

PUBLIC ACCOUNTS COMMITTEE
(1967-68)

EIGHTH REPORT

(FOURTH LOK SABHA)

Action taken by Government on the recommendations of the Public Accounts Committee contained in their 49th Report (Third Lok Sabha) on the Audit Report on the Accounts of the Khadi and Village Industries Commission for the year 1963-64]



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LOK SABHA SECRETARIAT
NEW DELHI

October, 1967; Kartika 1889 (Saka)

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80	-	20	adviser	adviser
87	-	21	in the opinion of the Committee it is necessary to put men, who	in this connection, the further infor- mation given in respect of

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PUBLIC ACCOUNTS COMMITTEE

(1967-68)

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22. Shri B. K. P. Sinha.

SECRETARIAT

Shri Avtar Singh Rikhy—*Deputy Secretary.*

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

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Eighth Report on the action taken by Government on the recommendations of the Committee contained in their 49th Report (Third Lok Sabha) on the Audit Report on the Accounts of the Khadi and Village Industries Commission for the year 1963-64.

2. On 27th June, 1967, an "Action Taken" Sub-Committee was appointed to scrutinise the replies received from Government in pursuance of the recommendations made by the Committee in their earlier Reports.

The composition of the Sub-Committee is as follows:—

- | | |
|--|------------------|
| 1. Shri D. K. Kunte, M.P.— <i>Convener</i> | } <i>Members</i> |
| 2. Shri C. K. Bhattacharyya, M.P. | |
| 3. Shrimati Tarkeshwari Sinha, M.P. | |
| 4. Shri M. C. Shah, M.P. | |
| 5. Shri B. K. P. Sinha, M.P. | |

3. The Draft Report was considered and adopted by the Sub-Committee at their sitting held on the 5th October, 1967 and finally adopted by the Public Accounts Committee on the 28th October, 1967.

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

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

NEW DELHI;
28th October, 1967.

6th Kartika, 1889 (*Saka*).

M. R. MASANI,
Chairman,
Public Accounts Committee.

I

GENERAL

1.1. In this Report, the Committee have dealt with the action taken by the Government on the recommendations contained in their 49th Report (Third Lok Sabha) on the Audit Report on the Accounts of the Khadi and Village Industries Commission for the year 1963-64 which was presented to the House on 22nd April, 1966.

1.2. The number of recommendations contained in the Report and the number out of them to which interim replies have so far been received are as follows:—

Total No. of Recommendations	No. of Recommendations to which only interim replies have been received
1	2
75	17

1.3. List of recommendations of the Committee in respect of which interim replies have been received is given in Appendix I.

1.4. The Committee regret to note that though their report was presented to the House on 22nd April, 1966, final replies in the case of 17 recommendations are still awaited even after a lapse of more than a year.

1.5. The statements showing action taken on the recommendations of the Committee contained in their 49th Report (Third Lok Sabha) have been categorised under the following headings:—

- (i) Recommendations/observations that have been accepted by Government.
- (ii) Recommendations/observations which the Committee do not desire to pursue in view of the Government's reply.

- (iii) Recommendations/observations in respect of which replies of Government have not been accepted by the Committee or which require reiteration.
- (iv) Recommendations/observations to which Government have furnished interim replies.

1.6. In respect of a number of notes/statements furnished by the Government earlier in pursuance of action taken by the Government on the recommendations of the Public Accounts Committee, it is seen that the Government have merely stated, 'Noted', 'Noted for acceptance/acceptable', 'Noted for compliance', 'Government would advise the Commission', 'Action is being taken' and 'Commission initiating action', etc.

1.7. On a further reference being made to the Ministry of Commerce, they have now furnished the details of action taken by them in regard to the various recommendations of the Committee mentioned above. **In this connection, the Committee would like to invite the attention of the Ministry to the observations contained in para 1.15 of their 5th Report (Fourth Lok Sabha) and desire that the replies furnished by the Government should be explicit and self-contained. In particular, where remedial measures are called for, the details of action taken should be specifically spelt out.**

1.8. In regard to some of the recommendations the Ministry of Commerce have stated that a Committee under Shri Asoka Mehta has been appointed under the Government Resolution dated 8th June, 1966 to examine certain aspects. Final action on the recommendations will be taken by the Government on receipt of the Asoka Mehta Committee Report. Government have also stated that certain recommendations (Appendix II) contained in the 49th Report (Third Lok Sabha) are likely to be referred to the Asoka Mehta Committee.

1.9. **The Committee feel that the reply of the Government in effect means that final action on the recommendations of the Public Accounts Committee will be held over till the Report of the Asoka Mehta Committee is received and examined by Government. They also note that the Government have reconstituted and extended the life of the Committee upto 31st December, 1967. It is very likely that the Committee set up by the Government may take longer time than anticipated. The Committee are, therefore, of the view that immediate compliance with their recommendations would be very**

helpful to the Committee set up by Government. In case that Committee were to suggest any other ways and means, Government could reconsider their decision.

1.10. The recommendations/observations in respect of which Government's replies have not been accepted by the Committee and which require reiteration have been dealt with in Chapter II.

II

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH HAVE BEEN REITERATED

Sl. No. 28, Para 4.20 of Appendix XLVII to 49th Report of the Public Accounts Committee (Third Lok Sabha).

2.1. The Public Accounts Committee in para 4.20 of their 49th Report had observed as under, in connection with the overdue amounts from the various State Boards, which were not realised in time:

"The Committee further desires that vigorous steps should be taken to realise the overdue amounts from the various State Boards and the latter should be asked to settle the case of defaulting or defunct societies financed by them early. The Committee would like to be apprised of the outcome of the discussions held with the State Boards in this regard."

2.2. The following action has been taken by the Government on the above recommendation of the Committee:

"The question of recovery of overdue amounts was discussed with the State Boards' representatives while considering the Budgets for 1967-68 in August & September, 1966, when the urgency and importance of expeditious finalisation of the cases of defaulting institutions/societies under the State Boards was pointed out. The State Boards had also been advised to take steps for speedy recovery and also to consider creating a Recovery Cell, similar to the Commission's, for expeditious recovery of outstanding dues. The Recovery Cells have already started functioning in some of the States. Certain State Boards have pointed out certain difficulties in regard to the recovery in respect of dormant or defunct institutions/Societies; they have, however, agreed to examine the matter and clear the defaults as early as possible. Some of the other steps taken for recovery of overdue amounts are legal

action (such as Arbitration, Recovery as arrears of land revenue, filing civil suits) or liquidation proceedings as may be warranted, securing suitable mortgages, etc.

2.3. The present position of the clearance of overdue amounts as on 28th February, 1967 against such amount as on 31st March, 1965 is given below:

	Total defaults as on 31-3-1965	Defaults cleared upto 28-2-1967	Balance to be cleared
	Rs.	Rs.	Rs.
Khadi	1,76,12,935.56	1,07,60,387.00	68,52,548.56
V.I.	4,17,12,123.74	1,86,34,586.05	2,30,77,537.69
	<u>5,93,25,059.30</u>	<u>2,93,94,973.05</u>	<u>2,99,30,086.25</u>

The above figure of Rs. 2.99 crores includes a sum of Rs. 1.71 crores comprising Working Capital loans and stocking loans, which may get ultimately converted into Working Fund, depending upon the levels of production and sales.

2.4. The Committee note that as on 28th February, 1967 a sum of Rs. 2.94 crores (approximately) had been cleared out of a sum of Rs. 5.93 crores, defaults, in respect of which took place upto 31st March, 1965 and that a balance of Rs. 2.99 crores is yet to be cleared. The Committee are not happy with the progress of clearance as more than 50 per cent of the amounts in respect of which defaults took place upto 31st March, 1965, are yet to be cleared. The Committee desire that the Commission and the State Boards should make vigorous efforts to realise the balance amounts of Rs. 2.99 crores.

2.5. The Committee have no doubt that before converting the working capital loans and stocking loans into working fund, the Government and the Commission would satisfy themselves about the necessity and the extent to which it is necessary to convert these loans into working fund.

2.6. The Committee also hope that the Government and the Commission would ensure that no arrears do accumulate in future.

S. Nos. 30 and 31, paras 4.33 and 4.34 of Appendix XLVII to 49th Report of the Public Accounts Committee (3rd Lok Sabha).

2.7. The Public Accounts Committee in paras 4.33 and 4.34 of their 49th Report had observed as under, in connection with relationship between the State Boards with the Commission and the affairs of the State Boards:—

“Since Parliament votes money to the Commission through the Ministry of Commerce, the responsibility with regard to large scale difficulties with reference to finances advanced will rest with the Commission. It is, therefore, for the Commission with the help of Central Government to devise a suitable system which will remove this difficulty with regard to State Boards.

The Committee desire that the Commission should also examine the feasibility of incorporating suitable provision in the Khadi and Village Industries Commission Act with a view to regulating the relationship between the State Board and the Commission.”

“The Committee are surprised that though almost 9 years have passed since the Commission came into existence, the relationship between the Commission and the State Boards has not yet been either defined or put on proper footing. In the meantime, large amounts of funds have been advanced to those State Board and through them to the Institutions both by way of grants and loans without adequate control or scrutiny. The Committee desire that this state of affairs should be remedied forthwith and adequate safeguards and controls should be provided in the scheme of financial assistance given to them.”

2.8. The Government have intimated the following action taken by them on the above recommendations of the Committee:—

“Noted. This recommendation also forms one of the terms of reference entrusted to the Committee recently set up by Government Resolution dated 8th June, 1966.”

“Noted. This is also one of the terms of reference entrusted to the Committee on Khadi & Village Industries appointed by the Government of India on 8th June, 1966. The safeguards and control to be provided in the scheme of financial assistance, when decided upon, will be intimated to the Committee in due course.”

FURTHER INFORMATION

2.9. "Today there is no statutory built in relationship between the Commission and the State Boards. There is, of course, the power of the purse with the Commission. There is, however, a limitation to its exercise as it is likely to injure the interests of the artisans for the mistakes and omissions of the State Boards. This delicate yet very important issue forms an important part of the terms of reference of the Asoka Mehta Committee, the Report of which is expected by 31st December, 1967. The K&VIC Act may have to be amended to enable the Commission to exercise adequate control over the State Boards. This is proposed to be taken up on receipt of the Asoka Mehta Committee Report. In the meantime, several steps have been taken to improve the state of affairs and to provide safeguards and controls.—"

2.10. The steps taken by the Commission to improve the state of affairs in regard to the working of the State Boards *inter alia* include:—

- (i) That in order to achieve uniformity in the State Boards legislation, a Model Act has been circulated to State Governments.
- (ii) All the State Boards have accepted in principle the appointment of F.A. and C.A.O's. A review effected after their appointment shows that there is improvement in regard to the maintenance and compilation of accounts.
- (iii) The budgets of the State Boards are discussed every year by the Commission with the representative of the State Boards in order to arrive at realistic programmes.
- (iv) State Accountants General have been appointed as sole auditors of the State Boards' Accounts except in the case of Gujarat State Board.
- (v) The Commission also discusses at its monthly meeting turn by turn the reports of the Accountants' General on different State Boards and also other matters pertaining to their workings. Attention of the State Governments are drawn to important irregularities for necessary action.

2.11. The Committee are far from happy to note that Government have yet to take definite action clearly to define the relationship between the State Boards and the Commission. In view of the fact that a Committee set up by the Government is at present engaged in the examination of this aspect, the Committee do not wish to make any comments at this stage.

2.12. The Committee hope, however, that immediate action will be initiated by the Government to define clearly the relationship between the Commission and the State Boards, as soon as the Report of the Committee set up by them is received. The Committee would like to be apprised of the action taken by the Government on the recommendations of that Report.

2.13. The Committee reiterate that adequate safeguards and controls, both financial and legal, should be provided in the scheme of financial assistance given to the State Boards by the Commission.

S. Nos. 53 and 54, paras 5.32, 5.34 and 5.35 of Appendix-XLVII to 49th Report of the Public Accounts Committee (Third Lok Sabha).

2.14. The Public Accounts Committee in paras 5.32, 5.34 and 5.35 of their 49th Report had observed as under, in connection with the working capital advanced free of interest by Khadi and Village Industries Commission to various agencies:—

“The Committee desire that the entire work relating to the working out of the scientific basis for the fixation of the Working Fund should be completed without further delay and the result communicated to the Committee.”

(Para 5.32).

“The Committee would like to invite attention in this connection to the following passage in para 11.12 of the Report of the Working Group on Khadi and Village Industries:—

‘It is obvious from the figures of disbursements of working capital loans that the institutions have, on the basis of the formula adopted by the Commission a sum of nearly 50 per cent more than what they are entitled to. This position certainly needs looking into.’

“As there is no mention about this aspect in the comments of the Khadi and Village Industries Commission on the Report of the Working Group (Page 139), the Committee hope that the Commission would look into this aspect so as to reconcile the written reply furnished to the Committee.”

(Para 5.34).

The Committee note, however, that with regard to the observation of the Working Group made in para 11.12 of their Report, the Commission have expressed the view “in any case it appears that the total volume of working capital for production is on the higher side. This problem however, is being examined by the Working Capital Committee.” The Committee trust that the imbalance pointed out by the Working Group will be rectified.”

(Para 5.35).

2.15. The following action has been taken by Government of the above recommendations of the Committee:

"Noted. The Committee recently set up by Government Resolution dated 8th June, 1966 is also likely to go into this question. As this Committee is currently examining all aspects relating to Production, Government consider the Committee's views on this question could be awaited."

FURTHER INFORMATION

2.16. "Reply given already may please be seen. This is before the Asoka Mehta Committee."

"Apart from the fact that Working Capital Committee and the Commission have gone into the question of reasonable quantum of working capital required in the case of cotton khadi and are also examining the quantum of similar assistance in the case of woollen and silk khadi as well as each of the other Village Industries, it may be mentioned that the Commission has devised a procedure of drawing up the programme to ensure that the capital assistance is reduced to the minimum. According to this procedure, every year, the budgets of the State Boards and Institutions are examined in detail and a realistic agreed programme for the ensuing year is drawn up. While doing so, the eligibility and availability of the capital is specially examined and the quantum of capital assistance is determined."

2.17. The Committee observe that the above reply of the Khadi and Village Industries Commission does not make it clear whether or not the working capital advanced, free of interest, by the Khadi and Village Industries Commission to the various agencies was in excess of the requirements by as much as 50 per cent, as pointed out by the Working Group on Khadi and Village Industries.

2.18. The Committee note that Government are now referring the question of establishing a yardstick for the Working Fund to the Asokha Mehta Committee. They need hardly stress that as working capital is advanced free of interest the matter should be examined thoroughly without avoidable delay so as to obviate any chance of giving money in excess of requirements to various units.

S. No. 55, para 5.41 of Appendix XLVII to 49th Report of the Public Accounts Committee (Third Lok Sabha).

2.19. The Public Accounts Committee in para 5.41 of their 49th Report had observed as under in connection with the revision of

formula for determining the rate of assistance and subsidy to various units of the Khadi and Village Industries:—

“The Committee are surprised that the Commission should have continued to adopt this formula evolved during 1930-36, which had become completely out-moded and which had no relation to reality. The Committee desire that the position should be examined so as to make the formula realistic on the basis of present day conditions.”

2.20. The following action has been taken by Government on the above recommendations of the Committee:—

“Noted for compliance. The decision taken in revising the formula will be intimated in due course.”

FURTHER INFORMATION SUPPLIED IS AS FOLLOWS:—

2.21. “The recommendation has been accepted and action has been initiated for a new formula.”

2.22. The Committee cannot appreciate the long delay in initiating action to revise the formula for determining the rate of assistance and subsidy to various units of Khadi and Village Industries when the representative of the Khadi and Village Industries Commission had himself admitted in his evidence before the Committee in February, 1966, that there was need for revising the formula which was based on the experience of 1930—1936, so as to ensure that it realistically reflected the prevailing conditions and the cost structure of wages, rent etc.

NEW DELHI;
28th October, 1967
6th Kartika, 1889 (Saka)

M. R. MASANI.
Chairman,
Public Accounts Committee.

APPENDIX I

List of recommendations in respect of which interim replies have been received

(Ref : Para 1.3 of this Report)

Serial No.	Para No.
2	1.27
3	1.28
6	1.37
12	2.22
16	3.5
18	3.9
19	3.30
20	3.31
22	3.38
25	4.12
27	4.19
32	4.36
42	4.74
44	4.85
52	5.31
65	5.70
75	{ 5.101 5.102 5.103

APPENDIX II

List of recommendations which are likely to be referred to the Ashoka Mehta Committee

(Ref: Para 1.8 of this Report)

Serial No.	Para No.
6	1.37
12	2.22
19	3.30
20	3.31
22	3.38
53	5.32

APPENDIX III

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Ministry of Commerce

Recommendation

The Committee further desire that vigorous steps should be taken to realise the overdue amounts from the various State Boards and the latter should be asked to settle the cases of defaulting or defunct societies financed by them early. The Committee would like to be apprised of the outcome of the discussions held with the State Boards in this regard.

[Sl. No. 28 (Para 4.20) of Appendix XLVII of 49th
Report (Third Lok Sabha)]

ACTION TAKEN

Noted. The outcome of the discussions held with the State Boards will be intimated to the Committee shortly. In the case of defunct societies, arbitration proceedings, etc. are likely to entail delay. The Commission has, however, been asked to take effective and vigorous steps towards expeditious finalisation in all cases.

FURTHER REPLY GIVEN

The question of recovery of overdue amounts was discussed with the State Boards' representatives while considering the Budgets for 1967-68 in August & September 1966, when the urgency and importance of expeditious finalisation of the cases of defaulting institutions/societies under the State Boards was pointed out. The State Boards had also been advised to take steps for speedy recovery and also to consider creating a Recovery Cell, similar to the Commission's for expeditious recovery of outstanding dues. The Recovery Cells have already started functioning in some of the States. Certain State Boards have pointed out certain difficulties in regard to the recovery in respect of dormant or defunct institutions/Societies; they have however, agreed to examine the matter and clear the defaults as early as possible. Some of the other steps taken for recovery of the overdue amounts are legal action (such as Arbitration, Recovery as arrears of land revenue, filing civil suits) or liquidation proceedings as may be warranted, securing suitable mortgages etc.

The present position of the clearance of overdue amounts as on 28th February 1967 as against the amount as on 31st March, 1965 is given below:—

	Total defaults as on 31-3-1965	Defaults cleared upto 28-2-1967	Balance to be cleared
	Rs.	Rs.	Rs.
Khadi	1,76,12,935·56	1,07,60,387·00	68,52,548·56
V.I.	4,17,12,123·74	1,86,34,586·05	2,30,77,537·69
	<u>5,93,25,059·30</u>	<u>2,93,94,973·05</u>	<u>2,99,30,086·25</u>

The above figure of Rs. 2.99 crores includes a sum of Rs. 1.71 crores comprising Working Capital loans and stocking loans, which may get ultimately converted into Working Fund, depending upon the levels of production and sales.

Recommendation

Since Parliament votes money to the Commission through the Ministry of Commerce the responsibility with regard to large scale difficulties with reference to finances advanced will rest with the Commission. It is, therefore, for the Commission with the help of Central Government to devise a suitable system which will remove this difficulty with regard to State Boards.

