, which in fact has resulted in our possibility of ending up with some profit and that has also assisted in bringing down the cost of double toned milk. At the moment, the situation is that we may be able to make a marginal profit.”

The double toned milk was expected to cater to the low income people.

6.6. The Committee wanted to know how supply to such people was ensured. The Chairman, Delhi Milk Scheme stated: “We took two steps to ensure that the double toned milk would go to the poorer sections of the people. It was decided that for this purpose we should confine distribution of double toned milk to people drawing less than Rs. 300 per month. The first precaution we took was to go to the low income group colonies and set up separate depots for that. There was no difficulty. We selected about 35 areas and set up 35 depots. Bulk of the milk has gone to these colonies, but we found that the public want it. So we decided to offer this milk also to the other areas which were not wholly low income group areas. We prescribed an application form. The only practical means to find out whether this was a low income group or not was to get a certificate from the applicant himself to that effect. We found that in practice for dealing with such large number of people, there was no other method and the practical satisfaction was that this milk was not being required by the higher income groups. The present position is that the demand for the double toned milk has been slowly receding.”

6.7. The witness further stated that it was not supplied to any other group as a rule except when there were special circumstances like a heart case.

6.8. The Committee pointed out that according to Audit para, extra expenditure of Rs. 1.08 lakhs was incurred in the transportation of milk powder and a quantity of 14.747 m. tons of milk powder was received in bags in torn condition. The Additional Secretary, Department of Agriculture explained the reasons thus: “The reason is this. The World Food Programme powders are donated by different countries. In our country, we used to buy before this date mainly powder from Australia and New Zealand which have a certain pattern of packing. In this matter, we did not know, as we shall not know for

the future deliveries that will be made, from what source the World Food Programme authorities themselves will draw the gifts and send them on to the Government of India. As it turned out in this case, this quantity is a donation from Germany. In our letter—I have got all the details, I shall be able to satisfy you—we have written how we want them to pack, i.e., as we get them from New Zealand. We wrote them how we want our despatches to come. But when the despatch started in January, they found that the German people had according to their system of packing already started despatches and the delivery was to be received in Bombay. There was no time to intervene and try to change the kind of packing. Apart from what is regarded in Germany as acceptable packing, they put them in wooden crates to avoid transit damage. This we know because our technical man had worked in Germany. This was in conformity with the German type of packing. When they landed in India, we could not carry them as it was very difficult to do so. We did not stop at that.

Subsequently, the then Secretary of our Ministry wrote to the World Food Programme authority (Executive Director) saying that this kind of difficulty had arisen. Subsequently, however, we did not run into difficulty since the World Food Programme authority knew about our methods of transportation. After the first lot came in, fortunately no such difficulty took place afterwards.”

6.9. The Committee enquired about the disposal of the 14.747 metric tons of milk powder valued at Rs. 0.19 lakh received in bags in torn condition and declared unfit for human consumption. The Chairman, Delhi Milk Scheme stated that when the milk powder was found unfit for human consumption it was stopped and afterwards it was disposed of as poultry feed-cattle feed.

6.10. Asked as to what precaution was taken to ensure that the stock did not find its way to the market in the form of milk powder, the Secretary, Department of Agriculture stated: “What we should have done is either to destroy all of them or not to sell them. But, once they are sold, I do not think that the Delhi Milk Scheme would take any further steps in the matter.”

6.11. The Committee drew attention of the witness to the fact that according to the agreement with the World Food Programme, the sale proceeds, limited to the cost of powder, were required to be credited to a revolving fund and had to be utilised on the projects approved by the World Food Programme. The Committee wanted to know whether any such fund had been created. The witness stated:

"There were two agreements. One was WFP 233 and the second was WFP 348. In accordance with the first agreement WFP 233 which was executed with the World Food Programme in November, 1964, there was a provision for creating a revolving fund in respect of 850 metric tonnes of skimmed milk powder which had to be supplied by the World Food Programme to Delhi Milk Scheme. Unfortunately no revolving fund was created. The amount that was to be generated from the sale of this 850 metric tonnes was, however, credited by the Delhi Milk Supply to the General Revenue and it merged with the consolidated fund. Subsequently, on the 1st August, 1967 when this old agreement terminated and the new agreement 348 came into being, it was decided in consultation with the World Food Programme that the entire amount of 14.52 lakhs should get merged with the proceeds that would be generated from 348.

The present position, is that the total amount of Rs. 47.33 lakhs has been generated both under WFP 233 and WFP 348. This amount has been credited to the consolidated fund and as and when we need this amount for utilisation in pursuance of the objectives of the two programmes, the amount would be budgeted for and will be drawn and utilised for these purposes."

6.12. As regards the delay in creating the revolving fund, the witness had the following to say:

"The whole question of accounting procedure was taken up immediately after the first agreement was executed. And it continued to be under discussion with the various authorities—Ministry of Finance, Comptroller and Auditor General and also with the Accountant Generals concerned. It was DMS initially, but subsequently other States also who came into the picture when the second agreement was executed. And only in November, 1967, the Ministry of Finance were in a position to issue the detailed accounting procedure, which unfortunately has not yet been understood and implemented by the various State Governments and the Accountant Generals. All these details are now being sorted out and the revolving fund is being created in the States. So far as the DMS is concerned, there is no question of creating a revolving fund."

6.13. The Additional Secretary, Department of Agriculture elaborated further: "The revolving fund has not yet come into existence.

As explained earlier, we have kept an account of what is to be the total contribution to the revolving fund.....There is obligation under the agreement whereby the sale price, i.e., Rs. 47 lakhs will have to be made good by the Government whenever required for developmental purposes by the Delhi Milk Scheme.....This fund we shall use as a revolving fund when it is set up. There is no obligation on the part of Government to undertake a loss but the fact of the matter is that when our cost of one litre of double toned milk was coming to 40.75 paise or 66.17, we kept the price at 40 paise. That is how the loss came in. The cost of double toned milk went up by 50 per cent but correspondingly we did not raise the price of double toned milk. That is why Government undertook a loss on that."

6.14. The Committee pointed out that so far as Delhi Milk Scheme was concerned, there was a total loss of Rs. 21.34 lakhs in respect of agreement No. 233. Even after excluding the cost of powder which was Rs. 14.69 lakhs, the net loss would work out to Rs. 6.56 lakhs. In respect of agreement No. 348 also there was a net loss of Rs. 7.63 lakhs. Thus out of the sale there were no gains at all. Delhi Milk Scheme had been running into losses since its inception. The Committee wanted to know how the Delhi Milk Scheme could credit a sum of Rs. 47 lakhs for the purpose of setting up the revolving fund. The witness stated: "It is true that a loss has been suffered. So far as the skimmed milk powder is concerned the cost was assessed and it has been credited by the Delhi Milk Scheme to the Government revenues. It is true, that in this case it would have been better if the Government had given an outright subsidy to the Commercial Department which is handling this scheme. But, the position would have been the same even if that was done." The Additional Secretary, Department of Agriculture, added: "The position is this. They give us a certain quantity of milk powder. We process it as double toned milk and sell it to the customers. The arrangement with the WFP is that we have to keep separate the realisation we get from the sale of the double toned milk. The price of the milk powder used is the amount which develops into the revolving Fund. And the idea is that this fund will be utilised for cattle development. That is the basic arrangement.....We sold at 40 paise.....This has to be broken into the parts. We get this for 40 paise. The processing cost was more. The cost is not only of the milk powder but also of processing. And we calculated from time to time, as pointed out by Audit, at what price we could sell that double toned milk in the market, and sell it either at the rate price or make a profit. We have not made profit and on that account we made a loss. But over and'

above this loss, there is the question of the value of the milk powder which is available for developmental activities."

6.15. The Committee wanted to know the total amount that had been contributed to the revolving fund. The witness stated: "The Scheme has contributed only the loss part of it. We have kept separate the price of the skimmed milk powder under the previous 233 and also of the subsequent 348 agreement. We have also received certain other items. And the total amount of the generated fund by Delhi Milk Scheme will be of the order of Rs. 57 lakhs and that represents the money available for development work."

6.16. The Committee asked for the total amount credited to the consolidated fund of India as payment of the cost of skimmed milk powder as on 31st March, 1970. The Committee also desired to know whether the Delhi Milk Scheme had discharged the liability towards payment of the cost of milk powder fully and if it was not done, the amount yet to be paid by the Scheme. The witness stated: "Rs. 47.33 lakhs upto 31-3-70. We have separately shown it. The amount has been put in the Consolidated Fund of India. And we have completed the working out of a development scheme which will cost Rs. 47.10 lakhs as against this. And we have gone to the Expenditure Finance Committee for clearance of that scheme. This available money is going to be put in scheme."

6.17. The Department in a note submitted to the Committee further stated:

"The total amount credited to the Consolidated Fund as payment of the cost of skimmed milk powder supplied to Delhi Milk Scheme under Agreement Nos. 233 and 348 with World Food Programme as on 31st March, 1970 was Rs. 47,33,095.77. This excludes Rs. 11059.70 being the amount realised from the sale of sweepings (14.747 M.T.) under Agreement No. 233 against a quantity of 15.848 Tonnes of skimmed milk powder of the total value of Rs. 27,464.58 declared as trade waste savings or received short, the credit for which has to be given to WFP."

