

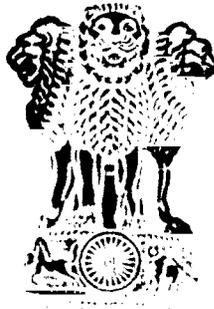
PUBLIC ACCOUNTS COMMITTEE
1957-58

(Second Lok Sabha)

SEVENTH REPORT

**[Appropriation Accounts (Civil) 1953-54 and 1954-55
and Audit Report, (Civil) 1956, Part I]**

Vol. I—REPORT



सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

April 1958

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†Proceedings of the Forty-eighth and Forty-ninth Sittings relate to the consideration of Draft Eighth Report on Budget Estimates and Financial Control.

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE,
1957-58

Chairman

Shri T. N. Singh

Members

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4. Shri N. G. Ranga.
5. Shri Radhelal Vyas
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SECRETARIAT

1. Shri S. L. Shakhder—*Joint Secretary.*
2. Shri V. Subramanian—*Deputy Secretary.*
3. Shri M. C. Chawla—*Under Secretary.*

*Ceased to be Member of the Committee on appointment as Deputy Minister with effect from the 2nd April, 1958 under Rule 309 (1) of the Rules of Procedure and conduct of Business in Lok Sabha.

†Ceased to be Members of the Committee with effect from the 3rd April, 1958, consequent on retirement from the Rajya Sabha.

INTRODUCTION

I, the Chairman of the Public Accounts Committee, having been authorised by the Committee to present the the Report on their behalf, present this Seventh Report on the Appropriation Accounts (including Proforma Commercial Accounts) (Civil), 1953-54, and Audit Report (Civil), 1955—Part II; Audit Report (Civil), 1956—Part I and Appropriation Accounts (including Proforma Commercial Accounts) (Civil), 1954-55, and Audit Report (Civil), 1956—Part II.

2. The Appropriation Accounts (including Proforma Commercial Accounts) (Civil), 1953-54, and Audit Report (Civil), 1955—Part II were laid on the Table of the House on the 25th March, 1957. The Audit Report (Civil), 1956—Part I was laid on the Table of the Lok Sabha on the 16th May, 1957. The Appropriation Accounts (including Proforma Commercial Accounts), 1954-55, and Audit Report (Civil), 1956—Part II were laid on the Table of the Lok Sabha on the 27th May, 1957.

The Committee examined these Accounts and Audit Reports thereon during their sittings held in November, 1957, January and February, 1958. The Committee also considered the notes/memoranda furnished by the various Ministries pursuant to action taken by them on the Twelfth, Fifteenth, Sixteenth and Twenty-third Reports (First Lok Sabha) and their observations have been embodied at appropriate places in the body of this Report.

3. In the years 1953-54 and 1954-55, savings aggregating Rs. 172·35 crores and Rs. 238·5 crores occurred in 124 out of 134 grants and 126 out of 135 grants respectively, the percentage of savings ranging in either case from 20 to 100 per cent. In the previous year, while 10 grants alone were responsible for 84 per cent. of the total savings, in the subsequent year a similar number of grants were responsible for 77 per cent. of the total savings. Under charged appropriations in 1953-54, there were savings to the extent of Rs. 7·67 crores in 17 out of 24 items and in 1954-55 savings aggregating Rs. 348·78 crores occurred in 23 out of 28 charged appropriations.

An examination of the financial results of the Appropriation Accounts (Civil) of these two years have led the Committee irresistibly to the conclusion that the standards of budgeting during the years under report have, instead of improving, deteriorated. There have been a large number of excesses, savings, injudicious surrenders and even non-utilisation of funds obtained from Parliament by means of supplementary grants. The Committee have in the past repeatedly deprecated the over-optimism of administrative Ministries which

results in inflating the estimates. It is essential that detailed estimates should be carefully scrutinised and the possibility of their utilisation assessed by the administrative and Finance Ministries before their inclusion in the budget.

4. A brief record of the proceedings of each sitting of the Committee has been maintained and forms part of this Report.

5. A statement showing the summary of the main conclusions and recommendations of the Committee has been appended to this Report (Appendix I). For convenience of reference, these have been printed in italics in the body of the Report. This change, it may be mentioned, has been introduced with effect from this year.

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

T. N. SINGH,

Chairman.

Public Accounts Committee.

NEW DELHI;

The 30th April, 1958.

FINANCIAL RESULTS OF THE GOVERNMENT OF INDIA (CIVIL GRANTS) 1953-54 AND 1954-55

Some of the significant events of the year 1953-54 in the economic field were the setting up of the Taxation Enquiry Commission, the coming into force of the Estate Duty Act and the constitution of the 'Hindusthan Steel Limited' under an agreement with the German Combine of Krupps and Demag. The Government of India received \$77.1 million under the Indo-United States Technical Cooperation Agreement, \$13.6 million from Canada under the Colombo Plan and \$1 million from the Ford Foundation for a training programme for social education and health.

2. The following year saw the publication of the Report of the Taxation Enquiry Commission with far-reaching recommendations for widening the tax structure with a view to raising finance for development purposes without jeopardising investment and employment in the private sector. Financial assistance from friendly countries for development works continued to flow in. A sum of \$60.5 million was authorised by the United States Government as development assistance, against which a sum of \$45 million or its rupee equivalent was by way of loan. The Governments of Canada, Australia, New Zealand and the Ford Foundation made available sums of \$13 million, £2.5 million, £2.5 lakhs and \$1.1 million, respectively, during this year.

The process of progressive relaxation of food control, started in 1952, was completed during this year.

3. During the year 1953-54, the voted grants for Civil Expenditure stood at Rs. 501.46 crores (original Rs. 465.47 crores and supplementary Rs. 35.99 crores), and the appropriation for charged expenditure at Rs. 1,739.60 crores (original Rs. 1670.24 crores and supplementary Rs. 69.36 crores). The total expenditure against these grants and appropriations was Rs. 331.17 crores and Rs. 1733.04 crores, respectively. Out of this expenditure Rs. 291.20 crores was on Revenue Account, Rs. 137.07 crores on Capital Account and Rs. 1635.94 crores on disbursement of Loans and Advances. There was thus a saving of Rs. 176.84 crores over final grants and appropriations (Voted Grants Rs. 170.28 crores and Charged Appropriations Rs. 6.56 crores).

4. During the year 1954-55, the Voted Grants for Civil Expenditure stood at Rs. 737.32 crores (original Rs. 518.70 crores and supplementary Rs. 218.62 crores) and appropriation for charged expenditure stood at Rs. 2153.97 crores (original Rs. 2113.01 crores and supplementary Rs. 40.96 crores). The total expenditure against these grants and appropriations was Rs. 501.62 crores and Rs. 1805.36 crores, respectively. Out of this expenditure Rs. 324.61 crores were on Revenue Account, Rs. 260.51 crores on Capital Account and Rs. 1721.86 crores on disbursement of Loans and Advances. There was thus a saving of Rs. 584.31 crores over final grants and appropriations (Voted Grants Rs. 235.70 crores and Charged Appropriations Rs. 348.61 crores).

5. The percentages of savings and excesses as compared with the original and final grants or appropriations as modified by supplementary grants or appropriations were as follows:—

	1953-54		1954-55	
	1953-54		1954-55	
	Savings (—) or Excess (+)		Savings (—) or Excess (+)	
	Original	Final	Original	Final
Voted	—28.85	—33.96	—3.29	—31.97
Charged	—3.76	—37	—14.56	—16.18

6. The following table shows at a glance the particulars of the original and final grants or appropriations and the expenditure actually incurred against them under the heads (i) Revenue, (ii) Capital, and (iii) Loans and Advances during the years, under review:—

(In lakhs of rupees).

	1953-54			1954-55		
	Original grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Original Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure
Expenditure met from Revenue (Voted).	1,96.65	2,05.09	1,74.06	2,27.99	2,39.50	2,01.13
Expenditure met from Capital (Voted)	2,42.09	269.65	1,36.83	2,56.12	4,45.24	2,60.35
Disbursements of loans and Advances (Voted)	25.72	26.72	20.28	34.59	52.58	40.15
TOTAL (Voted)	3,65.46	5,01.45	3,31.17	5,18.70	7,37.32	5,01.62

	1953-54			1954-55		
	Original grant or Appropriation	Final Grant or Appropriation	Actual Expenditure	Original Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure
Expenditure met from Revenue (Charged)	1,14,91	1,17,26	1,17,14	1,25,36	1,25,82	1,23,48
Expenditure met from Capital (Charged)	16	16	24	9	9	17
Disbursements of Loans and Advances (Charged)	15,55.17	16,22.17	16,15.66	19,87.56	20,28.06	16,81.71
TOTAL (CHARGED)	16,70,24	17,39.59	17,33.04	21,13,01	21,53,97	18,05,38
Total Expenditure met from Revenue	3,11.56	3,22.35	2,91.20	3,53.35	3,65.82	3,24,61
Total Expenditure met from Capital	2,42.25	2,69.81	1,37.07	2,56.21	4,45.33	2,60,51
Disbursements of Loans and Advances	15,81.89	16,48.89	16,35.94	20,22.15	20,80.64	17,21,86
GRAND TOTAL	21,35.70	22,41.05	20,64.21	26,31,71	28,91.29	23,06,98

7. *Excess over Voted Grants*:—Despite the large savings over the total final grants as stated in para 5 above, the actual expenditure in the following cases exceeded the voted grants as shown below:—

(In lakhs of rupees).

Sl. No.	No. and Name of Grant	Final Grant	Actual Expenditure	Excess
1953-54				
		Rs.	Rs.	Rs.
1	1.—Ministry of Commerce and Industry	76,53,000	76,66,999	13,999
2	25.—Miscellaneous Expenditure under the Ministry of External Affairs	3,78,000	5,59,526	1,81,526
3	32.—Payments to Other Governments Departments, etc.	11,09,000	11,09,573	573
4	37.—Superannuation Allowances and Pensions	3,31,743,000	3,39,94,416	8,51,416
5	40.—Miscellaneous Adjustments between the Union and State Governments	3,68,000	4,07,643	39,643
6	50.—Public Health	1,15,08,000	2,73,18,262	1,58,10,262

Sl. No.	No. and Name of Grant	Final Grant	Actual Expenditure	Excess
7	53.—Cabinet	23,87,000	25,17,850	1,30,850
8	104.—Other Civil Works	14,77,37,000	14,88,08,297	10,71,297
9	126.—Capital Outlay of the Ministry of Health	3,36,15,000	3,53,68,179	17,53,179
10	128.—Capital Outlay on Broadcasting	76,24,000	84,46,014	8,22,014
1954-55				
1	3.—Commercial Intelligence and Statistics	51,14,000	51,31,068	17,068
2	18.—Archaeology	48,79,000	49,23,342	44,342
3	38.—Miscellaneous Departments and Expenditure under the Ministry of Finance	6,64,79,000	4,81,82,041	17,03,041
4	40.—Miscellaneous Adjustments between the Union and State Governments	4,02,000	4,18,572	16,572
5	55.—Police	1,54,45,000	1,65,57,082	11,12,082
6	64.—Miscellaneous Departments and Expenditure under the Ministry of Irrigation and Power	41,48,000	41,94,075	46,075
7	69.—Civil Defence	1,20,000	1,20,853	853
8	104.—Other Civil Works	15,27,94,000	17,87,28,387	2,59,34,387

Excesses over Charged appropriations: The following statement shows the excesses over individual charged appropriations:—

Sl. No.	No. and Name of Appropriation	Final appropriation	Actual Expenditure	Excess
		Rs.	Rs.	Rs.
1953-54				
1	9.—Aviation	31,000	40,651	9,651
2	34.—Currency	4,64,000	4,64,050	50
3	42.—Preparation payments	64,000	1,72,285	1,08,285
4	Interest on Debt and other Obligations and Reduction or Avoidance of Debt	81,85,19,000	82,87,88,376	1,02,69,376
5	119.—Commuted Value of Pensions		66,787	66,767
6	125.—Other Capital Outlay of the Ministry of Food & Agriculture	15,72,000	22,68,903	6,96,903
7	127.—Capital Outlay of the Ministry of Home Affairs	5,000	5,002	2

Sl. No.	No. and Name of Appropriation	Final appropriation Rs.	Actual Expenditure Rs.	Excess Rs.
1954-55				
1	38.—Miscellaneous Departments and expenditure under the Ministry of Finance	1,000	4,08,114	4,07,114
2	42.—Pr-epartition Payments	4,13,000	5,46,991	133,991
3	104.—Other Civil Works	21,04,000	23,94,792	2,90,792
4	124.—Other Capital Outlay of the Ministry of Food and Agriculture	9,14,000	16,90,353	7,76,353

The Committee have already examined with reference to the facts of each case, the circumstances which led to these excesses and have submitted separate Reports, viz., Twenty-fourth Report (First Lok Sabha) and Second Report (Second Lok Sabha) relating to the Accounts for the years 1953-54 and 1954-55, respectively, recommending the regularising of these excesses in accordance with Article 115 of the Constitution.

8. Changes in the general arrangements of the matter in the Report and Accounts—

A notable change introduced in the structure of the Accounts (Civil) and the Audit Report thereon is that beginning from the year 1953-54 onwards, the Appropriation Accounts and the *performa* Commercial Accounts relating to each Ministry have been printed in a separate booklet instead of in one consolidated volume as in the past.

II

BUDGETING AND CONTROL OVER EXPENDITURE

9. In the year 1953-54, savings aggregating Rs. 172·35 crores occurred in 124 out of 134 Grants as against 118 out of the 127 Grants in the preceding year, the percentage of savings ranging from 20 to 100 per cent. Ten Grants alone were responsible for 84 per cent. of the total savings. Similarly, there were savings of Rs. 7·67 crores in 17 out of 24 charged appropriations, the largest amount Rs. 5·55 crores being under "Grant No. 122-Loans and Advances by the Central Government". Under the same head also, there were savings of Rs. 5·34 crores in the preceding year.

10. In the year 1954-55, savings aggregating Rs. 238·59 crores occurred in 126 out of 135 Grants, the percentage of savings ranging from 24 to 97. Ten Grants alone were responsible for 77 per cent. of the total savings. Similarly, there were savings of Rs. 348·78 crores in 23 out of 28 charged appropriations, the largest amount being under 'repayment of debt' (Rs. 312·11 crores). Savings of the order of Rs. 34·24 crores was also reported under the head 'Loans and Advances by the Central Government'.

11. Supplementary Grants to the extent of Rs. 36 crores were obtained during the year 1953-54. This figure worked out to 7·7 per cent. of the original voted Grants against 7·3 per cent. in 1952-53. Out of the total gross savings of Rs. 172·35 crores on voted Grants, a sum of Rs. 150·77 crores was surrendered in time. The latter, however, included a sum of Rs. 56·22 lakhs surrendered from Grants which resulted in excesses. In the next year, Supplementary Grants to the extent of Rs. 218·6 crores were obtained. This figure worked out to 42·14 per cent. of the original voted grant. Out of the total gross savings of Rs. 238·59 crores on voted Grants a sum of Rs. 192·92 crores was surrendered in time. The latter, however, included a sum of Rs. 4·5 lakhs surrendered from Grants which resulted in excesses.

12. There were 4 cases in which the supplementary grants aggregating Rs. 57·64 lakhs obtained during 1953-54 proved to be eventually unnecessary. Similarly in the year 1954-55 there were 13 cases in which supplementary grants aggregating Rs. 2·56 crores proved to be eventually unnecessary.

13. As explained in para. 7 above, there were 10 cases of excess over voted grants involving a total excess of Rs. 206·7 lakhs whereas in the charged section, the number was 7 and the total amount involved was Rs. 111·5 lakhs in the year 1953-54. In the following year, there were 8 cases of excess over voted grants involving a total excess of Rs. 268·7 lakhs whereas in the charged section, the number was 4 and the total amount involved Rs. 16 lakhs.

14. There were several cases of re-appropriations and modifications under individual sub-heads which proved excessive or unnecessary.

15. *Excesses over voted grants and charged appropriations not covered by supplementary grants and appropriations furnish a criterion to assess the effectiveness or otherwise of the budgetary control. The Committee do not see any improvement in the standards of budgeting during the years under report; rather there has been a deterioration as is evident from the huge excesses, savings, injudicious surrenders and non-utilization of funds obtained from Parliament by means of Supplementary Grants.*

In this connection, the Committee need hardly emphasize that a careful review and revision of the estimates are necessary by the Ministry of Finance before the formulation of the budget. Upon that Ministry rests the main responsibility of co-ordinating Government policy in its financial aspects. The Committee have in the past repeatedly deprecated the tendency on the part of the Department preparing the estimates to inflate them either intentionally or as a result of over-optimism. For this reason, the estimates need to be carefully scrutinized, compared and apportioned according to relative importance of the services and finally determined in the light of the total resources that are either available or proposed to be spent by the Government. Such steps must be taken before a unified financial plan can be produced.

16. The Committee will now refer to some of the specific cases of over-budgeting and laxity of control over expenditure as disclosed in the Audit Reports.

(a) **MINISTRY OF FINANCE**

(i) **Paras 7 and 9 at pages 4 and 7 of Audit Report 1955, Part II, Vol. I**

and

(ii) **Paras 7 and 9 at pages 5 and 8 of Audit Report 1956, Part II, Vol. I**

The following savings occurred under Voted Grants and Charged Appropriations during 1953-54 and 1954-55.

Year	Total No. of Grants or Appropriations	No. of Grants or Appropriations in which savings occurred	Amount of savings	Amount Surrendered
<i>Voted Grants</i>				
1953-54	134	124	1,72,35,12,168	1,50,77,16,333
1954-55	135	126	2,38,58,53,202	1,92,62,55,154
<i>Charged Appropriations</i>				
1953-54	24	17	7,67,34,465	3,21,61,048
1954-55	28	23	3,48,77,88,394	3,46,83,24,457

Grant No. 27-Customs, Page 50, Appropriation Accounts (Civil) 1954-55.

In this case, there was a saving of Rs. 131 lakhs out of the total provision of Rs. 419 lakhs *viz.* about 31 per cent. of the total budgeted amount. It was explained that the Department of Revenue had placed orders for launches which were not received in time and this accounted for a saving of Rs. 16 lakhs. A further saving of Rs. 37 lakhs was ascribed to the non-implementation of the reorganisation of the Land Customs Department during the year under Report.

In evidence, the Committee were assured that such things would not happen in subsequent years. *The Committee feel that so long as the pattern of budgeting is as at present, a second check by the Finance Ministry on various items of expenditure, is inevitable especially in the case of lump sum grants which are not susceptible of any scrutiny in the first instance. This also confirms the need for framing of the budget estimates on a more realistic basis.*

The Committee are perturbed over such a large number of cases occurring in the Ministry of Finance itself where there have been considerable savings from the final budgeted grants. They consider it imperative that the Finance Ministry should set an example in accurate budgeting for other Ministries to emulate.

(b) MINISTRY OF FOOD AND AGRICULTURE

(Department of Agriculture)

During the year 1953-54, in the case of Grant Nos. 43, 44 and 47, the surrenders were in excess of the savings. The Committee wonder

whether any arrangement exists in the Ministry to watch the progress of expenditure.

Grant No. 45--Agriculture, Page 32, Appropriation Accounts (Civil) 1953-54

In this case, the original grant of Rs. 3.68 crores was increased to Rs. 4.02 crores by taking supplementary grants. Out of the savings of Rs. 89.6 lakhs, a sum of Rs. 73.86 lakhs was surrendered. *The Ministry promised to furnish a note to the Committee giving reasons for these Supplementary Grants and subsequent surrenders. This note* is still awaited.*

Grant No. 45--Agriculture, Page 29, Appropriation Accounts (Civil) 1953-54 sub-head N-Cane Development and Regulation of Sugar Industry.

In a note (Appendix III) submitted to the Committee, the Ministry have stated that during the year 1953-54, Government paid Rs. 7,13,900 to the Indian Central Sugarcane Committee. Out of this, a sum of Rs. 3,48,898 was disbursed by this Committee to State Governments and the balance of Rs. 3,65,002 was refunded to the Central Government in 1954-55, because the pattern of financial assistance applicable to the sugarcane schemes in the States of Punjab, Bombay, Madras and Andhra Pradesh could not be reviewed by the working Party consisting of the representatives of the Planning Commission, Ministry of Food and Agriculture and the Indian Sugarcane Committee before the close of the financial year.

The Committee feel that this is prima facie a case of defective budgeting and insufficient control over the Central subsidy granted to the State Governments under the various Commodity Committees and the G.M.F. Schemes. They would like to know the reasons for the delay in arriving at a decision on the changed pattern of financial assistance applicable to the sugarcane schemes in this case.

(c) **MINISTRY OF WORKS, HOUSING AND SUPPLY**

(i) *Grants Nos. 103, 139 and 140—*

(ii) *Appropriation Accounts (Civil), 1953-54 and Grants Nos. 103, 138, 139 and 140, Appropriation Accounts (Civil), 1954-55.*

The Committee noticed large savings and surrenders in these Grants. *These are indicative of over-budgeting and underline the need for more realistic budgeting.*

*The note (Appendix II) has since been received but could not be considered by the Committee.

(d) MINISTRY OF IRRIGATION AND POWER

Grant No. 130—Other Capital Outlay of the Ministry of Irrigation and Power, Page 10, Appropriation Accounts (Civil), 1953-54.

In this case, the entire grant of about Rs. 5.2 crores remained unutilised. Similar was the position in 1954-55 (Grant No. 129--Page 9). The Committee were informed that this related to equipment under the Colombo Plan which was not received. The Ministry agreed to examine whether there had been any fault on their part and to furnish a note to the Committee. The Committee desired that the proposed note should also indicate whether non-arrival of the equipment retarded the plan programmes in any way, and if so, to what extent; and whether any expenditure was incurred in India in the expectation that the equipment would arrive. They also desired to know the dates on which the equipment was expected to arrive and was actually received and in which year's accounts its cost had been adjusted. This information is still awaited.

(e) MINISTRY OF EDUCATION

Grant No. 20—Appropriation Accounts (Civil) 1953-54 and 1954-55.

The following table shows the extent of over-budgeting under this Grant during the year 1953-54 and 1954-55:—

Year	(In crores of rupees)		Percentage
	Provision	Saving	
1953-54	4.88	1.16	23
1954-55	12.15	3.29	27

The Committee notice large variations from original estimates as well as from final grant in the actual expenditure under the sub-head D.1 (2) (3) (2) "Lump provision for schemes under consideration." It was explained that the States could not fulfil the schemes as per expectation with the result that savings occurred. It was also explained to the Committee that as a result of steps taken by the Ministry, such savings were, however, on the decline now.

The Committee view with disfavour the practice of Government making large provision of funds in the Budget under "Lump provision for schemes under consideration" without chalking out the details of the schemes. They desire that such provisions in the budget should be avoided by the Ministries in future and that details of the expenditure involved in a particular scheme should always be shown in the estimates. The Committee would reiterate the oft repeated recommendation made by their predecessors that the Ministry of Finance should always set its face against lump sum provisions.

(f) MINISTRY OF HEALTH

- (i) *Grants Nos. 49 and 51—Appropriation Accounts (Civil) 1953-54 and (ii) Grants Nos. 49, 50 and 51, Appropriation Accounts (Civil) 1954-55.*

A provision of Rs. 25 lakhs was made in Grant No. 49 of 1953-54 on account of Staff and Equipment of the All India Medical Institute against which the expenditure was less than a lakh, *vide* page 6 of 1953-54 Accounts. On the same account, a provision of Rs. 27 45 lakhs was made for 1954-55 in Grant No. 49 (*Vide* page 7 of 1954-55 Accounts) and the expenditure was only 9 lakhs.

Again Grant No. 50 (1954-55 Accounts) shows that no part of the provision of over Rs. 83 lakhs for Grants to States for National Filaria Control Scheme could be spent. In the same Grant, there was a provision of Rs. 30 lakhs for Family Planning, *vide* page 20, but only Rs. 5½ lakhs could be spent.

The Committee came across large savings ranging from 28 to 60 per cent. under the above Grants. The Committee were informed that health schemes were implemented through the State Governments and when they were unable to spend, Central subsidy drawn for was less than that had been provided for in the budget. The budget provision for a scheme, the Committee were told, was made after the Ministry of Health had received an assurance from the State Government concerned that the scheme in question would be implemented.

The Committee are of the opinion that in the light of this experience, providing funds merely on such assurances is risky as it immobilises funds which could well be spent on more urgent and important schemes. They feel that it would be prudent on the part of the Ministry not to accept any scheme put forward by the State Governments unless its details had been worked out and it has received the concurrence of State's Finance Department. They desire the Ministry to profit by experience and to avoid over-budgeting in such cases.

In reply to a question, the Committee were informed that a lump sum provision was made for the All India Medical Institute on the understanding that the architects would put up the plans by May or June, 1954. But that did not materialise and resulted in savings. The Committee are of the opinion that in such cases the Ministry should start upon a scheme with a small provision and if there was rapid progress in the construction, recourse may be had to a supplementary grant.

(g) MINISTRY OF EXTERNAL AFFAIRS

Grant No. 22—Tribal Areas, Page 1, Appropriation Accounts (Civil) 1953-54.

Out of the total grant of Rs. 3½ crores, the savings were over Rs. 74 lakhs. The entire provision of Rs. 40½ lakhs for reorganisation of Assam Rifles (sub-head A1(6)-Account I) remained unutilised. Similarly, provision of Rs. 58 lakhs for this reorganisation made in the year 1952-53 was not utilised. The Committee were informed by the Comptroller and Auditor General that in 1955-56 also the entire provision of Rs. 5,50,000 under this head had been surrendered. The Ministry stated that in the absence of details a lump sum provision had been made under this sub-head. But when the expenditure was incurred, the entire amount was reappropriated to sub-head A1(5).

The Committee are of the opinion that such reappropriations should not be made a regular feature as inclusion of lump provision every year disclosed lack of proper planning in advance and also vitiated the qualitative control over expenditure by Parliament.

Grant No. 23—External Affairs, Page 23, Appropriation Accounts (Civil) 1954-55.

In this case supplementary grant of Rs. 30,67,000 voted by Parliament in February, 1955 proved unnecessary as even without it there would have been a saving of Rs. 310,878. This only reflects on the manner in which estimates totally unrealistic are presented to Parliament, quite oblivious of the practical limitations in execution.

(h) MINISTRY OF LABOUR AND EMPLOYMENT

Grant No. 67—Miscellaneous Departments and Expenditure under the Ministry of Labour Page 10, Appropriation Accounts (Civil) 1953-54 and 1954-55.

There was a saving of Rs. 67½ lakhs out of total grant of Rs. 317 lakhs in 1953-54 and a saving of Rs. 110 lakhs out of a total grant of Rs. 325 lakhs in 1954-55. In evidence, it was explained that these savings occurred under this housing schemes under the Coal Mines and Mica Mines Welfare Funds due to shortage of cement and steel. The Committee, however, find that there are large accumulations under these Welfare Funds. They desire that the welfare activities covered by these Funds should be carried out with greater speed and for that purpose detailed planning of the various schemes should be undertaken well in advance. The Committee asked for a note on the working of these Welfare Funds. This is still awaited.

(h) **MINISTRY OF TRANSPORT AND COMMUNICATIONS (DEPARTMENT OF COMMUNICATIONS AND CIVIL AVIATION)**

Grant Nos. 9, 10, 112 and 113, Appropriation Accounts (Civil) 1953-54 and 1954-55.

Under these Grants also, savings ranged from 10 to 59%. The Committee are informed by the Comptroller and Auditor General that in 1955-56 also, there have been savings of the order of 60 and 23 per cent respectively, under the Grants—

- (i) 109—Capital Outlay on Civil Aviation and
- (ii) 110—Other Capital Outlay of the Ministry of Communications.

In evidence, the representative of the Ministry of Finance stated that in the examination of the demands, his Ministry took into consideration the Administrative Ministry's estimates, the expenditure in the previous year, its capacity to implement the programme contemplated and the targets of the Plan. He added that to a large extent the Ministry of Finance were guided by the estimates put forward by the Administrative Ministry. *The Committee feel that it is the duty of Administrative as well as of Finance Ministries to be realistic in their estimates by benefiting from their past experience and taking into consideration their capacity to implement their programmes. The Committee desire that Administrative Ministries should not present unrealistic estimates to the Ministry of Finance by pitching up the demands with sufficient margin to accommodate the cuts likely to be imposed by Finance. At the same time, the Finance Ministry should examine the demands in the light of expenditure in the previous years. They feel that the tendency of the Administrative and Finance Ministries to outwit each other in the matter of budgeting should be discouraged.*

(j) **DEPARTMENT OF TRANSPORT**

- (i) *Grant No. 136-Capital Outlay on Ports, Page 48, Appropriation Accounts (Civil) 1953-54 and (ii) Page 38, Appropriation Accounts (Civil) 1954-55, Grant No. 135 Capital Outlay on Ports.*

The Committee find large savings under this grant—the percentage being 55 in both the years. They are informed by the Comptroller and Auditor General that in 1955-56 and 1956-57 also, large savings under this grant have occurred. The Ministry have stated that due to the difficulty of foreign exchange, they have not been able to carry out the schemes provided for under this Grant according to schedule.

The Committee feel that recurrence of savings year after year indicated that there has been no improvement in the budgetary standards, as already pointed out in the foregoing paras. They are of the opinion that instead of providing for schemes, proposals regarding which are nebulous, it would be better if provision in budget is made only when the particular scheme is worked out in details and is quite ripe for execution.

III

IMPORTANT OBSERVATIONS ON INDIVIDUAL MINISTRIES

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

MINISTRY OF COMMERCE AND INDUSTRY

- (i) Pages 14-15, *Appropriation Accounts (Civil) 1953-54, Grant No. 2-Industries, Note 10, sub-head N. Expenditure on Development of Khadi Industry, and*
- (ii) Pages 15-16, *Appropriation Accounts (Civil) 1954-55, Grant No. 2-Industries, Notes 13 and 16-Village Industries and Development of Khadi Industry.*

18. The store accounts of the All* India Khadi and Village Industries Board for the years 1953-54 to 1955-56 were not furnished to Audit. The utilisation certificates in respect of several grants-in-aid were also not received.

19. In evidence, it was stated that stores accounts for the year 1953-54 had been completed and were sent to the Assistant Accounts Officer concerned, Bombay on the 31st December, 1956, in respect of zonal office Wardha. A Financial Adviser and Chief Accounts Officer had been appointed recently. This and various other steps taken, the Committee were assured, would not give any occasion for this sort of omission in future. The representative of the Ministry undertook to complete the Accounts upto 1956-57 in about a year's time.

20. From a note (Appendix IV) furnished to them at their instance, the Committee observe that the Khadi and Village Industries Commission (a body corporate, constituted under Section 4 of the Khadi and Village Industries Commission Act, 1956) enjoys complete autonomy except to the extent it is limited by the provisions of the Act and rules framed thereunder.

21. Another thing to which the Committee drew attention was the need for co-ordination between the Khadi and Village Industries

*In January, 1953, Government constituted the All-India Khadi and Village Industries Board with the object of preparing and executing programmes relating to Khadi and other village industries. The Board was replaced with effect from the 1st April, 1957, by the Khadi and Village Industries Commission established under Section 4 of the Khadi and Village Industries Commission Act, 1956.

Commission, Handloom Board, Handicrafts Board and Silk Board. They were informed that for co-ordination between these bodies, periodical meetings were held to which the Chairmen and Secretaries of these bodies were invited and the Minister for Commerce and Industry presided over these meetings. When asked whether there was any blurring of responsibility because of existence of a number of such independent bodies, the representative of the Ministry replied in the negative but added that co-ordination was nevertheless desirable and the setting up of a Co-ordination Committee as mentioned above ensured that at the policy level, there was no lack of co-ordination and duplication. Moreover, all these Boards with the exception of the Khadi Commission functioned through the agency of the State Government and "the apparent parallel organisations did meet somewhere".

22. In so far as the Handicrafts Board, Handloom Board, Silk Board and Small Scale Industries Board were concerned, they were fundamentally advisory bodies and the operative agency in all these cases was the State Governments. It was admitted that the possibility of duplication being there was not ruled out in view of the operation of various agencies in the field.

23. *The Committee would, therefore, suggest that the Ministry should examine the desirability of setting up a single body to look after the various matters dealt with at present by these Boards.*

24. *The Committee also desire that the Ministry should investigate whether in the development of printing and dyeing by Silk, Handloom and Handicrafts Boards any duplication of men and materials was involved in Madras and Bombay areas and whether it would not be desirable to define the areas for the different Boards so as to avoid duplication of effort at the same place by all the Boards simultaneously.*

25. *The Committee also suggest that the Ministry should examine the utility of setting up a Bureau to cater to the needs of these different organisations in the field of research to effect improvements in the existing techniques of production, use of raw materials etc. They would also draw attention to the following observations made by the team on Community Development and National Extension Service appointed by the Planning Commission and trust that the Ministry are in the look out to ensure that these Boards are not cutting into one another.*

**"xxxxxxx They (Cottage village and Small-scale Industries) have their appropriate place in the rural economy but*

*Page 92 of "Study Team for Community Development & National Extension Service, Committee on Plan Projects Report Vol.—I" (November, 1957).

sometimes are apt to cut into one another. At the All-India level, a number of such individual industries are promoted by All-India Boards which sometimes are inclined to work in separate compartments. It should not be difficult to make some effort to pool funds, personnel, agencies of supervision and inspection and marketing arrangements so that inefficiency and waste can be minimised. The All-India Boards themselves should function through State Boards nominated by the State Governments in consultation with them. The State Boards in their turn should function through the various State departments concerned with the industry and through local representative organisations."

26. As desired, the Committee were furnished with a note (Appendix V) stating the amounts sanctioned each year from 1954-55 to 1956-57 for the development of the Khadi Industry and the amount given to State Governments, Private institutions, Cooperative Societies, etc.

27. *It is not clear to the Committee what machinery has been devised by Government to exercise a check on the proper spending of the funds sanctioned to the State Governments and those given to private parties for the development of Khadi (traditional as well as Ambar). The Committee, however, hope that the funds given by the Centre for this purpose are being properly utilized by the respective organisations and certificate to that effect are being regularly obtained and shown for audit scrutiny.*

Appropriation Accounts (Civil) 1954-55

Page 26, Grant No. 3—Commercial Intelligence and Statistics,
Note 3, Printing of Pamphlet

28. About 20,000 copies of a pamphlet entitled "New India, Your Market" containing information on India's trade and production upto 1948 and 1949 were published at a cost of £1,660 by the High Commissioner, London in 1949 in 2 prints. The reprint of 10,000 was undertaken when 7,000 copies of the first print were in stock. In all about 2,000 copies only were sold and another 5,000 were either distributed free or lost. The expectation that the pamphlet would remain in use for some years did not materialise as no copy was sold after 1950. A sum of £1,400, being the value of surplus copies had to be written off by Government in 1954.

29. *The Committee feel that if the purpose of the pamphlet was to give some useful information to the people concerned, it should have been brought up-to-date at the time of reprint otherwise reprint was unnecessary in face of its large stock—already lying unused, unsold and undistributed.* The Ministry admitted that there had been an error of judgement in giving the order for reprint. In reply to a question the Committee were informed that the responsibility for this error of judgment had not been fixed on any particular officer, nor any steps were taken in this direction. *The Committee feel that action should not have been delayed for so long when it has been admitted that there has been an error of judgment. The disciplinary action taken in the matter should be reported to the Committee.*

Appropriation Accounts (Civil) 1953-54, page 14, Note 9, sub-head A. 7-Grants-in-aid to the Indian Institute of Art-in-Industry:

30. The Indian Institute of Art-in-Industry was set up in 1945 with the object of bringing about co-operation between industrialists and artists for the application of art to industries in such matters as industrial design, packing of goods, display for sale, advertisements, etc. The Institute also undertakes survey of traditional designs in Indian crafts, the holding of exhibitions and competitions, publication of suitable literature and also awards scholarships and prizes to artists.

31. It has been reported by Audit that apart from stating that the amount of the grant-in-aid should be equal to the amount collected by the Institute from the Industry and other sources (excluding States) subject to a maximum of Rs. 40,000, no condition was attached to the grant unlike in the previous year (1952-53) when a certificate was required to be furnished that the grant had been utilised for the purpose for which it was intended. The Institute had at the end of 1952-53 a credit balance in the General Fund Accounts of about Rs. 1.35 lakhs inclusive of a cash balance of Rs. 73,243 and yet a sum of Rs. 34,240 was paid during the year as grant-in-aid.

32. In evidence, it was stated that the grant had been sanctioned after a personal inspection of the Institute by the Secretary of the Ministry and on the recommendation of the local Government. The Committee were assured that this Institute was making good progress and the grants made to it were being properly utilised.

33. From a note (Appendix. VI) furnished to them, the Committee observe that from 1952-53 onwards the Central Government grants to the Institute were made on the basis that it would

not be more than the amounts collected from other sources, excluding State Governments. In 1956-57, a special grant of Rs. 73,153 was made to the Institute for financing special activities.

34. *The Committee are of the opinion that as the private bodies are expected to derive much of the benefit from the successful working of the Institute, voluntary financial efforts should be stimulated by limiting the duration of the grant. Further, the Committee would recommend that the Government should invariably ask for the utilisation certificate from the Institute in respect of the grants made so far and before making any provision in the budget for grant-in-aid to the Institute in future.*

OUTSTANDING RECOMMENDATIONS

Fifteenth Report

Para 70—Import of raw silk and silk yarn from Japan—Import of 375 bales of raw silk arranged in 1950-51 and supply of cloth and yarn to Pakistan etc.

35. *The Committee deprecate the delay involved in winding up these schemes and closing their accounts.*

Para 71—purchase of paper

36. *From the note (Appendix VII) furnished to them, the Committee note that Government have not only got nothing from the contracting firm in this case but their claim for loss sustained on account of the damage by white ants etc. has also been dismissed by the arbitrators. The Committee deplore the manner in which this state trading scheme has been handled.*

Sixteenth Report

Part 28—Purchase and Distribution of Standard Cloth

37. *From the note (Appendix VIII) furnished to them, the Committee find that the balance left in the Standard Cloth Equalisation Fund at the close of the accounts for December, 1956 was Rs. 1,10,89,837/5/6 (credit). The Committee desire that the claims of undivided Government of Bengal and Delhi Administration which are still outstanding, should be settled without further delay and the scheme wound up.*

Paras 107 and 108—Nahan Foundry

38. *From the note (Appendix IX) furnished to them, the Committee notice that Government are examining the report of an Expert Committee to advise them on the steps necessary to modernise the Nahan Foundry and to diversify its production to make it a*

more economic unit. *The Committee desire that the report of the Expert Committee together with the decisions of Government thereon may be furnished to them at an early date, as the matter is pending for a long time.*

Para 109—National Instruments Factory

39. The Committee of 1955-56 recommended that the activities of this Factory should be switched over from repair and maintenance to that of a manufacturing unit and proper cost accounting technique etc. should be introduced.

40. The Committee learn that a private Ltd. Company under the name of the National Instruments (Private) Ltd., has already been set up in June, 1957 which took over the management of this factory.

41. *The Committee trust that it should now be possible for the factory to be run on more efficient lines by expanding and diversifying its production. The Committee would like to examine the working of this Company after it has completed one year of its existence.*

Twenty-third Report

Para 30—Alteration in the Cash Receipts

42. *The Committee are not satisfied with the explanation of the Ministry that as the records are in judicial custody, no progress has been made in the matter. This plea of the Ministry is hardly convincing as copies of the records can be obtained from the Court, if necessary, and that should not, therefore, be a valid reason for not taking action against the other persons involved in this case.*

43. In this connection, the Committee would reiterate the recommendations made by them in Para 30 of their Fifth Report.

MINISTRY OF EDUCATION

Audit Report (Civil) 1956—Part I

Para 3—Drawal of money in advance of requirements

44. A sum of Rs. 25,000 was advanced to an educational publishing house in March, 1954 for the production of at least 25 books for the children during 1953—55. But no work was done by the firm; nor were any accounts rendered. As the firm was unable to finish the work within the prescribed time, the entire amount was refunded by it in October, 1955 after audit had repeatedly pressed for the accounts.

45. According to the terms of the agreement with the firm, Government were to pay to the firm the actual cost of production and

printing of 25 children's books of 32 pages each and 5% of the cost to meet overheads. The necessary funds were to be placed at the disposal of the firm as required from time to time. Audit have pointed out that payment of Rs. 25,000 in March, 1954 was not really necessary and it looked as though it was with a view to avoiding lapse of funds at the close of the year. The Appropriation Accounts of 1953-54, Volume V disclosed that only Rs. 1.68 crores out of the original provision of Rs. 2.95 crores under the head E.1(2) (3) (2) of Grant No. 20 could be spent by the Ministry during that year.

46. In evidence, the representative of the Ministry stated that the firm actually submitted manuscripts for 17 books which were revised in the Ministry and sent back to the firm. However, as the firm was engaged in another project, it expressed its inability to complete the work within the time-limit and the money was refunded to the Government. He, however, conceded that the advance to the firm was given much in advance of requirements. *With a view to preventing recurrence of such cases involving advance payments to private firms, the Committee would suggest that the agreement should invariably contain a penalty clause and payment of liquidated damages by the defaulting firm by way of interest on the money advanced to it.*

47. The Government it is understood, have since formed a Co-ordinating Committee consisting of the representatives of the Ministries of Education, Scientific Research, Community Development etc., to avoid any overlapping in the field of publication of literature intended for the benefit of children and neoliterates. They desire that the desirability of associating the Ministry of Information and Broadcasting with this Committee may be considered. Further, the work connected with the production of books for children and neoliterates may be entrusted to a single agency to ensure cohesion and better performance.

48. In this connection, the Committee would also emphasise the need for closer coordination between the various Ministries at the Centre concerned with the publication of literature for the use of neo-literates, children and adults and the State Governments who were ultimately responsible for the popularisation of such literature within their respective jurisdiction.

MINISTRY OF SCIENTIFIC RESEARCH

Appropriation Accounts (Civil) 1954-55

Pages 5—8 Grant No. 73-Survey of India—subsidiary Accounts

49. **The subsidiary accounts appended to the Appropriation Accounts revealed accumulation of surplus stores in the Photo Litho**

Sections which, in the opinion of the Committee, could have been avoided by restricting the purchases according to needs. Stock of chemicals etc., which are liable to deterioration and which can be obtained from the market readily should be at the minimum. The Committee desire that the existing stock position of such stores should be reviewed and ceiling limits fixed for stocking such stores.

*Appropriation Accounts (Civil) 1954-55 Page No. 26, Grant No. 13—
Capital outlay of the Ministry of Natural Resources and Scientific Research, sub-head A. 1(2). Investment in share capital of the National Research Development Corporation*

50. The National Research Development Corporation has been set up as a Government owned private Ltd. Co., under the Indian Companies Act for exploiting the results of scientific research, in order to bring the benefits of science to the people at large. The Corporation will develop inventions and processes evolved in the laboratory, to the stage at which they will be fit for commercial and industrial exploitation. All processes developed by the Council of Scientific and Industrial Research and the Departments of the Central Government will fall within its purview, as also those evolved by State Governments Commodity Research Committees, other Research Organisations and even private individuals if they should seek the Corporation's aid. The Corporation will, as far as possible, enlist the support of existing state and private industries for developing the processes and inventions and in assessing their commercial potentialities.

51. *The Committee were not convinced of the need for a separate Corporation for this purpose, as in their view, the Council of Scientific and Industrial Research could as well do this work. They, therefore, desired to be furnished with a note giving the set-up, composition and duties of the National Research Development Corporation and the work turned out by the Corporation during the last five years. The Committee regret to state that the Ministry have not so far been able to furnish them the requisite information. They are, therefore, obliged to defer consideration of this case.*

OUTSTANDING RECOMMENDATIONS

Sixteenth Report

Para 98—Definition of Powers and functions of the C.S.I.R. by a specific statute

52. In para 98 of their 16th Report, the Committee have suggested that as a matter of general principle, where it is desired that continuing functions involving substantial expenditure should be

exercised by autonomous bodies like the Council of Scientific and Industrial Research, the powers and duties to be exercised should be defined by specific statute. *The Committee trust that Government would take the first convenient opportunity to embody the functions of the Council of Scientific and Industrial Research in a statute.* In a note (Appendix X), furnished to the Committee, the Ministry have *inter alia* stated as follows:

“The *raison d’etre* of establishing the Council of Scientific and Industrial Research as an autonomous body was that research should not be subject to governmental procedure and red-tape as it is not likely to expedite work. Research investigations and tests should be carried out by an independent organisation because it is not only the Government that is interested in it but also industry. If it is placed entirely under Governmental control, the objective nature of such work cannot be secured. Even though the expenditure incurred by the Council of Scientific and Industrial Research has increased substantially, the basic reasons for having the organization autonomous continue to exist.”

53. *The Committee regret to state that the Ministry have not appreciated the significance of the recommendation. They are one with the Ministry but it is necessary to have an autonomous organisation for this purpose to enable it to work independently without interference from Government Departments. But at the same time it is of paramount importance that the expenditure is subject to effective parliamentary control.*

54. In evidence, the representative of the Ministry suggested that the Administrative Reports and Accounts of the C.S.I.R. and Audit Report thereon might be placed before Parliament which will enable Parliament to exercise the requisite control over the affairs of the Council. *The Committee are not sure how far this will meet the purpose they have in mind. They would therefore like the Ministry to re-examine the case and submit a considered note to them.*

55. Another point which the Committee want to draw attention is the use made of the scientific work done by the Research Laboratories, Institutions and bodies governed by the Council. *They feel that the Research institutions should largely devote their attention towards “Applied Research” solving the problems posed by the indigenous industries in the matter of discovering suitable substitutes for foreign components, exploitation of the scientific dis-*

coveries made for the development of various industries and the trial of pilot projects on behalf of some of the industries so that the optimum use of the researches carried out by them could be made. They would also like the Ministry to examine the steps that should be taken to facilitate greater co-operation between the Scientific Institutions and the Industry in the country.

MINISTRY OF EXTERNAL AFFAIRS

Appropriation Accounts (Civil), 1953-54.

Page 21, Grant No. 23—External Affairs, Note 8, Group head B-5

56. In this case, an officer entitled to travel by ordinary first class, actually travelled by luxury liner, from the United Kingdom to the United States of America. His maid-servant, who was entitled to the same class of passage, costing £105-7-6, as the officer travelled also by the same ship, but on a tourist class ticket costing £59. This difference of £46-7-6 was incorrectly taken in reduction of the refund due from the Officer. He refunded £32 only. In doing so, the officer was under a *bonafide* misapprehension (derived from incorrect information given to him by the High Commission) as to the overall travelling allowance due to him and his family for travelling by the luxury liner. The recovery of £46-7-6 was therefore waived by Government.

57. In the course of evidence, the representative of the Ministry stated that by his travelling by the luxury liner, Government were saved expenses of his enforced halt *en route* which would have to be paid if he had travelled by an ordinary liner. So the officer should not have refunded any amount.

58. *The Committee do not appreciate the point made out by the Ministry which in their opinion, was an after-thought. It is surprising that the officer did not know that the T.A. admissible to the maid-servant would be restricted to the fare of the class entitled or the actual fare, whichever was less.*

59. *In the opinion of the Committee, if it was in the public interest for the officer to travel by the luxury liner, the proper course would have been for Government to accord sanction permitting the Officer to travel by the luxury liner as a special case. Offsetting the saving in the fare of maid-servant against the excessive expenditure incurred by the Officer is not only against the well recognised standards of financial propriety but open to all kinds of adverse comments.*

Page 22—Note II: *Employment of a person on trial in the Central Recovery Organisation*

60. **An individual was appointed on trial in the Central Recovery Organisation without any sanctioned post. As he did not**

prove suitable, his services were terminated with an *ex-gratia* payment of Rs. 1,200 on an *ad hoc* basis.

61. The Committee understand that at that time the Recovery Organisation was under the administration of a non-official and later on it was taken over by Government.

62. In evidence, the representative of the Ministry admitted that it was a bad case and could not be defended on merits. The Committee were assured that such things would not recur as the organisation itself had since been disbanded.

(i) Page 22, Grant No. 23—*External Affairs, Note 12. (1953-54 accounts).*

(ii) Page 24, Grant No. 23—*External Affairs, Note 8. (1954-55 accounts).*

Loans, writes off, etc.

63. These cases refer to the writes off of the recovery of outfit allowances amounting to Rs. 4,700 granted to some officials prior to their transfer abroad as their posting orders were subsequently cancelled and the persons concerned had already utilised the money.

64. In evidence, it was stated that the orders in force at present made it clear that if such an allowance was given to an officer who subsequently did not join the foreign post, the amount would either be recovered or adjusted against his future entitlements. The Committee wanted to know whether there had been cases where the allowance was paid more than once because of the interval being too long. In reply it was stated that in one case only such allowance had been granted twice in the past.

65. *The Committee are of the opinion that such exceptions in individual cases will create an impression of favouritism and should be discouraged.* While the representative of the Ministry admitted that the action taken in the case was indefensible on merits, he assured the Committee that the rules for the grant of **outfit** allowance had since been formulated and were being enforced strictly and that such cases would not recur.

66. *In the present case, the Committee are, however, of the view that considering that the officers concerned had, at least partially, the benefit of the expenditure from the outfit allowance, the waiving of the recovery of the entire allowance in each of these cases was not justified.*

- (i) Page 39, *Appropriation Accounts (Civil) 1953-54, Note 2; and*
- (ii) Page 55, *Appropriation Accounts (Civil) 1954-55, Note 3—Administration of the scheme of Assistance.*

67. The total amount written off as being irrecoverable from the evacuees from war zones during these two years was Rs. 16,20,055. The Committee feel that when amounts are written off piecemeal, Parliament will not have an opportunity to appreciate the magnitude of the loss in full. According to the information supplied by the Ministry which has not been checked by Audit, the Committee note that the total amount advanced under the Scheme came to Rs. 7.18 crores (including about Rs. 85 lakhs relating to areas now falling in Pakistan) out of which amounts recovered and written off upto December, 1956 respectively come to Rs. 24 lakhs and Rs. 95 lakhs. Thus the outstanding amount stood at about Rs. 6 crores.

68. As regards the cost of staff employed, it has been stated that all the State Governments except the Governments of Madras and West Bengal, were doing this work for which 50% of the recoveries made was retained by them. The Government of Madras retained 80% of the recoveries; if there were any loss to them on account of staff, etc., it was to be met by the Central Government out of their share of 20%. As regards West Bengal, the State Government did not agree to undertake this work and consequently the recoveries were being effected through the Regional Passport Office, Calcutta, with one Upper Division Clerk and a Revenue Officer. The annual cost of establishment employed in Calcutta on this work was approximately Rs. 3,000. In addition, annual cost of establishment at Rangoon came to about Rs. 47,000.

69. *The Committee are not at all satisfied with the progress of recovery. They desire the Ministry to examine the whole issue with a view to expediting the recovery of outstanding amounts and winding up the organisation both at the Centre and in the States as quickly as possible.*

OUTSTANDING RECOMMENDATIONS

Sixteenth Report

Para 38—Purchase of furniture without tenders

70. From a note (Appendix XI) the Committee understand that in view of the unsatisfactory supply situation in the U.K. during the years 1948-49 and frequent delays in delivery and in the interests of economy and urgency of the demand, supplies of the

furniture items in question were obtained from the available sources in bulk at reduced cost, even if competitive rates were not available for some of the items.

71. In evidence, it was urged by the Ministry that competitive tenders were not possible for furniture in such small scales in foreign countries; nor was it easy for a non-technical head of a Mission to check up what stuff was supplied.

72. The Committee understand that instructions have since been issued by the Ministry that while purchasing furniture, its durability should be looked upon as one of the important considerations and catalogues of about half a dozen suppliers should always be consulted. So far as furniture for residences was concerned, the scale had been standardised and furniture worth not more than Rs. 1,000 only in a year could be purchased without prior Government sanction.

73. *The Committee would, however, observe that before purchasing the furniture both new and for purposes of replacement, the Embassies must satisfy themselves that the rules and regulations relating thereto are strictly adhered to.*

Part 47—Budgeting and financial control of Indian Missions abroad

74. From a note (Appendix XII) stating the principles underlying the fixation of foreign allowance as recommended by the Foreign Service Inspectorate, the Committee note that for each grade of officers serving abroad, reasonable expenditure of a family of average size on food, wages of servants, clothing, miscellaneous household requirements, laundry, electricity, water and fuel; and (for non-representational staff) transport is assessed by the Inspectors after an on-the-spot-study of the conditions of living and the prevailing prices of foodstuffs and other essential supplies as well as the cost of services, etc., and scrutiny of the statements of average monthly expenditure of the India based personnel at each station. From this is deducted an estimated expenditure on these items by an officer of corresponding grade serving in Delhi with due allowance for the fact that his emoluments are not exempt from income tax and he has to pay rental for accommodation and furniture.

75. *The Committee express the hope that the revised rates have been carefully fixed for each station with full justification and would like to watch the new arrangements in actual working. The Committee would like to reserve their comments on this arrangement pending further study of details supplied and in the light of future experience.*

Para 48—Financial powers of the High Commissioner for India in the U.K.

76. The Committee desire that the requisite information should be expedited.

Twenty-third Report

Part 41—Hospitality Fund of the Ministry of External Affairs

77. From a statement (Appendix XIII), the Committee understand that Government had revised the ceiling rates for various types of entertainments. They are informed that the question of entertainment in private houses is still under consideration. The Committee should be informed in due course of the decision taken in the matter.

78. The Committee would, however, suggest that the Ministry should frame a set of rules regarding the entertainment of guests by the Government of India and our representational staff abroad so that the expenditure incurred thereon might be subjected to scrutiny by Audit and any possibility of misuse or improper spending obviated.

Para 46—Advance for purchase of motor cars

79. The Committee are not satisfied with the Ministry merely noting their observations. They understand from the Comptroller and Auditor General that action against the officer concerned in this particular case was being considered by the Ministry in another context. The Committee would like to watch the progress of this case.

Para 54—Irregular personal claims of an officer

80. The Committee note that the Ministry of Home Affairs have issued a circular letter to prevent such cases. They feel that it is essential in the case of an officer of a Ministry who was being considered for re-employment by another Ministry, the former employing Ministry should promptly inform the latter about the antecedents of the officer as also the financial or other irregularities committed by him in his previous post, to facilitate decision regarding his re-employment.

Para 57—Infructuous expenditure on residential accommodation in an overseas mission

81. The Committee note that ceilings for taking houses on rent had been laid down and instructions had been issued as to how the accommodation once taken should be utilised in case an

officer was transferred and no other officer was posted in his place.

Paras 60 and 61— Purchase of chancery building

82. The Committee understand that the Ministry of External Affairs have since issued necessary instructions to prevent such irregularities in future.

83. *The Committee are of opinion that the Ministry of Finance should not have surrendered their functions to the administrative Ministry in this case. They feel that the sanction should have been accorded by that Ministry only after they were fully satisfied about the points regarding which caveats were entered by them in the sanction.*

84. *The Committee still await the promised note from the Ministry of Finance explaining their side of the case, duly vetted by Audit.*

MINISTRY OF FINANCE

(i) Page 54, Grant No. 29—Taxes on Income including Corporation Tax, Note 3—Item (iii) (1953-54 accounts).

(ii) Page 59, Grant No. 29—Taxes on Income including Corporation Tax and Estate Duty, Note 5—Item (iii) (1954-55 accounts).

85. According to the Audit Report, during the years 1953-54 and 1954-55 remission of revenue and abandonment of claims to revenue aggregating Rs. 10.53 and 12.12 lakhs respectively were sanctioned as being irrecoverable due to :

	1953-54	1954-55
(i) Assessees having died leaving behind no assets, gone into liquidation or become insolvent.	1.34	5.20
(ii) Assessees being untraceable	.53	1.29
(iii) Assessees having left India	5.72	1.94
(iv) Other reasons	2.93	3.69
	Rs. 10.53	Rs. 12.12 lakhs

86. From the Statement (Appendix XIV) furnished to them, the Committee note that Rs. 267.3 crores [including Rs. 5.3 crores representing Miscellaneous items outstanding (of which analysis is not available)] represent outstanding demands of taxes on income (I.T., E.P.T. & B.P.T.) on the 1st April, 1957.

87. The following is the year-wise break-up of the outstandings amounting to about Rs. 262 crores on 1st April 1957 :—

Year	Amount
	(In crores of Rs.)
1948-49	12.4
1949-50	12.4
1950-51	20.0
1951-52	20.2
1952-53	20.9
1953-54	22.8
1954-55	27.3
1955-56	40.8
1956-57	85.2
	262.0

88. These heavy outstandings for recovery are an unsatisfactory state of affairs. The Committee feel that the progress in effecting these recoveries has been slow and discouraging. In view of the mounting additions to outstanding amounts year after year, unless the Ministry initiate action with vigour for recovering the dues, there is every likelihood of loss of Government money with the passage of time. They should, therefore, like the Ministry to consider earnestly this problem and report to the Committee the measures proposed to be taken to realise the outstandings expeditiously.