The Committee desire that the Commission should also examine the feasibility of incorporating suitable provision in the Khadi and Village Industries Commission Act with a view to regulating the relationship between the State Board and the Commission.

[Sl. No. 30 (para 4.33) of Appendix XVII of
49th Report (Third Lok Sabha)]

ACTION TAKEN

Noted. This recommendation also forms one of the terms of reference entrusted to the Committee recently set up by Government Resolution dated 8th June 1966.

FURTHER INFORMATION

The further information furnished in respect of Sl. Nos. 18, 27, 30 and 44 may kindly be seen.

Recommendation

The Committee are surprised that though almost 9 years have passed since the Commission came into existence, the relationship between the Commission and the State Boards has not yet been either defined or put on proper footing. In the meantime, large amounts of funds have been advanced to those State Boards and through them to the Institutions both by way of grants and loans without adequate control or scrutiny. The Committee desire that this state of affairs should be remedied forthwith and adequate safeguards and controls should be provided in the scheme of financial assistance given to them.

[Sl. No. 31 (Para 4.34) of Appendix XLVII of
49th Report (Third Lok Sabha)]

ACTION TAKEN

Noted.

This is also one of the terms of reference entrusted to the Committee on Khadi and Village Industries appointed by the Government of India on 8.6.1966. The safeguards and control to be provided in the scheme of financial assistance, when decided upon, will be intimated to the Committee in due course.

FURTHER INFORMATION

Today there is no statutory built-in relationship between the Commission and the State Boards. There is, of course, the power of the purse with the Commission. There is, however, a limitation to its exercise as it is likely to injure the interests of the artisans for the mistakes and omissions of the State Boards. This delicate yet very important issue forms an important part of the terms of reference of the Asoka Mehta Committee, the Report of which is expected by 31.12.1967. The K and VIC Act may have to be amended to enable the Commission to exercise adequate control over the State Boards. This is proposed to be taken up on receipt of the Asoka Mehta Committee Report. In the meantime, several steps have been taken to improve the state of affairs and to provide safeguards and controls as set out against Sl. No. 19. In this connection, the further information given in respect of Sl. Nos. 39, and 44 may also kindly be seen.

Recommendation

The Committee desire that the entire work relating to the working out the scientific basis for the fixation of the working Fund

should be completed without further delay and the result communicated to the Committee.

[Sl. No. 53 (para 5.32) of appendix XLVII of
49th Report (Third Lok Sabha)]

ACTION TAKEN

Noted. The Committee recently set up by Government Resolution dated 8.6.1966 is also likely to go into this question. As this Committee is currently examining all aspects relating to production, Government consider that the Committee's views on this question could be awaited.

FURTHER INFORMATION

Reply given already may please be seen. This is before the Asoka Mehta Committee.

Recommendation

The Committee would like to invite attention in this connection to the following passage in para 11.12 of the Report of the Working Group on Khadi and Village Industries:

"It is obvious from the figures of disbursements of working capital loans that the institutions have, on the basis of the formula adopted by the Commission a sum of nearly 50 per cent more than what they are entitled to. This position certainly needs looking into."

As there is no mention about this aspect in the comments of the Khadi and Village Industries Commission on the Report of the Working Group (Page 139), the Committee hope that the Commission would look into this aspect so as to reconcile the written reply furnished to the Committee.

The Committee note, however, that with regard to the observation of the Working Group made in para. 11.12 of their Report, the Commission have expressed the view "in any case it appears that the total volume of working capital for production is on the higher side. This problem, however, is being examined by the Working Capital Committee." The Committee trust that the imbalance pointed out by the Working Group will be rectified.

[Sl. No. 54 (Para 5.34/5.35) of Appendix XLVII of 49th
Report (Third Lok Sabha)]

ACTION TAKEN

Apart from the fact that Working Capital Committee and the Commission have gone into the question of reasonable quantum of

working capital required in the case of cotton khadi and are also examining the quantum of similar assistance in the case of woollen and silk khadi as well as each of the other Village Industries, it may be mentioned that the Commission has devised a procedure of drawing up the programme to ensure that the capital assistance is reduced to the minimum. According to this procedure, every year, the budgets of the State Boards and institutions are examined in detail and a realistic agreed programme for the ensuing year is drawn up. While doing so, the eligibility and availability of the capital is specially examined and the quantum of capital assistance is determined.

Recommendation

The Committee are surprised that the Commission should have continued to adopt this formula evolved during 1930-36, which had become completely out-moded and which had no relation to reality. The Committee desire that the position should be examined so as to make the formula realistic on the basis of present day conditions.

[Sl. No. 55 (Para 5.41) of Appendix XLVII of 49th
Report (Third Lok Sabha)]

ACTION TAKEN

Noted for compliance. The decision taken in revising the formula will be intimated in due course.

FURTHER INFORMATION

The recommendation has been accepted and action has been initiated for a new formula.

APPENDIX IV

RECOMMENDATION/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

MINISTRY OF COMMERCE

Recommendation

The Khadi and Village Industries Commission has grown up to huge proportions employing lakhs of people and it has received grants and loans from public funds which have already amounted to Rs. 173.09 crores. Khadi, if it has to serve its purpose in wider context, should continue to be the symbol of purity, integrity, simplicity and economy with which selfless workers and patriots have been associated. Therefore, while developing and promoting Khadi it should be the main objective of the Commission to see that the public image is not tarnished and these attributes do not suffer any diminution.

In keeping this objective in view, the Khadi and Village Industries Commission, more than any other organisation, must ensure a proper system of accounting and audit, a better financial discipline and stricter control and supervision over its affairs. From the facts placed before the Committee, they cannot but come to the conclusion that the financial affairs of the Commission including those of the State Boards leave much to be desired. In this connection the Committee would like to point out that the Commission had not till 1963-64 prepared a consolidated profit and loss account and a balance sheet (vide para 46 of 38th Report of P.A.C., 1964-65). The Commission had prepared for all these years only Receipt and Payments Accounts which did not give a clear idea of the financial position of the Commission. The Committee cannot but emphasise the need for maintaining the consolidated profit and loss accounts and balance sheet by an organisation which has invested huge public funds, in its trading activities.

[S. No. 1: (Para 1.12 and 1.13) of Appendix XLVII of 49th Report (Third Lok Sabha)]

ACTION TAKEN

In the early years the All India Khadi and Village Industries Board/Commission had to make a choice between rapid expansion

of its programmes to meet the needs of the country and slow expansion based upon careful working out of the procedures and methods. In the interests of rural artisans, the choice was made for the former. This approach has resulted in giving to the country a vast net-work of an organisation unique in character, spread throughout the length and breadth of the country. Active steps are under way to bring the functioning upto accepted standards.

2. The Commission had all along been preparing its accounts in the form prescribed by the Government of India in consultation with the Comptroller and Auditor General of India. The Commission undertakes both trading and non-trading activities. For the former, regular accounts on commercial lines, viz., trading accounts, profit and loss accounts and balance sheets are prepared for each unit audited by the internal auditors of the Commission and submitted to the Government of India and Audit every year along with the Annual Accounts of the Commission. For the latter, the Commission prepares the accounts in the prescribed form, showing the years transactions and also the balances under the loan and deposit heads. The account is also supported by various schedules giving further details about the receipts and disbursements of loans and grants classified according to the prescribed heads of accounts. The net result of the working of the trading units, both during the year and progressive (i.e., profit or loss), is also exhibited in the Annual Accounts.

3. Thus, accounts of the individual trading units have been maintained and submitted to the satisfaction of Audit. Latterly, Audit suggested, in addition, one consolidated trading, profit and loss account and balance sheet for all the trading units. The Commission has prepared such consolidated accounts also from 1964-65, and would continue doing so every year, for submission to the Parliament.

4. Government are already seized of the unsatisfactory state of the accounts of the State Boards and various measures have already been adopted towards improvement. The efforts in this direction will continue.

Proposals are also under consideration for intensification of audit by undertaking, *inter alia*, performance audit, extension of the scheme of audit by Chartered Accountants to the institutions and co-operative societies financed by the State Boards in consultation with the Registrars of Co-operative Societies concerned.

NOTE ADDED BY AUDIT

Section 23(1) of the Khadi and Village Industries Commission Act, 1956 states as under:—

“The Commission shall maintain proper accounts and other relevant records and prepare an *Annual Statement of Accounts*, including *the Profit and Loss Account* and the *Balance Sheet* in such form as may be prescribed by the Central Government in consultation with the Comptroller and Auditor General of India.”

The forms of the Annual Accounts were, in March, 1959, approved with the concurrence of the Comptroller and Auditor General, tentatively, leaving the question of preparation of a consolidated Profit and Loss Account and the Balance Sheet in respect of the Commission's trading activities, still under correspondence. A consolidated Profit and Loss Account and the Balance Sheet, as required under the Act, was, however, not prepared by the Commission since its inception, as mentioned in the Audit Reports on the accounts of the Commission for the year 1961-62 and 1962-63. In August, 1964, the Commission stated that as the preparation of such consolidated account presented certain difficulties, the matter was under their consideration. In April, 1965, the Commission again reiterated the difficulties experienced by them in such a consolidation and requested Audit that the preparation of a consolidated Profit and Loss Account and Balance Sheet might not be insisted upon. It was only after further discussion by Audit with the Ministry in August, 1965 that the Commission agreed that the accounts for the year 1964-65 would be accompanied by a consolidated Profit and Loss Account and a Balance Sheet prepared in consultation with Audit, as recommended by the Public Accounts Committee in para 46 of their 38th Report (3rd Lok Sabha). The forms of the consolidated accounts since prepared by the Commission for the year 1964-65 are currently under examination by Audit in consultation with the Commission/Ministry.

Recommendation

In the opinion of the Committee while considering the employment opportunities created by the Khadi and Village Industries, it has to be borne in mind that a majority of the persons concerned have been given “supplementary occupations”. Therefore when it is stated that 22.60 lakhs persons are having work opportunities for more than 6 hours a day for about 200 days a year the Committee would like to point out that with regard to “Employment” under Khadi (which cover 16.25 lakhs out of 22.60 lakhs persons) the Working Group in para 11.88 of their Report have observed as follows:—

“Some sample surveys undertaken by the Commission have shown that while a large proportion of weavers' families

in rural areas is generally agricultural landless workers a sizeable portion of spinners is from among small agricultural landowners and lower middle class such as teachers, clerks etc. We consider that all these have an important bearing on understanding the nature and content of employment in khadi. In short, spinning provides employment for about 2 to 4 hours in a day for about 100 or 150 days and weaving for 6 to 8 hours a day and for about 200 days a year."

The Committee feel that with the experience gained so far by the Commission, it should evolve suitable objective criteria for assessing the part-time, full-time/seasonal/continuous employment offered by the programmes of Khadi and Village Industries. Thereafter, the Commission should undertake periodical reviews of the actual employment potential generated and include the results of such reviews in its Annual Report.

[Sl. No. 4 (Para No. 1.33) of Appendix XLVII of 49th Report (Third Lok Sabha)]

ACTION TAKEN

The Commission had already initiated examination of this question with the help of a Committee which include eminent Economists and Statisticians.

The recommendation in regard to periodical review of the actual employment potential generated and inclusion of the results in the Commission's Annual Report has been noted.

FURTHER INFORMATION

Some field studies in some States have been conducted in consultation with the Economics Advisory Committee of the Commission. Others will have to be conducted before suitable objective criteria could be evolved. Efforts are being made to secure precise definitions of certain concepts and dependable data with the help of Economists who are helping the Commission as Members on the Economics Advisory Committee. It would be possible to give in the Annual Report for the year 1967-68 results of a few sample surveys on the lines suggested in this recommendation.

Recommendation

The Committee appreciate the efforts being made by the Commission to increase the wages of the spinners and weavers. They would suggest that in view of the constant rise in the cost of living, a periodical review of the position should continue to be made so

that the spinners and weavers, who are the basic workers, are given the proper wages.

[S. No. 5 (Para No. 1.36) of Appendix XLVII of 49th Report (Third Lok Sabha)]

ACTION TAKEN

Noted. Inherent in this effort is the requirement of larger working capital as well as larger grants which would retard the Commission's efforts at reducing grants and subsidies. The Commission will, of course, make an effort through improved technology and improved skill to reduce this burden to the minimum. It may also be added that price differential to which a reference has been made earlier between khadi and comparable mill cloth may tend to widen in consequence of increased wages. In accepting improved technology also, the Commission has to ensure that the improved technology does not affect the employment potential adversely. Taking all these factors, the Commission would continue to make the best efforts to ensure fair wages.

Recommendation

This indicates that the productivity in the village industries is much more than in the case of Khadi.

[S. No. 7 (Para No. 1.38) of Appendix XLVII of 49th Report (Third Lok Sabha)]

ACTION TAKEN

While the productivity (and also wage) in the village industries is no doubt much more than in the case of khadi, the employment potential in the village industries is very low, as will be seen from Appendix XXVII to the P.A.C.'s 49th Report (Third Lok Sabha).

Recommendation

The Committee note from the statements that with regard to the Class IV Staff under the Commission, while on 31st March, 1964 the sanctioned strength was 547, the actual strength as on 31st March, 1965 was 593. Similarly, from the other statement it appears that 222 posts in various categories were created after the appointment of the Administrative Improvements Committee on 24th March, 1964. The Committee are unable to understand the reasons for creating so many posts after the appointment of the Administrative Improvements Committee, one of whose functions was to examine and suggest the scope for introducing economy in the working of the Commission with particular reference to the administrative machinery.

On the face of these facts the Committee are unable to understand what precautionary measure of not filling certain number of posts and putting a ban on the recruitment to the ministerial posts was taken by the Commission as stated in evidence. The Committee would like this position to be clarified. The Committee trust that the recommendation of Administrative Improvements Committee will be implemented early.

[Sl. No. 8 (Para 2.12 & 2.13) of Appendix XLVII of 49th Report (Third Lok Sabha).]

ACTION TAKEN

The figures of sanctioned and actual strengths of Class IV staff given in the Commission's reply in Appendix XXVIII to the P.A.C. Report were further verified and the Commission regrets to add that it was found that the figures given earlier included, by inadvertent mistake certain technical posts such as Gardener, Mason, Carpenter, Blacksmith, Potter, Weaving Guide, Sizing Guide and Flayer. After excluding these technical posts, the position of Class IV staff is as under:—

	Sanctioned Strength	Actual Strength
As on 31-3-1964	543	511
As on 31-3-1965	529	504

It will thus be seen that there has been a decrease in the sanctioned strength as well as in the actual strength as on 31st March 1965 compared to that on 31st March 1964. Further, the actual strength is less than the sanctioned strength as on 31st March 1965.

2. As regards the posts created after the appointment of the Administrative Improvements Committee, the facts are as under:—

- (i) While the Administrative Improvements Committee was appointed on 24th March, 1964, the ban on the creation of the new posts was imposed on 6th July, 1964. Further, the ban was applicable to the creation of only two categories of ministerial posts viz. U.D.Cs and L.D.Cs.
- (ii) The work on the Hill and Border Areas was new and taken up in special circumstances that obtained in the country as a result of Chinese aggression. Hence staffing the newly created offices in these areas was unavoidable.
- (iii) Certain posts had to be created for the new types of activities undertaken by the Commission.

Out of 222 posts created and shown in statement 1 in Appendix XXIV to the P.A.C. Report, only 27 posts were ministerial posts. All the other posts were technical. These 27 posts are classified as under:—

Posts created before the ban	Posts created for HBA work after the ban	Posts created for starting new activities	Posts created a few days after the ban	Remarks
1	2	3	4	5
12	7	3	5	Out of 5 posts (in Col. 4) four posts were not filled in at all.

Recommendation

From the report of the Administrative Improvements Committee and the evidence given before this Committee, it is clear that there is scope for substantial economy of about Rs. 40 lakhs per year under administrative expenses alone. This indicates the need for closer supervision and tighter administration.

[S. No. 9 (Para 2.18) of Appendix XLVII of 49th Report (Third Lok Sabha)]

ACTION TAKEN

The progress of implementation of the recommendations of the Administrative Improvements Committee is under continuous examination. Some of the more important measures taken to implement its recommendations are given below:—

- (a) Expenditure on T.A., contingencies etc. is being closely and constantly watched so as to ensure that it is maintained at the minimum as recommended by the A.I.C.;
- (b) Personnel are employed on productive fields only;
- (c) Personnel already employed but rendered surplus will be allowed to waste out or will be absorbed in the vacancies of technical posts after requisite training where necessary, so as to avoid any hardship to the employees by enforcing retrenchment; and

- (d) The demands of the personnel for the grant of benefits allowed for corresponding personnel in other organisations due to changing social laws and economic conditions, such as dearness allowance, increase in rates of Contributory Provident Fund required under Statutory Provisions cannot be avoided by the Commission and such increasing commitments add to the administrative expenditure.

The Government will also prune the items of administrative expenditure while examining the Commission's budget proposals from time to time. For instance, against the expenditure of about Rs. 1.86 crores in 1964-65, the Commission's demand for 1966-67 has been pruned to Rs. 1.64 crores in BE 1966-67, despite increased dearness allowance and increments etc. In addition the Commission has agreed to an economy cut of Rs. 3 lakhs in 1966-67. The scope for further reduction will be under constant watch both by the Commission and by Government.

Recommendation

The Committee are glad to be told in evidence that the Commission shall approximately reach the figures suggested by the Administrative Improvements Committee. While the Committee appreciate that the proposals made in the Report of that Committee have to be considered, they, however, feel that since the Committee itself has divided the economy into two parts, immediate and subsequent, it is hoped that the Commission would implement the recommendation concerning the immediate economy immediately.

[S. No. 10 (Para 2.19) of Appendix XLVII of 49th Report (Third Lok Sabha).]

ACTION TAKEN

Same as for Sl. No. 9.

Recommendation

The Committee are surprised to find that while the various State Governments have given Establishment Grant amounting to more than five crores of rupees to the State Boards concerned during 1953-54 to 1954-55, the Khadi & Village Industries Commission have also given establishment grant totalling Rs. 20.80 lakhs to the various State Boards from 1958-59 to 1964-65.

The Committee fail to understand the reasons for giving establishment grants to State Boards by the Commission also, as the Commission are themselves maintaining, "a Branch Office in each

State manned by a Director with a adequate ministerial and technical staff." The Committee are of the view that the arrangement and understanding that establishment charges of the State Boards shall be met by the State concerned should be adhered to strictly. [S. No. 11 (Para 2.21) of Appendix XLVII of 49th Report (Third Lok Sabha)

ACTION TAKEN

Noted. The Commission will be advised to ensure that establishment charges of the State Boards are not paid by the Commission. Government will not also provide for this expenditure in its budget from 1967-68. Please also see recommendation at Serial No. 35.

FURTHER INFORMATION

The system of having F. A. and C. A. Os and their nucleus establishments for each State Board was introduced to safeguard the interests of the Commission's funds and their proper utilisation. Except for these grants to State Boards, miscellaneous establishment grants have been stopped. State Governments and State Boards have been suitably advised by the Commission.

In this connection the further information in respect of Sl. No. 35 may also kindly be seen.