The milk powder was received as a gift from the World Food Programme and no direct payment as such to WFP is involved. However, the funds generated from the sale of WFP portion of tonned milk were to be deposited in a separate head of account and utilized within the milkshed area of Delhi Milk Scheme for intensification of milk production, fodder production and cattle feed and development of extension and information services.

Pending finalisation of the detailed accounting procedure, the sale proceeds from the WFP portion of toned milk were merged with the general receipts of the Delhi Milk Scheme and credited to Government Account. As the obligation of the scheme and that of the Government of India under the Agreement with the World Food Programme had not been discharged by the utilisation of the generated funds on schemes as provided in the agreement, the funds actually generated by the utilisation of skimmed milk powder every year are being shown as a liability of the Scheme in the Balance Sheet. Thus the un-discharged liability till March, 1970 was Rs. 47.33 lakhs approximately.

The Government have since sanctioned a Dairy Development Project in the District of Rohtak estimated to cost Rs. 47.10 lakhs which will utilize among others, the generated funds mentioned above."

6.18. The Committee pointed out that it was stated that the amount has been credited to the Consolidated Fund of India. But in the Balance Sheet of the Scheme (reproduced in Appendix III) it was appearing on the liability side. The Committee wanted to know the reason. The F.A.C.A.O. of the DMS stated: "The amount that should have been credited by the sale of double-tonned milk to the extent of the value of the powder is shown as liability in the balance sheet. So, to the extent possible, the commercial accounts exhibited the liability. To that extent, our overall loss has been enhanced. This liability has to be discharged ultimately for utilisation in the scheme."

6.19. As regards the correctness of exhibiting the liability in the balance sheet of the Delhi Milk Scheme after crediting the sale proceeds to the Consolidated Fund of India, the Secretary, Department of Agriculture stated: "It arises out of the fact that under the agreement, the Government are obliged to make good the sum. On the one hand, DMS incurred a loss because of selling the double-tonned milk at lower than the commercial rate. That is one part of the picture. The other part is that because of the agreement with the World Food Programme, the Government are obliged to give back the sum for developmental purposes whenever that is needed by the DMS."

6.20. The Committee wanted to know whether there was any delay in approaching the WFP authorities for the approval to the project for utilisation of the revolving fund. The Department in a note submitted to the Committee stated:

"The proposal to utilise the sale proceeds generated from the sale of WFP skimmed milk powder supplied to Delhi

Milk Scheme was sent to WFP on 19th August, 1968. WFP Authorities took sometime to convey their approval in principle to the utilisation of the sale proceeds funds. Project Number 348 was first amended on 20-9-1967 to permit merger of the funds generated under Project No. 233 with the funds generated under Project No. 348 and subsequently again amended on 18-4-1969 to permit utilisation of the funds generated from the sale of WFP toned milk within the milk shed areas of the assisted Milk Schemes. The observance of the procedures and formalities mentioned above accounted for the delay.

The Dairy Development Project at Rohtak estimated to cost Rs. 47.10 lakhs was approved by the expenditure Finance Committee in its meeting held on 21-8-1970 and the Government sanction was issued on 30-9-1970. The Chairman Delhi Milk Scheme has been entrusted with the responsibility for the implementation of the Scheme, in consultation with the Haryana Government."

6.21. The Committee also wanted to know the details of such agreements entered into with WFP with a commitment to create revolving funds and to start cattle development schemes. Department in a note submitted to the Committee gave the following details:—

"Five agreements have so far been concluded by Government of India with WFP for utilisation of sale proceeds of the commodities for undertaking programmes for development of cattle as per particulars given below:—

- (1) Project No. 54—Increase of milk production in Anand, Gujarat (16668 MT Maize and sorghum valued at US \$ 13,37,300).
- (2) Project No. 129—Improvement of feed for Dairy Cows. Andhra Pradesh (1500 MT sorghum and 1150 MT maize valued at US \$ 304,200).
- (3) Project No. 233—Supply of Double Toned Milk to Low Income Groups in Delhi (850 MT valued at US \$ 3,98,300).
- (4) Project No. 348—Improvement of milk supply through balanced feeding of cattle and Milk Toning (54,880 MT Maize, 27,620 MT sorghum and 10,500 MT SMP valued at US \$ 11,308,000).

(5) Project No. 618—Milk Marketing and Dairy Development (1,26,000 MT SMP and 42,000 MT Butter oil valued at US \$ 55,960,000).

The projects at S. Nos. (1) to (3) namely Project Nos. 54, 129 and 233 have been completed.

As regards the project at S. No. (4), namely, Project No. 348, the value of the funds generated till the end of June, 1970 for undertaking cattle development schemes amount to Rs. 304.32 lakhs. A number of cattle and dairy development projects of the value of Rs. 208.78 lakhs have been sanctioned for implementation in eight States and by Delhi Milk Scheme, as stated below:

State	Sanction issued for utilisation of generated funds (Amount— Rs. in lakhs)
(1) Andhra Pradesh	10.63
(2) Gujarat	15.76
(3) Madhya Pradesh	1.02
(4) Maharashtra	110.00
(5) Mysore	7.30
(6) Punjab	0.40
(7) Tamil Nadu	1.89
(8) West Bengal	14.68
(9) Delhi (D.M.S.)	47.10
TOTAL	<u>208.78</u>

As regards the project at S. No. (5), it may be stated that the Project No. 618 was signed on 4-3-1970. This is a five years programme and has yet to be fully implemented. Under this project, the Public Sector Milk Plants in the 4 Metropolitan cities, including Bombay, Calcutta, Delhi and Madras will be receiving 1,26,000 tonnes of S.M.T. and 42,000 tonnes of butter oil during a period of 5 years which when recombined and sold as liquid milk, will generate funds to the extent of Rs. 95.40 crores. An amount of Rs. 5.08 crores is proposed to be allocated to Delhi Milk Scheme mostly for expansion of its milk processing facilities.

6.22. The Committee find that the proposals of the Delhi Milk Scheme to increase the price of double toned milk sold under the

agreement entered into with the World Food Programme, from 40 paise per litre to 52 paise, made in July, 1965 and again to 60 paise in December, 1966 on the basis of actual cost of production, were not finally approved by Government. Only in January, 1967, the World Food Programme authorities were approached for the revision of the sale price. Ultimately in December, 1967, Government accepted a price of 50 paise per litre as recommended by the Governing Body, when the cost of production had gone up to 64 paise per litre. It continued upto 22nd February, 1969 when a revised price of 60 paise came into force. On account of the delay in giving effect to a reasonable increase. From time to time, as proposed by the Scheme, a total loss of Rs. 43.98 lakhs was incurred by the Scheme upto 31st March, 1969 as the sale proceeds did not cover even the cost of processing and distribution not to speak of covering the cost of milk powder also. Since the Scheme had to bear a liability to pay the cost of skimmed milk powder (Rs. 47.33 lakhs upto 31st March, 1970) for the purpose of setting up a revolving fund as required under the Agreement, the Committee cannot help feeling that the matter should have been reviewed by Government on realistic basis without undue delay. However, in the opinion of the Committee, there would have been no need to raise the price of Double Toned Milk which is meant for the weaker section of the society had the organisation effected necessary economy in its working.

6.23. Although the first agreement (No. 233) was executed in November, 1964 with an obligation to set up a revolving fund, it is regrettable that no such fund has been set up as yet, with the result that the implementation of a desirable scheme of cattle development could not be taken up. The question of accounting procedure, which is stated to have delayed the setting up of a fund, should be settled expeditiously in consultation with Audit.

6.24. The Committee observe that a Dairy Development Project at Rohtak estimated to cost Rs. 47.10 lakhs has since been sanctioned and that the Chairman, Delhi Milk Scheme has been entrusted with the responsibility for the implementation of the scheme in consultation with the Haryana Government. The Committee would like to know the details and the progress of implementation of the Scheme. The Committee hope that similar schemes sanctioned for various other milk schemes in the country will also be implemented expeditiously.

CHAPTER VII

IDLE PLANT AND MACHINERY

Audit Paragraph

7.1. In paragraph 4(b) of Section XXIII of Audit Report (Commercial), 1966 a mention was made of some of the items of equipment which had not been put to use since the date of commissioning. Out of these, the two items (Automatic decrating and recrating machines (cost Rs. 7.43 lakhs) and Milk Evaporating Plant (cost Rs. 1.68 lakhs still (January, 1970) remain to be disposed of/put to use.

7.2. A cheese plant valued at Rs. 3.80 lakhs, purchased on a high priority basis, has also been lying idle since 1965. The Ministry have stated (January, 1970) that the original scheme of installing the cheese plant at Delhi was given up in 1964 and that it is proposed to instal it at the Balancing Stating to be put up at Bikaner.

[Paragraph 80 (7)—Audit Report (Civil), 1970.]