89. From another statement (Appendix XV) furnished to them at their instance, the Committee observe that the actual collections of income tax and its cost of collections from 1949-50 to 1956-57 are as follows :—

(In crores of Rupees)

Year	Total Actual Collections	States share	Net	Cost of Collections (Actuals)
1949-50	159.66	45.74	113.92	2.01
1950-51	173.22	47.52	125.70	2.44
1951-52	187.62	52.86	134.76	2.70
1952-53	186.16	56.98	129.18	3.04
1953-54	164.37	57.29	107.08	3.24
1954-55	160.42	56.54	103.88	3.45
1955-56	170.28	57.15	113.13	3.81
1956-57	203.69	61.16	142.53	4.26

90. It has been explained at some length by the Ministry that the fall in the collections during the years 1953-54 and 1954-55 was mainly due to the general depression in trade and industry during the years, 1952-53 and 1953-54. According to the Ministry the gradual increase in the cost of collection is due to the fact that while 'even a skimming of the surface of a few cases could result in substantial revenue' during war years, the task has become costlier in the post-war years, due to assessment cases, federal financial integration, increase in the number of appeals, tax concessions, growing complexity of work, evil of evasion and revision of pay scales of employees. While some of these considerations may be quite valid, the Committee thought that with the strengthening of the Department the collections would go up as the net would be cast more widely. They trust that the Department will address itself to this question of tax evasion and take necessary action.

Page 144.—Appropriation Accounts (Civil) 1954-55, Grant No. 35,
Mint, Audit Comments

91. The Audit Report disclosed a disquieting position regarding the maintenance and verification of stores accounts and disposal of unused stores etc., at the Alipur Mint. In evidence, the representative of the Ministry explained the reasons for the various deficiencies pointed out by Audit which are dealt with below :—

(i) A. Consumable Stores (a)

92. The Committee are unable to accept the argument of the Ministry that in view of shortage and uncertain market conditions, stores were retained for future consumption but their original expectations went wrong and this resulted in accumulation of stores. They feel that all this followed from haphazard planning and failure to keep a check on incomings and outgoings of stores. They stress the need for the setting up of a better machinery for regular stock verification and disposal of stores.

(ii) B. Capital Outlay on stores

93. According to Audit, early action was required in regard to the items of plants and machinery which were awaiting installation so as to prevent loss due to prolonged storage.

94. In evidence, it was stated that the plant and machinery had been erected but could not be put into commission due to certain difficulties in the gas plant. The machines were reported to be working very well now. But the fact remains that the installation of the machinery took a longer time due to lack of proper planning.

(iii) *C. Physical verification of the Balance of Stores*

95. It was admitted that there could not be any excuse for the delay in completing the physical verification of stores. *The Committee desire that the existing rules and the time schedule for such periodical physical verification of stores should be strictly adhered to and no relaxation in this regard made without prior approval of the competent authority.*

OUTSTANDING RECOMMENDATIONS

Sixteenth Report*Part 15—Cess Funds*

96. The Public Accounts Committee (1954-55) had observed that it would not be constitutionally in order to levy a cess on certain commodities under the provisions of the Acts constituting these Funds (most of which were passed before the commencement of the present Constitution) and constitute a separate fund from the proceeds thereof for an earmarked purpose, as under Article 266 of the Constitution, all revenues received and all loans raised by the Government of India and all moneys received by that Government in repayment of loans shall form one Consolidated Fund entitled the 'Consolidated Fund of India'. It would be manifestly impossible for Parliament to exercise any close control over the administration of public finance, if the system of assigning particular receipts for specified purposes prevailed. Further, such earmarking would turn out to be bad budgeting, as there would be no direct correlation between the amount of such taxes which were ultimately paid by the general consumers and the actual requirements for the development of the Industry concerned.

97. In a note furnished to the Committee (Appendix XVI) the Ministry of Finance have stated that so long as all taxes levied by any law were initially brought to account within the Consolidated Fund as revenue and all payments of equivalent sums to any fund or body were made by appropriation from the Consolidated Fund and all expenditure out of ad hoc funds under the control of the executive were initially treated as expenditure from the Consolidated Fund and remained subject to the ordinary process of voting and appropriation by Parliament, the expenditure being reimbursed from the fund to the Consolidated Fund, the procedure conforms to the essential requirements of the Constitution and secures full parliamentary control.

98. The Committee would like the Ministry of Finance to refer this question to the Attorney General for his opinion and advice.

Para 24—Debt position and loans to State and Foreign Governments

99. In para 24 of their Fifteenth Report, the Public Accounts Committee observed that, as huge sum of money were being advanced by the Centre to the States for financing their developmental expenditure, the Centre should see that adequate arrangements for repaying these loans in time were made by the States.

100. In their note (Appendix XVII), the Ministry have contended that the existing provisions had worked satisfactorily and by and large, except in the case of certain rehabilitation loans, where the question of sharing of losses with the State Governments was under correspondence, there had been no major default in the repayment of loans or interest due thereon by the State Governments.

101. *The Committee desired to be furnished with a note stating the amount of rehabilitation loans given to the States so far, the amount that was due and the amount that had actually been repaid. The note is still awaited.*

Para 26—Debt due from Burma

102. The Committee note that the net balance out of the outstanding debt of Rs. 20 crores due from Burma amounting to Rs. 2·04 crores has since been treated as aid to Burma under the Colombo Plan. This figure, it is stated, has been accepted by the Government of the Union of Burma and it finally settles this matter.

Sixteenth Report

Para 54—Irregular resumption of a pension

103. From a note (Appendix XVIII), the Committee learn that according to the Ministry the initial liability in respect of the pension in question would devolve on India and the Government of Pakistan would meet their share of this liability through the overall financial settlement between the two countries.

104. *The Committee feel that there has been a lapse on the part of the High Commission for India in London because the resumption of pension in that case had been without any authorisation from Audit which was normally required specially when the pension was payable in some Indian treasury and not in the U.K.*

105. From a Memorandum (Appendix XIX), regarding recovery of amount outstanding against Pakistan in the books of the High Commission for India in London on account of payments made by the latter on behalf of the former, the Committee note that the net

balance on account of claims for the period 1st January 1948 to 31st March 1955, now stands at £907,185-4-9 as detailed below:—

Claims by India	..	£1,511,277-18-1
Claims by Pakistan	..	£ 304,092-13-4
Balance due to India	..	£1,207,185-4-9
Payment received from Pakistan.	..	£ 300,000-0-0
Net due from Pakistan	..	£ 907,185-4-9

In addition, claims in respect of Pensions and Annuities paid on behalf of the High Commissioner for Pakistan between 15th August 1947 to 31st December 1947, estimated at £123,000/- are being worked out by the High Commission for India in London.

The re-imburement of the above payments to India is linked with the overall settlement of the outstanding financial issues between the two countries.

106. *The Committee are anxious that Government should persuade the Pakistan Government to arrive at an early overall financial settlement (including settlement of the Partition Debt amounting to Rs. 300 crores due to India) with India as it has been pending for more than 10 years.*

Para 56—Grant of excessive emoluments to an Officer on deputation

107. To the objection of the Committee for making a discrimination in the grant of emoluments in favour of that particular officer, the Ministry expressed their regret. In view of this the Committee, would not comment on this aspect of the matter.

108. It was, however, brought to the notice of the Committee by the Comptroller and Auditor General that subsequently it was revealed that the officer concerned in this case had been allowed to accept a further payment of Rs. 6,763 from the Ceylon Government towards reimbursement of additional income tax that was payable by him on account of Ceylon allowances.

109. *The Committee are not convinced of the justification for the special consideration shown to this officer in this respect. They feel that in the matter of tax liability the treatment to be meted out to all officers deputed for service under a foreign Government, under the Colombo Plan should be uniform. They trust that there would be no occasion for the Committee in future to comment on such discrimination.*

*Regulation of expenditure incurred on a 'New Service'
without approval of Parliament or State Legislature*

110. The Committee have discussed this matter at some length in para 392 of this Report. They desired that keeping in view the spirit of the Constitution regarding supremacy of the Parliamentary Control over finance, the matter should be further examined in the light of their suggestions in consultation with the Attorney General.

111. The Committee have not so far been apprised of the further development of this case although they desired this to be done by February last.

Twenty-third Report

*Paras 70-71—Assessment of Income-tax on restricted value
of perquisites*

112. From the opinion (Appendix XX) of the Attorney General in this case, the Committee observe that the Attorney General also holds the same view as Audit. In evidence, the representative of the Ministry stated that its implication was to reckon the rent-free concession for income-tax purposes on the basis of the prevailing market rates. This, he thought, was never the intention of the law, nor of Government nor of Parliament; and that had also been the assurance given by the Finance Minister on the floor of the House while piloting the amendments to the I.T. Act in 1955. He contended that the law was not worded properly and it needed amendment.

113. After going through the Ministry's statement (Appendix XXI) of the case for the opinion of the Attorney General furnished to them, the Committee do not accept the interpretation sought to be given by the Ministry to Section 4 of the Salaries and Allowances of Ministers Act, 1952 (Act 58 of 1952) and the Salaries and Allowances of officers of Parliament Act, 1953 (Act 20 of 1953) by virtue of which a Minister or officer of Parliament receives (a) rent-free accommodation consisting of a furnished residence, the maintenance charges of which, are borne by Government and (b) free supply of electricity and water to the residence. In regard to the extent to which the value of the two concessions may be excluded in computing the total income for the purpose of Income-Tax, the Attorney General has expressed the following opinion:—

Section 60 enables the Central Government by a notification in the official Gazette to make an exemption, reduction in rate or other modification in the circumstances there mentioned. The orders of the Revenue Department dated the 6th of September, 1951 do not fall within sub-

section (1) of section 60 inasmuch as they are not (a) an exemption made by the Central Government, and, (b) notified in the Official Gazette. Further, sub-section (3) of section 60 added by Amending Act VII of 1939 prevents the exercise after the coming into force of the Amending Act of the power conferred by sub-section (1) except for the purpose of rescinding an exemption, reduction or modification already made.

The orders dated the 6th of September, 1951 which in substance put a reduced value on the perquisite of free accommodation are, therefore, not in order and, if they are treated as having been made under section 60 of the Act, they offend sub-section (3) of that Section."

114. *The Committee are of the opinion that the amendment to section 7 of the Income tax Act made in 1955 is intended to cover not merely the actual rental value of the rent free accommodation but also any concessional recovery of rent. As such, the valuation of rent free residence at 10% (if unfurnished) and 12½% (if furnished) on salaries under the executive instructions is no longer permissible and application of executive instructions in the case of Ministers and certain other dignitaries of the Union Government whose salaries and privileges were regulated by Acts of Parliament is not correct. Further exclusion from the total income of the Ministers and other dignitaries of the value of water and electricity supplied free to them in terms of the relevant Acts of Parliament, following the old executive instructions, is not in accordance with the present law.*

115. *The conclusion, therefore, is inescapable that the continued application of the executive instructions not in accordance with the present law is not only resulting in loss of revenue to the State but also is giving extra-legal benefit to a class of people which is not permissible in view of the provisions of Section 60 (3) of the Income-tax Act.*

116. *In view of what has been stated above, the Committee desired that Government should consider the matter in all its aspects taking into consideration the opinion expressed by the learned Counsel and regularise this matter.*

Para 73—Income Tax cases

117. *The Committee are informed (Appendix XXII) that the realization of the demands revised by the Income Tax Investigation Commission as at the end of February, 1957 stood at Rs. 13.10 crores.*

They would like to be informed of the settlement of these outstanding cases, which the Ministry hope to complete by the middle of 1958-59.

*Para 94—Relief and Rehabilitation of Displaced Persons—
write off of loans advanced on the authority of Appropriation
Acts*

118. The Public Accounts Committee (1956-57) observed that write-off of loans advanced on the authority of the Appropriation Act should be made with the approval of Parliament and desired the Ministry of Finance to examine how such approval ought to be obtained.

119. In a note (Appendix XXIII) furnished by the Ministry, it has been stated that Government agree in principle that Parliamentary approval should be taken in all cases where substantial sums of irrecoverable loans are proposed to be written off. Government have suggested that budget provision should continue to be made in the Demands for Grants, as at present, in respect of writes-off of all loans. But all proposals involving individual writes-off of Rs. 1 lakh and more for which provision is proposed in the Budget Estimates should be explained in the Explanatory Memorandum on the Budget. Further, if in the course of the year, new cases involving writes-off of loans of Rs. 1 lakhs or over occur, such cases should be treated as expenditure on a 'New Service' and a Supplementary Grant obtained for the full amount or for a token Grant if the additional expenditure could be met from within the amount already voted by Parliament under the particular head.

120. *The Committee concur in the above procedure suggested by the Ministry of Finance and they would like to watch its working in actual practice.*

MINISTRY OF FINANCE

*REHABILITATION FINANCE ADMINISTRATION

Eighth Annual Report

Page 11—Disposal of Outstanding applications for loans

121. On 31st December, 1956, the Administration had 17,672 applications for loans pending for disposal. Out of this, 4,633 applications were disposed of leaving a balance of 13,039 at the end of December, 1956.

In evidence, the Chief Administrator, R.F.A. (hereinafter referred to as C.A., R.F.A.) stated that since then another 10,000 applications have been cleared and the balance of the 3,000 pending loan

*By an Act of the Union Legislature, the R.F.A. was established on the 1st June, 1948, for the purpose of giving financial assistance on reasonable terms to displaced persons from Pakistan to enable them to settle in business or industry.

applications in respect of East Pakistan displaced persons would be cleared off by June, 1958.

The Committee also discussed at some length the future of the R.F.A. after the disposal of outstanding loan applications.

The C.A., R.F.A. urged that although the lending part of the work would cease, the Government were still being pressed by certain categories of displaced persons for opening of further list of applications. Moreover, the exodus from East Pakistan was still continuing. Besides recovery and accountal of instalments of loans already advanced, the R.F.A. had to maintain their legal side as very often loans had to be recalled from displaced persons who failed to pay the instalments. The Committee were assured that every effort was being made to bring down the establishment charges.

122. In para 99 of their 15th Report, the Committee commented upon the high establishment charges incurred by the R.F.A. In a note (Appendix XXIV) furnished to the Committee, it has been stated that the Administration have already effected substantial reduction in their staff strength commensurate with the decrease in the volume of work. In the course of their examination, the Committee emphasized that in case Government decided to continue the R.F.A. for another 10-12 years, as stated by the C.A., R.F.A. they must streamline and rationalise its structure with a view to reducing its establishment cost, etc. The representative of the Ministry of Finance assured the Committee that the strength of the establishment in the R.F.A. would be progressively reduced. *The Committee should be informed by 1st September, 1958 the amount of loans recovered and the corresponding reduction in staff made in the various categories.*

*Recovery of loans from the displaced persons from East
Pakistan*

123. At the instance of the Committee, the Ministry of Finance have furnished the following information (Appendix XXIV-A) which gives the broad classification of loans advanced to East Pakistan displaced persons :—

I	2	3	4
	No. of borrowers	Amount of principal advanced (in lakhs of Rs.)	Amount involved (in lakhs of Rs.) (out- standing of in- terest and principal as on 31-12-56).
(a) Untracable borrowers who have either fled away to Pakistan or have gone underground	142	9.76	11.70

1	2	3	4
(b) Inexperienced loanees believed to have diverted major part of their loans towards personal expenses.	762	56·3	65·17
(c) <i>Bona fide</i> business-men or industrialists with previous experience.			
(i) who have failed due to severe competition in the market	828	184·33	37·38
(ii) who have not yet failed, but are struggling	2,241		162·23
(d) Loanees who have made good use of the loan and have succeeded	924	78·37	82·92

124. An analysis of the above figures presents a gloomy picture in so far as the recovery of these loans is concerned. It is apparent the chances of recovery in the cases of categories (a), (b) and (c) (i) which would amount to Rs. 114·25 lakhs are almost nil. The amount at stake in case of category (c) (ii) is Rs. 162·23 lakhs on 31st December, 1956. Here too the chances do not appear bright. Thus the R.F.A. are bound to be faced very soon with heavy, bad or irrecoverable debts.

125. The Committee have not been informed of the various steps so far taken by the R.F.A. in either tracing the loanees or their guarantors and making efforts to recover the outstandings. Apart from the loss of principal, the R.F.A. have to pay interest to the Government of India @ 3% on the money advanced by it. In addition, the incidence of establishment charges, has to be taken into account.

126. Taking into account all these factors, the Committee express their grave concern over this deterioration in the recovery of loans (apart from the interest). They suggest that Government should devise suitable measures in consultation with the West Bengal Government, to retrieve the loss as far as possible.

Interest and principal overdue from displaced persons

127. The following figures supplied by the Ministry indicate the interest and principal overdue from displaced persons :—

Overdue Loans as on 31st December, 1956.

Principal	Rs. 118·63 lakhs	Rs. 237·85 lakhs.
Interest	Rs. 30·60 lakhs	Rs. 64·39 lakhs.

As regards the recovery of the loans in respect of loanees from West Pakistan, the Committee understand that a decision has already been arrived at by the Government that R.F.A. loans should be treated as public dues and adjusted before any compensation is paid to such of the loanees and their guarantors who are holding verified claims in respect of property left by them in Pakistan. *The Committee trust that it would be possible for the R.F.A. to enforce recovery of their outstanding loans in respect of this category of loanees. They should be informed of the progress made towards recovery of loans as on 31st March, 1958.*

OUTSTANDING RECOMMENDATIONS

Provision for Bad and Doubtful debts

128. In para 95 of their 15th Report, the Committee (1954-55) had expressed their concern that the provision for bad and doubtful debts made in the Balance Sheet might not cover the actual bad debts which might turn out to be much more than anticipated.

The facts and figures disclosed in the preceding para amply illustrate that the problem of bad and doubtful debts is likely to assume serious proportions in the near future. The Committee, therefore, feel that the R.F.A. should give its most serious consideration to this aspect.

In evidence, the C.A., R.F.A. expressed his anxiety to find out a realistic basis for the calculation of these bad and doubtful debts. For this purpose, he said, *the Administration were devising a suitable formula in consultation with the Comptroller and Auditor-General of India. The Committee, therefore, defer consideration of this question till such time as the Administration worked out a formula.*

Simplification of the procedure for processing of loan applications

129. In para 94 of their 15th Report, the Committee (1954-55) pointed out that the delay in the disposal of loan applications in the Administration could be eliminated and much of the expenditure involved in the processing of applications also saved, if the existing procedure for dealing with loan applications in the Administration's Office was simplified.

130. In a note (Appendix XXV) furnished to the Committee in this connection, it has been mentioned that the Administration appointed a Departmental Committee called the 'Bhide Committee' to examine the procedure of dealing with loan applications. But since there arose some difference of opinion over the terms of reference of this Committee between Government and the Comptroller

and Auditor-General, the latter decided not to associate any of his officers with this Committee. The Comptroller and Auditor-General, the Committee understand, suggested that this Departmental Committee should not only recommend a simplification of procedure on some rational and logical basis but should also look into the general question as to whether the expenditure incurred on the R.F.A. and the results obtained, and the expected recovery of loans, justified the retention of the organisation or the elaborate procedure for dealing with the loan applications prescribed by it. The Government, on the other hand, felt that as the general question whether R.F.A. should continue in the present form was one of policy, a departmental Sub-Committee was not competent to go through it.

131. *The Committee understand that a para commenting on the existing procedure for the disposal of loan applications in the R.F.A. has since been included in the Audit Report (Civil), 1957, which has been laid before Parliament on 22nd April, 1958.*

The Committee would therefore, defer consideration of this question.

MINISTRY OF FINANCE

INDUSTRIAL FINANCE CORPORATION

Audit Report (Civil) 1956—Part I

Para 23, Introductory

132. The Accounts of the Industrial Finance Corporation for the year ended the 30th June, 1955 show a net profit of Rs. 9,69,509 after making a provision of Rs. 15 lakhs on account of doubtful debts under Sub-Section (2) of Section 22 of the I.F.C. Act, 1948. No provision has, however, been made against the estimated shortfall of more than Rs. 50 lakhs in the case of the loan to the Sodepur Glass Works Ltd. which the Committee would deal in the subsequent portion of the Chapter. In this case, it may be mentioned, the total amount inclusive of interest which is yet to be recovered would exceed Rs. 65 lakhs.

A total sum of Rs. 42 lakhs has been paid upto 30th June, 1955 as subvention by the Government of India to meet the dividend @ 2½% guaranteed under Section 5 of the I.F.C. Act. The Committee enquired about the steps taken to reduce this annual subvention. In evidence, it was stated that normally loans advanced by the Corporation were secured on the assets of the loanee and the guarantor and had a cover of 50% as margin. In certain cases, the Corporation had advanced money on the Government's guarantee

and practically all the loans given to the Sugar Co-operatives had been guaranteed by the Central Government and the State Governments concerned.

153. *The Committee understand from the Comptroller and Auditor General that in the United Kingdom the procedure is that wherever a guarantee is given which involves a contingent liability on the Consolidated Fund, the matter is placed before Parliament. But this procedure is not generally followed in India, and this precludes Parliament from being informed as to the magnitude of the sums guaranteed by the Government which constitute a Contingent liability on the Consolidated Fund of the Government of India. The Comptroller and Auditor General promised to include a paragraph in his next Audit Report showing the position about the loans guaranteed by the Government.*

Payment of terminal leave salary to the Managing Director

134. In this case, the Corporation paid its retiring Managing Director a lump sum of Rs. 21,000 on the 7th June, 1955 being the amount equal to six months' leave salary on the expiry of the term of his contract, which ended on that date.

In evidence, it was stated that under the provisions of the I.F.C. Act, the Managing Director was to be appointed by Government. Therefore a reference was made by the Corporation to the Government of India regarding the grant of terminal leave concession to the ex-Managing Director and their reply was as under:—

“When an officer enters Government service on contract, the contract normally includes a provision indicating that leave that would accrue to the officer's credit would be available beyond the period of contract if such leave is refused during the period of the contract. It is, however, for the Board to decide whether they would follow such analogy in granting leave in this case.”

The Committee learn that under Government Rules an officer is entitled to leave on full pay for not more than 4 months in such cases and for any period in excess thereof he would be paid half pay. *The Committee are not sure whether the action of Government in this case was legally correct in remitting this case for decision to the Corporation as the powers of appointment of the Managing Director of the Corporation vested in Government, which was obviously the reason why the Corporation referred the matter to them. The Committee suggest that this question should be referred to the Attorney General for opinion.*

135. *The Committee are constrained to point out that despite their adverse comment in certain cases handled by this officer and dealt with in Paras 112, 379-91 and 401-06 of their 15th Report, the Corporation allowed him to retire with such a handsome ex-gratia payment of Rs. 21,000 (termed as "leave salary").*

Grant of excessive pay to Corporation's employees posted to the loanee companies :

136. *The Corporation while posting its officers in certain loanee companies to watch its interest, granted substantial increases in remuneration ranging from 23% to 54%. The Committee are informed that a provision has since been made in the draft staff regulations under consideration that the extra emoluments to employees posted to loanee companies would not exceed 25% of the pay and allowances admissible to them while working in the Corporation.*

137. *The Committee desire that ceilings should also be prescribed in such cases and copies of regulations under consideration of the Ministry in this regard, when finalised may be furnished to them.*

Review of Loan Accounts :

138. *The Committee note that from its inception to the 30th June, 1955, the Corporation sanctioned loans aggregating about Rs. 28 crores to 125 companies but 81 of them only availed of the facility and the total amount advanced was about Rs. 15 crores.*

In the course of evidence, the Committee were informed that in a few cases only the companies declined to take sanctioned loans because either they were able to raise the resources elsewhere or they changed their plans in a way not acceptable to the Corporation. In some cases 50% cover to loans was not forthcoming. But in no case had there been refusal of payment because of delays in the Corporation's sanctioning the loan.

139. *The Committee suggest that with a view to bridging the gulf between the amount of loans sanctioned and that actually availed of, Government should examine the various stages laid down by the Corporation right from the stage of receipt of applications till the actual payment of the loan and see what improvements can be effected.*

OUTSTANDING RECOMMENDATIONS

Fifteenth Report

Para 102—Provision for Bad and Doubtful debts:

140. *The Committee of 1954-55 recommended that the Corporation should devise a formula in consultation with the Ministry of*
462 LS.—4.

Finance and the Comptroller and Auditor General for determining the quantum of 'bad and doubtful debts', and make a provision in respect of the same in the Annual Balance Sheet of the Corporation.

The Committee agree with the following opinion expressed by the Comptroller and Auditor General :

"The position in regard to the provision for bad and doubtful debts is likely to vary from year to year depending on the worth of the security mortgaged and the financial position of the debtors and guarantors. It is not possible, therefore, to prescribe a formula in respect of such provision. The provision has, however, to be made after assessing and reviewing each individual case of loan in the light of the existing position of repayment of each individual debtor." (Appendix XXVI).

Para 106—Reference of cases to the Ministry of Commerce and Industry:

141. *The Committee observe that the Government have noted these recommendations made by them that the Corporation should not flout or disregard the advice given by the Ministry of Commerce and Industry in the matter of grant of loans to new Industries since that Ministry is charged with the public responsibility for promoting the industrial development of the country. They desire that in cases where the Corporation have any reason to deviate from the advice given by the Ministry of Commerce and Industry, the former should adduce valid reasons for doing so.*

Para 107—Percentage of establishment charges of the I.F.C.:

142. *The Committee observe that the comparative statement (Appendix XXVII) showing the proportion that the establishment charges bear to the total expenses in the I.F.C. and similar other institutions both in India and other countries as furnished by the Corporation does not meet the specific recommendations made by them. Steps should be taken to bring down the high percentage of establishment charges of the Corporation and the progress made in this direction be reported to them when they next examine the accounts of the I.F.C.*

Para 109—Loss on account of disposal of the land purchased for building Corporation offices in New Delhi:

143. *The Committee are not satisfied with the Government merely having 'noted' their earlier observations that the launching of the project for the building of the Corporation offices which had resulted in an infructuous expenditure of Rs. 2 lakhs was both inopportune as*

well as imprudent in view of the financial position of the Corporation as it was then. They, therefore, desire that Government should investigate the matter further with a view to fixing responsibility for the loss and reporting to them the steps taken to effect recovery thereof.

Para. 110—Payment of fees amounting to Rs. 2,000 to an Advocate of the Bombay High Court for drafting a reply to Chapter VII of the I.F.C. Enquiry Committee Report :

144. In this case, expenditure had been incurred by the former Managing Director of the I.F.C. under his own authority. The Committee feel that instead of merely 'noting' the observations made by them, Government should have taken necessary steps for recovering the amount from the individual concerned more especially when the Government themselves admitted that this expenditure was not a proper charge on the Corporation. They regret to note that this person is no longer in the service of the Corporation and has already retired after having been given an ex-gratia payment of Rs. 21,000 in the form of leave salary, as referred to in para. 134 above. They would, therefore, suggest that the Corporation should obtain the legal opinion from its Legal Adviser with a view to enforcing recovery of this irregular charge incurred by this Officer.

Para. 112—Sodepur Glass Works Case:

145. The Public Accounts Committee (1954-55) observed that the two main issues involved in this case were:

- (i) the manner in which certain loans etc. were given to the concern, whether it was in the best interest of either of the concern or Corporation etc., and
- (ii) the future working of the Glass factory.

They called for further information on the following points:—

- (I) Causes for the delay in making payment to the Sodepur Glass Works, and
- (II) the result of the endeavour made by the Negotiating Committee for the disposal of the assets of the Sodepur Glass Co. to the best possible advantage of the Corporation.

After protracted correspondence, the Ministry furnished the following information to the Committee of 1956-57:—

- (a) Agreement entered into by the Industrial Finance Corporation with the Asahi Glass Company Limited for the purchase of the assets of the Sodepur Glass Works. (Appendix XXVIII.)

- (b) Note stating the latest position in regard to the floating of the Public Limited Company in India by the Japanese firm (Appendix XXIX.)

As regards (I) above, the Government of India appointed Shri S. G. Barve, I.C.S., former Joint Secretary in the Ministry of Finance to examine the recommendations made by the I.F.C. Enquiry Committee in respect of the deal with Sodepur Glass Works Ltd. The Report also *inter alia* dealt with the alleged delays caused in making payment of loan sanctioned to this Company by the Corporation.

After considering the papers referred to above, the Committee called for a note stating the latest position in regard to the action taken or proposed to be taken for making good the loss of over half a crore of rupees sustained by the Corporation in their deal with the Sodepur Glass Works Ltd. After repeated reminders, this note was received from the Ministry sometime in September, 1957 (Appendix XXX.)

Before the Committee proceed to deal with this case, they would like to recapitulate the main events leading to the formation of the Indo-Asahi Glass Company Ltd. and its taking over the assets of the Sodepur Glass Works Ltd.

146. In accordance with the terms and conditions laid down in the agreement, dated the 6th July, 1956 (Appendix XXVIII) entered into between the Corporation and the Asahi Glass Company Ltd., the latter floated an Indian Company by the name of 'The Indo-Asahi Glass Company Ltd.' This was incorporated under the Companies Act, 1956 on the 11th August, 1956. Its objects among other things being the acquisition and manufacturing all varieties of glass and glassware, with a capital of Rs. 65 lakhs. Out of this, Rs. 30 lakhs were to be contributed in India. The balance of Rs. 35 lakhs was to be taken up by the Japanese concern—Rs. 17 lakhs against machinery, equipment and materials to be brought from Japan, and Rs. 18 lakhs by providing the technical know-how, in return for free shares. The Corporation also agreed to grant the Indian Company a further loan of Rs. 7 lakhs to enable it to put the plant and machinery of the Sodepur Glass Works in order.

In the evidence before the Committee of 1956-57, it was stated that after 17 years, the I.F.C. was expected to be repaid the amount of loan advanced by it and the Japanese shareholders would have to transfer a certain part of their holding to the Indian shareholders in order to make the Indian participation in the capital equal to 51 per cent.

147. The Committee were further given to understand that the Government would look into the Committee's suggestion for a stipulation to the effect that in the event of any transfer of shares by the

Japanese firm at the time of the reconstitution of the Indian Company (after a period of 17 years), the Government would have the right of first refusal to acquire these shares either at the face value or at any reasonable premium.

148. As regards the second aspect of this case, *viz.*, how the Corporation proposed to make good the loss of about Rs. 50 lakhs sustained by them in their deal with the Sodepur Glass Works, which has since been written off, as already referred to in para. 132 above, the Committee understand that the Corporation are making efforts to settle the matter with the guarantors. *The Committee should be informed of the final outcome of the action taken against the guarantors.*

MINISTRY OF FOOD AND AGRICULTURE

(Department of Agriculture)

Audit Report (Civil) 1956—Part I

Para. 2—Wasteful expenditure on air freight:

149. The Central Tractor Organisation placed orders for spare parts of tractors worth Rs. 9,112 in February, 1953 direct through a private firm without the intervention of the D.G.S. & D. and apprised the D.G.S. & D. of the purchase in April, 1953. The stores were obtained by air in May, 1953 on grounds of urgency at an extra expenditure of Rs. 2,115 over the freight by surface route. While regularising the direct purchase as a special case in July, 1953, Finance observed that the Organisation should be in a position to assess its normal requirement and place indents on the D.G.S. & D. Out of three items purchased, two comprised 566 and 144 units, of which only 10 and 12 units, respectively, were issued upto March, 1955. According to the Audit Report, the slow and small consumption hardly justified the emergent purchase and air lift.

Again in September, 1953 and February, 1954 some more parts worth Rs. 4,082 and Rs. 3,980 for the same type of tractors were obtained by air, the extra expenditure being Rs. 2,896 and Rs. 2,530 respectively.

150. In the course of evidence, the Committee were informed by the witness that the spares had to be imported by air urgently on the recommendation of a foreign engineer to avoid the tractors going out of commission. The Committee wanted to know whether the Chairman, C.T.O. had the powers to order for import of stores by air. It was contended that rules governing the purchase of spares by the Chairman did not preclude him specifically from so doing. *The Committee are unable to accept this view. They are of opinion that wherever the rules do not specifically confer certain powers on an*

officer the correct thing to do would be to have the position clarified immediately by reference to the Administrative and Finance Ministries instead of acting on presumptions. In the present case, the matter was referred to Finance only after the order had actually been placed. There was no evidence on record as to whether Finance ever raised the question of the C.T.O.'s competence to order stores direct in this case. The Committee are surprised that Finance regularised the purchase without examining this aspect of the matter.

151. The Committee were informed by the representative of the Ministry of Finance that to meet such emergent situations in future the Chairman, C.T.O. had been delegated powers to purchase stores upto a limit of Rs. 10,000. The Committee agree that there should be adequate delegation to facilitate smooth and expeditious working of the administrative machinery; but they would caution that such provisions should not be misused. They had in the past occasion to consider a similar case where project stores had been ordered by air and the freight alone cost more than the stores themselves. In this case, it is obvious that even according to the delegated powers, the Chairman had exceeded his limits as the cost of the stores together with the freight thereon went above the limit of Rs. 10,000. The Committee would like the Ministries to take serious notice of such cases in future.

152. Judging from the slow rate of issue of these stores, the plea of urgency in support of their air-lifting is hardly convincing. The Committee, therefore, feel that the C.T.O. could easily have checked their requirements and placed the order through the D.G.S. & D. Such orders by air not only lead to avoidable expenditure, but also indicate lack of proper fore-thought and planning on the part of the administration. Further, in this case no endeavour was made to restrict the import by air to the quantity that would have been required during the period the balance of stores would have taken to reach by the surface route. The Committee feel that such a course would be a better alternative to adopt in similar cases in future.

Appropriation Accounts (Civil) 1953-54 Audit comments—Store Accounts of the Cattle-cum-Dairy Farm, Karnal on Page 42:

153. It has been reported that the value of machinery stores in stock on the 31st March, 1954 was in excess of the normal requirements of Dairy which unnecessarily locked up Government money. Secondly, no reserve stock limit had been prescribed. Thirdly, the physical verification of stores was being conducted by the Officer who was also incharge thereof.

It was explained to the Committee by the representative of the Ministry that the physical verification of stores had been completed and the Director of the Dairy had been directed not to keep stock in

excess of the requirements for more than one year under any circumstances. The Committee desired to be furnished with a note on the exact nature of Ministry's instructions to the Director in pursuance of the above comments in the Audit Report. This note* is still awaited.

Appropriation Accounts (Civil) 1954-55

Grant No. 124—Other Capital outlay of the Ministry of Food and Agriculture, Page 103 Note 8(a)—Government Capital Account:

154. This note referred to the non-reconciliation of accounts of the C.T.O. It was explained to the Committee that the C.T.O. had a capital of Rs. 5.24 crores in 1954-55 and the unreconciled amount was Rs. 75 lakhs which includes Rs. 64 lakhs on account of transfer of Pashabhai Patel Implements, etc., and at present it stood at Rs. 30 lakhs. Efforts are being made to reconcile the balance.

The Committee desired to be furnished with a note giving detailed reasons for non-reconciliation of accounts and efforts that were being made to clear them. They desired that these accounts must be reconciled before the presentation of the Report to the Parliament. But they regret to observe that the requisite note** has so far not been received by them.

Note 8(b) Suspense Accounts—Interest Chargeable from State Governments due to staggered recoveries:

155. In the Accounts of the C.T.O., a sum of Rs. 32,83,338 had been shown as outstanding on account of interest chargeable to the State Governments due to staggered recoveries from them and credit for the corresponding amount had been taken in the Reclamation Operation Account, although the State Governments had not so far agreed to pay such interest charges. On a similar item in the accounts for 1951-52, the Committee had commented in para 71 of their Sixteenth Report that it was wrong to take credit in the accounts of the Organisation for such disputed charges. They are amazed that this practice is being continued in subsequent years also, especially when it was admitted by the representative of the Ministry that Government were unable to realise interest from the States.

156. From a note (Appendix XXXIII) submitted to them, the Committee note that orders have been issued by Government that Rs. 35,76,047, representing the total interest charges recoverable from State Governments in respect of the outstanding instalments of reclamation charges for work done by the C.T.O. should be exhibited as a loss in the operational accounts of the Organisation. The Committee consider it unfortunate that this matter was not handled effectively

*The note (Appendix XXXI) has since been received, but could not be considered.

**The note (Appendix XXXII) has since been received, but could not be considered by the Committee.

by the Ministry right from the initial stages which had led to the accumulation of large arrears of interest.

Appropriation Accounts (Civil) 1954-55 Grant No. 124—Other Capital outlay of the Ministry of Food and Agriculture, Page 132: Sub-para (ii)—Payment of subsidy to the C.T.O.:

157. To bring down the operational losses, the C.T.O. raised the rate of recovery of reclamation charges to Rs. 55 per acre with effect from the season 1953-54. With the steep fall in the prices of food-grains, this rate could not be maintained and Government decided to reduce the rate to Rs. 40 on an *ad hoc* basis and the difference was to be made up by a subsidy at Rs. 15 per acre from Grow More Food Funds. Thus the shortfall to be made good out of G.M.F. Funds amounted to Rs. 15,47,123.

In support of the sanction under which the subsidy was paid to the C.T.O., the representative of the Ministry of Finance quoted in evidence the following passage for providing financial assistance to States under the G.M.F. Scheme:—

“Land reclamation schemes undertaken by State Governments with their own tractor units would be eligible for Central subsidy to the extent of 50 per cent. of the net loss incurred by the State Governments or 12½ per cent. of the total expenditure, whichever is less. The subsidy would be permissible only when the C.T.O. cannot take up the work.”

158. The last sentence of the above quotation, which precludes the payment of subsidy to the C.T.O., rebuts the contention of the Ministry of Finance. In defence, it was explained by the representative of the Ministry of Finance that on the analogy of land reclamation scheme, this subsidy was permitted and this practice was in vogue for a number of years. On further questioning, he admitted that the rule quoted above was not applicable to the case under consideration. *The Committee would advise that every proposal should be scrutinised by them in all its aspects before according their approval. In the present case, a part of the funds voted by Parliament for 'being spent on G.M.F. schemes, were to be diverted to meet certain losses incurred in the C.T.O. The Committee are of the opinion that in such cases where provision for expenditure has not been made in the Budget Estimates and the proposed expenditure represents a marked expansion of an existing scheme or service, it should be submitted for the prior approval of Parliament by means of a Supplementary Estimate. They regret that this important aspect was lost sight of by Finance. So far as this case is concerned, the Committee were given to understand that Government have since decided to exhibit this expenditure distinctly in the Estimates as a loss incurred by the C.T.O.*

OUTSTANDING RECOMMENDATIONS

Sixteenth Report

Para. 65—Payment of Unnecessary Commitment charges:

159. From notes (Appendices XXXIV and XXXV), the Committee learn that 32 tractors purchased for mopping up operations had since been disposed of to the States as it was found subsequently that this work could be done with the help of some old tractors. Besides 48 items of TD-9 tractor spare parts out of 66 purchased had either been consumed or disposed of. The book value of the remaining parts worked out to Rs. 2,273 and efforts were being made for their speedy disposal. *The Committee would like to know, in due course, the result of these efforts on the part of the Ministry.*

160. The Committee further learnt that the Enquiring Officer appointed to investigate into this case of unnecessary purchase of tractors and spares and certain other transactions of the C.T.O. had come to the conclusion that there was no case for any action against any officer and that the Government had accepted that conclusion. *In the present case where an enquiry was conducted on the Committee's recommendations, a copy of the Report of Enquiry should have been furnished to the Committee. The Committee desire that in future whenever an enquiry is made at their instance, the report of that enquiry should invariably be furnished to them.*

161. It was, however, brought to the notice of the Committee by Audit that the Enquiring Officer had observed in his report that the officer against whom the enquiry was held got an initial report by a subordinate technical officer about the quality of the implements substituted subsequently, and altered the noting on the file. *The Committee feel that in the face of this charge, the contention of the Ministry that there was no case for any action against any officer concerned with the transaction, is untenable. In the opinion of the Committee, it was a grave offence on the part of the officer to have tampered with the file which should have been dealt with appropriate severity. They regret to observe that Government had been needlessly mild in this case.*

Paras. 67 and 68—Unnecessary purchase of machinery:

162. From the note (Appendix XXXIII), the Committee understood that a review of the spare parts in stock upto 31-7-56 had already been completed and spares amounting to Rs. 42,26,303 had since been declared as surplus and spares worth Rs. 10,20,359 had been sold resulting in a profit of Rs. 6,94,184.

The Committee were informed by the Chairman, C.T.O. that the position of store accounting and physical verification of stores in

the C.T.O. was improving. But he could not say when the stores would be cleared as the pace of disposal would be slow now and the fact that they were becoming obsolescent was also to be taken into consideration. *The Committee, however, are not satisfied with the reported pace of progress in disposal of stores and physical verification of stores in the C.T.O. They are afraid that unless this work is completed quickly, the risk of more obsolete stores accumulating with time was there and may nullify the work already done in this direction so far. They, therefore, desire that a time limit should be set for this work and earnest efforts should be made to complete the work by that date.*

Paras 72 and 73—Results of physical verification not finalised:

163. *The Committee desire that the reconciliation of discrepancies must be completed without further delay.*

Para 74—Disposal of non-tractor parts as are not required for use in the C.T.O.:

164. From the state of sales (Appendix XXXIV), it appeared that about 40% of the stores declared surplus could be disposed of from 1951 to end of March 1957 and there was still a large balance of about Rs. 70 lakhs worth of surplus stores. They were informed that surplus stores worth about Rs. 50 lakhs had been sold for about Rs. 76 lakhs yielding a profit of Rs. 26 lakhs over their book value. *The Committee are of opinion that before arriving at the profit, the overhead charges including interest and storage charges should also be taken into account. The progress in the disposal of stores is slow and further additions to surplus stores as time passes have also to be reckoned with. The position of disposal of stores is far from satisfactory and warrants some reorientation of the procedure for declaring stores as surplus and disposing them of.*

Para 75—Fixation of Monetary limit of stores:

165. From a further note (Appendix XXXVI), the Committee understand that the Ministry have since refixed the monetary limits for all categories of stores in the C.T.O. on the basis of average of actual consumption of Stores during 1955-56 and 1956-57. It is observed that the limit for petrol, oil and lubricants has been fixed at Rs. 23,60,000. *The Committee consider it to be obviously excessive, as the stocks of these items are not required to be held for the whole year's requirements and their supply can be easily obtained.*

Twenty-third Report

Para 84—Loss in operation by new units in the C.T.O.:

166. From the note (Appendix XXXVII), the Committee note that in 1954 due to fall in the prices of agricultural commodities,

the States were opposed to giving work to C.T.O. at the then existing rate of Rs. 55 per acre/hour as the cultivators were not willing to pay a higher rate. The rate for 1954-55 was accordingly fixed at Rs. 40 per acre/hour and it was decided in consultation with the Ministry of Finance and the Planning Commission that the loss would be met by the Central Government. On the same grounds it was decided to reduce the rate to Rs. 35 per acre/hour in case of reclamation of *kans* infested lands on the condition that the net deficiency for all types of work for the years 1955-56 to 1957-58 would not exceed Rs. 50 lakhs and that every effort would be made to bring down the cost of operations.

167. The Committee desired to know how the rates charged by the C.T.O. compared with those charged by the State Governments. The Committee were informed (Appendix XXXVIII) that the tractors with the States were not as heavy as those of the C.T.O. and the accounts of the operational charges were not kept on commercial lines to afford a proper basis for comparison. In 1953-54, the rate charged by the Bombay Government for deep ploughing upto a depth of 12" to 14" was Rs. 30 per acre and the rate charged by the C.T.O. in that year for *kans* clearance work which normally involved ploughing to a depth of 12" to 14" was Rs. 55. It has since come down to Rs. 35. *The Committee feel that there is much scope in a big and old organisation like the C.T.O. to bring down the cost of operation charges considerably so that the benefits of tractorisation are available to cultivators at reasonable cost.*

Pashabhai Patel Implements Case:

168. The purchase of agricultural implements in 1946 for Rs. 45 lakhs from Messrs. Pashabhai Patel & Co. which could not be put to any use because of their unsuitable designs and defective manufacture has been criticised by the earlier Committees. Shri Divatia, a retired Chief Justice of the Saurashtra High Court, was appointed to conduct an enquiry into the whole transaction and the Committee were informed in 1955 that the report of Shri Divatia (submitted by him in 1952) was still under the consideration of Government. The Committee were unhappy at the inordinate delay in taking a decision on this case and observed *inter alia* that—

- (i) Government should arrive at a decision without further delay;
- (ii) deterrent action should be taken against the officers who were responsible for the purchase of these defective implements; and
- (iii) the C.T.O. should not proceed with the wholesale rehabilitation of those implements (as recommended by the

F.A.O. Expert) until the utility of the rehabilitated implements had been established and the State Government placed firm orders for their purchase.

The Ministry of Food & Agriculture have submitted towards the end of September, 1957 a statement (Appendix XXXIX) showing action taken by them on the above recommendations. The Committee considered this statement and their comments are given in the following paragraphs:

Disciplinary action against the officers:

169. It is reported that two of the officers of the Ministry of Food and Agriculture who were mainly concerned with the purchase of the implements had retired and another officer had died. Two other officers who were also involved in the case had retired and another officer had been dismissed for involvement in some other case. Three officers of the Inspecting Wing of the W.H.S. Ministry were warned for "not doing their duty more vigilantly" and another officer had migrated to Pakistan.

The Committee are distressed to see the helplessness of Government in punishing the delinquent officials as they had retired. But the responsibility for this rests squarely on the Government as it had taken Government more than 10 years to arrive at the final decision on this case. The inordinate delay in this case has only enabled the guilty officers to escape punishment. Even in regard to officers still in service, the action taken by Government is far from satisfactory. The warning administered to the two officers of the Inspection Wing was not even recorded in their character rolls. (Appendix XL). In defence, the Ministry have stated that the intention was formally to censure the officers, in which case extracts of the warning would be kept in their character rolls.

The Committee are definitely of the view that warnings, if they are to have any value, should be recorded in the character rolls for future reference at the time of promotion, re-employment or retirement.

Rehabilitation of the Implements:

170. It was stated in the note from the Ministry that a sum of Rs. 3,35,650 had been accepted from Messrs. Pashabhai Patel & Co. to meet the cost of rehabilitation of the implements in final settlement of the case in so far as the firm was concerned. The Committee wanted to know the basis for this settlement. In this connection they drew attention to para 10 of the Seventh Report of the Estimates Committee wherein the estimated cost of rehabilitation was

reported to be at about Rs. 10 lakhs. It was also pointed out by Audit that the Chairman of the C.T.O. had in a letter of 6-8-1953 to the Ministry expressed his doubts on the proposal to spend Rs. 10 lakhs on the rehabilitation of the implements. He had also advised caution in accepting the expert's rehabilitation estimates without fully ascertaining in field tests, under independent supervision whether the rehabilitated implements would really stand the strain of the type of work for which they were likely to be used. In these circumstances *the Committee were at a loss to understand how the sum of Rs. 3,35,650 was accepted.*

171. The representative of the Ministry informed the Committee that while forwarding the Expert's note dated the 30th April, 1953 to Government, the Chairman, C.T.O. indicated that the total cost of rehabilitation of all the implements would be Rs. 5,62,500. The difference between this figure and Rs. 3,35,650 was due to the fact that the latter figure represented the estimated cost of rehabilitation of only such of the implements as were considered to be capable of economic rehabilitation.

According to the information placed before the Committee, the expenditure on the modification of 32 implements by the Expert was Rs. 83,076 although separate figures of expenditure for each type of implement were not available. If so, settlement with the firm at Rs. 3,35,650 for modifying 876 implements was totally inadequate. The Committee are now informed (Appendix XLI) that it has since come to the notice of the Ministry that the Expert's estimate of the cost of rehabilitation was on the basis of mass conversion of at least 100 implements at a time in a workshop without as much overheads as in the C.T.O.; although this fact was reported by the Director of Administration and Operation, C.T.O. to the Chairman, C.T.O. in December, 1953, the above fact was not brought to the notice of Government by the latter.

In reply to a specific question whether the views of the Chairman, C.T.O. contained in his letter dated the 6th August, 1953 were placed before the Committee of Officials appointed by the Cabinet or whether he was consulted by that Committee, the answer was that the Chairman, C.T.O. was also *ex-officio* Deputy Secretary in the Ministry and in his latter capacity he did not press his misgivings while submitting a note to the Secretary on the subject. The only possible inference, it was added, was that the doubts expressed in his letter of August, 1953 were subsequently cleared. Further, as the Joint Secretary of the Ministry who was in overall charge of the C.T.O. was a member of the Committee of Officials who enquired into this case, the question of the Chairman, C.T.O. being directly consulted by that Committee did not arise.

172. *The Committee are not convinced with the above explanation. They understand that the report on the performance of the modified implements was not satisfactory and there was no market for them. In these circumstances, Government should have preferred a claim against the firm for compensation covering the entire cost of the implements. In settling the compensation at Rs. 3,35,650, the firm has benefited at the expense of the tax-payer.*

Then the explanation given for not apprising the Committee of Officials, who enquired into this case, of the views of the Chairman, C.T.O., is neither satisfactory nor convincing. They are amazed at the distinction sought to be made by the Ministry about the opinion given by the Chairman, C.T.O., who was holding a dual appointment namely the Chairmanship of the C.T.O. and Deputy Secretaryship in the Ministry of Food and Agriculture. Such a situation is the outcome of appointing an officer of the Secretariat to be simultaneously in charge of the administration of an organisation under the Ministry. The Committee trust that Government will profit by such experiences.

Twelfth Report of the P.A.C.—Fertiliser Deal Case.

173. *The Committee note that out of two officers involved in the case, one has been acquitted by the High Court while the other has been convicted and sentenced to 6 months' rigorous imprisonment and his appeal is pending before the Supreme Court. The Committee also understand that the suspension order against the former has been vacated and he has been allowed to proceed on leave preparatory to retirement. The Committee desire that a copy of the judgement of the High Court be furnished to them. They would also like the Ministry of Home Affairs to communicate to the Committee the final outcome of the appeal of the other officer pending in Supreme Court.*

MINISTRY OF FOOD AND AGRICULTURE

Department of Food

Para 5—Loss due to faulty agreement:

174. *In April, 1954, a foreign firm offered to sell 1,60,000 tons of sugar at £38/- per long ton C. & F. The Indian Embassy there was asked by the Ministry to offer £37/10/- per long ton C. & F. which might be increased to £37/15/- as a last resort. The Embassy having informed that the firm had informally agreed to the rate of £37/10/- per long ton, the Ministry authorised it to purchase 55,000 tons at the ceiling price of £37/10/-. Subsequently on 24th May, 1954 the firm stipulated that the discharge expenses would be to*

buyer's account. The Embassy accepted the stipulation and signed an agreement without consulting the Ministry. When the Ministry got a copy of the agreement, they asked the Embassy on the 16th July, 1954 to have the clause regarding the discharge expenses amended to make it payable by the sellers as in fixing the ceiling price of £37/10/- C of F their intention was that the price would be was all-inclusive. After negotiations, the firm agreed to bear expenses amounting to only Rs. 79,000 (approximately) in respect of about 22,500 tons which were then awaiting despatch. Government had, however, to bear an expenditure of Rs. 89,595 by way of discharge expenses on the quantity already shipped.

To a question whether the officer in the Embassy was acting within his powers in accepting the provision relating to stevedoring charges without reference to the Ministry when the Ministry had already intimated the ceiling price at £37/10/- per ton, the representative of the Ministry replied that the officer should have first referred the matter to the Ministry. That was where the mistake started which resulted in the extra payment. The Committee were further informed that the officer concerned had not even been warned for the mistake.

The Committee feel that undoubtedly the officer in the Embassy had acted beyond his jurisdiction in agreeing to the additional provision in the contract without first consulting the Ministry. In their opinion, it was not a bona fide mistake but a case of failure on his part to carry out specific instructions. The Committee desire that the displeasure of the Government should now be formally communicated to the officer and the fact reported to them. The Committee are unable to accept the plea that the officer did not know the correct form to be adopted.

Para 6—Loss on sales without proper contract:

175. In this case the letter of acceptance of the tender of a firm for the purchase of surplus and unserviceable gunnies, etc. was signed by a junior officer in the Ministry and was not expressed in the name of the President, as required under the Constitution. No formal contract was executed. Subsequently, the firm repudiated the terms of the accepted tender and stopped lifting the stores. The stores had to be disposed of at lower prices, resulting in a loss of Rs. 17,307. The contractor filed a suit for the refund of his security deposit of Rs. 6,500/- which had been withheld under the orders of Government and Rs. 807 representing interest on security and other incidental charges. On legal advice the case was settled out of court and the contractor was refunded his security deposit plus an additional sum of Rs. 250/-.

The Committee are unable to accept the plea that the Officers were not aware of the correct form to be adopted in such cases of acceptance of tenders. They understand that there is a list which indicates the authorities competent to sign contracts on behalf of the Government. The Officer concerned had not obviously consulted this list before he signed the acceptance letter. The Committee had in the past occasions to comment on similar cases. But such cases still recur. They, therefore, recommended that all officers dealing with contracts should be made familiar with these elementary principles of contract so that defaulting contractors do not escape on technical defects in procedure and can be dealt with suitably under the terms of contract.

Para 7—Grants-in-aid to a private body:

176. An All India Women's Organisation was sanctioned grants of Rs. 70,000 in 1950-51 and of Rs. 3,90,300 during the succeeding three years. Out of the latter amount the Central Committee gave advances amounting to Rs. 2,74,528 to its various branches. A private registered firm of Chartered Accountants, who audited the accounts of the Central Committee and its branches, reported various irregularities in the accounts of the branches. The firm of auditors was unable to certify whether the whole amount of Rs. 2,74,528 was validly spent for purposes for which it was intended. While noting with regret this deficiency on the part of the organisation in maintaining the accounts, Government issued orders in October, 1955 for the acceptance of certificate of disbursement from the office bearers of the Council and the branches concerned in lieu of missing vouchers and payees' receipts.

The Committee would recall that similar irregularities were noticed in the accounts of this organisation in 1952 and commented upon in the Audit Report, 1952 Part I. The Comptroller and Auditor General drew the attention of the Committee to the following observation of the Ministry while addressing the Organisation:—

“The Second instalment of the grant for 1955-56 will be payable only after the Council submits to Government a clear certificate from their auditors in respect of the amount of expenditure during 1954-55.”

Despite the above warning, the Ministry took a lenient view and continued the payment of grants without getting the requisite audit certificates. When the commercial auditors could not give a certificate, the state of affairs in the Organisation should have been pretty bad.

The Committee desire that the Ministry of Finance should take up the question of control over grant-aided bodies and furnish a note to enable them (the Committee) to consider this matter in detail.

OUTSTANDING RECOMMENDATIONS

Para 70, Sixteenth Report—Payment of penal rent:

177. *The Committee regret to observe that in spite of the assurance of the witness before them, the requisite note has not been received so far.*

Para 78, Twenty-third Report—Purchase of rice:

178. *The Committee could not take up consideration of this case for want of requisite note from the Ministry which is still awaited. They would urge the Ministry to expedite the submission of the note*.*

MINISTRY OF HEALTH

*Appropriation Accounts (Civil) 1953-54, Page 25 Grant No. 126—
Capital Outlay of the Ministry of Health, Note 7, Item (ii) :*

179. *Out of the stores of the value of Rs. 3,55,397 received from Medical Stores Depot, Delhi on its closure in the year 1950, stores of the value of Rs. 96,809 were received short, broken or already deteriorated. These were included in the closing balance. According to Audit the relevant loss statements are pending with the D.G.H.S. and since these did not represent issuable stores, they had the effect of inflating the profit.*

The Committee regret to point out that such shortages in stores continue to be shown even after seven years after they had been reported. In evidence, the representative of the Ministry admitted that the Medical Stores Depot, Delhi was not running properly ever since it was started in 1947. He undertook to look into the matter and furnish a note to the Committee stating the action taken against the persons at fault. In this connection the Committee also asked for a note stating the present position of the stores held in the custody of the Ministry of Health, arrangements made for their proper upkeep, accounting and utilisation in time, machinery for the disposal of surplus stores and action taken or proposed to be taken to remove defects, if any, that had been noticed in the general condition of stores. The Committee regret to observe that despite repeated reminders the Ministry of Health have not been able to submit these two notes† to them. In the absence of information called for by them, the Committee have no alternative but to reserve their comments on the improvements, if any, effected by the Ministry in the existing set-up of the Medical Stores Depot.

*The note (Appendix XLII) has since been received ; but could not be considered.

†The note (Appendix XLIII) have since been received; but could not be considered.

Appropriation Accounts (Civil) 1954-55

*Page 36, Grant No. 125—Capital Outlay of the Ministry of Health,
Note 11 (ii)—Medical Stores Depot, Bombay:*

180. No rent has been received since October, 1951 for a part of the Depot premises along with some equipment let out to a tenant at Rs. 307 per month. The amount of rent realisable for the last four years has not been exhibited in the Profit and Loss Accounts.