Recommendation

The Committee find from the details of 69 Committees that although many of the Committees were appointed in 1957 onwards, it was only recently that 53 Committees were abolished. It is really surprising that money was being spent on so many Committees which apparently did not have any important function to perform. The Committee would like the Commission of their own accord to be alive to the need for economy in administration.

[S. No. 13 (Para 2.25) of Appendix XLVII of 49th Report (Third Lok Sabha)].

ACTION TAKEN

The necessity for reducing the number of such Committees to the absolute minimum is now constantly kept in view.

Recommendation

It has been stated in the note that the reasons for variations in expenditure have been urgently called from the State Office and will be furnished on receipt. It, therefore, appears that there is no

system under which the Commission scrutinises the variations in items of expenditure incurred by their State Office even when there are obvious inconsistencies.

The Committee would also like to point out that the Working Group on Khadi & Village Industries in para 3.35 of their Report have observed:—

“We have noticed considerable over-lapping and duplication between the staff of the State Offices of the Commission and of the State Boards in respect of village industries programmes. Both the Commission as well as the State Boards have technical and supervisory staff.” The Administrative Improvements Committee have also observed in page 24 of their Report that *“we found that in some of the State Offices, persons holding technical posts such as Technical Assistant—II(Cotton). Technical Assistant—II (Texture Improvements) are utilised purely for ministerial work, which could be attended to by LDCs or UDCs. It is obvious that these technical posts are not required.”*

The Committee trust that the Commission will without further delay give due consideration to these observations and recommendations and take effective steps to put matters right and avoid such overlapping, duplication and improper utilisation of staff in future.

[S. No. 14 (Paras 2.27 and 2.28) of Appendix XLVII of 49th Report
(Third Lok Sabha)]

ACTION TAKEN

A proper system for scrutinising variations etc. has yet to be developed. The Commission is making its best efforts in this direction.

One of the objects achieved by the transfer of some of the functions of the Commission's State Offices to the State Boards is elimination of duplication of staff. As already recommended by the P.A.C., the process of transfer of functions of State Offices to the State Boards has to be carried on with care and caution. Steps will, however, be taken to reduce all avoidable duplication.

As regards utilisation of technical personnel on non-technical duties, the Commission has been advised to put matters right and to ensure compliance of P.A.C.'s recommendations.

Recommendation

Since the regulation of the rate for travelling and daily allowances is with the prior approval of Government the cut imposed in the rates should also have been approved by Government.

[S. No. 15 (para 2.32) of appendix XLVII of 49th Report (Third Lok Sabha)]

ACTION TAKEN

Noted. The Commission has also been advised to ensure that prior approval of Government is invariably obtained in all cases where so required under the Rules, Regulations etc., before implementation.

FURTHER INFORMATION

The amending notification giving power to the Commission to vary the rates of T.A. with the approval of the Government was issued on 19.1.67. The Commission was informed on 29.4.67 that the Ministries of Finance and Law have not agreed to give retrospective effect to the reduction in T.A. rates.

Recommendation

The Committee desire that in future the Accounts of the Khadi & Village Industries Commission placed before Parliament should contain all the Annexures referred to in the Statement of Accounts and the documents should be complete in all respects and in proper form with a proper cover. Nor should the documents be in mutilated form with pastings etc. as was the case during the last two years.

[S. No. 17 (Para 3.7) of Appendix XLVII of 49th Report (Third Lok Sabha)]

ACTION TAKEN

Noted.

FURTHER INFORMATION

This recommendation was made with reference to the Accounts for the year 1963-64. This has been complied with in the accounts presented to the Parliament for the year 1964-65 and will be followed for the future years.

Recommendation

The Committee would impress upon the Commission the desirability of asking the State Boards to furnish audited accounts regularly and in time. They trust that the backlog in this respect

would be cleared at an early date and from the year 1965-66, the accounts would be kept upto date. A time limit should be set for completing these past accounts.

For future accounts also a date must be stipulated by which the accounts must be submitted to the Commission.

[S. No. 21 (para 3.35) of appendix XLVII of 49th Report (Third Lok Sabha)]

ACTION TAKEN

Noted. F.A. and C.A.Os. appointed to the State Boards are already seized of the matter. The Commission has been instructed to get the recommendation complied with by them.

FURTHER INFORMATION

F.A. and C.A.O.s. have exerted themselves in clearing the backlog in compiling the Accounts. Accounts for 10 Boards have already been compiled upto 1965-66 and those of 4 Boards upto 1966-67. Others are in the process. At the time of budget discussions with the Boards, a time limit for clearing the backlog is fixed.

In this connection, the further information given in respect of Sl. No. 19 may also kindly be seen.

Recommendation

The Committee are glad to know that the Commission were instituting a system of "examining not only the accounts but actual fulfilment of the programme." In their opinion this sort of achievement audit is very necessary in the case of the Programme undertaken by the Commission. The Committee suggest that the Annual Report of the Commission should indicate the results achieved in this direction.

[S. No. 23 (para No. 3.40) of Appendix XLVII of 49th Report (Third Lok Sabha)]

ACTION TAKEN

Noted.

FURTHER INFORMATION

The system of internal audit does involve performance audit. This is being adopted so that percentage check by way of performance audit is undertaken. The result of the total performance is reflected in the various statements furnished in the annual reports of the Commission from 1964-65 onwards.

These statements relate to production, sales ratio of production/sales to funds disbursed etc.

Recommendation

The Committee note from the statement that 16 institutions were treated as defunct during the period 1959-60 to 1963-64 on Khadi side. On the Village Industries side 57 institutions/societies were treated as defunct during the period 1959-60 to 1964-65. The Committee feel disbursed over the position of so many defunct institutions/societies from whom loan instalments are due or are to be confirmed. The Committee fail to understand why the inspections did not reveal the financial position of the Societies etc. So that preventive action could be taken by the Commission in time. The Committee desire that the system of audit and inspection should be tightened up so that such lapses do not recur.

[S. No. 24 (paras 4.8 & 4.9) of Appendix XLVII of 49th Report (Third Lok Sabha)]

ACTION TAKEN

Noted. Suitable instructions have been issued to the Commission to institute steps to avoid such lapses in future.

FURTHER INFORMATION

Industry and programme Directors have been instructed to direct their field staff to watch and report the institutions which are tending to be weak and might turn defunct so that timely preventive action could be taken. The audit of co-operatives is attended to by the State Co-operative Department.

In this connection the further information given in respect of Sl. No. 16 may also kindly be seen.

Recommendation

The Committee feel that unless the confirmation of balances is received from the institutions in time it would not be possible to satisfy the elementary need of audit and accountancy that the amount shown as due from particular institution is correct and undisputed.

The Committee would therefore like to watch and result of implementation of the new procedure evolved by the Commission whereby the Institutions would not have to approach the General Body for getting the resolution passed.

[S. No. 26 (para 4.14) of Appendix XLVII of 49th Report (Third Lok Sabha)]

ACTION TAKEN

Noted.

ANNEXURE

(Referred to in S. w. f. 26)

*Statement indicating the position of confirmation of balances
(Rs. in crores.)*

	Position in respect of the outstanding balances as on 31.3.63		Position in respect of the outstanding balances as on 31.3.64		Position in respect of the outstanding balances as on 31.3.65		Position in respect of the outstanding balances as on 31.3.66	
	Khadi	V. I.	Khadi	V. I.	Khadi	V. I.	Khadi	V. I.
1. Balances to be confirmed as on 3.11.65, 28.2.66, 31.3.65, and 31.3.66.	1.34 (30.11.65)	*2.24 (28.2.66)	3.15 (30.11.65)	7.13 (30.11.65)	39.84 (31.3.65)	16.30 (31.3.65)	41.73 (31.3.66)	17.63 (31.3.66)
2. Balances to be confirmed as on 31.7.1967.	0.12	1.45	0.35	1.48	1.41	2.98	9.26	10.82

*The amount indicated in reply to Q. No. 10 (iv) of P.A.C. (P. 180-181 of 49th Report) was Rs. 1.16 crores. On subsequent verification the correct amount was found to be Rs. 2.49 crores.

FURTHER INFORMATION

As a result of the implementation of the new procedure [detailed in para 4.13 of 49th Report of P.A.C. (Third Lok Sabha)] there has been considerable progress in obtaining confirmation of balance as will be seen from the table (Annexure)

In this connection, further information given in respect of Sl. No. 65 may also kindly be seen.

Recommendation

The Committee are alarmed at this state of affairs where even the losses due to misappropriation, fraud, theft, etc. are not known to the Commission. The Committee would like to be informed of the total losses suffered by the Commission and the Boards as a result of misappropriation, fraud, theft, etc. and the extent to which they have been written off.

[S. No. 29 (para 4.23) of Appendix XLVII of 49th Report (Third Lok Sabha)]

ACTION TAKEN

The Commission does maintain the register of losses arising out of fraud, theft, misappropriation, etc. pertaining to the Commission. The information about the losses sustained due to fraud, theft, misappropriation etc. by the direct activities of the Commission and written off by the competent authorities is, however, furnished in the statement given below for the period from 1961-62 to 1965-66:—

Year	Amount
	Rs.
1961-62	9,179·77
1962-63	11,252·30
1963-64	22,979·25
1964-65	23,169·74
1965-66	17,670·07
TOTAL	84,251·13

So far as the State Boards are concerned, the information is being collected and will be furnished in due course. The Commission has

also been instructed to obtain in future similar information through periodical reports from the State Boards in respect of funds paid to them by the Commission.

FURTHER REPLY GIVEN

Regarding the losses written off by the Commission (amounting to Rs. 84,251.13 for the period 1961-62 to 1965-66), a reference is invited to the reply already sent in this Ministry's O.M. No. 5(4)/66-KVI(A&E) dated 13.9.1966.

The position regarding the losses due to misappropriation, fraud, theft, etc. which have been written off by the respective State Boards/State Governments from the inception of the State Boards up to 3-3-1966, as furnished by the respective State Boards, is given below:—

Name of the State Board	Amount written off
	Rs.
1. Kerala	1,723.83
2. Orissa	7,443.35
3. Rajasthan	3,000.00
4. Madras	3,053.12
5. Maharashtra	2,950.35
	19,170.65

In respect of other State Boards, except West Bengal, the reports received indicate that no amounts have yet been written off as irrecoverable losses; as regards West Bengal, the information is awaited and will be furnished separately.

The above figures furnished by the State Boards to the Commission are also being verified by respective State Accountants General.

Recommendation

The Committee trust that with the introduction of imprest system, funds would not be released by the Commission in excess of the requirements of the Boards and there would be no occasion for the retention of unspent balances by them.

[S. No. 33 (para 4.40) of Appendix XLVII of 49th Report (Third Lok Sabha)]

ACTION TAKEN

Noted.

FURTHER INFORMATION

It is confirmed that the amounts of unspent balances are taken into account while advancing the imprest at the beginning of the year. Further releases are made against statements of actual expenditure. This system ensures that funds are not released in excess of the requirements of State Boards. In fact under the Imprest System, initially one fourth of the agreed programme, i.e., nearly three months' requirements were provided as imprest. As the pace of expenditure was found to vary seasonally, it was cut down to an amount equivalent to one sixth of the agreed programme, in the slack season, to be raised to three months when the need in busy season so demands.

The unspent balances with the State Boards as on 31.3.64 were Rs. 4.44 crores. The imprest amount with the Boards as on 1.8.67 is Rs. 1.43 crores which clearly indicates the effect of the imprest system.

Recommendation

The Committee desire that the Commission should carefully examine the competence of the State Boards to implement the schemes under the various industries before releasing funds for such Schemes, after taking specific declaration to that effect from the State Board concerned.

[S. No. 34 (para 4.43) of Appendix XLVII of 49th Report (Third Lok Sabha)]

ACTION TAKEN

Noted. The Commission has been advised to comply with the recommendations before deciding upon the programme during the Commission's budget discussions with the implementing agencies.

FURTHER INFORMATION

This has been implemented.

Recommendation

The Committee note that the Commission has impressed upon the State Governments to give their full share of assistance to the State Boards and to meet the committed expenditure in full. The Committee suggest that the Commission should make this full payment of the committed expenditure by the State Governments a condition precedent to the payment of any grant or loan to the State Boards.

[S. No. 35 (para 4.46) of Appendix XLVII of 49th Report of (Third Lok Sabha).]

ACTION TAKEN

Noted. The Commission has been advised to inform the State Governments/State Boards suitably.

FURTHER INFORMATION

The recommendation pertains to the position brought out in paras 4.44 and 4.45 of 49th Report (Third Lok Sabha). These paras relate to the responsibility of State Governments to meet the committed expenditure of State Boards on establishment. The position in this regard has been explained against Sl. No. 11.

Recommendation

The Committee are surprised to learn that there was no proper procedure to ensure that an institution did not receive grants/loans from the Commission as well as the State Board for the same purpose. The Committee trust that with the proper implementation of the new procedure such a possibility will be eliminated.

[Sl. No. 36 (para 4.51) of Appendix No. XLVII of 49th Report (Third Lok Sabha).]

ACTION TAKEN

Necessary conditions will be incorporated in the loan application itself to prevent such double benefits. The Commission will also be requested to prescribe such a condition in respect of grants also.

FURTHER INFORMATION

To achieve the object recommended by the P.A.C. the Commission has taken the following steps:

- (1) Prepared a list of directly financed institutions (vide Annual Report for 1965-66 pp. 46 to 64).
- (2) Circulated this list to all the Boards.
- (3) The State Boards had been requested to prepare similar lists of their institutions and send them to the Commission.
- (4) The lists of the institutions to be financed directly by the Commission as a result of the above process, have been finalised in the case of 4 Boards so far.

- (5) The Commission also takes a certificate from the directly financed institutions to the effect that they have not received any financial assistance from the Board for the particular schemes.
- (6) The Accounts Section in the Commission checks up the State list while sanctioning payments.
- (7) The State Boards have also been advised to take similar certificates from their institutions.

Recommendation

The Committee have in the past stressed the importance of furnishing the utilisation certificates by the institutions and State Boards concerned. The need for insisting on the production of the certificates assumed importance in view of the fact that according to the Chairman of the Commission himself the conditions in the State Boards are, "at the lowest which require a lot of supervision and control," In this connection the Committee would like to reproduce with approval the following observations of the Working Group on Khadi & Village Industries made in para 3.50 of their Report, which has been accepted by the Commission. "We agree with the Public Accounts Committee that drastic steps should be taken by the Commission in regard to grant of further assistance to the State Boards and institutions which are not in a position to account reasonably for the moneys given to them and to produce certificates for their proper utilisation. We would also suggest that where a State Board or an institution, in spite of several requests, persistently defaults in rendering proper accounts or furnishing utilisation certificates, further assistance to such State Boards or institutions should be discontinued. We have no doubt that such a step, while it might sound harsh, is likely to be more salutary and result in strengthening financial discipline and accountability for public funds."

The Committee hope that action to obtain the utilisation certificates which are outstanding will be pursued vigorously and the back-log cleared at an early date.

They trust that with the steps contemplated no arrears relating to utilisation certificates would be allowed to accumulate. The Committee have no doubt that there is imperative need to strengthen financial discipline and accountability for public funds in regard to the grants/loans advanced by the Commission to the State Boards/

institutions. The Commission should not hesitate to take all the measures necessary to achieve this end.

[Sl. No. 37(para 4.56) of Appendix XLVII of 49th Report
(Third Lok Sabha).].

ACTION TAKEN

Noted.

The table placed below will show the progress made in receiving utilisation certificates due to vigorous efforts taken by the Commission in the recent past:

Amount for which U. Cs. awaited

(Rs. in crores)

Year of disbursements	Disbursements	As on 31-5-66
I. 1953-54 to 1956-57	15.64	2.25
II. 1957-58 to 1959-60	36.86	
III. 1960-61	39.88	
IV. 1961-62	25.32	1.26
V. 1962-63	25.00	0.27
Total Rs. :	142.70	3.78

FURTHER INFORMATION

The progress is indicated by the Table attached (Annexure).

The outstanding balance of Rs. 3.78 crores (on 31.5.66) as already intimated, has been further reduced to Rs. 1.87 crores by 31.7.67. Having regard to the substantial improvement already effected and keeping in view the employment, no specific suspension order has yet been issued by the K&VIC. The matter is being taken up with the Commission.

ANNEXURE

(Referred to in S. No. 37)

Progress of securing utilisation certificates as at the end of July, 1967

(Rs. in crores)

Year of disbursement	Dis- bursement	Amount for which U. Cs. are awaited				As on 31-3-66	As on 31-3-67	As on 31-7-67	
		Audit report (Civil) 1962	Audit report (Civil) 1963	Audit report (Civil) 1964	Audit report (Civil) 1965 as on 30-4-65				
1953-54 to 56-57	15.64	2.26	2.26	} 10.90	4.61	2.49	0.82	0.82	₹
1957-58 to 59-60	36.86	31.62	19.65						
1960-61	39.88	U.Cs. not due	13.13						
1961-62	25.32	,,	U. Cs. not due	25.32	3.30	1.35	1.17	0.96	
1962-63	25.00*	,,	,,	U. Cs. not due	14.37	0.28	00.12	0.09**	
TOTAL up to 1962-63	142.70				22.28	4.12	2.11	1.87	

*1962-63 Excludes Rs. 2.39 crores disbursed in 1962-63 but received by the State Boards in 1963-64.

**U. C. for a sum of Rs. 3,25,000/- which pertains to 1963-64 was erroneously shown against 1962-63 disbursements. This has been rectified now.

Recommendation

The Committee feel that besides exercising financial control, the Commission should also have an efficient machinery at its disposal to watch the progress made by the State Boards in their work. They also suggest that the system of regular inspection of the State Boards by the officers of the Commission should be adopted on a permanent basis with a view to examining the administrative and financial efficiency and the actual achievements of the State Boards.

[S. No. 38 (para 4.64) of Appendix XLVII of 49th Report (Third Lok Sabha)]

ACTION TAKEN

Noted.

FURTHER INFORMATION

The system of regular inspection by the officers of the Commission has already been introduced. During 1966-67, seven Boards were studied, viz., Andhra, Assam, Kerala, Madhya Pradesh, Madras, Mysore and West Bengal. The reports of such studies are first discussed with the Boards to ensure implementation of the suggestions. These reports are also discussed at the monthly meetings of the commission. The State Board Cell of the Commission follows up the progress of implementation. Opportunities are also taken of the discussions of certain important points with the State Boards when they come for agreed programme discussion.

Recommendation

The Committee welcome the proposal to introduce Financial Adviser and Chief Accounts Officer in every State Board and hope that this would help in ensuring financial discipline and proper and up-to-date maintenance of accounts.

[S. No. 39 (para 4.65) of Appendix XLVII of 49th Report (Third Lok Sabha)].

ACTION TAKEN

Noted.

FURTHER INFORMATION

Financial Advisers/Chief Accounts Officers have been appointed in all State Boards except in Mysore, Madras and U.P., and are functioning. The results are encouraging. The arrears of accounts and audit are being progressively cleared.

In this connection the further information in respect of Sl. Nos. 19 and 31 may also kindly be seen.

Recommendation

The Committee would like to be informed of the result of arbitration in due course. They would like the Commission to ensure that

the arbitration proceedings are not un-necessarily delayed.