Automatic decrating and recrating machine and milk evaporating plant

7.3. The Committee wanted to know the latest position with regard to the utilisation of automatic decrating and recrating machines costing Rs. 7.43 lakhs and milk evaporating plant costing Rs. 1.68 lakhs. The Chairman, Delhi Milk Scheme stated: "Decrating and recrating machines are used for the automatic handling of bottles in crates. Empty bottles are taken out by one such machines; the other is used for filling while the third is used for stacking the bottle in the crates. Of the three sets of machines, we installed one set of decrating and recrating machines. At the beginning we had five bottling lines. It has not been successful. The crate stacking machine was installed on three lines. It was decided that automation may not be introduced as it would not be possible to bring in that kind of sophistication, particularly because of difficulties in getting the spare parts. Even though the order was placed, an attempt was made to cancel that order. But the suppliers had already gone ahead with the start of the manufacture of the machines and so they did not accept our cancellation of order. Then the equipmnet was brought and the matter was:

by the management committee. They took a decision the Balancing would first try out one set of equipment which has already alongwith talked and then we may take a decision about the other

7.9. The cause of the difficulties found was that a large number of was breaking in this equipment. We therefore referred that a shortage manufacturer who recommended that it would be necessary be made from plastic crates. They sent a sample of the crate. It took how the cheese to identify the source of manufacture of these crates. for installation, the source was ultimately found. Our intention is cannot be case the crates are successful, we should try to use the manufactory crates. The crates had been received from that source on a trial basis without payment for the time being. The management committee took a decision to make use of this equipment and then we may take a decision regarding the use of the rest of the equipments. They have not been put to use so far. Efforts were made to dispose them of. A reference was made to the manufacturers who made reference to their worldwide distributing agencies. We pursued the matter. We got the response from some firms. Ultimately the deal did not go through."

7.4. Asked as to how the Delhi Milk Scheme went in for such a sophisticated equipment initially, the Secretary, Department of Agriculture stated: "All that can be said here is that this line of machinery development is a new one for us. We had to depend on the designers in these things. It seems that the advice to use this machine was given by the foreign experts. Obviously we did not have the expertise to dispute their recommendation that it would be useful."

7.5. As regards milk evaporating plant, the Chairman, Delhi Milk Scheme had the following to say: "Milk evaporating plant was not put to use as we had experienced difficulties during its operation the quantity of water which it was to use was very high and could not be easily fed. It was advised that under the condition of lower availability of water, it would be better to conserve and recirculate that water. For that it was recommended that a spray pond might be set up which could not be conveniently established at the present location. In any case, this had to be utilised in coordination with our other expansion programme. Under our expansion programme, another plant was used. Both these plants are being located at the same place. The spray pond is being set up for feeding both the plants for conserving water."

7.6. To an enquiry the witness informed the Committee that the plant was obtained on expert advice of a foreigner.

7.7. Referring to the necessity of examining the Indian conditions of equipments recommended by foreign, the Secretary, Department of Agriculture said: ".....the which you have indicated is very pertinent and we are really wiser even in the field of dairy. I think we have made and we have now a quite strong unit with the National Development Board and the Indian Dairy Corporation." the mistake that occurred in the acquisition of automatic Report and recreating machine, the Additional Secretary told the Com. "The position is that we can make a distinction. So far decom- recreating and recreating equipment is concerned, my feeling is that the mistake occurred in that experts over-looked that we do not manufacture all the things required to run it. We are putting the bottles in crates as we put things in a crate in Railway Station or Airport and drive them to the place of storage. And in almost every country in the world today, this is done in plastic crates. This is a very unsophisticated equipment, if I may say so. Our difficulty was two-fold. First is that the experts advised us on the basis of their experience in other countries. We did not check up that we do not manufacture sufficiently large number of crates to support the functioning of the machine. This manufacture has just started and we are going to get the plastic crates. This particular machine is not sophisticated and Dr. Kurien advised and we do not use them. The other machine (milk evaporating plant) is sophisticated."

Cheese Plant

7.8. Referring to the Cheese Plant valued at Rs. 3.80 lakhs, lying idle since 1965, the Committee wanted to know the action taken by the Management for its installation. The Chairman, Delhi Milk Scheme stated: "The Cheese Plant was ordered in March, 1964 and was received in July, 1965. At that time we had the Kurien Committee going into the working of the DMS. And they examined the desirability of installation of the Cheese plant at Delhi. They had two considerations before them. One was that transport costs should be saved. In case you are getting milk from the rural areas, it would be better to locate it in the rural areas. Then there would be saving on transportation by installing it as part of the Balancing Station. The second consideration was that better cheese is made from cow-milk. And since we established a Balancing Station at Bikaner, it was recommended that it would be desirable to locate it at Bikaner. So, it was decided not to go ahead with this installation of the plant at the Central Dairy but to shift it to Bikaner. We have explained yesterday the progress in regard to

the Balancing Station at Bikaner. The cheese plant will be taken along with the rest of the balancing station."

7.9. The Committee pointed out that in Delhi there was already a shortage of milk and that according to witness better cheese could be made from cow milk. As such the Committee wanted to know how the cheese plant was purchased on a high priority basis in 1965 for installation in Delhi. The witness deposed: "It is not that cheese cannot be manufactured at all from buffalo milk. It is being manufactured, for instance, by Amul from buffalo milk. It is being attempted for the first time in this country. Otherwise, cheese is normally being manufactured from cow milk in other countries. So, the decision to instal the cheese plant at Delhi, before the Balancing Station at Bikaner was planned, was reasonable because there is a demand here for all milk products. And there was a programme to have all the milk products here. And as a part of that programme, it was decided that cheese plant should also be installed. In the context of the situation at the moment, this was a reasonable decision. Then, later on when the Balancing Station at Bikaner came up, it was considered more advisable to instal the plant at Bikaner.

7.10. In reply to a question, the witness added: "I may explain in this connection that the supply of milk varies from season to season. A variety of product facilities are there in the DMS. The product facilities are being used only during the flush season, when we sometimes have surplus. We are having it over a number of years. For that reason, we decided on this. There is surplus milk available during the winter."

7.11. To another question, the witness replied: "The position is that there was faulty planning to the extent that subsequently we got better advice from the Kurien Committee to locate it at Bikaner. This was the right decision to take. So far as the second part of the question is concerned, it is quite true that we had anticipated that we shall get more milk than we actually did. Then, there is the third point. It takes time to set up a plant. We are setting up plants not only here but elsewhere also. You will have to have a time-lag for the milk supply to develop so that not only the milk supply processing unit but the product unit runs to capacity."

7.12. According to the witness the plant would be installed within a period of about a year and half or two years.

7.13. The Committee wanted to know the exact date on which the decision was taken to instal the plant at Bikaner. the FACAO, Delhi Milk Scheme stated that it was on 6th November, 1964. "...in November, 1964 the entire matter was brought to the notice of the Managing Committee. Dr. Kurien has himself said that the better course would be to cancel the order, if it can be. However, if it cannot be done, the cheese plant should be installed at Bikaner. But the Managing Committee said that the equipment order cannot be cancelled and they felt that the equipment may be allowed to arrive."

7.14. The witness admitted that it was possible that the equipment might become obsolete on account of delay in its installation. To another question the witness stated that no attempt was made to sell the equipment to private sector.

7.15. The Committee find that the attempts of the Delhi Milk Scheme to dispose of the automatic decrating and recrating machines did not succeed and that efforts are being made to put them to use after procuring plastic crates. The Committee would like to know the progress made in regard to utilisation of the machines.

7.16. It is unfortunate that the Scheme went in for such a sophisticated equipment as milk evaporating plant on the advice of a foreign expert without examining its immediate utility and consequently the equipment had not been put to use since 1962-63. The Committee need hardly stress that recommendations of foreign experts should henceforth be carefully sifted by the National Dairy Development Board/Indian Dairy Corporation to ensure their suitability under the present Indian conditions.

7.17. A cheese plant procured on a high priority basis at a cost of Rs. 3.80 lakhs in the year 1965 is yet to be installed. The Committee are not fully convinced of the soundness of the original proposal to instal the plant in Delhi. It is not clear as to why the order for it could not be cancelled when the Kurien Committee recommended the cancellation in 1964. The Committee note that the Scheme expects to instal the plant at Bikaner as per the alternative suggestion of the Kurien Committee, in about two years' time. It was admitted during evidence that the plant might become obsolete on account of delay in its installation. The Committee hope that such instances of bad planning will not recur.

In respect of all the three cases mentioned above, the Committee would like the responsibility for the procurement of the plant/machinery to be fixed and the fact intimated them.

CHAPTER VIII

STORES

Audit Paragraph

8.1 (a) The table below indicates the position of stores for the last 3 years:—

	1966-67	1967-68	1968-69
	(Rupees in lakhs)		
Closing blance of stores and spares	35.84	30.21	24.84
Consumption during the year	73.22	121.58	129.72
Closing blance in terms of months' consumption . .	5.9	3.00	2.30

(b) The following deficiencies have been noticed in the maintenance of stores accounts:

- (i) 167 items value at Rs. 25,361 out of a total of 1,400 items of motor transport stores were declared as dead in April, 1968. In July, 1968 a Committee was set up to examine the desirability of utilising these items before these were finally declared as dead and also to recommend the mode of disposal. The Report of the Committee has, however, not been made available to Audit. No action has also been taken to review the remaining items of the motor transport stores.

The Management have stated (November 1969) that 60 items have since been drawn by the Transport Section for utilisation.

- (ii) No regular and complete physical verification of stores has been conducted since inception of the scheme. The Management have stated (November, 1969) that "it is proposed to further strengthen the stores verification Unit of the Internal Audit Wing of the Delhi Milk Scheme

in the near future to intensify the physical verification of stores." The Ministry have stated (January, 1970) that the Scheme has been directed to complete the physical verification of all the stores by 31st March, 1970.