The Committee were informed in evidence that orders had been passed three years back to file a suit against the occupant who was a displaced person from Sind. But due to the change in the solicitors, some additional information was required by the new solicitors and the matter had thus been delayed.

181. *The Committee are not convinced of the reasons for such a long delay involved in ejecting an unauthorised occupant. The delay of three years in filing the suit since the date of orders of the Ministry for filing a suit is unconscionable.*

It is needless to stress the imperative necessity of furnishing complete information to the solicitors in the first instance so as to avoid any delay in instituting legal action.

In the present case, the Committee should be informed in due course about the progress made in the eviction of this unauthorised occupant of Government premises as also the rent and damages recovered from him for the period of his occupation.

OUTSTANDING RECOMMENDATIONS

Fifteenth Report.

Para 31—Misposting in Store accounts.

182. The Committee in their 15th Report had criticised the inordinate delay in reconciling the discrepancies in the accounts of the Medical Stores Depot during the war years and suggested that disciplinary action should be taken against the persons responsible.

From a note (Appendix XLIV) furnished to them, *the Committee note that at this distance of time it was impossible to punish any person or persons for these mispostings or failure to reconcile the accounts even if responsibility was fixed. The note only shows the continued laxity in maintaining the store accounts even after the termination of the war.*

Sixteenth Report.

Para 78—Scheme for Cinchona Cultivation and Purchase of quinine substitutes:

183. *The Committee await the requisite note from the Ministry.*

Para 79—Subsidiary Accounts of the Central Research Institute, Kasauli:

184. *The Committee desire that the note may be got vetted by Audit and resubmitted to them.*

MINISTRY OF HOME AFFAIRS

Appropriation Accounts (Civil) 1954-55

Page 24, Grant No. 57—Miscellaneous Departments and expenditure under the Ministry of Home Affairs, Note 4—Infructuous Expenditure.

185. In May, 1955, two houses were arranged by verbal negotiation for hire for the office accommodation of a Commission at Srinagar, subject to confirmation in writing. In the meantime, the Commission abandoned the idea. One landlord preferred a bill for Rs. 3,000 for his lease and was paid Rs. 2,350, as the balance of Rs. 650 was realised by him by leasing the house to a third party for two months. The claim of the other landlord was rejected. The entire expenditure of Rs. 2,350 as well as the travelling allowance of the officer (Rs. 725) who visited the hill station more than once in this connection was infructuous.

In evidence, it was stated that there had been no written commitment, in respect of either house. In one case, the landlord was willing to reserve the house without any definite commitment. In the other case, the landlord was not willing unless a definite commitment was made. As a verbal commitment had been there, the liability had to be accepted in the latter case. The Committee, however, learn from Audit that in the latter case when the owner preferred a claim, the officer concerned, instead of rejecting the claim as he had done in the other case, sent a loosely worded letter which was later on construed as an indirect commitment resulting in the payment. The representative of the Ministry informed the Committee that one of the houses was intended for the members of the Commission and its Chairman while the other for the staff. A commitment was considered advisable in the former case while it was not so in the latter as the staff could be accommodated in house boats, if necessary.

The Committee, however, learn that this letter was written by the officer concerned after the decision had been taken *not* to take over the houses and *not* earlier. *They are, therefore, unable to appreciate the difference between the two cases as the (verbal) commitments made in both the cases were identical. Such a situation would not have arisen had the basis of the negotiation been put on record in writing by the officer concerned.*

Page 29, Grant No. 58—Andaman and Nicobar Islands, Note 8A—*Profit and Loss Account of Forest Department—Item (b):*

186. The profit and loss account of the Forest Department, Andamans shows a net profit of about Rs. 5 lakhs for the year 1954-55 against a figure of Rs. 3·5 lakhs in the previous year. The Committee, however, learnt that the profit and loss account had not been drawn up correctly and if all the relevant factors had been taken into account, the profit would turn into a loss of about Rs. 7 lakhs. One such factor was over-valuation of the closing stock of timber at the Madras Depot which had been shipped to that place in 1952-53 in spite of repeated protests from the Depot Officer intimating lack of demand. Had that stock been valued at market rates the profit would have been decreased by Rs. 65,557.

The Committee could not get any satisfactory explanation.

The Committee would suggest that the proforma accounts of the Forest Department should be recast in consultation with Audit after taking into account the sale proceeds of the stock of timber since disposed of.

(i) Page 21, Appropriation Accounts (Civil) 1953-54, Grant No. 58—Andaman & Nicobar Islands—Marine Department, Andamans Para 4(c)—Stores and (ii) Page 28, Appropriation Accounts (Civil) 1954-55, Para 6, Sub-para 2:

187. The Committee note that the closing balance of the Marine Department Stores had been increasing from year to year as shown below :

Balance on	Rs.
31-3-1952	7·42 lakhs.
31-3-1953	8·06 lakhs.
31-3-1954	10·75 lakhs.
31-3-1955	11·47 lakhs.
31-3-1956	16·28 lakhs.

The Committee were informed that there was a proposal to fix the stock limit of these stores at Rs. 10 lakhs. *The Committee desire that the Ministry of Home Affairs should review the whole position and consider whether having regard to the actual issues,*

the stocks held are not excessive as this is always fraught with two risks viz. firstly deterioration and secondly obsolescence by the lapse of time, apart from the unnecessary locking up of funds. The Committee trust that by the time they next take up examination of the Accounts relating to the Andaman & Nicobar Islands, a better picture regarding the working of the Marine Department Stores would be presented to them.

Sub-para (1) of Para 6—Marine Department

188. *The Committee note the continued losses in the working of the various sections of the Marine Department. They would suggest that the Ministry should investigate into the matter and reduce the overheads by making adjustments in the centage rates, if necessary so that they are not disproportionately high as compared to the labour cost.*

OUTSTANDING RECOMMENDATIONS

Fifteenth Report

Para 17—Integration of former Princely States with the Union of India

189. From a note (Appendix XLV), furnished to them, the Committee observe that the Ministry do not consider that it would be possible for Government to recover any part of amounts involved in the cases falling under the following categories from the ex-Rulers concerned:—

- (i) those which had been taken cognizance of by the Government of India before the private property lists were finally accepted;
- (ii) those which were not brought to notice at that time;
- (iii) those which would have been omitted from the Audit Report if the full facts had been available to Audit.

The Ministry have contended that during the period 1947—49 the over-riding and compelling events leading to the integration and merger of the erstwhile Princely States, were political and not financial or administrative.

Sixteenth Report

Para 80—Unauthorised retention of heavy cash balances

190. *The Committee desire that the note should be got vetted by Audit and resubmitted to them at an early date.*

Para 81—Heavy shortage of foodgrain:

191. *The Public Accounts Committee (1955-56) had hoped that with the setting up of a Vigilance Organisation in the Ministry, disposal of such cases involving disciplinary action would be expedited. But the Committee regret to observe that things have not improved much. They would like the Ministry to examine and report to them whether speedy action was being taken in cases of disciplinary action.*

MINISTRY OF INFORMATION & BROADCASTING

Pages 14 and 17, Appropriation Accounts (Civil) 1953-54 and pages 16 and 20 of Appropriation Accounts (Civil) 1954-55—Loss on Radio Stations and Radio Publications and increase in expenditure:

192. *The losses on Radio Stations and Radio Publications are increasing from year to year as indicated below:—*

<i>Year</i>	<i>Radio Stations Rs.</i>	<i>Radio Publications. Rs.</i>
1951-52	78,86,852	3,52,239
1952-53	79,04,092	2,14,381
1953-54	89,11,679	2,92,970
1954-55	99,21,650	2,61,537
1955-56	1,29,02,430	3,51,339

The expenditure on Salaries and Allowances during 1954-55 exceeded that during 1952-53 by over Rs. 9 lakhs, expenditure on artistes increased by over Rs. 16 lakhs over the same period.

In evidence, the representative of the Ministry contended that while examining the question of loss, it should be remembered that A.I.R. was not only an expanding and developing service but it also performed certain services e.g., external services for which the A.I.R. could expect the Grant-in-aid from the Govt. Besides the A.I.R. undertook plan publicity and educational broadcast for which it did not receive any payment. In this connection, he cited the analogy of the B.B.C. which got a grant-in-aid of well over £5 million per annum from the U.K. Government for its external services.

193. *While the Committee appreciate the force of the above arguments, they nevertheless feel that even after allowing for this expenditure on external services (which according to the witness's own rough estimate, might be of the order of Rs. 20 lakhs per annum at least) the overall loss incurred on its working is on the high side. As one of the measures to counteract these losses, the Committee would suggest that the question of a graded licence fee depending on the number of valves in radio sets, instead of a flat rate for all*

sets as at present should be examined. They trust that by the implementation of this suggestion, it would be possible for the A.I.R. to reduce its recurring financial losses.

Another revenue earning measure which the Committee had also in the past suggested is the production of cheaper radio sets. The Committee observe that not much headway has been made in this direction so far. They would suggest that Government should devote greater attention to this question and facilitate the manufacture of cheaper radio sets within the reach of the lower income groups of the population.

Pages 18—21, Grant No. 60—Broadcasting (1953-54 accounts) and pages 21—23, Note 10—Radio Publications (1954-55 accounts) and para 40 of the Fifteenth Report:

194. The Committee observe that the circulation of 5 out of 7 publications of A.I.R. has been going down and the cost of their publication was going up. They were informed by the witness that the whole position was being examined with a view to reducing the loss and that the circulation of 'Indian Listener' in its new form called 'Akashvani' had increased by about 300 copies per month. In reply to a question, it was stated that the proportion of free distribution was about 8 per cent and it had been gradually reduced.

The Committee feel that the proportion of free distribution of Radio publications is rather on the high side and they see no justification for it. They are also of opinion that the publication of journals with a circulation of 5,000 or less should be discontinued as it is not economical to bring them out.

The note (Appendix XLVI) furnished by the Ministry in this connection sets forth the following statistics in regard to the circulation of the Seven Radio Journals since 1952 to 1958:

Sl. No.	Name of Journal	Language in which printed	Place of issue	Figures of circulation in March					
				1952	1953	1954	1955	1956	1957
1.	Akashvani (formerly Indian Listener)	English	Delhi	11,895	8,894	7,537	6,998	6,558	5,435
2.	Awaz	Urdu	Delhi	3,282	2,443	1,617	1,498	1,512	1,500
3.	Sarang	Hindi	Delhi	7,940	6,224	4,697	4,282	3,835	3,400
4.	Betar Jagat	Bengali	Calcutta	23,499	23,785	24,100	28,082	32,286	42,500
5.	Vanoli	Tamil	Madras	31,100	27,943	24,256	23,665	24,231	27,600
6.	Vani	Telugu	Madras	8,070	7,861	6,266	5,884	5,943	7,300
7.	Nabhovani	Gujerati	Ahmed- abad.	1,764	1,083	625	1,014	2,144	2,300

The above statement indicates that there has been a regular decrease in the circulation of the journals during the years 1953-54

and 1955. The Committee also note that to push up the sale of the two journals "Awaz" and "Sarang" the Government have reduced their prices from annas 5 per copy to 25 nP. per copy from January, 1958.

The Committee are not sure how far the above reduction in price will stimulate the sales. They would recommend for the consideration of the Ministry an increase in the radio licence fee by a rupee or so and supply of a free copy of the programme portion of the journal of his choice to each licence-holder. The desirability of inclusion of tit bits of interest here and there in these Radio programmes to provide additional recreation and education for which radio is intended should also be considered. The Committee should be informed of the action taken by Government in the matter.

OUTSTANDING RECOMMENDATIONS

Fifteenth Report

Para 38—Commercialisation of the accounts of A.I.R.

195. *The Committee desire that the outcome of the review by the Economy Unit may be expedited and reported to them.*

Sixteenth Report

Para 92.—Anti-piracy campaign .

196. *The Committee would like to know the latest position in the matter.*

MINISTRY OF IRRIGATION AND POWER

OUTSTANDING RECOMMENDATIONS

Sixteenth Report

Para 62—Administrative Audit System in the Multi-purpose River Valley Projects and Ministries

197. From a note (Appendix XLVII) the Committee understood that the Government had come to the conclusion that the purpose for which the Administrative Audit system had been recommended could be met by amplifying the functions of the Cost Control Organisation in the projects in such a manner as to provide for spot check of quality and quantity of work and scrutiny of contracts from the technical point of view and the system as modified would be commended to the D.V.C. and Tungabhadra Board. Giving his

views on the question, the Chief Engineer, Hirakud Dam Project stated that he would have no objection to it if it were a wing under the Chief Engineer to assist him. But it would create controversies if the agency conducting such a check was made independent of the Chief Executive on the spot. *The Committee are of opinion that it is high time the Ministry launched a system of Administrative Audit by technical persons in various projects financed by the Centre. They do not think that the States would object to such a system being introduced in various projects.*

Para 93—Disposal and transfer of surplus stores from the Hirakud Dam Project to other Project Administrations

198. The Committee were informed by the representative of the Ministry that machinery worth a crore of rupees had been transferred from the Hirakud Dam Project to other Projects and in Bhakra Nangal Project out of surplus machinery worth Rs. 3 crores, machinery worth Rs. 2 crores had been disposed of. *The Committee are of opinion that the time lag between the declaring of machinery as surplus and its disposal should be eliminated. They also suggest that the various Projects and Departments might be informed in advance about the machinery and equipments that are likely to be declared surplus by the Projects so that the formalities could be settled in time and the transfer effected as soon as the machinery and equipments are released. The representative of the Ministry stated that Government had taken action on these lines in one case and would follow this practice in future cases also.*

MINISTRY OF LABOUR & EMPLOYMENT

Appropriation Accounts (Civil) 1954-55

Pages 19—21. Grant No. 67—Miscellaneous Department and Expenditure under the Ministry of Labour and Employment

199. The construction of five major works above Rs. 50,000 (items 1, 4, 9, 10 and 11 of the statement of expenditure on important new works) was started without obtaining sanction for the estimates. The Committee consider that the practice to start a work without proper estimate is very objectionable as it leads to laxity in proper financial control. The Committee also note that in respect of these works, only lump provision was made. They deprecate this tendency of making lump-sum provisions. In evidence, the Committee were told that this practice had since been given up. *The representative of the Ministry promised to furnish a note to the Committee stating particulars of the schemes which were started without estimates. This note is still awaited.*

*Page 27. Grant No. 68.—Employment Exchanges and Resettlements,
Note 6—Drawal of forged bill*

200. In October, 1949 a sum of Rs. 800 was drawn on a contingent bill from a local sub-treasury by forging the signature of the drawing officer of a certain Regional Organisation (W. Bengal). Neither the drawer nor the endorsee could be traced. The question of fixing the responsibility for the loss as also the chances of its recovery was stated to have been under consideration of the W. Bengal Government since January, 1953.

It was pointed out by Audit that under the rules, apart from verifying the genuineness of the signature of the drawing officer, the Treasury Office should also have called for a letter authorising the person to receive the payment before making payment. The Treasury Officer has paid the money without any such authority.

The Committee were dissatisfied with the inordinate delay in settling this case. From a note (Appendix XLVIII) furnished to them, the Committee find that the question has led to certain legal points regarding interpretation of the Treasury Rules of Government of W. Bengal (Rule 352 of the Treasury Rules, West Bengal, which corresponds to Rule 430 of the Central Treasury Rules). The payment in this case was made by the Imperial Bank (now State Bank) as the agents of the Reserve Bank of India. The question of responsibility of the Bank and the apportionment of the loss consequent thereon would be settled when a decision was reached on the question of interpretation of the above Rules. This matter is stated to be under reference with the Central Government in connection with a similar case which occurred in another State.

The Committee desire that the decision may be expedited.

Page 27—Note 9, Misappropriation of Government Money and stores

201. In an Industrial Training Institute (Bombay State) a sum of about Rs. 4,211 was misappropriated during 1952-53 and 1953-54 by falsification of accounts by the Accounts Clerk who was prosecuted and sentenced by Court to 8 months rigorous imprisonment. He was also dismissed from service from 30th December, 1955. For laxity of supervision, the Principal and the Deputy Manager were censured and sums of Rs. 400 and Rs. 200, respectively were recovered from them. Action against a previous Deputy Manager, who was also involved, was stated to be pending.

In the course of evidence, the Committee were informed that the previous Deputy Manager had since been reverted to his permanent post under the Central Railway and no further action was being

taken against him in the Ministry. Disciplinary action was, however, being taken by the Railway Department. In their opinion, this raises an important point of procedure in disciplinary matters. In cases where one Department of Government borrows the services of some official and the latter commits some financial irregularities in that Department, the borrowing Department is in a better position to launch disciplinary action against the official as it is in full possession of the facts of the case. On arriving at a decision about the quantum of punishment depending on the gravity of the offence, the papers should be forwarded to the lending Department for further action if the officer had already been sent back to his parent Department. The Committee were informed that the procedure for instituting disciplinary action in respect of Government official on deputation had been examined by the Ministry of Home Affairs and suitable provision in this behalf had been made in the Classification, Control and Appeal Rules. It is surprising that the Ministry of Labour did not act in accordance with the provisions already laid down in this behalf. From a note (Appendix XLIX) furnished at their instance the Committee find that the Deputy Manager was reverted on 31-7-1952 to his permanent post under the Central Railway. Charges have been framed against him and forwarded to the General Manager, Central Railways for taking disciplinary action against him and for recovering the amount of Rs. 1,550-2-3 on account of false entries in the accounts. Departmental enquiry in the case has since been completed and the findings would be reported to the Railway Department for necessary action.

The Committee would like to know the findings of the Departmental enquiry instituted against the official and the disciplinary action taken against him by the Railway Authorities.

Page 32—Purchase of Reserve Stock of equipment

202. According to Audit, the value of stores lying in the Dighaghat Tool Depot on 31st March, 1955 amounting to Rs. 8,03,856 against which stores worth Rs. 55,301 only were issued during the year 1954-55.

In extenuation, the representative of the Ministry stated that these stores were accumulated during war time and were not disposed of as they were required for training purposes. Further Government had also to await the Report of the Employment Training and Services Organisation Committee. A decision had since been reached in the matter in pursuance of which, the Depot was closed and the training centres decentralised under the administrative control of the State Governments; surplus articles of stores

were also distributed to them according to their needs. *The Committee are of the view that storage of articles in excess of requirement is fraught with risk of deterioration and consequent loss to Government apart from locking up of public money.*

OUTSTANDING RECOMMENDATIONS

Fifteenth Report

Para 55.—Employment of Labour by contractors through the agency of Employment Exchanges:

203. In para 55 of their 15th Report, the previous committee had suggested that the Ministry of Works, Housing and Supply and other big spending Ministries like the Railways and Defence and P. & T. Department should in consultation with the Ministry of Labour examine the proposal to insert a mandatory clause in all the contracts coming within their purview whereby the contractor should notify the vacancies to the Employment Exchange.

It was explained to the Committee that while some Ministries such as Transport and Communications and Steel, Mines and Fuel were in favour of the above suggestion the Ministry of W.H. & S. had simply advised the contractors doing work under them to do so but they had not agreed to the insertion of such a clause in the contracts. The replies from certain Ministries such as Defence, Railways and Irrigation and Power were still awaited.

The Committee are not satisfied with the reaction of some of the Ministries. *They feel that with a view to making the Employment Exchanges an effective organisation and ensuring proper utilisation of the manpower resources in the country, the Ministry of Labour should once again draw the attention of the Ministries concerned to the basic principles underlying the recommendation made by the Committee and impress upon them the desirability of implementing it as far as possible.*

Para 56.—Maintenance of National Employment Register for keeping track of the ex-trainees.

204. The Committee were glad to note that the record sheets of each passed out trainee have been prepared and sent to the State Governments concerned to whom the administrative control of the Training Centres was transferred. *The Committee desire that the authorities in charge of the Training Centres and Employment Exchange Organisation in the States should take keen interest in the matter and establish personal contacts with the principal industrialists and other employers and exhort them to employ the personnel trained by the Exchanges as far as possible.*

MINISTRY OF REHABILITATION

Audit Report (Civil) 1956—Part I*Para 9.—Extra expenditure due to delay in payment:*

205. In this case, Government acquired in July, 1949, certain private plots for rehabilitation of displaced persons. The rate of compensation to be offered to the owners was approved by Government in December, 1951. An amount of Rs. 3 lakhs was placed at the disposal of the Land Acquisition Authority in December, 1952, for disbursement to the parties who were willing to accept compensation at that rate. The amount, however, remained undisbursed for another 8 months (till August, 1953), as it was stated that the requisite staff to arrange for its disbursement was sanctioned only in July, 1953.

This delay in payment of compensation to landlords resulted in an additional payment of Rs. 60,878 by way of interest for which Government sanction was not obtained. According to the Audit Report, as compensation to landlords in several other cases remain to be disbursed, the final payment is likely to include an element of interest.

According to the Ministry no separate sanction of Government was considered necessary to the payment of interest as the Calcutta High Court had ruled that interest was payable from the date of acquisition.

In evidence, it was explained that some unavoidable delay was inherent in the procedure of land acquisition. *But the Committee regret to point out that in the present case the delay has been further aggravated in the acquisition of land owing to delayed sanction of disbursing staff.* They were informed that excepting those persons who had challenged the rate of compensation, payment of compensation had practically been completed; and in order to avoid any such unnecessary expenditure in future, the Ministry will place the money at the disposal of the Acquisition Authority in advance.

The Committee desire that in the present case, the Ministry should, as early as possible issue necessary sanction to cover the interest already paid and should fix the responsibility for the delay in the payment of compensation. The Committee should be informed in due course of the progress of payment of compensation to the remaining ex-owners.

Para 10.—Relief and Rehabilitation of Displaced persons:

206. The Audit Report has drawn the attention to the expenditure amounting to Rs. 209 crores incurred by the Ministry of Rehabilitation on actual relief and rehabilitation of displaced persons

from Pakistan during the period from 15th August, 1947 to 31st March, 1955. The following is the break-up of the amount:—

(Rs. in crores)	
(i) Expenditure on displaced persons (including Custodian of Evacuee Property its attached and subordi- nate office, evacuation, etc.)	94·88
(ii) Expenditure at Hd. Qrs. Ministry of Rehabilitation.	1·32
(iii) Capital cost of construction of townships for displaced persons.	17·98
(iv) Loans granted to State Governments for rehabilitation purposes.	95·47
TOTAL	209·65

Out of the loan of Rs. 95·47 crores granted to the State Governments a sum of Rs. 9·72 crores had been recovered upto 1954-55. In evidence, it was stated that quite a large number of these loans related to the colonies built by the various States on loans given to the displaced persons by the State Governments and Government expected to realise a large part of the loans by adjustment against compensation which came to about Rs. 185 crores.

The Committee understand that Government have also issued orders for the adjustment of loans granted to displaced persons by the Rehabilitation Finance Administration, against the compensation claims. While examining the Ministry of Works, Housing & Supply, the Committee were informed that rent due to Government in respect of accommodation occupied by displaced persons and other Government dues outstanding against them were not treated likewise for recovery from the compensation due to the displaced persons.

The Committee are unable to appreciate the subtle distinction between different kinds of Government dues recoverable from displaced persons. They trust that it should not be difficult for Government to find a way out for the adjustment of all dues to Government from the compensation payable to the displaced persons.

OUTSTANDING RECOMMENDATIONS

Sixteenth Report

Para 115.—Contract for grinding wheat without tenders:

207. The Committee would like to know the reasons for not taking specific sanction for relaxing the requirements of calling for

tenders in this case and how the Financial Adviser and Accounts Officer attached to the Camp, whose duty it was to guide the Camp Commandant, overlooked this fact.

Para 116.—Review of the conduct of various Camp Commandants:

208. The Committee would like to know further action taken by the State Governments against the delinquent persons in respect of Items Nos. 13 and 15 of the statement* (viz., Sabarmati Camp, Ahmedabad and Phaphamau Camp, Allahabad).

Para 117.—Officers employed in the various Camps against whom disciplinary action was taken for frauds, embezzlements, etc.:

209. The Committee would like to know what steps have been taken by the Ministry to realise the amounts from the person concerned.

Twenty-third Report

Para 93.—Relief and Rehabilitation of displaced persons:

210. The Committee desire that the information already called for by them as to the manner in which the loss on account of non-repayment of rehabilitation loans by displaced persons is being calculated and at what intervals and the amount of loan written off so far by the Central Government should be expedited.

MINISTRY OF STEEL, MINES AND FUEL

I. DEPARTMENT OF IRON AND STEEL

Para 13.—First Annual Report 1954-55, Hindustan Steel Ltd. System of Accounts:

211. The auditors of the company dealing with the system of accounts have commented on the absence of co-ordination between the Accounts Department and Executive Branches and have suggested that the accounting system required re-examination. The accounts at Rourkela called for immediate attention, as the Accounts Department there had exercised little or no control over the affairs. The Committee paid a visit to the Projects at Rourkela and Bhilai for an on-the-spot study in October, 1957.

The impressions gathered by the Committee during their visit to Rourkela confirmed the above views of the professional auditors of the Company. When questioned about the financial control

*Printed as Appendix L.

exercised, the Committee could not get a satisfactory answer in the absence of firm estimates of expenditure for the different items of work.

It was admitted before the Committee in evidence by the representative of the Ministry of Steel, Mines and Fuel (Department of Iron and Steel), that things were not progressing at Rourkela according to schedule. As a result of the delays involved in the unloading, clearance and transport of plant and machinery intended for the Rourkela Steel Project, a sum of Rs. 4.60 lakhs had been incurred as demurrage during 55 days of November and December, 1957 and 15,335 wagon-days had been lost during this period. Recently the General Manager of the Project and the representative of the Ministry of Finance on the Board of Directors of the Hindustan Steel (Private) Ltd. assured the Chairman that the deficiencies pointed out by the Auditor (referred to above) have since been set right, and the things have now improved. The Committee understand that the Comptroller and Auditor General of India has since set up the necessary machinery for undertaking the concurrent audit of the Accounts of the Steel Projects. *The Committee would, therefore, await the Audit Report.*

Infructuous expenditure on account of demurrage payable in respect of Bhilai Steel Plant Imports.

212. During the course of an on-the-spot study of the working of the Bhilai Steel Project, the Committee were informed that the unloading facilities at Visakhapatnam Port through which almost the entire Bhilai Steel Plant equipment was imported were not quite adequate with the result that the ships had sometimes to wait for 20 days or so before they could discharge their cargo. From Visakhapatnam, all the equipment was transported by rail to Raipur and from there to Bhilai.

Visakhapatnam port has got only four berths at present. The Project Authorities conceded that unless the unloading capacity of the Visakhapatnam Port was expanded, the movement of the plant and machinery intended for the Bhilai Project was likely to be considerably delayed, as on the average they were unloading 500 to 600 tons of cargo daily.

The Committee understand that the port congestion at Visakhapatnam has not only caused serious inconvenience to the Project but also loss to the Government. They note that a sum of Rs. 1,40,321 has already been paid as demurrage on all Bhilai cargo vessels. Further claims amounting to approximately Rs. 50 lakhs are stated to be under scrutiny.

The Committee learn that one of the reasons for the delay caused in unloading of the cargo received from the U.S.S.R. is that the vessels chartered by that Government were not equipped with suitable derricks lifts etc. for unloading the cargo at Visakhapatnam, since this port lacked the necessary facilities and equipment for the purpose, viz., cranes, lighters etc.

213. *In the opinion of the Committee, had Government prepared a co-ordinated plan for the expansion and development of the Visakhapatnam port and providing it with suitable plant and machinery to cope with the increased traffic it was to handle in connection with the oil refinery and steel plants, Government could have avoided the liability for payment of demurrage charges to the tune of several lakhs of rupees for the detention of ships for want of unloading facilities at the port. The Committee would recommend that Government should accord top-priority to the development of the Visakhapatnam port so that the port could handle the traffic expeditiously. In the meantime, Government should see that the ships carrying plant and machinery for the Bhilai Steel Plant are diverted to other ports, if necessary, so as to ensure that the cargo is unloaded without delay.*

On the spot-study visit to the Bhilai and Rourkela Steel Projects

214. The Chairman, Public Accounts Committee, undertook a study visit to the Rourkela and Bhilai Steel Projects towards the end of March last. As a result of on-the-spot study, he suggested to the project authorities that case histories of the steel projects in the public sector right from the stage of their conception till completion should be prepared dealing with each major part of the project. This should set forth the series of difficulties and snags which might have been experienced in the matter of planning, designing, negotiations with foreign experts, the execution of civil engineering works by the Indian contractors, the rates quoted by them and the commissioning of the plant and a host of other problems which would have to be handled in the day-to-day working. Such case histories, the Chairman felt, would prove of immense use when in future our own engineers and project officers plan and construct other steel plants.

215. The Chairman also suggested that a comparative study of the construction cost of the various parts of the three steel plants should be made. While he appreciated that the three projects were being executed with the help of foreign collaboration under different terms and conditions, he felt that it should be possible to make a comparison of the construction costs of some of the sections, viz.,

coke ovens, refractories, blast furnaces, blooming mills, civil engineering works, etc. A collection of such statistical data, he observed, would provide useful information and guidance about the economics of the construction of these three plants by the various agencies.

216. The Committee see no reason why such action might not have been initiated by the Project Authorities earlier. They trust that as a result of the suggestions made by their Chairman, the authorities will review the estimates and accounts to ensure that there is no excessive or extravagant expenditure and that all the three Steel Projects are executed, managed and run as economically as possible.

It was found that some of the designs and blueprints supplied by foreign collaborators could not easily be understood and interpreted for construction purposes by our contractors and engineers. The difficulties in this regard should be carefully noted and foreign experts may be informed, in case of future projects, of the requirements of Indian engineers and contractors in the matter of designs and blueprints supplied by foreign experts.

The Committee desire that the Project Authorities should implement the suggestions set forth above and furnish to them a report on the question.

Exchange of information between the three steel projects:

217. It was somewhat surprising to hear that the Chief Engineer of the Bhilai Steel Project had so far had no occasion to visit the other sister-projects at Rourkela and Durgapur. The Chairman suggested that it would be of great help, if there was an interchange of visits by the technical experts of the three projects as it would enable them not only to make a comparative study of the construction problems of the three projects, but it would also enable them to get together and pool their knowledge in the interests of efficient working of the three projects. He commended this idea to the management.

The Committee desire that all the three Project Authorities should chalk out a phased programme for the interchange of visits by the top personnel of the three projects.

Revision in the Estimates relating to the 3 Steel Projects in the public sector:

218. The following table shows the original estimates of the 3 steel projects, on the basis of which provision was made in the Second Five Year Plan, and the revised estimates as given to the

Lok Sabha by the Minister for Steel, Mines and Fuel during the debate on the demands for grants on the 13th August, 1957:

Name of the Project	Original estimate	Revised estimate
	Rs.	Rs.
Rourkela	128 crores	170 crores
Bhilai	110 crores	131 crores
Durgapur	115 crores	138 crores

These estimates do not include the cost of the following items:

Township; ore mines and quarries, land, prospecting and designing, development of sources of water supply power supply facilities upto the perimeter of the plant personnel required for operation including the cost of training, railway works outside the perimeter of the plant, personnel employed directly by the project, customs duty, expenditure on medical services, office expenditure and such other ancillary expenditure.

Further, these estimates do not take into account the possible increases on account of 'escalation' in prices and wages provided in the various contracts.

The Committee asked the Ministry to furnish them with a note stating the reasons for the revision of the original estimates relating to these 3 projects and the factors responsible therefor.

The requisite information is still awaited. The Committee cannot, therefore, offer any comments at this stage.

Rourkela Steel Project:

219. The Committee understand that recently a team consisting of Officers of the Ministry of Steel Mines and Fuel (Deptt. of Iron and Steel) went to West Germany for negotiating certain supplementary agreements relating to the construction of this plant. They, therefore, pursued the matter with the Ministry with a view to ascertaining the implications of the financial commitments made by this team. In this connection, in a note^v furnished to them, the Ministry have stated as below:

"The Committee of the Board of Directors, Hindustan Steel Private Limited, in its meeting on the 16th of October 1957 examined the arrangements for civil engineering work for the blast furnaces and decided that a delegation consisting of Shri V. Narayanan, Shri P. G. Bhagat and Dr. H. Klinar be sent to Germany for negotiations with Messrs. G. H. H. to settle the revised programme

of work and the details of the additional construction equipment and supervisory personnel required. Government approved of the delegation of these three officers to Germany.

During their stay in Germany, the delegation settled a revised programme and details of additional construction equipment and supervisory personnel. In addition, the following work which was initiated in India was concluded by the delegation in Germany. The extent of financial commitment made is noted against each.

- | | |
|---|-----------|
| (i) Modifications in the contract for electrical equipment and power distribution system in the rolling mills: Net Saving of DM | 1,71,300 |
| (ii) Modifications in the electrical equipment of the by-product plant: (Additional items) DM | 1,00,000 |
| (iii) Contract for the ventilation system for the rolling mill motor-house: (New Contract) DM. | 1,184,700 |
| (iv) Contract for switches and crossings placed with Messrs. Fried Krupp (Concluded with the approval of Government: New Contract) DM | 5,248,000 |

Approval of the Board of Directors was given to the agreements and the contracts concluded by the delegation while in Germany. The Board took note of the contract for switches and crossings which had been concluded with the approval of Government."

220. It would appear from the above that the Delegation settled the revised programme and details of additional construction, equipment and supervisory personnel according to the decision of the Committee of Board of Directors of Hindustan Steel Private Ltd. In addition, the Delegation, while in Germany has concluded certain contracts with firms other than G. H. H. involving financial commitments. It is, however, not clear whether the delegation had the specific authority from the Board of Directors to enter into these contracts.

It has been stated by the Ministry that "approval of the Board of Directors was given to the agreements and contracts concluded by the Delegation while in Germany. The Board took note of the last contract for switches and crossings which had been concluded with the approval of the Government".

The Committee wanted to know precisely whether the Delegation had any specific authority either from the Board or the Government to conclude these contracts before proceeding to Germany. But this point has not been answered.

It has been further stated that contract for switches and crossings with Messrs. Fried Krupp for DM 5,248,000 was concluded with the approval of Government. *The Committee have not been informed whether any directive was given by Government in respect of this contract; if so, at what level it was issued and whether it was oral or written. If there was no such directive, whether the approval of Government to conclude the contract was taken before the Delegation left for Germany.*

The Committee have asked the Ministry to elucidate the issues raised above and their reply is still awaited. The Committee, therefore, defer, consideration of these issues.

Iron and Steel Equalisation Fund

Page 16, Note 15 pages 18-23 (1953-54 accounts) and pages 18-23 (1954-55 accounts) :

221. The Iron and Steel Equalisation Fund was created on 1st February, 1943, with a view to meet the large demand for steel during the war at a uniform controlled price to the private consumer. The scope of the Fund has been enlarged from time to time and it is, at present, used for the following purposes:

- (i) subsidising imported iron and steel by paying the difference in price between imported and indigenous steel which, on an average, comes to about Rs. 190 per ton;
- (ii) granting repayable advance to main producers of iron and steel for approved development and expansion schemes; and
- (iii) fixing of uniform prices for sale of iron and steel at all rail heads.

The difference between the sale and the retention prices of steel constitutes the resources of the Equalisation Fund. The retention prices are fixed on the basis of the recommendations of the Tariff Commission from time to time, after a detailed cost analysis of Main Producers. The sale prices in turn are fixed in such a way that after allowing for the retention prices payable to the main producers, the amount that will go to make up the Equalisation Fund will be sufficient to meet the liabilities of the Fund.

The Committee are informed that in December, 1955 the Government of India agreed in consultation with Audit that the transactions of the Steel Equalisation Fund should pass through the Consolidated Fund Accounts but formal orders have been passed in November, 1957.

The Committee have referred in para 225 of their Sixteenth Report to the grant of a special loan of Rs. 10 crores to the TISCO Ltd. (Tata Iron and Steel Co. Ltd.) out of this Fund to be utilised towards the expansion and remodelling of the work of the Company with a view to increasing the production of iron and steel; similar advance of Rs. 10 crores had also been sanctioned out of the Fund to the IISCO Ltd. (Indian Iron and Steel Co. Ltd.) on almost the same lines.

222. The Committee are not aware whether any agency has been set up by the Government themselves for exercising a check about the utilisation of the loans granted by them for the specific purpose or purposes for which these were intended and whether the schedule for construction works were being adhered to by the Companies concerned. They would like to be apprised of the manner in which Government satisfy themselves in this regard.

II. DEPARTMENT OF MINES AND FUEL

Audit Report (Civil) 1956—Part I

Para 8, Non-realisation of stowing excise duty on coal and coke transported by means other than rail

223. Prior to 1954, excise duty was levied and collected on despatches of coal and coke by rail only according to rules framed under the Coal Mines Safety (Stowing) Act, 1939 (since repealed). But Section 5 of this Act as also sub-section (1) of Section 8 of the Coal Mines (Conservation and Safety) Act, 1952 prescribed such a levy on all coal raised and despatched and on all coke manufactured and despatched from Collieries in India.

During the course of evidence, it was explained by the Ministry that the intention of Government at the time of bringing forth this legislation in 1952 was to levy cess on coal despatched by rail only. But this could not be incorporated in the Act as the Ministry of Law thought that such a course would turn the proposed duty into a terminal tax, the proceeds of which would have to be shared by the Central and State Governments. The duty was being levied only on despatches of coal and coke by rail. Necessary provisions have since been made in 1954. Rules framed under the Coal Mines (Conservation and Safety) Act 1952 were promulgated on the 25th

September, 1954 and the excise duty on despatch of Coal and Coke also by road, river etc. was being collected actually from 1-10-1954.

224. *In the first place the Committee deprecate the inordinate delay that had occurred in the notification of the rules made under the 1952 Act providing for the levy of cess on all coal and coke despatched from the collieries. Secondly they feel that by confining the levy of the excise duty on Coke and Coal to despatches by rail only and leaving out Coke and Coal despatches by road or river even after the enactment of 1952, Government have gone beyond the powers conferred on them by the Law enacted by Parliament.*

In reply to a question as to the extent of loss of revenue by this exclusion, the Committee were informed that Rs. 4.6 and Rs. 5.50 lakhs respectively were realised in 1955-56 and 1956-57 on despatches of coal by means other than rail.

From the statement (Appendix LI) furnished to them, the Committee observed that *when the excise duty was not levied on despatches of coal and coke by means other than rail such despatches had been considerable, viz., 1.061 million tons in 1953 against the despatches of 31.473 million tons by rail. This only shows that there have been a considerable loss of revenue on movements of coal and coke by means other than rail prior to the 25th September 1954 which could have been avoided had Government taken earlier action.*

From the facts placed before them, the Committee do not see any satisfactory reason for delay on the part of Government despite the advice of the Ministry of Law. They, therefore, suggest that with a view to discountenance such a situation arising in future, the time limit by which rules should be framed by the Executive under delegated Legislation should be fixed. Moreover, these Rules strictly follow the provisions and be within the scope of the substantive legislation.

LATE MINISTRY OF PRODUCTION

Page 61, Appropriation Accounts (Civil), 1954-55—Grant No. 132—
Capital Outlay of the Ministry of Production, Note 4—Sub-head
—A. 1(19)

Establishing of a Synthetic Oil Plant:

225. The Experts Committee set up to consider the reports of the three specialist foreign firms on the Project had recommended a Rs. 20 crore plant at Kothagudam (instead of one of Rs. 51 crores as recommended by one of the foreign firms) to produce soft coke from coal and other bye-products including synthetic oil. But the

Planning Commission advised postponement of the scheme as requisite resources could not be found during the Second Plan period.

In the course of evidence, the Committee were assured that the economics of the Project would be gone into before final decision was taken. *The Committee desired to be furnished with a note indicating the estimated cost per ton of production of coke and other bye-products under the Rs. 51 crore as well as under the Rs. 20 crore projects. *This note is still awaited. The Committee are, therefore, not in a position to express any views on the merits* or otherwise of the two projects.*

OUTSTANDING RECOMMENDATIONS

Fifteenth Report

Para 30—Delay in disposal of Government building

226. From a note (Appendix LIII) furnished to them the Committee observe that Government investigated into the question of delay in the disposal of the building built by the Directorate of Open Cut Coal Mining (D. O. C. C. M.) on market Colliery site and the investigation has shown that there had been delay in locating the buildings and that the D. O. C. C. M. should have taken vigorous steps to locate the buildings before the expiry of the period stipulated under the relevant agreements. Further, the different officers who were in charge of the post of D. C. C. (P) have retired long ago and none of the officers who were in charge of the operations or engaged in this matter were in service now and no action was possible against any of them.

The Committee can do no more than express their dissatisfaction at the manner in which this case was dealt with. As regards the sale of buildings, it has been stated that a payment of Rs. 25,000/- has been realized from one colliery and the issue relating to another is under arbitration. The Committee may be informed in due course of the further developments in the case.

MINISTRY OF TRANSPORT AND COMMUNICATIONS

DEPARTMENT OF COMMUNICATION & CIVIL AVIATION

OUTSTANDING RECOMMENDATIONS

Sixteenth Report

Para 33—Recoveries from the Chinese (K.M.T.) Government

227. *The Committee should be informed of the further development relating to the recovery of Rs. 1,29,230/- from the Chinese Government which is long outstanding.*

*The note (Appendix LII) has since been received; but could not be considered.

Para 35—Recovery from Pakistan of their share of contribution to the I. C. A. O. paid by India for the period from 15-8-47 to 30-6-48 (\$15635)

228. The Committee were informed that in this case, the Secretary General International Civil Aviation Organisation had advised the Government of India to take up this matter direct with the Pakistan Government and that it had been included for discussion with the Pakistan Government at the next meeting of the Steering Committee, for which no date had been fixed yet. *The Committee would like to know the final outcome of this case in due course.*

Overseas Communications Service—Placing of orders on B. E. L. for equipment:

229. The representative of the Department stated that as far as the Overseas Communications Service was concerned, the Bharat Electronics could not meet its requirements for high power transmitters. The Committee understand that the Department had not placed any orders for transmitters with the B. E. L. as the latter were busy with other orders from other Departments. *The Committee desire that the Overseas Communications Department should consider the question of placing experimental orders for transmitters with the B. E. L.*

As regards the Civil Aviation Department, the representative of that Department stated that orders worth about Rs. 10 lakhs for the supply of transmitters and receivers were placed with the B. E. L. He added that whenever the Civil Aviation Department wanted to import any specialised instruments, it always got a certificate from the B. E. L. that they could not supply such instruments within the required time.

The Committee desire that all the Ministries requiring electronic equipment should, before placing orders from abroad, first ascertain from the B. E. L. whether that factory could manufacture and supply the equipment. In case the B. E. L. had not established production in that line, experimental orders should be placed with them with a view to establishing manufacture of that equipment.

DEPARTMENT OF TRANSPORT

OUTSTANDING RECOMMENDATIONS

Para 56 of the First Report—Accounts of Port Trusts—Submission to Parliament of the Audit Report relating to various Port Trusts—Amendment to the Port Trusts Act

230. *The Committee are distressed to observe that the Ministry home not so far been able to apprise them about the line of action*

contemplated to be taken by Government in the matter of effective Parliamentary Control over the working of the Port Trusts in the country by amending the existing Port Trusts Acts as suggested by the Comptroller and Auditor General of India. They desire that a final decision* should be reached on this question which is pending for the last five years.

Paras. 97 and 98 of the Twenty-third Report—Purchase of unseaworthy vessel

231. The Committee have carefully gone through the report of the Superintending Engineer of Assam (Appendix LV) furnished to them at their instance. While forwarding the Report, the Ministry of Transport have stated that although the purchase proved to be a bad bargain, there was no undue haste or lack of care in regard to inspection and selection of the vessel. The failure of the vessel, according to the Ministry, was due to lack of experienced crew and workshop facilities for repairs.

While the Committee are glad that the Ministry have accepted this deal as bad, they are not able to endorse the conclusions of the Government fully. The Report of the Superintending Engineer, Assam, reveals certain serious lapses on the part of officials who had negotiated the deal. The Committee regret to observe that while purchasing this Vessel, the official had not the interests of Government foremost in their mind.

Points arising as a result of an on-the-spot study of the working of the Hindustan Shipyard:

232. The Committee now propose to discuss certain matters relating to the Shipyard at Vizag which they visited in October last.

(i) Defective construction of certain ships:

233. The Committee were informed that the defective construction was due to faulty designing and that a Committee of Experts had been appointed by Directors to enquire into this matter. The Committee would like to know the outcome of this enquiry and the action taken or proposed to be taken by the Ministry against the persons responsible for this defective construction of the vessel as also the precautionary measure to be taken for the future.†

(ii) Overdraft with the State Bank:

234. The Shipyard has an overdraft of nearly Rs. 3 crores with the State Bank for meeting its working expenses. Explaining the

*A note (Appendix LIV) has since been received, but could not be considered by Committee.

†Since the report was drafted, the report of the enquiry has been published and the Committee would take it up next year.

reasons, the representative of the Ministry of Transport (who was till recently the Managing Director of the Shipyard) stated that the yard took comparatively longer time in supplying ships than shipyards in other countries and as the shipping lines complained that their funds were locked up for longer periods unnecessarily, Government had devised a mode of payment by the shipping lines in respect of orders placed by them on the Shipyard. According to this scheme, the bulk of the payment was made at the time the ship was made over. The yard had, therefore, to find the resources for working expenses, material etc. during the construction period by resort to banks.

235. *The Committee are not quite happy about this arrangement. While such a course may be resorted to on occasions for short periods, its continuance will go to increase the price of the end-product. And as the price payable by the shipping lines is the U. K. parity price, any extras in cost will increase the subsidy payable to the Shipyard by Government. It is, therefore, necessary that every effort should be made to keep down the cost of construction, at any rate by eschewing avoidable expenditure. Obviously, the difficulty will be overcome to a great extent if the pace of production is stepped up. For this purpose the Committee suggest action on the following lines:*

- (i) *Effective methods of cost-control should be introduced in the Shipyard by laying down norms for each item of work, so that deviations could be spotted immediately and remedial measures taken promptly.*
- (ii) *Shipping lines, which are granted loans by Government, should be encouraged to place orders with the Shipyard and this should be made a condition to the grant of the loan.*
- (iii) *Attempts should be made to standardise the ships—one for coastal and another for overseas shipping. This will go a long way in reducing the delay in construction which in turn will lead to greater turnover.*

MINISTRY OF WORKS, HOUSING AND SUPPLY

Audit Report (Civil) 1956—Part I

Para 11—Departmental execution of work

236. Repairs to certain buildings, estimated at Rs. 58,150, actually cost Rs. 80,334. The work was carried out partly by

contract and partly by departmental labour. The contractor executed his portion of the work at less than the proportionate estimated cost of a little over Rs. 21,000. The work executed by departmental labour absorbed the saving and resulted in an excess over the estimates by Rs. 22,184. It was stated that work done by departmental labour was not susceptible of measurements in all cases and the accounts of materials charged to the works were not available. As the explanation was not forthcoming, the excess was brought to the notice of the Chief Engineer in September, 1953. The Chief Engineer stated in January, 1955 that the excess would be scrutinised by the competent authority before passing it and that disciplinary action would be initiated where necessary. Action was not completed till September, 1956.

237. *The Committee feel that the case disclosed a serious situation in regard to the maintenance of initial accounts by C.P.W.D. as the proper account of repair works carried out departmentally was not maintained and even the accounts of material were not made available to audit. Such delays make room for inefficiency and corruption. They indicate loose control of the C.P.W.D. over its sub-divisions. Officers responsible for maintaining the accounts have been let off lightly with a warning. The Committee trust that a note of the warning to the officers concerned for not maintaining the initial accounts and for laxity of financial control in the present case has been kept in their Character Rolls. They feel that more stringent action is necessary in such cases.*

238. As regards the excess over estimates, the Chief Engineer informed the Committee that on enquiry the excess was found unavoidable and the completion report was passed by the competent authority and also accepted by the Accountant General, Central Revenues in November, 1956. The Committee are not satisfied with this explanation. In their opinion, the scrutiny undertaken was not sufficient. *They desire the Ministry to conduct a further enquiry into the matter and report to the Public Accounts Committee inter alia the details of excess expenditure and the factors leading to it.*

In the course of evidence, the Committee were informed that usually 2½% of the capital cost of the buildings in existence was provided for their annual maintenance and repairs and that in the year 1952-53, the excesses were due to certain unexpected items of maintenance work. The Committee, however, noticed that in the years 1951-52 and 1953-54 also there were similar

excesses over estimates. It is, therefore, obvious that the basis of provision for maintenance and repair was out of date as it will be incorrect to say that unexpected items of work was a recurring feature.

239. *The Committee desire that this question should be examined carefully to see that the provision made for maintenance and repairs is realistic and in accordance with current trends.*

Para 12—Outstanding dues

240. Upto March, 1955, an expenditure of Rs. 1.63 lakhs was incurred by Government on provision of municipal services in the newly developed colonies for Government servants and displaced persons in Delhi. The question of allocating the capital expenditure on provision of municipal services among the Municipal Committees concerned and recovering them was under consideration of Government since February, 1954 and a final decision had not been reached till January, 1957.

241. The Committee understand that according to the decision of Government taken in 1938, such expenditure was recoverable from the Municipal Committee concerned. They wanted to know the reasons why that decision was not implemented. The Ministry urged that the sale price of plots sold to the displaced persons by Government already included an element on this account and therefore no claim lay against the Municipality. The Committee were surprised at this plea. *In their opinion, it was a question of transfer of certain remunerative assets by Government to the Municipal Committees for which the latter should pay Government. The fact that the plots fetched a higher (or even lower) price because of certain circumstances, was hardly relevant.*

In order to enable them to examine the position further, the Committee desired to be furnished separately for each colony the proforma accounts regarding the number and value of houses built for displaced persons, number of houses occupied by them and their individual value, amount realised and remaining to be realised by sale to displaced persons and the compensation due to each of those displaced persons.

Para 13—Faulty placement of contract for printing and binding of forms

242. A godown of a contractor, wherein paper and binding materials issued to him by Government were stored, was gutted. This resulted in a loss of Rs. 4,35,644. Against this, Government held the contractor's cash security of Rs. 5,767 (inclusive of

earnest money of Rs. 1,000) only. There were two agreements with the contractor one of which laid down that the contractor should take due precautions for the safe custody of the Government materials issued to him, insure the same against loss by fire to the full value thereof and deposit the policy with the department; it did not specifically require the policy to be assigned to Government. The other agreement laid down that the contractor should take due precaution for the safe custody of all Government materials issued to him but no provision was made therein for taking out or assigning to Government any insurance policy. The contractor had taken out a fire insurance policy for Rs. 1,50,000 the proportionate value of which in respect of the gutted godown was Rs. 1,15,950, but it was not assigned to Government. A sum of Rs. 55,000 was received and accepted by the contractor in full settlement of his insurance claim but he did not pay it to Government as a partial set off towards the value of the outstanding materials. Government have filed a suit for the recovery of an amount of Rs. 4,29,877 after setting off the contractor's security deposit of Rs. 5,767. The case is still pending.

243. An investigation into the case brought to light the following irregularities:

- (i) The issue of materials against the orders was not restricted to the amount of the security deposit plus the value of the fire insurance policy, and steps were not taken to hypothecate the insurance policy.
- (ii) Fresh orders continue to be placed with the contractor without considering whether, with the equipment and facilities at his disposal, it was possible for him to execute the orders within the reasonable stipulated time and whether the orders previously placed had been completed.

Notwithstanding the fact that there was a huge accumulation of Government materials in his custody, on account of arrear or uncompleted jobs, fresh orders continue to be placed upon him.

- (iii) Some jobs were ordered to be executed on country-made paper but owing to the accumulation of a huge stock of imported paper, the latter was supplied by the issuing authority direct to the contractor under intimation to the officer who had placed the order and who was responsible for passing the bills of the contractor. The jobs were, however, executed on cheaper country-made paper. The difference in price of the

two varieties of paper worked out to Rs. 1,06,300 and is included in the total sum of Rs. 4,29,877 claimed by Government as mentioned above. (This part of the claim could have been easily avoided if the necessary adjustment had been made at the time of passing the contractor's bill.)

- (iv) A comparison of the book balance with the actual stock balance of some of the forms supplied by the contractor brought to light a huge deficit valued at approximately Rs. 5,35,000. This calls for immediate investigation to determine the amount recoverable from this and other contractors and action for recovery, if any, as no corresponding surplus or pilferage of forms after their receipt from the contractor has been reported.

Besides, a general review of the transactions of this department with some other contractors showed that Government materials of the value of over Rs. 50 lakhs, mostly pertaining to old orders, were outstanding on 31st July, 1953 against them also. Early and effective steps for the settlement of these outstandings were taken by the Department and the figure had, it is stated, gone down to Rs. 12,38,429 on 30th June, 1956.

The Government of India have initiated disciplinary action against officials at fault and issued instructions revising the procedure for issue of materials to contractors to obviate recurrence of such irregularities.

244. It was admitted in evidence by the Secretary of the Ministry of W. H. S. that this was a very bad case and as soon as the case was brought to his notice he had ordered an enquiry into it on the spot. Disciplinary action had been taken against the delinquent officers and he agreed to send a statement showing the disciplinary action taken and remedial measures adopted for future. *The statement is still awaited.*

245. *As regards the allegation that the firm used country-made poor quality paper and got payment for superior quality paper, the Committee were amazed how could this have escaped detection at the time of inspection and taking delivery of the forms. Undoubtedly it was a case of gross negligence on the part of the officers responsible, and merely censuring them (two Assistant Controllers) would not meet the requirements of the case. The Committee desire to know the circumstances under which this*

punishment was considered adequate, the present status of these two officers under Government, and in case they had retired, the posts held by them before their retirement.

The Committee are also dissatisfied with the position of the outstandings relating to old orders and desire that the upto-date position be reported to them.

Para 14—Payment of compensation for a building

246. A building, which was requisitioned in Bombay by Government in 1943, was vacated and derequisitioned with effect from 1st July, 1950 and the Collector's order dated the 29th June, 1950 was duly served on the land-lady. She, however, refused to take possession of the building unless the Government's representative deputed to make it over, signed a document produced by her to the effect that the possession was being accepted by her without prejudice to her rights, remedies and claims against Government for possession and damages. This document was not signed by the officer; but as a precautionary measure, she was notified that possession of the building was deemed to be under the charge of the owner and Government would not be liable to pay rent from 1st July, 1950.

Notwithstanding the notice, the land-lady went on asserting that the possession of the building was not restored to her. The Government were advised by their Solicitor in April, 1952 that as a formal notice of release from requisition had not been issued or published in the Government Gazette, their legal position was not strong. It was brought to notice by Audit that within seven days after the Solicitor gave his opinion on the case, he revised it on 23rd April, 1952 after examining further papers and advised that the derequisition order had been properly served; but he added that the land-lady was entitled to insist that the building should be restored to its original condition before she would take possession of it. This latter aspect was then referred to the Law Ministry, who advised on 8th May, 1952 that the land-lady was not entitled to insist on the property being restored to its original condition before assuming possession. Despite this advice in 1952, a sum of Rs. 32,000 was paid to the land-lady during November, 1953.

247. Explaining the reasons for this lump sum payment, the Secretary, Ministry of Works, Housing and Supply stated that the land lady claimed a compensation of Rs. 80,000 and as the legal position was not quite in favour of Government (as advised by the Law Ministry), the case was settled amicably by payment of the lump sum of Rs. 32,000. *The Committee are of the view that*

there was no justification for the payment of Rs. 32,000. If terminal compensation was at all payable, it should have been restricted to the estimated value of restoration of the building to its original state. Conflicting legal opinions given by the Government solicitor in Bombay and the Law Ministry placed the Administrative Ministry on the horns of a dilemma which resulted in a loss to Government. The Committee would invite attention in this connection to paras 116 and 117 of their Twenty-third Report and urge upon Government to devise remedial measures to avoid such situations in future.

Para 15—Fraudulent drawal of material from Government Stores

248. Pipes worth Rs. 28,469 were drawn from a C.P.W.D. Stores Division on faked indents purported to have been issued by a Construction Division in October, 1952. The matter was reported to the Police for investigation, but the persons responsible could not be traced. Departmental action was taken against the officials who issued the stores without verifying the indents properly. Instructions tightening up the procedure for verification of indents and issue of materials are reported to have been issued in January, 1953.

Another forged indent was detected in April, 1954 at the same Stores Division. A scrutiny of the indents received, during the preceding four months revealed that there were 24 forged indents. Ten officers were involved in this irregularity. After departmental enquiry, punishments were awarded to all of them including three persons against whom criminal proceedings were launched but who were later on acquitted by the Criminal Court. But appeals have been preferred by these persons against the punishments which are under consideration.

The Committee consider that mere issue of instructions will not cure the disease, as is evident from this case. Whenever any case of fraud comes to notice, prompt, speedy and deterrent action should be taken against the delinquent officials. Such an awareness will go to minimise the occurrence of frauds.