[S. No. 40 (Para 4.69) of Appendix XLVII of 49th Report
(Third Lok Sabha)].

ACTION TAKEN

Noted.

The results of arbitration will be intimated in due course. Delays have been found to occur not so much as in completion of arbitration proceedings, as in liquidation proceedings instituted by the State Cooperative Departments.

FURTHER REPLY GIVEN

The present position of the arbitration proceedings in regard to the Gyan Seva Sangh, Mughakalyan is indicated below:—

The arbitration proceedings were concluded on 1-10-1966 and the arbitrator had declared his award on 3-11-1966 for a sum of Rs. 92,636.28 has mentioned below in favour of the Khadi & Village Industries Commission, the amount being payable to the Commission in ten equal instalments:—

	Amount claimed	Amount awarded
	Rs.	Rs.
Loan	70,537.31	70,537.31
Grant	200.52	200.52
Interest	19,469.53 (upto 30-9-65)	21,898.45 (upto 31-3-1966)
TOTAL	90,207.36	92,636.28
Arbitration costs . . . . .	..	500.00
	90,207.36	93,136.28

The award also stipulates that the Sangh should pay to the Commission a sum of Rs. 500/- as cost of arbitration proceedings.

The State Director of the Commission at Calcutta has intimated that the Award has been sent by the Arbitrator to the Calcutta High Court; the developments in the matter will be watched by Government and further action taken by Governmen if necessary.

Recommendation

While the Committee note that the total default has been brought down substantially and the remaining unrecovered defaults are likely to be adjusted/cleared, they cannot appreciate that a total default of Rs. 22.58 lakhs was allowed to accumulate against the kasturba Seva Mandal, Rajpura. The Committee would stress the

need for taking prompt action as soon as defaults are noticed so that such defaults are not allowed to accumulate in future.

[S. No. 41 (para 4.71) of Appendix XLVII of 49th Report (Third Lok Sabha).]

ACTION TAKEN

Noted. The entire dues had been finally adjusted by January, 1966. The Commission has, however, been advised to take steps to observe this recommendation.

FURTHER INFORMATION

Dues from Kasturba Seva Mandal, Rajpura have already been adjusted as intimated earlier.

2. Now, as a matter of policy the default position is considered at the time of budget discussions with the institutions so as to prevent accumulation of defaults in future.

The position in this regard is reviewed by the Commission at its monthly meetings. As an illustration, the note on this point, placed before the Commission at its last meeting held on 29.8.67 is enclosed. (Annexure).

ANNEXURE

(Referred to in S. No. 41)

Item No. 17 of the Agenda for the Commission's meeting held on 29th August 1967.

Item No. 17

SUBJECT:—To consider the report about further progress in examination of cases of institutions having defaulted in repayment of loan instalments and to consider proposals relating to filing of civil suits and/or references to arbitration etc. against institutions for recovery of Commission's dues.

(a) Defaults	Khadi	Village Industries
Total defaults as on 31st March, 1966	4,34,36,310·01	6,81,78,273·81
Position on 31st March 67 of defaults as on 31st March 1966	2,81,45,764·61	5,00,65,145·41
Defaults cleared from 1st April 67 upto 30th June 67	4,54,399·74	16,29,779·29
Defaults cleared from 1st July 1967 to 31st July 1967	53,199·84	52,464·68
Balance to be recovered	2,76,38,165·03	4,83,82,901·44

There is an amount of Rs. 6,90,618.02 lying in suspense and unclassified receipts as on 1st August 1967 under Village Industries Loans.

(Please see Appendix A)

(b) ****Cases under consideration and settled and amount fully recovered during the period from 1st April 1966 to 31st July 1967.**

	No. of cases	Amt. recovered Rs.
1. Upto 30-6-1967	218	76,14,311·63
2. During July, 1967	4	9,162·31
TOTAL	222	76,23,473·94

(c) **Cases under consideration and settled and amount partly recovered during the period from 1st April 1966 to 31st July 1967.

	No. of cases	Amt. so far recovered	Balance to be recovered
		Rs.	Rs.
1. Upto 30-6-1967 . . .	153	32,91,990·14	67,87,219·07
2. During July, 1967 . . .	3*	2,874·08	351·67
3. Position as on 31-7-1967 . . .	151	32,90,938·53	57,84,344·99

*Even though 3 institutions have been shown as having made part repayment during the month, all the 3 institutions have made further part repayment while no new institutions have made part repayment and 2 have been transferred to the fully repaid group. Therefore, the total number of institutions which have partly repaid will stand at as on 31st July 1967 (163—2—151).

**The position shown is in relation to defaults as on 31st March 1965. The position in relation to defaults as on 31st March 1966 is being worked out.

(d) *Cooperative Societies in liquidation.*

Position as on	No. of Societies	Amt. to be recovered Rs.	Amt. so far recovered	Balance to be recovered Rs.
31-5-1967 . . .	49	23,07,877·05	4,62,172·80	18,45,704·
30-6-1967 . . .	49	23,07,877·05	4,72,172·80	18,35,704·
31-7-1967 . . .	49*	23,07,877·05	4,72,172·80	18,35,704·

*Out of the 49 societies loan and grant amounts have been fully recovered from the Tattera Bahudhandhi Sahakari Samiti Ltd. Tattera, Rajasthan.

(e) (i) Suits decreed:

No. 13

(Uttar Pradesh 3, Kerala 2, Madras 2, Punjab 2, Madhya Pradesh 1, Maharashtra 1, Manipur 1, West Bengal 1.).

	Rs.
Amount to be recovered	2,45,747·55
Amount recovered upto 30-6-1967	5,468·40
Amount recovered during July, 1967	Nil
Balance to be recovered	2,40,279·15

(ii) *Suits pending.*

No. 9

(Kerala 2, Rajasthan 2, West Bengal 2, Maharashtra 1, Tripura 1, Uttar Pradesh 1).

Amount involved 1,69,646·74

(f) *Reference to arbitration.*

Awards passed

No. of cases 112.

States	No. of awards	Amount claimed	Amount awarded
		Rs.	Rs.
Andhra Pradesh	5	86,980·95	86,829·81
Bihar	1	2,508·64	2,791·92
Delhi	1	518·58	67·08
Gujarat	1	2,053·47	2,243·47
Kerala	4	31,572·72	31,814·82
Madhya Pradesh	3	1,75,245·28	1,19,716·83
Maharashtra	21	3,41,470·64	3,16,678·98
Manipur	12	56,057·70	53,888·24
Mysore	28	2,81,046·49	2,60,682·44
Rajasthan	1	13,477·13	14,092·13
Tripura	2	38,133·24	38,498·50
Uttar Pradesh	16*	7,02,346·55	7,44,906·54
West Bengal	17	3,82,508·73	3,77,941·12
	112	21,13,920·12	21,22,151·89
			Rs.
Amount recovered upto 30-6-1967			85,198·85
Amount recovered during July 1967			2,583·26
Total amount recovered			87,782·11
Amount transferred for write off			67·08
Amount yet to be recovered			87,849·19
			20,34,302·70

*In one case of Uttar Pradesh viz., Gramin Tel Udyog Sahakari Samiti Ltd., Bilaspur, the Society repaid the entire loan balance of Rs. 1,437.50 before the award was passed and later paid the arbitration costs of Rs. 150 for which the award was passed.

(Details of awards filed in Courts are shown in Appendix B).

(ii) *Cases pending with arbitrators.*

No. of cases. 36

State	No. of cases	Amount involved	Repayment made during arbitration proceeding
		Rs.	Rs.
Andhra Pradesh	3	84,409·12	
Gujarat	1	1,380·00	
Jammu & Kashmir	1	4,295·65	
Kerala	1	38,422·80	2,000·00
Madhya Pradesh	7	1,90,695·81	475·00
Maharashtra	2	1,51,495·98	
Manipur	5	35,413·24	900·00
Mysore	7	68,711·68	
Orissa	1	46,560·75	
Punjab	1	11,812·50	
Rajasthan	3	46,731·95	3,000·00
Uttar Pradesh	4	29,195·61	
TOTAL	36	7,09,125·09	6,375·00

Note: Intimation has been received of awards having been passed in certain cases and decrees having been obtained in respect of certain other awards. Full particulars in these cases are awaited.

(g) (i) *Cases referred to Revenue Authorities for recovery of dues as arrears of land revenue.*

No. of cases. 18

(Andhra Pradesh 1, Maharashtra 1, Manipur 8, Tripura 1, Uttar Pradesh 6, West Bengal 1.)

Amount involved	Rs. 4,87,825·86
Amount so far recovered	Rs. Nil.
Balance to be recovered	Rs. 4,87,825·86

(ii) Cases in which action has been initiated for recovery as arrears of land revenue.

No. of cases	48
	Rs.
Amount involved	5,76,080.27
Amount recovered*	4,093.61
By the Government	
Balance amount involved	5,71,986.66

“In one case of Uttar Pradesh, viz., Gramodyog Mandir Sahakari Samiti Ltd., Pathraura, Mirzapur, a notice under Section 19-B of the Commission Act has also been issued to the society on the advice of the Legal Advisers although the case had earlier been referred to arbitration.”

*After serving notice under section 19-B of the Commission Act, four societies have remitted amounts aggregating to Rs. 4,093.61 out of the outstanding dues of Rs. 19,145.98.

(h) Dispute Applications filed with the Cooperative Deptt. in Madhya Pradesh against cooperative Societies.

	No. of cases	Amount involved
		Rs.
Upto 30-6-1967	30	5,76,152.49
During July, 1967	Nil.	Nil.
	30	5,76,152.49

One Society viz. Prabhat Pattan Gramin Tel Udyog Sahakari Sabha, Beitul, has however been taken into liquidation. This case, therefore, is now shown under para (d) above pertaining to Cooperative Societies in liquidation.

	Rs.
Amount recovered so far	5,888.67
Balance to be recovered	5,70,263.82

(i) (i) Cases under consideration and settled in which parties have mortgaged property.

No. of cases	15
	Rs.
Amount involved	92,32,699.08

The following institutions have created equitable mortgage on their immovable properties.

Sl. No.	Name of the Institution	Amt. secured Rs.
1	Hyderabad Khadi Samiti, Hyderabad (MP)	9,35,000·00
2	Gandhi Ashram, Mayannur (Kerala)	1,67,327·16
3	Rajasthan Khadi Sangh, Chomu (Raj)	6,57,000·00
4	North Kanara Dist. Gram Seva Samiti, Ankola (Mysore)	2,19,560·00
5	Madhya Bharat Khadi Sangh, Lashkar (MP)	9,00,000·00
6	Maharashtra Seva Sangh, Poona (Mah.)	4,00,000·00
7	Kharitat Sarvodaya Sangh, Kharitat (Raj)	2,30,000·00
8	Abhoy Ashram, Birati, Calcutta (WB)	26,24,000·00
9	Karnatak Khadi Gramodyog Samyukta Sangh Bengeri (Mysore)	4,02,033·14
10	Gram Swarajya Sangh, Shaam Bharati, Monghyr, (Bihar)	2,00,000·00
11	Kerala Khadi and V.I. Assn. Trichur (Kerala)	2,87,000·00
12	Gandhi Seva Sadan, Perur (Kerala)	43,778·78
13	Belgaum Dist. Khadi Gramodyog Sangh, Bijapur (Mysore)	6,75,000·00
14	Karnatak Khadi Gramodyog Sangh, Bijapur (Mysore)	8,48,000·00
15	Sarvodya Ashram, Nagla Akhoo (UP)	44,000·00
TOTAL		92,32,699·08

(ii) Cases under finalisation

No. of cases 7

Sl. No.	Name of the Institution	Amount Rs.
1	2	3
1	Paschim Banga Khadi Kendra, Calcutta (WB)	3,00,000·00
2	Mysore Charkha Prachar Sangh Madkeripura (Mysore)	*
3	Ratnagiri Jilla Gramadan Navnirman Sangh, Kudal (Mah)	11,929·34
4	Gram Seva Samiti, Raipur (MP)	3,45,000·00

1	2	3
5	Santal Pargana Khadi Gramodyog Samiti Dumka (Bihar)	*
6	Gramodaya Khadi Sangh, Chirakhal (Kerala)	*
7	Janata Shikashan Samiti, Dharwar (Mys)	•
*Amount involved will be ascertained on receipt of balance sheet from the institution.		

(j) Cases written off with Government sanction.

No. of cases	4
Amount involved	Rs. 50,382.40

(k) Former Intensive Area Centres.

No. of centres	79
	Rs.

Total outstanding as on 31-3-1965	81,67,253.42
Total overdue as on 31-3-1967	35,30,259.85
Amount recovered upto 30-6-1967	10,52,104.40
Amount recovered during July, 1967	48,676.73
Balance overdue as on 1-8-1967	24,29,478.72

(l) Summary of action taken upto 31-7-1967.

	As on 30-6-67	As on 31-7-67
Cases fully repaid	232(14)	234(14*)
Cases partly repaid	185(32)	183(32*)
Coop. Societies in liquidation	49	49
Suits filed	22	22
Cases referred to arbitration	146	146

*from para (k)

*The position shown is in relation to defaults as on 31-3-1965. The position in relation to defaults as on 31-3-1966 is being worked out.

Dispute application filed with Co-operative Departments	30	30
Cases of recovery as arrears of land Revenue	63	66
Cases written off	4	4
Cases in which equitable mortgage of properties is executed or is under finalisation	22	22

(m) *Cases in which Commission's orders are requested.*

(i) Two more cases have been referred to arbitration. The Commission may ratify the action.

(Details are given in Appendix C)

(ii) Notices have been issued to three more societies/institutions for taking action under Section 19-B of the Commission Act and Rule 25-A of the Commission's Rules for recovery of arrears of land revenue. The Commission may ratify the action.

(Details are given in Appendix D).

Sd/- 17-8-1967

Dy. Accounts Officer

Sd/. 17-8-1967

Deputy Chief Executive Officer.

APPENDIX 'A' (I)

ACCOUNTS SECTION I

Position of defaults of Khadi Loan as on 31-3-1966, clearance position as on 31-7-1967.

	Working Capital	Temporary Loan	Capital Expenditure	Total
1. State Boards	1,62,29,481·13	27,81,461·44	33,36,864·94	2,23,47,807·50
2. Major Institutions'	25,74,576·98	27,45,589·31	16,58,721·21	69,78,887·50
3. Other Institutions	41,99,090·51	37,72,056·01	61,38,468·49	1,41,09,615·01
TOTAL RUPEES	2,30,03,148·62	92,99,106·76	1,11,34,054·63	4,34,36,310·01
1. Defaults cleared from 1-4-66 to 31-3-67	1,09,85,263·36	25,36,909·42	17,68,372·62	1,52,90,545·40
2. Do. 1-4-67 to 30-4-67 . . . . .	..	33,624·26	25,410·90	59,035·16
3. Do. 1-5-67 to 31-5-67	42,965·63	5,236·40	..	48,202·03
4. Do. 1-6-67 to 30-6-67	75,569·43	2,38,492·77	33,100·35	3,47,162·55
5. Do. 1-7-67 to 31-7-67	3,489·45	43,025·90	6,684·49	53,199·84
TOTAL RUPEES	1,11,07,287·87	28,57,288·75	18,23,568·36	1,57,98,144·98
Balance to be recovered	1,18,85,860·75	64,41,818·01	93,00,486·27	2,76,38,165·03

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Classification showing the outstanding amount of defaults under State Boards & Institutions.

1. State Boards	71,74,783·95	9,51,177·95	24,90,375·50	1,06,16,337·40
2. Institutions	47,21,076·80	54,90,640·06	68,10,110·77	1,70,21,827·63
TOTAL RUPEES	1,18,95,860·75	64,41,818·01	93,00,486·27	2,76,38,165·03
1. Defaults of defunct institutions (5)	37,505·00	..	37,593·58	75,098·53
2. Do. Institutions under arbitration (10)	1,36,196·55	44,198·21	2,27,764·55	4,28,159·31
3. Do. for whom decrees are obtained. (8)	24,000·00	..	42,350·00	66,530·00
4. Do. whose civil suits pending (9)	15,906·47	..	40,629·22	56,535·69
5. Do. under liquidation (36)	11,21,524·70	16,755·64	2,06,164·75	13,44,445·09
6. Do. which has been refd. for recovery as land revenue	1,08,506·11	23,000·00	1,09,665·07	2,41,171·18
7. Do. who have executed equitable Mortgage (15)	22,75,588·18	19,86,762·81	7,89,181·76	50,51,532·75
Balance to be recovered	9,81,849·79	34,19,923·40	53,56,761·89	97,57,535·08
TOTAL RUPEES	47,21,076·80	54,90,640·06	68,10,110·77	1,70,21,827·63

Sd/-
Asstt. Accounts Officer.

APPENDIX A (2)

ACCOUNTS SECTION II.

The Clearance of defaults as on 31-7-67 against the overdue amount as on 31-3-66 under Village Industries.

	Working Capital	Stocking Loan	Cap. Ex- penditure	Share Capital	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Defaults as on 31-3-1966	2,27,06,933.80	2,54,05,566.65	1,45,63,293.05	55,02,480.31	6,81,78,273.81
Defaults cleared upto 31-7-57	37,06,971.39	1,27,04,359.09	23,21,641.77	1,62,400.13	1,97,95,372.37
Defaults that still remain to be cleared	1,89,99,962.41	1,27,01,207.57	1,22,31,651.28	44,40,080.18	4,83,82,901.44
Classification showing the outstanding amounts of defaults as on 31-7-67 under State Boards and Institutions					
State Boards	1,37,01,598.28	98,11,575.69	88,07,041.78	34,15,273.92	3,57,35,489.67
Institutions	52,93,364.13	28,89,631.88	34,34,609.26	10,24,806.26	1,26,47,411.77
	1,89,99,952.41	1,27,01,207.57	1,22,41,651.28	44,40,080.18	4,83,82,901.44

Sd/-
Asstt. Accounts Officer.

APPENDIX 'B'

Award filed in Courts

Sl. No.	Name of the Institutions	Date of filing in Court
1	Garalganj Group Kumbhar Sahakari Audyogik Utpadak Sangh, Khanapur, Dharwar, (Mysore)	16-6-1967
2	Dharwar Mochigar Sahakari Utpadak Sangh Ltd., Dharwar (Mysore)	26-6-1967
3	Ganigar Oil Producer's Cooperative Society Ltd., Sirsi, North Kanara, (Mysore) . . . . .	..
4	Nagishethikip Group Multi-Purpose Cooperative Society Ltd., Nagishethikop, (Mysore) . . . . .	..
5	Bardan Rope Making Cooperative Society Ltd., Kundogol, (Mysore) . . . . .	..

NOTE: Eighty-two awards had already been reported as having been filed in Courts. Five more awards as shown above have now been filed bringing the total number of awards filed to eighty-seven.

APPENDIX 'C'

Cases referred to arbitration in July, 1967

Sr. No.	Name of the Institution	Value of claims Rs.	Name of arbitration and date of appointment
1	East Khandesh Dist. Sarva Seva Samiti, Jalgaon (Maharashtra).	62,329.09	Shri D. G. Rajadhyksha Retd. Judge S.C.C. Bombay dated: 6-7-1967
2	Hatwandi Coop. Multi-purpose Society, Ltd., Hatwandi, Ajmer, (Rajasthan)	18,018.93	Shri Harikrishna Dayal Mathur, R.H.J.s (Retd.), Jaipur, dated: 31-7-1967

APPENDIX 'D'

Statement showing cases in which notices have been issued for taking action under Section 19-B of the Commission Act and Rule 25-A of the Commission's Rules.