(iii) The priced stores ledgers have not been reconciled with the bin card balances. The Management have stated (November, 1969) that such a reconciliation is being taken up. The Ministry have stated (January 1970) that a directive has been issued to the Scheme to complete the reconciliation work by 31st March, 1970.

(iv) *Tyre Account*—The discrepancies noticed during physical verification of tyres made in October, 1963 have not been reconciled so far. Besides, no physical verification has been conducted after October, 1963.

No report showing the defects noticed, the exact nature of repairs required, mileage run, etc. in respect of each tyre is prepared before handling over the tyre for retreading. The Ministry have stated (January 1970) that the discrepancies noticed in October, 1963 could not be reconciled due to non-availability of records prior to 13th August, 1960.

[Paragraph 80(8)—Audit Report (Civil), 1970.]

Motor Transport Stores

8.2. In a written reply submitted to the Committee, the Department of Agriculture indicated the latest position of review of motor transport stores referred to in sub-para 8(b) (i) of the Audit paragraph as follows: "As regards 60 items stated to have been drawn for utilisation by the Transport Section of Delhi Milk Scheme, it is clarified that the quantities in stock in respect of these items were drawn as and when required from time to time.

Chairman, Delhi Milk Scheme decided in January, 1970 that the second Transport Engineer, who had joined the DMS, should physically inspect the stores and give his recommendation. The Transport Engineer indicated on 27-1-1970 that out of the 167 items, 5 items had already been consumed and 147 other items would prove useful for repair of vehicles from time to time. The remaining 15 items, according to him, could not be used due to modification in the milk vans and he suggested that the final decision regarding these 15 items should be postponed for 3 more months pending further examination.

The matter was further examined by the second Transport Engineer and the Stores Officer (Physical) of D.M.S. and the present position regarding these 167 items is as follows:

5 items	Fully consumed
100 items	Part quantities in respect of all the items have been consumed.
60 items	Not yet consumed but these cannot be declared as dead stock, because it is expected that these items will be drawn and utilised by the Workshop as and when required.
2 items	Not expected to be utilised at all due to some modification in the transport fleet used by the scheme.

It will thus be observed that only 2 items (value Rs. 3,311.43) can be treated as dead stock. The possibility of diverting these 2 items to some other users who may be requiring the same has been taken up by Delhi Milk Scheme with M/s Telco who were the original suppliers of the items."

8.3. As regards physical verification of stores, the Department intimated: "The stores held by the DMS can be broadly categorised as Dairy stores and motor transport stores. The last comprehensive physical verification of these stores was conducted in the year 1963-64 and thereafter physical verification was conducted in April, 1965, April, 1967 and August, 1968. Under instructions of Government to complete the physical verification of all stores by 31-3-1970, more systematic physical verification of stores was taken up by Delhi Milk Scheme w.e.f. January, 1970, after strengthening of the Physical Verification Unit of its Internal Audit Wing. This physical verification of stores has not yet been fully completed"

8.4. The Committee enquired whether the reconciliation of priced stores ledgers with the bin card balances had been completed. The Department in a note stated:

"Consequent on the directive issued by Government to complete the reconciliation work by 31-3-1970, a systematic physical verification of stores was undertaken by D.M.S. from January, 1970 onwards and reconciliation between the entries in the stock Ledger, Ground balances and the balance as per priced stores ledgers was taken up. In all 762 items have been covered by physical verification and entries in the Stock Ledgers have been reconciled in the case of 650

items. In the case of remaining items, the differences are under reconciliation. As 15,000 items are required to be reconciled it may take some more time before the reconciliation work is completed."

8.5. The Committee drew attention of the Department of Agriculture to the reply to the unstarred question No. 9667 (11-5-1970) wherein it was stated that physical verification of stock of Delhi Milk Scheme conducted from January, 1970 onwards, had revealed that out of 1733 items checked so far, discrepancies had been found in 161 items. The Committee wanted to know when was the last physical certification conducted prior to January, 1970 and what were the results. The Committee also enquired whether there was periodical verification of stores. The Department in a note stated:

"The last physical verification prior to January, 1970 was conducted during the period from 6-8-1968 to 24-12-1969. During the period the physical verification covered 1887 items and discrepancies were found in the case of 422 items.

The stores held by the Delhi Milk Scheme can be broadly categorised as Dairy and Motor Transport Stores. The physical verification of these stores was conducted in the year 1963-64 and thereafter in April, 1965, April, 1967 and August, 1968 though all the items were not covered.

The physical verification work has been taken up more systematically from January, 1970 and with the strengthening of the physical verification unit of Internal Audit Wing of Delhi Milk Scheme, it is expected that the physical verification of stores will be completed very soon.

Besides formal independent physical verification as mentioned above verification of stores also took place in respect of both Dairy Stores and Transport Stores whenever there was change of Store-Keepers. Last such verification at the time of handing over and taking over took place on 2-12-1969 and 14-8-1969 in respect of Dairy and Motor Transport Stores respectively."

8.6. The Committee also pointed out that in the reply to the unstarred question No. 9667 it was also stated that further investigations revealed a possible misappropriations of 13,830 Kgs. of Skimmed Milk powder of the value of about Rs. 22,820/- and that the case was referred to CBI for investigation. The Committee wanted to know whether any preliminary investigation was held and if so, its findings. The Committee also wanted to know the steps taken to tighten up the stores control. The Department in a note stated:

"During the course of physical verification of stocks of S.M.P. an interpolation was noticed in issue voucher No. 597/CTC dated 23-10-

1969. The original copy indicated a quantity of 950.8 Kgs. as against 50.8 Kgs. shown in the carbon copy. As follow up to the irregularity noticed above, a preliminary investigation was held into SMP. Accounts for the period June, 1969 to October, 1969. The investigation revealed a possible misappropriation of 13,830 Kgs. of SMP of the value of Rs. 22,820/-.

The store keeper and the store clerk concerned with these irregularities have been suspended and the matter together with the report of Internal Audit and connected supporting documents has been entrusted to the C.B.I. for further investigation.

The following action has been taken to tighten up the stores control:

- (i) One more physical verification team consisting of one Jr. S. Keeper and one LDC has been sanctioned. Action to fill the post of Jr. S. Keeper is being taken and the LDC has been positioned.
- (ii) Proposal for tightening the security arrangement put by Internal Audit Section is being considered by the Security Officer of Delhi Milk Scheme for implementation.
- (iii) Increase in the number of security supervisors to man the exists, round the clock, has been sanctioned.
- (iv) Besides strengthening the physical verification unit by adding one more team, it is also proposed to intensify periodical surprise verification of various stock in such a way that all major costly and fast moving items of stores are covered at least once a year by such surprise physical verification.
- (v) The possibility of introducing ABC method of inventory is also being explored by the Internal Audit Wing of the Scheme."

8.7. The Committee wanted to know whether the discrepancies brought out in the physical verification of stores had been reconciled. The Department in a note stated: "Necessary reconciliation has not yet been completed by the concerned officials of Delhi Milk Scheme. The Chairman, Delhi Milk Scheme has been instructed to ensure this reconciliation is completed by the middle of December, 1970.

8.8. The Committee referred to the decision of Government to get a special physical verification of stores done under the supervision of an officer deputed by the Comptroller & Auditor General of India and wanted to know if it had been taken up. The Department of Agriculture intimated that the special physical verification under the supervision of an officer deputed by the Comptroller and Auditor General of India had commenced in October, 1970.

Tyre Account

8.9. The Committee pointed out that according to audit para, the discrepancies noticed during physical verification of tyres made in October, 1963 had not been reconciled so far due to non-availability of records prior to 13-8-1960. The Committee wanted to know the action taken in the matter. The Department in a note stated: "The discrepancy noticed during physical verification of tyres in October, 1963, could not be further reconciled due to non-availability of records prior to 13-8-1960. The matter being now 10 years old it has not been possible for DMS to probe into the matter further. The balance in hand of new tyres as on 13-8-1960 was taken as 13 and the excess of 17 tyres found on that date could be attributed to the purchase during the period prior to 13-8-1960 which had not been brought into account. Physical verification of tyres in the store conducted on 9-6-1970 did not reveal any discrepancy."

8.10. The Committee wanted to know the reasons for not conducting physical verification of tyres after October, 1963. The Department, in a note, stated: "After October, 1963, physical verification of tyres in the stores of D.M.S. was conducted in 1964, 1965, 1967 and 1970. No discrepancy was found as a result of these physical verification."

8.11. The Committee drew attention to the fact that no report showing the defects noticed, the exact nature of repairs required, mileage run, etc. in respect of each tyre was prepared before handing over the tyres for retreading. The Department in a note stated: "The exact nature of job in respect of each tyre is being noted on the return vouchers handed over to stores as and when required. It has been found difficult to keep a record of exact mileage performed by the tyres as speedometers are difficult to maintain. Distances covered are, however, estimated on the basis of the routes on which the vans and the road milk tankers of the Scheme are required to travel. The average mileage of the tyres which are being retreaded/repared from outside parties is worked out on this basis and whenever tyres fail prematurely claims are made on the parties concerned."

8.12. The Committee need hardly emphasise the importance of regular and complete verification of stores and prompt investigation/reconciliation of discrepancies. The Committee hope that this would be ensured in future. The Committee would like to know the outcome of the special stores verification undertaken in October, 1970.