The Committee were informed that verification of stock issued from this Stores Division during 1st October, 1952 to 18th December, 1953 (involving issue of materials worth Rs. 5½ lakhs) had been completed except for Rs. 26,000 and no shortages were found. *They would like the Ministry to complete the verification of the remaining stock quickly and report shortages therein, if any.*

In the course of evidence, the Committee came to know that while action was taken against the Assistant Engineer concerned, he had attained the age of superannuation and he was given extension of service so that he might be charge-sheeted. *The Committee view with strong disfavour this procedure as it resulted in underserving benefit to an officer involved in a fraud case against Government. The representative of the Ministry admitted that in such cases, inquiry should not exceed a period of two months or so. The Committee trust that the Ministries will strive to observe this time-limit in such cases in future.*

Para 16.—Unsatisfactory state of accounts

249. The Estate Office was not maintaining their records in the prescribed form since the inception of the revised procedure of assessment and recovery of rent in 1951. No comparison between the Register of Buildings and the rent accounts was effected to ensure that rent was being correctly assessed and realised in respect of all the buildings under its control. The ledger accounts of tenants were also not closed and balanced.

The Committee recall that in their Fifteenth Report in 1955 they had referred to such failures on the part of the Estate Office. They are unable to understand how despite their criticism more than two years back, this unsatisfactory state of affairs still continues. The representative of the Ministry stated that it was due to shortage of staff, and the Ministry had approached Finance for the sanction of additional staff. The special reorganisation unit of the Finance Ministry had scrutinised the accounts procedure of the Estate Office and its suggestions were under the consideration of the Ministry. The Committee would like to see the suggestions of the Ministry of Finance and the action taken by the Administrative Ministry thereon.

A part of the outstandings related to the arrears of rent due from displaced persons. The Committee had suggested in their Fifteenth Report that the arrears of rent due from displaced persons might be deducted from the compensation due to them. This suggestion, it was reported, was not accepted by the Ministry of Rehabilitation. The representative of the Ministry of W. H. S added that besides the legal aspect, there were practical difficulties in tracing the displaced persons. The matter was under examination now in consultation with the Ministry of Rehabilitation and Audit. *The Committee would like to be informed of the decisions in due course.*

Para 17—Misappropriation by an auctioneer

250. A firm was appointed as Government auctioneer for the various C.P.W.D. Divisions at a station in December, 1952 on depositing a sum of Rs. 2,000 by way of security but no formal agreement was executed. The firm collected large amounts of auction money which it was to credit to Government before the auctioned goods could be released. In several cases, however, the Divisional Authorities released the goods in anticipation of final credit of such amounts to Government. In July 1953, it came to notice that a cheque issued by the firm in payment to Government of the value of sales had been dishonoured by the bank. It transpired that two other cheques had also been dishonoured earlier. Investigation at this stage revealed that the firm had not passed on to Government the amounts collected by it from sales in the various Divisions to the extent of Rs. 34,031 and that its financial position was not sound.

The Committee were informed that action was in hand against the officers responsible. *They deprecate the delay of about five years in taking action. They reiterate their earlier recommendation that the disciplinary aspect in all cases of fraud and mis-appropriation should be finalised expeditiously and deterrent punishment awarded to the persons concerned.*

Para 18—Overpayment of Rent

251. A Central Government Directorate in Calcutta rented a private building for office accommodation at Rs. 2,670 per mensem with effect from 1st February, 1948. The rent was raised to Rs. 3,738 per mensem with effect from 1st December, 1948 on the basis of 40% increase allowed under the West Bengal Rent Control Act, 1948. The subsequent Act of 1950 entitled the tenant to have the rent refixed at the original amount of Rs. 2,670 per mensem from 1st April, 1950 to 31st January, 1951 and at Rs. 3,071 per mensem from 1st February, 1951 after allowing for an increase of 15%. The refixation could be claimed with retrospective effect upto six months at any time from the date of filing an application to the Rent Controller. The Directorate did not take up the question of revision of rent within six months of the promulgation of the Act and, could not, therefore, get the full benefit of the reduction admissible under the Act of 1950. The application was filed only on 31st January, 1953 and the rent was revised to Rs. 3,071 per mensem with effect from 1st August, 1952. The delay resulted in an overpayment of rent of Rs. 22,698 approximately to the landlord.

The representative of the Ministry explained that the real cause of this irregularity was a certain amount of diffusion of responsibility. However, in his opinion, the Assistant Director of Administration of the Directorate of Inspection was primarily responsible for the irregularity but that officer had already retired in 1954. Action was, however, taken against the then Estate Officer and another officer who were also to blame partly. The procedure has since been changed making the Estate Officer directly responsible for all questions of payment of rent and rebates on rent, etc.

252. In reply to a question, the representative of the Ministry admitted that the Director of Inspection of D.G.S. & D. office was in possession of facts in January, 1953, but the actual irregularity came to the notice of higher officers only in March, 1955. The Officer who was responsible for the loss in this case, handled the case himself and delayed the matter till his time for retirement came. *The Committee desire that as soon as irregularities of such nature came to the notice of the Government through Audit objections, they should be communicated to higher officers and action on such cases should be accorded top priority and watched carefully.*

Para 20—Loss on a contract

253. In December, 1953 a contract was placed on an unregistered firm for the supply of imported art paper. The firm failed to deliver the goods and the contract was cancelled in May, 1954 at their risk and expense. The repurchase in July, 1954 resulted in an extra expenditure of Rs. 13,946 which was claimed from the defaulting firm in November, 1954. In December, 1954 the firm reported the dissolution of the partnership. The matter was not pursued till October, 1955 when a demand notice was issued which remained undelivered. In April, 1956, the Ministry of Law suggested that notices should be issued to all the partners, but the whereabouts of the persons were not known. A cheque for Rs. 5,170 issued by the firm on account of security deposit was dishonoured. A sum of Rs. 1,909 due to the firm against other contracts had, however, been withheld.

The representative of the Ministry stated that although the firm was unregistered it had successfully executed contracts in the past. As this firm had offered the lowest tender in this case and were in possession of the stock of imported paper, the contract was given to that firm. He, however, admitted that the security deposit should not have been accepted in the form of a cheque. The dealing Assistant had been given a warning and that he had since been transferred to Rourkela. *The Committee desired to know whether in terms of their recommendations in para 54 of their 23rd Report, the facts*

of the case had been intimated to the present employer of the Assistant concerned. The Ministry promised to furnish a note to the Committee on the subject which is still awaited.

The Committee desire that the note should also indicate the remedial measures taken against losses of the type mentioned in this Audit para.

Para 21—Loss due to wrong advice given to a firm

254. The Ministry appointed a certain firm as their agents for the disposal of aircraft and spare parts taken over by them after the conclusion of World War II. The firm were registered as dealers under the Sales Tax Act of a State Government on 19th November, 1946. When the State Government demanded the returns under the Act, the firm requested the Ministry's intervention for an extension of the time limit for submission of returns. The matter was referred to the Ministry of Law who advised that the Government should refuse to pay the sales tax but made no mention about the non-submission of returns. Nevertheless, the Ministry advised the firm on 21st June, 1948 that until the question of the liability of the Union Government to pay sales tax was decided, the State Government had no ground to demand the submission of the returns. As the returns were not furnished by the firm despite repeated demands from the State authorities, the latter made an *ex-parte* assessment for Rs. 6,37,910 and the firm had to pay it. Out of this, Rs. 2,40,978 represented the actual amount of the Sales Tax on the sales effected during the period from 19th November, 1946 to 31st March, 1947 and the balance of Rs. 3,96,932 being apparently a penalty for the non-submission of returns, was re-imbursed to the firm by the Ministry in September, 1955.

In evidence, the representative of the Ministry explained that the advice given by the Law Ministry was that sales tax was not leviable in this case and the firm should refuse to pay the tax. An officer in the Ministry who dealt with the case informed the firm that until the case regarding payment of tax was decided, the State Government had no ground to press for the submission of returns by the firm. He admitted that it would have been prudent on the part of that officer to communicate to the firm the legal opinion verbatim, instead of trying to interpret it. The officer retired on 19th May, 1954.

The Committee would recommend that in such cases in future, legal opinion should be quoted verbatim and any interpretation or clarification thereof should be vetted by the Law Ministry beforehand so as to avoid any controversy later.

Para 22—Irregularities in stores transaction

(i) *Excessive purchase*

255. Excessive purchase of stores by the stationery office resulted in the value of the closing stock on 31st March, 1954 exceeding the permissible limit by Rs. 19,34,733. The closing balance (Rs. 55,95,043) on that date represented on an average, about eight to twelve months' actual issues from stock computed on the figures in previous years. Under the rules it should not have exceeded 2, 3 or 6 months' normal supply according to the nature of articles, the term 'normal supply' being interpreted as issues from stock only. Government, however, decided that for administrative convenience, 'normal supply' should include direct supplies also, and on that basis, they contended that the excess was very small.

In evidence the Committee were informed that the idea of having the reserve stock was to be able to meet the demands of the indenting departments in the event of failure of direct supply from contractors, producers, etc. It was, therefore, contended that the stock had to be calculated on the total demand irrespective of the source from which it was supplied and this was the consideration which weighed with the Ministry in taking the view that normal supply should include direct supply also.

The Committee feel that the Ministry's view would amount to the enunciation of a new principle, which, if accepted, would have to be applied to all stores and to all other Ministries. They are of the opinion that, while requirement of stores should be assessed as closely as possible and the limits of stocks adjusted accordingly, it would be incorrect to regulate the stock limits with the varying situations in direct supply. The Committee are glad that the representative of the Finance Ministry holds the same view.

The Committee would suggest that there should be a coordinated and uniform policy in regard to holding of stock and that a suitable formula should be evolved after studying the conditions of demand and supply, period of deliveries, etc. The representative of the Ministry of Finance has agreed to examine the position from an overall point of view and submit a detailed note indicating the scope of improving the methods of indenting stores, their issues and accounting of receipts and issues. This note is still awaited.

(ii) *Purchase of teleprinter paper*

256. Teleprinter paper worth Rs. 94,074 proving brittle and unfit for use was disposed of by public auction. The Government were aware that the paper was unfit for the purpose even at the time of

its purchase. The actual conversion of the rolls into note-sheets, etc. took a long time and the paper so cut did not serve the desired purpose.

The Committee were informed that the paper was taken over by the Stationery Department from Disposals in the expectation that it could be used. When it was found that no use could be made of it, it had to be sent back to Disposals for auction and it fetched about Rs. 70,000.

The Committee feel that the transaction was a purposeless effort resulting in waste of time and money.

(iii) *Shortage in stock.*

257. The stock verification of the Stationery Office and the Forms Press as on the 31st March, 1954 disclosed deficits in certain kinds of stores which were not covered by corresponding excesses elsewhere. The net deficits in such cases amounted to Rs. 15,976 in one office and Rs. 51,042 in the other. Some stores which were in existence during the previous physical verification were found short or missing in the present check although there were no issues of these items during the intervening period. The loss on this account amounted to Rs. 6,208 in one office and Rs. 6,000 in the other.

The Committee desire that the defect in the system of issues from stock which result in shortages should be removed. They are of opinion that in the absence of a proper system of accounting of stock, it would be difficult to keep track of things, and shortages of stock would continue. The representative of the Ministry stated that the question of accounting, issue of vouchers etc., in regard to stores transactions was under consideration. The Committee would like to be apprised of the final decision taken in this regard.

OUTSTANDING RECOMMENDATIONS

(MINISTRY OF WORKS, HOUSING AND SUPPLY)

Fifteenth Report

Para 32—Payment of Railway freight

258. The Chairman, Public Accounts Committee of 1954-55 observed that the disciplinary aspect of the case had not been fully considered by the Ministry and full facts had not been communicated to the U.P.S.C. The representative agreed to examine the case of chargesheet again and to send a note regarding finalisation of these cases involving disciplinary action.

From a note (Appendix LVI) furnished to them, the Committee note that a back reference was made to the U.P.S.C. by the Ministry and the former do not consider that any modification is called for on the advice already tendered by them on this case. The Committee, however, desire that in future full facts on all aspects of disciplinary cases for advice should be furnished to the U.P.S.C. in the first instance so that proper advice could be given without waste of any time.

Sixteenth Report

Paras 101 and 102—Nugatory expenditure on the construction of pre-fabricated Housing Factory

259. The Committee deferred examination of this case as the termination agreement* was stated to be under the scrutiny of the Director of commercial Audit.

Para 122—Road Rollers Bulk Procurement Scheme

260. The Committee feel concerned as the case has been dragging on for 10 years and Government have not come to any conclusion so far in regard to fixation of final prices of Road Rollers. The accounts should not remain unsettled for such a long time and energetic action should be taken to finalise them soon.

Para 125—Overpayment due to faulty measurement

261. The Committee are dissatisfied with the delays occurring in the Ministries in taking disciplinary action against the persons concerned.

Para 127—Excess Payment due to mistake in estimates

262. The Committee deprecate very much the delay in taking disciplinary action against the officer concerned. They feel that such cases merit immediate action and desire that action finally taken in this case be reported to them without any further loss of time.

Para** 128 of the Sixteenth Report (also para 90 of the Fifteenth Report)—Safeguarding Clauses in Contracts

263. The Committee desire that the Law Ministry should inter-alia look into the American Legislation on the subject and examine

* The Director of Commercial Audit has already examined the agreement and a para has been included in Audit Report, 1957.

**A note (Appendix LVII) has been received from the Ministry of W. H. & S. but could not be considered by the Committee.

the feasibility of enacting similar legislation to safeguard the interests of the Exchequer. The Secretary, Ministry of Law was asked to examine this case and furnish a detailed note regarding the scope of revision of the contract form with a view to safeguarding the interests of Government and to enable Government to reopen past contracts where unconscionable payments had been made. The note is awaited.

Twenty-third Report

Para 103—Delay and extra expenditure in making purchase

264. The Committee desire that copies of the instructions issued in this case should be furnished to them by the Ministry. This requirement should be noted for future.

Paras 115—117—Extra expenditure on U.S. Stores and conflicting Legal Opinion

265. The Ministries of Works, Housing and Supply and Law had furnished a note (Appendix LVIII and LIX) each to the Committee. At the instance of the Committee, the representative of the Ministry of Law promised to submit a detailed note regarding—

- (i) steps to be taken to avoid conflicting legal opinions and strengthening of the organisation giving legal advice for avoiding delay; and
- (ii) the scope of revision of contract forms with a view to safeguarding the interests of Government and to enable the Government to reopen past contracts when unconscionable payments had been made.

As regards the question how the Ministry ensured that the references made to them were adequate and complete, it was explained that unless the whole file was gone through it could not be possible to say whether all the facts were there. It was also explained to the Committee that if the Law Officers were given more time and slightly less volume of work, it should be possible for them to look into cases with greater care. The Committee welcomed the suggestion and desired the Secretary, Ministry of Law to formulate his proposals in the note to be submitted by him.

Para 127—Misappropriation of Government money by an auctioneering firm

266. The Ministry had stated in an interim note that action in regard to the responsibility of certain officers in this case would be

taken up on release of the records from the Civil Court. *The Committee desire that on release of the records, action should be taken immediately.*

*Para 138—Cases in which lowest tenders were not accepted by I.S.D.
London*

267. From a note (Appendix LXI) furnished to them, the Committee understand that the India Store Department, London have issued instructions for inclusion of an Assurance Clause in the case of a contract where it is decided to accept higher price than the lowest tender in the interests of earlier delivery. *The clause provides for levy of penalty for failure to supply stores on or by the date specified in the contract. The Committee also note that India Supply Mission, Washington have been asked to issue similar instructions. The Committee would, however, like to see such instructions issued by the India Supply Mission, Washington.*

PART II

Proceedings of the sittings of the Public Accounts Committee held on 5th, 6th 8th and 9th November, 1957; 3rd, 4th, 6th to 11th, 13th and 14th January; 6th to 8th, 14th and 15th February; 26th, 28th and 30th April, 1958.

**PROCEEDINGS* OF THE TWENTIETH SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON TUESDAY,
THE 5TH NOVEMBER, 1957**

268. The Committee sat from 10.00 hours to 13.15 hours.

PRESENT

Shri T. N. Singh—*Chairman.*

Members

2. Shri Ram Subhag Singh
3. Shri N. G. Ranga
4. Shri Radhelal Vyas
5. Shri A. C. Guha
6. Shri N. R. M. Swamy
7. Shri Upendranath Barman
8. Shri H. C. Dasappa.
9. Shri Prabhat Kar
10. Shri Jaipal Singh
11. Shri N. Siva Raj
12. Shri Vijayarama Raju
13. Shrimati Pushpalata Das
14. Shri P. T. Leuva
15. Shri Shyam Dhar Misra
16. Shri M. Govinda Reddy
17. Shri Jaswant Singh

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor General.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri R. N. Chatterjee, *Chief Audit Officer, Food, Rehabilitation and Supply.*

Shri P. N. Bhandari, *Director of Commercial Audit.*

*Proceedings of the prior sittings relate to the Accounts of Damodar Valley Corporation, Posts & Telegraphs Department, Defence, Railways Delhi Road Transport Authority, etc.

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

WITNESSES

Ministry of Food and Agriculture (Department of Agriculture).

Shri P. N. Thapar, *Secretary.*

Shri Krishan Chand, *Joint Secretary.*

Shri M. Lal, *Joint Secretary.*

Shri T. C. Puri, *Joint Secretary.*

Shri P. N. Krishnaswamy, *Chief Pay and Accounts Officer.*

Ministry of Finance

Shri K. L. Ghei, *Financial Adviser.*

Shri K. C. Das, *Under Secretary, Ministry of Finance (Department of Economic Affairs).*

MINISTRY OF FOOD AND AGRICULTURE

(Department of Agriculture)

269. At the outset, the Chairman expressed concern over the delay in the submission of notes/memoranda by the Department on the Outstanding Recommendations of the Committee. He pointed out that the prescribed period was four weeks by which time, the Committee should receive such notes/memoranda. He hoped that he would not have any occasion again to comment on such delays by the Ministries.

Audit Report (Civil) 1956—Part I*Para 2, wasteful expenditure on air freight*

270. The Central Tractor Organisation placed orders for spare parts of tractors worth Rs. 9,112 in February, 1953 direct through a private firm without the intervention of the DGS & D who was apprised of the purchase in April, 1953. The stores were obtained by air in May, 1953, on grounds of urgency. It cost Rs. 2,115 extra over the freight by surface route. While regularising the direct purchase as a special case, Finance observed that the Organisation should be in a position to assess its normal requirements and place indents on the DGS & D. Out of three items purchased, two comprised 566 and 144 units, of which only 10 and 12 units respectively were issued upto March, 1955. Again in September, 1953 and February, 1954 some more parts worth Rs. 4,082 and Rs. 3,980 for the same type of tractors were obtained by air, the extra expenditure being Rs. 2,896 and Rs. 2,530, respectively.

The Committee wanted to know the reasons for engaging a private firm without the intervention of the DGS & D and airlifting the stores at an extra cost. The representative of the Ministry stated that spare parts were for certain foreign-made tractors and the foreign engineer at that time recommended the import of these parts urgently and the officer in charge thought that unless the stores were obtained immediately, the tractors would go out of commission. To a question, he replied that the Officer-in-charge of the Central Tractor Organisation ordered the transport of the spares by air and the rules in this regard did not specifically debar him from ordering so.

The Committee were of opinion that wherever the rules did not specifically confer such powers on an officer, the correct thing to do was to have the position clarified immediately by reference to the Administrative and Finance Ministries instead of acting on presumption. The representative of Finance, who was asked by the Committee to explain his view-point, replied that the matter was referred to Finance only after the order had been placed. Finance had to regularise it because the order was placed ostensibly in an emergency situation. It did not appear from the records that Finance ever raised the question of the officer's competence to order stores direct in this case. He further stated that to meet such an emergency in future the officer-in-charge of the Central Tractor Organisation had been delegated powers to purchase stores within a limit of Rs. 10,000.

The Committee agreed that powers should be delegated to meet emergencies, but at the same time they felt that such provisions should not be misused. They recalled that in the past they had occasion to consider a similar case when project stores had been ordered by air and the freight alone cost more than the stores themselves. They wanted the Ministries to take serious notice of such cases.

The representative of the Ministry stated that the officer had exercised his powers discretely and such powers given to Heads of Departments were in practice seldom abused.

At this stage, the representative of the Ministry stated that there had been some discrepancy about the figures of consumption of spare parts quoted in the Audit Report. The Committee drew attention of the Ministry to para 37 of their First Report, wherein they had recommended that officials of the executive Departments should co-operate with the Audit Department in the timely verification of facts proposed to be incorporated in the Audit Report and subsequent attempts on the part of the representatives of the Ministries to contradict any statement contained in the Audit Reports at the time they appeal before the Public Accounts Committee should be avoided. They felt it was too late for the Ministry to raise that issue when audit paras were printed with their full agreement.

Judging from the time-lag between the receipt of these spare parts and their issue the Committee were not convinced of the plea of urgency. They felt that in this case before placing the order, the Ministry should have checked their normal requirements and placed order accordingly. Such orders by air not only lead to avoidable expenditure, but also indicate lack of proper fore-thought and planning on the part of the administration. Endeavour should have been made to restrict the import by air for the period that it would have taken to receive the stores by surface route and follow that by further import by surface route. They incidentally observed that the cost of the spares together with the freight in this case exceeded the limit of Rs. 10,000 fixed and the Ministry had failed to note that the officer had exceeded his powers. The representative of the Ministry assured the Committee that emergency orders would, in future, be rare and the requirements of stores were now being assessed in a realistic manner.

Appropriation Accounts (Civil), 1953-54

Grants Nos. 43, 44 and 47

271. In these Grants, the surrenders were in excess of the savings. The Committee wanted to know whether there was any arrangement in the Ministry to watch the progress of expenditure, especially at present when Government were short of funds.

The representative of the Ministry stated that in 1953-54 there was a budget provision for the Ministry of Rs. 46,81,000 and the actual expenditure was Rs. 45,92,842. The actual savings were only Rs. 88,158. The surrenders were Rs. 1,01,900. The estimate of the amount that could be surrendered turned out to be incorrect because of adjustments carried out in the books of the Accounts Office after the close of the financial year. To overcome this difficulty, he felt that it would be desirable if the Ministry could know more promptly and well in time as to what the actual booked expenditure was at any point of time.

The Additional Deputy Comptroller and Auditor General invited attention to Rules 88 and 89(4) (i) of the General Financial Rules according to which "The authority administering a grant is ultimately responsible for watching the progress of expenditure on public services under its control and for keeping the expenditure within the grant".

"Every disbursing officer and in respect of his own expenditure from portions of the grant retained in his own hands every controlling officer and Head of Department must maintain a separate register in the form G.F.R. 4 for each minor or sub-head of accounts with which he is concerned. In this must be entered the necessary particulars

of charges drawn on each bill in proper primary unit and detailed head”.

The representative of the Ministry replied that monthly meetings were being held to review progress of all schemes and the expenditure thereon. But the time-lag between the time of actual expenditure and the time the Ministry came to know of that was usually three to four months, as the expenditure was incurred by State Governments on schemes like Grow More Food. There was considerable delay in the collection of these statistics although instructions had been given that statements of expenditure duly reconciled with the figures of the Accountant General of the State, should be submitted to the Ministry within three months after the close of the quarter to which the expenditure related.

The Committee felt that the whole question required rethinking so that delays could be avoided.

Another feature which the Committee noticed was large savings accruing in the same Grants in the years 1953-54 and 1954-55. For example, savings under Grant No. 45 were 22 per cent. in 1953-54 and 54 per cent. in 1954-55. Likewise there were savings of 20 per cent. and 8 per cent. under Other Capital Outlay of the Ministry of Food and Agriculture in the years 1953-54, and 1954-55 respectively. The Committee observed there had been no realistic estimating of the actual requirements. The result was inflated budgets. For instance in 1953-54 under Grant No. 45—Agriculture—sub-head N—Cane Development and Regulation of Sugar Industry, the budgeted amount was Rs. 18 lakhs while actually only Rs. 7,13,900 could be spent. They wanted to know the reason for the over-budgeting under this particular sub-head. The information being not readily available the Ministry promised to furnish a note* to the Committee.

The Committee noticed further that under the same Grant during the year 1953-54, a sum of Rs. 7,13,900 was placed at the disposal of the Indian Central Sugarcane Committee for disbursement to the various State Governments for implementation of their various sugar cane development schemes. But a sum of Rs. 3,48,898 only was distributed by them and the balance was refunded to Government. The Committee wanted to know the reasons for such an excessive provision.

The representative of the Ministry stated that the Ministry always hoped that the States would be able to recruit the staff and put the schemes into operation. But delays took place in the starting of the schemes. In reply to a question, he stated that it was the practice to make lump sum provisions for budget purposes without the schemes

*See Appendix III.

being individually examined and sanctioned at that time. The representative of the Ministry of Finance explained that lump sum grants were based on the broad outlines of schemes which were discussed with the State Government concerned by the Planning Commission and the Ministry concerned in the presence of the Ministry of Finance and detailed estimates came later. But it was not a leap in the dark. A broad and rough assessment was also made in respect of each item.

The Additional Deputy Comptroller and Auditor General drew attention of the Committee to a letter from the Finance Minister to the Comptroller and Auditor General in this connection. While the Minister was not in favour of the suggestion for making a token provision in the budget in such cases where complete details were not worked out, he said:—

“On the other hand, the commencement of any project of real importance and urgency which could not be worked out in sufficient detail for inclusion in the budget need not be delayed the moment it is worked out in sufficient detail in the course of the year. The present procedure of obtaining a supplementary grant from Parliament or making an advance from the Contingency Fund to the minimum extent necessary to enable immediate commencement of the scheme would continue to be followed in such cases”.

In view of the above, the necessity for lump sum grants for schemes, details whereof had not been worked out, did not arise, and the Finance Ministry would be perfectly within their rights to refuse to consider the schemes with vague or insufficient details or schemes whose details were not worked out.

Attention was also drawn to the Committee's earlier recommendation in para 11 of their 16th Report, wherein it was stated:

“Overestimating of the spending capacity and inclusion of provision for new schemes not ripe for execution, resulting in lapse of allotments, will not only be seriously misleading in the allocation of resources raised, and the determination of fiscal policy, but also derogate from the efficiency of Parliamentary Control over expenditure”.

The Committee then wanted to know whether the Ministry have any idea about the capacity of the various States to put through new schemes and implement them in time against their commitments. The representative of the Ministry explained that in working out the budget they always had in mind the targets for the year as laid in the Plan. It was only in January or February when the representatives from the States came to the Planning Commission or the representatives of the Planning Commission went to the States, the

details of the various schemes were worked out. A record of the performance of the States was no doubt taken into consideration while making allocations for various development schemes.

The Committee were of the opinion that the Ministries should try to get the schemes from the States much earlier, say in August or September and scrutinise them before making provision in the budget for the next year. They considered that the matter required rethinking keeping in mind the spirit underlying Article 112 of the Constitution. It was necessary and obligatory to have the year's estimate well in advance.

Page 32, Grant No. 45—Agriculture, Note 1

272. In this case the original grant of Rs. 3,68,23,000 was increased to Rs. 4,01,82,000 by supplementary grants of Rs. 33,59,000. Out of the saving of Rs. 89,60,109 a sum of Rs. 73,85,832 was surrendered to Government.

When asked for reasons for these supplementary grants and subsequent surrenders the Ministry promised to furnish a note* to the Committee.

Page 42—Audit Comments

273. These related to Stores Accounts of the Cattle-cum-Dairy Farm, Karnal for 1953-54. The value of machinery stores in stock was in excess of the normal requirements of the Dairy which unnecessarily locked up Government money. Secondly, no reserve stock limit had been prescribed. Thirdly, the physical verification of stores was being conducted by the Cattle Officer, who was also incharge thereof.

The representative of the Ministry explained that orders had been passed and physical verification of stores had been completed. About the fixing of reserve stock limit he stated that the Director of the Dairy had been directed not to keep stock in excess of the requirements for more than one year under any circumstances. The Committee desired to be furnished with a note** about the exact nature of the Ministry's instructions issued to the Director for implementation in pursuance of these Audit comments.

Appropriation Accounts (Civil), 1954-55

Page 56, Grant 46—Civil Veterinary Services

274. This related to the Indian Veterinary Research Institutes, Mukteshwar and Izatnagar Live Stock, Milk and Milk Products. The

*See Appendix II.

**See Appendix XXXI.

Committee wanted to know the reasons, for delay in preparing the proforma commercial accounts, when they had been declared as commercial concerns in as early as 1950-51. The representative of the Ministry stated that instructions for maintaining commercial accounts in the Institutes had been issued. The Committee felt there could be hardly any justification for such a long delay in this case.

Page 103, Grant No. 124—Note 8—C.T.O.—Audit comments—sub-para (a) Government Capital Account

275. This referred to reconciliation of differences in the figures of withdrawals from and remittances into treasury taken into the accounts, which, if remained unreconciled for long periods, were fraught with danger of frauds, etc. The representative of the Ministry explained that the Central Tractor Organisation had a capital of Rs. 5:64 crores in 1954-55 and the unreconciled amount was Rs. 75 lakhs which includes Rs. 64 lakhs on account of transfer of Pashabhai Patel implements in 1954-55 and at present it was Rs. 30 lakhs. Efforts were being made to reconcile the balance.

The Committee desired to be furnished with a note* on this point giving detailed reasons for non-reconciliation of accounts and what efforts were being made to clear them. They emphasised that these accounts must be reconciled before the presentation of the Report of the Committee to the Parliament.

Note 8(b), Suspense Accounts—Interest Chargeable from State Governments due to staggered recoveries

276. In this case a sum of Rs. 32,83,338 had been shown as outstanding on account of interest chargeable to the State Governments due to staggered recoveries from them. The credit for the corresponding amount had been taken in the Reclamation Operation Account, although the State Governments had not so far agreed to pay such interest charges.

The Committee drew attention of the Ministry to Para 71 of their Sixteenth Report wherein it had been stated that the Committee doubted the wisdom and propriety of taking credit in the accounts of the Organisation for such disputed charges.

When asked whether the States had since accepted the liability for interest, the representative of the Ministry stated that they could not realise that from the States. In reply to another question the representative stated that they proposed to transfer the amount to "Renewal Reserves created for meeting the cost of major overhaul of tractors, etc., of new unit".

* See Appendix XXXII.

The Committee were of opinion that in any changes in the accounting system or transfers from one head to another of big sums, where both the Central Government and the State Governments were concerned, it would be better to consult Audit before-hand. They desired that they should be apprised of the final outcome* before the submission of their report to Parliament.

277. The Committee then adjourned to meet again at 10 hours on Wednesday, the 6th November, 1957.

*See Appendix XXXIII.

PROCEEDINGS OF THE TWENTY-FIRST SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON WEDNESDAY,
THE 6TH NOVEMBER, 1957

278. The Committee sat from 10.00 hours to 12.45 hours.

PRESENT

Shri T. N. Singh—*Chairman.*

Members

2. Shri Ram Subhag Singh
 3. Shri Radhelal Vyas
 4. Shri A. C. Guha
 5. Shri N. R. M. Swamy
 6. Shri Upendranath Barman.
 7. Shri J. M. Mohamed Imam.
 8. Shri H. C. Dasappa
 9. Shri Prabhat Kar
 10. Shri Jaipal Singh.
 11. Shri N. Siva Raj
 12. Shri Vijayarama Raju
 13. Shrimati Pushpalata Das
 14. Shri P. T. Leuva.
 15. Shri Shyam Dhar Misra
 16. Shri M. Govinda Reddy
 17. Shri Jaswant Singh
- Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor General.*
- Shri S. Venkataramanan, *Accountant General, Central Revenues.*
- Shri R. N. Chatterjee, *Chief Audit Officer, Food, Rehabilitation and Supply.*
- Shri P. N. Bhandari, *Director of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

WITNESSES

Ministry of Food and Agriculture (Department of Agriculture)

Shri P. N. Thapar, *Secretary.*

Shri Krishan Chand, *Joint Secretary.*

Shri M. Lal, *Joint Secretary.*

Shri T. C. Puri, *Joint Secretary.*

Shri P. N. Krishnaswamy, *Chief Pay and Accounts Officer.*

Ministry of Finance

Shri K. L. Ghei, *Financial Adviser.*

Shri K. C. Das, *Under Secretary, Department of Economic Affairs.*

MINISTRY OF FOOD AND AGRICULTURE

(Department of Agriculture)

279. The Committee resumed consideration of Grant No. 124 of the Appropriation Accounts (Civil), 1954-55.

Page 132, Sub-para (ii)

The point raised in this sub-para related to the payment of a subsidy at the rate of Rs. 15 per acre given out of Grow More Food funds to the Central Tractor Organisation as the cultivators were unwilling to pay the actual average cost of tractorisation.

When the Committee desired to know the sanction under which the subsidy was paid to the Central Tractor Organisation for reclamation of lands for the States, the representative of the Ministry of Finance stated that under the G.M.F. Scheme there was a provision for financial assistance to States for such purposes and quoted the following passage in support:—

“Land reclamation schemes undertaken by State Governments with their own tractor units would be eligible for Central subsidy to the extent of 50 per cent. of the net loss incurred by the State Governments or 12½ per cent. of the total expenditure, whichever is less. This subsidy would be permissible only when the Central Tractor Organisation cannot take up the work”.

The Committee questioned the above view and were surprised how Ministry of Finance accepted this. The representative of the Ministry of Finance observed that on the analogy of land reclamation scheme, this was perhaps permitted and this practice was in vogue

for a number of years. He agreed that the rule quoted above was not strictly applicable to the case under consideration.

The Committee objected to the practice of debiting to the funds provided by Parliament for Grow More Food Campaign, such expenditure and observed that the Grow More Food funds were not meant to cover up the losses of a particular organisation of Government.

The representative of the Ministry of Finance informed the Committee that there had been some rethinking of the question and a new head 'Loss on the working of Central Tractor Organisation' under Demand No. 46 had since been introduced where the loss, if any, incurred by the Central Tractor Organisation on reclamation operations would be exhibited in the accounts.

OUTSTANDING RECOMMENDATIONS

Sixteenth Report

Para 65, Payment of Unnecessary Commitment Charges

280. From the note (Appendix XXXIV), the Committee understood that 32 tractors which were purchased for mopping up operations had since been disposed of to the States as it was found later on that the mopping work could be done with the help of some old tractors. The Enquiry Officer appointed to investigate into the case came to conclusion that there was no case for any action against any officer and that the Government accepted that conclusion.

To a question, the representative of the Ministry replied that these tractors were purchased in 1952 and there had been no loss on their sale. When asked whether the 32 tractors were sold along with the spares also, he stated that some spare parts were sold to the State Governments with the tractors and some were not. The Committee desired that a note* giving the value of spares that had been left behind be furnished to them.

The Committee were of the view that whenever an enquiry was made at their instance, the report of that enquiry should invariably be furnished to them and noted with regret that in the present case where an enquiry was made on their recommendations, a copy of the Report of Enquiry had not been furnished to them.

The Secretary, Ministry of Agriculture stated that a copy of the Enquiry Report had been sent to Audit and he would furnish

* See Appendix XXXV.

copies* to the Committee, if required. It was brought to the notice of the Committee by Audit that the enquiring officer had observed in his report that the officer against whom the enquiry was held got an initial report by a subordinate technical officer about the quality of the implements substituted subsequently, and altered the noting on the file.

The Committee felt that in the fact of the above charge, the contention of the Ministry, that there was no case for any action against any officer concerned with the transaction, was not accepted.

The representative of the Ministry stated that the whole case regarding the Central Tractor Organisation was considered by Government at the highest level. As it appeared, there was a *prima facie* case for investigation, it was decided that the Home Ministry should appoint an Enquiry Officer to go into the whole case. The Enquiry Officer submitted a report to the Ministry of Home Affairs which was submitted to the Cabinet. Before submitting the case to the Cabinet, the case was examined in the Ministry at the highest stage very carefully. The Cabinet came to the conclusion that there was no reason for taking any action against that officer.

In reply to a question whether the substitution of a report and consequent change made in the noting in the file were brought to the notice of the Cabinet, the representative replied that it was in fact this charge that made the conduct of the officer concerned look suspicious and led to the whole enquiry.

When asked whether the Home Ministry wanted to have the comments of the Ministry of Food and Agriculture on the Enquiry Officer's report he said he was not aware of that. The Committee desired that a copy of the Government order* regarding the conduct of the officer concerned along with the Ministry's comments, if any, be furnished to them.

They also decided to examine the Home Ministry on this matter on receipt of the above information from the Ministry of Food and Agriculture.

Paras 67 and 68—Unnecessary purchase of machinery

281. From the note (Appendix XXXIV), the Committee understood that 90 Allischalmer and 90 Oilver tractors were purchased in 1949 when they were the only suitable tractors available for early delivery; and the decision to purchase a particular make of tractors was taken by the D.G.S. & D. through whom the purchases were made. There was then no time to buy a few tractors of each type

*Since received. Not printed.

to make experiments and to decide as to what particular make should be bought in larger numbers. Actual experience, however, showed that all the makes had done good work.

Regarding segregation and disposal of spare parts it was stated that a review of the spare parts in stock upto 31st July, 1956 had already been completed and spares amounting to Rs. 42,26,303 had since been declared as surplus and spares worth Rs. 10,20,359 had been sold resulting in a profit of Rs. 6,94,184.

The Committee wanted to know the present position of store accounting and physical verification of stores in the Central Tractor Organisation. The Chairman, Central Tractor Organisation stated that there was definite improvement from year to year. When asked whether he was satisfied with the pace of improvement and there was no deterioration simultaneously because of further stores being added up every year, he replied that it was not so. Proceeding further, he stated that it would be difficult to say when the stores would be cleared as the pace of disposal would be slow now and the fact that they were becoming obsolescent was also to be taken into consideration.

When asked in the light of his experience with different makes of tractors whether he could say which makes were good and which were not all right for a particular work, he stated that they found caterpillar would do very well for all heavy earth-moving and heavy ploughing. HD-19 was fit for jungle clearance and for certain types of soil but may not be as efficient for ploughing. TD-24 was of the heavy type which would be quite well for ploughing of a heavy type, or heavy earth work. He added that while comparing, breakdown, costs, fuel and oil consumption, etc. had to be taken into account.

To a question, the representative of the Ministry stated that out of 317 tractors, 59 had been sold and 47 condemned and 211 were in the field.

Para 73—Results of physical verification not finalised

282. The Committee desired that the reconciliation of discrepancies must be completed without further delay.

Para 74—Disposal of surplus spare parts and equipment

283. From the statement of sales (Appendix XXXIV) it appeared that about 40 per cent. of the stores declared surplus could be disposed of from 1951 to 31st July, 1956 and there was still a large balance of about 70 lakhs of surplus stores.

The Committee wanted to know how it was proposed to dispose them of. The representative of the Ministry stated that touring

officers went round and had sold the surplus stores worth Rs. 82 lakhs making a profit of Rs. 28 lakhs over the book value. Stores worth Rs. 53 lakhs had been disposed of leaving stores worth Rs. 27 lakhs to be disposed of. The Committee were of opinion that before declaring a profit, the cost of salesmanship, interest and storage charges should also be taken into account.

The Committee wanted to know the principles that were observed in declaring stores as surplus. The representative of the Ministry replied that there was a Committee of Central Tractor Organisation engineers which from time to time took into account what they wanted and what was surplus and that such stores were being declared surplus as were not likely to be used. Actually there was a balance of stores worth Rs. 1 crore 25 lakhs, out of which about 66 to 70 per cent. would be required and the rest would be declared surplus.

The Committee noticed that progress in the disposal of stores had been slow and in the meantime there might be further additions to surplus stores. They felt that the position of disposal of stores was not encouraging.

The representative of the Ministry agreed that the situation was not happy. But it was difficult to say when all the surplus material would be disposed of. As the best of the surplus stores had been disposed of at first, progress in the disposal of the balance may not be so quick as during the last one or two years. On the other hand, due to exchange difficulty, when the import of tractors had stopped, prospects for disposal of the balance seem bright.

Para. 75—Fixation of monetary limit of stores

284. From the note (Appendix XXXIV), the Committee understood that the maximum limits of stores that had been fixed for 1956-57 was to be reviewed in April, 1957.

When asked whether the review had been undertaken, the representative of the Ministry replied that the same limits were still continuing. The Committee pointed out that the maximum limits fixed were much higher than the actual consumption during 1955-56 and in some cases they exceeded 3 to 4 years' consumption; the representative from the Ministry observed that they were taking up the question of refixing the maximum limits of stores.

The Committee desired to be furnished with the decision* of Government in this behalf as soon as it was arrived at.

* See Appendix XXXVI.

Para 76—Financial implication of the utilisation of old tractors
285. No comments.

Twenty-third Report.

Paras 81 and 82—Construction of tube wells in certain States
286. No comments.

Para 84—Central Tractor Organisation Loss in operation by new units

287. The Committee desired that a note regarding overstocking of stores and spares in the Central Tractor Organisation and the views* of the Ministry on the comments of the Committee regarding collection of charges by the Central Tractor Organisation from State Governments at a rate less than its actual cost of reclamation may be expedited.

Para 86—Reserve Pool of Fertiliser

288. The Committee wanted to know whether the Ministry of Finance had also accepted the recommendation. The representative of the Ministry of Finance stated that the Ministry of Food and Agriculture had sent a note to the Director of Commercial Audit which had been formally taken up with them and they had accepted the general principle recommended by the Committee.

The Committee desired to be furnished with a note** giving in details how the price of fertilisers, that were distributed to the cultivators, was worked out.

289. The Committee had then some general discussion with the witnesses on the Grow More Food Scheme and thereafter adjourned to meet again at 10.00 hours on the 8th November, 1957.

*See Appendices XXXVII, XXXVIII.

**See Appendix LXII.

PROCEEDINGS OF THE TWENTY-SECOND SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON FRIDAY, THE 8TH
NOVEMBER, 1957

290. The Committee sat from 10.00 hours to 13.15 hours.

PRESENT

Shri T. N. Singh—*Chairman.*

Members

2. Shri A. C. Guha
 3. Shri N. R. M. Swamy
 4. Shri Upendranath Barman
 5. Shri J. M. Mohamed Imam.
 6. Shri N. Siva Raj
 7. Shri Vijayarama Raju
 8. Shri P. T. Leuva.
 9. Shri Shyam Dhar Misra
 10. Shri M. Govinda Reddy
 11. Shri Jaswant Singh
- Shri A. K. Chanda, *Comptroller and Auditor General of India.*
- Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor General.*
- Shri S. Venkataramanan, *Accountant General, Central Revenues.*
- Shri R. N. Chatterjee, *Chief Audit Officer, Food, Rehabilitation and Supply.*
- Shri P. N. Bhandari, *Director of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

WITNESSES

Ministry of Food and Agriculture (Department of Agriculture)

- Shri P. N. Thapar, *Secretary.*
- Shri Krishan Chand, *Joint Secretary.*
- Shri M. Lal, *Joint Secretary.*

*Ministry of Works, Housing and Supply*Shri J. G. Kumaramanglam, *Deputy Secretary.**Ministry of Finance*Shri K. L. Ghei, *Financial Adviser.*Shri K. C. Das, *Under Secretary, Department of Economic Affairs.*

MINISTRY OF FOOD AND AGRICULTURE

(Department of Agriculture)

Statement of Outstanding Recommendations regarding Pashabhai Patel Implements Case

291. Before the Committee took up for consideration the Statement* showing action taken by the Ministry of Food and Agriculture on the recommendations of the Public Accounts Committee made in their Twelfth Report relating to the purchase of implements from Messrs. Pashabhai Patel and Co., the Chairman explained in brief the history of the case.

To a question, the representative of the Ministry replied that the defects in these implements were noticed by Government in 1951. When asked what was the initial estimate made by the Central Tractor Organisation or Government to make these implements workable, he replied that the first estimate was made by Mr. Grisperger who submitted his report in January, 1954. When his attention was drawn to para 10 of the Seventh Report of the Estimates Committee wherein they had referred to the estimated cost of Rs. 10 lakhs for the rehabilitation of these implements, the representative of the Ministry stated that he would look into the matter and furnish the correct information** to the Committee.

When asked whether the Department was aware that Mr. Grisperger, F.A.O. expert, whose services were secured by the Government to rehabilitate the defective implements, had been an employee of Messrs. Pashabhai Patel and Co., the representative of the Ministry replied that it might have been within Government's knowledge although nothing specifically was on record.

The Committee were of opinion that the settlement with the firm on the basis of Rs. 3,35,650 as the estimated cost of rehabilitation of the implements as reported by a person who had been an employee of the manufacturing firm was wrong as it was very much lower than the initial departmental estimates. They felt that during 1953 when Mr. Grisperger rehabilitated some implements on an experimental basis, the actual cost of rehabilitation should have been known to the Department.

* See Appendix XXXIX.

** See Appendix XLI.

The Committee wanted to know what was the advice of the Ministry to the Cabinet regarding the quantum of compensation to be accepted. The representative of the Ministry replied that he had all the information but could not disclose the same as the Cabinet Secretariat had advised him that the contents of the papers submitted to the Cabinet and the proceedings leading to a decision of the Cabinet were not to be disclosed to the Committee.

The Chairman pointed out that this argument could not be accepted as the question was simple and straightforward requiring certain information on a specific point. It was not a case of furnishing to the Committee papers leading to the Cabinet's decision as presumed by the Secretary. In the Chairman's opinion, the reference to the so-called Cabinet Secretariat's directive was quite irrelevant in this case. A little later the representative of the Ministry stated that it was not in connection with this case that the Cabinet Secretariat had issued the directive referred to by him and it was in some other connection.

The Chairman was critical of the attitude adopted by the representative of the Ministry and observed that the Committee had powers to ask for any information to enable them to arrive at a decision; the Committee's intention was not to call for or look into Cabinet papers. He added that it was not proper on the part of the Ministry's representative to invoke the name of the Cabinet on such occasions when the responsibility for a particular decision of the Cabinet partly lay on the Ministry itself.

The Additional Deputy Comptroller and Auditor General brought to the notice of the Committee a letter dated 6th August 1953 from the ex-Chairman of the Central Tractor Organisation to the Director of Operation and Administration wherein the latter had expressed doubts on the proposal to spend Rs. 10 lakhs on the rehabilitation of these implements. He had also warned against accepting Mr. Grisperger's proposal for rehabilitation estimates without fully ascertaining in field tests, under independent supervision whether the rehabilitated implements would really stand the strain of the type of work for which they are likely to be used.

The representative of the Ministry replied that that letter was not traceable in their files. When his attention was drawn by the Additional Deputy Comptroller and Auditor General to a letter from the Ministry wherein a reference had been made to the above letter, the representative stated that he did not deal with this case himself and the Joint Secretary who was in charge had taken over only four months ago. The Chairman deplored the manner in which the witnesses came before the Committee for giving evidence without proper

preparation. He emphasised the necessity of witnesses coming fully prepared as that would facilitate quick disposal of work.

When asked whether the Ministry informed the Cabinet of the above views of the ex-Chairman, Central Tractor Organisation on the question of advisability of rehabilitation of implements, the representative of the Ministry could not give a satisfactory answer. The Committee got an impression that neither the Chairman, Central Tractor Organisation nor the Ministry were consulted by the sub-Committee of the Cabinet which was appointed to go into the case. They also understood that at no stage the Ministry expressed their views on the report of Mr. Grisperger.

The Committee felt that the Ministry should have been vigilant when the decisions were being taken as they were aware of their implications. It was their duty to inform the Cabinet, Central Tractor Organisation ex-Chairman's views before submitting the case for decision. The Ministry of Finance also should have taken up the question that the compensation proposed was very inadequate when it was known in 1953 as a result of actual experience of rehabilitating the implements that each implement was costing much more for rehabilitation than what Mr. Grisperger had estimated.

When asked whether on receipt of the Cabinet's decision in the case, the Ministry thought it worthwhile making a representation to the Cabinet for reconsideration of the case, the representative of the Ministry replied that no representation was made.

When asked what the Ministry had done on the Committee's suggestion for blacklisting the firm, the representative of the Ministry stated that all concerned had been asked to take special care in dealing with this firm. The Committee were not satisfied with this action.

The Committee then took up for consideration the statement* of the Ministry showing action taken by them on the recommendations of the Public Accounts Committee in their Twelfth Report.

Item No. 2 of Appendix II to the Twelfth Report

292. From the Statement (Appendix XXXIX), the Committee learnt that two of the officers who were mainly concerned had retired and another officer had died. Two other officers who were also involved in the case had retired and another officer had been dismissed for involvement in some other case. Three officers had been warned for "not doing their duty more vigilantly" and another officer had migrated to Pakistan.

The Committee were surprised at the wording of the warning to three officers 'for not doing their duty *more vigilantly*'. They felt that because of the dilatory procedure in taking action against the

*See Appendix XXXIX.

negligent officers and inability of Government to withhold pension of a retired officer, an officer on the verge of retirement could neglect his duties with impunity.

In reply to a question, the representative of the Ministry of Works, Housing and Supply replied that he was not aware whether the warnings had been recorded in the Character Rolls of the Officers.

The Committee desired that such warnings should be recorded in the Character Rolls of the officers concerned for future reference at the time of the officer's promotion/re-employment. It will not serve any purpose if they are simply filed with the case as it would be difficult to trace them. In course of time they are apt to be forgotten.

In the course of his evidence, the representative of the Works, Housing and Supply Ministry made statements which were not in accordance with the written notes furnished by that Ministry earlier to the Committee. The Chairman took exception to this.

He observed that it had been the practice so long not to administer any oath to the witnesses and he expected the witnesses to place before the Committee the correct picture without hesitation. The representative of the Ministry of Works, Housing and Supply apologised to the Committee and stated that it was not at all his intention to hide anything from the Committee and he would check up the facts* again.

The Committee were pained to find that in spite of their recommendation for reconsideration of disciplinary action against the officials involved in the case, no action had been taken and the officers had been absolved of their responsibility.

The Committee were informed that it was proposed to dispose of the implements as scrap and the loss to the Government was expected to be of the order of Rs. 38 lakhs.

The Committee referred to the statement of the Ministry that the sale of 76 implements had resulted in a profit of Rs. 11,032 over their book value. They observed that such statements were misleading as Government had suffered a heavy loss on this transaction.

293. The Committee had then some general discussion regarding the overlapping of jurisdiction of various Ministries in various fields which may result in dissipation of money, manpower, etc.

The Committee adjourned to meet again at 10.00 hours on Saturday, the 9th November, 1957.

*See Appendix XI.

PROCEEDINGS OF THE TWENTY-THIRD SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON SATURDAY,
THE 9TH NOVEMBER, 1957

294. The Committee sat from 10·00 hours to 12·15 hours.

PRESENT

Shri T. N. Singh—*Chairman.*

Members

2. Shri A. C. Guha
3. Shri N. R. M. Swamy
4. Shri Upendranath Barman.
5. Shri J. M. Mohamed Imam.
6. Shri Prabhat Kar.
7. Shri N. Siva Raj
8. Shri Vijayarama Raju
9. Shri P. T. Leuva
10. Shri M. Govinda Reddy
11. Shri Jaswant Singh.

Shri A. K. Chanda, *Comptroller and Auditor General of India.*

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor General.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri R. N. Chatterjee, *Chief Audit Officer, Food, Rehabilitation and Supply.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

WITNESSES

Ministry of Food and Agriculture (Department of Food)

Shri B. B. Ghosh, *Secretary.*

Shri C. A. Ramakrishnan, *Joint Secretary.*

Shri T. C. Puri, *Joint Secretary.*

Shri P. N. Krishnaswamy, *Chief Pay and Accounts Officer.*

*Ministry of Finance*Shri K. L. Ghei, *Financial Adviser.*Shri K. C. Das, *Under Secretary (Department of Economic Affairs).*

MINISTRY OF FOOD AND AGRICULTURE

(Department of Food)

Audit Report (Civil) 1956—Part I*Para 4—Loss on a Charter-Party due to negotiations based on erroneous calculations*

295. In this case, the rate of "carrying" charges ordinarily payable to the sellers for storage of the grain beyond the stipulated time of shipment was miscalculated as a farthing per bushel *per day* instead of *per week*. Accordingly, a reduction of 2s. 6d. per ton was secured by negotiation with the shippers. Had the calculations been correctly made they would have indicated that during the negotiations a reduction of 5s. per ton should have been firmly pressed for, especially as the Department had been advised of its justification according to the normal shipping practice and the circumstances prevailing at the time. The loss on this account was estimated at about Rs. 16,000.

To a question how such a mistake could not be detected in time, the representative of the Ministry replied that there was no dispute or doubt about the mistake which the officer concerned had admitted. But he stated that he had actually asked the Australian Wheat Committee to get the rates reduced by 5 shilling per ton. Neither the Shipping Company was prepared to accept any reduction beyond 2s. 6d. nor the Australian Wheat Committee felt that shipowners could be pressed for that.

The Comptroller and Auditor General explained that the question was not so much that of reduction in freight. It was really a question whether the Charter-Party should have been retained with a negotiated reduction in the rate and if so what the quantum of reduction should be.

The representative of the Ministry stated that the chartering was done by the Australian Wheat Committee and technically cancellation could only be done by them. Secondly, the Government had a continuing deal with the Australian Wheat Committee for importing wheat. The latter thought that ships did get delayed for various reasons, and, therefore, charter should not be cancelled just for that reason. The officer who was in-charge of this deal thought that this advice should not be disregarded.

The Comptroller and Auditor General then pointed out that the notings on the file did not show that the officer in charge thought it wrong to cancel the Charter-Party against the advice of the Australian Wheat Committee. On the other hand, it was clear from the records that only the financial effect of both the alternatives of cancelling the Charter-Party or negotiating for a reduction in the freight rate were considered and there occurred a mistake in the calculations. Moreover, the reduction of 5 shillings was not a severe imposition on the Australian Wheat Committee as another expert agency who were consulted by the High Commission considered that in the circumstances a reduction of 5 shillings was quite reasonable.

When asked on whom the responsibility for the mistake had been fixed and what action had been taken thereon, the representative of the Ministry stated that the mistake was initially made by the lower officer. But it was not detected by the Commercial Counsellor who ultimately negotiated with the Australian Wheat Committee.

The Comptroller and Auditor General mentioned for the information of the Committee that the Australian Wheat Committee waived their claim on the Government for the payment of the carrying charges amounting to about £12,000 which was a very important factor in extenuation of the mistake. The Committee thereupon did not pursue the case.

Para 5—Loss due to faulty agreement

296. In May, 1954, an Indian Embassy was authorised to purchase 55,000 tons of sugar from a foreign firm at the ceiling price of £ 37/10/- C&F to which the firm had informally agreed to its negotiations. Subsequently the firm stipulated that the discharge expenses would be to buyer's account. The Embassy agreed to it without consulting the Ministry. When the latter got a copy of the agreement, they asked the Embassy on 16th July, 1954, to have the clause regarding the discharge expenses amended to make it payable by the sellers in accordance with the Ministry's intention in fixing the ceiling price of £ 37/10/- C&F. After negotiations the firm agreed to bear expenses amounting to only Rs. 79,000 (approximately) in respect of about 22,500 tons which were then awaiting despatch. Government had, however, to bear an expenditure of Rs. 89,595 by way of discharge expenses on the quantity already shipped.

The Committee found it difficult to believe that after so much of experience of imports, the officers in the Commercial Section of

the Embassy did not know the full import of the term "C&F". The representative of the Ministry stated that the practice in this regard was not uniform all over the world. In certain countries stevedoring was paid by the buyer while in others it was paid by the seller. He, however, admitted that in so far as they were concerned 'C&F' was always taken to include stevedoring charges also by the seller unless specifically mentioned to the contrary. But the officer concerned in this case was either not aware of this practice in India or he was influenced by the fact that to have stevedoring charges extra on the buyers' account was not opposed to the trade practice.

The Comptroller and Auditor General pointed out that the explanation of the witness was hardly convincing in that particular case because the suppliers agreed to forego the charges as soon as the Ministry protested against them. Had that not been the normal prevailing practice in that country also the seller would not have agreed subsequently.

The representative of the Ministry replied that, according to the officer, when he realised the mistake he pressed the suppliers by holding to them the prospects of further contracts and because of that they might have agreed to the concession.

To a question whether the officer was right in agreeing to the provision relating to stevedoring charges when Government had fixed the ceiling at £ 37-10-0 per ton. without reference to the Ministry, the representative of the Ministry replied that the officer should have first referred that to the Ministry. That was where the mistake started which involved extra payment.

The Committee thought that in this case if the officer concerned was not fully aware of the intention of Government and the term 'C&F', he should have consulted Government.

To another question whether the officer concerned had been warned for the mistake, the representative of the Ministry replied in the negative.

The Committee observed that the officer who agreed to the additional provision in the contract which involved extra payment without first consulting the Ministry, to put it very mildly, was negligent in his duties. They thought that it was not a *bona fide* mistake, but a question of failure on the part of the officer concerned to carry out specific instructions. The Committee desired that the displeasure of the Government should be communicated to the officers concerned.