Sr. No.	Name of the Institution	Amount involved	Date of Notice
1	Foundel Primary Coop. Thakur Society Ltd., Marup, P.O. Thoubal, (Manipur)	1,311.78	25-7-1967
2	Ganesh Janani Soap Worker's Coop. Society Ltd. Kwakeithel, Imphal (Manipur)	4,506.88	24-7-1967
3	Khamnam Bazar Oil Crushing Coop. Society Ltd., Khamnam Bazar, Imphal (Manipur)	4,300.00	31-7-1967

Recommendation

The Committee feel perturbed to note that it is admitted on all hands that working of most of the State Boards is far from satisfactory. The Accounts also were not maintained properly. In these circumstances the Committee feel that time is not yet ripe for the transfer of functions of the State Offices of the Commission to the State Boards. The Committee also feel that the Commission have to proceed cautiously in implementing the recommendations made in page 16 of the Administrative Improvements Committee that the responsibility of the implementation of the programme must be entrusted to the State Boards, as in the opinion of the Commission itself, "the weakest link in the organisational chain is the State Board". Unless therefore, the Commission are fully satisfied about the level of efficiency attained by State Boards, it would not be desirable to hand over functions of the Commission (or its State Office) to the State Boards. It is, however, unfortunate that due to these shortcomings the functions cannot be transferred to the State Boards and to the extent the duplicate organisation and duplicate expansion would continue, for sometime at least.

[S. No. 43 (Para 4.83) of Appendix XLVII of 49th Report (Third Lok Sabha)].

ACTION TAKEN

Noted.

FURTHER INFORMATION

The work of the Commission's State Offices in Gujrat and Bihar had been transferred to the respective State Boards in January and April, 1965 respectively. Similar transfer to the State Board of Madras which was under negotiation (*vide* para 4.77 of the 49th Report (Third Lok Sabha) was also effected. But in view of the recommendation of the P.A.C. the Commission has not made any similar transfer of the functions of the State Offices to any more State Boards. It will study the situation in the light of this recommendation of the Public Accounts Committee before doing so hereafter.

Recommendation

The Committee regret to note that in this case, almost the entire grant given for a specific purpose became infructuous. They also fail to understand the basis of the payment of the grant of Rs. 6,400 for the maintenance of 165 trees which was apparently excessive. The Committee hope that greater care would be taken in future in the matter of selection of sites of assessment of the quantum of grants etc. and assistance of persons with knowledge of plantation and replantation would also be taken.

[S. No. 45 (Para 4.88) of Appendix XLVII of 49th Report (Third Lok Sabha)].

ACTION TAKEN

Noted. The recommendation will be complied with.

FURTHER INFORMATION

After the Public Accounts Committee's report, no new scheme has been approved so far. Before any such scheme is approved, the views of the Public Accounts Committee will be kept in mind.

Recommendation

The Committee understand from Audit that before the release of funds in July, 1962, the State Board had with it unspent balances of Rs. 1.20 lakhs (grant) and Rs. 3.14 lakhs (Loan) at the end of 1961-62 (the refund of which according to the Commission's own statement was asked for by the Commission in November, 1962 and February, 1963). In these circumstances, the Committee are unable to discover any justification for the release of further loans and grants to the

State Board in July 1962. It is also clear that when release of further funds was made in January, 1963, the loans and grants paid in July, 1962 had not been fully utilised as unspent amounts of Rs. 6,87,552 and Rs. 3,19,239.21 were refunded to the Commission in December, 1963 out of the total amounts of loans and grants amounting to Rs. 10,77,000 paid in July, 1962 onwards. The Committee further understand that the State Board was required to spend the loans and grants amounting to Rs. 3.83 lakhs received from the Commission in July, 1962 within three months of their drawal and to refund any unspent balances. The Committee are surprised to find how further funds were advanced by the Commission to the State Board in January, 1963 when the latter had neither utilised the amounts even during the six months which had elapsed nor had it refunded the unspent balances. The Committee would like the Commission to ensure that previous grants/loans have been fully utilised by the State Boards, before releasing further grants/loans to the same institution or Board.

[S. No. 46 (Para 4.95) of Appendix XLVII of 49th Report (Third Lok Sabha)].

ACTION TAKEN

Noted.

The imprest system recently introduced by the Commission is likely to prevent the recurrence of such cases.

FURTHER INFORMATION

Under the Imprest system at the beginning of each financial year, the funds available with the State Boards are taken into account and adjusted against the imprest of two months' requirements to be released. Thereafter, the expenditure incurred by the State Board is recouped every month on presentation of recoupment bills. This system prevents the recurrence of the type of cases commented upon by Public Accounts Committee.

Reply given to Sl. No. 33 may also kindly be seen.

Recommendation

The Committee note that a total of Rs. 181.95 lakhs has so far been given as grants and loans for the construction of godowns. The Committee are unable to appreciate the reasons advanced for not showing in the accounts the figures of grants/loans given to Village Industries for the construction of godowns, specially in view of the fact that so far a total amount of Rs. 42.56 lakhs has been disbursed by the Commission for this purpose, according to the statement fur-

nished. The Committee would therefore, desire that the figures relating to construction of godowns in regard to Khadi & Village Industries should be fully and clearly indicated in the Accounts of the Commission. A separate register should be maintained giving details of each godown so constructed.

[S. No. 47 (Para 5.7) of Appendix XLVII of 49th Report (Third Lok Sabha)].

ACTION TAKEN

Noted.

As desired by the Committee the register will be maintained and the requisite information furnished in the accounts.

FURTHER INFORMATION

The recommendation has been implemented and now the figures relating to construction of godowns in regard to Khadi & Village Industries are being fully and clearly indicated in the Annual Accounts of the Commission. Also a separate register is being maintained giving details of each godown constructed.

Recommendation

The Committee would also like to suggest that the feasibility of implementing the recommendation of the Working Group that "as far as possible accommodation for storage of raw materials and finished products of Khadi and Village Industries should be hired" should be considered. The Committee hope that a suitable solution to the problem of godowns will be found commensurate with economy in expenditure.

[Sl. No. 48 (Para 5.11) of Appendix XLVII of 49th Report (Third Lok Sabha)].

ACTION TAKEN

The accommodation for godowns, etc. will be hired wherever it will prove more economical than the construction of own buildings, *vide* recommendations at S. No. 69.

Recommendation

The Committee hope that the normal tendency to under-estimate departmental receipts will be avoided in future.

[Sl. No. 49 (Para 5.13) of Appendix XLVII of 49th Report (Third Lok Sabha)].

ACTION TAKEN

Noted.

FURTHER INFORMATION

This recommendation was based on the variations between the Estimates and the Actuals of Departmental receipts for the year 1961-62, 1962-63 and 1963-64. The reasons for these variations as explained to the P.A.C. [Vide Appendix VI to the 49th Report (Third Lok Sabha)] was that on account of the special drive undertaken by the Commission to effect recoveries of unspent balances and defaults, the actual departmental receipts during the above years were much higher than the estimates.

The variation between the Estimates and the actuals of departmental receipts for the years subsequent to 1963-64 is shown below:—

(Rs. in lakhs)

	Budget Estimates	Actuals
1964-65	1295·00	1240·75
1965-66	1250·00	1051·79
1966-67	1050·00	1057·15

Recommendation

The Committee hope that early steps would be taken to amend the legislation to remove the legal lacuna in this regard.

[Sl. No. 50 (Para 5.15) of Appendix XLVII of 49th Report (Third Lok Sabha)].

ACTION TAKEN

So far as the recovery of dues as arrears of Land Revenue is concerned, the Government of India have amended the Khadi and Village Industries Commission's Rules by prescribing the procedure to be followed. This will enable the Commission to move the Collector of the District to proceed with the recoveries as arrears of land revenue. If, however, the party sued upon denies the claim of the Commission, the recovery proceedings will have to be referred to a Tribunal that will be appointed by the Government of India. The Commission has moved the Government of India to appoint one Standing Tribunal in each State with a view to obviating the necessity of referring each and every case to the Govt. of India. The question regarding the appointment of Standing Tribunals under Section 19(B) of the Commission's Act is presently under examina-

tion by Government and a decision is expected to be arrived at shortly.

Recommendation

These figures indicate that there is much scope for improvement in budgeting techniques. It appears to the Committee that the steps taken are not adequate and suggest that further action should be taken to make the budgeting more precise.

[S. No. 51 (Para 5.21) of Appendix XLVII of 49th Report (Third Lok Sabha)].

ACTION TAKEN

Noted for compliance.

FURTHER INFORMATION

The procedure for preparing the budgets and the steps taken to improve budgeting techniques as already described earlier [vide answers to Question No. 4 (e) (ii) in Appendix IV and Question No. 6 in Appendix VI of the 49th Report of P.A.C. (Third Lok Sabha)] are followed and implemented as will be indicated by the following details:—

				(Rupees in lakhs)		
				Original budget estimates ¹	Revised estimates	Government sanction
<i>Shadi</i>						
1965-66	.	.	.	1,154·00	1,154·00	1,154·00
1966-67	.	.	.	1,084·50	1,148·00	1,148·00
<i>V. Inds.</i>						
1965-66	.	.	.	496·00	496·00	493·00
1966-67	.	.	.	396·00	396·00	362·66

Recommendation

The Committee find from Table 3 (Page 35) and Table at Page 87 of the Annual Report 1964-65 of the KVIC, value of production and sales has been given under item 6, taking production plus sales as one turnover. Since the tables give separately value of production

and value of sales, the Committee are unable to understand the need for this item. In para 12.23 of the Annual Report, 1964-65, the turn-over has been taken as production plus sales. The Committee consider this as misleading. The turn-over of an organisation should be the production only to assess the correct achievement.

The Committee note that it is not easily possible to have a clear idea of the total value of production of Khadi as against the financial assistance given from the existing Annual Report, 1964-65 (Advance copy) and the tables included therein. In order that the reader may have a clear idea about the achievements of the Commission vis-à-vis financial assistance given by the Government the figures given in the tables and the figures given in the Report itself should not be at variance. In this connection, a note explaining item 7 in table 3 of page 35 of the Annual Report 1964-65 and reconciling the figures with the statement made in para 3.15 of the Annual Report has been received. The Committee are glad to note that in the revised Annual Report 1964-65, the Tables referred to have been suitably revised.

[Sl. No. 56 (Para 5.47) of Appendix XLVII of 49th Report (Third Lok Sabha)].

ACTION TAKEN

Noted.

FURTHER INFORMATION

Recommendation of the P.A.C. has been carried out in the Annual Report for 1965-66 also and the practice will be continued for further years too.

Recommendation

It is unfortunate that the books of the Commission had not been showing separately the financial assistance granted by the Commission and the repayments, so far. The Committee would like to be apprised of the rectification of this defect.

[Sl. No. 57 (para 5.48) of Appendix XLVII of 49th Report (Third Lok Sabha)].

ACTION TAKEN

The matter is under examination by the Commission. A further communication will be submitted as soon as the examination has been completed.

FURTHER REPLY GIVEN

Action is being taken to exhibit separately the financial assistance as well as repayments for production and sales separately, from the Annual Account for 1965-66.

FURTHER INFORMATION

The working funds have been shown separately for production and for sales in the annual accounts for 1965-66.

Recommendation

The Committee feel perturbed to note that so much delay has occurred in coming to a decision about a simple matter. They would like this matter to be finally settled expeditiously.

[Sl. No. 59 (Para 5.56) of Appendix XLVII of 49th Report (Third Lok Sabha)].

ACTION TAKEN

The matter has since been finalised.

It was decided in a meeting held in July, 1966, where the representatives of Government, Commission and Audit were present, that the Commission would refund to the D.G.S. & D. the amount of profit charged by the Commission, in instalments. Government will ensure the compliance thereof by the Commission.

Recommendation

The Committee desire that the point of dispute with regard to supply of goods to the Government should be settled at an early date and the position regularised.

[Sl. No. 60 (Para 5.58) of Appendix XLVII of 49th Report (Third Lok Sabha)].

ACTION TAKEN

The matter has since been settled and the implementation of the decision will also be ensured, as stated in reply to Sl. No. 59.

Recommendation

The Committee are glad to be assured that the Commission will not plunge into increased production unless they had assured that there was market for the goods.

[Sl. No. 61 (para 5.60) of Appendix XLVII of 49th Report (Third Lok Sabha)].

ACTION TAKEN

The production programme for 1966-67 having been decided upon in October, 1965, the Commission had taken advance action for achieving the target during 1966-67 before the P.A.C. Meeting in February, 1966. Hence, while every endeavour against undue accumulation of stock in 1966-67 will be made, it will be ensured that during 1967-68 the production will be limited to marketability.

Recommendation

The Committee would like the Commission to look into the accumulation of large stocks in the Andhra and Calcutta Emporia at an early date and take suitable remedial measures so that there is no financial loss due to deterioration in the accumulated stock.

[No. 62 (Para 5.63) of Appendix XLVII of the 49th Report (Third Lok Sabha)].

ACTION TAKEN

Noted. The Commission has been advised suitably. Government will also keep a close watch on the stock position with a view to taking suitable remedial measures.

Recommendation

The Committee suggest that in order to give a clear idea, the statement should include two more items—opening stock as well as closing stock.

[Sl. No. 63 (Para 5.65) of Appendix XLVII of 49th Report (Third Lok Sabha)].

ACTION TAKEN

Noted.

FURTHER INFORMATION

Recommendation has been implemented in the Annual Report for 1965-66 and will be followed in future.

Recommendation

The Committee suggest that in future the Annual Report of the Khadi Commission should also include in the Statement relating to details of the "disbursements as percentage of turn-over", the figures of opening stock as well as closing stock. This will give a clear picture of the correct position.

The Committee further suggest that the figures of stock of the Khadi shown in the Annual Reports should also include the figures of stock pertaining to direct activities of the Commission.

[S. No. 64 (Paras 5.67 and 5.68) of Appendix XLVII of 49th Report
(Third Lok Sabha)]

ACTION TAKEN

Noted for compliance.

FURTHER INFORMATION

This has been implemented. (Kindly see statistical statements to Annual Report for 1965-66—p. 7 *vide* copy enclosed—Annexure)

ANNEXURE

(Referred to in Sl. No. 64)

STATEMENT 7

Khadi

1965-66

Variety-wise Opening and Closing Stock of Yarn and Cloth

(value in Rs. Lakhs)

Sl. No.	Variety	Opening Stock		Closing Stock	
		Yarn	Cloth	Yarn	Cloth
1.	Cotton	298.76	857.99	441.49	1293.05
2.	Wool	34.87	387.35	106.28	526.66
3.	Silk	15.72	116.04	19.20	144.35
4.	Readymade	..	2.31	..	2.24
5.	Direct Centres	20.28	262.66	32.97	287.33
	TOTAL	369.63	1626.35	599.94	2253.63

*Variety-wise break-up is not available for Direct Centres.

Recommendation

While it is true that the Public Accounts Committee did not hint at any malafide in this transaction, they would nevertheless point out that, the whole transaction certainly does no credit to the Organisation. It is clear that there were several changes of policy as regards the authority who would dispose of the sub-standard Khadi and what should be the scheme for the disposal. Ultimately while the Institutions scaled down the value of stock worth Rs. 192.72 lakhs by as much as Rs. 63.27 lakhs, the Commission itself suffered a direct loss of Rs. 25.98 lakhs in disposing of tock worth Rs. 125.59 lakhs. In other words, sub-standard Khadi of the gross value of Rs. 192,72,357 leaving a stock of Rs. 3,85,982 was ultimately sold for Rs. 99,61,291 of which a sum of Rs. 28,25,315 is yet to be realised. The loss so far incurred is Rs. 89.26 lakhs. This indeed is a sorry state of affairs.

[Sl. No. 66 (Para 5.80) of Appendix XLVII of 49th Report (Third Lok Sabha)].

ACTION TAKEN

Noted.

Under the normal pattern of sales rebate Rs. 192.72 lakhs worth of goods would in any case have been sold after allowing 20 per cent rebate which would amount to about Rs. 38.5 lakhs. Further, 9 per cent wholesale discount allowed by the institutions to the Commission would come to about Rs. 17 lakhs. These two items add upto about Rs. 55.5 lakhs which could go to reduce the loss of Rs. 89.26 lakhs referred to in the recommendation.

FURTHER INFORMATION

The balance of stock of sub-standard Khadi worth Rs. 3.86 lakhs as reported to the P.A.C. earlier [vide para 4 of Appendix XLIV of 49th Report of P.A.C. (Third Lok Sabha)] has been disposed of, except for a small balance of the value of Rs. 1,870.65 as per details given below.

	(Rs. in lakhs)
1. Original label value	192.72
2. Purchase value	129.45*
3. purchase value of stock—	
(a) upto 31-10-65	125.59
(b) after 1-11-65	3.82*
TOTAL VALUE	129.41

(Rs. in lakhs).

4. Balance of stock at purchase value as on 31-8-67	0.02
5. Sale price of stock sold	
(a) upto 31-10-65	99.61
(b) after 1-11-65	2.65
	102.26
6. Sale price realised	102.26
7. Balance recoverable	Nil.
8. Net Loss-difference between item 3 & 5	27.15

‡Since reported last to P.A.C. stock worth Rs. 0.02 lakhs out of Rs. 3.86 lakhs has not been taken delivery of.

Against the sum of Rs. 37 lakhs sanctioned by the Government for meeting the losses in the disposal of sub-standard Khadi an amount of Rs. 35.85 lakhs has been utilised so far as per details given below:—

	(Rs. in lakhs)
(a) Loss as per Col. 8 above	27.15
(b) Damage & loss of Khadi	0.03
(c) Insurance premium & other Miscellaneous expenses incurred	0.23
(d) Loss incurred earlier (in 1962-63)	8.44
Total loss on disposal of Sub-standard Khadi so far	35.85

From the above statement, it would be seen that the total loss on the transactions in sub-standard khadi produced from 1953-54 upto 1963-64 has been Rs. 35.85 lakhs. The difference between the label value of sub-standard khadi of Rs. 192.72 lakhs and its purchase value by the Commission viz., Rs. 129.45 lakhs, amounting to Rs. 63.27 lakhs represents the total of three reductions allowed by the institutions to the Commission. These three items are (a) 20 per cent rebate which had been then allowed on all sales, even of standard khadi (b) the wholesale discount of 9 per cent allowed on all wholesale sales and (c) a special discount allowed on account of the stock being sub-standard. This amount of Rs. 63.27 lakhs has not to be regarded as loss incurred by the Commission.

After 1963-64, no sub-standard khadi has been purchased by the Commission and so far there have been no further losses of this type either to the Commission or to the Government.

Recommendation

While the Committee agree that with the increased production of Khadi, the possibility of production of sub-standard Khadi cannot be completely ruled out, they feel that with proper care and supervision the factors pointed out by the Khadi Marketing Committee can easily be rectified if not eliminated altogether. Since the Commission is stated to have taken adequate steps to ensure that similar instances do not arise in future, the Committee would like to keep a watch over this matter through future Audit Report.