8.13. The Committee were informed that the reconciliation of priced ledgers with the bin card balances was in progress. The Committee would like this work to be completed early and the fact of completion intimated to them.

8.14. The Committee find that some measures have been taken to tighten up stores control. The Committee would particularly commend the proposal to intensify the periodical surprise verification of stores. The decision taken regarding the introduction of ABC method of inventory may be intimated to the Committee.

CHAPTER IX

INTERNAL AUDIT

Audit Paragraph

9.1. The Internal Audit Section is not adequately manned and because of this, Inspection Reports/half margins issued on behalf of the Director of Commercial Audit have also not been attended to promptly.

9.2. The Ministry have stated (January 1970) that the Chairman has been directed to look into the matter personally and strengthen the internal audit system and dispose of audit objections.

[Paragraph 80(9)—Audit Report (Civil), 1970.]

9.3. The Committee understood from Audit that more than 200 Audit objections brought out in the various Inspection Reports and Half Margins were pending settlement as on 31st December, 1969 for want of clarifications/replies and some of these audit objections had been outstanding since 1959-60. The Committee wanted to know the steps taken by the management to settle/clear the outstanding objections. The Department in a note submitted to the Committee stated:

“At the time the Internal Audit came into existence as a separate unit in 3/68 about 260 part. II objections were pending. During the visit of the local Audit Party in the middle of 1968. Internal Audit furnished replies to most of the objections and as a result thereof a substantial number of paras (about 100) were dropped. In addition, replies to various draft paras issued by Audit have also been furnished.

The concerned branches of the Delhi Milk Scheme are being regularly urged to furnish replies in order to finalise the outstanding audit objections. An Internal Audit Section has been set up which ensures that replies are furnished by the various Branches to the Audit objections and helps them in furnishing satisfactory replies and also coordinating such replies. As the progress in the clearance of audit objections has not been satisfactory, a separate unit has been constituted to deal exclusively with the audit

objections, half margins etc., which will expedite the clearance of outstanding objections. This unit will be strengthened gradually as per requirements."

9.4. The Committee desired to know the steps taken by the Scheme to strengthen the Internal Audit System to make it more effective to cover all aspects/transactions of the scheme.

The Department of Agriculture in a note stated:

"As a first step, vacant posts have been filled up in the Internal Audit Wing. A separate Unit has also been constituted in the Internal Audit Wing to deal exclusively with the Audit objections etc. and this Unit will be strengthened gradually as per requirements. When this proposal is fully implemented, it is expected to cover all aspects/transactions of the Scheme."

9.5. The Committee hope that Delhi Milk Scheme would take appropriate steps to settle the Audit objections promptly.

CHAPTER X COSTING

Audit Paragraph

10.1. The Costing Cell of the Scheme is responsible for maintenance of priced stores ledgers and job cards relating to workshop, preparation of *proforma* accounts and undertaking of cost studies.

10.2. The Scheme works out the cost of milk and milk products after the finalisation of the *pro forma* accounts. Periodical cost statements indicating the prime cost and overhead charges are, however, not prepared with a view to gauge the trend of various elements of cost for exercising appropriate control, where necessary.

10.3. The Management have stated (November, 1969) that "streamlining of the existing cost system for making available relevant data when required from various sections is under consideration."

[Paragraph 80(10)—Audit Report (Civil), 1970.]

10.4. According to Audit Para, periodical cost statements indicating the prime cost and overhead charges were not prepared by the Costing Cell with a view to gauge the trend of various elements of cost for exercising appropriate control wherever necessary. The Committee wanted to know the steps taken by the Scheme to streamlining the existing costing system.

The Department of Agriculture in a note stated:

"Besides preparation of cost sheets for milk and milk products after the finalisation of the *proforma* accounts, the cost section of Delhi Milk Scheme undertakes cost studies during the course of the year, particularly when the question of revision of selling prices of milk which constitutes more than 75 per cent of the total cost of production of various types of milk and milk products is taken up. These studies enable the Scheme to gauge the trend of various elements of cost for the purpose of exercising appropriate control where necessary.

The periodical cost statements indicating prime cost and overhead charges etc. are not prepared at present. The preparation of such cost statements would necessitate a more elaborate costing system whereby day to day or periodical

costs from various cost centres are compiled for comparison with the standard cost. The present system of accounting in the scheme as a Government Undertaking is not based on commercial double entry system, with the result that it is difficult to allocate cost concurrently from time to time. Moreover the procedure of payment for stores etc. through the Pay & Accounts Officer which ultimately gets adjusted through the books of Accountant General, Commerce, Work & Misc. involves delay in the receipt of information by at least 2 to 3 months. The question of streamlining of the existing cost system including *inter alia*, changing over to commercial methods of accounting and book keeping is under consideration of Delhi Milk Scheme.

It may, however, be added that the cost section is at present closely associated in Management's decisions relating to the economics of various proposals involved in the procurement, processing and distribution of milk."

10.5. The Committee find that the periodical cost statements indicating prime cost and overhead charges etc. are not prepared at present and that the question of streamlining the existing cost system is under consideration. The Committee desire that the cost system should be streamlined early so that a better control of the various elements of cost may be exercised by the Management with a view to effecting economy in the working of the Scheme.

CHAPTER XI

ACCOUNTING DEFICIENCIES

Audit Paragraph

11.1. The following deficiencies have been noticed in the maintenance of accounts/records:—

- (a) The figures of sales, shown in the *pro forma* accounts, are worked out by analysing the remittances and are not based on the daily sales statements.
- (b) No physical verification of fixed assets has been conducted since inception. The Ministry have stated (January, 1970) that "the Chairman... has been instructed to complete the physical verification.... by 31st of March, 1970."

[Paragraph 80(11)—Audit Report (Civil), 1970.]

11.2. According to the Audit Para, the figures of sales shown in the *proforma* accounts, were worked out by analysing the remittance and were not based on the daily sales statements. As the amount shown in the cash book on account of sales of milk and milk products represented only the cash collections irrespective of the period to which it pertained and also did not include the amount short deposited by Cash Clerks/Depot Managers, the Committee wanted to know how the management satisfied itself in the absence of proper reconciliation of the aforesaid figures with the figures of sales as appearing in the daily sales statements, that the figures of sales shown in the *proforma* accounts represented the actual sales during the particular year.

11.3. The Department of Agriculture in a note submitted to the Committee stated: "The figures of sales shown in the Proforma Accounts of the Delhi Milk Scheme are being worked out from the entries of the receipt side of the general cash book of the scheme since inception of the Scheme. However, the need for deriving those figures from daily sales statements as pointed out by audit is accepted. Necessary procedure in this regard will be established as soon as possible after examining the practical difficulties, if any, in this regard."

11.4. The Committee further pointed out that as per Audit Para, no physical verification of fixed assets had been conducted since inception and that the Chairman, DMS had been instructed by the Ministry to complete the verification by 31st March, 1970. The Committee enquired whether the physical verification of the fixed assets had since been completed. The Department in a note stated: "The Scheme has fixed assets at the Central Dairy in Delhi and in 21 chilling centres situated around Delhi. Physical verification of fixed assets could be taken up by DMS after 1-4-1970 and has since been completed at 15 milk collection and chilling centres. The remaining 6 chilling centres are not in operation and equipment have been installed only in 5 out of these 6 centres. Physical verification of fixed assets at these chilling centres as also at the Central Dairy is being taken up."

11.5. The Committee are unable to appreciate the continuance of the existing practice of working out the figures of sale by analysing the remittances without reconciling them with the figures of sales as appearing in the daily sales statements. The Committee would, therefore, like the Scheme to evolve a suitable procedure to ensure the correctness of the figures of sales shown in the proforma accounts without delay.

11.6. The Committee would like physical verification of fixed assets in the remaining chilling centres as also at the Central Dairy to be completed expeditiously.

NEW DELHI ;
July 8, 1971.

Asadha 17, 1893 (Saka)

ERA SEZHIYAN,
Chairman,

Public Accounts Committee.

APPENDIX I

(Para 3.29 of the Report)

Statement showing the progress achieved in the four cattle development projects in the Milk shed of Delhi Milk Scheme as referred to in the reply to point 9 of the Public Accounts Committee

Activity	1967-68	1968-69	1969-70	Total
GURGAON				
1. Semen Bank . . . . .		..	1	1
2. Regional A.I. Centres . . . . .	..	3	1	4
3. Stockman Centres . . . . .	..	41	16	57
4. Total breedable population in lakhs	1.20	..	..	1.20
5. No. of insemination done in lakhs . . . . .	..	0.12	0.12	0.24
6. No. of castrations done in lakhs . . . . .	..	0.048	0.07	0.118
7. No. of inoculations in lakhs	0.74	0.86	1.60	3.20
8. No. of fodder development plots . . . . .	..	10	17	27
9. Quantity of Seeds distributed in quintals	..	1.17	14.84	16.01
10. No. of Coop. set up . . . . .	..	24	3	27
11. Amount of loan in lakhs . . . . .	..	1.10	3.38	4.48
KARNAL				
1. Semen Bank . . . . .	..	..	1	1
2. Regional A.I. Centres	2	2	..	4
3. Stockman Centres	24	16	17	57
4. Total reedable population in lakhs	1.07	..	..	1.07
5. No. of insemination done in lakhs	0.02	0.04	0.064	0.144
6. No. of castrations done in lakhs	0.02	Negligible	0.04	0.06
7. No. of inoculations in lakhs	0.48	0.93	1.49	2.90
8. No. of fodder development plots . . . . .	..	31	182	213
9. Quantity of Seeds distributed in quintals	..	5.05	1.10	6.15
10. No. of Coop. set up . . . . .	..	17	17	34
11. Amount of loan in lakhs . . . . .	..	6.68	15.21	21.89