Para 6—Loss on sales without proper contract

297. In this case the letter of acceptance of the tender of a firm for the purchase of surplus and unserviceable gunnies, etc. was signed by a junior officer and was not expressed in the name of the President as required under the Constitution. No formal contract was executed. Subsequently, the firm repudiated the terms of the accepted tender and stopped lifting the stores. These had to be disposed of at lower prices, resulting in a loss of Rs. 17,307. On legal advice the contractor was refunded his security deposit plus an additional sum of Rs. 250.

The Chairman observed that the officers should have known as to who was the proper authority to sign contract on behalf of Government and in whose name the contract should be drawn up as required under the Constitution. He thought there was a list of authorities competent to enter into contracts but doubted whether the list had been seen by the officers who signed contracts on behalf of the Government. Even the reports of Public Accounts Committee were not read and no proper action was taken on their recommendations. He was not worried about the small losses which could not be got back. But the Ministries must benefit by the experience of such losses.

The representative of the Ministry agreed that a high level of efficiency should be maintained; but in Administration with thousands of people, they came across mistakes often. He added that where the mistakes were serious and disclosed *mala fides*, stern measures were taken. In cases of *bona fide* mistakes, only attention of all concerned was drawn to them for future guidance.

The Chairman observed that Government did not always take a serious view where necessary. If the plea that the existence of a large number of officers made for inefficiency was accepted, then every big army would become inefficient. While actually, it was the biggest army that was the most efficient today.

Para 7—Grants-in-aid to a private body

298. An All India Women's Organisation was sanctioned grants of Rs. 70,000 in 1950-51 and of Rs. 3,90,300 during the succeeding three years. Out of the latter amount the Central Committee gave advances amounting to Rs. 2,74,528 to its various branches. A private registered firm of Chartered Accountants, who audited the accounts of the Central Committee and of its branches, reported various irregularities in the accounts of the latter. They were

unable to certify whether the whole amount of Rs. 2,74,528 was validly spent for purposes for which it was intended. While noting with regret this deficiency, Government issued orders in October, 1955 for the acceptance of certificate of disbursement from the office bearers of the Council and the branches concerned in lieu of missing vouchers and payees' receipts. This was done on the assurance of the Executive Committee of the Organisation that in all cases the amounts were spent by the branches on the objects for which the grants were sanctioned and also that most of the branches had been closed and in many cases their office bearers could not be located. Even the actual certificates were not available to audit.

The Committee wanted an account of what the Government had done in the matter. The representative of the Ministry stated that the audit of the accounts of this organisation for the year 1955-56 was also conducted by the same firm and they certified all the accounts as correct except two amounts on which certain details were wanting. For the year 1956-57 only an *ad hoc* grant was given and the recurring grant had been stopped.

The Committee recalled the irregularities noticed in the accounts of this Organisation in 1952. Out of a grant-in-aid of Rs. 70,000 in 1950-51, a sum of Rs. 11,611/8/3 remained unspent within the year and was refunded by short drawal of the subsequent year's grant. There was no account for Rs. 58,388 and the Ministry certified that the amount was spent on the objects for which the grant was sanctioned. It was, however, noticed in the local audit that out of this sum, lump sum payments totalling Rs. 50,200 had been made to the several branches and agencies which did not maintain or render any accounts in proper form. It was, therefore, not possible for audit to work out the actual amount of expenditure incurred to satisfy itself that the unspent balance had been correctly refunded by the Organisation to Government.

The Committee observed that in these circumstances, it was difficult to accept any certificate of the Ministry. They were surprised to see that such things were allowed to continue. They were rather unhappy to learn that the Ministry had suggested the furnishing of certificates of payment. They felt that whenever grants-in-aid were made, the Ministry must be cautious in seeing that these were utilised on the objects for which they were intended. They wanted to know the arrangements the Ministry made for checking the accounts of such institutions to which grants-in-aid were given.

The representative of the Ministry replied that there was no other organisation to which they were giving grants.

The Comptroller and Auditor General drew attention of the Committee to the following observation of the Ministry while addressing the Organisation:—

“The second instalment of the grant for 1955-56 will be payable only after the Council submits to Government a clear certificate from their auditors in respect of the amount of expenditure during 1954-55”.

The Committee were pained to learn that despite the above warning to this Organisation, the Ministry took a lenient view and continued grants for three years without getting the requisite audit certificates. They were of opinion that when Commercial Auditors refused to give a certificate, it must reveal a very serious state of affairs.

The Committee wondered why the Government did not think of an administrative check on accounts of such bodies which were given grants-in-aid. At the suggestion of the Comptroller and Auditor General the Committee agreed to examine at a subsequent meeting, the Ministry of Finance on the possibility of such an administrative check by Government to ensure proper utilisation of grants-in-aid.

OUTSTANDING RECOMMENDATIONS

Para 70—Sixteenth Report—Payment of penal rent

299. The Committee observed that Ministry's note on this recommendation had not so far been received. The representative of the Ministry assured the Committee that the requisite note would be furnished to them within two months and he regretted very much the delay that had taken place. This period has also elapsed and the note is still awaited.

Para 78—Twenty-third Report—Purchase of Rice

300. When questioned in regard to the recommendation of the Committee in para. 78 of their 23rd Report that an enquiry should be made into the case with a view to fixing individual responsibility for the loss of about Rs. 2.67 lakhs to Government, the representative of the Ministry explained that he had got the explanations of all the officers concerned and had examined them. The matter would now be placed before the Government.

In reply to a question the Secretary of the Ministry stated that he himself was enquiring into the matter. To another question he replied that he would submit a note within two months to the Committee indicating therein the action taken by the Ministry pursuant to recommendations of the Public Accounts Committee regarding this case. The Committee thereupon decided to defer

further consideration of this case till the receipt of note* from the Ministry. Though two months have since elapsed, the note is still awaited.

301. After some discussions with the representatives of the Ministry on points of general interest relating to the purchase of food-grains from abroad, which might have financial objections later on, the Committee adjourned *sine die*.

*See Appendix XLII.

PROCEEDINGS* OF THE TWENTY-SIXTH SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON FRIDAY, THE
3RD JANUARY, 1958

302. The Committee sat from 15.00 hours to 18.00 hours.

PRESENT

Shri T. N. Singh—*Chairman.*

Members

2. Shri N. C. Laskar
3. Shri Radhelal Vyas
4. Shri N. R. M. Swamy
5. Shri Upendranath Barman
6. Shri H. C. Dasappa
7. Shrimati Tarkeshwari Sinha
8. Shri Prabhat Kar
9. Shri Jaipal Singh
10. Shri P. T. Leuva
11. Shri Shyam Dhar Misra
12. Shri Jaswant Singh

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor General.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri P. N. Bhandari, *Director of Commercial Audit.*

Shri R. N. Chatterjee, *Chief Audit Officer, Food, Rehabilitation and Supply.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

WITNESSES

Present during the examination of the Ministry of Works, Housing and Supply

Shri M. R. Sachdev, *Secretary.*

Shri R. F. Isar, *Joint Secretary.*

* Proceedings of the intervening sittings relate to Excess Accounts and Second Report.

Shri L. J. Johnson, *Joint Secretary and Chief Settlement Commissioner (Ministry of Rehabilitation)*.

Shri V. N. Rajan, *Director General, Supplies and Disposals*.

Shri J. M. Rijhwani, *Chief Engineer, C.P.W.D.*

Shri C. A. Subrahmaniyam, *Chief Controller of Printing and Stationery*.

Ministry of Finance

Shri N. N. Wanchoo, I.C.S., *Financial Adviser*.

303. Before proceeding with the examination of the accounts relating to the Ministry of Works, Housing and Supply, the Chairman impressed upon the representative of the Ministry the need for prompt submission of notes and information desired by the Committee. He also emphasised that all notes/memoranda should, before their submission to the Public Accounts Committee, be invariably shown to audit as required under standing orders on the point.

Audit Report (Civil), 1956—Part I

304. The Committee then took up for consideration paragraphs 11 to 14 of the Audit Report (Civil) 1956, Part I.

MINISTRY OF WORKS, HOUSING AND SUPPLY

Para 11—Departmental execution of work

305. Repairs to certain buildings, estimated at Rs. 58,150, actually cost Rs. 80,334, although a portion of the work let out to a contractor was executed at less than the proportionate estimated cost (of Rs. 21,000). The overall expenditure exceeded the estimates by Rs. 22,184 after absorbing the saving in the contractor's portion of the work. Work done by departmental labour was stated to be not susceptible of measurements and the accounts of materials charged to the work were also not made available. As no explanation for the excess was forthcoming, it was brought to the notice of the Chief Engineer in September, 1953, who stated in January, 1955 that it would be scrutinised by the competent authority before passing it and that disciplinary action would be initiated where necessary. Final action was still (September, 1956) awaited.

At the outset, the Chairman remarked that the case disclosed a certain disquieting position in regard to the maintenance of initial accounts in P.W.D. inasmuch as the work carried out departmentally was stated to be not susceptible of measurement and that the accounts of materials were not made available even after four years of audit.

The representative of the Ministry explained that the quantity account of materials was maintained in the sub-divisions and that was probably the reason for its delayed submission to audit. The concerned Executive Engineer and others were reported to have been warned for delaying the submission of the account. As regards the excess over estimates, he stated that the expenditure incurred was considered as unavoidable and that the completion report was passed by the competent authority and also accepted by the Accountant General, Central Revenues in November, 1956. As such, there was no ground for taking disciplinary action against the officer.

The Committee were unable to accept the explanation. In their opinion, the scrutiny which had been made was not complete and needed further examination. The completion report, it was learnt, was not also complete in several respects and called for further enquiry. The representative of the Ministry promised to look into the case and to submit a report stating *inter-alia* the details of excess amounting to Rs. 22,184 and explaining why the actual expenditure went up.

To a question regarding the basis for framing estimates for maintenance work it was stated by the Ministry that provision was made at 2½ per cent. of the capital cost of the constructions and that in the year under report, the excesses were due to certain unexpected items of work. It was pointed out by the Committee that in the years 1951-52 and 1953-54 also the expenditure was more than this percentage and thus the argument that there were unexpected items of work in the year under examination was not tenable. Either the basis of provision was *out-moded* or extraordinary and unexpected items were a regular feature every year. The Committee urged that the estimates should be realistic and should not be based on the time-honoured 2½ per cent. They must bear relation to the trend of expenditure in recent years. The representative of the Ministry agreed that the estimates should be more realistic and that he would issue necessary instructions to the P.W.D. authorities.

Para 12—Outstanding dues

306. An expenditure of Rs. 1,63 lakhs was incurred by Government upto March, 1955, on provision of municipal services in the newly-developed colonies for Government servants, and displaced persons in Delhi area. According to the decision of 1938, such expenditure was recoverable from the New Delhi Municipality. The dues in the present case, however, covered not only New Delhi Municipality but also others which have come into existence because of the expansion of the Delhi area. The question was whether the capital expenditure on provision of municipal services in

this case should be recovered from all the Municipal Committees concerned and if so, the allocation thereof. The matter was stated to be under consideration of Government since February, 1954, and a final decision was still awaited (January, 1957).

The Committee were surprised as to why the dues were not recovered from the Municipalities in accordance with the general decision of 1938. The representative of the Ministry of Works, Housing and Supply stated that the plots in those colonies which were being sold to displaced persons included already an element on this account in the sale price and it would not, therefore, be proper to recover the amount from the Municipalities also. The Committee were not convinced by the arguments and considered the stand taken by the Ministries was not relevant to the issue. It was, after all, a question of transfer of certain remunerative assets to the Municipalities for which the latter should pay. The fact that any particular building would fetch a higher price (or even lower) because of certain circumstances was no valid ground for deviating from the decision of 1938. They desired to have a re-examination of the case by the Ministry and called for information on the following points:—

- (a) Proforma Accounts regarding number and value of houses constructed for displaced persons, number of houses occupied by them in these colonies, compensation payable to these persons, value of houses given to these people, amount realised, amount that remains to be realised and the compensation due to each of them from the "Rehabilitation Pool".
- (b) The above information to be furnished separately in respect of each colony.

They decided to examine the position on receipt of the note from the Ministry.

Para 13—Faulty placement of contract for printing and binding of forms

307. This is a case where a godown of a contractor, in which paper and binding materials issued to him by the Government for their work were stored, was destroyed by fire, resulting in a loss of Rs. 4,35,644. As against this, the Government held the contractor's cash security of Rs. 5,767 only (inclusive of earnest money). Irregularities such as issue of materials without regard to security deposits, non-assignment of insurance policy, use of inferior stuff, placement of contract without considering the contractor's ability to execute it and huge deficits in stock were noticed in this case. Besides, Government materials of the value of over Rs. 50 lakhs

mostly pertaining to old orders were outstanding on 31st July, 1953 against some other contractor. This figure was stated to have gone down to Rs. 12,38,429 on 30th June, 1956.

The representatives of the Ministry were examined by the Committee on various issues arising out of this case and there was no difference of opinion about the fact that the contract entered with the firm was faulty and that the contract was placed without considering whether the firm had necessary equipment and facilities at its disposal. To a question whether the initial insurance coverage of Rs. 1,50,000 was considered sufficient in view of the running nature of the contract, it was admitted by the Ministry's representative that the insurance coverage was not enough and that the insurance policy was not even assigned to Government. In fact, the draft agreement form which was given by the Solicitor to the Government in Calcutta had not been properly scrutinised.

The examination of the representatives of the Ministry revealed that adequate check was not exercised on the supply of materials and execution of orders. The firm was getting direct supplies from the mills and it came to possess very large stocks as it did not execute the jobs within the stipulated time.

As regards the disciplinary action against the various officials responsible for the loss, the representative of the Ministry promised to send a complete statement regarding action taken indicating therein the remedial measures taken for future.

It was also alleged that the firm used country-made poor quality paper although the contract was for superior quality paper and got payment at full rates. The Committee expressed surprise how this could not have been detected at the time of taking delivery of forms. In their opinion, there had been gross negligence on the part of the officers in charge. The Ministry's representative stated that two Assistant Controllers had been censured for their failure to check the quality of paper and for having passed the bill without scrutiny.

Para 14—Payment of compensation for a building

308. A building, which was requisitioned in Bombay by Government in 1943, was vacated and derequisitioned with effect from 1st July, 1950 and the Collector's order dated the 29th June, 1950 was duly served on the land-lady. She, however, refused to take possession of the building unless the Government's representative deputed to make it over, signed a document produced by her to the effect that the possession was being accepted by her without prejudice to her rights, remedies and claims against Government for possession and damages. This document was not signed by the Officer; but as

a precautionary measure, she was notified that possession of the building was deemed to be under the charge of the owner and Government would not be liable to pay rent from 1st July, 1950.

Notwithstanding the notice, the land-lady went on asserting that the possession of the building was not restored to her. The Government were advised by their Solicitors in April, 1952 that as a formal notice of release from requisition had not been issued or published in the Government Gazette, their legal position was not strong. It was brought to notice by Audit that within seven days after the Solicitor gave this opinion on the case, he revised it on 23rd April, 1952 after examining further papers and advised that the derequisition order had been properly served; but he added that the land-lady was entitled to insist that the building should be restored to its original condition before she would take possession of it. This latter aspect was then referred to the Law Ministry, who advised on 8th May, 1952 that the land-lady was not entitled to insist on the property being restored to its original condition before assuming possession. Despite this advice in 1952, a sum of Rs. 32,000 was paid to the land-lady during November, 1953.

Explaining the reasons for this lump sum payment, the Secretary, Ministry of Works, Housing and Supply stated that the land-lady claimed a compensation of Rs. 80,000 and as the legal position was not quite in favour of Government (as advised by the Law Ministry), the case was settled amicably by payment of the lump sum of Rs. 32,000. The Committee were not quite convinced of the justification of the payment. They were informed that the value of the restoration charges was estimated by the P.W.D. at about Rs. 13,500 and therefore the terminal compensation should not have exceeded that amount. The Government were put to a loss of about Rs. 18,500 as a result of conflicting legal opinions given.

The entire discussion on this para. resolved round the question of conflicting legal opinions between the Government Solicitor in Bombay and the Law Ministry. In the opinion of the Committee the case had been handled in a perfunctory way. The delay in the process of obtaining legal opinion was also, in their view, a matter of concern. The Committee would urge upon the Government to devise remedial measures to avoid such situations in future.

309. The Committee then adjourned till 10.30 A.M. on Saturday, the 4th January, 1958.

PROCEEDINGS OF THE TWENTY-SEVENTH SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON SATURDAY, THE
4TH JANUARY, 1958

310. The Committee sat from 10.30 hours to 13.30 hours.

PRESENT

Shri T. N. Singh—*Chairman.*

Members

2. Shri N. C. Laskar
3. Shri Radhelal Vya
4. Shri N. R. M. Swamy
5. Shri Upendranath Barman
6. Shri H. C. Dasappa
7. Shrimati Tarkeshwari Sinha
8. Shri Prabhat Kar
9. Shri Jaipal Singh
10. Shri P. T. Leuva.
11. Shri Shyam Dhar Misra
12. Shri Jaswant Singh

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor General.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri P. N. Bhandari, *Director of Commercial Audit.*

Shri R. N. Chatterjee, *Chief Audit Officer, Food, Rehabilitation and Supply.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

WITNESSES

Present during the examination of the Ministry of Works, Housing and Supply

Shri M. R. Sachdeva, *Secretary.*

Shri R. F. Isar, *Joint Secretary.*

Shri V. N. Rajan, *Director General, Supply and Disposals.*
 Shri J. M. Rijhwani, *Chief Engineer, C.P.W.D.*
 Shri C. A. Subrahmanyam, *Chief Controller of Printing and Stationery.*

MINISTRY OF WORKS, HOUSING AND SUPPLY

311. The Committee resumed consideration of the Audit Report (Civil) 1956—Part I relating to the Ministry of Works, Housing and Supply.

Para 15—Fraudulent drawal of material from Government Stores

312. Pipes of the value of Rs. 28,469 were drawn from Government Stores on faked indents in October, 1952. The matter was reported to the Police for investigation, but the persons responsible could not be traced. Though, instructions tightening up the procedure for verification of indents and issue of materials were issued in January, 1953, another forged indent was detected on 30th April 1954. A re-examination of the indents received during 19th December 1953 to 30th April 1954 disclosed issue of cement worth Rs. 26,875 during this period against 24 forged indents. Departmental action had been taken against the officials involved. Three officials were being tried in the criminal court.

The representative of the Ministry stated that the three officials, who were being tried in the criminal court, were acquitted; but Departmental action had been taken against them. For future, the Ministry have issued necessary instructions to avoid the possibility of recurrence of such cases. The Committee observed that often mere issue of instructions was not sufficient. Whenever any case of fraud came to the notice of the Government, prompt, speedy and deterrent action was very necessary which would tend to minimise such frauds. The Committee also desired that the administrative Ministries should consider this aspect of the matter and evolve a procedure by which the possibility of such frauds could be minimised.

The Committee also desired to know the present position in regard to the verification of stock issued during 1st October, 1952 to 18th December, 1953. The representative of the Ministry stated that verification of stock except for Rs. 26,000 had been completed and no shortages were found.

It was brought to the notice of the Committee that while action was taken against the Assistant Engineer concerned, he had attained the age of superannuation and he was given extension so that he

might be charge-sheeted. The Committee took objection to this procedure as it resulted in giving an indirect benefit to the person concerned. The representative of the Ministry admitted that in such cases, inquiry should be expedited and should not exceed a definite period, say two months or so.

To a question whether there had been any further cases of fraud in the subsequent years and to what extent did the disciplinary action taken in the past serve as deterrent or proved effective, the Ministry could not give any reply and promised to furnish the information*.

Para 16—Unsatisfactory state of Accounts

313. The Estate Office did not maintain their records in the prescribed form since the inception of the revised procedure of assessment and recovery of rent in 1951. No comparison between the Register of Buildings and the rent accounts was effected to ensure that rent was being correctly assessed and realised in respect of all the buildings under its control. The ledger accounts of tenants were also not closed and balanced.

The Committee recalled that in the Audit Report (Civil) 1952 and in their Fifteenth Report, such failures on the part of Estate Office were pointed out and stated that in spite of all these the position continued to be unsatisfactory. The Committee desired to know why prompt action was not taken on the observations of Audit and the recommendation of the Committee. The representative of the Ministry stated that they had approached the Ministry of Finance for the sanction of additional staff. The special re-organisation unit with a Joint Secretary of the Finance Ministry scrutinised the accounts procedure of the Estate Office and made some suggestions which were stated to be under the consideration of the Ministry.

The Committee had stated in their 15th Report that the arrears of rent due from displaced persons might be deducted from the compensation due to them but the Ministry of Rehabilitation did not agree to the suggestion. The representative of the Ministry explained that besides the legal aspect, there were practical difficulties in tracing the persons concerned. He further stated that Audit had made a suggestion in respect of these recoveries and the Ministry were having consultations with the Ministry of Rehabilitation on the subject. He, however, stated that the situation regarding recoveries of arrears of rent was showing improvement and the arrears were on the decline.

*The note (Appendix LXIII) has since been received but could not be considered by the Committee.

Para 17—Misappropriation by an auctioneer

314. A firm was appointed as Government auctioneer for the various C.P.W. Divisions at a station in December, 1952 on depositing a sum of Rs. 2,000 by way of security but no formal agreement was executed. The firm collected large amounts of auction money which it was to credit to Government before the auctioned goods could be released. In several cases, however, the Divisional Authorities released the goods in anticipation of final credit of such amounts to Government. In July 1953, it came to notice that a cheque issued by the firm in payment to Government of the value of sales had been dishonoured by the bank. It transpired that two other cheques had also been dishonoured earlier. Investigation at this stage revealed that the firm had not passed on to Government the amounts collected by it from sales in the various Divisions to the extent of Rs. 34,031 and that its financial position was not sound.

The representative of the Ministry explained that they were taking action against the officers responsible. This procedure has also been followed by the Director General, Supply and Disposals. The Committee remarked that action by the Ministry was being taken rather late. They emphasised that in all cases of frauds and misappropriations, immediate action should be taken by Government against the persons responsible.

Para 18—Overpayment of rent

315. A Central Government Directorate in Calcutta rented a private building for office accommodation at Rs. 2,670 per mensem with effect from 1st February, 1948. The rent was raised to Rs. 3,738 per mensem with effect from 1st December, 1948 on the basis of 40 per cent. increase allowed under the West Bengal Rent Control Act, 1948. The subsequent Act of 1950 entitled the tenant to have the rent refixed at the original amount of Rs. 2,670 per mensem from 1st April, 1950 to 31st January, 1951 and at Rs. 3,071 per mensem from 1st February, 1951 after allowing for an increase of 15 per cent. The refixation could be claimed with retrospective effect upto six months at any time from the date of filing an application to the Rent Controller. The Directorate did not take up the question of revision of rent within six months of the promulgation of the Act and, could not, therefore, get the full benefit of the reduction admissible under the Act of 1950. The application was filed only on 31st January, 1953 and the rent was revised to Rs. 3,071 per mensem with effect from 1st August, 1952. The delay resulted in an overpayment of rent of Rs. 22,698 approximately to the landlord.

The representative of the Ministry explained that the real cause of this irregularity was a certain amount of diffusion of responsibility. However, in his opinion, the Assistant Director of Administration was primarily responsible for the irregularity but that officer had already retired in 1954. Action was, however, taken against the then Estate Officer and another officer who were also to blame partly. The procedure has since been changed making the Estate Officer directly responsible for all questions of payment of rent and rebates on rent, etc.

In reply to a question, the representative of the Ministry admitted that the Director of Inspection of D.G. S. & D. office was in possession of facts in January, 1953, but the actual irregularity came to the notice of higher officers only in March, 1955. The Officer who was responsible for the loss in this case, handled the case himself and delayed the matter till his time for retirement came. The Committee desired that as soon as irregularities of such nature came to the notice of the Government through Audit objections, they should be communicated to higher officers and action on such cases should be accorded top priority and watched carefully.

Para 19—Extra Expenditure in the purchase of steel

316. A C.P.W.D. Stores Division purchased in 1953-54 1,676 tons of steel from registered stock-holders instead of procuring them from the producers through the Iron and Steel Controller. The rates of the stock-holders being higher than those of the producers by Rs. 30 to Rs. 35 per ton. Government had to incur an extra expenditure of Rs. 57,949 on the deal.

The representative of the Ministry stated that there was difficulty in obtaining the stock through the Controller. However they admitted that there was a procedural irregularity as the Executive Engineer concerned had no authority to make purchases direct from the stock-holder without the approval of the higher authorities. The officer concerned had been warned for the lapse on his part.

Para 20—Loss on a contract

317. In December, 1953, a contract was placed on an unregistered firm for the supply of imported art paper. The firm having failed to deliver the stores of the required specifications the contract was cancelled in May, 1954 at the firm's risk and expense. The repurchase in July, 1954 resulted in an extra expenditure of Rs. 13,946 which was claimed from the defaulting firm in November, 1954. In December, 1954, the firm reported the dissolution of their partnership. The matter was not pursued till October, 1955 when a demand notice was issued which remained undelivered. In April, 1956, the Ministry of Law suggested that notices should be issued to all the partners who were jointly and severally responsible for the contractual dues.

The whereabouts of the partners of the firm could not, however, be located. A cheque of Rs. 5,170 tendered by the firm on account of security deposit was not honoured by their bankers for want of funds. A sum of Rs. 1,909 due to the firm against other contracts had, however, been withheld.

The representative of the Ministry stated that although the firm was unregistered, it had successfully completed contract in the past. As this firm had offered the lowest tender in this case and were in possession of stock of imported paper, they were awarded this contract. He, however, admitted that sufficient care was not taken in taking the security deposit as the same should not have been accepted in the form of a cheque. It was obvious that sufficient care was not taken by the Ministry right from the very beginning in this case. The Committee desired to have a note from the Ministry on the remedial measures taken against losses of the type mentioned in this para together with a statement showing disciplinary action in this case against the persons at fault.

In reply to a question, it was stated by the representative of the Ministry that the Assistant who was found to be responsible was given a warning and that he had since gone on foreign service to Rourkela. The Committee desired to know whether in terms of their recommendation contained in para. 54 of their 23rd Report the facts of the case were intimated to the present employer under whom the Assistant was working. The Ministry promised to furnish a note on the subject.

Para 21—Loss due to wrong advice given to a firm

318. The Ministry appointed a certain firm as their agents for the disposal of aircraft and spare parts taken over by them after the conclusion of World War II. The firm were registered as dealers under the Sales Tax Act of a State Government on 19th November, 1946. When the State Government demanded the returns under the Act, the firm requested the Ministry's intervention for an extension of the time limit for submission of returns. The matter was referred to the Ministry of Law who advised that the Government should refuse to pay the sales tax but made no mention about the non-submission of returns. Nevertheless, the Ministry advised the firm on 21st June, 1948 that until the question of the liability of the Union Government to pay sales tax was decided, the State Government had no ground to demand the submission of the returns. As the returns were not furnished by the firm despite repeated demands from the State authorities, the latter made an *ex-parte* assessment for Rs. 6,37,910 and the firm had to pay it. Out of this, Rs. 2,40,978 represented the actual amount of the Sales Tax on the sales effected during the period from 19th November, 1946 to 31st March, 1947 and

the balance of Rs. 3,96,932 being apparently a penalty for the non-submission of returns. was re-imbursed to the firm by the Ministry in September, 1955.

The representative of the Ministry explained that the advice given by the Law Ministry was that the tax was not leviable and the firm should refuse to pay the tax. The Under Secretary in the Ministry who dealt with the case recorded that until the case regarding payment of tax was decided, the State Government had no tangible grounds to press the firm for submission of returns. He, however, admitted that while communicating legal advice it was safer for the officers to quote the Law Ministry's advice instead of trying to interpret it in one's own language. He admitted that the official did not visualise the consequences. The officer retired on 19th May, 1954.

319. The Committee adjourned to meet again at 10.00 hours on 6th January, 1958.

**PROCEEDINGS OF THE TWENTY-EIGHTH SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON MONDAY, THE
6TH JANUARY, 1958**

320. The Committee sat from 10.30 hours to 13.30 hours.

PRESENT

Shri T. N. Singh—*Chairman.*

MEMBERS

2. Shri N. C. Laskar
3. Shri N. G. Ranga
4. Shri A. C. Guha
5. Shri N. R. M. Swamy
6. Shri Upendranath Barman
7. Shri J. M. Mohamed Imam
8. Shri H. C. Dasappa
9. Shrimati Tarkeshwari Sinha
10. Shri Prabhat Kar
11. Shri Jaipal Singh
12. Shri N. Siva Raj
13. Shri P. T. Leuva
14. Shri Shyam Dhar Misra
15. Shri Jaswant Singh

Shri A. K. Chanda, *Comptroller and Auditor General of India.*

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor General.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

WITNESSES

Present during the examination of the Ministry of Works, Housing and Supply

Shri K. S. Krishnaswamy, *Joint Secretary.*

Shri V. N. Rajan, *Director General of Supplies and Disposals.*

Shri J. M. Rijhwani, *Chief Engineer, C.P.W.D.*

Shri C. A. Subrahmanyam, *Chief Controller of Printing and Stationery.*

Present during the examination of the Ministry of Law.

Shri K. V. K. Sundaram, *Secretary.*

321. The Committee took up further consideration of the Audit Report (Civil) 1956 Part I relating to the Ministry of Works, Housing and Supply.

Para 22—Irregularities in Stores Transactions.

(i) Excessive Purchase of Stores.

322. The above para relates to excessive purchase of stores by the Stationery Office, which resulted in the value of the closing stock exceeding the permissible limit by Rs. 19,34,733 on the 31st March, 1954. It came to notice that the stock in hand on that date represented, on an average, eight to twelve months' actual issues in the previous year even though under the rules, the closing stock should not have exceeded the 2, 3 or 6 months' normal supply according to the nature of articles, the term "normal supply" being interpreted as issues from stock only. The Government, however, decided that as a matter of administrative convenience 'normal supply' should include direct supply also and that on that basis, the excess was very small.

The representative of the Ministry explained that the idea of having the stock in reserve was to be able to meet the demands of the indenting departments in the event of failure of direct supply from contractors, producers, etc. The demand of the indentors was met in two ways: (i) from the stock brought into the stores from the producers, and (ii) from producers direct where demand was in bulk. In the latter case, intermediate handling of stores would be avoided. He further stated that the function of the reserve stock was to cover any possible failure at producers' end, the stock had to be calculated on the total demand irrespective of the means by which it was supplied; and this consideration weighed in taking the view that normal supply should include direct supply also.

The Committee remarked that the Ministry's view would enunciate a new principle, which, if accepted, would have to be applied to all stores and to all other Ministries too. In their opinion, while requirement of stores should be assessed as closely as possible and the limits of stock adjusted accordingly, it would not be correct to correlate the stock limits with the varying situation in direct supply.

The Comptroller and Auditor General of India stated that when once the Ministry knew the total demand and a rate contract was entered into, stocks should not be held except in emergent cases. He added that it would be better to have the views of the Finance representative as it was not merely a question of locking up of capital but also deterioration of stock, stocking charges, etc.

The representative of the Finance Ministry felt that the amount of stocks held against direct supplies should be very limited, as by the very nature of things, such stocks were of an emergency nature. In fact, he added, the question was under examination to find out whether, even if stocks were held in reserve against failure of direct supply, the quantity of stores held in those cases might be for consumption for only a shorter period than the period for which stocks were held against direct supplies to the Stationery Department.

The Committee urged that there should be a co-ordinated and uniform policy in regard to holding of stock and that a suitable formula should be evolved after studying the conditions of demand and supply, period of deliveries, etc. They desired the Ministry of Finance to examine the position from an overall point of view. The representative of the Finance Ministry agreed to submit a detailed note on the point indicating the scope of improving the methods of indenting for stores, their issues and accounting of receipts and issues of stores.

(ii) *Purchase of Teleprinter Paper.*

323. 7,922 rolls of teleprinter paper worth Rs. 94,074 were disposed of by public auction, as the paper proved to be brittle and unfit for use. The Government were aware that the condition of the paper was not satisfactory even at the time of purchase from Disposals Department. The actual conversion of the rolls into note-sheets, etc., took a long time and the paper cut out from the rolls did not prove useful as anticipated.

The Committee remarked that in this transaction, there was unnecessary effort resulting in loss of money and labour. When the paper was too old for any use, it should not have been purchased at all.

The representative of the Ministry explained that the paper was taken over by the Stationery Department in the expectation that it could be made use of. When it was found that no use could be made of it, the paper had to be sent back to the Disposals Department to auction it off. The auction could fetch about Rs. 70,000.

The Comptroller and Auditor General of India remarked that such paper should not have been taken at all. He also commented:

on the delay in auctioning the same, which, had it been done earlier, might have fetched more money than Rs. 70,000. The Committee observed that with a little more care, such a loss could have been avoided.

(iii) *Shortage in Stock.*

324. The stock verification of the Stationery Office and the Forms Press as on the 31st March, 1954 disclosed that deficits in certain kinds of stores were not covered by corresponding excesses elsewhere. The net deficits in such cases amounted to Rs. 15,976 in one office and Rs. 51,042 in the other.

Some stores, which were in existence during the previous physical verification, were found short or missing in the present check although there were no issues of these items during the intervening period. The loss on this account amounted to Rs. 6,208 in one office and Rs. 6,000 in the other.

The Chairman commented generally on the defect in the system of issues from stock, resulting in shortage and desired a better system to be evolved than the one obtaining at present. He emphasised that in the absence of a good system of accounting of stock, it would be difficult to keep track of things and leakages in stock would continue.

The representative of the Ministry stated that the question of accounting, issue of vouchers etc., in regard to stores transactions was under consideration.

Appropriation Accounts (Civil), 1953-54 and 1954-55.

325. The Committee then took up the Appropriation Accounts relating to the Ministry of Works, Housing and Supply for consideration. Certain large savings in Grants Nos. 103, 139, 140 (1953-54), 103, 138, 139 and 140 (1954-55) and surrenders in some cases were pointed out which were indicative of over-budgeting and making the budget more realistic.

OUTSTANDING RECOMMENDATIONS

Para. 115-117 of the Twenty-third Report—Extra expenditure on U.S. Stores—Conflicting Legal opinion.

326. In paragraphs 115 to 117 of the Twenty-third Report of the Public Accounts Committee the Committee had been very critical about the delay on the part of the Works, Housing and Supply Ministry in instituting arbitration proceedings against the firm. In doing so, the Committee had also drawn attention to the conflicting opinions of the Law Ministry in this case and suggested that Government should give some thought to this matter. Both the Ministries sub-

mitted notes in respect of the observations of the Committee (Appendices LVIII and LIX). Certain points arising out of these notes were referred to the Ministries which together with their replies are reproduced in Appendix LX.

The Chairman drew the attention of the representative of the Law Ministry to the case cited above and desired to know precisely the position (i) regarding delays in giving opinions, (ii) the manner or form in which references to the Law Ministry were made by other Ministries and how the Law Ministry satisfied themselves about the completeness of the case.

As regards the delays, the representative of the Law Ministry explained that in the past, delays did occur owing to the large number of such references for opinion to the Law Ministry. There might be about 10 to 15 thousand cases during a year. He, however, stated that the position had improved considerably with the formation of a separate group for each Ministry and group officers to advise them. He felt that this system, which was introduced some 2 to 3 years ago, was working well and delays in the disposal of cases had been very much reduced.

As regards the question as to how the Ministry ensured that the references made to them were adequate and complete, it was explained that unless the whole file was waded through it could not be possible to say whether all the facts were there. He also stated that if the Law Officers were given more time and slightly less volume of work it should be possible to look into things with greater care. At the instance of the Committee, the Ministry's representative promised to submit a detailed note regarding steps to be taken to avoid conflicting legal opinions and strengthening of the organisation giving legal advice.

Para 128 of the Sixteenth Report and 90 of the 15th Report.—Safeguarding clauses in contracts.*

327. Referring to the recommendations made in the above paragraphs of the Public Accounts Committee reports, the Chairman emphasised that the contracts should be entered into after proper advice and strict scrutiny. At any rate he desired that the procedure in regard to contract agreement forms, review of contracts, etc., should be simplified.

The Comptroller and Auditor General of India pointed out that the recommendation made by the Public Accounts Committee in their earlier reports was based on the experience in the United States, where in regard to certain contracts, there was a provision for

*See Appendix LVII.

reviewing the contracts. When a country like America which was wedded to the ideal of private enterprise, could legislate on such a thing it was but proper, he stated, that there should be some such safeguards in India also which was having large development programmes. The Committee, therefore, felt that the Law Secretary should *inter alia* look into the American Legislation on the subject and consider the suitability of adopting the same *mutatis mutandis* to safeguard the interests of the Exchequer. They agreed to the C.&A.G.'s suggestion and desired that the whole position in regard to contract-safeguards should be examined by the Law Ministry and a detailed note on the scope of revision of contract form with a view to safeguard the interests of Government and to enable Government to reopen past contracts when unconscionable payments had been made, should be submitted to them. The representative of the Law Ministry promised to send a note on the subject.

*Para *32 of the 15th Report, Paràs 125 and 127 of the Sixteenth Report.*

328. The Chairman pointed out to the Ministry's representative that the disciplinary aspect of the cases was not fully considered and in some cases full facts were not communicated to the Union Public Service Commission. The representative agreed to examine the cases of charge-sheet again and to send a note regarding finalisation of cases involving disciplinary action.

329. The Committee then adjourned till 10.30 hours on Tuesday the 7th January, 1958.

*See Appendix LVI:

PROCEEDINGS OF THE TWENTY-NINTH SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON TUESDAY, THE
7TH JANUARY, 1958

330. The Committee sat from 10.30 hours to 13.15 hours.

PRESENT

Shri T. N. Singh—*Chairman*

Members

2. Shri N. G. Ranga
3. Shri A. C. Guha
4. Shri N. R. M. Swamy
5. Shri Upendranath Barman
6. Shri J. M. Mohamed Imam
7. Shri H. C. Dasappa
8. Shrimati Tarkeshwari Sinha
9. Shri Prabhat Kar
10. Shri Jaipal Singh
11. Shri N. Siva Raj
12. Shri P. T. Leuva
13. Shri Shyam Dhar Misra
14. Shri Jaswant Singh

Shri A. K. Chanda, *Comptroller and Auditor General of India.*

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor General.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri P. N. Bhandari, *Director, Commercial Audit.*

Shri R. N. Chatterjee, *Chief Audit Officer, Food, Rehabilitation and Supply.*

Shri M. S. Sarna, *Deputy Accountant General, Production, Commerce and Industry.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

WITNESSES

Ministry of Commerce and Industry

Shri S. Ranganathan, *Secretary.*
 Shri L. K. Jha, *Special Secretary.*
 Shri A. Zaman, *Joint Secretary.*
 Shri N. Subrahmanyam, *Joint Secretary.*
 Shri U. L. Goswami, *Joint Secretary.*
 Shri B. B. Saksena, *Joint Secretary.*

Ministry of Finance

Shri K. L. Ghei, *Financial Adviser.*

MINISTRY OF COMMERCE AND INDUSTRY

Pages 14-15, *Appropriation Accounts (Civil) 1953-54, Grant No. 2—Industries, Note 10, sub-head N. Expenditure on Khadi industry and Note 17: Pages 15-16, Appropriation Accounts (Civil) 1954-55 Grant No. 2—Industries, Notes 13, sub-heads A-1(2)—Village Industries and A.3 Development of Khadi Industry and Note 16.*

331. These relate to the All India Khadi and Village Industries Board. The stores accounts of the Board for the years 1953-54, 1954-55 and 1955-56 were not furnished to Audit. The utilisation certificates in respect of several Grants were also not received.

The Committee wanted to know the present position of these stores accounts. The representative of the Ministry stated that stores accounts for the year 1953-54 had been completed and sent to the Assistant Accounts Officer, Bombay in respect of zonal office, Wardha on the 31st December, 1956.

The Committee enquired whether, at the time the Board was set up, the Ministry thought that stores accounts would have to be kept for which some arrangements would be necessary. The representative of the Ministry explained that the internal Audit parties had been appointed only recently by the Khadi Commission. Previous to that there had been certain difficulties because it was composed of non-officials mainly and adequate staff on the official side had not been provided. He added that Audit parties and a Chief Accounts Officer as also a Financial Adviser had been appointed recently. This and various other steps taken would give no occasion for this sort of omission in future. He promised to

furnish to the Committee a note* indicating the volume of work still left and when the Ministry expected it to be brought upto date.

When asked whether there had been any resistance from non-officials on the Khadi Commission to the appointment of officials by the Ministry, the representatives of the Ministry replied in the negative. To a question he replied that the Commission had become a statutory body and had powers to recruit its own staff. For posts carrying a pay of Rs. 500 or above only, Government's sanction was necessary. But such posts were few. Even here the Commission made recruitment and there was very little Governmental interference.

The Committee desired to be furnished with a note† explaining the type of control the Ministry exercised over the Commission.

To a question the representative of the Ministry replied that Khadi Commission, Handloom Board, Handicrafts Board and Silk Board were distinct entities. For co-ordination between these bodies they had periodical meetings to which the Chairman and the Secretaries of these bodies were invited and the Minister for Commerce and Industry presided over these meetings.

When asked whether there was any blurring of responsibility because of existence of these independent organisations, the representative of the Ministry replied in the negative and added that co-ordination was nevertheless desirable and the setting up of a Co-ordination Committee as above ensured that at the policy level there was no lack of co-ordination. Moreover, all these Boards with the exception of the Khadi Commission functioned through the agency of the State Government and "the apparent parallel organisations did meet somewhere".

The Committee desired the Ministry to investigate whether in the development of printing and dyeing by Silk, Handloom and Handicrafts Boards any duplication of men and materials was involved in Madras and Bombay areas and whether it would not be desirable that certain areas were taken up by a particular Board while other areas were taken up by other Boards. They desired the Ministry to examine the question of having certain common services for research, engineering, etc., by these Boards. They invited attention to the observations of the Planning Commission's Team on Community Development and National Extension Service

*Not printed. Not vetted by Audit.

†See Appendix IV.

and hoped that the Ministry were examining that these Boards were not cutting into one another.

The Committee next enquired whether the Government were satisfied that the grants and loans to the Commission were utilised for the intended purpose. The representative of the Ministry stated that he thought the purpose for which grants and loans were given was actually fulfilled and Audit had pointed out no case to the contrary. The C. & A.G. intervened to say that unless utilisation certificates were made available to Audit he could not say whether funds had been utilised for the intended purposes. The Committee, therefore, deferred opinion on this matter till such time as utilisation certificates were made available to Audit. They impressed on the Ministry the necessity of getting utilisation certificates which they felt was in the interest of the good name of the organisation itself.

They desired to be furnished with a list* of the organisations in each State that were getting grants from the Khadi Commission indicating therein the amount that each organisation was getting.

Appropriation Accounts (Civil), 1953-54

Page 16, Grant No. 2—Industries, Note 14 sub-head M—Expenditure on Development of Handloom Industry.

332. During the year grants aggregating Rs. 1,47,14,839 were sanctioned by the Government and a sum of Rs. 1,39,27,800 was placed at the disposal of the State Governments for expenditure on the development schemes, with the stipulation that the unspent balance should be surrendered at the close of the year. The State Governments spent a sum of Rs. 11,77,655 in 1953-54 and out of the unspent balance of Rs. 1,27,50,145 surrendered a sum of Rs. 1,08,56,759. The balance was surrendered in the following year.

The Committee desired to know the reasons for the non-utilisation of funds placed at the disposal of these States. The representative of the Ministry stated that these amounts related to the initial period when they had greater difficulties in disbursing the funds in small amounts over an extensive area. Majority of these loans had been advanced in 1952 or early 1953 when the organisation for utilisation of the funds had not been created in most of the States. When questioned why funds were asked for when it was not possible to disburse them, the representative of the Ministry stated that formerly their procedure for sanctioning loans used to take time. Actual moneys were made available to the States sometimes in the months of October and November out of the budgeted allotment when almost half of the year had passed by. A new procedure had

*Since received. Not printed.

since come into effect according to which majority of the sanctions were issued within the first two months of the financial year.

The Committee doubted whether even now funds were made available for schemes in time. They desired to be furnished with a note* containing the following information:—

- (a) What amounts were sanctioned each year from 1954-55 to 1956-57 for the development of Handloom and Khadi Industries?
- (b) What amounts were placed at the disposal of State Governments for the development of Handloom and Khadi Industries during these years?
- (c) What amounts were actually spent by the State Governments during these years?
- (d) A break-up of grants during these years to State Governments, private parties, co-operative societies, etc., out of the Fund for the Development of Handloom and Khadi Industries.
- (e) On what date the Khadi and Handloom Boards were separated?
- (f) A note giving the names of private parties together with the amount granted to each of them out of a total grant of Rs. 84,750 to private parties in 1953-54. The nature of these grants may also be indicated.

Appropriation Accounts (Civil), 1954-55

Page 26, Grant No. 3—*Commercial Intelligence and Statistics, Note 3. Printing of pamphlet.*

333. About 20,000 copies of a pamphlet entitled "New India, Your Market" containing information on India's trade and production up to 1948 and 1949 were published at a cost of £ 1,660 by the High Commissioner, London in 1949 in 2 prints. The reprint of 10,000 was undertaken when 7,000 copies of the first print were in stock. In all about 2,000 copies were sold and another 5,000 were either distributed free or lost. A sum of £ 1,400 being the value of surplus copies had to be written off by Government in 1954.

The Committee felt that if the purpose of the pamphlet was to give some useful information to the people concerned why it was not brought up to date at the time of reprint and what was the necessity for a reprint when there was large stock lying unused, unsold and undistributed. The representative of the Ministry admitted that there had been an error of judgment.

*See Appendix V.

When asked whether the Ministry knew at the time of reprint the number of copies they held already in their stock, the representative of the Ministry replied in the affirmative. He added that the officers who were in charge of this felt that it would be economical to print more copies of the pamphlet when the type had been kept standing. The Committee learnt that the reprint order of 10,000 copies covered the requirements of the next five years. If so, they felt reprint for the next five years was very unwise as the position in this regard was changing from year to year.

They desired to know whether responsibility for this had been fixed on any particular officer, or any steps taken in this direction. The representative of the Ministry promised to look into the question. The Committee felt that action should not have been delayed for so long.

Page 15, Grant No. 2—Industries, Note—10. Sub-head—Lump Provision for Technical Co-operation Assistance and Point Four Programme.

334. An expenditure of Rs. 8,966 was incurred for the services of eight experts under this programme to the private industries. But no recoveries were effected from the private industries.

The Committee wanted to know the reasons for not making the recoveries unlike in the previous years. The representative of the Ministry explained that whenever the services of an expert were obtained at the request of private industrial units for their own benefit, the expenses for his services were borne by the private industrial units. On the other hand if the services of the expert were intended for the benefit of the industry as a whole, Government paid for such services.

Appropriation Accounts (Civil), 1953-54

Page 17, Grant No. 2—Industries, Note 16

Infructuous Expenditure.

335. In this case a textile mill in a State requisitioned the services of a Central Government Officer. He was relieved on the 29th September, 1953 and reported to the State Government on the 1st October, 1953. But his services were never utilised by the Mill and he was asked to join his original post on 28th December, 1953. All the time, he was treated as on tour which cost the Central Government Rs. 3,002 on account of his pay and allowances for this period.

The Committee wanted to know the reasons for not holding the State Government at whose instance the officer was relieved liable for this expenditure. The representative of the Ministry stated

that it would have been unreasonable as the Central Government had relieved the officer before the terms of his services were agreed upon by the mill or the State Government concerned. At the same time, he continued, the Central Government were perhaps not unreasonable in taking it for granted that the mills would agree to the terms they agreed to on the officer's first deputation with them.

Page 13, Note 7, sub-head A2, Grants-in-aid to the Central Silk Board

336. During the year the total receipts of the Silk Board were Rs. 16,20,077 including Rs. 15,18,779 received as a grant from the Central Government. Its total expenditure was Rs. 13,32,784 and the unspent balance of Rs. 2,87,293 was carried forward to the next year.

The Committee wanted an explanation for allowing the Board to carry forward the unspent balance. The representative of the Ministry stated that since then the practice had been changed and no balances were allowed to be carried forward.

The Comptroller and Auditor General stated that he could not see how far the Ministry were right in the decision they had taken. He thought that if the granted amount were allowed to remain with the Board, it could continue its activities in the initial months of the year whereas if it was resumed the Board might be impaired in its activities in the first few months of the new financial year. The representative of the Ministry stated that the moment the budget was voted, they made the funds available to the Board. He added that a certain degree of continuity was provided by the method of annual planning, examination of the annual plan with the State Governments at the Planning Commission level and the system of giving sanctions in excess of the Budget provision though the expenditure was limited to the budgeted amount. To another question he replied that in practice such an agreement had not hampered the continuity of finances.

Page 14, Note 9, sub-head A.7—Grants-in-aid to the Indian Institute of Art-in-Industry.

337. Apart from stating that the amount of the grant-in-aid should be equal to the amount collected by the Institute from the Industry and other sources (excluding States) subject to a maximum of Rs. 40,000, no condition was attached to the grant unlike in the previous year, when a certificate was required to be furnished that the grant had been utilised for the purpose for which it was intended. The Institute had at the end of 1952-53 a credit balance in the General Fund Accounts of about Rs. 1.35 lakhs inclusive of a cash balance of Rs. 73,243 and yet a sum of Rs. 34,240 was paid during the year.

The Committee wanted to know the reasons for not insisting upon the condition of utilisation certificates in this year. The representative of the Ministry stated that the grant had been sanctioned after a personal inspection of the institute by the Secretary of the Ministry and on the recommendation of the State Government who must have been satisfied that the amount was being utilised for the intended purpose and the insistence on the utilisation certificate would have only been a formality. He promised to look into the matter and enquire whether there had been any other object in not insisting on the utilisation certificate. The Committee desired to be furnished with a note* giving the amounts that the Institute was spending annually and how much was raised by it from other sources and how much was contributed by the Central and State Governments. They also desired the Ministry to ask for the utilisation certificate from the Institute before making any provision in the budget for subsequent years.

Page 15, Note 13—Cotton Textile Fund

338. In reply to a question the representative of the Ministry explained that the Cotton Textile Fund had been created by the collections of a customs duty of 3 per cent. of the maximum ex-factory price leviable on cloth and yarn exported from India under the Cotton Textile Funds Ordinance 1944. The collections were discontinued with effect from the 27th November, 1947 and no money was accruing to the Fund. The Fund was to be utilised for promotion of exports of cotton cloth and yarn and technical education and research relating to cotton textile industry, to carry out which the Cotton Textile Fund Committee had been set up and was being continued from year to year.

The Committee then had a general discussion with the representatives of the Ministry on matters relating to the National Instruments Factory, and establishment of funds outside the Consolidated Fund under Ministries.

339. The Committee then adjourned to meet again at 10-30 hours on the 8th January, 1958.

* See Appendix VI.

**PROCEEDINGS OF THE THIRTIETH SITTING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON WEDNESDAY, THE
8TH JANUARY, 1958.**

340. The Committee sat from 10-30 hours to 13-30 hours.

PRESENT

Shri T. N. Singh—*Chairman.*

Members

2. Shri N. C. Laskar
3. Shri Radhelal Vyas
4. Shri N. R. M. Swamy
5. Shri Upendranath Barman
6. Shri H. C. Dasappa
7. Shrimati Tarkeshwari Sinha
8. Shri Prabhat Kar
9. Shri Jaipal Singh
10. Shri P. T. Leuva
11. Shri Shyam Dhar Misra
12. Shri Jaswant Singh.

Shri P. C. Padhi, *Additional Deputy Comptroller and
Auditor General.*

Shri S. Venkataramanan, *Accountant General, Central
Revenues.*

Shri P. N. Bhandari, *Director of Commercial Audit.*

Shri R. N. Chatterjee, *Chief Audit Officer, Food, Rehabili-
tation and Supply.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

341. The Committee discussed in general certain points regarding Parliamentary Control over Public Undertakings, Budgetary Control over expenditure, etc. The Committee then took up for consideration the outstanding recommendations in respect of Ministry of Works, Housing and Supply.

Fifteenth Report

Para 34—Contract for Prefabricated Buildings

342. In their reply the Ministry have stated that the suggestions of the Committee had been discussed further with the Ministries of Finance and Health and that it was not possible to fix responsibility on any individual as the decision to award the construction work to Reema Construction Co. Ltd. was taken jointly at the level of Ministers. The Comptroller and Auditor General of India agreed that the Ministry's reply was substantially correct and that no further action was possible in the matter.

Para 35—Disposal of surplus of American Stores

343. No further action was considered necessary.

Para 36—Improper Payments to Contractors

344. After going through the note (Appendix LXIV) furnished by the Ministry, the Committee agreed with the suggestion of the Comptroller and Auditor General of India to close the case.

Sixteenth Report

Para 61—Administrative Audit System in the Multi-purpose River Valley Projects and Ministries.

345. In their note (Appendix LXV) the Ministry stated that a C.T.E.'s cell was established and that the question of expansion of the cell would be considered in due course in the light of experience gained. The Comptroller and Auditor General remarked that the idea was to have the organisation independent of the Chief Engineer and that the scheme has now produced results.

Paras 101 and 102—Nugatory expenditure on the construction of the prefabricated Housing Factory.

346. The Committee deferred examination of this case as the termination agreement was stated to be under the scrutiny of the Director of Commercial Audit.

Para 122—Road Rollers Bulk Procurement Scheme

347. The Committee were concerned as the case was dragging on for 10 years and Government had not come to any conclusion so far in regard to fixation of final prices of Road Rollers. The Committee urged that accounts could not remain unsettled for such a long time.

Para 125—Over-payment due to faulty measurement

348. The Committee were dissatisfied with the delays occurring in the Ministries in general in taking disciplinary action against persons concerned.

Twenty-third Report

Para 103—Delay and extra expenditure in making purchase

349. The Ministry have noted the observations of the Committee and issued suitable instructions. The Committee decided to call for copies of the instructions issued in this case and that in future, in all such cases, the Ministries should be instructed to furnish a copy of the instructions issued.

Para 127—Misappropriation of Government Money by an auctioneering Firm.

350. In regard to the responsibility of certain officers, the Ministry stated that further action would be taken on release of the records from the Civil Court. This note, which was of an interim nature, the Ministry did not send it to audit for vetting. The Comptroller and Auditor General urged and the Chairman agreed with the former that even in such cases it was desirable for the Ministry to refer the notes to audit.

351. The Committee then adjourned till 10.30 hours on Thursday, the 9th of January, 1958.

PROCEEDING OF THE THIRTY-FIRST SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON THURSDAY, THE 9TH JANUARY, 1958

352. The Committee sat from 10·30 hours to 13·30 hours.

PRESENT

Shri T. N. Singh—*Chairman.*

Members

2. Shri Ram Subhag Singh
3. Shri N. C. Laskar
4. Shri N. G. Ranga
5. Shri A. C. Guha
6. Shri N. R. M. Swamy
7. Shri Upendranath Barman
8. Shri J. M. Mohamed Imam
9. Shri H. C. Dasappa
10. Shrimati Tarkeshwari Sinha
11. Shri Prabhat Kar
12. Shri Jaipal Singh
13. Shri N. Siva Raj
14. Shri P. T. Leuva
15. Shri Shyam Dhar Misra
16. Shri Jaswant Singh
17. Shri J. V. K. Vallabharao.

Shri A. K. Chanda, *Comptroller and Auditor General of India.*

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor General*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri P. N. Bhandari, *Director of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Present during the examination of the Ministry of Home Affairs

Shri A. V. Pai—*Secretary.*
 Shri V. Vishwanathan—*Joint Secretary.*
 Shri Hari Sharma—*Joint Secretary.*
 Shri S. B. Bapat—*Joint Secretary.*
 Shri R. C. Dutt—*Joint Secretary.*
 Shri N. Sahgal—*Joint Secretary.*

Ministry of Finance

Shri M. S. Bhatnagar—*Financial Adviser.*

Present during the examination of the Ministry of Irrigation and Power

Shri T. Sivasankar—*Secretary.*
 Shri M. S. Thirumale Iyengar—*Chief Engineer, Hirakud Dam Project.*
 Shri Vidya Ratna—*Secretary, Bhakra Control Board.*
 Shri S. Sunder Rajan, *Financial Officer and Chief Accounts Officer, Hirakud Dam Project.*
 Shri S. D. Khungar, *General Manager, Bhakra-Nangal Project.*

Ministry of Finance

Shri R. Narayanaswamy—*Financial Adviser.*

MINISTRY OF HOME AFFAIRS

353. *Appropriation Accounts (Civil), 1954-55. Page 16, Grant No. 55—Police:* In this case a sum of Rs. 2,43,400 was surrendered though the actual expenditure resulted in an excess of Rs. 11,12,082, being attributable entirely to sub-head C.I. "Lump sum charges paid to State Governments". The expenditure on this sub-head was more than 25 per cent. of what it had been in the previous year.