[Sl. No. 67 (Para 5·81) of Appendix XLVII of 49th Report
(Third Lok Sabha).]

ACTION TAKEN

Noted.

FURTHER INFORMATION

There have been no losses on account of sub-standard Khadi out of production after 1963-64 (please see also Sl. No. 66).

Recommendation

The Committee are distressed to note the abnormal delay (in some cases of about 10 years) in preparing the accounts relating to the exhibitions held long long ago. They suggest that the Commission should take serious notice of such lapses in preparation of accounts. The Committee also note from reply to question No. 25 (ii) that a manual of procedure for the conduct of exhibitions financially assisted by the Commission is under preparation. They would like this work to be expedited and steps taken to ensure that the authorities concerned follow the procedure laid down in the manual.

[Sl. No. 68 (para 5·83) of appendix XLVII of 49th Report
(Third Lok Sabha).]

ACTION TAKEN

Noted. The Commission has since taken a decision that no exhibition will be conducted save in exceptional circumstances, such as promotion of sales. The Commission has been advised to expedite the completion of this manual with a view to the strict observance of its provisions.

FURTHER INFORMATION

Against 435 Exhibition accounts due, 300 have been settled. Efforts are being made to expedite the remaining 135 and it is hoped that a substantial number out of these will also be cleared within the next few months.

Recommendation

In these circumstances, the Committee would suggest that the Commission might examine the feasibility of having their own buildings in those places where the annual rents being paid by the Commission are high, provided this would prove economical in the long run.

[Sl. No. 69 (para 5.86) of Appendix XLVII of 49th Report
(Third Lok Sabha).]

ACTION TAKEN

Noted. The Government have advised the Commission that this recommendation and the one at Sl. No. 48 should be kept in view while the Standing Finance Committee of the Commission, where the Commission's P.A.C. present, securities each case.

FURTHER INFORMATION

At the time of Annual budgets of the Branch Offices of the Commission various aspects of having own building, are considered with reference to the rent paid, economy in the long run and availability of funds for construction.

NOTE.—In view of the general policy of Government not to undertake, construction of buildings during the present financial stringency such programmes can only be considered when the position eases.

Recommendation

The Committee are of the view that considering the need for earning foreign exchange the Commission should give the question of export of Khadi a careful and urgent consideration.

[Sl. No. 70 (Para 5.88) of Appendix XLVII of 49th Report
(Third Lok Sabha).]

ACTION TAKEN

Noted.

The suggestion is under consideration of Government.

FURTHER INFORMATION

Fabrics and designs suitable for export are being evolved at an experimental centre and some samples have recently been taken by the Handicrafts and Handlooms Export Corporation to study the market reactions abroad. This process will be intensified.

Recommendation

The Committee note that the Commission are alive to the need for restricting the use of the foreign wool in the production of woollen Khadi and the certification Committee have laid down in their resolution that institutions may use Australian or foreign uncarded wool up to the maximum of 20 per cent in weight. The Committee would also like Government to consider ways and means of replacing imported wool by local wool of proper quality, as the idea of using foreign wool in the production of woollen Khadi sounds highly incongruous.

[Sl. No. 71 (Para No. 5.93) of Appendix XLVII of 49th Report (Third Lok Sabha)].

ACTION TAKEN

Noted. The recommendation will be kept in view by Government while examining the Commission's proposal for foreign exchange for the import of wool.

Recommendation

The Committee would like to point out that this is not very convincing as some statements indicating action taken on recommendations made in their Seventh Report presented in March, 1963 were still remaining outstanding in January, 1966. The Committee desire that the information should be furnished more expeditiously, and special attention should be given to this matter so that there is no undue delay.

[Sl. No. 72 (Para 5.94) of Appendix XLVII of 49th Report (Third Lok Sabha)].

ACTION TAKEN

Noted.

FURTHER INFORMATION

The statement (Annexure) will show the progress made in this regard.

ANNEXURE

(Referred to in Sl. No. 72)

Particulars	7th Report (Third Lok Sabha)	19th Report (Third Lok Sabha)	38th Report (Third Lok Sabha)	49th Report (Third Lok Sabha)
1. No. of recommendations involved	13	11	10	75
2. Recommendations replied to	(A) 13	(B) 11	(C) 10	(D) 75

NOTES :—(A) In respect of Paras 57 and 64 further replies have been promised to P.A.C. and are due. Reply has been prepared in respect of para 57 and is being sent separately. As regards para 64, a further reply will be sent soon on receipt of a final reply from the K. and V.I. Commission.

(B) In respect of one recommendation (*viz.* para 4 concerning Gram Ekai Scheme), interim reply has been given that the matter is under examination by the Asoka Mehta Committee.

(C) In respect of one recommendation (*viz.* para 53 concerning Birnagar Ambar Charkha Vidyalaya) it has been replied to P.A.C. that the matter is under examination of Government from the vigilance point of view.

(D) In respect of two recommendations (*viz.* Sl. Nos. 25 and 55) interim replies have been given stating that further data are being collected/the matter is under examination and that it will take some time more to furnish final replica. In respect of 16 recommendations (*viz.* Sl. Nos. 2, 3, 6, 12, 18, 19, 20, 22, 27, 30, 31, 32, 44, 52, 53 and 75), it has been stated that the subject of the recommendations is under examination by the Asoka Mehta Committee.

Recommendation

In the opinion of the Committee this is only an illustration of the manner in which the Ambar Charkha Programme is working.

[Sl. No. 73 (Para 5.96) of Appendix XLVII of 49th Report (Third Lok Sabha)].

ACTION TAKEN

Noted.

FURTHER INFORMATION

In the light of the occurrence in Madhya Pradesh, to which the P.A.C. have referred in this recommendation, all the State Boards have been alerted by the Commission to watch and avoid such occurrences in future.

It may be further added that in the light of the past experience of the Commission about the distribution of Ambar Charkhas, the distribution of new model Charkhas is being done in a regulated manner. The Charkhas are being numbered and given to Institutions in sets comprising of certain preparatory machines and a certain number of Charkhas to match the production of the preparatory machines. While the ownership of the preparatory machines will vest with the Institutions, the individual spinning machines (i.e. Charkha) are intended to be in the ownership of the artisan. Further, the entire set has to be operated under workshed conditions and therefore the fuller utilisation will be achieved and tracing the individual Charkha will be feasible.

Recommendation

The Committee would therefore reiterate the recommendations made by the Working Group that the Commission should undertake immediately a comprehensive census of all the ambar charkhas whether active, idle, lost, destroyed, unserviceable, etc. The Committee are also in agreement with the suggestion made by the Working Group that if an institution is not able to account for an ambar charkha or unable to give information about its whereabouts, serious notice should be taken when considering proposals for assistance for its programme.

Since the Commission have accepted the recommendations of the Working Group, the Committee would suggest that these be implemented early.

[Sl. No. 74 (Para 5.100) of Appendix XLVII of 49th Report (Third Lok Sabha)].

ACTION TAKEN

Noted. Government is pursuing the matter with the Commission towards expeditious completion of census. Government will also take suitable action in the case of losses in the manner prescribed under the rules.

APPENDIX V

Recommendation Observations which the Committee do not desire to pursue in view of the Government's reply.

Ministry of Commerce.

Recommendation

The Committee find from the statement furnished that in the case of the Trading Units in West Bengal and Assam the quantum of loss sustained is gradually increasing. The Committee desire that a thorough examination of the working of the Trading Units which are running at losses should be undertaken so that remedial action can be taken promptly to prevent losses. It is needless to point out that the trading units should be so run as to make profits. If they fail to do so, the question of closing them down should be examined.

[Sl. No. 58 (Para 5.53) of Appendix XLVII of 49th Report (Third Lok Sabha)].

ACTION TAKEN

Noted. The closure of trading units will affect sales which, in turn, will affect the rural employment and also accentuate the accumulation. Government have advised the Commission to review the expenditure debitable to Profit and Loss Account constantly with a view to effecting economic viability of every unit.

APPENDIX VI

RECOMMENDATIONS/OBSERVATIONS TO WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES.

Ministry of Commerce

Recommendation

The Committee feel in the circumstances that keeping in view that the total financial assistance given to the Khadi and Village Industries Commission alone, by Government of India so far is Rs. 173 crores (including a sum of Rs. 23.25 crores given to the Khadi and Village Industries Board before the Commission was set up) and the additional financial allocation sought during the Fourth Five Year Plan is of the order of Rs. 270 crores, there is much leeway to be made yet to bridge the gap between the aims, objects and programmes with regard to Khadi and Village Industries as envisaged in the Five Year Plan and the actual achievements made. The Khadi and Village Industries cannot be said to have acquired "sufficient vitality to be self-supporting" nor has it been possible "to reduce progressively the rate of subsidies, rebates and sheltered markets", (actually these have been increasing as seen from Appendix 7) nor the aim of "gradual reduction of dependance on urban markets and correspondingly greater production for local use" has fully achieved.

[Sl. No. 2 (Para 1.27) of appendix XLVII of 49th Report (Third Lok Sabha)].

ACTION TAKEN

The total amount of Rs. 173.09 crores released by the Government of India in thirteen years from 1953-54 to 1965-66 (upto 28-2-1966) consists of the following:—

Grant	Rs. 91.65 crores
Loan	Rs. 69.04 ..
Subsidy	Rs. 12.40 ..
<hr/>	
Total:	Rs. 173.09 ..

The net amount available for the Khadi and Village Industries Programmes after deducting the subsidy in lieu of interest (which is only a book adjustment and is not available for production and sales) was Rs. 160.69 crores. The following table will give an idea

of the returns on this outlay upto 31-3-1965 out of Rs. 160.69 crores:—

(Rs. in crores)

Years(a)	Outlay(b)			Production	No. of persons employed (Lakhs)	Wages (c) paid
	Grant	Loan	Total			
1953-54	0.29	1.25	1.54	2.78	3.80	1.37
1954-55	1.03	1.82	2.85	10.57	8.15	5.14
1955-56	2.65	4.54	7.19	16.47	9.53	6.92
1956-57	4.57	7.10	11.67	20.95	15.59	8.64
1957-58	6.85	7.21	14.06	25.98	16.55	10.60
1958-59	7.99	8.05	16.04	40.01	17.87	13.49
1959-60	9.13	6.38	15.51	41.76	20.83	14.13
1960-61	7.80	10.00	17.80	47.39	22.79	15.07
1961-62	8.51	5.22	13.73	54.68	23.36	16.60
1962-63	10.00	5.12	15.12	61.20	24.35	20.44
1963-64	10.50	3.80	14.30	65.57	25.82	23.54
1964-65	10.93	4.92	15.85	69.04	25.38	24.36
TOTAL	80.25	65.41	145.66	456.40	25.38	160.30

(a) The figures for 1965-66 are under compilation.

(b) Excludes subsidy in lieu of interest amounting to Rs. 12.40 crores.

(c) Estimated.

As already pointed out above, the releases from the Government of India included grants amounting to Rs. 91.65 crores. This amount covers items such as:—

	Rs. crores
(a) Rebate and weaving subsidy to the consumers	35.23
(b) Rebate on tools and implements to the artisans and the institutions	10.88
(c) Training of artisans and other supervisory staff	9.65
(d) Subsidy on production and sales to implementing agencies	5.54
(e) Research and Promotional Activities	4.09
(f) Management grant on a tapering scale	0.78
(g) Estt. expenditure	13.22
(h) Misc. Grant	0.86
(i) Releases in 1965-66—upto 28-2-1966 awaiting classification under the above heads	11.40
TOTAL	91.65

From the above, it will be seen that there is a dispersal in utilisation of grant amounts for various purposes whose benefits to the programme are either immediate or spread over a long period. For instance, the benefit of sales rebate and weaving subsidy goes to the consumers. The capital investment grants given for equipment also have a long range utility. Training would result in long term benefit to the trained artisans.

Research exhibitions and other promotional activities also have a long-range utility.

Viewed thus it would appear that the over-all production in relation to grants is not unsatisfactory.

The Committee recently set up under Govt. Resolution dated 2-6-66 is currently examining this question *inter alia* and their recommendations on the matter are awaited.

Recommendation

The Commission was set up in 1957. It has functioned for almost a decade now. But the Committee have been informed in the written note that "steps are, however, being taken to create a situation favourable for the reduction in subsidy. These include reservation of spheres, adoption of improved technology in spinning, rearing and other ancillary processes of production." This is rather surprising in view of the fact that as long back as 1956 the Industrial Policy Resolution had laid down that "the aim of the State Policy will be to ensure that the decentralised sector acquires sufficient vitality to be self-supporting".

The Committee therefore desire that the Planning Commission and the Government should have a fresh look at the entire question of Khadi and Village Industries so as to lay down clearly as to what would be the State Policy whether it is to be made self-supporting in the foreseeable further or it is to continue to depend on financial assistance from Government on the massive scale as at present. The magnitude of the assistance envisaged can be gauged from the fact that while a sum of Rs. 183.33 crores have already been given to the Commission and the State Boards by the Central and State Governments, according to the Annual Report, 1964-65 of Khadi and Village Industries Commission, the financial allocation sought during the Fourth Five Year Plan is Rs. 269.81 crores (minus Rs. 67 crores already with the Commission). The Committee feel that the apparent contradiction between the statement of the Commission that "in the strict commercial sense, Khadi has never been conceived to be a self-supporting industry", and views of Mahatma Gandhi, objectives laid

down in Five Year Plans and the policy declaration made in the Industrial Policy Resolution, 1956, viz. "the aim of the State Policy will be to ensure that the decentralised sector acquires sufficient vitality to be self-supporting" needs to be taken note of and resolved by Government.

[Sl. No. 3 (Para 1.28) of Appendix XLVII of 49th Report (Third Lok Sabha)]

ACTION TAKEN

The subject matter of this recommendation also forms one of the two terms of reference for examination by the Committee recently set up by Government Resolution dated 8-6-1966.

Recommendation

The Committee suggest that the amount of grants/subsidies to be given to these two sections (Khadi & Village Industries) should be suitably prescribed by Government while releasing grants and loans to Commission by relating it to actual production.

[Sl. No. 6 (Para 1.37) of Appendix XLVII of 49th Report (Third Lok Sabha)]

ACTION TAKEN

The suggestion is acceptable.

The disparity in the two sectors, viz., Khadi & Village Industries does not reflect any basic discrepancy or analaise.

The basic foundation of Khadi is handspinning, which accounts for bulk of the employment to the poorest but larger segment, of the people.

The Village Industries, on the other hand, have existed and even today exist out of the fold of the Commission. Some of the Village Industries have potentialities to be self-supporting in due course. But they would require some technological assistance only by way of improved tools and improved skills to be imparted through suitable training. They may require some managerial assistance also for a few years in the beginning. But, they do have the potential capacity to stand on their own legs after a few years.

There are still other industries for which Commission has done pioneering work where waste is convertable to wealth. These are: (i) carcass recovery programme (ii) the non-edible oil sector, (iii) Bee-keeping (vi) Fibre Industry, etc. So far as these industries are concerned, the Commission has to modify the pattern of assistance in the light of experience.

In view of these factors, the extent of grant and subsidy will vary from industry to industry.

As regards the recommendation about release of grants/loans by Government, the procedure in vogue is summarised below:—

The Commission's proposals for B.E. every year are scrutinised by the Administrative Ministry with reference to the data made available by the Commission and the provision fixed in consultation with Ministry of Finance. Government have recently devised a new procedure for the release of funds, and a copy of the orders is appended (Annexure).

The Commission's requirements are reviewed later in the year by relating them to actual production and other factors as are made available by the Commission and the final provision is decided at the stage of Revised Estimates every year.

The extent of grants/subsidies to the various industries is, however, likely to be examined by the new Committee set up on 8.6.1966 and its report may be awaited.

FURTHER INFORMATION

Requirements of funds for different industries vary according to the nature of such industries and the level of development desired for each. Accordingly, the amount of funds required for K & V.I. also vary from year to year. This has been indicated in detail in the reply already given, where it is also stated that funds are released for K & VI by the Govt. taking into account the value of production likely to be covered by approved schemes.

Asoka Mehta Committee's Recommendation is expected to offer guide lines in this behalf.

ANNEXURE

(Referred to in S. No. 6)

Procedure for release of funds to the Khadi and Village Industries Commission.

As soon as the "Vote on account" passed by the Parliament is received by the Administrative Ministry, that Ministry will issue a sanction to the Deputy Accountant General, Commerce, Works & Miscellaneous, Bombay, empowering the Commission to draw its requirements not exceeding the amount sanctioned under the "Vote on account".

2. After the Appropriate Act is received by the Administrative Ministry that Ministry will issue a sanction to the Deputy Accountant General, Commerce, Works & Misc., Bombay, empowering the Commission to draw its requirements from the third to the eighth month, until a limit of the two-thirds of the sanctioned budget for the whole year is reached.

3. The requirement for the remaining four months will be intimated, together with such report or information as the Government may require under Rule 34, Khadi & Village Industries Commission Rules, 1957, by the Commission to the administrative Ministry in two batches. In the first batch, the requirements for the next two months (i.e., ninth and the tenth months) will be indicated. The Administrative Ministry will scrutinise the demand by the Commission and issue the sanction to the extent approved by them. Similar action will be taken for the last batch (i.e., the eleventh and the twelfth months).

4. Although the sanctions may relate to periods as specified in paras 1 to 3 above, the Commission's requirements will be limited to one month on each occasion, unless otherwise decided by the Financial Advisor, Khadi & Village Industries Commission, for exceptional reasons.

5. At the time of every drawal which will normally be once a month, unless otherwise decided by the Financial Adviser, Khadi & Village Industries Commission, the Commission will furnish a statement to the Deputy Accountant General, Commerce, Works & Misc., Bombay, giving the opening balance, on the first of the month in which the requisition is sent, anticipated receipts during the period to which the requisition relates, the anticipated expenditure during the said period and the amount required for the said period. A copy of this requisition for funds shall also be endorsed simultaneously to the administrative Ministry and to the Associated Finance of the Ministry of Commerce for information. The Deputy Accountant General, Commerce, Works & Misc. Bombay, will ensure that the bills thus presented by the Commission are paid within three working days and the date of payment will be intimated to the administrative Ministry.

6. The above arrangement will come into force with effect from the financial year 1966-67.

Recommendation

The Committee also desire that the Commission should appoint a committee similar to Administrative Improvements Committee for

examining the administrative set up of the State Boards with a view to effecting economy and efficiency.

[Sl. No. 12 (Para 2.22) of Appendix XLVII of 49th Report (Third Lok Sabha)].

ACTION TAKEN

The Commission is initiating action in the matter. The question as to whether the State Governments should appoint such a Committee or the Commission should do so will be settled with the State Government.

The Khadi & Village Industries Committee appointed in June, 1966 is also likely to go into this question.

FURTHER INFORMATION

At the Commission's suggestion ten State Boards (*viz.* Punjab, West Bengal, Gujarat, Kerala, Madras, Mysore, U.P., Maharashtra, Orissa and Assam) have appointed or decided to appoint Administrative Improvements Committees and the 11th (Rajasthan) proposes to do it through a Standing Committee. *Final replies from the remaining Boards are awaited and they have been requested to expedite.*

Recommendation

The Committee need hardly point out that the state of affairs disclosed regarding auditing of accounts is rather disturbing and requires immediate remedial measures.