	1967-68	1968-69	1969-70	1970-71
BIKANER				
1. Semen Bank	1	..	..	1
2. Regional A.I. Centres . . . . .	..	2	..	2
3. Stockmen Centres	16	24	10	50
4. Total breedable population in lakhs	1.2	..	..	1.2
5. No. of insemination done in lakhs . . . . .	..	0.014	0.04	0.054
6. No. of castrations done in lakhs	0.00098	0.017	0.014	0.032
7. No. of inoculations in lakhs . . . . .	.005	0.23	0.235	0.235
8. No. of fodder development plots	4	..	13	17
9. Quantity of seeds distributed in quintals . . . . .	..	8.8	4.00	12.8
10. No. of Coop. set up	38	14	19	71
11. Amount of loan in lakhs	0.70	1.25	1.00	2.95

MEERUT				
1. Semen Bank	1	..	1	2
2. Regional A.I. Centres	19	15	15	49.5
3. Stockmen Centres	11	11	15	37
4. Total breedable population in lakhs	3.5	..	..	3.5
5. No. of insemination done in lakhs	0.94	1.02	1.09	3.05
6. No. of castrations done in lakhs	0.19	0.22	0.27	0.68
7. No. of inoculations in lakhs	3.210	4.96	5.29	13.46
8. No. of fodder development plots	200	800	2400	3400
9. Quantity of seeds distributed in quintals	348.40	2259.40	1099.65	3707.45
10. No. of Coop. Set up	Under Coop. Department there are re-reported to be 8 Coop. Unions in the Projects.			
11. Amount of loan in lakhs	2.00	3.00	2.00	7.00

*These figures pertain to A.I. sub-centres.

NOTE.—(1) Gurgaon Project was started only in the later part of 1967-68.

(2) Bikaner Project suffered a set back due to famine conditions of the executive years.

APPENDIX II

(Para 4.24 of the Report)

Statement showing the Losses in Transit of Cow-Milk from Bikaner to Central Dairy, New Delhi

1966-67

Month		Quantity despatched from Bikaner (litres)	Quantity received in Central Dairy (litres)	Quantity lost in transit (litres)	Value of quantity lost in transit (Rupees)
(1)		(2)	(3)	(4)	(5)
April	'66	1,86,721.02	1,86,429.29	291.73	129.21
May	"	1,39,634.25	1,39,438.29	195.96	86.79
June	"	1,34,783.74	1,34,467.31	316.43	140.15
July	"	2,35,993.32	2,35,070.47	922.85	408.73
August	"	2,41,236.65	2,40,567.99	668.66	296.15
September	"	1,87,641.70	1,87,259.30	382.40	169.36
October	"	69,971.99	69,696.39	278.50	123.39
November	"	9,746.68	9,675.18	71.50	31.67
December	"	32,111.63	31,949.63	168.00	86.52
January	"	40,602.50	40,274.10	328.40	186.04
February	"	61,493.72	41,285.94	207.78	117.71
March	"	55,826.81	56,456.81	370.10	209.66

**the Losses in Transit of Cow-Milk from Bikaner
to Central Dairy, New Delhi**

1967-68

Month (1)	Quantity despatched from Bikaner (litres) (2)	Quantity received in Central Dairy (litres) (3)	Quantity lost in transit (litres) (4)	Value of quantity lost in transit (Rupees) (5)
April - - '67	1,22,000·52	1,21,426·66	573·86	325·09
May: "	2,06,287·03	2,05,642·10	644·93	365·35
June "	2,80,391·66	2,78,216·74	2174·92	1232·09
July "	4,12,534·10	4,05,864·93	7669·17	4344·58
August "	4,36,509·65	4,21,534·29	14975·39	8483·56
September "	4,12,180·66	3,97,954·18	16226·48	9192·30
October "	2,59,732·99	2,53,512·44	6220·55	3523·94
November "	1,67,239·65	1,64,708·77	2530·69	1433·64
December "	1,43,775·51	1,42,376·90	1398·34	792·83
January "	1,69,550·33	1,68,392·00	1158·33	755·50
February "	2,36,211·49	2,35,514·06	697·43	466·33
March: "	3,77,416·33	3,71,785·48	5630·85	3769·85

**Statement showing the Losses in Transit of Cow-Milk from Bikaner,
to Central Dairy, New Delhi**

1968-69

Month		Quantity despatched from Bikaner (litre)	Quantity received in Central Dairy (litre)	Quantity lost in transit (litres)	Value of quantity lost in transit (Rupees)
(1)		(2)	(3)	(4)	(5)
April	68	4,81,648.65	4,66,817.80	15330.85	10264.00
May	„	4,64,533.00	4,52,718.40	11814.60	7909.87
June	„	4,69,912.25	4,50,313.40	19598.85	13121.43
July	„	4,78,530.10	4,69,072.60	9457.50	6331.80
August	„	4,32,369.20	4,23,452.96	8916.24	5969.42
September	„	3,05,559.70	2,98,748.51	6816.24	4563.67
October	„	1,28,784.96	1,28,193.26	591.70*	396.14
November	„	46,621.11	46,601.71	19.40	12.99
December	„	30,176.70	30,176.70	..	..
January	„	28,922.49	28,165.89	756.60	506.45
February	„	25,828.26	26,828.26	..	..
March	„	34,132.36	34,132.86	..	..

NOTE.— The weigh-bridge went out of order during the middle of October, 1968. The quantity lost in transit from October, 1968 to March, 1969, if any, could not be assessed separately, but was reflected in the processing losses incurred in the Central Dairy.

*Statement showing the Losses in Transit of Cow-Milk from
Bikaner to Central Dairy, New Delhi*

1969-70

Month		Quantity despatched from Bikaner (litres)	Quantity received in Central Dairy (litres)	Quantity lost in transit (litres)	Value of the quantity lost in transit (Rupees)
(1)		(2)	(3)	(4)	(5)
April	'69	51,119.00	51,119.00	Nil	
May	,,	63,050.00	63,050.00	Nil	
June	,,	53,846.64	53,721.21	125.43	96.89
July	,,	36,428.35	36,428.35	Nil	
August	,,	58,563.75	58,563.75	Nil	
September	,,	51,035.58	50,948.28	87.30	67.44
October	,,	32,705.49	32,705.49	Nil	
November	,,	24,136.51	24,136.51	Nil	
December	,,	20,079.60	20,079.60	Nil	
January	'70	24,560.40	24,560.40	Nil	
February	,,	30,496.80	29,682.00	814.80	629.43
March	,,	53,791.35	52,976.55	814.80	629.43

NOTE.—The weigh-bridge went out of order during the middle of October, 1968. The quantity lost in transit from April, 1969 to March, 1970, if any, could not be assessed separately, but was reflected in the processing losses incurred at the Central Dairy.

APPENDIX III
(Para 6.18 of the Report)
DELHI MILK SCHEME
BALANCE SHEET AS ON 31ST MARCH, 1969

Capital and Liabilities	1967-68		1968-69		Property and Assets	1967-68		1968-69	
	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.		
<i>Government Capital</i>									
Opening Balance	2,10,14,472		2,08,84,847		Fixed Assets (Net)	1,89,80,790	2,11,78,450		
<i>Add : Net Adjustments during the year</i>	1,45,40,926		68,30,150						
	<u>3,55,55,398</u>		<u>2,77,14,997</u>						
<i>Less : Loss during the year</i>	1,46,70,551		76,41,887						
	<u>2,08,84,847</u>		<u>2,00,73,110</u>		Stores, Spare Parts, POL, Stationery, etc.	30,20,761	25,05,911		
<i>Add : Prior Period adjustments.</i> . . . .	..	2,08,34,897	10,72,602	2,11,45,712	Stock in Trade—Milk and Milk Products.	21,79,250	31,73,140		
Deposits and Advances.		5,64,71		8,76,323	Store Purchase.	Nil	7,06,169		
<i>Outstanding Liabilities</i>		72,00,052		67,51,596	Sundry Debtors	8,20,478	9,48,666		
<i>Un-discharged Liabilities—Audit Fee</i>		4,24,580		5,10,545	Loans & Advances	52,52,688	39,79,270		
<i>Provision for :</i>					Cash Balance	25,23,900	22,729,64		
(a) Depreciation on Buildings		21,02,888		23,77,702					
(b) Hire of Tankers on Loan		1,32,381		1,32,381					
<i>Liability for W. F. P. Projects :</i>									
(a) Project—233		14,68,648		14,68,648					
(b) Project—348				15,01,363					
TOTAL		<u>3,27,77,867</u>		<u>3,47,64,270</u>	TOTAL	<u>3,27,77,867</u>	<u>3,47,64,270</u>		