The Committee wanted to know how the Ministry watched the progress of expenditure and whether the existing arrangements for it were wanting in any respect. The representative of the Ministry stated that non-inclusion of a provision for police services for the Centre in their budget estimates by Madhya Pradesh Government resulted in an excess. He stated that the demand for the services of the police occurred suddenly in emergencies and details had to be settled through correspondence. He, however, conceded that in the present case, there had been delay in adjustment of figures. In reply to a question he stated that adjustments could be expedited by having a standard rate for police services.

The Comptroller & Auditor General intervened to say that actually the Madhya Pradesh Government had not made any provision for leave and pension contribution to the Police in their budget estimates and subsequently when the Accountant General raised the debit, it came to the notice of the Home Ministry. Secondly, a certain amount of expenditure was incurred when it was decided that certain police battalions of M.P. and Bihar should be placed on par with the Indian troops in Kashmir and the expenditure had been met initially out of the Defence estimates. Subsequently, the debit was raised against the Home Ministry.

The Committee were of the opinion that the Ministry should issue clear instructions to State Governments that their estimates should be comprehensive and include all the charges which were allocable to a particular grant. They also desired that whenever a Ministry incurred expenditure on behalf of another Ministry there should be a mechanism by which the position was communicated at the earliest possible date. They felt that the Ministry of Home Affairs should be able to devise standard rates for Police services for each of the different States well in advance.

Page 24, Grant No. 57—Miscellaneous Departments and Expenditure under the Ministry of Home Affairs, Note 4—Infructuous Expenditure

354. In May, 1955, two houses were arranged by verbal negotiation for hire for the office accommodation of a Commission at Srinagar, subject to confirmation in writing. In the meantime, the Commission abandoned the move. One landlord preferred a bill for Rs. 3,000 for his lease and was paid Rs. 2,350, as the balance of Rs. 650 was realised by the landlord by leasing the house to a third party for two months. The claim of the other landlord was rejected. An expenditure of Rs. 725 was incurred on the T.A. of the officer who visited Srinagar more than once in this connection.

The Committee wanted to know the reasons for meting out different treatments to the landlords when there had been no written commitment with either. The representative of the Ministry stated that in the case of one house, no definite commitment had been made and the landlord was willing to reserve the house. In the case of the other house, the landlord was not willing unless a definite commitment was made. As a verbal commitment had been made in the latter case, liability had to be accepted. He stated that there had been no discrimination.

Intervening, the C. & A.G. stated that when the owner of one of the houses preferred a claim, the officer concerned instead of rejecting the claim as he had done in the other case, sent a loosely-word-

ed reply which was later on construed as an indirect commitment and the payment had to be made.

To a question, the representative of the Ministry replied that the officer concerned did not make the commitment on his own. He telephoned from Srinagar that it would not be possible to reserve the house unless a definite commitment was made. The Committee wanted to know the reasons for the officer settling differently with these two landlords. The representative of the Ministry stated that one of the houses was intended for members of the Commission and the Chairman while the other for the staff. A firm commitment was considered advisable in the former case while it was not so in the latter as the staff could be accommodated in boats, if necessary.

Page 29, Grant No. 58—Andaman and Nicobar Islands, 8-A—Profit and Loss Account of Forest Department, Item (b).

355. The Profit and Loss Account of the Forest Department, Andamans, showed a net profit of Rs. 4,92,721 for the year 1954-55. But the profit would turn into a loss of Rs. 6,87,592 if certain other factors were taken into account properly. One of them was over-valuation of the closing stock of timber at Madras Depot which included a quantity which had been shipped there in 1952-53, in spite of repeated protests from the Depot Officer intimating lack of demand. Had that stock been valued at market rates the profit would have decreased by Rs. 65,557.

When asked how the Committee could accept the accounts maintained by the Ministry without regard to established accounting principles, the representative of the Ministry stated that the Forest Department, Andamans, was actually being looked after by the Ministry of Agriculture. The Committee felt that as the item was included in the grant voted by Parliament to the Home Ministry (though there might be some internal arrangement by which certain aspects of the administration of those islands were looked after by another Ministry), the responsibility should rest with that Ministry. They desired that the Proforma Accounts be re-cast in consultation with Audit and compliance intimated to them.

Page 21, Appropriation Accounts (Civil) 1953-54 Grant No. 58—Andaman and Nicobar Islands—Marine Department, Andamans, Para 4(c)—Stores and Page 28, Appropriation Accounts (Civil), 1954-55, sub-para 2 of para 6—Stores

356. The balance of Marine Department stores had been increasing from year to year,—from Rs. 7.42 lakhs on 31st March, 1952 to Rs. 16.28 lakhs on 31st March, 1956.

The Committee wanted to know whether there was any stock limit prescribed for these stores. In reply to a question, he stated that the stocks were going up because of the tempo of expenditure on the Five Year Plan. The C. & A.G. intervened to say that the reply was not quite valid as actually the year 1955-56 showed a slight drop in the issues.

The Committee desired the Ministry to review the whole position and consider whether, having regard to the actual issues, the stocks held were not excessive, as there was always the risk of deterioration in storage.

357. *Sub-para 1 of para. 6.*—The Committee desired the Ministry to investigate whether the overheads for the various activities of the Marine Department were not disproportionately high *vis-a-vis* labour costs.

*Appropriation Accounts (Civil), 1953-54, Page 182—Grant No. 135—
Capital Outlay of the Ministry of States*

*Appropriation Accounts (Civil), 1954-55, Page 200—Grant No. 95—
Miscellaneous Expenditure under the Ministry of States*

*Page 201, Grant No. 126—Capital Outlay of the Ministry of Home
Affairs*

Page 208, Grant No. 134—Capital Outlay of the Ministry of States.

358. In these Grants, there had been over-budgeting. The percentage of savings varied from 48 to 85. The Committee stressed the necessity for accurate budgeting and discouraged the tendency to over-budget expenditure as that may ultimately lead to higher taxation. They also deprecated the tendency on the part of Ministries to make lump sum provision like the one at page 163 of 1954-55 accounts under Grant No. 92 for Rs. 10 lakhs for schemes for welfare of scheduled tribes, out of which Rs. 8,22,000 were surrendered.

The Committee then referred to cases in which disciplinary action had been recommended. They desired that whenever any reference was made to the U.P.S.C. in this connection, their observations having a bearing on the case against any officer should always be communicated to the U.P.S.C. so that the Commission would be in possession of all the facts of the case. They desired the Ministry to make an analysis of cases in the past few years and find out whether the observations of the Committee were placed before the Commission wherever the Committee had expressed their views. The representative of the Ministry stated that he would consider that point. They desired that service and pension rules should be amended suitably so

as to enable Government to initiate and complete action in disciplinary cases quickly and also to punish persons retiring before the enquiry against them could be completed.

MINISTRY OF IRRIGATION AND POWER

*Appropriation Accounts (Civil) 1953-54, Page 10, Grant No. 130—
Other Capital Outlay of the Ministry of Irrigation and Power*

359. The entire grant of about Rs. 5.2 crores remained unutilised. In reply to a question, the representative of the Ministry stated that this related to equipment under the Colombo Plan which was not received. He agreed to examine whether there had been any fault on the part of the Ministry and to send a note to the Committee. When asked whether non-arrival of these equipment retarded the plan and programmes in any way and whether any expenditure was incurred in India in the expectation that the equipment would arrive, he stated that he did not think so but that he would examine that point also. The Committee also desired to know the dates on which the equipments were expected to come and were actually received and in which year's accounts their cost had been adjusted.

OUTSTANDING RECOMMENDATIONS

Fifteenth Report

360. *Paras. 10, 11, 12, 13(c) & (d), 34, 41, 48, 50, 69, 88, 89, 90, 91, 114 and 115.*—No comments.

Sixteenth Report

Paras. 5 (Introduction), 10, 11, 12, 13(b), 13(e) & 80: No commits. Para. 93—Disposal and transfer of surplus stores from the Hirakud Dam Project to other Projects

361. Explaining the latest position, the representative of the Ministry stated that machinery worth a crore of rupees had been transferred from the Hirakud Dam Project to other Projects.

In reply to a question, he stated that in Bhakra-Nangal Project out of surplus machinery worth Rs. 3 crores, machinery worth Rs. 2 crores had been disposed of. The Committee were of opinion that the time-lag between the declaring of machinery as surplus and its disposal should be reduced considerably. They also suggested that the various Projects and Departments might be informed in advance of the machinery and equipments likely to be declared surplus by the project so that the formalities could be settled in time and the transfer effected as soon as the machinery and equipment was ready

for release. The representative of the Ministry stated that they had taken action on these lines in one case and it seemed a very good practice to follow.

Para. 62—Administrative Audit system in the Multi-purpose River Valley Projects and Ministries

362. From a note (Appendix XLVII), the Committee understood that the Government had come to the conclusion that the purpose for which the Administrative Audit system had been recommended could be met by amplifying the functions of the cost control organisation in the projects, in such a manner as to provide for spot check of quality and quantity of work and scrutiny of contracts from the technical point of view and the system as modified would be commended to the D.V.C. and the Tungabhadra Board.

In reply to a question, the Chief Engineer, Hirakud Dam Project, stated that there was no necessity for this system in his case as the project had been nearly completed. When asked to give his views on this question, he observed that he would have no objection to it if it were a wing under the Chief Engineer to assist him. He added that while it was necessary to have a kind of independent check, it would create controversies if the agency conducting such a check was made independent of the Chief Engineer on the spot.

The Committee were of opinion that it was high time that the Ministry introduced a system of Administrative Audit in various projects financed by the Centre. The Committee did not think that the States would object to such a system being introduced in various projects.

Para. 94—Stock verification of stores

363. From a note (Appendix LXVI), the Committee understood that it was not possible for the Ministry to hold anyone responsible for the discrepancies in the store and the Ministry proposed to write these off.

The Committee were distressed with the latest decision of the Ministry as in the past whenever this point had been raised by the P.A.C. they had been assured that action was being taken to settle the discrepancies and to punish the persons responsible. The Ministry could not do so as some of the documents and invoices were missing. In extenuation, it was observed by the Ministry that in every case they had made enquiries and in some cases even Police enquiries. In suitable cases, they had referred the matter to U.P.S.C. as well. The representative of the Ministry assured the Committee that the prescribed procedure had been followed in all cases, but it was not possible to fix responsibility.

364. The Committee then adjourned to meet again at 10-30 hours on the 10th January, 1953.

**PROCEEDINGS OF THE THIRTY-SECOND SITTING OF THE
PUBLIC ACCOUNT COMMITTEE HELD ON FRIDAY, THE
10TH JANUARY, 1958**

365. The Committee sat from 10.30 hours to 10.00 hours.

PRESENT

Shri T. N. Singh—*Chairman.*

Members

2. Shri Ram Subhag Singh
3. Shri N. C. Laskar
4. Shri Radhelal Vyas
5. Shri A. C. Guha
6. Shri N. R. M. Swamy
7. Shri Upendranath Barman
8. Shri H. C. Dasappa
9. Shri Prabhat Kar
10. Shri Jaipal Singh
11. Shri P. T. Leuva
12. Shri Jaswant Singh
13. Shri J. V. K. Vallabharao
14. Shri N. G. Ranga.

Shri A. K. Chanda, *Comptroller and Auditor General of India.*

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor General.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

WITNESSES

Ministry of Finance

(Department of Economic Affairs)

Shri M. V. Rangachari, *Special Secretary.*

Shri H. S. Negi, *Joint Secretary.*

(Department of Expenditure)

Shri S. Ratnam, *Secretary.*

(Department of Revenue)

Shri A. K. Roy, *Secretary.*

Shri A. Bakshi, *Joint Secretary.*

MINISTRY OF FINANCE

Appropriation Accounts (Civil), 1953-54, and Appropriation Accounts (Civil), 1954-55

366. Out of the total number of 134 voted grants in 1953-54, the Committee noticed savings and surrenders of Rs. 1.72 crores and 1.51 crores respectively. In 1954-55, out of the total number of 135 voted grants, savings and surrenders amounted to Rs. 2.39 crores and 1.93 crores respectively. Similarly under Charged Appropriations, savings and surrenders in 1953-54 were Rs. 7.67 lakhs and Rs. 3.22 lakhs respectively; corresponding figures in 1954-55 being Rs. 3.49 crores and Rs. 3.47 crores. Further, the Committee came across many instances of over-budgeting relating to the Ministry of Finance. Large savings occurred under the same heads during 1953-54 and 1954-55; percentage of savings varying from 6 to as much as 56.

The Committee were greatly distressed over such a large number of cases where there had been considerable savings from the final budgeted grants. They did not notice any improvement; rather there had been a deterioration in the two years under consideration. They felt that the Finance Ministry should set an example in accurate budgeting for other Ministries to follow. The representative of the Department of Economic Affairs stated that a considerable portion of the savings was in the provision made for the purchase of food.

Appropriation Accounts (Civil) 1954-55. Page 50, Grant No. 27— Customs

367. The Committee noticed savings of Rs. 1.31 lakhs out of the total provision of Rs. 4.19 lakhs.

The representative of the Department of Revenue explained that the Department had placed orders for launches which were not received in time and accounted for a saving of Rs. 16 lakhs. A saving of Rs. 37 lakhs was due to the non-implementation of the reorganisation of the Land Customs Department during the year under report. He assured the Committee that such things would not happen in subsequent years.

The Committee observed that so long as budgeting was of the present standard there was no escape from having a second check by the Finance Ministry on various items of expenditure. Unless, therefore, the budget estimates were made on a more realistic basis, the suggestion to do away with the second check by Finance Ministry would be impossible to be introduced.

Page 196, Grant No. 120—Other Capital Outlay of the Ministry of Finance (1954-55).

368. The Committee wanted an explanation for a saving of Rs. 12,40,05,962 out of a total provision of Rs. 22,20,23,000. The representative of the Department of Economic Affairs stated that the only reason for the saving was that equipments under the Colombo Plan from foreign countries were not received in the year. Most of it did not involve any cash expenditure. It was just a book-keeping adjustment. In reply to another question he stated that by and large the Government of India depended upon the donor countries and how they would ship the equipment and send it, was a matter in which the Ministry had no hand. To another question he replied that he was doubtful whether there had been any infructuous expenditure on account of delayed deliveries under these aid agreements.

Page 54, Grant No. 29—Taxes on Income including Corporation Tax, Note 3—Item (iii) 1953-54, Accounts, Page 59, Grant No. 29 Taxes on Income including Corporation Tax and Estate Duty, Note 5—Item (iii), 1954-55 Accounts.

369. The Committee noticed a number of outstanding demands in the books of the Department for the last four or five financial years. Certain dues were reported to be irrecoverable as the assesseees had left India. The Committee wanted to know how these people could leave India in the face of the restriction that no one could leave the country without a clearance certificate.

The representative of the Revenue Department stated that such a rule came into existence only in 1953 and the areas where those assesseees resided were by then parts of Pakistan; the total amount involved was about Rs. 12 crores. Among the other reasons which accounted for irrecoverable dues of about Rs. 200 crores was the insolvency of the assesseees. The Committee desired to be furnished with a statement* showing the outstanding demands State-wise from the books of the Department at the end of each of the

* See Appendix XIV.

last four or five financial years. They also desired the Ministry to analyse the figures of receipt that had been decreasing and throw light* on the causes and explain why expenditure has been increasing at the same time.

Page 144, Grant No. 35—*Mint, Audit Comments (1954-55 Accounts)*.

370. The Committee observed that the position of stores was rather disquieting. The representative of the Ministry contended that the actual position was not as bad, and gave explanation for each category of the stores.

• *Item A—Consumable Stores (a).*

371 The representative of the Ministry explained that stores of the value of Rs. 1,39,727 mainly comprising steel bars, fire and furnace bricks, etc. were purchased because there was a genuine demand for them. The supply took a long time and then the stores could not be consumed in full. In view of shortage of certain items throughout India and also due to uncertain market conditions, it was considered advisable to retain them for future consumption instead of declaring them surplus and selling them through Disposals. The balance in stock on 31st March, 1957 was only of the order of Rs. 41,000 which was required for consumption.

The Committee were unable to accept this argument as the stores had been lying for more than ten years. The representative of the Ministry stated that their original expectations went wrong and that caused accumulation of stores.

The Committee were of opinion that all this followed from haphazard planning and failure to keep a check on incomings and outgoings. The Committee emphasised the need for the setting up of a better machinery for regular stock verification and disposal of stores.

372 (b)(i). The figures of receipts of stores (excluding purchases from the market) included Rs. 6,805 being the value of articles of furniture manufactured in the Departments of the Mint. The representative of the Ministry admitted that there had been a technical irregularity which had since been regularised and these items had now been taken on to the inventory of furniture.

373 (b)(ii). Several items of stores were found to have been borne on stock at 'no cost'. The representative of the Ministry stated that the value of these stores had since been assessed and entered in the stores ledgers.

* See Appendix XV.

Item B—Capital Outlay on Stores.

374. According to Audit, early action was required in regard to the items of plants and machinery yet to be installed so as to prevent loss due to prolonged storage. Stores purchased as far back as 1951-52 at a cost of Rs. 1,16,977 were found to be lying unused since February, 1953. Explaining the correct position, the representative of the Ministry stated that the plant and machinery had been erected but could not be put into commission due to certain difficulties in the gas plant. As the machinery was not in operation the stores could not be drawn by requisition as usual. To a question he replied that the machines were working very well now. The Committee felt that installation of the machinery should not have taken such a long time.

Item C—Physical verification of the Balance of Stores.

375. Physical verification of stores balances (consumable and capital outlay stores) was not completed during the year 1954-55. The representative of the Ministry admitted that there could not be any excuse for the delay in the physical verification of stores.

OUTSTANDING RECOMMENDATIONS

Fifteenth Report

376. *Paras. 11, 12, 13(b) and 14.* No comments.

Para. 15—Cess Funds.*

377. The representative of the Ministry stated that they had made certain proposals and the matter was being discussed with the Comptroller and Auditor General. The C. & A.G. intervened to say that he was examining the proposals put forward by the Ministry of Finance and he hoped that conclusions would be available before the next budget was framed. At the instance of a Member, the Chairman agreed that Members could look into the procedure before its finalisation.

Para 24—Debt position and loans to State and Foreign Governments.

378. In their note (Appendix XVII) the Ministry contended that the existing provisions had worked satisfactorily and by and large, except in the case of certain rehabilitation loans, where the question of sharing of losses with the State Governments was under correspondence, there had been no major defaults in the repayment of loans or interest due thereon by the State Governments.

*See Appendix XVI.

The Committee wanted to know the progress made in the recovery of rehabilitation loans. The representative of the Ministry of Finance stated that the latest recommendation was that the State Governments should return to the Centre whatever money they could collect from the displaced persons to whom the money had been lent. The Committee desired to be furnished with a note stating the amount of rehabilitation loans given to the States so far, the amount that was due and the amount that had actually been received back.

In reply to a question, the representative of the Ministry of Finance stated that if an individual loan was not recovered, the loss was shared between the Central and State Governments in the ratio of 50 : 50. But in the case of certain refugees from East Pakistan, some relaxations were made and the whole matter had been left in a fluid state. Now the Finance Commission had recommended that in respect all such loans, no new burden should fall on the States and from 1st April, 1957 they should return to the Centre only the amount they actually collected from the people to whom the money had been advanced. Beyond that nothing else had happened.

The Committee had some general discussions with the witnesses on the distinction that had been made by the Central Government between the loans given to their own undertakings and those given to the State Governments. The Comptroller and Auditor General stated that he would include a para on this subject in his next report and then the matter could be examined by the Public Accounts Committee in detail.

To a question, the representative of the Ministry stated that if a State Government requested for some more time for repaying overdue instalments of interest on principal, that was allowed. In cases where the Central Government thought that conditions did not justify extension of time, penal interest was levied only in case of default in repayment. In reply to another question he stated that the number of instances in which the Central Government had charged penal interest was negligible.

379. *Paras 26, 28, 29, 49 and 113.* No comments.

Sixteenth Report

380. *Paras 13(g), 30, 31 and 52.* No comments.

Para 56—Grant of excessive emoluments to an Officer on deputation.

381. The Comptroller and Auditor General explained that on the figures given by Audit the value of free car had been assessed at Rs. 150 per month while the Ministry thought that it was not so

much. To the objection of the Committee for making a discrimination in the grant of emoluments in favour of that particular officer, the Ministry of Finance expressed their regret.

The Comptroller and Auditor General brought to the notice of the Committee that subsequent to the conclusions of the Public Accounts Committee in this matter it was revealed that that officer had been allowed to accept a further payment of Rs. 6,763 from the Ceylon Government towards reimbursement of additional income-tax that was payable by him on account of Ceylon allowances.

The representative of the Ministry stated that those terms were approved by the Government at the highest level. To a question, he replied that he did not remember any other case where such reimbursement was allowed. The Committee felt that acceptance of such payments from foreign countries created an impression which was not quite desirable and that took away the whole spirit of the Colombo aid.

The Committee were not convinced that the special consideration that had been shown in this case was justified. They felt that in the matter of tax liability, the treatment to be meted out to all the officers should have been uniform and there could be no difficulty in that regard.

382. *Paras 57, 58, 60 and 63.* No comments.

Twenty-third Report

383. *Paras 13(a), (b) and (c) and 18.* No comments.

Para 73—Income-Tax Cases.

384. In their note (Appendix XXII) the Ministry had stated that there would not be much difficulty in completing these cases by March, 1958. The Committee wanted to know the present position. The representative of the Ministry stated that he thought that the matter would be delayed by 3 or 4 months beyond March, 1958. They had 351 cases in all out of which 66 cases were pending in High Court and stay orders had been issued.

To a question he replied that according to the latest position the Government had collected Rs. 4.35 crores out of demands for Rs. 8.63 crores. In most of these cases, instalments had been collected.

In reply to a question whether any change in the income-tax law about evasion on lines similar to that in U.S.A. would hamper administration, the representative of the Ministry stated that such

a reform had its own advantages and disadvantages. To a certain extent it would swell the receipt of anonymous letters in the Department.

385. The Committee then adjourned to meet again on the 11th January, 1959 at 10-30 hours.
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PROCEEDINGS OF THE THIRTY-THIRD SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON SATURDAY,
THE 11TH JANUARY, 1958

386. The Committee sat from 10-30 hours to 12-30 hours.

PRESENT

Shri T. N. Singh—*Chairman.*

Members

2. Shri Ram Subhag Singh
3. Shri N. C. Laskar
4. Shri N. G. Ranga
5. Shri Radhelal Vyas
6. Shri A. C. Guha
7. Shri N. R. M. Swamy
8. Shri Upendranath Barman
9. Shri H. C. Dasappa
10. Shri Prabhat Kar
11. Shri Jaipal Singh
12. Shri P. T. Leuva
13. Shri Jaswant Singh
14. Shri J. V. K. Vallabharao.

Shri A. K. Chanda, *Comptroller and Auditor General of India.*

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor General.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

WITNESSES

Ministry of Finance (Department of Economic Affairs)

Shri M. V. Rangachari, *Special Secretary.*

Shri H. S. Negi, *Joint Secretary.*

Ministry of Finance (Department of Expenditure)

Shri S. Ratnam, *Secretary.*

Ministry of Law

Shri K. Y. Bhandarkar, *Joint Secretary and Legal Adviser.*

MINISTRY OF FINANCE

387. The Committee resumed consideration of their Outstanding Recommendations relating to the Ministry of Finance.

Paras 70-71 of Twenty-third Report—Assessment of Income-tax on restricted value of perquisites

388. From the opinion (Appendix XX) of the Attorney General in this case, the Committee observed that the stand taken by them and the Audit had been right. When asked about the reactions of the Ministry to the opinion of the Attorney General, the representative of the Ministry of Finance (Department of Revenue) stated that two issues arose out of it. The first concerned the Ministers exclusively. While the second and more important was the general one concerning every person who was provided with a residence by his employer. The question which confronted the Ministry now was the way in which a rent-free or concessional rent house should be valued for the purposes of income tax. According to him the implication of the Attorney-General's opinion was to reckon the rent-free concession for income-tax purposes on the basis of the prevailing market rates. That, he thought, was never the intention of the law, nor of Government nor of Parliament; and that had also been the assurance given by the Finance Minister on the floor of the House. He contended that the law was not worded properly and it needed amendment. If the house was unfurnished and 12½ if the house was unfurnished and 12½ of the income if the house was furnished, should be the rental value.

The Committee desired to know why should not the rental value arrived at by the Municipalities be adopted for the purpose of income-tax. The representative of the Ministry stated that the Ministry would not always like to follow the municipal authorities in the matter and there had been instances where the I.T. authorities had arrived at a different rental value from that of the Municipality. In reply to a question, he stated that the assessment was being made on the following basis—so long as the accommodation provided was not lavish, 10 per cent. of the income of the person

The Committee were not sure whether the interpretation put by the Ministry on the legal opinion was correct. They felt that

for this purpose, reference made to the Attorney General should be looked into. The Committee, therefore, desired that copies of the reference* made by the Ministry to the Attorney General for his opinion on the matter should be furnished to them.

The Chairman, Members and C. & A.G. then paid tributes to Shri S. Ratnam, the retiring Secretary, Ministry of Finance (Department of Expenditure) which he gratefully acknowledged.

Para 54 of the 16th Report—Irregular resumption of a pension

389. From a note (Appendix XVIII), the Committee learnt that according to the Ministry the initial liability in respect of the pension in question would devolve on India and the Government of Pakistan would meet their share of the liability through the overall financial settlement between the two countries.

The Comptroller and Auditor General observed that the points for consideration that arose were, first whether the liability for payment of the pension was properly that of the India Government. Secondly, there was a lapse on the part of the High Commissioner for India in London because the resumption of pension had been without the requisite authorisation from Audit. Thirdly, the pension was payable in some Indian treasury and not in the U.K.

To a question, the representative of the Ministry of Finance (Department of Economic Affairs) replied that the Partition Agreement regarding financial liabilities covered the case in question as well. To another question he replied that no overall settlement had so far been reached with that Government.

Para 94 of Twenty-third Report—Relief and Rehabilitation of displaced persons

390. Final decision† may be expedited.

*Para 265 of 23rd Report—Transfer of the work relating to pensions in respect of British personnel to U.K.***

391. From a note (Appendix LXVII), the Committee observed that the Government had accepted the new arrangement maintaining the rate of interest at 1 per cent. as it was tidier and financially advantageous. The interest on the refund of excess due to India was also agreed at 1 per cent.

When asked the reasons for agreeing to one per cent rate of interest on the refund of the excess due to India, the representative

* See Appendix XXI.

† See Appendix XXIII.

** The case is being examined further by Audit.

- of the Ministry stated that Government could not make the U.K. Government agreeable to a higher rate than that provided in the 1948 agreement as the matter was treated as a connected whole. To another question, he replied that India's current position of sterling had been made better and not worse by the new agreement.

Regularisation of expenditure incurred on a New Service without approval of Parliament or State Legislature

302. The Committee then took up consideration of the note* furnished by the Comptroller and Auditor General raising an important principle of financial control by Parliament as to what action should be taken to regularise expenditure on a New Service without obtaining a Supplementary Grant from Parliament or State Legislature, as the case may be, during the financial year. He had referred to a case that occurred in the U.P. State, wherein a sum of Rs. 10,000 was spent on certain exhibition—a New Service from out of savings available under other heads without obtaining a token Supplementary Grant during the financial year. It was held by Audit that as the money had been spent from the Consolidated Fund on a New Service without the authority of law as required in Article 266(3), the expenditure must be deemed to have been automatically disallowed and the resulting "excess" should, therefore, be regularised by the legislature. The Union Ministry of Law, whose advice was sought with regard to the procedure for regularisation of the 'excess', expressed the view that an 'excess' of this kind did not come within the purview of Article 205(1)(b) of the Constitution [corresponding to Article 115(1)(b) pertaining to the Union] inasmuch as this Article pertained to an excess on a Service already approved by the Legislature. The case seemed to be one which was not covered by any of the provisions in the Constitution and it would probably be necessary to leave the matter eventually to the Public Accounts Committee for such action as they may consider necessary.

During the course of discussion, the Comptroller and Auditor General pointed out that the provisions of Article 115(1)(a) and 115(1)(b) of the Constitution were analogous to Rules 50(1) and 49, respectively, of the former Indian Legislative Rules. He referred to para 29 of the Report of the P.A.C. on the Accounts of 1930-31 (Part II) where the Committee had given a direction to meet such a situation. Government had then proposed that provisions of Rule 49 relating to regularisation of 'excess over grants' should also be made applicable to any 'excess' on account of a New Service referred to in Rule 50(1). The then P.A.C. endorsed the conclusion reached at a discussion between the Chairman of the Committee and Hon'ble

* See Appendix LXVIII.

the President of the Legislative Assembly that if there be any case of New Service in the Appropriation Accounts of a year, the usual form of the Resolution for taking the report of the Public Accounts Committee into consideration should be expanded so as to include "and that the Assembly do approve of the expenditure". The Government had accepted this procedure for regularising expenditure on a New Service *ex post facto*. The C. & A.G., therefore, suggested that the feasibility of a Resolution for regularising such expenditure under the present set-up also should be examined.

In extenuation, the representative of the Ministry of Law stated that a fundamental difference was made between the position under the Government of India Act and the present Constitution, by the provisions of Article 204 (corresponding to Article 114 relating to the Union). Under Article 204(3) subject to the provisions of Articles 205 and 206 (corresponding to Articles 115 and 116), no money could be withdrawn from the Consolidated Fund except under appropriation made by law passed in accordance with the provisions of this Article. As exceptions envisaged in Articles 205 and 206 did not apply to the expenditure in the present case, the general rule must apply. Under the Government of India Act, the Legislatures were circumscribed within certain limits but there was no Fund known as Consolidated Fund. There were only "revenues" of the "Federation" and "revenues" of the Provinces. The representative of the Ministry of Finance agreed that there was a lacuna in the Constitution as there was no provision for regulating such cases. If Parliament decided that a mere Resolution would be sufficient for regularising the expenditure that would be done.

The Chairman drew attention to Article 206(1) (c) [corresponding to Article 116(1)(c)] and enquired whether an excess on account of a New Service could not be regularised by obtaining an exceptional grant as envisaged in that Article. The representative of the Ministry of Law stated that in his opinion such expenditure could not form an exceptional grant, as exceptional grant did not mean regularisation of an irregular expenditure. The comparison of Articles 205(1) and 206(1) would show that the former applied to the regularisation or authorisation of something already done, while the latter applied to the authorisation of future expenditure.

The Committee desired that keeping in view the spirit of the Constitution regarding supremacy of the Parliamentary Control over finance, the matter might be further examined in the light of these suggestions in consultation with the Attorney General and the Committee should be apprised of the outcome by February, 1958.

393. The Committee adjourned to meet again at 10-30 hours on Monday, the 13th January, 1958.

PROCEEDINGS OF THE THIRTY-FOURTH SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON MONDAY,
THE 13TH JANUARY, 1958

394. The Committee sat from 10.30 hours to 13.30 hours.

PRESENT

Shri T. N. Singh—Chairman.

Members

2. Shri Ram Subhag Singh
3. Shri Radhelal Vyas
4. Shri A. C. Guha
5. Shri N. R. M. Swamy
6. Shri Upendranath Barman
7. Shri J. M. Mohamed Imam
8. Shrimati Tarkeshwari Sinha
9. Shri Prabhat Kar
10. Shri Jaswant Singh

Shri A. K. Chanda, *Comptroller and Auditor General of India.*

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor General.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri R. N. Chatterjee, *Chief Audit Officer, Food, Rehabilitation and Supply.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Present during the examination of the Ministry of Education

Shri K. G. Saiyidain, *Secretary.*

Shri P. N. Kirpal, *Joint Secretary.*

Present during the examination of the Ministry of Rehabilitation

Shri Dharam Vira, *Secretary.*

*Ministry of Finance*Shri M. S. Bhatnagar, *Financial Adviser.*

MINISTRY OF EDUCATION

Audit Report (Civil), 1956—Part I, Para 3—Drawal of Money in advance of requirements

395. A sum of Rs. 25,000 was advanced to a firm in March, 1954 for the production of at least 25 books for the children during 1953-55, but no work was done by the firm nor were any accounts rendered. As the firm was unable to finish the work within the prescribed time, the entire amount was refunded by them in October, 1955.

It was explained to the Committee by the representative of the Ministry that the firm actually submitted manuscripts for 17 books and these were revised in the Ministry and sent back to the firm. However, as the firm was engaged in another project, it expressed its inability to complete the work within the time-limit and the money was refunded to the Government. He, however, conceded that the advance to the firm was given much in advance of requirements.

The Committee desired to know if there was any co-ordination between the various official agencies working in the field of literature for children and neo-literates like Ministries of Education, Community Development and Information and Broadcasting so as to avoid any overlapping in the work done by them. The representative of the Ministry explained that they had already formed a co-ordinating Committee with the Ministry of Community Development and they would consider the possibility of associating the Ministry of Information and Broadcasting with the same. He also promised to consider the suggestion made by the Comptroller and Auditor General of India that the work of producing books for children may be entrusted to one single agency.

Appropriation Accounts (Civil), 1953-54—Grant No. 20—Page 16

Appropriation Accounts (Civil), 1954-55—Grant No. 20—Page 19

396. The actual expenditure under the head "Lump Provision for schemes under consideration" shows large variations from original estimates as well as from final Grant. It was explained to the Committee that this head denoted mainly the Centre's share for certain schemes executed by the States. In the beginning of the plan, partly due to the fact that the States' machinery was not

fully geared up and partly due to other reasons, the States could not fulfil these schemes as per expectations with the result that savings occurred. However, as a result of steps taken by the Ministry, such savings were on the decline every year. The Comptroller and Auditor General suggested that it would be better if in place of Centre bearing 50% of the actual expenditure, they might take the responsibility for financing 50% of the schemes, leaving it upon the States to fulfil the remaining 50%. The representative of the Ministry stated that such a division between the Centre and States would be possible so far as quantitative expansion was concerned. He, however, stated that the note given by the Comptroller and Auditor General of India on "Estimates and Financial Control" as Appendix to Audit Report (Civil), 1956—Part I was under their active consideration.

The Committee took exception to the practice of the Government making large provision of funds in Budget under "Lump sum provision for schemes under consideration" without chalking out any schemes in detail. The representative of the Ministry could only express regret for the same.

OUTSTANDING RECOMMENDATIONS

Para 98 of the Sixteenth Report—Definition of powers and functions of the C.S.I.R. by a statute

397. The note* submitted by the Ministry was not vetted by Audit before submission to the Committee. The Committee impressed upon the Ministry that all notes/memoranda submitted to the Committee must be vetted by Audit and they would therefore take up consideration of the note at a later date when the remarks of Audit on the same would be received. The representative of the Ministry explained that the note in question was submitted by the Department of Scientific Research and that he would communicate the views of the Committee to that Department.

MINISTRY OF REHABILITATION

398. The Committee then took up consideration of the matters pertaining to the Ministry of Rehabilitation.

Audit Report (Civil), 1956—Part I—Para 9—Extra Expenditure due to delay in payment

399. Government acquired in July, 1949, certain private plots for rehabilitation of displaced persons. The rate of compensation:

* See Appendix X.

to be offered to the owners was approved in December, 1951 and an amount of Rs. 3 lakhs was placed at the disposal of the Land Acquisition Authority in December, 1952 but the actual disbursement took another 8 months. As a result of this delay an additional payment of Rs. 60,878 had to be made by way of interest for which Government sanction was not obtained.

The representative of the Ministry explained that some unavoidable delay was inherent in the procedure in regard to acquisition of land. The State Governments were the agencies for the acquisition of land and sometimes delays occurred on their part also. He, however, admitted that in this particular case, there had been an inordinate delay which was not justified. As regards the present position of the case, it was stated that except for those persons who had challenged the rate of compensation either before the appropriate court or any other court of law payment of compensation had practically been made. He further stated that in order to avoid any such losses in future, they were now adopting the practice of placing the money at the disposal of the acquiring authority in advance so that payment of interest did not arise. The Committee desired that the Ministry should examine the question of compensation whenever land was acquired so that delays of this kind might be avoided. The Committee also desired to be furnished with information regarding action taken by the Ministry (i) to issue sanction to cover the interest paid already, and (ii) for fixing the responsibility for delay in payment of compensation.

Para 10 of the Audit Report (Civil), 1956—Part I—Relief and Rehabilitation of Displaced Persons

400. The total loans given to State Governments for rehabilitation of displaced persons amounted to more than Rs. 95 crores upto 1954-55, while the sum realised by way of repayments was about Rs. 10 crores only. The representative of the Ministry explained that a number of these loans related to displaced persons in the States and they expected to realise a large amount of these loans by adjustments against their compensation.

The Committee desired to know if the Ministry were agreeable to adjust the dues pertaining to other Ministries also from the compensation payable. The representative of the Ministry stated that they were adjusting against such compensation the R.F.A. loans but

not the arrears of rent due in respect of Government accommodation occupied by displaced persons. When asked why a different principle was being adopted in the case of dues of another (the W.H.S.) Ministry, it was stated that while R.F.A. loans were part of the compensation money, the dues of other Ministries were not so.

In reply to another question, the representative of the Ministry agreed that it would be difficult for the Ministry of Works, Housing and Supply to realise dues from these displaced persons who were occupying Government buildings. He added that the Ministry would be happy if a policy decision were taken to adjust other dues also from the D.Ps.' claims and the displaced persons would also like it. The Committee expressed the hope that it would be possible to find a way out for the adjustment of all dues to Government from the claims.

OUTSTANDING RECOMMENDATIONS

Para 93 of 23rd Report—Relief and Rehabilitation of displaced person—Loss on account of non-payment of rehabilitation loans by D.Ps.'how calculated and at what intervals and whether any amount has been written off by the Centre

401. The Ministry had not so far furnished the information. It was explained by the Ministry that a revised para was sent by them to Audit and as soon as the same was received back, they would take further action.

Sixteenth Report

Para 115—Contract for grinding wheat without tenders

402. The Committee desired to know why specific sanction to relax the requirements of calling for tenders was not taken and why the Financial Adviser and Accounts Officer overlooked this fact. The representative of the Ministry promised to look into the matter and furnish the requisite information.

Para 116—Review of conduct of various Camp Commandants

403. The Committee desired that they should be furnished with information regarding further action taken by the State Governments concerned in respect of Items 13 and 15 of the statement* furnished by the Ministry.

* See Appendix L.

Para 117—Officers employed in the various Camps against whom disciplinary action was taken for frauds, embezzlements, etc.

404. The Ministry have been able to recover an amount of Rs. 6,000* only out of Rs. 92,000. It was stated that these were all old cases and most of the persons concerned had disappeared from the scene. They, however, promised to make every endeavour to realise as much amount as possible.

405. The Committee then adjourned to meet again at 15.00 hours on the same day.

*See Appendix LXIX.

PROCEEDINGS OF THE THIRTY-FIFTH SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON THE 13TH
JANUARY, 1958

406. The Committee sat from 15.00 hours to 16.40 hours.

PRESENT

Shri T. N. Singh—*Chairman.*

Members

2. Shri Ram Subhag Singh
3. Shri N. C. Laskar
4. Shri Radhelal Vyas
5. Shri A. C. Guha
6. Shri N. R. M. Swamy
7. Shri Upendranath Barman
8. Shri Prabhat Kar
9. Shri P. T. Leuva

Shri A. K. Chanda, *Comptroller and Auditor General of India.*

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor General.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri P. N. Bhandari, *Director of Commercial Audit.*

Shri R. N. Chatterjee, *Chief Audit Officer, Food, Rehabilitation and Supply.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

WITNESSES

Ministry of Finance

Shri S. Ratnam, *Secretary, Department of Expenditure.*

Shri M. V. Rangachari, *Special Secretary, Department of Economic Affairs.*

Shri S. Vohra, *Joint Secretary, Department of Economic Affairs.*

Shri R. N. Hazari, *Chief Administrator, Rehabilitation Finance Administration.*

Rehabilitation Finance Administration—Eighth Annual Report

407. At the outset, the Committee desired to know the number of loan applications with the R.F.A. pending disposal. It was stated by the representative of R.F.A. that there were nearly 3,000 applications in hand and that they expected to dispose all the loan applications by June, 1958. The Committee desired to know about the future of the R.F.A. after that date. It was stated that although lending part of work would cease, the Government were still being pressed by the displaced persons for opening of further lists of applications. Moreover, there was work relating to loans also; and the R.F.A. had also to maintain their legal side as very often the Administration had to use their right of recall in the case of those displaced persons who failed to pay the instalments. However, every effort was being made by them to bring down the establishment charges. The Committee felt that the R.F.A. had already continued for a much longer period than was originally contemplated and it was time for Government to examine the question of the future set-up of the R.F.A. and arrive at a policy decision in the matter.

The C. & A. G. pointed out that in their 15th Report, the Public Accounts Committee had recommended to the Government the appointment of a Committee to recommend a total overhaul of the Administration. In pursuance of this recommendation, he had a meeting with the representatives of the Finance Ministry where it was suggested that the entire question in all its aspects should be examined by the special Committee to be appointed by the Ministry of Finance. But later on, as the Government decided that the scope of enquiry by the proposed Committee should be restricted to a few aspects alone making the Committee a Departmental one, the C. & A.G. did not see any point in associating himself with that Committee. The Committee desired to know why the recommendations made by them in their 15th Report was not acted upon by the Government. The representative of the Ministry stated that the Bhide Committee was appointed in pursuance of the recommendation of the Committee. The Committee were of the opinion that there had been a change in the situation relating to the grant of loans to displaced persons by the R.F.A. as displaced persons from East Pakistan, unlike those from West Pakistan had no compensation claims. It, therefore, seemed necessary that Government should take a policy decision on the subject as early as possible.

The Committee desired to know the present position relating to the loans overdue to the extent of Rs. 3.56 crores. The representative of the Administration stated that these figures were being reduced progressively. This figure comprised the instalments of loans not paid and the entire amount of loans recalled in the case of those loanees who had failed to pay their instalment. He added that these amounts were due for recovery from the compensation claims of the displaced persons.

The Committee then drew attention to pages 4 and 5 of the Eighth Annual Report of the Administration laid on the Table of the House wherein it had been stated "the loanees from East Pakistan can be classified in four broad categories", and desired to know the number of loanees and amount of loans advanced to each category, the amounts overdue from the displaced persons from West Pakistan and East Pakistan separately. The representative of the Ministry promised to furnish the information*.

The Committee desired to know what action had been taken on the suggestion by the ex-Chief Administrative Officer, R.F.A., in page 6 of the 8th Annual Report that the Administration should be converted into a "Relief Bank". The representative of the Ministry stated that the suggestion was not acceptable to Government.

408. The Committee then adjourned till 10.30 hours on Tuesday, the 14th January, 1958.

*See Appendix XXIV-A.

PROCEEDINGS OF THE THIRTY-SIXTH SITTING OF THE P.A.C.
HELD ON TUESDAY, THE 14TH JANUARY, 1958

409. The Committee sat from 14.40 hours to 19.15 hours.

PRESENT

Shri T. N. Singh—*Chairman*.

Members

2. Shri Ram Subhag Singh
3. Shri N. C. Laskar
4. Shri Radhelal Vyas
5. Shri A. C. Guha
6. Shri N. R. M. Swamy
7. Shri Upendranath Barman
8. Shri J. M. Mohamed Imam
9. Shri H. C. Dasappa
10. Shri Prabhat Kar
11. Shri P. T. Leuva
12. Shri Jaswant Singh

Shri A. K. Chanda, *C. & A.G. of India*.

Shri P. C. Padhi, *Additional Deputy C. & A. G.*

Shri S. Venkataramanan, *A.G.C.R.*

Shri P. N. Bhandari, *D.C.A.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary*.

WITNESSES

Shri B. K. Nehru, *Secretary, Ministry of Finance (Department of Economic Affairs)*.

Shri S. Vohra, *Joint Secretary*.

I.F.C.

Shri K. R. K. Menon, *Chairman*.

Shri H. V. Venkatasubhiah, *General Manager*.

MINISTRY OF FINANCE
(Industrial Finance Corporation)

Audit Report (Civil) 1956—Part I—Para 23—Introductory

410. The accounts of the Industrial Finance Corporation for the year ended the 30th June, 1955 disclosed a net profit of Rs. 9,69,509 after making a provision of Rs. 15 lakhs on account of doubtful debts. No provision had, however, been made against the estimated short-fall of about Rs. 50 lakhs in the case of the loan to the Sodepur Glass Works Limited. The entire profit had been set aside by the Corporation as a provision to meet its tax liability for the year, as under the Income Tax Act no allowance is made on account of doubtful debts until they actually become bad. To meet the annual guaranteed dividend at 2½ per cent., the Central Government had paid Rs. 11,25,000 to the Corporation thereby bringing the total amount of such subvention to Rs. 42,20,490.

To a question, the Chairman of the Corporation stated that the Corporation had actually written off the loan of the Sodepur Glass Works out of its profits and now all that remained to repay was the Government subvention received so far. The Comptroller and Auditor General explained to the Committee that the situation had improved very considerably and if the present rate of improvement was maintained there was every possibility of the subvention being repaid wholly in the course of the next two years.

To another question, the Chairman of the Corporation replied that in the last two or three years, the Corporation had not to write off any amount except Rs. 50 lakhs in the case of Sodepur Glass Works and Rs. 1½ lakhs in the case of the Punjab Vanaspati. In reply to a further question he stated that normally the loans advanced by the Corporation were secured on the assets of the loanee and had a cover of 50 per cent. as margin. In certain cases the Corporation had advanced money on Government's guarantee and practically all the loans to Sugar Co-operatives had been guaranteed by the Central Government and the State Government concerned.

At this stage, the Comptroller and Auditor General intervened to say that similar other cases had come to his notice where Government had guaranteed loans granted to industries by the International Bank for Reconstruction and Development. In the United Kingdom there was a provision that wherever a guarantee was given which involved a contingent liability on the Consolidated Fund of Government, the matter was placed before the Parliament. But there was no such arrangement in India. The Secretary, Ministry of Finance (Department of Economic Affairs) agreed that the matter was certainly worthy of examination. But he did not think that it would be possible for each case being discussed in the Parliament and it might

be desirable to get the general authority of Parliament on certain lines in regard to the policy to be followed in the guaranteeing of these loans.

The Comptroller and Auditor General stated that he would include a para in the next Audit Report.

The Committee then proceeded with the consideration of various cases reported to by Audit in para 23 of Audit Report (Civil) 1956 Part I.

Excessive payment of dearness allowance to officers

411. Although, as a rule, the Corporation had been adopting the orders of Government regarding grant of D.A. issued from time to time, in two important respects, the Corporation had departed from the Government scheme of dearness allowance. Firstly, the Government scheme for abolition in three annual stages of the D.A. of officers drawing pay in excess of Rs. 1,000 from 1st June, 1953 was not applied to the corresponding employees of the Corporation until 1st February, 1956. Secondly, the distinction obtaining between the married and unmarried scales of D.A. of gazetted Government servants had not yet been adopted for application to Corporation employees.

The Committee wanted to know the reasons which induced the Corporation to deviate from the Government rules. The Chairman of the Corporation stated that there were variations in the pay structures of Government and the Corporation. He added that the Corporation had since adopted the Government rates of dearness allowance for all its employees.

Extra Contractual emoluments to officers appointed on all inclusive rates of salary

412. According to Audit there had been an over-payment of Rs. 12,388 as House Rent to 3 officers who had been appointed on all inclusive rates of salary. The Committee were satisfied with the explanation of the Ministry.

Payment of terminal leave salary to the Managing Director

413. The Corporation paid its retiring Managing Director a lump sum of Rs. 21,000 on the 7th June, 1955 being the amount equal to six months leave salary on the expiry of the terms of his contract, which ended on that date.

The Committee wanted to know whether it was an *ex-gratia* payment to the officer. The Chairman of the Corporation stated that the amount of Rs. 21,000 had been paid to the Managing Director in lieu of six months' leave which, it was held, was due to him at the end of the contract, according to the staff regulations

When asked whether there was anything on record to show that the officer wanted leave, he replied in the affirmative.

The Committee enquired whether the Corporation was competent to sanction the payment. The Chairman of the Corporation stated that under the provisions of the I.F.C. Act, the Managing Director was to be appointed by Government. He added a reference was made to Government regarding the terminal leave concession of the *ex*-Managing Director and the reply from the government was as under:

“When an officer enters Government service on contract, the contract normally includes a provision indicating that leave that would accrue to the officer’s credit would be available beyond the period of contract if such leave is refused during the period of the contract. It is, however, for the Board to decide whether they would follow such analogy in granting leave in this case.”

The Committee learnt that under Government rules an officer would be entitled to leave on full pay for not more than 4 months in such cases and for any period in excess thereof, he would be paid half pay. The Committee desired to know why the Corporation chose to pay full pay to the *ex*-Managing Director for the extra period of two months especially when the conduct of that officer had been criticised by the P.A.C. in their earlier Reports. The Chairman of the Corporation stated that on receipt of the reply from Government, the Board of Directors took a decision to pay the lump sum and read out from the relevant proceedings of the Board meeting.

The Committee were not sure whether the action of Government in this case was legally correct in remitting this case for decision to the Corporation as the powers of appointment of the Managing Director of the Corporation vested in Government. They desired that Government should examine this question in consultation with Attorney General.

Grant of excessive pay to Corporation’s employees posted to the loanee companies

414. The Corporation while posting its officers in certain loanee companies to watch its interests, granted substantial increases in remuneration ranging from 23 per cent. to 54 per cent.

In reply to a question, the Secretary, Ministry of Finance stated that the draft staff regulations under consideration in this regard provided that the extra emoluments to employees posted to loanee companies would not exceed 25 per cent. of the pay and allowances. When asked whether the Corporation had informed its employees

posted to loanee companies that their excessive payments would be subject to revision, the Chairman of the Corporation stated that after the instances quoted by Audit there had been no case of any officer drawing excessive pay. In reply to a suggestion, the Chairman of the Corporation stated that ceiling would also be prescribed in such cases.

Review of Loan Accounts

415. From its inception to the 30th June, 1955 the Corporation sanctioned loans aggregating Rs. 28,07,75,000 to 125 companies but 81 of them only availed of the facility and the total amount advanced was Rs. 14,52,96,304.

To a question, the Chairman of the Corporation stated that in a few cases only companies declined to take sanctioned loans because either they were able to raise the money elsewhere or they changed their plans in a way not acceptable to the Corporation. In some cases 50 per cent. cover to loans was not forthcoming. But in no case there had been refusal of sanctioned loans because of delays in the Corporation's sanctioning the loan. Proceeding, he stated that loan sanctioned is withheld if the loanee fails to conform to the conditions attached to the loan. But such cases were not many. To another question, he replied that if the Corporation was satisfied that additional loans would create additional assets, fresh loans were granted even before the realisation of the earlier loan.

OUTSTANDING RECOMMENDATIONS

Para 112 of Fifteenth Report—Sodepur Glass Works case

416. From the note (Appendix XXX) furnished to them, the Committee understood that the Corporation was making efforts to settle the matter with the guarantors.

Explaining the present position of the factory, he observed that the factory was doing extremely well and the glass sheets produced there were having good market. The average production was 700 cases per day as against the installed capacity of the factory of 1,000 cases per day. He informed the Committee that the new Company had paid the first instalment of sale price and interest due to the Corporation under contract.

417. The Committee had then some general discussion about the drafting of their Reports and adjourned to meet again at 10.00 hours on Thursday, the 6th February, 1958.

PROCEEDINGS OF THE THIRTY-SEVENTH SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON THURSDAY, THE
6TH FEBRUARY, 1958

418. The Committee sat from 10.10 hours to 13.17 hours.

PRESENT

Shri T. N. Singh—*Chairman.*

Members

2. Shri Ram Subhag Singh
3. Shri Radhelal Vyas
4. Shri A. C. Guha
5. Shri N. R. M. Swamy
6. Shri H. C. Dasappa
7. Shrimati Tarkeshwari Sinha
8. Shri N. Siva Raj
9. Shrimati Pushpalata Das
10. Shri Shyam Dhar Misra
11. Shri Jaswant Singh

Shri A. K. Chanda, *Comptroller and Auditor General of India.*

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor General.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri P. N. Bhandari, *Director of Commercial Audit.*

Shri R. N. Chatterjee, *Chief Audit Officer, Food, Rehabilitation and Supply.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

WITNESSES

*Present during the examination of the
Ministry of Health*

Shri V. K. B. Pillai, *Secretary.*

Lt. Col. C. K. Lakshmanan, *Director-General of Health Services.*

*Ministry of Finance**Shri P. K. Basu, Financial Adviser.**Present during the examination of the
Ministry of External Affairs**Shri S. Dutt, Foreign Secretary.**Shri B. N. Chakravartty, Special Secretary.**Shri R. K. Tandon, Joint Secretary.**Ministry of Finance**Shri M. S. Bhatnagar, Financial Adviser.*

MINISTRY OF HEALTH

Appropriation Accounts (Civil) 1953-54; Page 7, Grant No. 49—Medical Services and Page 21, Grant No. 51—Miscellaneous expenditure under the Ministry of Health, Appropriation Accounts (Civil) 1954-55: Page 9, Grant No. 49—Medical Services, Page 22, Grant No. 50—Public Health and Page 29, Grant No. 51—Miscellaneous expenditure under the Ministry of Health.

419. The Committee noticed large savings ranging from 28 to 60 per cent under these Grants. For example, a provision of Rs. 25 lakhs was made under sub-head F. 7 in Grant No. 49 of 1953-54, on account of staff and equipment of the All India Medical Institute against which only Rs. 97,433 were spent. For the same, a provision of Rs. 27.45 lakhs was made in the following year and the expenditure was only Rs. 9,03,247. Similarly, under sub-head B. 4.—Grants to States for National Filariasis Control Scheme under Grant No. 50 in 1954-55 accounts nothing was spent out of a provision for Rs. 83.78 lakhs. In the same Grant out of a provision of Rs. 30 lakhs under sub-head E. 4(1) Family Planning, only Rs. 5,54,362 were spent. The C. & A.G. stated that 1955-56 figures also indicated the same trend of over-budgeting.

The representative of the Ministry stated that health schemes were implemented through State Governments and when they were unable to spend, Central subsidy asked for was less than what had been provided for in the budget. He added that the budget provision for a scheme was made after the Ministry received an assurance from the State representative that the scheme would be implemented.

The Committee were of opinion that in view of recurring over-budgeting, merely such an assurance was not enough. They felt that it would be prudent on the part of the Ministry not to accept

any scheme put forward by the State Governments unless its details had been worked out and it had received the concurrence of States' Finance Departments. They desired the Ministry to profit by past experience and to avoid over-budgeting.

When asked to state the reasons for not spending anything on the National Filaria Control Scheme, the representative of the Ministry stated that the scheme was dependent on supplies of equipment from the Technical Co-operation Administration of U.S.A. The T.C.A., however, withdrew the offer and the entire amount had to be surrendered. In reply to another question, he stated that a lump sum provision was made for the All India Medical Institute on the understanding that the architects would put up the plans by May or June that year but that did not materialise and resulted in savings. The Committee were of the opinion that in such cases the Ministry should start with a small provision and if there was rapid progress in the construction, recourse may be had to supplementary grant.

Answering a query regarding the large savings under Family Planning in 1954-55, the representative of the Ministry stated that family planning units were run through State Governments and some of them withdrew from the scheme. He added that during the current financial year there would be no savings as they had started giving 80 and 100 per cent assistance to States and voluntary associations, respectively for family planning schemes. To a question, he replied that Government Officers inspected these institutions and sent reports on the working of these schemes.

*Appropriation Accounts (Civil) 1953-54; Page 16, Grant No. 50—
Public Health, Note 1*

420. A sum of Rs. 16,27,939 was surrendered, though the final result disclosed an excess of Rs. 1,58,10,262. The Committee noticed that the excess over the Grant exceeded 100% and under item "C. Grants for Public Health Purposes" alone, the Ministry went on sanctioning amounts up to Rs. 2,27,90,737 while the total of the Grant was only Rs. 1,15,08,000.

The representative of the Ministry stated that the excess occurred due to adjustment of expenditure relating to T.C.M. aid. He added that no budget provision had been made on the revenue side for it, because the accounting procedure in respect of T.C.M. aid was finalised only in 1954. To a question, the representative of the Ministry of Finance replied that the excess was purely a matter of adjustment in accounts.

The Committee were of the view that when the Ministry knew that a certain equipment would be received in a particular year, they should have tried also to know how to account for that in the accounts.

Page 25, Grant No. 126—Capital Outlay of the Ministry of Health, Note 7, Item (ii)

421. Out of the stores of the value of Rs. 3,55,397 received from M.S.D., Delhi on its closure in the year 1950, stores of the value of Rs. 96,809 were received short, broken or already deteriorated.

The Committee were pained to see that the shortages continued to be shown even after seven years after they had been reported. The representative of the Ministry conceded that there had been an unsatisfactory management of the M.S.D., Delhi. He stated that explanations had already been called for from certain officers and promised to send the Committee a note* regarding fixation of responsibility for unsatisfactory state of affairs in M.S.D., Delhi.