[Sl. No. 16 (Para 3.5) of Appendix XLVII of 49th Report (Third Lok Sabha)].

ACTION TAKEN

Noted.

Statutory requirements of audit in the Co-operative Sector operate as a grave limitation, since the Audit of Co-operative Societies is under the present rules required to be conducted by the Registrar of Co-operative Societies and/or his officers in the Co-operative Department of the respective States.

The question of vesting, in suitable officers of the State Boards and of the Commission, powers of Joint Registrars, especially in regard to audit and certain other regulatory functions, is under consideration.

FURTHER INFORMATION

In response to the Commission's efforts, different State Governments have made different arrangements for the purpose of auditing the accounts of the societies as under:—

Kerala: Joint Director of Industries entrusted with this work.

Assam: Deputy Registrar of Co-operative Societies attached to the State Board.

Mysore: Joint Registrar exclusively appointed for the State Board.

West Bengal: Chief Executive Officer of the Board authorised to inspect the societies.

Madras: Secretary of the State Board has been invested with powers except those of audit.

The Governments of Gujarat, Punjab, U.P. and Rajasthan are not inclined to accept the suggestion. The matter is being pursued further with these governments. The suggestion is under consideration/reply is awaited in respect of Government of M.P., Andhra Pradesh, Orissa and J&K.

The Bihar Government have accepted this suggestion but no orders have yet been issued by them.

The Maharashtra Government propose to create a special audit wing in the cooperative department and the Registrar is also examining suitable steps for close co-ordination between his department and the Board/Commission.

Note: This recommendation pertains to the audit of co-operative societies under the State Boards. However, the audit of State Boards own accounts rests with the Accountants general of the States except in Gujarat where it is the responsibility of a chartered accountant.

In this connection, the further information given in respect of Sl. No. 19 may also kindly be seen.

Recommendation

The Committee would, however, like to point out that since the Khadi and Village Industries Commission gives large sums of money to State Boards, as grants and loans it becomes the responsibility of the Commission to see that those sums are properly utilised for the purposes for which they are given.

[Sl. No. 18 (para 3.9) of Appendix XLVII of 49th Report (Third Lok Sabha)]

ACTION TAKEN

As regards the responsibility of the Commission *vis-a-vis* the State Boards, while theoretically the position stated by the Public Accounts Committee is sound and the Commission is responsible for the safety of its funds as well as their proper utilisation, at the practical level it has to deal with statutory bodies responsible to

Legislatures which have prerogatives of their own under the Constitution of India. At the practical level the following factories also operate: (a) the composition of the State Boards is a matter for the State Government. The Commission is now consulted. But the Commission cannot overrule the State Government.

(b) The office-bearers in the Boards have their own yard-sticks. One of the most important decision to be taken in the matter of financing is the credit-worthiness of the individuals composing the management of the institution and the cooperative societies. In a situation where the management is likely to have no other assets but its own reputation or reputation of the members, it becomes a question of judgement or trust and confidence of the agencies in and under the State Boards entrusted with powers to decide. The Commission can watch the external aspect. Therefore, the Commission has no opportunity to assess the credit worthiness of the management of the institution or society, but is guided by the advice of the State Boards, unless financial and other irregularities come to or are brought to its notice; (c) when the funds have been released the supervision has to be done by the staff of the State Boards. Here also the Commission has to work indirectly through the good offices of the State Board in case of difficulties, (d) an institution does not become defunct all of a sudden. Sometimes it may be due to causes beyond the control of the management of institution. Timely guidance and assistance are factors as important as determining the credit worthiness of the institutions' members. What a lender can do lender's lender cannot do so easily. (e) Regarding Accounting and auditing certain decisions were taken at a meeting of the Chairman of the Commission with C.&A.G. in February, 1963 relevant extracts of which are reproduced. (Annexure).

This matter will now be got examined by the Committee set up by Government of India on 8th June, 1966 for assessment of the progress of Khadi and Village Industries. It is hoped that a satisfactory procedure would be evolved by the Committee.

FURTHER INFORMATION

Now that F.A. and C.A.Os. have been appointed for each State Board, except Madras, Mysore and U.P. it is hoped that the maintenance of accounts by State Boards will soon be brought upto date. This will result in ensuring that utilisation of grants and loans are controlled and scrutinised properly by the F.A.&C.A.Os.

The control which the Commission can exercise over the State Boards in this matter depends upon the Statutory link between the Commission and the State Boards which is one of the terms of reference of the Asoka Mehta Committee.

In this connection the future information given in respect of Sl. Nos. 8, 16, 19, 31, 39 and 44 may also kindly be seen.

ANNEXURE

(Referred to in S. No. 18)

EXTRACTS FROM THE MINUTES OF THE MEETING HELD IN COMPTROLLER & AUDITOR GENERAL'S ROOM AT 3-30 P.M. ON 13-2-1963

Chairman took an opportunity of discussing certain important matters with Shri A. K. Roy, Comptroller & Auditor General on 13th February, 1963 in Delhi. Besides Chairman, the following were also present.

Shri P. K. Rau, Director of Audit, F.R.S.C.S.&M.

Shri R. K. A. Subramanya, Director of Audit & Accounts, Office of the C.&A.G.

Shri P. K. Biswas, Dy. Director (Administration).

Shri R. Joshi, Financial Adviser, Khadi Commission.

Shri V. S. Subramanian, Chief Executive Officer.

The points discussed and the decisions reached are mentioned in the following paragraphs.—

Financial Advisers to State Khadi and V.I. Board

2. C.&A.G. mentioned that in response to the Commission's request, he would soon finalise the list of officers who may be deputed as Financial Advisers to the State Boards. The Commission will hear from him soon in this regard.

Objections pertaining to the finance and accounts of the State Boards and the responsibility of the Khadi Commission for this

3. Chairman brought to the notice of the C.&A.G. that the Commission had recently received certain objections from Audit pertaining to the irregularities in the State Boards. He stated that these irregularities might also have been noticed by the Accountants General of the respective States who were auditing the accounts of the State Boards. The C.&A.G. asked whether these irregularities had been sent to the Commission for information. The Chairman stated these were not only sent for information but the Commission was also expected to reply to these irregularities. Chairman added that the State Khadi and V. I. Boards were statutory bodies established by the legislatures of various States and were accountable to the State Legislatures. It was decided by the Comptroller and Auditor General after detailed discussion that the Commission should not be held initially accountable for these irregularities unless the same have occurred directly as a result of neglect of

rules and safeguards or defect in procedure in the Commission itself. The Comptroller and Auditor General also decided that in all such cases irregularities may initially be brought to the notice of the Commission who would either take suitable action to get the irregularities rectified by the State Boards or consider withholding of further grants/loans to the State Boards until remedial measures are taken by them. If, however, audit is satisfied that the Commission was not taking any action in this regard, it would be reasonable to blame the Commission and the mention of the irregularities in the Central Audit Report would be appropriate at that stage.

Audit of Accounts of State Khadi & V.I. Boards

4. The question whether it was necessary to make it obligatory on the State Boards to have their accounts audited by the Accountants General was discussed in detail. It was decided that there may be no objection if Chartered Accountants or other auditors were continued to be appointed by the State Governments to audit the accounts of the State Boards. The C.&A.G., however, stated that in such cases, the Chartered Accountants or other auditors may be appointed from a panel approved by the Comptroller and Auditor General, and that they must act in accordance with the directives that may be given in by the C.&A.G. from time to time in regard to the manner of their audit. In this connection he referred to a set of instructions drawn up for the Auditors of the Tata Institute of Fundamental Research, and stated that he would suggest the issue of similar instructions for observance by the auditors of the State Boards.

Accounts of the State Boards and the organisation for that purpose

It was agreed after discussion that the comptroller and Auditor General would write to the Accountants General of the various States to examine the accounts of the State Boards as well as the organisation which was being maintained by the State Boards for this purpose and advise the Commission about the adequacy or otherwise of the quality of the staff as well as about the methods in which the accounts of the State Boards were being maintained as well as the directions in which they needed to improve. Chairman stated that there could be no objection if the Accountants General furnish their reports confidentially to the Director of Audit, F.R.S.C. S.&M., (now A.G.C.W.M.) who may pass on the same, with his comments, if any, for suitable action by the Commission, in consultation with the State Boards. Alternatively, the Accountants General may furnish the reports to the Office of the C.&A.G. for further similar action.

Recommendation

As the Audit Reports with regard to the various State Boards are examined by the concerned Public Accounts Committees in the States, this Committee do not wish to make any observations thereon. "But the Committee cannot but show their concern at the state of affairs revealed by the various Audit Reports on the State Boards in view of the fact that the Commission is functioning to a large extent through the State Boards and disburse large amounts to them." It is clear, however, from the various Audit paras appended to this Report that the working of the State Boards leaves much to be desired.

This has become apparent during the course of examination of the Accounts of the Commission for the year 1963-64.

[S. No. 19 (Paras 3.30) of Appendix XLVII of 49th Report (Third Lok Sabha)] z

ACTION TAKEN

Noted. As already stated, the recently appointed Khadi and Village Industries Committee is also likely to go into this question.

FURTHER INFORMATION

Several steps have been taken by the Commission to improve the State of affairs in regard to the working of the State Boards. The more important of these are given below in brief:—

(i) In order to achieve uniformity in the State Board's legislation, a Model Act has been circulated to State Governments. A study of the Model Act with the various State Board Acts reveals several points of differences obtaining at the moment.

(ii) At the instance of the Commission, all the State Boards have accepted in principle the appointment of the F.A. and C.A.O's and they have also been appointed in all the State Boards except in the State Boards of Madras, Mysore and U.P. A broad review effected after their appointment shows that there is improvement in regard to maintenance and compilation of accounts, confirmation of balances, collection of U.Cs., defaults, repayment of unspent balances and refund of interest of loans, introduction of the system of internal audit etc.

(iii) The budgets of the State Boards are discussed every year by the Commission with the representatives of the State Boards in order to arrive at realistic programmes. Opportunity is taken during these and other discussions to review the working of the State Boards, with reference to their accounts, performance etc.

(iv) The State Accountants General have been appointed as the sole auditors of the State Boards' accounts except in the case of Gujarat State Board. The Gujarat State Government have been approached to appoint Accountant General, Gujarat as the sole auditor of the Board. At the instance of the Commission the Comptroller and Auditor General of India has agreed that the Accountants General should send copies of the Audit Inspection Reports on the accounts of the State Boards to the Commission highlighting the points calling for special action on its part. These reports are considered in the Commission's monthly meetings.

(v) A system of undertaking studies of State Boards by Senior Officers of the Commission is in vogue.

(vi) The Commission also discusses at its monthly meeting turn by turn the A.G's reports on different Boards and also other matters pertaining to their working, and draws the attention of the State Governments to important irregularities requesting action and preventive steps. In some cases, joint discussions between the State Government, State Board and the Commission's representatives are also arranged for remedial action by the State Governments or the Boards concerned.

In the opinion of the Committee, it is necessary to put men, who Sl. Nos. 16, 39, and 44 may also kindly be seen.

Recommendation

In the opinion of the Committee, it is necessary to put men, who are devoted and sincere and at the same time capable of drive and initiative and in a position to run the organisations smoothly and efficiently, at the helm of the State Board to set matters right.

In this connection, the Committee would like to quote from a letter dated the 21st December, 1963 from late Prime Minister Shri Jawahar Lal Nehru to the Chief Ministers of all States, which bears repetition:—

"The Commission and the All India Khadi and Village Industries Board are composed of men and women who have .. abiding interest in the Khadi and Village Industries programme and have been constructive workers. Besides, in the composition of the Commission and the all India Khadi and Village Industries Board, the Government of India consults the Chairman of the Commission and the Sarva Seva Sangh. I believe that if the State Khadi and

Village Industries Boards are also composed of men animated by the same motives and having similar experience and aptitude, they will be able to render better services to the artisans engaged in the Khadi and Village Industries programmes." ...

[S. No. 20 (Para 3.31) of Appendix XLVII of 49th Report (Third Lok Sabha)]

ACTION TAKEN

Noted. It may be added that, of late, the State Governments are consulting the Commission before appointing suitable members to the State Boards. In this connection reply to Serial No. 18 may also be referred to. The Committee set up by Government on 8th June, 1966 is likely to suggest suitable provisions for incorporation in the State Acts for observance by the State Governments.

FURTHER INFORMATION

Reply already given may please be seen.

Recommendation

The Committee regret to learn that even the rules were not framed, as required under the States Acts, for the purpose of preparing accounts, in the case of several State Boards though several years have passed since the enactment of State Acts and that their accounts were "in a kind of mess". The Committee would like to be informed whether all the State Governments concerned have since framed rules under the relevant Acts for the purpose of preparing accounts of the State Boards and whether any uniformity has been achieved in this matter. They would also like to know how far the position as regards accounting has improved with the introduction of the system of F.A. and C.A.O.'s in State Boards and whether the accounts are now maintained upto date in all the State Boards. The Committee desire that the Commission should insist upon proper maintenance and submission of Accounts as a condition precedent to release of funds.

[S. No. 22 (Para 3.38) of Appendix XLVII of 49th Report (Third Lok Sabha)]

ACTION TAKEN

Noted. The Commission has stated that the stoppage of funds is likely to affect the ultimate employment of rural artisans adversely. The question is also likely to be examined by the Committee recently set up by Government Resolution dated 8th June 1966. Its recommendation may be awaited.

Regarding the framing of rules under the relevant State Board Acts and improvement in accounting with the introduction of the system of F.A. and C.A.O's in State Boards, a separate note will be submitted.

FURTHER REPLY GIVEN

(a) Necessary rules under the State Boards Acts have been framed by the respective State Governments except in the case of Maharashtra State Board where the rules framed and submitted to the State Government have not yet been approved by the State Government.

(b) As rules in regard to the various Boards are framed under the provisions of the relevant State Boards Acts, uniformity in the rules of various State Boards can be secured only by uniform provisions in the State Legislation relating to the State Boards. The Khadi and Village Industries Committee set up by Government recently is expected to suggest measures for securing better co-ordination between the Khadi and Village Industries Commission on the one hand and the various State Boards, institutions and Co-operative Societies on the other, especially with a view to ensuring more effective control by the Commission on the accounts of the latter. This matter forms the subject of one of the terms of reference of the Khadi and Village Industries Committee. The implementation of the recommendations of the Committee in this regard is expected to result in a greater measure of uniformity in the legislation constituting the various State Boards and the Khadi and Village Industries Commission which in turn will result in a greater uniformity in the rules of the various State Boards.

(c) With the introduction of the system of Financial Advisers and Chief Accounts Officers in the State Boards, the accounts have been compiled upto 1965-66 for all State Boards except U.P. where the A.G. was not responsible for the audit of the State Board's accounts until now by a recent amendment of the State Board Act. The U.P. State Board is being requested to expedite the finalisation of its accounts.

Various steps have been taken and are being taken to improve the accounting in the State Boards and it is hoped that they would result in satisfactory maintenance of accounts. Any deficiencies noticed during the Internal Audit by the Commission or brought to notice by Statutory Audit, will be rectified suitably.

FURTHER INFORMATION

Rules have been framed in all the States except Maharashtra where they are awaiting approval of State Government. Possibility

of securing uniformity in these rules will depend in a large measure, on amendments to existing State Boards Acts if any, which may be recommended by the Asoka Mehta Committee.

Suggestion that proper maintenance and submission of accounts should be made a condition precedent to the further release of funds is being implemented to the extent possible at the State of budget discussions in the Khadi and Village Industries Commission with the representatives of the State Boards to settle the agreed programme for the ensuing year. The imprest system now in force has also contributed to improvement in this direction. In quite a few cases, programmes, proposed by the State Board, have not been accepted and funds were not released therefor. In this connection the further information given in respect of Sl. Nos. 19, 21, 31 and 39 may also kindly be seen.

Recommendation

The Committee would also like to be informed the number and other details of the societies/institutions which received assistance from the State Boards and which have become defunct and the amount involved therein. The Committee feel that this information should be communicated to both the Central Government as well as the State Government immediately it is known that a particular institution has become defunct.

[S. No. 25 (Para No. 4.12) of Appendix XLVII of 49th Report (Third Lok Sabha)] z

ACTION TAKEN

The number and other details of the societies/institutions financed by the State Boards and become defunct are being collected and will be submitted in due course.

The State Boards have been addressed to inform the State Governments and the Commission as soon as they come to know of a particular institution having become defunct. The Commission will, on receipt of such information, pass it on to the Central Government as suggested by the Committee. This will be watched by Government by prescribing a quarterly report from the Commission.

Recommendation

While the Committee agree that constitutionally the State Boards are answerable to the State Governments and State Legislatures, they cannot appreciate the sense of helplessness expressed by the Chairman K.V.I.C. as the Committee feel that the Commission is in a position to exercise the power of the purse, the authority of the

lender and creditor to ensure proper accounting and prompt repayment by stipulating the condition on which it would be given financial assistance to the Boards. Pending suitable legislation, the Committee feel that the commission should take immediate steps to inculcate proper financial discipline in the functioning of the State boards with a view to safeguarding the public funds.

[S. No. 27 (Para 4.19) of Appendix XLVII of 49th Report (Third Lok Sabha)]

ACTION TAKEN

Noted. The appointment of F.A. & C.A.O.'s to the State Boards will, it is hoped, facilitate them (State Boards) to observe financial discipline with a view to safeguarding the public funds. Please also see reply to the recommendations at Sl. No. 22 supra.

FURTHER INFORMATION

The power of the purse is being exercised to the extent possible and in quite a few cases programmes of the State Boards have not been approved and funds were not released therefor.

Recommendation

The Committee would desire to be informed whether any steps have been taken to bridge the gap between the State Boards legislation and the Central Legislation in regard to Khadi and Village Industries. They also desire that the question be examined whether the power to issue directives to the State Boards as proposed would be conducive to greater efficiency and economy and enforcement of financial discipline and whether such a power is not implicit by virtue of the fact that large sums of money are being advanced by the Commission to the State Boards.

[S. No. 32 (Para 4.36) of Appendix XLVII of 49th Report (Third Lok Sabha)]

ACTION TAKEN

Noted. This is one of the terms of reference entrusted to the Committee on Khadi and Village Industries appointed by the Government of India on 8th June, 1966 and the decision/action taken in this regard would be intimated to the Committee in the due course.

FURTHER INFORMATION

The further information given in respect of Sl. No. 31 and also Sl. Nos. 18, 19, 21, 22 and 44 may kindly be seen.

Recommendation

The Committee feel perturbed that a society which is expected to be manned by dedicated and devoted persons and workers has indulged in such serious irregularities as have been pointed out in the report. This indicates the need to exercise greater scrutiny over the credentials of societies and institutions at the time of giving grants/loans to them and also to insist on proper and timely submission of accounts before releasing further grants/loans.

The Committee would like to be informed of the final outcome of this particular case.

[S. No. 42 (Para 4.74) of Appendix XLVII of 49th Report (Third Lok Sabha)].

ACTION TAKEN

Noted.