APPENDIX IV

Summary of Main Conclusions/Recommendations

Sl. No.	Para No.	Ministry /Deptt. concerned	Conclusions Recommendations
1	2	3	4
1	1.3	<u>Deptt. of Agriculture</u> <u>Delhi Milk Scheme</u>	The Committee note that the Delhi Milk Supply Corporation Bill, which was introduced on the 4th September, 1970, lapsed consequent on the dissolution of Fourth Lok Sabha. The Committee hope that Government would bring forward a fresh bill early. The Committee would suggest that a provision should be made therein for audit of the Corporation's accounts by the Comptroller and Auditor General.
2	2.24	Do.	The Committee in their Twenty-Seventh Report (Fourth Lok Sabha) took note of the fact that the Delhi Milk Scheme was incurring losses since its inception upto 31st March, 1967. The Committee are disturbed to find that the working results for the subsequent years 1967-68 and 1968-69 have also disclosed losses. The biggest ever loss of Rs. 146.71 lakhs was incurred during 1967-68. The cumulative loss upto 31st March, 1969 amounted to Rs. 417.68 lakhs. The Committee see no justification for losses in a Project of this kind which elsewhere has been found to be profitable, for example Karia District Cooperative Milk Scheme. The Government should keep a close watch on the Scheme taking expert advice as and when necessary as it is of prestigious importance being located in the

Capital of the Country. The Committee trust that Government would make fullest use of the expertise on the subject available in the country. During evidence the Committee were informed that the Scheme expected to show profit during 1969-70 partly due to rationalisation of procedures and control over incidental costs and partly 1969. due to increase in sale price given effect to from 22nd February. The Committee subsequently understood from Audit that the proforma accounts for the year 1969-70, as made available to them, showed a net profit of Rs. 73.34 lakhs. In this connection, the Committee would like to be apprised of the extent of profit arising from the operational efficiency and that accruing from increase in the sale price effective from the 22nd February, 1969, or lower cost of procurement of milk separately. The Committee hope that with the increase in turnover and better control over expenditure losses would be wiped off and the Scheme would be able to function on a 'no profit no loss' basis.

3 2.25 Do.

The Committee note that the Block Assets of the Scheme did not include buildings and airconditioning plant valued at Rs. 100.97 lakhs as on 31st March, 1969 and that consequently the cumulative loss remained understated to the extent of Rs. 31.85 lakhs. The Committee trust that the position would be rectified in the accounts for the year 1969-70.

4 2.26 Do.

The Scheme has sustained loss even on milk products during the year 1968-69 for the first time in three years ended 31st March, 1969. The Committee would like to know the specific reasons for the loss sustained in the sale of milk products during the year 1968-69 alone.

1	2	3	4
5	2.27	<u>Deptt. of Agriculture</u> <u>Delhi Milk Scheme</u>	The Committee find that the profitability or otherwise of each of the by-products could not be worked out by the Scheme in the absence of product-wise details of cost of production. The Scheme should maintain accounts in a form which will enable working out of individual product-wise loss/profit so that production capacities of products that yield a margin of profit may be fully utilised in the financial interest of the Scheme.
6	2.28	Do.	It is disconcerting to observe a rising trend in procurement, transportation, processing, distribution and overhead expenses. The cost of procurement of milk and transportation upto the Central Dairy which ranged from 7.38 paise to 7.87 paise per litre during the four years 1964-65 to 1967-68 suddenly jumped to 9.05 paise in 1968-69 as against a norm of 5.75 paise fixed by the Kurien Committee. Further the cost of processing, distribution and other overheads went up from 14.63 paise in 1964-65 to 18.33 paise in 1968-69 as compared to the norm of 13.05 paise. The Committee need hardly emphasise the necessity for an item-wise control of cost with the help of periodical cost analysis. The Committee have dealt with the deficiencies in this regard elsewhere in this Report.
7	2.29	Do	It was urged before the Committee during evidence that the norms laid down in 1964 could not be compared with the expenses in later years. Further, according to Government, the correct method of assessment of unit cost of processing, distribution and other

overheads would be on the basis of total quantity of all types of milk—standard, toned and double toned—manufactured and sold by the Scheme where as Kurien Committee had taken the quantity of fresh milk received as the basis. The Committee would suggest that revised norms, if necessary may be worked out on a comparable basis for various stages of operation by an independent expert in association with a person well versed in cost accounts.

8 3-33 Do.

The Committee wish to point out that adequate procurement of milk is the very basis of satisfactory working of the Scheme. The Delhi Milk Scheme has since purchased a spray drying equipment to take additional supplies of milk during winter months and convert into skimmed milk powder for utilisation during summer months and the equipment was expected to be commissioned by March, 1971. Latest position has not however been intimated by Government. The Committee expect that the Scheme would take appropriate measures to step up procurement of milk in order to ensure optimum utilisation of the plants throughout the year and to reduce the unit cost of milk and milk products.

9 3-34 Do.

The Committee are not satisfied with the present arrangement for the procurement of milk under which bulk of the purchase is made on commission basis through middlemen. In the opinion of the Committee, the milk producers should get the benefit in full instead of allowing the middlemen to derive profit. To achieve this end in close cooperation with the State Governments concerned the

9.	3.34	Deptt. of Agriculture <u>Delhi Milk Scheme—</u> contd.	Scheme should encourage establishment of genuine milk producers' cooperatives in the milk-shed areas from where milk is at present procured. The organisation of cooperatives which is one of the aims of the Intensive Cattle Development projects should receive the priority that it deserves.
10	3.35	Do.	In spite of considerable expenditure on the Intensive Cattle Development Projects sanctioned for the milk shed of Delhi Milk Scheme in districts of Meerut in Uttar Pradesh, Gurgaon and Karnal in Haryana and Bikaner in Rajasthan, the Committee do not find any appreciable improvement in procurement. As against a quantity of 3,35,745 quintals of milk purchased in these areas in 1966-67, the quantity procured in 1969-70 was only 3,39,503 quintals. Admittedly the projects are not intensive enough and "there is a tremendous ground yet to be covered." According to the Secretary, Department of Agriculture, enough was not being done for the breeding programme and for the fodder and feed. The Committee hope that Government will attend systematically to these shortcomings in the interest of improving milk production.
11.	3.36	Do.	The Committee could not get any idea about the increase in the yield of milk consequent on the implementation of the cattle development projects. The witness informed the Committee that Government "do not have a proper scientific assessment machinery under the statistical organisation to answer the question about

improvement in milk production." The Committee are unhappy about the inadequacy of the existing Government machinery in this regard. As these projects are centrally sponsored, the Committee feel that it is the responsibility of the Centre to ensure that these yield satisfactory results. In his connection the Committee would suggest that a periodical survey should be undertaken in the four ICDP areas so as to determine the extent of increase in milk production and decide the further measures, in the light thereof to achieve higher production.

12

3-47

Do.

The Committee were informed that as there was direct departmental procurement at Bikaner, testing of individual supplies of milk, being prohibitively expensive, was not done and that some improvements have been made since January, 1969. The Committee do not approve of the existing arrangement as they consider that the testing of individual supply is a must to guard against procurement of sub-standard or adulterated milk. The steps taken in this regard may be reported to them.

103

13

4-30

Do.

The Committee note that the norm for loss of fat from the stage of procurement upto the receipt in Central Dairy has been refixed as 1 per cent with effect from 1st July, 1970 and that loss during processing has been fixed as 1 per cent during summer months and 2.5 per cent during winter months subject to an overall loss of 2 per cent in the year w.e.f. 1st June, 1970. The Committee would like to stress that the losses should be reduced to the minimum and that the norms fixed should be periodically reviewed with a view

1	2	3	4
13	4.30	Deptt. of Agriculture <hr/> Delhi Milk Scheme contd.	to refixing them at the lowest possible level. In this connection it is worthwhile undertaking a comparative study of norms fixed by various milk schemes in the country after obtaining the particulars from the schemes from which they are yet to be received by the Delhi Milk Scheme.
14	4.31	Do.	The Committee are not convinced of the reasons adduced for not fixing the norms for the transit loss in terms of quantity. The loss of milk in transit from Bikaner has been increasing from 0.3 per cent of the total quantity despatched in 1966-67 to 2.7 per cent in 1968-69 (upto September, 1968). This suggests the need for fixing the norm in terms of quantity also as a check against any possible pilferage, adulteration of fat and loss of SNF content of milk. The Committee observe that the Milk Scheme in Madras has fixed norms in terms of quantity of milk.
1	4.32	Do.	The Scheme has sustained an extra-ordinary loss of milk in transit from Bikaner during 1968-69. The loss subsequent to September, 1968 is not susceptible of assessment as the weighbridge is stated to have gone out of order in October, 1968. While the peculiar conditions under which milk is procured and transported from Bikaner may warrant a slightly increased loss over the norm of 1 per cent fixed by the Scheme—which, however, is not borne out by the low percentage of loss during 1966-67—such high percentage of loss in 1968-69 cannot be regarded as inescapable transit loss. The

Committee were informed during evidence that some theft could not be ruled out although there was no specific case brought to the notice of the Scheme. The Committee would like an investigation to be undertaken into the circumstances that led to such extraordinary losses during 1968-69 and appropriate action taken against the officials concerned. The Committee hope that the weighbridge would be repaired and brought into use forthwith and that care would be taken to ensure that it does not go out of order.

16 4.33 Do.

The Ministry intimated the Committee that the transit losses from Bikaner would be reduced after the introduction of rail milk tankers for which orders had already been placed. The Committee find that quantity of milk despatched per day from Bikaner was on an average 3,769 litres, 8,832 litres, 8,022 litres and 1,369 litres in the years 1966-67, 1967-68, 1968-69 and 1969-70 respectively. Against this background and taking into consideration the proposal to have a cheese plant installed at Bikaner, the Committee would like Government to make sure of the economics of procuring tankers of 21,000 litres capacity for transport of milk from Bikaner.