The Committee also desired to be furnished with a note* indicating the present position of stores with the Ministry, arrangements for their proper accounting and utilisation in time, machinery for disposal of surplus stores and action taken or proposed to be taken to remove defects, if any, that have been noticed in the general position of stores.

Appropriation Accounts (Civil) 1954-55; Page 36, Grant No. 125—Capital Outlay of the Ministry of Health, Note 11 (ii)—Medical Stores Depot, Bombay

422. No rent has been received since October, 1951 for a part of the Depot premises let out to a tenant at Rs. 307 p.m.

The representative of the Ministry stated that orders had been passed three years ago to file a suit against the occupant. But due to change in solicitors and also their wanting more and more information, the matter had been delayed. In reply to a question, he stated that the occupant had written that he was prepared to pay all the arrears of rent. But the Ministry felt that once the rent was accepted, his tenancy would stand accepted automatically.

In reply to a question, the representative of the Ministry stated that they had given the party notice saying that his failure to vacate the premises would cost him rent of Rs. 600 p.m. He assured the Committee that a suit against the occupant for wrongful occupation would be filed shortly.

*See Appendix XLIII.

MINISTRY OF EXTERNAL AFFAIRS

Appropriation Accounts (Civil), 1953-54

Page 1, Grant No. 22—Tribal Areas

423. Out of the total grant of Rs. 3½ crores, the savings were over Rs. 74 lakhs. The entire provision of Rs. 40½ lakhs for reorganisation of Assam Rifles [sub-head A1(16)—Account 1] remained unutilised. Similarly, provision of Rs. 58 lakhs for this reorganisation made in the preceding year was not utilised. The Committee were informed by the C. & A.G. that in 1955-56 also the entire provision of Rs. 5,50,000 under this head had been surrendered.

In reply to a question, the representative of the Ministry stated that in the absence of details, a lump sum provision had been made under this sub-head. But when the expenditure was incurred, entire amount was reappropriated to sub-head A1(5). The Committee were of the opinion that such reappropriations should not be made a regular feature as inclusion of lump provision every year disclosed lack of proper planning in advance.

Page 21, Grant No. 23—External Affairs, Note 8, Group-head B-5

424. An officer entitled to travel by ordinary first class in an ordinary steamer, actually travelled by luxury liner. His maid-servant, who was entitled to the same class of passage as the Officer, costing £105-7-6 travelled also by the same ship, but in tourist class, the passage costing £59. This difference of £46-7-6 was set off by the officer against the refund due from him. It was reported that the officer was under a *bona fide* misapprehension (derived from incorrect information given to him by the High Commission) and he refunded £32 and recovery of £46-7-6 was waived by Government.

The representative of the Ministry stated that the officer should not have been made to pay anything as by his travelling by the luxury liner Government were saved expenses of his compulsory stay at London *en route* if he were to travel by an ordinary liner and it was economical for government to have permitted him to travel by the luxury liner.

The Committee felt that even so, the proper course would have been to grant sanction to the officer to travel by luxury liner as a special case. But off-setting the savings in the fare of maid-servant against the excessive expenditure incurred by the officer was not only against financial rules, but also wrong in principle.

Page 22, Grant No. 23—*External Affairs, Note 11*

425. An individual was appointed on trial in the Central Recovery Organisation without any sanctioned post. He did not prove suitable and his services were terminated with an *ex-gratia* payment of Rs. 1,200 on an *ad hoc* basis.

To a question, the representative of the Ministry stated that at that time the Recovery Organisation was under the administration of a non-official and later on it was taken over by Government. To another question he replied that the *ex gratia* payment was made by Government after consultation with the Ministry of Law because a commitment had already been made by the non-official who was in charge of the organisation.

The Committee felt that such *ex gratia* payments might tempt other non-official organisations to appoint staff and get them paid salaries afterwards. The representative of the Ministry admitted that it was a bad case and could not be defended on merits. He hoped that such things would not recur as the organisation itself had been disbanded since then.

Page 22, Grant No. 23—*External Affairs, Note 12 (1953-54 accounts)*
and Page 24, Note 8 (1954-55)

426. The above notes related to write off of outfit allowance amounting to Rs. 4,700 granted to some officials prior to their transfer abroad as their postings were subsequently cancelled and the persons concerned had utilised the amount.

In reply to a question, the representative of the Ministry stated that the orders in force at present made it clear that if such an allowance was given to an officer who subsequently could not be posted abroad, the amount would be either recovered or adjusted against his future entitlements. In these cases he said that he was satisfied that the amounts had been actually spent on equipment by those officers. In one case only such allowance had been granted twice in the past. The Committee observed that such exceptions in individual cases created an impression of favouritism. The representative of the Ministry assured the Committee that the rules had been formulated now and were being enforced strictly. He hoped that such cases would not recur.

Page 23, Grant No. 23—*External Affairs, Note 5 (1954-55 accounts)*

427. In this case supplementary grant of Rs. 30,67,000 voted by Parliament in February, 1955 proved unnecessary as even without it there would have been a saving of Rs. 3,10,878. The representative of the Ministry stated that the original figures had to be revised

in January, 1955. But some of the anticipated expenditure did not materialise which resulted in savings. The Committee desired that Ministries should evolve a procedure whereby such recurring savings could be avoided. The representative of the Ministry assured the Committee that he would examine the possibility of reducing savings as far as possible. The Committee desired that efforts made in this direction and the results achieved might be reported to them

Page 39, Note 2 (1953-54 accounts) and page 55, Note 3 (1954-55 accounts)—Administration of the scheme of Assistance

428. The total amount written off from the evacuees from war zones during these two years was Rs. 16,20,055. The Committee felt that when amounts were written off in dribbles, the Parliament did not appreciate the magnitude of the loss in full. They desired to be furnished with a note indicating the amount of advances made under the scheme, amounts recovered and written off so far, amounts outstanding and the cost of staff that was being maintained to pursue the recoveries of advances.

OUTSTANDING RECOMMENDATIONS

Fifteenth Report

Para 57—Outstanding Recoveries

429. From a note (Appendix LXX) the Committee understood that the Ministry had decided in consultation with the C. & A.G. and Finance to clear the outstandings in the Suspense Accounts by debit to the head "64-C-Pre-Partition Payments" and that necessary instructions had been issued to that effect.

Paras 59-60—Overdrawal of Exchange Compensation Allowance

430. The Committee considered Ministry's memo (Appendix LXXI) and noted that action has been taken against the officers concerned.

Sixteenth Report

Para 38—Purchase of furniture without tenders

431. From a note (Appendix XI), the Committee understood that in view of the urgency of the demand in the interest of public service, the supplies of these items were obtained from available sources in bulk at reduced cost, even if competitive rates were not available for some of the items.

The representative of the Ministry stated that competitive tenders were not possible for furniture in such small scales in foreign countries; nor was it easy for a non-technical head of a Mission to check up what stuff was supplied. In reply to a question he stated that instructions had been issued that while purchasing furniture, durability should be one of the important considerations and catalogues of about half a dozen suppliers should always be looked into. To another question, he replied that so far as furniture for residences was concerned the scale had been standardised and furniture not more than worth Rs. 1,000 only in a year could be purchased without Government sanction.

Para 40—Extravagant expenditure on rental

432. No comments.

Para 42—Extravagant expenditure on residential accommodation

433. No comments.

Para 44—Non-recovery of full dues

434. No comments.

Para 46—Purchase of whisky by High Commissioner for India in the U.K.

435. No comments.

Para 47—Budgeting and financial control of Indian Missions abroad:

436. The Committee desired to be furnished with a note* giving the principles underlying the refixation of foreign allowance as recommended by the Foreign Service Inspectorate and the suggestions made by the Inspectorate in the matter of control over budgeting and financial matters of Indian Missions abroad.

Para 48—Financial powers of the High Commissioner for India in the U.K.

437. The Committee desired that the requisite note may be expedited.

Twenty-third Report

Paras 36, 37, and 38—Infructuous expenditure on lease of building

438. From a Note (Appendix LXXII) the Committee understood that their observations had been brought to the notice of the High

*See Appendix XII.

Commissioner for India. To a question, the representative of the Ministry replied that the *charge d'affaires* had joined on the 7th December, 1957.

Para 41—Hospitality Fund of the Ministry of External Affairs

439. From the statement (Appendix XIII), the Committee understood that the Government had revised the ceiling rates for various types of entertainments. In reply to a question, the representative of the Ministry stated that the question of entertainment in private houses was still under consideration. He thought that such an arrangement might be necessary for social contracts because foreigners sometimes liked to meet Indian officers in their houses, and overhead charges in hotels were high. When asked whether a ceiling had been fixed on the number of people to be entertained in a year, he stated that the Ministry were going to discuss that with the C. & A. G. The Committee desired that the Ministry should frame a set of rules regarding this matter so that they might be subjected to check by audit.

Para 46—Advance for purchase of motor cars

440. The Committee were not satisfied with the Ministry merely noting their observations. The C. & A. G. intervened to say that action against the officer concerned in this particular case was being considered by the Ministry in another context.

Paras 49, 50 and 51—Unauthorised use of Govt. cash for private purposes

441. The C. & A. G. stated that he had seen the original papers and was satisfied. The Committee treated the case as closed.

Para 54—Irregular personal claims of an officer

442. In reply to a question, the representative of the Ministry stated that the Ministry of Home Affairs had issued a circular to prevent such cases. The Committee felt that it was essential in case of any officer of a Ministry being re-employed by another Ministry that the former should promptly inform the latter about the antecedents of the officer concerned. It was felt that in the case of this particular officer, the matter could now be taken up only by the Ministry of Transport.

Para 57—Infructuous expenditure on residential accommodation in an overseas Mission

443. The representative of the Ministry stated that ceilings for taking houses on rent had been laid down and instructions had been

issued as to how the accommodation once taken should be utilised in case an officer was transferred and no other officer was posted in his place.

Paras 60 and 61—Purchase of Chancery building

444. The Committee desired that the Ministry of Finance (Department of Expenditure) should resubmit their note, directly sent to the Committee on the eve of their sitting, through Audit. The representative of the Ministry of Finance stated that sanction was given as it was urgently required. It was however, subject to conditions (i) that the property should have no encumbrances and be transferable without any litigation (ii) title deeds should be examined by the Ministry of External Affairs (iii) necessary indemnity clause should be inserted to guarantee the position of the Government of India; and (iv) full particulars of the property with plans and estimates should be furnished.

The Committee were of opinion that the Ministry of Finance should not have surrendered their function to the administrative Ministry. They felt that the sanction should have been accorded by Finance only after they were fully satisfied about the points regarding which caveats were entered by them in the sanction.

The representative of the Ministry of External Affairs stated that to prevent such things in future clear instructions had been issued.

Paras 62 and 66—Advance payment by the High Commissioner for India in London for acquisition of premises (Gaiety Theatre)

445. No comments.

The Committee then adjourned to meet again on the next day, the 7th February, 1958 at 10.00 hours.

PROCEEDINGS OF THE THIRTY-EIGHTH SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON FRIDAY, THE 7TH
FEBRUARY, 1958.

446. The Committee sat from 10-00 hours to 13-15 hours.

PRESENT

Shri T. N. Singh—*Chairman.*

Members

2. Shri Ram Subhag Singh
3. Shri N. G. Ranga
4. Shri Radhelal Vyas
5. Shri A. C. Guha
6. Shri N. R. M. Swamy
7. Shri H. C. Dasappa
8. Shrimati Pushpalata Das
9. Shri Syham Dhar Misra
10. Shri Jaswant Singh

Shri A. K. Chanda, *Comptroller & Auditor General of India.*

Shri P. C. Padhi, *Additional Deputy Comptroller & Auditor General.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri P. N. Bhandari, *Director of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

Present during the examination of the Ministry of Labour & Employment

Shri P. M. Menon, *Secretary.*

Shri R. L. Mehta, *Joint Secretary.*

Shri S. Abdul Qadir, *Director General, A.I.R.*

Shri T. R. V. Chari, *Principal Information Officer, P.I.B.*

Shri U. S. Mohan Rao, *Director, Publications Division.*

MINISTRY OF FINANCE

Shri P. K. Basu—*Financial Adviser.*

MINISTRY OF LABOUR & EMPLOYMENT

447. The Committee first took up consideration of the accounts relating to the Ministry of Labour & Employment.

Appropriation Accounts (Civil) 1953-54 and 1954-55, Page 10—Grant No. 67—Miscellaneous Departments and Expenditure under the Ministry of Labour

448. There was a saving of Rs. 67-3/4 lakhs out of total grant of Rs. 317 lakhs in 1953-54 and a saving of Rs. 110 lakhs out of a total grant of about Rs. 325 lakhs in 1954-55.

The Committee wanted to know the reasons for such large savings under the grant. The representative of the Ministry stated that these savings had mainly occurred under the housing schemes under the Coal Mines and Mica Mines Welfare Funds due to shortage of Cement and Steel. He, however, stated that the position was expected to improve in future. He also admitted that there were large accumulations under these Welfare Funds. The Committee desired to be furnished with a note on the working of these Welfare Funds. They desired that the welfare activities should be carried out with greater speed and for that purpose detailed planning of the scheme should be undertaken well in advance.

Appropriation Accounts (Civil) 1954-55—Pages 19-21—Grant No. 67—Miscellaneous Departments and Expenditure under the Ministry of Labour & Employment

449. Constructions of five major works above Rs. 50,000 was started without obtaining sanctions for estimates. The representative of the Ministry stated that the work had since been sanctioned. The Committee observed that the practice of giving *ex-post facto* sanction was not proper as starting work without sanction resulted in laxity of financial control. The Committee further pointed out that in respect of these works, no specific provision was made, but only a lump sum provision was made. They deprecated this tendency of obtaining lump sum provisions. The representative of the Ministry stated that this practice had since been given up. He promised to furnish a note giving the particulars of schemes which were started without estimates.

Appropriation Accounts—(Civil) 1954-55, Page 27—Note 6—Drawal of a Forged Bill

450. In October, 1949, a sum of Rs. 800 was drawn on a contingent Bill from a sub-treasury by forging the signature of the drawing officer of a certain Regional Organisation. Neither the drawer nor

the endorsee could be traced. The questions of fixing the responsibility for the loss, as also of the chances of its recovery was stated to have been under the consideration of the State Government since January, 1953.

The Comptroller & Auditor General of India pointed out that the Treasury Officer was also responsible for this payment as according to the Treasury rules and procedure he should require a letter authorising the person to receive the payment which was not produced nor demanded before payment was made. The Committee were distressed to note this and desired that the Ministry should draw the attention of the West Bengal Government to the fact that the Public Accounts Committee were surprised to see that a decision in the case had not been taken even after a lapse of 8 years, and the reaction of that Government should be communicated to the Committee. The representative of the Ministry promised to pursue the case with the State Government and to send a detailed note* to the Committee in due course.

*Appropriation Accounts (Civil) 1954-55—Page 27—Misappropriation of Government money and Stores**

451. In an Industrial Training Institute, a sum of about Rs. 4,211 was misappropriated during 1952-53 and 1953-54 by falsification of accounts by the Accounts Clerk who was prosecuted and sentenced by Court to 8 months' rigorous imprisonment. He was also dismissed from service from 30th December, 1955. For laxity of supervision, the Principal and the Deputy Manager were censured and sums of Rs. 400 and Rs. 200, respectively, were recovered from them. Action against a previous Deputy Manager, who was also involved was stated to be pending.

The Committee desired to know what action had been taken against the previous Deputy Manager. The representative of the Ministry stated that the concerned official belonged to the Railway Department and he had since reverted to the Railway Department. Disciplinary action was being taken against him by the Railway Department. The Comptroller & Auditor General pointed out that this raised a very important issue. When a Department borrowed the services of some officer and the latter committed some irregularity while in the service of the borrowing Department, it was not sufficient for the borrowing Department to revert him to his parent department; but disciplinary action against the official should also be initiated by the borrowing department. Obviously the borrowing Department, being in full possession of the facts of the case would be in a better position to draw up the disciplinary proceedings and come to definite conclusions, whereafter the papers should be passed on to the lending Department. The Comptroller & Auditor General added

*See Appendix XLVIII.

that this procedure was examined by the Ministry of Home Affairs and it had been included in the classification and control Rules. The Committee desired that they should be furnished with information* on the following points:—

- (i) When the case against the Deputy Manager came to the notice of the Ministry, was that officer suspended from service?
- (ii) What has been the final outcome of the disciplinary proceedings taken against the Deputy Manager?

Appropriation Accounts (Civil) 1954-55, Page 32—Audit Comments: Pro forma account of the scheme "Purchase of Reserve stock of Equipment."

452. The value of stores lying in the Dighaghat Tool Depot on 31st March, 1955 amounted to Rs. 8,03,856. The value of stores issued during the year 1954-55 was Rs. 55,301 only. It was urged that storage of articles in excess of requirement was fraught with risk of deterioration and consequent loss to Government.

The representative of the Ministry explained that these stores were accumulated during wartime and these were not disposed of as they were required for training. Moreover, they had to await the report of the Shivrao Committee and the Ministry did not know the future of these Training Centres. Now that the decision had been reached in the matter, in pursuance of which the Depot had been closed and the training centres decentralised under the administrative control of the State Governments, the surplus articles of stores were also distributed to them according to their needs.

The Committee observed that overstocking should be avoided as it would unnecessarily lock up money. They desired the Ministry to apply their mind to this important question of stores control and issue detailed instructions to the persons supervising the stores.

OUTSTANDING RECOMMENDATIONS

Fifteenth Report

Para. 55 of the Fifteenth Report: Employment of Labour by Contractors through the agency of Employment Exchanges—Inclusion of a mandatory clause in contracts that vacancies should be notified to Employment Exchanges

453. The representative of the Ministry explained that while some Ministries such as Transport and Communications, Steel, Mines & Fuel were in favour of the suggestion, the Ministries of Works, Housing & Supply and Defence had simply advised their contractors to

*See Appendix XLIX.

do so. These two Ministries were not agreeable to the insertion of a mandatory clause in the contracts. Replies from certain Ministries (e.g. Railways) were still awaited.

The Committee desired that the matter should be pursued to finality, being in the interest of the Employment Exchanges.

Para. 56—Maintenance of National Employment Register for keeping track of the ex-trainees

454. The Committee were told that record cards for each passed out trainee had been prepared and sent to the State Governments concerned for maintenance. The Committee felt that mere maintenance of cards would not do. It was essential for the training centres and teachers to take real interest in their trainees and their future after they pass out and help in seeing that their services were properly utilised. They reiterated the recommendation in para. 56 of the 15th Report and desired the Ministry to impress upon the teachers that point constantly.

The representative of the Ministry agreed to do this.

MINISTRY OF INFORMATION AND BROADCASTING

Page 14/17 of Appropriation Accounts (Civil) 1953-54 and Pages 16/20 of Appropriation Accounts (Civil) 1954-55—Losses on Radio station and Radio Publications and Increase in Expenditure

455. The Committee wanted to know how the Ministry proposed to deal with the problem of increasing losses on Radio stations and Radio publications. The representative of the Ministry stated that while viewing the question of loss, the Committee should bear in mind not only the fact that radio was an expanding and developing service but it also performed services, viz., External services for which as a commercial enterprise, the A.I.R. could expect a grant-in-aid from Government. Further the All India Radio undertook Plan publicity and educational work also for which it did not receive any payment.

He added that the B.B.C. got a grant-in-aid of well over £5 million per annum from the U.K. Government for its external services. When asked for the break-up of the expenses involved in external services, the Secretary to the Ministry stated that a detailed calculation had not been made but it might be of the order of Rs. 20 lakhs per annum at least. The Committee felt that even allowing for this expenditure on external services, the loss was still heavy.

The Committee then enquired why the licence fees levied should not be based on the No. of valves of the radio sets instead of a flat

rate as at present. The Secretary replied that the same fee was charged because the service was not different; but he promised to study the question on that line to see whether something could be done to have sliding scales of licence fees according to the capacity of radio sets.

The Committee wanted to know the efforts that were being made to encourage more people in having radio sets. It was stated that the Government were examining the possibility of cheaper sets with the private industry and the adaptability of the broadcasting system to it. In reply to a further question, the representative stated that the manufacture of cheap sets depended to a certain extent on their off-take which was limited and consequently there was not very great scope for reducing the cost of sets; but the Government were examining the question in detail with the private industry. The Committee were distressed to learn that even after 4 years, since they had been informed by the Ministry that steps were being taken in association with the Ministry of Commerce and Industry to increase the production of cheap radio sets within the purchasing power of the common man, nothing concrete had come out.

Page 25 of 1953-54 accounts and page 28 of 1954-55 accounts—Deputation pay etc. in England including contribution for leave salary and pension.

456. The Committee noticed that the expenditure on "deputation pay and leave salary etc." in England had increased from Rs. 4,09,613 in 1952-53 to Rs. 14,44,758 in 1954-55. They understood that this expenditure had now further increased to about Rs. 16 lakhs. They wanted to know the reasons for this increase in expenditure. The representative of the Ministry stated that the expenditure was incurred because some officers had to be sent to England for technical training. He added that the expenditure would come down as the necessity for training had lessened considerably. The Committee felt that such expenditure should be cut down considerably in view of tight foreign exchange position and the representative of the Ministry agreed to it. He, however, added that the whole of the expenditure had not been in foreign currency. In reply to another question, he stated that the number of officers deputed abroad had come down very much.

The Committee desired to be furnished with a note* stating the number of officers on deputation abroad in each year from 1952-53 to 1957-58, the duration of their deputation and expenditure incurred thereon with its break-up into Indian and foreign currencies and how many of them had retired or were on the verge of retirement.

*Not printed.

Page 18—21, Grant No. 60—Broadcasting (1953-54 accounts) and Pages 21—23, Note 10 Radio publications (1954-55 accounts) and Para. 40 of 15th Report

457. The Committee noticed that in the case of 5 out of 7 publications, circulation had fallen down and the cost was going up. The representative of the Ministry stated that the whole position was being examined with a view to reducing the loss. He informed the Committee that 'Indian Listener' had been brought out in a new form called 'Akashvani' and its circulation had gone up by about 300 per month. To a question, he replied that the proportion of free distribution was about 8 per cent. The Committee felt that this was on the high side. The representative of the Ministry stated that the number of free copies had been gradually reduced.

The Committee were of opinion that it was not worth bringing out journals with a circulation of 5,000 and less. They felt that journals with such low circulation should be stopped. They thought that by increasing the licence fee by a rupee or two and giving every licensee a free copy of the 10-12 page programme—part of a journal of his choice with tit bits of interest here and there might be a good alternative. The representative of the Ministry assured the Committee that he would examine these suggestions carefully.

The Committee desired to be furnished with a note* giving a break down of a circulation of the journals in various parts of the country and analysing the causes of difference in circulation State-wise. The representative of the Ministry promised to find out the exact reasons and to submit a note.

Page 33, Grant No. 127—Capital Outlay on Broadcasting (1954-55 accounts)

458. The Committee noticed a saving of Rs. 1,47,07,351 out of the final grant of Rs. 2 crores. They understood that there was a considerable saving in subsequent years also. They emphasised the necessity for proper budgeting and desired to be furnished with a detailed note indicating the steps that the Ministry had taken or were going to take to avoid such huge lapses in future.

Outstanding Recommendations—Seventh Report—Para. 46—Payment to P.T.I. and Reuters

459. From a note (Appendix LXXIII), the Committee understood that enquiries made in this connection revealed that no News Agency of importance was being paid on the basis of services rendered by it and the Press Commission had recommended a payment at a flat

*See Appendix XLVI.

rate of -/10/- per receiver set plus *ad hoc* payment for external services. In the circumstances, it was not considered advisable to adopt the criterion of wordage supplied or used as the basis for fixing payments to News Agencies by A.I.R.

Fifteenth Report

Para. 38—Commercialisation of the Accounts of A.I.R.

460. Outcome of the review by the Economy Unit may be reported to the Committee.

Para. 39—Overstocking of materials

461. No comments.

Sixteenth Report

Para. 86—Contract for broadcasting records

462. No comments.

Paras 88-89—Commercialisation of the Accounts of the Films Division

463. No comments.

Para. 90—Publication of Radio journals

464. No comments.

Para. 91—Misappropriation of Government money

465. No comments.

Para. 92—Anti-piracy campaign

466. The Committee would like to know the latest position.

467. The Committee then adjourned to meet again on Saturday, the 8th February, 1958 at 10-00 hours.

PROCEEDINGS OF THE THIRTY-NINTH SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON SATURDAY,
THE 8TH FEBRUARY, 1958.

468. The Committee sat from 10.05 hours to 12.45 hours.

PRESENT

Shri T. N. Singh—*Chairman.*

MEMBERS

2. Shri Ram Subhag Singh.
3. Shri N. G. Ranga.
4. Shri Radhelal Vyas.
5. Shri A. C. Guha.
6. Shri N. R. M. Swamy.
7. Shri H. C. Dasappa.
8. Shri R. M. Deshmukh.
9. Shri Jaswant Singh.

Shri A. K. Chanda, *Comptroller & Auditor General of India.*

Shri P. C. Padhi, *Additional Deputy Comptroller & Auditor General.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri P. N. Bhandari, *Director of Commercial Audit.*

Shri R. N. Chatterjee, *Chief Audit Officer, Food, Rehabilitation & Supply.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

WITNESSES

Present during the examination of the Ministry of Steel, Mines & Fuel

Department of Mines & Fuel

Shri S. S. Khera, *Secretary.*

Shri N. S. Mani, *Joint Secretary.*

Shri K. N. Kaul, *Joint Secretary.*

Shri H. R. Dewan, *Director, Indian Bureau of Mines.*

Department of Iron & Steel

Shri S. Bhoothalingam, *Secretary.*

Ministry of Finance

Shri V. Naryanan, *Financial Adviser.*

Present during the examination of the Ministry of Transport & Communications (Department of Communications & Civil Aviation)

Shri M. M. Philip, *Secretary.*

Shri D. C. Das, *Joint Secretary.*

Shri K. M. Raha, *Director General of Civil Aviation.*

Shri P. J. Rodgers, *Director General of Overseas Communications Service.*

Shri S. Basu, *Director General of Observatories.*

Ministry of Finance

Shri P. K. Basu, *Financial Adviser.*

MINISTRY OF STEEL, MINES & FUEL

(Department of Mines & Fuel)

Para 8, Audit Report (Civil) 1956—Part I. Non-realisation of stowing excise duty on coal and coke transported by means other than rail

469. Prior to 1954, excise duty was levied and collected on despatches of coal and coke by rail only according to rules framed under the Coal Mines Safety (Stowing) Act, 1939 (since repealed). But Section 5 of this Act as also sub-section (1) of Section 8 of the Coal Mines (Conservation & Safety) Act, 1952 prescribed such a levy on all coal and coke despatched from collieries.

The representative of the Ministry stated that the intention, when the legislation was promulgated by Government in 1939, was only to levy cess on coal despatched by rail. But this intention could not be incorporated in the Act as the Ministry of Law were of opinion that if the collection of the excise duty was restricted under the Act to despatches of coal by rail only, the excise duty would partake the nature of a terminal tax, the proceeds of which would have to be shared by the Central and State Governments.

Secondly, despatches by road and river before 1954 were comparatively insignificant viz., the gross collection of excise duty on despatches by rail and road or river respectively in 1954-55 was Rs. 1,11,57,136 and Rs. 74,258. He added that it was not likely that a very considerable amount had been lost as a result of failure to extend the excise duty on despatches by means other than rail.

In reply to a question, he stated that the rules under Coal Mines (Conservation & Safety) Act, 1952 were notified in September, 1954. The Committee felt that considering the time it usually took to implement rules, the comparative figures of collection of excise duty on despatches of coal by rail and road or river in 1954-55 given by the representative would not give a correct picture. They thought that the representative should have made it clear to the Committee that the figures of excise duty on despatches of coal by means other than rail for 1954-55 were for a part of the year only. The representative of the Ministry admitted that mistake on his part and apologised for it. The Committee also deprecated the delay in the framing of rules under the Act and were surprised to discover that the intention of Government was different from the phraseology of the Act itself. They felt that Government, in discriminating between despatches by rail and road or river, had gone beyond the powers conferred on them by Parliament. They observed that amounts of Rs. 4.6 and Rs. 5.5 lakhs respectively realised in 1955-56 and 1956-57 on despatches of coal by means other than rail were not also small; besides the principles involved were certainly more important. They were not convinced by the explanations of the Ministry and desired to be furnished with the following further information.*

- (a) A statement showing the total amounts collected annually during the last five years for the stowing Fund and the amounts that were spent out of it during these years.
- (b) whether the amounts collected were being spent for the intended purpose?
- (c) What was the cumulative effect of the cesses, etc., levied on coal by the Ministries of S.M. & F. and Labour? It may be stated in terms of a ton of coal.
- (d) A statement showing the quantities of coal raised annually from 1952 to 1957 and quantities despatched by rail, road and river separately.

*See Appendix LI.

Page 54—Grant No. 84—Miscellaneous Departments and Expenditure under the Ministry of Production (1953-54 accounts) and Page 55, same Grant (1954-55 accounts)

470. The Committee noticed savings of 91·45 lakhs out of final grant of Rs. 2·16 crores in 1953-54 and Rs. 92 lakhs out of final grant of Rs. 2·03 crores in 1954-55. The representative of the Ministry stated that savings were caused due to a change in the accounting procedure.

Page 61, Grant No. 132—Capital Outlay of the Ministry of Production, Note 4—Establishment of a synthetic oil plant (1954-55)

471. The representative of the Ministry stated that the Experts Committee set up to consider the reports of the three specialist foreign firms on the Project had recommended a Rs. 20 crore plant at Kothagudam (instead of one of Rs. 51 crores as recommended by one of the foreign firms) to produce soft coke from coal and other by-products including synthetic oil. But the Planning Commission advised postponement of the Scheme as requisite resources could not be found during the Second Plan period. When asked whether the cutting down of the project of Rs. 51 crores to Rs. 20 crores would not be uneconomical, he agreed that economics of the project would be gone into before a final decision was taken. The Committee desired to be furnished with a *note indicating the estimated per ton cost of production of coke and other by products under the Rs. 51 crore as well as under Rs. 20 crore projects.

OUTSTANDING RECOMMENDATIONS

Fifteenth Report

Para 30—Delay in disposal of Government buildings

472. From a note (Appendix LIII), the Committee understood that the officers concerned were in charge practically for short periods and none of those officers was in service now.

The Committee were not satisfied with the explanations. They felt that delay in taking disciplinary action promptly against officers, resulted in their getting away without any punishment which set a bad example. The representative of the Ministry agreed that wrong-doers should be punished quickly and not allowed to escape.

Page 13, First Annual Report 1954-55, Hindustan Steel Ltd: System of Accounts

473. According to the auditor's certificate, the system of accounts in the company in operation had developed gradually as time went.

* See Appendix LI1.

There was, however, absence of co-ordination between the Accounts Department and Executive Branches and the accounting procedure required re-examination. The accounts at Rourkela called for immediate attention, as the Accounts Department there had exercised little or no control over the affairs at Rourkela.

The Committee recalled that their impression during their on-the-spot study of the projects confirmed the above views of the internal Auditors in the Ministry. In reply to a question whether the accounting system had shown any improvement, the representative of the Ministry stated that in each of the three projects there was a fairly, experienced Accounts Officer. The Committee observed that during their visit to Rourkela, the General Manager could not state whether the expenditure on works was according to estimates as he had no firm estimates of expenditure for the different items of work. He, however, assured the Committee that work at the project was going on according to the schedule and everything was in order. The Committee could not accept this assurance.

The representative of the Ministry stated that he could not say that every-thing was going according to the schedule as there had been delays and difficulties in clearing, transport and unloading the plant and machinery at the Rourkela end. When asked whether it was correct that during 55 days of November and December, 1957, Rs. 4.60 lakhs had been incurred as demurrage and 15,335 wagon days had been lost, the representative of the Ministry replied that there had been loss on this account.

The Committee were pained to note how they were misled by the General Manager, Rourkela. They feared that the Ministry themselves might have also been misled similarly. The representative of the Ministry assured the Committee that the Government were well aware that everything was not moving as per schedule.

Another thing which the Committee noticed was the absence of coordination between foreign and Indian advisers at the project. They were also concerned over the constant revision of estimates of these projects and their increasing cost. They desired to be furnished with a statement containing the following information:—

- (a) What were the factors responsible for revision of original estimates and increasing cost of these three steel projects?
- (b) How much increase in cost is attributable to rise in prices and how much to the expansion of original scope of these projects? Relevant facts and figures may be given.

- (c) On what items and to what extent has there been increase in expenditure? Of these, what items have been left out of the original estimates and what is the amount involved on each of these?
- (d) Has there been any corresponding increase in production potentiality with the expansion of scope of these projects?

The Committee impressed upon the Ministry's representative the necessity of exchange of information regarding cost of similar items at these projects as also the need for concurrent audit of these projects. The Comptroller and Auditor General informed the Committee that he had issued instructions to his staff to undertake concurrent audit of all the three steel projects and that a special officer had also been placed in charge of the audit of all the three plants.

DEPARTMENT OF COMMUNICATIONS AND CIVIL AVIATION

Grant No. 9—Aviation (1953-54 accounts), Grant No. 10—Miscellaneous expenditure under the Ministry of Communications (1954-55 accounts), Grant No. 112—Capital Outlay on Civil Aviation and Grant No. 113—Other Capital Outlay of the Ministry of Communications (1953-54 and 1954-55 accounts).

474. The Committee noticed savings under these Grants. The percentage of these savings ranged from 10 to 59. The Comptroller and Auditor General informed the Committee that in 1955-56 also there had been savings of the order of 60 and 23 per cent respectively under corresponding Grant Nos. 109 and 110.

Explaining the method of scrutiny by Finance of the demands put forward by the administrative Ministry, the Financial Adviser stated that in his examination of demands he took into consideration the Ministry's estimates, the expenditure in the previous year, their capacity to implement the programme contemplated and the targets of the Plan. He added that to a large extent the Ministry of Finance was guided by the estimates put forward by the administrative Ministry. The Committee thought that it was the duty of administrative as well as of Finance Ministries to bring the budget into alignment with the actual expenditure of the last year. They observed that administrative Ministries should not present unrealistic estimates to the Ministry of Finance by pitching up the demands with sufficient margin to accommodate the cuts likely to be imposed by Finance. At the same time, Finance Ministry should

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examine the demands in the light of expenditure in the previous years. They felt that the tendency of Ministries to outwit each other in the matter of budgeting should be discouraged.

In answer to a question whether the Ministry had prepared the next budget with due regard to the last year's savings and trend of expenditure, the representative of the Communications replied in the affirmative. He added that in the current year there would be no savings; on the contrary expenditure would be more than the capital grant provided by Rs. 30 lakhs. Explaining the reasons for the likely excess, he stated that they were following a new system now according to which they were placing advance orders and had a token grant in the first year and only in the second or third year they made a budget provision.

The Committee felt that under the present difficult foreign exchange situation in the context of the plan there was need for utmost economy and any inflation of budget was likely to lead to extravagance. They observed that reappropriation should also be avoided as far as possible and in any case it should not exceed certain limits otherwise it will nullify parliamentary control.

OUTSTANDING RECOMMENDATIONS

Sixteenth Report

Para 32, Loss of Gandhi Memorial stamps in the Indian High Commission, London:

475. No comments.

Para 33, Recoveries from the Nationalist Chinese (KMT) Government:

476. The matter was reported to be under consideration.

Para 34, Appointment of an Internal Accounts Officer in the Overseas Communications Service:

477. No comments.

Para 35, Recovery from Pakistan of their share of contribution to the I.C.A.O. paid by India for the period from 15-8-47 to 30-6-48.

478. The representative of the Ministry stated that the case had been included for discussion in the next meeting of the Steering Committee but no date had been fixed for the meeting.

Utilisation of the full production capacity of B.E.L.

479. The Committee had then discussions with the representatives over the utilisation of capacity of Bharat Electronics by the Communications Department. The representative of the Department stated that as far as the Overseas Communications Service was concerned, the Bharat Electronics could not meet its requirements for high power transmitters. When asked whether any orders had been placed for such transmitters with the Bharat Electronics, he replied in the negative and stated that Bharat Electronics had been busy with other orders from other Departments.

The Committee enquired whether the Civil Aviation Department was getting its requirements from the Bharat Electronics. The D.G.C.A. stated that there were orders with the Bharat Electronics worth Rs. 10 lakhs for transmitters and receivers. He added that whenever his Department imported specialised instruments it always got a certificate from Bharat Electronics that they were unable to manufacture such instruments.

The Committee desired that Ministries should encourage the Bharat Electronics in the production of specialised instruments by placing experimental orders with them. They urged upon them the necessity of utilising fully the production capacity of Bharat Electronics in every way possible. The representative of the Communications Department assured the Committee that his Department was helping Bharat Electronics in every possible way.

480. The Committee then adjourned to meet again at 15.00 hours on Friday, the 14th February, 1958.

PROCEEDINGS OF THE FORTIETH SITTING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON FRIDAY, THE 14TH
FEBRUARY, 1958

481. The Committee sat from 15·00 to 16:15 hours.

PRESENT

Shri T. N. Singh—*Chairman.*

Members

2. Shri Ram Subhag Singh
3. Shri N. G. Ranga
4. Shri A. C. Guha
5. Shri N. R. M. Swamy
6. Shri Upendranath Basuman
7. Shri H. C. Dasappa
8. Shri Prabhat Kar
9. Shri Jaipal Singh.
10. Shri N. Siva Raj.
11. Shri Vijayarama Raju
12. Shri P. T. Leuva
13. Shri Shyam Dhar Misra
14. Shri J. M. Mohamed Imam
15. Shri R. M. Deshmukh

Shri A. K. Chanda, *Comptroller and Auditor General of India.*

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor General.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri P. N. Bhandari, *Director of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Present during the examination of the Ministry of Education and Scientific Research (Department of Scientific Research, Technical Education)

Shri M. S. Thacker, *Secretary.*

Ministry of Finance

Shri Prem Narain, Deputy Financial Adviser.

Appropriation Accounts (Civil), 1954-55, Vol. XIV—Page 2—Grant No. 73 survey of India—36 Scientific Departments—Sub-head A6—Cost of material and equipment under T.C.A. Programme:

482. A provision of Rs. 31·13 lakhs was made under this head in the expectation of receipt of equipment from the T.C.A., but as the supplies did not materialise, the provision had to be surrendered. The representative of the Ministry explained that some of the equipment had actually been received but that the accounting procedure of these supplies was not formulated at that time with the result that the transactions could not be put through the accounts of that year. The Comptroller and Auditor General pointed out that in the Accounts for 1955-56 also no adjustments for these supplies had been made. The Committee desired to be furnished with a note giving the difficulties, if any, that were being experienced by the Ministry in regard to accounting and pricing of equipment, with special reference to some instances where, because of such difficulties, the equipment even though received, could not be put into use or operation. The representative of the Ministry promised to look into the matter and furnish the requisite information.

Appropriation Accounts (Civil), 1953-54, Vol. XIV—Pages 5-8—Grant No. 73—Survey of India—Subsidiary Accounts.

483. The Subsidiary Accounts appended to the Appropriation Accounts revealed that there was accumulation of surplus stores in the Photo Litho Offices, which, in the opinion of the Committee, could have been avoided by restricting purchases according to needs. They considered that no surplus stores should be allowed especially in the case of chemicals which were liable to deterioration. Agreeing with the viewpoint of the Committee, the representative of the Ministry stated that the stock position was under review by the Ministry.

Appropriation Accounts (Civil), 1953-54 (Grants Nos. 76, 77, 78, and 132).

Appropriation Accounts (Civil), 1954-55 (Grants) Nos. 73, 74, 76, 77, 78 and 131).

484. A number of instances of over-budgeting and large savings were pointed out by the Committee. The savings in some cases (e.g. under "Capital Outlay of the Ministry of Natural Resources

and Scientific Research" and "Botanical Survey") were to the tune of 69% and 71%. The Comptroller and Auditor General pointed out that in 1955-56 also the savings under the Grant were nearly 70%. The representative of the Ministry stated that these savings were due to the fact that there was a system of "carry over" to the following year of unspent balance in a previous year. Since the practice had been discontinued now, he expected, the budgeting would improve in future. He also promised to ensure that there would not be loose budgeting in future.

The Committee desired to know the functions that were being performed by the National Research Development Corporation. It was stated by the representative of the Ministry that it was a separate body which used to explore the possibility of putting into production any process developed by the laboratories and settling with industry the terms and conditions under which it would be leased out to them for commercial purposes.

To a question if it was necessary to create a separate Corporation for this purpose, the representative of the Ministry replied in the affirmative. The Committee desired to be furnished with a Note giving the set up, composition and duties performed by the National Research Development Corporation and whether it would not be possible for C.S.I.R. itself to perform those functions instead of having a separate Corporation for this purpose.

The Committee then discussed in general about the activities of the C.S.I.R. and desired to know the contributions raised by it from the private Industrialists since its establishment or for the last six years, as may be available. The Ministry's representative promised to furnish the information.

*Outstanding Recommendations—Para 98 of the Sixteenth Report—
Definition of the function of the CSIR by a specific statute:*

486. The *note furnished by the Ministry in pursuance of the recommendation of the Committee that there should be a statute defining the functions of the C.S.I.R. was not shown to Audit before submission to the Committee. The Committee desired that all notes submitted to them should be shown to Audit for factual verification.

The Committee observed that they were not satisfied with the note submitted by the Ministry, as it appeared therefrom that the Ministry had not appreciated the significance of the recommendation.

* See Appendix X.

The Committee urged that while it was necessary to have autonomous organisation to enable it to work independently without interference from Government departments, it should be ensured that such institutions are subject to effective Parliamentary control. The Committee desired that the Ministry of Education (Department of S.R.T.E.) and Finance Ministry should re-examine the recommendation of the Committee made in para 98 of their Sixteenth Report and submit a note duly vetted by audit.

The Committee observed that a large number of research institutions had been started by the Government in the country. They wanted to know if they had got any machinery to evaluate the work carried out by these Institutions. The representative of the Ministry stated that there was an Expert Review Committee which had given a report on the work done by these institutions, about three or four years, back. There was also a Scientific Advisory Committee consisting of experts from India and abroad which reviewed and evaluated the scientific work done. The Committee felt that Research Institutions should also attract the interest of the industries and industrialists by their work so that they could make use of the work carried out in these institutions.

486. The Committee then adjourned to meet again at 11-00 hours, on Saturday, the 15th February, 1958.

PROCEEDINGS OF THE FORTY-FIRST SITTING OF THE PUBLIC
ACCOUNTS COMMITTEE HEAD ON SATURDAY, THE 15TH
FEBRUARY, 1958.

487. The Committee sat from 11-00 hours to 13-15 hours.

PRESENT

Shri T. N. Singh—*Chairman.*

MEMBERS

2. Shri N. G. Ranga
3. Shri A. C. Guha
4. Shri N. R. M. Swamy
5. Shri Upendranath Barman
6. Shri J. M. Mohamed Imam
7. Shri H. C. Dasappa
8. Shri N. Siva Raj
9. Shri Vijayarama Raju
10. Shri R. M. Deshmukh
11. Shri Jaswant Singh.

Shri A. K. Chanda, *Comptroller and Auditor General of India.*

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor General.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri P. N. Bhandari, *Director of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

*Present during the examination of the Ministry of Transport and
Communications*

(Department of Transport)

Shri R. L. Gupta, *Secretary.*

Shri H. P. Sinha, *Joint Secretary & Consulting Engineer
(Roads).*

Shri Goverdhan Lal, *Additional Consulting Engineer (Roads)*.

Shri S. K. Lahiri, *Director General, Lighthouses and Lightships*.

Ministry of Finance

Shri P. K. Basu, *Financial Adviser (Communications)*.

Shri R. G. Abhi, *Attached Financial Adviser*.

488. Before proceeding with the examination of the accounts relating to the Ministry of Transport and Communications (Department of Transport), the Chairman commented on the inordinate delay in the submission of notes on some points relating to D.R.T.A. accounts, due to which that report could not be finalised so far and stressed the need for prompt submission of notes, etc. within the prescribed time-limit.

Appropriation Accounts (Civil) 1953-54, Vol. XVIII (Grant Nos. 98, 101, 136, 137 and 138).

Appropriation Accounts (Civil) 1954-55, Vol. XVIII (Grant Nos. 98, 101, 135 and 136).

489. On certain large savings being pointed out under these grants, which were indicative of loose budgeting, the representative of the Ministry explained that these cases related to the first two years of the Plan, when everybody was anxious to spend as much as possible and budget provision was made accordingly. But owing to certain difficulties such as delay in the formulation of schemes, in preparation of estimates and issue of sanctions thereto and in some cases the failure on the part of the contractor to carry out the works, the provision could not be utilised fully.

Appropriation Accounts (Civil) 1953-54, Vol. XVIII, Page 48, Grant No. 136—Capital Outlay on Ports.

Appropriation Accounts (Civil) 1954-55, Vol. XVIII, Page 38, Grant No. 135—Capital Outlay on Ports.

490. In 1953-54 and 1954-55, out of a final grant of Rs. 3,20,00,000 and Rs. 4,80,00,000 respectively, a sum of Rs. 1,75,00,000 and Rs. 2,62,00,000 lapsed. The Comptroller and Auditor General pointed out that in 1955-56 and 1956-57 also, large savings under this grant had occurred, which clearly showed that there had been no improvement in the situation. The representative of the Ministry stated that due to the difficulty of foreign exchange they had not been able to carry out the scheme according to schedule. The Committee

felt that instead of providing for schemes proposals which were nebulous, it would be better if provision in the budget was made only when the scheme was quite ripe for execution. The Committee also pointed out that there had been general complaints that the ports required further improvements and their capacity should also be increased.

The representative of the Ministry explained that the savings under the Grant related to the Kandla Port which, during the first two years, could not be developed as expected because of unforeseen troubles. In reply to a question about the extent to which the capacity of the Kandla Port was being utilised at present the Committee were informed by the representative of the Ministry that only 70 per cent. to 80 per cent. of the capacity of Kandla was being utilised. It was reported that the metre gauge railway line connecting the port with the hinter-land was creating a bottleneck and stood in the way of utilisation of the full capacity of the port and of the private industry to make use of the Port.

*Appropriation Accounts (Civil) 1953-54, Page 52, Grant No. 137—
Capital Outlay on Roads.*

*Appropriation Accounts (Civil) 1954-55, Page 42, Grant No. 136—
Capital Outlay on Roads.*

491. Explaining the reasons for the failure to prepare the statement of Major Works, the Ministry have observed that the number of such works covered by each scheme was very large and it was impossible to estimate accurately the probable expenditure on each Major Work. It was added that the commencement and execution of work could not always proceed according to any fixed schedule. The Committee were not convinced with this explanation as it struck at the root of the problem of budgetary control and implied that it was not possible to conduct any check against appropriation, on behalf of Parliament. The representative of the Ministry stated that in these two years the provision was not made after a detailed scrutiny of the major works comprising the provision and that the position had much improved since.

*Appropriation Accounts (Civil) 1953-54, (Grant No. 138) and 1954-55 (Grant No. 137)—Investment of shares in commercial concern—
Eastern Shipping Corporation.*

492. The Committee then had a general discussion on the investment by Government in the Eastern Shipping Corporation and the working of Corporations and autonomous bodies. As desired by the Committee, the representative of the Ministry agreed to submit a

note showing the number of Corporations and autonomous bodies under the supervision/control of the Ministry of Transport and their set-up.

Appropriation Accounts 1953-54 and 1954-55, Grant No. 99—Central Road Fund.

493. The Committee desired to be furnished with a note giving the details of the income and expenditure of the Road Fund and the closing balances at the end of each year, for the last five years. The representative of the Ministry agreed to submit it shortly.

OUTSTANDING RECOMMENDATIONS

Para. 54 of the 23rd Report—Irregular Personal Claims of an officer

494. The Committee were very much distressed to note that although serious irregularities had been committed by the officer, he was re-employed by the Ministry of Transport at the age of 58. The representative of the Ministry explained that this Ministry had no knowledge of the irregularities said to have been committed by the Officer when he was appointed in this Ministry. The officer was appointed on a contract of three years and there was no provision in the contract regarding the termination of his services during the period of contract. During the 18 months of his service, the work and conduct of that officer were quite satisfactory. The Committee expressed that their recommendation made in para. 54 of the 23rd Report should be strictly followed by Government.

Para. 97 of the 23rd Report—Purchase of Unseaworthy vessel

495. The Chairman of the Committee remarked that the reply* of the Ministry was received in the Secretariat just on the eve of the sitting of the Committee and it was not, therefore, possible for them to consider it. The representative of the Ministry stated that he had to ascertain the position from the Government of Assam by correspondence. The Chairman observed that wherever Ministries wanted to exceed the time-limit of four weeks, they should invariably intimate the reasons therefor to the Committee in proper time.

Para. 65 of the 15th Report—Compensation to Shipping Cos. and Para. 66—Scheme for the purchase and construction of Lighters

496. The replies sent by the Ministry on these points were not shown to Audit before submission to the Committee. The Committee desired that all such replies should invariably be routed through Audit.

*See Appendix LV.

Para. 56 of the 1st Report—Accounts of Port Trusts: Submission to Parliament, of the Audit Reports relating to various Port Trusts—Amendment to the Port Trust Act.

497. The Committee desired that a decision on the recommendations of the Public Accounts Committee should be taken by the Ministry as early as possible as it involved a question of Parliamentary control on public funds. They expressed surprise at the fact that in spite of many reminders from the Lok Sabha Secretariat, no reply was received from the Ministry. The representative of the Ministry promised to look into the matter and furnish a note*.

Points arising out of the "on the spot study tour" to the Hindustan Shipyards, Visakhapatnam.

498. The Committee then took up consideration of the points arising from their 'On the spot study' of the Hindustan Shipyard, Visakhapatnam.

(i) Defective construction of certain ships:

499. The Chairman stated that during the visit by members of the Committee they were informed that certain defects were noticed in a ship constructed by the yard and wanted to know what action had been taken in that respect. The representative of the Ministry explained that the Board of Directors had appointed a Committee to enquire into it.

(ii) Overdraft with the Bank:

500. The Committee learnt that the shipyard had an overdraft of nearly Rs. 3 crores with the State Bank in view of the procedure decided upon by Government for payment by shipping lines of the cost of ships ordered by them. The Committee desired to know whether this did not amount to a financial concession to the shipping lines over and above the loans at concessional rates for purchasing ships. The Committee were informed that this course was being adopted as it took a longer time for the yard to supply a ship than the shipyards in other countries and the shipping lines found it difficult to have their funds locked up for such longer periods. It was stated that there was no undue advantage arising out of this to either side.

(iii) Planning and Rationalisation in regard to Shipbuilding:

501. The Committee wanted to know why in this yard the construction of ships took such a long time. The Secretary of the Ministry (who was the Managing Director of the Shipyard till recently)

*See Appendix LIV.

observed that the productive capacity of the yard had been handicapped to some extent by the types of models that the shipping companies ordered from time to time. He suggested that standardisation of ships would facilitate greater output by the yard. The Committee also felt that it would be possible to have specific types for coastal shipping and overseas shipping. It was also felt that the companies which were granted loans for purchase of ships, should be asked to purchase certain number of ships from the shipyard.

The representative of the Ministry agreed with these important points raised by the Committee and stated that action was being initiated on those lines.

502. The Committee then adjourned *sine die*.

PROCEEDINGS OF THE FORTY-SIXTH SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON SATURDAY,
THE 26TH APRIL, 1958.

503. The Committee sat from 15.00 hours to 17.30 hours.

PRESENT

Shri T. N. Singh—*Chairman.*

MEMBERS

2. Shri Ram Subhag Singh
3. Shri A. C. Guha
4. Shri P. T. Leuva
5. Shri M. Govinda Reddy
6. Shri Jaswant Singh.

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri P. K. Basu, *Director of Audit, Food, Rehabilitation, Supply, Commerce, Steel and Mines.*

Shri P. N. Bhandari, *Director of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Shri M. C. Chawla, *Under Secretary.*

504. The Committee took up consideration of their Draft Seventh Report on the Appropriation Accounts (Civil) 1953-54 and 1954-55 and Audit Report 1956 Part I and approved, subject to certain additions and alterations, Chapter I—Financial Results of the Government of India (Civil Grants) for 1953-54 and 1954-55 and draft paras. relating to the Ministries of Food and Agriculture, Works, Housing and Supply, Home Affairs, Education, Scientific Research, Irrigation and Power, Health and Labour and Employment.

505. The Committee then adjourned till 15.00 hours on Monday, the 28th April, 1958 to take up further consideration of the draft paras. relating to other Ministries.

PROCEEDINGS OF THE FORTY-SEVENTH SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON MONDAY, THE
28TH APRIL, 1958.

506. The Committee sat from 15.00 hours to 17.35 hours.

PRESENT

Shri T. N. Singh—*Chairman*.

MEMBERS

2. Shri Ram Subhag Singh
3. Shri Radhelal Vyas
4. Shri A. C. Guha
5. Shri H. C. Dasappa
6. Shri N. Siva Raj
7. Shri P. T. Leuva
8. Shri M. Govinda Reddy
9. Shri Jaswant Singh.

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri P. N. Bhandari, *Director of Commercial Audit.*

Shri P. V. R. Rao, *Audit Officer, Food, Rehabilitation, Supply, Commerce, Steel and Mines.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Shri M. C. Chawla, *Under Secretary.*

507. The Committee resumed consideration of their Draft Seventh Report on the Appropriation Accounts (Civil), 1953-54 etc., and approved Chapter II—Budgeting and Control over expenditure and draft paras. relating to the Ministries of External Affairs, Transport and Communications, Rehabilitation, Information and Broadcasting and Finance, subject to certain changes here and there.

508. As regards the working of the various 'Cess Funds' under the control of the Government of India, it was decided that the whole matter should be considered separately and that a sub-committee should be appointed by the next Committee to examine this.

509. The Committee then adjourned to meet again at 12-15 hours on Wednesday, the 30th April, 1958 to take up further consideration of their Draft Report.

PROCEEDINGS OF THE FIFTIETH* SITTING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON WEDNESDAY, THE 30TH
APRIL, 1958

510. The Committee sat from 12.15 hours to 13.45 hours.

PRESENT

Shri T. N. Singh—*Chairman.*

MEMBERS

2. Shri Ram Subhag Singh
3. Shri Radhelal Vyās
4. Shri Prabhat Kar
5. Shri Jaipal Singh
6. Shri P. T. Leuva
7. Shri M. Govinda Reddy.

Shri S. Venkātaramanan, *Accountant General, Central Revenues.*

Shri P. N. Bhandari, *Director of Commercial Audit.*

Shri P. V. R. Rao, *Audit Officer, Food, Rehabilitation, Supply, Commerce, Steel and Mines.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Shri M. C. Chawla, *Under Secretary.*

511. The Committee resumed consideration of their Draft Seventh Report on the Appropriation Accounts (Civil) 1953-54, etc., and approved the remaining paras with certain additions and alterations.

512. The Committee authorised the Chairman to sign the report as approved by them and to present it to the Lok Sabha.

513. The Committee also authorised Shri M. Govinda Reddy to present the Report in the Rajya Sabha.

*The proceedings of the Forty-eighth and Forty-ninth sittings relate to the consideration of Report on Budget Estimates and Financial Control.

514. Before the Committee adjourned, the Chairman thanked the Members for the co-operation extended to him by them in the course of the discharge of his duties.

515. Shri P. T. Leuva thanked the Chairman on behalf of those Members who were retiring from the Committee for the efficient manner in which the Chairman conducted the business of the Committee.

APPENDIX I

Summary of the Conclusions/Recommendations of the Seventh Report of the Public Accounts Committee on the Appropriation Accounts (Civil) 1953-54 and 1954-55 and Audit Report (Civil), 1956—Part I

Serial No.	Para. No.	Ministry or Department concerned	Conclusions/Recommendations
1	2	3	4
1	3 (Introd.)	All Ministries	An examination of the financial results of the Appropriation Accounts (Civil) of 1953-54 and 1954-55 have led the Committee irresistibly to the conclusion that the standards of budgeting during the years under report have, instead of improving, deteriorated. There have been a large number of excesses, savings, injudicious surrenders and even non-utilisation of funds obtained from Parliament by means of supplementary grants. The Committee have in the past repeatedly deprecated the over-optimism of administrative Ministries which results in inflating the estimates. It is essential that detailed estimates should be carefully scrutinised and the possibility of their utilisation assessed by the administrative and Finance Ministries before their inclusion in the Budget.
2	15	<u>Finance</u> All other Ministries	Excesses over voted grants and charged appropriations not covered by supplementary grants and appropriations furnish a criterion to assess the effectiveness or otherwise of the budgetary control. The Committee do not see any improvement in the standards of budgeting during the years under report; rather there has been a

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deterioration as is evident from the huge excesses, savings, injudicious surrenders and non-utilisation of funds obtained from Parliament by means of Supplementary Grants.