A separate note will be submitted in due course regarding the final outcome of the case.

FURTHER REPLY GIVEN

The observations of the Committee have been noted.

The Commission has filed a dispute application on 14th September 1966 under the Madhya Pradesh Cooperative Societies Act, 1960. Further developments in this regard will be watched by Government and the final outcome intimated to the Committee in due course.

FURTHER INFORMATION

This recommendation relates to the scrutiny of credentials of institutions to which funds are disbursed by the State Boards. The Commission had already issued instructions to the State Boards to verify the credentials of the institutions before disbursing funds. This is being impressed on the State Boards again during discussions while the annual agreed programmes are settled in order to ensure that funds are disbursed only to proper institutions.

The Registrar of Co-operative Societies has given an award for the entire amount claimed, viz., Rs. 2,97,543, against the Adarsh Ambar Sahakari Mandal, Ltd. The entire property of the Mandal has been taken into custody by the Cooperative Department in favour of the Commission on 30th June 1967.

Recommendation

As the Commission give grants and loans to the State Board, their responsibility through the Ministry to Parliament which votes the money remains. The Committee therefore, welcome the proposal of the Minister to set up a Committee for the purposes of reviewing the position and harmonising the relations between the State Boards and the Commission. The reviewing Committee should inter alia suggest measures for improving the position of the State Boards so that they can take over the responsibility of implementation of the programme as recommended by the Administrative Improvements Committee.

[S. No. 44 (Para 4.85) of Appendix XLVII of 49th Report (Third Lok Sabha)]

ACTION TAKEN

Noted. This recommendation will be placed before the Committee recently set up by Government Resolution dated 8th June, 1966. Action will be taken to improve the position of the State Boards on receipt of the report of the Committee.

FURTHER INFORMATION

The Asoka Mehta Committee has been requested to consider this matter and make suitable recommendations.

The further information given in respect of Sl. No. 18, 19, 21, 22, 39 and 44 may also kindly be seen.

Recommendation

The Committee recommend that the assistance to the sales organisation should be related to the stocks kept rather than to the sales turnover at the end of the year.

[S. No. 52 (Para 5.31) of Appendix XLVII of 49th Report (Third Lok Sabha)].

ACTION TAKEN

The recommendation has been re-examined. The following aspect is submitted for consideration by the Committee.

The existing system of providing assistance on the basis of sales turnover provides an incentive for increased and quick sales. On the other hand, the assistance on the basis of stocks might lend to a tendency to overstock and since capital would be available for it, the effort for sales may sag. In the result, larger capital may be idle without commensurate sales effort. In view of this, it is considered that the existing method of providing assistance on the basis of sales turnover would lead to more efficient use of capital.

This question will, however, be referred to the Committee set up in June, 1966 by Government and its Report may be awaited.

FURTHER INFORMATION

Reply already given may please be seen. However, this recommendation has since been referred to the Asoka Mehta Committee.

Recommendation

The Committee hope that this work (reconciliation and confirmation of balances) would be completed expeditiously.

[S. No. 65 (Para 5.70) of Appendix XLVII of 49th Report (Third Lok Sabha)].

ACTION TAKEN

Noted.

The present position (i.e. as on 31st July 1966) is furnished in the statement (Annexure).

This statement showing the latest position is being got vetted by Audit and the concurrence/comments of Audit will be communicated separately.

[This has been communicated to Lok Sabha Secretariat vide Ministry of Commerce O.M. No. 5/4/66-KVI(A&E), dated 22nd/24th September, 1966]

FURTHER INFORMATION

This recommendation relates to acceptance of cash balances with the Commission's offices and reconciliation thereof. The reconciliation of figures is complete except for an amount of Rs. 6941.64.

As regards confirmation of balances with State Boards and institutions the further information given against Sl. No. 26 may kindly be seen.

ANNEXURE

(Referred to Sl. No 65)

KHADI AND VILLAGE INDUSTRIES COMMISSION, BOMBAY—56

Statement showing the position as on 31-7-1966 of State Boards and the Institutions who have not confirmed their outstanding loan balances as on 31-3-63, 31-3-64 and 31-3-65

(Rs. in lakhs)

Sl. No.	State	As on 13-3-63			As on 31-3-64			As on 31-3-65				
		Khadi	V.I.	Total	Khadi	V.I.	Total	Khadi	V.I.	Total		
1	2	3			4			5				
1.	Andhra	State Boards	..	..	..	..	..	..	..	..	..
		Institutions	15·21	6·22	21·43	18·36	8·46	26·82	136·91	28·44	7·86	136·91
2.	Assam	State Boards	..	..	..	..	..	..	..	..	..
		Institutions	0·09	1·56	1·65	0·09	1·51	1·60	17·15	39·42	1·42	56·57
3.	Bihar	State Boards	..	..	..	..	..	..	..	..	..
		Institutions	6·32	2·39	8·71	4·41	3·66	8·07	56·14	17·41	..	73·55
4.	Delhi	State Boards	..	..	..	..	..	..	..	..	..
		Institutions	0·44	0·31	0·75	0·44	0·22	0·66	1·19	0·78	..	1·97

1	2	3			4			5		
5. Gujarat	State Boards Institutions	0·30	3·17	3·47	0·57	4·60	5·17	143·47 6·47	94·19 3·48	237·66 9·95
6. Jammu & Kashmir.	State Boards Institutions	..	..	..	..	..	..	..	0·87	0·87
7. Kerala	State Boards Institutions	0·52	2·61	3·13	0·90	7·33	8·23	6·29 9·73	6·23	6·29 15·96
8. M.P.	State Boards Institutions	1·52	4·12	5·64	5·19	4·88	10·07	10·44	107·05 6·23	107·05 16·67
9. Madras	State Boards Institutions	0·30	26·93	27·23	0·45	6·23	6·68	2·01 26·70	10·48	2·01 37·18
10. Maharashtra	State Boards Institutions	..	29·88	29·88	3·01	38·84	41·85	16·80	109·84 71·34	109 88·14
11. Manipur	State Boards Institutions	..	2·66	2·66	..	1·44	1·44	..	3·51	3·51
12. Mysore	State Boards Institutions	1·92	2·68	4·60	9·29	4·18	13·47	81·56 44·56	17·24	81·56 61·80
13. Orissa	State Boards Institutions	..	0·35	0·35	..	1·69	1·69	49·74 0·22	77·83 1·46	127·57 1·68
14. Punjab	State Boards Institutions	0·30	2·04	2·34	0·30	6·06	6·36	200·27	32·20 18·82	32·20 219·09

15. Rajasthan	State Boards Institutions	0·29	3·62	3·91	21·50	4·03	25·53	15·63	48·52	64·15
16. Tripura	State Boards Institutions	..	0·23	0·28	..	0·44	0·44	..	0·65	0·65
17. U.P.	State Boards Institutions	18·69	31·80	50·49	16·75	33·41	33·41	..	54·55	54·55
18. W. Bengal	State Boards Institutions	..	2·60	2·60	7·02	..	7·02	48·61	..	48·61
TOTAL		45·90	123·22	169·12	94·96	212·54	307·50	1109·63	821·12	1930·75

Recommendation

After a detailed examination of the accounts and audit report of the Khadi and Village Industries Commission and on the basis of the facts placed before them, the Committee feel that a quick and enormous growth in the activities and in the financial outlay without ensuring proper financial and administrative control by the Commission over their own organisation, State Boards, Co-operative Societies and Institutions has resulted in extra expenditure (which run into crores of rupees) that is not commensurate with the results achieved. The Committee, therefore, would like to refer to the following recommendations made by Administrative Improvements Committee at page 16 of their Report with which they are in full agreement:—

“We would like to state that after a deep and prolonged thinking over this situation, as it exists, we have come to the conclusion that in the long run, it would be advantageous and economic, if the Commission decides to spend a year or two for consolidating the ground already covered and for developing suitable agencies at the State level, block level and village level for future development. During this period, the financing could be restricted to the continuation programme already undertaken.”

Keeping in view the fact that the Commission have sought a financial allocation of Rs. 270 crores during the Fourth Plan period the Government and the Commission would do well to accept the recommendation of the Administrative Improvements Committee that the Commission should spend a year or two for consolidating the ground already covered. In the light of this recommendation, the question of suitably reducing the financial allocation during the Fourth Plan period, may be carefully examined by Government.

A perusal of the Report of the Administrative Improvements Committee confirms the doubt expressed by the Public Accounts Committee in the past (vide para 62 of 7th Report of Public Accounts Committee 1962-63) that there was considerable scope for economy in the Administrative Expenditure of the Commission, at various levels due to overstaffing. The Committee hope that both the Commission and the Ministry would avoid such overstaffing in future.

The Committee fully appreciate the importance of Khadi & Village Industries in providing much needed employment potential in the rural areas. They are in agreement with the underlying philosophy behind these activities. However, keeping in view the fact

that the Central Government has thus far given a huge sum of more than Rs. 170 crores for these activities (in addition to about Rs. 10 crores by the State Governments) and in view of the financial allocation of Rs. 270 crores sought by the Commission for the Fourth Plan, the Committee cannot over-emphasise the paramount need of ensuring proper care, economy and financial control over various activities connected with the Commission. The Committee feel that the time has come for the matter to be reviewed by the Central Government at the highest level, to make an overall assessment to see whether the results achieved so far have been commensurate with the financial outlay, in terms of production as well as the employment potential generated.

[Sl. No. 75 (Paras 5.101, 5.102 and 5.103) of Appendix XLVII to 49th Report (Third Lok Sabha)]

ACTION TAKEN

It has been proposed to allocate a sum of Rs. 105 crores only for khadi and village industries against the Commission's demand of about Rs. 270 crores for the Fourth Five Year Plan; this sum of Rs. 105 crores is exclusive of (a) Provision for new model all-metal charkha which is in the experimental stage, if the field trials prove it a success; and (b) A sum of Rs. 66.98 crores paid to the Commission as loan upto 31st March, 1966.

After considering *inter alia* the outlay recommended by the Planning Commission for 1966-67 as well as the recommendations of the Administrative Improvements Committee, Government accepted an appropriation of Rs. 14.81 crores only in B.E. 1966-67 against the Commission's proposal for Rs. 22.14 crores. This provision is exclusive of the provision of Rs. 3 crores for subsidy in lieu of concessional interest on loans and of Rs. 5.25 crores for the renewal (as an interim measure) of special loans towards that part of the Working Fund which is required for maintaining the production level.

Government have since set up a Committee with the terms of reference detailed in Government Resolution dated 8th June, 1966 (copy enclosed—Annexure) and this Committee is also expected to examine the whole question of the provision to be made for the IV Plan.

ANNEXURE

(To be published in the Gazette of India Extraordinary, Part I.
Section I).

No. 19/6/66-KVI(P)

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE

New Delhi, the 8th June, 1966

RESOLUTION

The Khadi and Village Industries Commission was established in the year 1957. Since its inception the Commission has achieved considerable stability in the development of khadi and village industries. There has been considerable expansion too. Most of the State Governments have also constituted State Khadi and Village Industries Boards on the lines of the Commission to assist in the development of khadi and village industries. These Boards are in the process of growth and have reached various levels in their functioning. Consistent with the policy of the Government of India in relation to Public Sector Industries and Statutory bodies, the Government of India have decided to appoint a Committee with the terms of reference mentioned below:—

- (i) To assess the progress made in khadi and village industries since the establishment of the All India Khadi and Village Industries Board in 1953 and to make recommendations to strengthen and expand the progress of khadi and village industries in the country; and
- (ii) To suggest any structural or constitutional changes that may be needed in order to improve co-ordination between the Khadi and Village Industries Commission on the one hand and the State Khadi and Village Industries Boards on the other having regard to the experience so far gained in the working of the programmes and in the context of the projected programme in the Fourth Plan period.

2. The Commission will consist of the following:—

Chairman

- (1) Shri Asoka Mehta, Minister for Planning and Social Welfare, Government of India.

Members

- (2) Shri U. N. Dhebar, Chairman, Khadi and Village Industries Commission.
- (3) Shri Mahavir Tyagi, M.P.
- (4) Shri Khandubhai Desai, M.P.
- (5) Shri H. V. Kamath, M.P.
- (6) Shri Sham Lal Saraf, M.P.
- (7) Shrimati Savitri Nigam, M.P.
- (8) Shri G. Ramachandran, M.P.
- (9) Shri M. P. Bhargava, M.P.
- (10) Shri Chandra Shekhar, M.P.
- (11) Shri Annasaheb Sahasrabudhe.
- (12) Shri Manmohan Choudhury.
- (13) Dr. P. S. Lokanathan, National Council of Applied Economic Research, New Delhi.
- (14) Dr. D. K. Rangnekar, Economic Times, New Delhi.

SECRETARIES

Shri A. V. Venkateswaran, Joint Secretary to the Government of India, Ministry of Commerce.

Shri G. F. Mankodi, Chief Executive Officer, Khadi and Village Industries Commission.

3. The Committee shall have the power to co-opt at its meetings, any other representatives of the State Governments and State Khadi and Village Industries Board. The Committee may also enlist the assistance of outside Economists and Experts to the extent needed. The Committee is further authorised to organise its work through appropriate sub-Committees.

4. The Committee is requested to submit its report to Government by the 1st October, 1966.

5. The Headquarters of the Committee will be at New Delhi. The meetings of the Committee and of its sub-Committees may be held at New Delhi or such other places in India as the Committee may determine.

ORDERED that a copy of the Resolution be published in the Gazette of India for general information and that it be communicated to all concerned.

Sd/- A. V. VENKATESWARAN,

Joint Secretary to the Government of India.

The General Manager,
Government of India Press,
New Delhi.

Copy of Resolution No. 19/6/66—KVI (P) dated the 12th August 1966 issued by the Government of India, Ministry of Commerce, for publication in the Gazette of India, Part I, Section I, in partial modification of their Resolution of even number dated the 8th June, 1966.

No. 19/6/66-KVI(P)

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE

*New Delhi, the 12th August, 1966.
21st Sravana, 1888 (Saka)*

RESOLUTION

In partial modification of the Government of India in the Ministry of Commerce Resolution No. 19/6/66-KVI(P), dated the 8th June, 1966, the Government of India have decided to amplify the second term of reference of the Committee, mentioned therein, so as to cover the relationship not only between the Khadi and Village Industries Commission and the State Khadi & Village Industries Boards, but also between the Khadi and Village Industries Commission and Co-operative Societies and other Institutions. The following may, therefore, be substituted for the second term of reference mentioned in the above Resolution:—

- “(ii) To suggest any structural or constitutional changes that may be needed in order to improve co-ordination between the Khadi and Village Industries Commission on the one hand and the State Khadi and Village Industries Boards, Co-operative Societies and other Institutions on the other, having regard to the experience so far gained in the working of the programmes and in the context of the projected programme in the Fourth Plan period.”

ORDERED that a copy of the Resolution be published in the Gazette of India for general information and that it be communicated to all concerned.

Sd./- A. V. VENKATESWARAN,
Joint Secretary to the Government of India.

APPENDIX VII

Summary of main Conclusions/Recommendations

S. No.	Para No. of Report	Ministry/Deptt. Concerned	Conclusion/Recommendations
1	2	3	4
1	1.4	Commerce	The Committee regret to note that though their report was presented to the House on 22nd April, 1966, final replies in the case of 17 recommendations are still awaited even after a lapse of more than a year.
2	1.7	-do-	The Committee would like to invite the attention of the Ministry to the observations contained in para. 1.15 of their 5th Report (Fourth Lok Sabha) and desire that the replies furnished by the Government should be explicit and self-contained. In particular, where remedial measures are called for, the details of action taken should be specifically spelt out.

1	2	3	4
3	1.9	Commerce	<p>The Committee feel that the reply of the Government in effect means that final action on the recommendations of the Public Accounts Committee will be held over till the Report of the Asoka Mehta Committee is received and examined by Government. They also note that the Government have reconstituted and extended the life of the Committee upto 31st December, 1967. It is very likely that the Committee set up by the Government may take longer time than anticipated. The Committee are therefore of the view that immediate compliance with their recommendations would be very helpful to the Committee set up by Government. In case that Committee were to suggest any other ways and means, Government could reconsider their decision.</p>
4	2.4	-do-	<p>The Committee note that as on 28th February, 1967, a sum of Rs. 2.94 crores (approximately) had been cleared out of a sum of Rs. 5.93 crores, defaults in respect of which took place upto 31st March, 1965, and that a balance of Rs. 2.99 crores is yet to be cleared. The Committee are not happy with the progress of clearance as more than 50 per cent. of the amounts in respect of which defaults took place upto 31st March, 1965, are yet to be cleared. The Committee desire that the Commission and the State Boards should make vigorous efforts to realise the balance amounts of Rs. 2.99 crores.</p>

2.5 -do- The Committee have no doubt that before converting the working capital loans and stocking loans into working fund, the Government and the Commission would satisfy themselves about the necessity and the extent to which it is necessary to convert these loans into Working Fund.

2.6 -do- The Committee also hope that the Government and the Commission would ensure that no arrears do accumulate in future.

5 2.11 -do- The Committee are far from happy to note that Government have yet to take definite action clearly to define the relationship between the State Boards and the Commission. In view of the fact that a Committee set up by the Government is at present engaged in the examination of this aspect, the Committee do not wish to make any comments at this stage.

2.12 -do- The Committee, hope, however, that immediate action will be initiated by the Government to define clearly the relationship between the Commission and the State Boards, as soon as the Report of the Committee set up by them is received. The Committee would like to be apprised of the action taken by the Government on the recommendations of that Report.

2.13 -do- The Committee, reiterate that adequate safeguards and controls, both financial & legal, should be provided in the scheme of financial assistance given to the State Boards by the Commission.

	2	3	4
6	2.17	Commerce	The Committee observe that the reply of the Khadi and Village Industries Commission does not make it clear whether or not the working capital advanced, free of interest, by the Khadi and Village Industries Commission to the various agencies was in excess of the requirements by as much as 50 per cent, as pointed out by the Working Group on Khadi and Village Industries.
	2.18	-do-	The Committee note that Government are now referring the question of establishing a yardstick for the Working Fund to the Asoka Mehta Committee. They need hardly stress that as working capital is advanced free of interest, the matter should be examined thoroughly without avoidable delay so as to obviate any chance of giving money in excess of requirements to various units.
	2.22	-do-	The Committee cannot appreciate the long delay in initiating action to revise the formula for determining the rate of assistance and subsidy to various units of Khadi and Village Industries when the representative of the Khadi and Village Industries Commission had himself admitted in his evidence before the Committee in February, 1966, that there was need for revising the formula which was based on the experience of 1930—1936, so as to ensure that it realistically reflected the prevailing conditions and the cost structure of wages, rent etc.

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Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
DELHI—contd.					
21.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	3	30.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
22.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9	31.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
23.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11	32.	Hind Book House, 82, Janpath, New Delhi.	95
24.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15	33.	Bookwell, 4 Sant Narakari Colony, Kingsway Camp, Delhi-9.	96
25.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20	MANIPUR		
26.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23	34.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annex, Imphal.	77
27.	Bahree Brothers, 188, Lajpatrai Market, Delhi-6.	27	AGENTS IN FOREIGN COUNTRIES		
28.	Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.	66	35.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.-2.	
29.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.	68			

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