17 5.6 Do.

In keeping with the objective of the Scheme of supplying good wholesome milk at a reasonable price to the consumer, the Scheme should be able, ere long, to meet the demands of the consumers in Delhi in a better way. The Committee find that as against the total estimated requirement of milk for Delhi city of 7,00,000 litres

1	2	3	4
17	5.6	Deptt. of Agriculture/ Delhi milk Scheme c ontd.	per day at the end of 1974-75 the Scheme was able to supply to the extent of 2,27,636 litres and 2,57,118 litres only during 1968-69 and 1969-70 which worked out to respectively 32.5 per cent and 36.7 per cent of the requirement. With the anticipated increase in the processing capacity consequent on the installation of a spray drying equipment, the Committee hope that the supply position would show substantial improvement.
18	5.7	Do.	The Committee trust that a detailed review of the working of all-day milk stalls will be completed and the question of opening of additional milk stalls decided early. The Committee would like to know the results of the review as also the progress in the opening of additional booths, 100 of which are expected to be constructed during the current financial year. In this connection the Committee would also like Government to examine the feasibility of introducing new features such as yoghurt for supply at railway stations airports etc., for the benefit of passengers.
19	5.10	Do.	The Committee wish to point out that there is much scope for improving the image of Delhi Milk Scheme in regard to quality of its products. As there have been some complaints regarding ghee, the Committee would suggest that there should be a regular procedure of getting the ghee tested in one of the national laboratories and of ensuring strict adherence to quality specifications to inspire confidence.

20 5.24 Do.

The Committee are distressed to find a large number of cases of defalcation and short deposit of cash aggregating over a lakh of rupees. The Committee take a serious view of the lapse in not reporting the cases to the L. I. C., wherever necessary, promptly. The Committee would like to be apprised of further progress made in the realisation of money and also of the outcome of the cases pending in the courts.

21 5.25 Do.

With a view to avoid repetitions of such cases, the Committee would like Government to examine the feasibility of obtaining suitable security from the cash clerks. Further, as the cash security to be furnished by the Depot Managers amounts to Rs. 200/- only, it is necessary that the accountal of collections is verified and discrepancies settled with utmost promptitude in future.

22 5.26 Do.

One of the cases of loss of cash relates to the security deposits recovered in instalments from Depot Managers and kept in the premises of Delhi Milk Scheme pending deposit in the post office savings bank. The Committee would like to know whether there was any delay in depositing the amount in the savings bank and if so, why.

1	2	3	4
23	5.27	Deptt of Agriculture Delhi Milk Scheme	<p>The Committee hope that the Scheme would tighten up the internal audit in such a way that non-accountal of cash and short deposit of cash are detected and severely dealt with immediately after occurrence as that alone can be an effective deterrent, against such malfeasance. There should also be a system of periodical surprise verification of cash, if it is not already in vogue.</p>
24	6.22	Do.	<p>The Committee find that the proposals of the Delhi Milk Scheme to increase the price of double toned milk sold under the agreement entered into with the World Food Programme, from 40 paise per litre to 52 paise, made in July, 1965 and again to 60 paise in December, 1966 on the basis of actual cost of production, were not finally approved by Government. Only in January, 1967, the World Food Programme authorities were approached for the revision of the sale price. Ultimately in December, 1967, Government accepted a price of 50 paise per litre as recommended by the Governing Body, when the cost of production had gone up to 64 paise per litre. It continued upto 22nd February, 1969 when a revised price of 60 paise came into force. On account of the delay in giving effect to a reasonable increase from time to time, as proposed by the Scheme, a total loss of Rs. 43.98 lakhs was incurred by the Scheme upto 31st March, 1969 as the sale proceeds did not cover even the cost of processing and distribution not to speak of covering the cost of milk powder also.</p>

Since the Scheme had to bear a liability to pay the cost of skimmed milk powder (Rs. 47.33 lakhs upto 31-3-1970) for the purpose of setting up a revolving fund as required under the Agreement, the Committee cannot help feeling that the matter should have been reviewed by Government on realistic basis without undue delay. However, in the opinion of the Committee, there would have been no need to raise the price of Double Toned Milk which is meant for the weaker section of the society had the organisation effected necessary economy in its working.

25 6.23 Do.

Although the first agreement (No. 233) was executed in November, 1964 with an obligation to set up a revolving fund, it is regrettable that no such fund has been set up as yet, with the result that the implementation of a desirable scheme of cattle development could not be taken up. The question of accounting procedure, which is stated to have delayed the setting up of a fund, should be settled expeditiously in consultation with Audit.

26 6.24 Do.

The Committee observe that a Dairy Development Project at Rohtak estimated to cost Rs. 47.10 lakhs has since been sanctioned and that the Chairman, Delhi Milk Scheme has been entrusted with the responsibility for the implementation of the scheme in consultation with the Haryana Government. The Committee would like to know the details and the progress of implementation of the Scheme. The Committee hope that similar schemes sanctioned for various other milk schemes in the country will also be implemented expeditiously.

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27	7.15	Department of Agriculture/Delhi Milk Scheme	The Committee find that the attempts of the Delhi Milk Scheme to dispose of the automatic decrating and recrating machines did not succeed and that efforts are being made to put them to use after procuring plastic crates. The Committee would like to know the progress made in regard to utilisation of the machines.
28	7.16	Do.	It is unfortunate that the Scheme went in for such a sophisticated equipment as milk evaporating plant on the advice of a foreign expert without examining its immediate utility and consequently the equipment had not been put to use since 1962-63. The Committee need hardly stress that recommendations of foreign experts should henceforth be carefully sifted by the National Dairy Development Board/Indian Dairy Corporation to ensure their suitability under the present Indian conditions.
29	7.17	Do.	A cheese plant procured on a high priority basis at a cost of Rs. 3.80 lakhs in the year 1965 is yet to be installed. The Committee are not fully convinced of the soundness of the original proposal to instal the plant in Delhi. It is not clear as to why the order for it could not be cancelled when the Kurien Committee recommended the cancellation in 1964. The Committee note that the Scheme expect to instal the plant at Bikaner as per the alternative

suggestion of the Kurien Committee, in about two years' time. It was admitted during evidence that the plant might become obsolete on account of delay in its installation. The Committee hope that such instances of bad planning will not recur. In respect of all the three cases mentioned above, the Committee would like the responsibility for the procurement of the plant/machinery to be fixed and the fact intimated them.

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| 30 | 8.12 | Do. | The Committee need hardly emphasise the importance of regular and complete verification of stores and prompt investigation/reconciliation of discrepancies. The Committee hope that this would be ensured in future. The Committee would like to know the outcome of the special stores verification undertaken in October, 1970. |
| 31 | 8.13 | Do. | The Committee were informed that the reconciliation of priced ledgers with the bin card balances was in progress. The Committee would like this work to be completed early and the fact of completion intimated to them. |
| 32 | 8.14 | Do. | The Committee find that some measures have been taken to tighten up stores control. The Committee particularly commend the proposal to intensify the periodical surprise verification of stores. The decision taken regarding the introduction of ABC method of inventory may be intimated to the Committee. |
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33	9.5	Deptt. of Agriculture/Delhi Milk Scheme	The Committee hope that Delhi Milk Scheme would take appropriate steps to settle the Audit objections promptly.
34	10.5	Do.	The Committee find that the periodical cost statements indicating prime cost and overhead charges etc., are not prepared at present and that the question of streamlining the existing cost system is under consideration. The Committee desire that the cost system should be streamlined early so that a better control of the various elements of cost may be exercised by the Management with a view to effecting economy in the working of the Scheme.
35	11.5	Do.	The Committee are unable to appreciate the continuance of the existing practice of working out the figures of sale by analysing the remittances without reconciling them with the figures of sales as appearing in the daily sales statements. The Committee would, therefore, like the Scheme to evolve a suitable procedure to ensure the correctness of the figures of sales shown in the proforma accounts without delay.
36	11.6	Do.	The Committee would like physical verification of fixed assets in the remaining chilling centres as also at the Central Dairy to be completed expeditiously.

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Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
DELHI					
24.	Jain Book Agency, Connaught Place, New Delhi.	11	33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.	68
25.	Sat Narain & Sons, 3241, Mohd. Ali Bazar, Mori Gate, Delhi.	3	34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
26.	Atma Ram & Sons, Kasb- mere Gate, Delhi-6.	9	35.	The United Book Agency 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
27.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11	36.	Hind Book House, 82, Janpath, New Delhi.	95
28.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15	37.	Bookwell, 4, Sant Naran- kari Colony, Kingsway Camp, Delhi-9.	96
29.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20	MANIPUR		
30.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23	38.	Shri N. Chaoba Singh, News Agent, Ramial Paul High School Annex, Imphal.	77
31.	Bahree Brothers, 188 Lal- patrai Market, Delhi-6.	27	AGENTS IN FOREIGN COUNTRIES		
32.	Jayane Book Depot, Chap- parwala Kuan, Karol Bagh, New Delhi.	66	39.	The Secretary, Establish- ment Department, The High Commission of India, India House, Aldwych, LONDON W.C.-2	59

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