In this connection, the Committee need hardly emphasize that a careful review and revision of the estimates are necessary by the Ministry of Finance before the formulation of the budget. Upon that Ministry rests the main responsibility of co-ordinating Government policy in its financial aspects. The Committee have in the past repeatedly deprecated the tendency on the part of the Departments preparing the estimates to inflate them either intentionally or as a result of over-optimism. For this reason the estimates need to be carefully scrutinized, compared and apportioned according to relative importance of the services and finally determined in the light of the total resources that are either available or proposed to be spent by the Government. Such steps must be taken before a unified financial plan can be produced.

- 3 16 (a) Finance . . . The Committee feel that so long the pattern of budgeting is as at present, a second check by the Ministry of Finance on various items of expenditure is inevitable, especially in the case of lump sum grants which are not susceptible of any scrutiny in the first instance. This also confirms the need for framing of the budget estimates on a more realistic basis.

The Committee are perturbed over such a large number of cases occurring in the Ministry of Finance itself where there have been considerable savings from the final

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			grants. They consider it imperative that the Ministry of Finance should set an example in accurate budgeting for other Ministries to emulate.
4	16 (b)	Food and agriculture.	During the year 1953-54, in the case of Grant Nos. 43, 44 and 47, the surrenders were in excess of the savings. The Committee wonder whether any arrangement exists in the Ministry to watch the progress of expenditure.
5	Do.	Do.	The Committee feel that saving under sub-head N-Cane Development and Regulation of Sugar Industry, Grant No. 45, Appropriation Accounts (Civil) 1953-54 is <i>prima facie</i> a case of defective budgeting and insufficient control over the Central subsidy granted to the State Governments under the various Commodity Committees and the Grow More Food Schemes. They would like to know the reasons for the delay in arriving at a decision on the changed pattern of financial assistance applicable to the sugarcane schemes in this case.
6	16 (c)	W. H. & S.	Large savings and surrenders in some cases under Grant Nos. 103, 139 and 140 of Appropriation Accounts (Civil) 1953-54 and Grant Nos. 103, 138, 139 and 140 of Appropriation Accounts (Civil) 1954-55 are indicative of over-budgeting and underline the need for more realistic budgeting.
7	16 (e)	Education <hr/> Finance	The Committee view with disfavour the practice of Government making large provision of funds in the Budget under "Lump provision for schemes under consideration" without chalking out the details of the schemes. They desire that such provisions in the budget

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should be avoided by the Ministries in future and that details of the expenditure involved in a particular scheme should always be shown in the estimates. The Committee would reiterate the oft repeated recommendation made by their predecessors that the Ministry of Finance should always set its face against lump sum provisions.

3 16 (f) Health

- (i) The Committee are of the opinion that in the light of experience of large savings, accruing from the non-utilization of Grants made to the various State Governments for implementation of health schemes etc. as disclosed in the Accounts under Report providing funds merely on assurances from the State Governments concerned that the scheme in question would be implemented is risky as it immobilises funds which could well be spent on more urgent and important schemes. They feel that it would be prudent on the part of the Ministry not to accept any scheme put forward by the State Governments unless its details have been worked out and it has received the concurrence of State's Finance Department. They desire the Ministry to profit by experience and to avoid over-budgeting in such cases.
- (ii) In the case of non-utilization of the lump sum provision made for the All India Medical Institute on the understanding that the architects would put up the plans by May or June, 1954, the Committee suggest that in such cases the Ministry should start upon a scheme with a small provision and if there was rapid progress in the construction, recourse may be had to a supplementary grant.

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9	16 (g)	<p>External Affairs</p> <hr/> <p>Finance</p> <hr/> <p>All other Ministries</p>	<p>Re-appropriations should not be made a regular feature as inclusion of lump provision every year discloses lack of proper planning in advance and also vitiates the qualitative control over expenditure by Parliament.</p> <p>Unnecessary supplementary grants only reflect on the manner in which estimates totally unrealistic are presented to Parliament, quite oblivious of the practical limitations in execution.</p>
10	16 (h)	Labour and Employment.	<p>The Committee find that there are large accumulations under the Coal Mines and Mica Mines Welfare Funds. They desire that the welfare activities covered by these Funds should be carried out with greater speed and for that purpose detailed planning of the various schemes should be undertaken well in advance.</p>
11	16 (i)	<p>Communications & Civil Aviation/ Finance/All other Ministries.</p>	<p>The Committee feel that it is the duty of the Administrative as well as of Finance Ministries to be realistic in their estimates by benefiting from their past experience and taking into consideration their capacity to implement their developmental programmes. The Committee desire that Administrative Ministries should not present unrealistic estimates to the Ministry of Finance by pitching up the demands with sufficient margin to accommodate the cuts likely to be imposed by Finance. At the same time, the Finance Ministry should examine the demands in the light of expenditure relating to the previous years. They feel that the tendency of the Administrative and Finance Ministries to outwit each other in the matter of budgeting should be discouraged.</p>

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12	16 (j)	Transport	The Committee feel that recurrence of savings year after year indicates that there has been no improvement in the budgetary standards. They are of the opinion that instead of providing for schemes, proposals regarding which are nebulous, it would be better if provision in budget is made only when the particular scheme is worked out in detail and is quite ripe for execution.
14	23	Commerce & Industry.	The Ministry should examine the desirability of setting up a single body to look after the various matters dealt with at present by the Khadi and Village Industries Commission, Handloom Board, Handicrafts Board and Silk Board.
	25	Do.	The Ministry should investigate whether in the development of printing and dyeing by Silk, Handloom and Handicrafts Boards, any duplication of men and materials was involved in Madras and Bombay areas and whether it would not be desirable to define the areas for the different Boards so as to avoid duplication of effort at the same place by all the Boards simultaneously.
	25	Do.	The Ministry should examine the utility of setting up a Bureau to cater to the needs of these different organisations in the field of research to effect improvements in the existing techniques of production, use of raw material, etc. The Committee would also draw attention to the observations made by the team on Community Development and National Extension Service appointed by the Planning Commission and trust that the Ministry are on the look out to ensure that these Boards are not cutting into one another.

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27	Commerce & Industry.	It is not clear to the Committee what machinery has been devised by Government to exercise a check on the proper spending of the funds sanctioned to the State Governments and those given to private parties for the development of Khadi (traditional as well as Ambar). The Committee, however, hope that the funds given by the Centre for this purpose are being properly utilized by the respective organisations and certificates to that effect are being regularly obtained and shown for audit scrutiny.	
15	29	Do.	The Committee feel that if the purpose of the pamphlet entitled "New India, Your Market" was to give some useful information to the people concerned it should have been brought up-to-date at the time of reprint; otherwise reprint was unnecessary in face of its large stock already lying unused, unsold and undistributed. They also feel that action should not have been delayed for so long when it has been admitted that there has been an error of judgment. The disciplinary action taken in the matter should be reported to the Committee.
16	34	Do.	As the private bodies are expected to derive much of the benefit from the successful working of the Indian Institute of Art-in-Industry, voluntary financial efforts should be stimulated by limiting the duration of the grant from Government. Further the Committee would recommend that the Government should invariably ask for the utilization certificate from the Institute in respect of the grants made so far and before making any provision in the budget for grant-in-aid to the institute in future.

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17	35	Commerce and Industry.	The Committee deprecate the delay involved in winding up the scheme relating to the Import of raw silk and silk yarn from Japan and supply of cloth and yarn to Pakistan, etc.
18	36	Do.	The Committee note that Government have not only got nothing from the contracting firm in the case of purchase of paper (referred to in Para. 71 of the 15th Report) but their claim for loss sustained on account of the damage by white ants etc. has also been dismissed by the arbitrators. They deplore the manner in which this state trading scheme has been handled.
19	37	Do.	The claims of undivided Government of Bengal and Delhi Administration in connection with the scheme for the Purchase and Distribution of Standard Cloth which are still outstanding, should be settled without further delay and the scheme wound up.
20	38	Do.	The report of the Expert Committee on the Nahar Foundry together with the decisions of Government thereon may be furnished to the Committee at an early date, as the matter is pending for a long time.
21	41	Do.	The Committee trust that it should now be possible for the National Instruments Factory to be run on more efficient lines by expanding and diversifying its production. They would like to examine the working of the National Instruments (P) Ltd., after it has completed one year of its existence.
22	42	Do.	The Committee are not satisfied with the explanation of the Ministry that as the records are in judicial

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			who were ultimately responsible for the popularisation of such literature within their respective jurisdictions.
24	49	Scientific Research	The subsidiary accounts of the Survey of India appended to the Appropriation Accounts revealed accumulation of surplus stores in the Photo Litho Sections which, in the opinion of the Committee, could have been avoided by restricting the purchases according to needs. Stocks of chemicals, etc. which are liable to deterioration and which can be obtained from the market readily should be at the minimum. The Committee desire that the existing stock position of such stores should be reviewed and ceiling limits fixed for stocking such stores.
25	51	Do.	The Committee were not convinced of the need for a separate Corporation <i>viz.</i> , National Research Development Corporation for developing the processes and invention and in assessing their commercial potentialities. In their view, the Council of Scientific and Industrial Research could as well do this work.
26	52	Do.	The Committee trust that Government would take the first convenient opportunity to embody the functions of the Council of Scientific and Industrial Research in a statute.
	53	Do.	The Committee regret to state that the Ministry have not appreciated the significance of the recommendation made by them that where it is desired that continuing functions involving substantial expenditure should be exercised by autonomous bodies like the C. S. & I. R., the

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powers and duties to be exercised by it should be defined by specific statute. While they agree with Government that it is necessary to have an autonomus organization for the purpose of carrying out research work and to enable it to work independently without interference from Government Departments, the Committee feel at the same time that it is of paramount importance that the expenditure is subject to effective parliamentary control.

54 Scientific Research . The Committee are not sure how far the suggestion of the Ministry that the administrative Reports and Accounts of the C. S. & I. R. and Audit Report thereon might be placed before Parliament to enable it to exercise the requisite control over the affairs of the Council, will meet the purpose they have in mind. They would, therefore, like the Ministry to re-examine the case and submit a considered note to them.

55 Do. . The Committee feel that the Research institutions should largely devote their attention towards "Applied Research" solving the problems posed by the indigenous industries in the matter of discovering suitable substitutes for foreign components, exploitations of the scientific discoveries made for the development of various industries and the trial of pilot projects on behalf of some of the industries so that the optimum use of the researches carried out by them could be made. They would also like the Ministry to examine the steps that should be taken to facilitate greater co-operation between the Scientific Institutions and the Industry in the country.

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27	58	External Affairs	The Committee do not appreciate the point made out by the Ministry that the officer concerned should not have refunded any amount because by his travelling by the luxury liner, Government were saved expenses of his enforced halt <i>en route</i> which would have to be paid if he had travelled by an ordinary liner. This in their opinion was an afterthought. It is surprising that the officer did not know that the T. A. admissible to the maid servant would be restricted to the fare of the class entitled or the actual fares whichever was less.
	59	Do.	In the opinion of the Committee, if it was in the public interest for the officer to travel by the luxury liner the proper course would have been for Government to accord sanction permitting the Officer to travel by the luxury liner as a special case. Off-setting the saving in the fare of maid-servant against the excessive expenditure incurred by the Officer is not only against the well-recognised standards of financial propriety but is open to all kinds of adverse comments.
28	65	Do.	(i) The Committee are of the opinion that exceptions in individual cases in the matter of grant of outfit allowance will create an impression of favouritism and should be discouraged.
	66	Do.	(ii) In the present cases the Committee are of the view that considering that the officers concerned had, at least partially, the benefit of the expenditure from the outfit allowance, the waiving of the recovery of the entire allowance in each of these cases was not justified.

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29	69	External Affairs .	The Committee are not at all satisfied with the progress of recovery from the evacuees from war zones. They desire the Ministry to examine the whole issue with a view to expediting the recovery of outstanding amounts and winding up the organisation for effecting recoveries of amounts advanced under the scheme of assistance both at the Centre and in the States as quickly as possible.
30	73	Do .	Before purchasing furniture both new and for purposes of replacement, the Embassies must satisfy themselves that the rules and regulations relating thereto are strictly adhered to.
31	75	Do .	The Committee express the hope that the revised rates for the payment of foreign allowance have been carefully fixed for each station with full justification and would like to watch the new arrangements in actual working. The Committee would like to reserve their comments on this arrangement pending further study of the details supplied and in the light of future experience.
32	76	Do .	The Committee desire that the requisite information regarding the financial powers of the High Commissioner for India in the U.K. should be expedited.
33	77	Do .	The Committee should be informed of the decision taken by the Government in the matter of entertainment of foreign dignitaries in private houses.
	78	Do .	The Ministry should frame a set of rules regarding the entertainment of guests by the Government of India and our representational staff

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			abroad so that the expenditure incurred thereon might be subjected to scrutiny by Audit and any possibility of misuse or improper spending obviated.
34	80	External Affairs	It is essential that in the case of an officer of a Ministry who was being considered for re-employment by another Ministry, the former employing Ministry should promptly inform the latter about the antecedents of the officer as also the financial or other irregularities committed by him in his previous post to facilitate decision regarding his re-employment.
35	83	Do <hr/> Finance	The Committee are of the opinion that the Ministry of Finance should not have surrendered their functions to the administrative Ministry in the case relating to the purchase of Chancery building of an Indian Mission abroad. They feel that the sanction should have been accorded by that Ministry only after they were fully satisfied about the points regarding which caveats were entered by them in the sanction.
36	88	Finance	Heavy outstandings on account of recovery of various taxes on income disclose an unsatisfactory state of affairs. The Committee feel that the progress in effecting these recoveries has been slow and discouraging. In view of the mounting additions to outstanding amounts year after the year, unless the Ministry initiate action with vigour for recovering the dues, there is every likelihood of loss of Government money with the passage of time. They should, therefore, like the Ministry to consider earnestly this problem

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			and report to the Committee the measures proposed to be taken to realise the out-standings expeditiously.
	90	Finance	The Committee thought that with the strengthening of the Income-tax Department, the collections would go up as the net would be cast more widely. They trust that the Department will address itself to this question of tax evasion and take necessary action.
37	92	Do.	The Committee are unable to accept the argument of the Ministry that in view of shortage and uncertain market conditions, stores were retained at the Alipore Mint for future consumption but their original expectations went wrong and this resulted in accumulation of stores. They feel that all this followed from haphazard planning and failure to keep a check on incomings and outgoings of stores. The Committee stress the need for the setting up of a better machinery for regular stock verification and disposal of stores.
38	95	Do.	The existing rules and the time schedule for periodical physical verification of stores should be strictly adhered to and no relaxation in this regard made without prior approval of the competent authority.
39	97 & 98	Do.	The Ministry of Finance have observed that "so long as all taxes levied by any law were initially brought to account within the Consolidated Fund as revenue and all payments of equivalent sums to any fund or body were made by appropriation from the Consolidated Fund and all expenditure

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out of *ad hoc* funds under the control of the executive were initially treated as expenditure from the Consolidated Fund and remained subject to the ordinary process of voting and appropriation by Parliament, the expenditure being reimbursed from the fund to the Consolidated Fund, the procedure conforms to the essential requirements of the Constitution and secures full parliamentary control."

The Committee would like this question to be referred to the Attorney-General for his opinion and advice.

40 101 Finance

A note stating the amount of rehabilitation loans given to the States so far, the amount that was due and the amount that had actually been repaid should be expedited.

41 104 Do.

There has been a lapse on the part of the High Commission for India in London in resuming the payment of pension in a certain case without any authorisation from Audit which was normally required specially when the pension was payable in some Indian treasury and not in the U. K.

106 Do.

The Committee are anxious that Government should persuade the Pakistan Government to arrive at an early overall financial settlement (including settlement of the Partition Debt amounting to Rs. 300 crores due to India) with India as it has been pending for more than 10 years.

42 109 Do.

The Committee are not convinced of the justification for the special consideration shown to the officer

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			concerned in allowing him to accept a further payment of Rs. 6,763 from the Ceylon Government towards reimbursement of additional income-tax that was payable by him on account of Ceylon allowances. They feel that in the matter of tax liability the treatment to be meted out to all officers deputed for service under a foreign Government, under the Colombo Plan, should be uniform. They trust that there would be no occasion for the Committee in future to comment on such discrimination.
43	110 & 111	Finance	Keeping in view the spirit of the Constitution regarding supremacy of the Parliamentary Control over finance, the matter relating to the regularisation of expenditure incurred on a 'new service' without approval of Parliament should be further examined in the light of the suggestions made by the Committee in Para. 392 of this Report in consultation with the Attorney General.
44	113	Do.	(i) The Committee do not accept the interpretation sought to be given by the Ministry to Section 4 of the Salaries and Allowances of Ministers' Act, 1952 (Act 1958 of 1952) and the Salaries and Allowances of Officers of Parliament Act, 1953 (Act 20 of 1953) by virtue of which a Minister or officer of Parliament receives (a) rent-free accommodation consisting of a furnished residence, the maintenance charges of which are borne by Government, and (b) free supply of electricity and water to the residence.
	114	Do.	(ii) The Committee are of the opinion that the amendment to Section 7 of the Income-tax Act made in 1955 is intended to cover not merely the actual rental value of the

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rent-free accommodation but also any concessional recovery of rent. As such, the valuation of rent-free residence at 10% (if unfurnished) and 12½% (if furnished) on salaries under the executive instructions is no longer permissible and application of executive instructions in the case of Ministers and certain other dignitaries of the Union Government whose salaries and privileges are regulated by Acts of Parliament is not correct. Further exclusion from the total income of the Ministers and other dignitaries of the value of water and electricity supplied free to them in terms of the relevant Acts of Parliament, following the old executive instructions, is not in accordance with the present law.

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Finance

(iii) The conclusion, therefore, is inescapable that the continued application of the executive instructions not in accordance with the present law is not only resulting in loss of revenue to the State but also is giving extra-legal benefit to a class of people which is not permissible in view of the provisions of Section 60 (3) of the Income-tax Act.

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Do.

(iv) In view of what has been stated above, the Committee desire that Government should consider the matter in all its aspects taking into consideration the opinion expressed by the learned Counsel and regularise this matter.

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Do.

The Committee are informed that the realisation of the demands raised by the Income-tax Investigation Commission as at the end of February, 1957 stood at Rs. 13.10 crores. They would like to be informed of the settlement of these

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			outstanding cases which the Ministry hope to complete by the middle of 1958-59.
46	120	Finance	The Committee would like to watch the working in actual practice of the procedure regarding the write-off of loans advanced on the authority of the Appropriation Acts passed by Parliament introduced by the Ministry of Finance at their instance.
		Do.	
47	122	Rehabilitation Finance Administration.	The Committee should be informed by 1st September, 1958 the amount of loans recovered and the corresponding reduction made in the various categories of staff employed by the R.F.A.
48	124	Do.	(i) It is apparent the chances of recovery in the cases of certain categories of loanees from East Pakistan amounting to Rs. 114.25 lakhs are almost nil. The amount at stake in case of loanees who are still struggling to rehabilitate themselves is Rs. 162.23 lakhs on 31-12-56. Here too the chances do not appear bright. Thus the R.F.A. are bound to be faced very soon with heavy bad or irrecoverable debts.
	125	Do.	(ii) The Committee have not been informed of the various steps so far taken by the R. F. A. in either tracing the loanees or their guarantors and making efforts to recover the outstandings. Apart from the loss of principal, the R.F.A. have to pay interest to the Government of India at the rate of 3 per cent on the money advanced by it. In addition, the incidence of establishment charges has to be taken into account.

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		<u>Finance</u>	
	126	Rehabilitation Financing Administration.	(iii) Taking into account all these factors, the Committee express their grave concern over this deterioration in the recovery of loans (apart from the interest). They suggest that Government should devise suitable measures in consultation with the West Bengal Government to retrieve the loss as far as possible.
49	127	Do.	The Committee trust that it would be possible for the R. F. A. to enforce recovery of their outstanding loans in respect of loanees from West Pakistan who are holding verified claims in respect of property left by them in Pakistan. They should be informed of the progress made towards recovery of loans as on 31-3-58.
50	128	Do.	The facts and figures disclosed in the account of the R. F. A. under report amply illustrate that the problem of bad and doubtful debts is likely to assume serious proportions in the near future. The Committee, therefore, feel that the R.F.A. should give their most serious consideration to this aspect. As the Administration were devising a suitable formula for the calculation of bad and doubtful debts, the Committee defer consideration of this question till such time as the Administration worked out a formula.
51	133	Finance <u>Industrial Finance Corporation.</u>	The procedure followed in the United Kingdom is that wherever a guarantee is given by Government which involves a contingent liability on the Consolidated Fund, the matter is placed before Parliament. This procedure is not generally followed in India, and this precludes Parliament from being informed as to the magnitude of the

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			<p>sums guaranteed by the Government which constitute a contingent liability on the Consolidated Fund of the Government of India. This matter requires examination.</p>
52	134	<p>Finance Industrial Finance Corporation</p>	<p>(i) The Committee are not sure whether the action of Government in the case relating to the lump sum payment of Rs. 21,000 on account of terminal leave salary to the Managing Director was legally correct in remitting it for decision to the Corporation as the powers of appointment of the Managing Director of Corporation vested in Government, which was obviously the reason why the Corporation referred the matter to them. The Committee suggest that this question should be referred to the Attorney General for opinion.</p>
	135	Do.	<p>(ii) The Committee are constrained to point out that despite their adverse comment in certain cases handled by this officer (the former Managing Director) and dealt with in paras 112, 379—91 and 401—406 of their Fifteenth Report, the Corporation allowed him to retire with a handsome <i>ex-gratia</i> payment of Rs. 21,000 (termed as "leave salary").</p>
53	137	Do.	<p>Ceilings should also be prescribed in respect of pay granted to Corporation's employees posted to the loanee companies and copies of regulations under consideration of the Ministry in this regard, when finalised, should be furnished to the Committee.</p>
54	139	Do.	<p>With a view to bridging the gulf between the amount of loans sanctioned and that actually availed of Government should examine the various stages laid down by the</p>

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			Corporation right from the stage of receipt of application till the actual payment of the loan and see what improvements can be effected.
55	141	Finance <u>Industrial Finance Corporation.</u>	The Committee observe that the Government have noted the recommendations made by them earlier that the Corporation should not flout or disregard the advice given by the Ministry of Commerce and Industry in the matter of grant of loans to new Industries since that Ministry is charged with the public responsibility for promoting the industrial development of the country. They desire that in cases where the Corporation have any reason to deviate from the advice given by the Ministry of Commerce and Industry, the former should adduce valid reasons for doing so.
56	142	Do.	The Committee observe that the comparative statement showing the proportion that the establishment charges bear to the total expenses in the I. F. C. and similar other institutions both in India and other countries as furnished by the Corporation does not meet the specific recommendations made by them. Steps should be taken to bring down the high percentage of establishment charges of the Corporation and the progress made in this direction be reported to the Committee when they next examine the accounts of the I.F.C.
57	143	Ministry of Finance.	The Committee are not satisfied with the Government merely having 'noted' their earlier observations that the launching of the project for the building of the Corporation Offices which had resulted in an infructuous expenditure of Rs. 2 lakhs was both inopportune

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			as well as imprudent in view of the financial position of the Corporation as it was then. They, therefore, desire that Government should investigate the matter further with a view to fixing responsibility for the loss and report to them the steps taken to effect recovery thereof.
58	144	Ministry of Finance. <hr/> Industrial Finance Corporation.	The Committee feel that instead of merely 'noting' the observations made by them, Government should have taken necessary steps for recovering the amount from the individual concerned more especially when the Government themselves admitted that this expenditure was not a proper charge on the Corporation. They regret to note that this person is no longer in the service of the Corporation and has already retired after having been given an <i>ex-gratia</i> payment of Rs. 21,000 in the form of leave salary, as referred to in para. 134 above. They would, therefore, suggest that the Corporation should obtain the legal opinion from its Legal Adviser with a view to reenforcing recovery of this irregular charge incurred by this Officer.
59	148	Finance <hr/> I.F.C.	The Committee should be informed of the final outcome of the action taken against the guarantors for making good the loss of about Rs. 50 lakhs sustained by the Corporation in their deal with the Sodepur Glass Works which has since been written off.
60	150	Agriculture <hr/> Finance	(i) The Committee are unable to accept the view that rules governing the purchase of spares by the Chairman, C. T. O. did not preclude him specifically from importing them by air. They are

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of opinion that whenever the rules do not specifically confer certain powers on an officer, the correct thing to do would be to have the position clarified immediately by reference to the Administrative and Finance Ministries instead of acting on presumptions. In the present case, the matter was referred to Finance only after the order had actually been placed. There was no evidence on record as to whether Finance ever raised the question of the C.T.O's. competence to order stores direct in this case. The Committee are surprised that Finance regularised the purchase without examining this aspect of the matter.

- 151 Agriculture : (ii) The Committee agree that there should be adequate delegation to facilitate smooth and expeditious working of the administrative machinery, but they would caution that such provisions should not be misused. They had in the past occasion to consider a similar case where project stores had been ordered by air and the freight alone cost more than the stores themselves. In this case (cf. Para. 2 of Audit Report (Civil), 1956—Part I), it is obvious that even according to the delegated powers, the Chairman had exceeded his limits as the cost of the stores together with the freight thereon went above the limit of Rs. 10,000. The Committee would like the Ministries to take serious notice of such cases in future.
- 152 Do. : (iii) Judging from the slow rate of issue of these stores, the plea of urgency in support of their air-lifting is hardly convincing. The Committee, therefore, feel that the

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C.T.O. could easily have checked their requirements and placed the order through the D.G., S. & D. Such orders by air not only lead to avoidable expenditure, but also indicate lack of proper forethought and planning on the part of the administration. Further, in this case no endeavour was made to restrict the import by air to the quantity that would have been required during the period the balance of stores would have taken to reach by the surface route. The Committee feel that such a course would be a better alternative to adopt in similar cases in future.

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| 61 | 155 | Agriculture | <p>(i) The Committee had commented in para. 71 of their Sixteenth Report that it was wrong to take credit in the accounts of the Central Tractor Organisation for disputed charges outstanding on account of interest chargeable to the State Governments due to staggered recoveries from them. They are amazed that this practice was being continued in subsequent years also, especially when it was admitted by the representative of the Ministry that Government were unable to realise interest from the States.</p> |
| | 156 | Do. | <p>(ii) The Committee consider it unfortunate that this matter was not handled effectively by the Ministry right from the initial stages which had led to the accumulation of large arrears of interest.</p> |
| 62 | 158 | Agriculture
<hr style="width: 100%; border: 0.5px solid black; margin: 5px 0;"/> Finance | <p>Every proposal should be scrutinised by the Ministry of Finance in all its aspects before according approval. In the present case relating to the payment of subsidy to the C.T.O., a part of the funds voted by Parliament for being spent on G.M.F.</p> |

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			<p>schemes was to be diverted to meet certain losses incurred in the C.T.O. The Committee are of the opinion that in such cases where provision for expenditure has not been made in the Budget Estimates and the proposed expenditure represents a marked expansion of an existing scheme or service, it should be submitted for the prior approval of Parliament by means of a Supplementary Estimate. They regret that this important aspect was lost sight of by Finance. So far as this case is concerned, the Committee were given to understand that Govt. have since decided to exhibit this expenditure distinctly in the Estimates as a loss incurred by the C.T.O.</p>
63	159	Agriculture	(i) The Committee would like to know in due course, the result of efforts being made by the Ministry for speedy disposal of tractor spare parts.
	160	Do.	(ii) In the present case where an enquiry into the unnecessary purchase of tractors and spares, was conducted on the Committee's recommendations, a copy of the Report of Enquiry should have been furnished to the Committee. The Committee desire that in future whenever an enquiry is made at their instance, the Report of that enquiry should invariably be furnished to them.
	161	Do.	(iii) The Committee feel that in the face of the charge that the officer against whom the enquiry was held got an initial report by a subordinate technical officer about the quality of the implements substituted subsequently, and altered the noting on the file, the contention of the Ministry that there was no case for any action against any officer

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			concerned with the transaction is untenable. In their opinion, it was a grave offence on the part of the officer to have tampered with the file which should have been dealt with appropriate severity. They regret to observe that Government had been needlessly mild in this case.
64	162	Agriculture	(i) The Committee are not satisfied with the reported pace of progress in disposal of stores and physical verification of stores in the C.T.O. They are afraid that unless this work is completed quickly, the risk of more obsolete stores accumulating with time was there and it may nullify the work already done in this direction so far. They, therefore, desire that a time-limit should be set for this work and earnest efforts made to complete the work by that date.
	163	Do.	(ii) The Committee desire that the reconciliation of discrepancies noticed in the physical verification of stores must be completed without further delay.
65	164	Do.	The Committee are of the opinion that before arriving at the profit in the sale of non-tractor parts not required for use in the C.T.O., the overhead charges including interest and storage charges should also be taken into account. The progress in the disposal of stores is slow and further additions to surplus stores as time passes has also to be reckoned with. The position of disposal of stores is far from satisfactory and warrants some reorientation of the procedure for declaring stores as surplus and disposing them of.
66	165	Do.	The Committee observe that the monetary limit for petrol, oil and

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			lubricants has been fixed at Rs. 23,60,000 in the case of C.T.O. The Committee consider it to be obviously excessive as the stocks of these items are not required to be held for the whole year's requirements and their supply can be easily obtained.
67	167	Agriculture	The Committee feel that there is much scope in a big and old organisation like the C.T.O. to bring down the cost of operation charges considerably so that the benefits of tractorisation are available to cultivators at reasonable cost.
55	169	<u>Agriculture</u> W. H. & S.	The Committee are distressed to see the helplessness of Government in punishing the delinquent officials who were mainly concerned with the purchase of implements worth Rs. 45 lakhs from M/S Pashabhai Patel and Co. in 1946, as they had retired from service. But the responsibility for this rests squarely on the Government as it had taken them more than 10 years to arrive at the final decision in this case. The inordinate delay has only enabled the guilty officers to escape punishment. Even in regard to officers still in service, the action taken by Government is far from satisfactory. The warning administered to the two officers of the Inspection Wing of D. G., S. & D. under the Ministry of Works, Housing and Supply, was not even recorded in their Character Rolls. The Committee are definitely of the view that warnings, if they are to have any value, should be recorded in the Character Rolls for future reference at the time of promotion, re-employment or retirement.

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69	170	Agriculture	(i) The Committee were at a loss to understand how the sum of Rs. 3,35,650 was accepted from Messrs. Pashabhai Patel & Co. to meet the cost of rehabilitation of the implements in final settlement of the case in so far as the firm was concerned.
	172	Do.	(ii) The Committee are not convinced with the explanation of the Ministry that the Chairman, C.T.O. who was also, <i>ex-officio</i> Deputy Secretary in the Ministry was not consulted in the matter of rehabilitation and modification of Pashabhai Patel implements as recommended by the Expert. They understand that the report on the performance of the modified implements was not satisfactory and there was no market for them. In these circumstances, Government should have preferred a claim against the firm for compensation covering the entire cost of implements. In settling the compensation at Rs. 3,35,650, the firm has benefited at the expense of the tax-payer.
			(iii) The explanation given for not apprising the Committee of Officials who enquired into this case, of the views of the Chairman, C.T.O., is neither satisfactory nor convincing. They are amazed at the distinction sought to be made by the Ministry about the opinion given by the Chairman, C.T.O., who was holding a dual appointment namely the Chairmanship of the C.T.O. and Deputy-Secretaryship in the Ministry of Food and Agriculture. Such a situation is the outcome of appointing an officer of the Secretariat to be simultaneously in-charge of the administration of an organisation under the Ministry. The Committee trust that Government will profit by such experiences.

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70	173	Home Affairs	The Committee desire that a copy of the judgement of the High Court in the Fertilizer Deal Case be furnished to them. They would also like the Ministry of Home Affairs to communicate to the Committee the final outcome of the appeal of the other officer pending in Supreme Court.
71	174	Food	The Committee feel that undoubtedly the officer in the Indian Embassy had acted beyond his jurisdiction in agreeing to the additional provision in the contract for purchase of sugar from a foreign firm without first consulting the Ministry. In their opinion, it was not a <i>bona fide</i> mistake but a case of failure on his part to carry out specific instructions. The Committee desire that the displeasure of the Government should now be formally communicated to the officer and the fact reported to them. They are unable to accept the plea that the officer did not know the correct form to be adopted.
72	175	Food	The Committee are unable to accept the plea that the officers were not aware of the correct form to be adopted in such cases of acceptance of tenders which in accordance with the provisions of the Constitution should be in the name of the President and be followed by the execution of a formal contract. They understand that there is a list which indicates the authorities competent to sign contracts on behalf of the Government. The Officer concerned had not obviously consulted this list before he signed the acceptance letter. The Committee had in the past occasions to comment on similar cases. But such cases still recur. They, therefore, recommend that all officers dealing with contracts should

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			be made familiar with these elementary principles of contract so that defaulting contractors do not escape on technical defects in procedure and can be dealt with suitably under the terms of contract.
73	176	Food <hr/> Finance	The Ministry of Finance should take up the question of control over grant-aided bodies and furnish a note to enable the Committee to consider this matter in detail.
74	179	Health	The Committee regret to point out that shortage in stores in the custody of the Medical Store Depots should continue to be shown even after they had been reported.
75	181	Health	The Committee are not convinced of the reasons for such a long delay involved in ejecting an unauthorised displaced person who was occupying a part of the premises of the Medical Stores Depot, Bombay. The delay of three years in filing the suit since the date of orders of the Ministry for filing a suit is unconscionable.
			It is needless to stress the imperative necessity of furnishing complete information to the Solicitors in the first instance so as to avoid any delay in instituting legal action. In the present case, the Committee should be informed about the progress made in the eviction of this unauthorised occupant of Government premises as also the rent and damages recovered from him for the period of his occupation.
76	182	Do.	The Committee note that at this distance of time it was impossible to punish any person or persons for mispostings in the stores accounts of the Medical Stores Depots during the war years, and

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			their failure to reconcile the accounts even if the responsibility was fixed. The Ministry's note only shows the continued laxity in maintaining the Stores Accounts even after the termination of the war.
77	185	Home Affairs	The Committee are unable to appreciate the difference between the two cases relating to the hiring of two houses for the office accommodation at Srinagar as the (verbal) commitments made in both the cases were identical. Such a situation would not have arisen had the basis of the negotiation been put on record in writing by the officer concerned.
78	186	Do.	The proforma accounts of the Forest Department of Andaman and Nicobar Islands should be recast in consultation with Audit after taking into account the sale proceeds of the stock of timber since disposed of.
79	187	Home Affairs	The Ministry of Home Affairs should review the whole position of the working of the Marine Department Stores, Andamans and consider whether having regard to the actual issues, the stocks held are not excessive as this is always fraught with two risks, <i>viz.</i> , firstly, deterioration and secondly, obsolescence by the lapse of time, apart from the unnecessary locking up of funds. The Committee trust that by the time they next take up examination of the Accounts relating to the Andaman and Nicobar Islands, a better picture regarding the working of the Marine Department Stores would be presented to them.
80	188	Do.	The Ministry should investigate into the continued losses in the working of the various sections of the

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			Marine Department and reduce the overheads by making adjustments in the centage rates, if necessary, so that they are not disproportionately high as compared to the labour cost.
81	191	Home Affairs	The Public Accounts Committee (1955-56) had hoped that with the setting up of a Vigilance Organisation in the Ministry, disposal of such cases involving disciplinary action would be expedited. But the Committee regret to observe that things have not improved much. They would like the Ministry to examine and report to them whether speedy action was being taken in cases of disciplinary action.
82	193	Information and Broadcasting.	While the Committee appreciate the force of the Ministry's arguments that while examining the question of loss in Radio Stations and Radio Publications, it should be remembered that A.I.R. was not only an expanding and developing service but it also performed certain services <i>e.g.</i> , external services for which the A. I. R. could expect the Grant-in-aid from the Government ; besides the A.I.R. undertook plan publicity and educational broadcast for which it did not receive any payment, they nevertheless feel that even after allowing for this expenditure on external services (which according to the Ministry's own rough estimate, might be of the order of Rs. 20 lakhs per annum at least) the overall loss incurred on its working is on the high side. As one of the measures to counteract these losses, the Committee would suggest that the question of a graded licence fee depending on the number of valves in radio sets, instead of a flat rate for all sets as at present should be

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examined. The Committee trust that by the implementation of this suggestion, it would be possible for the A. I. R. to reduce its recurring financial losses.

Another revenue earning measure which the Committee had also in the past suggested is the production of cheaper radio sets. The Committee observe that not much headway has been made in this direction so far. They would suggest that Government should devote greater attention to this question and facilitate the manufacture of cheaper radio sets within the reach of lower income groups of the population.

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information and
Broadcasting:

The Committee feel that the proportion of free distribution of Radio Publications is rather on the high side and they see no justification for it. They are also of the opinion that the publication of journals with a circulation of 5,000 or less should be discontinued as it is not economical to bring them out.

The Committee are not sure how far the reduction in the price of radio sets will stimulate the sales. They would recommend for the consideration of the Ministry an increase in the radio licence fee by a rupee or so and supply of a free copy of the programme portion of the journal of his choice to each licence holder. The desirability of inclusion of tit bits of interest here and there in these Radio programmes to provide additional recreation and education for which radio is intended should also be considered. The Committee should be informed of the action taken by Government in the matter.

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84	195	Information and Broadcasting.	The Committee desire that the outcome of the review of the A. I. R. organisations by the Economy Unit may be expedited and reported to them.
85	196	Do.	The Committee would like to know the latest position in the matter of anti-piracy campaign.
86	197	Irrigation and Power.	The Committee are of the opinion that the time-lag between the declaring of machinery as surplus and its disposal should be eliminated. They also suggest that the various Projects and Departments might be informed in advance about the machinery and equipments that are likely to be declared surplus by the Projects so that the formalities could be settled in time and the transfer effected as soon as the machinery and equipments are released.
87	198	Do.	The Committee are of the opinion that it is high time that the Ministry launched a system of Administrative Audit by technical persons in various projects financed by the Centre. They do not think that the States would object to such a system being introduced in various projects.
88	200	Labour and Employment.	The Committee were dissatisfied with the inordinate delay in settling the case relating to the drawal of a forged bill and desire that the decision may be expedited.
89	201	Do. Railways	The Committee were informed by the Ministry that the previous Deputy Manager of an Industrial Training Institute, Bombay through whose laxity of supervision an account clerk misappropriated a sum of Rs. 4,211 by falsification

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of accounts had since been reverted to his permanent post under the Central Railway and no further action was being taken against him in the Ministry. Disciplinary action was, however, being taken by the Railway Department. In the opinion of the Committee, this raises an important point of procedure in disciplinary matters. In cases where one Department of Government borrows the services of some official and the latter commits some financial irregularities in that Department, the borrowing Department is in a better position to launch disciplinary action against the official as it is in full possession of the facts of the case. On arriving at a decision about the quantum of punishment depending on the gravity of the offence, the papers should be forwarded to the lending Department for further action if the officer had already been sent back to his parent Department. It is surprising that the Ministry of Labour did not act in accordance with the procedure for instituting disciplinary action in respect of Government officials on deputation laid down by the Ministry of Home Affairs in this behalf.

The Committee would like to know the findings of the Departmental enquiry instituted against the official concerned and the disciplinary action taken against him by the Railway Authorities.

90	202	Labour and Employment.	Storage of articles in excess of requirement is fraught with risk of deterioration and consequent loss to Government apart from locking up of public money.
91	203	-Do-	The Committee are not satisfied with the reaction of some of the

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			<p>Ministries to their proposal for inserting a mandatory clause in all the contracts coming within their purview whereby the contractors should notify the vacancies to the Employment Exchanges. They feel that with a view to making the Employment Exchanges an effective organisation and ensuring proper utilisation of the manpower resources in the country, the Ministry of Labour should once again draw the attention of the Ministries concerned to the basic principles underlying the recommendation made by the Committee and impress upon them the desirability of implementing it as far as possible.</p>
92	204 Labour and Employment		<p>The authorities in charge of the Training Centres and Employment Exchange Organisation in the States should take keen interest in the matter of keeping track of the ex-trainees and establish personal contacts with the principal industrialists and other employers and exhort them to employ the personnel trained by the Exchanges as far as possible.</p>
93	205 Rehabilitation		<p>The Committee regret to point out that in this case regarding delay in payment of compensation to landlords for acquisition of land for rehabilitation of displaced persons, the delay has been further aggravated in the acquisition of land owing to delayed sanction of disbursing staff for payment of compensation to the landlords.</p> <p>In the present case, the Ministry should as early as possible, issue necessary sanction to cover the interest already paid and should fix the responsibility for the delay in the payment of compensation. The Committee should be informed.</p>

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			in due course of the progress of payment of compensation to the remaining ex-owners.
94	206	Rehabilitation	The Committee are unable to appreciate the subtle distinction between different kinds of government dues recoverable from displaced persons to Government. They trust that it should not be difficult for Government to find a way out for the adjustment of all dues to Government from the compensation payable to the displaced persons.
95	207	-Do-	The Committee would like to know the reasons for not taking specific sanction for relaxing the requirements of calling for tenders in this case (grinding wheat) and how the Financial Adviser and Accounts Officer attached to the Camp, whose duty it was to guide the Camp Commandant, overlooked this fact.
96	208	-Do-	The Committee would like to know the further action taken by the State Governments against the delinquent persons who held charge of the Subarmati, Ahmedabad, Phaphamau and Allahabad Camps.
97	209	-Do-	The Committee would like to know what steps have been taken by the Ministry to realise the amounts from the various persons employed in charge of the camps and against whom disciplinary action was taken for frauds, embezzlements, etc.
98	210	-Do-	Information already called for by the Committee as to the manner in which the loss on account of non-repayment of rehabilitation loans by displaced persons is being calculated and at what intervals and the amount of loan written off so far by the Central Government should be expedited.

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99	211	Steel, Mines & Fuel <hr/> Department of Iron & Steel	The impressions gathered by the Committee during their visit to Rourkela Steel Project confirmed the views of the professional auditors of the Company that the accounts at Rourkela called for immediate attention as the Accounts Department there had exercised little or no control over the affairs of the Project. When questioned about the financial control exercised, the Committee could not get a satisfactory answer in the absence of firm estimates of expenditure for the different items of work.
100	213	-Do-	In the opinion of the Committee, had Government prepared a co-ordinated plan for the expansion and development of the Visakhapatnam Port and providing it with suitable plant and machinery to cope with the increased traffic it was to handle in connection with the oil refinery and steel plants, Government could have avoided the liability for payment of demurrage charges to the tune of several lakhs of rupees for the detention of ships for want of unloading facilities at the port. The Committee would recommend that Government should accord top priority to the development of the Visakhapatnam Port so that the Port could handle the traffic expeditiously. In the meantime, Government should see that the ships carrying plant and machinery for the Bhilai Steel Plant are diverted to other ports, if necessary so as to ensure that the cargo is unloaded without delay.
101	217	-Do-	All the three Project Authorities should chalk out a phased programme for the interchange of visits by top personnel at the three Projects as it would enable them

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			not only to make a comparative study of the construction problems, of the three Projects, but it would also enable them to get together and pool their knowledge in the interests of efficient working of the three Projects.
102	218	Steel, Mines and Fuel	A note stating the reasons for the revision of the original estimates relating to the three Steel Projects and the factors responsible therefore called for by the Committee should be expedited.
		<hr/> Deptt. of Iron and Steel	
103	222	Do.	The Committee are not aware whether any agency has been set up by the Government themselves for exercising a check about the utilisation of the loans granted by them to TISCO, and IISCO. for the specific purpose or purposes for which these were intended and whether the schedule for construction works were being adhered to by the Companies concerned. They would like to be apprised of the manner in which Government satisfy themselves in this regard.
104	224	S.M. & F.	(i) The Committee deprecate the inordinate delay that had occurred in the notification of the rules made under the Coal Mines (Conservation and safety) Act, 1952 providing for the levy of cess on all coal and coke despatched from the collieries. Secondly, they feel that by confining the levy of the excise duty on Coke and Coal to despatches by rail only and leaving out Coke and Coal despatches by road or river even after the enactment of 1952, Government have gone beyond the powers conferred on them by the Law enacted by Parliament.
		<hr/> Deptt. of Mines & Fuel.	(ii) When the excise duty was not levied on despatches of coal and

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			<p>coke by means other than rail, such despatches had been considerable, viz. 1·061 million tons in 1953 against the despatches of 31·473 million tons by rail. This only shows that there has been a considerable loss of revenue on movements of coal and coke by means other than rail prior to the 25th September, 1954 which could have been avoided had Government taken earlier action.</p> <p>(iii) The Committee do not see any satisfactory reason for delay on the part of Government despite the advice of the Ministry of Law. They, therefore, suggest that with a view to discountenancing such a situation arising in future, the time-limit by which rule should be framed by the Executive under delegated legislation should be fixed. Moreover, these Rules should strictly follow the provisions and be within the scope of the substantive legislation.</p>
105	226	<p>S.M.&F. <hr/> Deptt. of Mines and Fuel.</p>	<p>The Committee can do no more than express their dissatisfaction at the manner in which this case relating to the delay in disposal of Government building, as commented upon in para 30 of their 15th Report, was dealt with. As regards the sale of buildings, it has been stated that a payment of Rs. 25,000 has been realised from one colliery and the issue relating to another is under arbitration. Further developments in the case should be intimated to the Committee.</p>
106	227	<p>Transport and Communications <hr/> Deptt. of Communications and Civil Aviation.</p>	<p>The Committee should be informed of the further development relating to the recovery of Rs. 1,29,230 from the Chinese (K.M.T.) Government which is long outstanding.</p>

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107	228	<p>Transport and Communications</p> <hr/> <p>Deptt. of Communications and Civil Aviation</p>	<p>The Committee would like to know the final outcome of the case relating to recovery from Pakistan of their share of contribution to the I.C.A.O. paid by India for the period from 15-8-47 to 30-6-48 viz., 15,635 dollars.</p>
108	229	-Do-	<p>The Overseas Communications Department should consider the question of placing experimental orders for transmitters with the Bharat Electronics (P) Ltd., Bangalore.</p>
		-Do-	<p>All Ministries requiring electronic equipment should, before placing orders abroad, first ascertain from the Bharat Electronics Ltd., whether that factory could manufacture and supply the equipment. In case, the B.E.L. had not established production in that line, experimental orders should be placed with them with a view to establishing manufacture of that equipment.</p>
		All Ministries	
109	230	<p>Transport and Communications</p> <hr/> <p>Deptt. of Transport</p>	<p>The Committee are distressed to observe that the Ministry have not so far been able to apprise them about the line of action contemplated to be taken by Government in the matter of effective Parliamentary Control over the working of the Port Trusts in the country by amending the existing Port Trusts Acts as suggested by the Comptroller and Auditor General of India. They desire that a final decision should be reached on this question which is pending for the last five years.</p>
110	231	-Do-	<p>While the Committee are glad that the Ministry have accepted the deal relating to the purchase of unseaworthy vessel earlier commented upon in paras 97 and 98 of the 23rd Report, as bad, they are not able to endorse the conclusions of</p>

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			the Government fully. The Report of the Superintending Engineer, Assam, reveals certain serious lapses on the part of officials who had negotiated the deal. The Committee regret to observe that while purchasing this vessel the officials had not the interests of Government foremost in their mind.
111	233	<u>Transport and Communications</u> Deptt. of Transport	The Committee would like to know the outcome of the Report of the Enquiry Committee on "M.V. Andamans", built by the Hindustan Shipyard, Visakhapatnam and the action taken or proposed to be taken by the Ministry against the persons responsible for the defective construction of the vessel as also the precautionary measure to be taken for the future.*
112	235	-Do-	The Committee are not quite happy about the arrangement according to which the Shipyard has to find the resources for working expenses, material, etc., during the construction period by resort to getting over drafts from the banks. While such a course may be resorted to on occasions for short periods, its continuance will go to increase the price of the end-product. And as the price payable by the shipping lines is the U.K. parity price, any extras in cost will increase the subsidy payable to the Shipyard by Govt. It is, therefore, necessary that every effort should be made to keep down the cost of construction, at any rate by eschewing avoidable expenditure. Obviously, the difficulty will be overcome to a great extent if the pace of production is stepped up. For this purpose the Committee suggest action on the following lines:—
			(i) Effective methods of cost control should be introduced in the

* Since the Report was drafted the Report of the Enquiry has been published, and the Committee would take it up next year.

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Shipyard by laying down norms for each item of work, so that deviations could be spotted immediately and remedial measures taken promptly.

(ii) Shipping lines, which are granted loans by Government, should be encouraged to place orders with the Shipyard and this should be made a condition to the grant of the loan.

(iii) Attempts should be made to standardise the ships—one for coastal and another for overseas shipping. This will go a long way in reducing the delay in construction which in turn will lead to greater turnover.

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237 W.H.& S.

(i) The Committee feel that the case relating to the departmental execution of work, referred to in para 11 of the Audit Report (Civil) 1956 Part I., disclosed a serious situation in regard to the maintenance of initial accounts by C.P. W.D. as the proper account of repair works carried out departmentally was not maintained and even the accounts of materials were not made available to audit. Such delays make room for inefficiency and corruption. They indicate loose control of the C.P.W.D. over its sub-divisions. Officers responsible for not maintaining the accounts have been let off lightly with a warning. The Committee trust that a note of warning to the officers concerned for not maintaining the initial accounts and for laxity of financial control in the present case has been kept in their Character Rolls. They feel that more stringent action is necessary in such cases.

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(ii) The Ministry should conduct a further enquiry into the matter and

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			report to the Public Accounts Committee <i>inter alia</i> the details of excess expenditure and the factors leading to it.
	239	W.H.& S.	(iii) The question of the excesses over estimates should be examined carefully to see that the provision made for maintenance and repairs is realistic and in accordance with current trends.
114	241	-Do-	The Committee were surprised at the plea of the Ministry that the sale price of plots sold to the displaced persons by Government already included an element on account of municipal services and therefore no claim lay against the Municipality. In their opinion, it was a question of transfer of certain remunerative assets by Govt. to the Municipal Committees for which the latter should pay to the Government. The fact that the plots fetched a higher (or even lower) price because of certain circumstances, was hardly relevant.
			In order to enable them to examine the position further, the Committee desired to be furnished separately for each colony the proforma accounts regarding the number and value of houses built for displaced persons, number of houses occupied by them and their individual value, amount realised and remaining to be realised by sale to displaced persons and the compensation due to each of those displaced persons. This is still awaited.
115	244	-Do-	(i) A statement showing the disciplinary action taken and remedial measures adopted for future in the matter of faulty placement of contract for printing and binding of forms is still awaited.

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W.H. & S.

(ii) As regards the allegation that the firm used country-made poor quality paper and got payment for superior quality paper, the Committee were amazed how this could have escaped detection at the time of inspection and taking delivery of the forms. Undoubtedly it was a case of gross negligence on the part of the officers responsible, and merely censuring them (two Assistant Controllers) would not meet the requirements of the case. The Committee desire to know the circumstances under which this punishment was considered adequate, the present status of these two officers under Government, and in case they had retired, the posts held by them before their retirement.

(iii) The Committee are also dissatisfied with the position of the outstandings relating to old orders and desire that the up-to-date position be reported to them .

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The Committee are of the view that there was no justification for the payment of Rs. 32,000/- as compensation for de-requisitioning a building in Bombay. If terminal compensation was at all payable, it should have been restricted to the estimated value of restoration of the building to its original state. Conflicting legal opinions given by the Government Solicitor in Bombay and the Law Ministry placed the Administrative Ministry on the horns of a dilemma which resulted in a loss to Government. The Committee would invite attention in this connection to paras 116 and 117 of their Twenty-third Report and urge upon Government to devise remedial measures to avoid such situations in future.

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117	248	W.H. & S.	<p>(i) Mere issue of instructions will not cure the disease (fraudulent drawal of material from Government stores). Whenever any case of fraud comes to notice, prompt, speedy and deterrent action should be taken against the delinquent officials. Such an awareness will go to minimise the occurrence of frauds.</p> <p>(ii) The Committee would like the Ministry to complete the verification of the remaining stock in the Stores Division of the C.P.W.D. quickly and report shortages therein, if any.</p>
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		All other Ministries	<p>(iii) The Committee view with strong disfavour the procedure of giving extension of services to the delinquent officer, so that he might be charge-sheeted, as it results in undeserving benefit to an officer involved in a fraud case against Government.</p>
118	249	W.H. & S.	<p>(i) In their Fifteenth Report (1954-55) the Committee had referred to failures on the part of the Estate Office in maintaining their records in the prescribed forms since the inception of the revised procedure of assessment and recovery of rent in 1951. They are unable to understand how despite their criticism more than two years back, this unsatisfactory state of affairs still continues. The Committee should be apprised of the action taken by the Ministry on the suggestions made by the Special Re-organisation unit of the Ministry of Finance regarding the accounts procedure obtaining in the Estate Office.</p> <p>(ii) The Committee should be informed of the decisions taken in</p>

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			regard to the recovery of arrears of rent due from the displaced persons.
119	250	W.H. & S.	The Committee deprecate the delay of about five years in taking action against the officers responsible for misappropriation of the sum of Rs. 34,031 by an auctioneering firm. They reiterate their earlier recommendation that the disciplinary aspect in all cases of fraud and misappropriation should be finalised expeditiously and deterrent punishment awarded to the persons concerned.
120	252	-Do-	The Committee desire that as soon as irregularities of the nature of overpayment of rent (cf. Para 18 of Audit Report <i>ibid</i>) come to the notice of the Government through Audit Objections, they should be communicated to higher officers and action on such cases should be accorded top-priority and watched carefully.
121	253	-Do-	The remedial measures devised against losses of the type mentioned in Para 20 of the Audit Report <i>ibid</i> should be intimated to the Committee.
122	254	-Do-	The Committee would recommend that in cases regarding the loss sustained by Government on account of wrong advice given to a firm, referred to in para 21 of the Audit Report <i>ibid</i> in future, legal opinion should be quoted verbatim and any interpretation or clarification thereof should be vetted by the Law Ministry beforehand so as to avoid any controversy later.
123	255	-Do-	(i) The Committee are of the opinion that, while requirement of stores should be assessed as closely

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			<p>as possible and the limits of stocks adjusted accordingly, it would be incorrect to regulate the stock limits with the varying situations in direct supply.</p> <p>(ii) The Committee would suggest that there should be a co-ordinated and uniform policy in regard to holding of stock and that a suitable formula should be evolved after studying the conditions of demand and supply, period of deliveries etc. The Committee should be furnished with a note stating the scope of improving the methods of indenting stores; accounting of their receipts and issues etc. after keeping in view the overall demand and supply position.</p>
124	256	W.H. & S.	The Committee feel that the transaction relating to the purchase of teleprinter paper was a purposeless effort resulting in waste of time and money.
125	257	-Do-	The Committee desire that the defects in the system of issues from stock which result in shortages should be removed. They are of opinion that in the absence of a proper system of accounting of stock, it would be difficult to keep track of things, and shortages of stock would continue. The Committee would like to be apprised of the final decision taken in regard to accounting, issue of vouchers etc., of stores transactions.
126	258	-Do- <hr/> Home Affairs	Full facts on all aspects of disciplinary cases for advice should be furnished to the U.P.S.C. in the first instance so that proper advice could be given without waste of any time.

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127	260	W.H. & S.	<p>The Committee feel concerned that Government have not come to any conclusion so far in regard to fixation of final prices of Road Rollers, which has been dragging on for last 10 years.</p> <p>The Accounts should not remain unsettled for such a long time and energetic action should be taken to finalise them soon.</p>
128	261	-Do-	<p>The Committee are dissatisfied with the delays occurring in the Ministries in taking disciplinary action against the persons concerned.</p>
129	262	-Do-	<p>The Committee deprecate the delay in taking disciplinary action against the officer responsible in this case for making excess payment to the contractor, as commented upon in para 127 of the 15th Report. They feel that such cases merit immediate action.</p>
130	263	<p>-Do-</p> <hr/> <p>Law</p>	<p>The Committee desire that the Law Ministry should <i>inter alia</i> look into the American Legislation and examine the feasibility of enacting similar legislation to safeguard the interests of the Exchequer by enabling Government to reopen past contracts where unconsciousable payments had been made.</p>
131	264	<p>-Do-</p> <hr/> <p>All other Ministries</p>	<p>Copies of the instructions issued in the case relating to delay and extra-expenditure in making purchases as commented upon in para 103 of the 23rd Report should be furnished to the Committee by the Ministry. This requirement should be noted for future.</p>
132	266	W.H. & S.	<p>The Committee desire that on release of the records by the Civil Court action should be taken immediately against the persons responsible for</p>

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133	267	W.H. & S.	misappropriation of Government money in the case commented upon in para 127 of the 23rd Report.
			A copy of instructions issued by the India Supply Mission, Washington for inclusion of an Assurance clause in the case of a Contract where it is decided to accept higher price than the lowest tender in the interests of earlier delivery on the lines of those issued by the I.S.D. London should be furnished to them.
