

INDIA GOVERNMENT MINT BOMBAY—OVERVIEW

MINISTRY OF FINANCE

**PUBLIC ACCOUNTS
COMMITTEE
1990-91**

NINTH REPORT

NINTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

NINTH REPORT
PUBLIC ACCOUNTS COMMITTEE
(1990-91)

(NINTH LOK SABHA)

**INDIA GOVERNMENT MINT,
BOMBAY—OVERVIEW**

MINISTRY OF FINANCE

(Action Taken on 90th Report (8th Lok Sabha))



Presented to Lok Sabha on 6 Sep. 1990
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CORRIGENDA TO THE 9TH REPORT OF PAC (NINTH LOK
SABHA) RELATING TO INDIA GOVERNMENT MINT
BOMBAY - OVERVIEW

<u>Page</u> <u>No.</u>	<u>Line</u> <u>No.</u>	<u>Read</u> <u>-----</u>	<u>For</u> <u>-----</u>
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CONTENTS

	PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE	(iii)
INTRODUCTION	(v)
CHAPTER I Report	1
CHAPTER II Recommendations and observations that have been accepted / noted by Government.....	8
CHAPTER III Recommendations and observations which the Committee do not desire to pursue in the light of the replies received from Govern- ment	15
CHAPTER IV Recommendations and observations replies to which have not been accepted by the Com- mittee and which require reiteration.....	22
CHAPTER V Recommendations and observations in re- spect of which Government have furnished interim replies.....	28
APPENDIX	
Conclusions and Recommendations.....	31
PART II	
MINUTES OF SITTING OF PUBLIC ACCOUNTS COMMITTEE HELD ON 24 AUGUST, 1990.	33

PUBLIC ACCOUNTS COMMITTEE
(1990-91)

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INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee do present on their behalf this Ninth Report on Action Taken by Government on the recommendations/observations of the Public Accounts Committee contained in their 90th Report (8th Lok Sabha) on India Government Mint, Bombay—Overview.

2. In this Report, the Committee have reiterated their earlier recommendation that the issue of determination of capacity of the mints and also their optimum utilisation level should first be settled without any further delay.

The Committee have noted that against the RBI indents which ranged between 3400 and 3665 million pieces during the years 1986-87 to 1988-89, the actual production of coins during the same period ranged between 2589 and 2945 million pieces. The Committee have observed that if RBI was satisfied with the actual supplies of coins, it would indicate that its indents were highly inflated. The Committee have accordingly desired that the basis on which RBI indents are formulated should be made known.

3. The Committee considered and adopted the Report at their sitting held on 24 August 1990. Minutes of the sitting form Part II of the Report.

4. For reference facility and convenience the Recommendations/observations of the Committee have been printed in thick type in the body of the Report.

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

NEW DELHI
24 August, 1990

2 Bhadra, 1912 (Saka)

SONTOSH MOHAN DEV,
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by Government on the recommendations/observations contained in the 90th Report* of Public Accounts Committee (8th Lok Sabha) regarding India Government Mint, Bombay—Overview.

2. The Report contained 23 recommendations/observations. Action Taken Notes have been received in respect of all the recommendations/observations and these have been broadly categorised as under:

Recommendations which have been accepted by Government;

Sl. Nos. 1,4,11,12,16,20,21,22 and 23

Recommendations the replies to which have not been accepted and which require reiteration;

Sl. Nos. 2,3,7,10 and 17

Recommendations in respect of which Government has furnished interim replies;

Sl. Nos. 15,18 and 19

Recommendations which the Committee do not desire to pursue in view of replies received from the Government;

Sl. Nos. 5,6,8,9,13 and 14

3. The Committee will now deal with the action taken on some of their recommendations.

Non-determination of installed/achievable capacity of the mints

(Sl. Nos. 2,3, — Paras 18 and 19)

4. The production capacity of the mints had not been determined at any time. In this connection the Committee had in paragraphs 18 and 19 of their Report observed *inter-alia*:

“The Committee are surprised to find that while the existing Mints have

* Presented to Lok Sabha on 27.4.1987.

been functioning under the Department of Economic Affairs in the Ministry of Finance for a considerable long period the installed/achievable capacity of these Mints has not yet been determined.....

The facts stated above would clearly indicate that the Ministry of Finance have been far too lackadaisical and indifferent towards the aspect of determination of capacity of the Mints with the result that the actual capacity utilization of these Mints could not hitherto be assessed. Even if the Kiroloskar Report could not be implemented because of its rejection by the Recognised Unions of the Mints for reasons explained in the preceding paragraph, the Committee have no doubt that more practical and scientific approach could and should have been made for determining capacity of the Mints with due consideration for the existing manpower and the machinery in the interest of optimum economic results. The Committee are of the considered view that it is absolutely essential to have the capacity utilisation of these Mints assessed so that it is possible to analyse variations in the actual work and determine reasons for work slippage and other delays.....

The Committee would like the issue of determination of capacity and its optimum utilisation to be settled without any delay so that it is possible to effectively monitor the progress of the working of mints and to take prompt remedial measures in regard to work slippages."

5. In their action taken note dated 29.12.89 Government have stated as under:

"For determining the capacity of the Mints with the existing manpower and machinery and with a view to achieve maximum utilization of the capacity, the Mints have evolved group incentive schemes and the incentive schemes are working satisfactorily for the last 3-4 years because of which better utilisation could be achieved. Steps have also been taken to determine the capacities of the Mints at different levels of daily working hours. The modernisation scheme for the three Mints at Bombay, Hyderabad and Calcutta has already been approved by the Government. Capacity determination is one of the main thrust areas of modernisation scheme. Once the modernisation scheme is fully implemented, the capacity of the Mints would be scientifically determined."

6. The Committee consider it unfortunate that till date the installed/achievable capacities of the three mints had not been determined and spelt out. Instead it is stated that capacity determination is one of the main thrust areas of Modernisation Scheme and once the Modernisation scheme is fully implemented, the capacity of the mints would be scientifically determined.

The Committee cannot but reiterate that the issue of determination of capacity of the mints and also their optimum utilisation level should first

be settled without any further delay. Such an assessment would enable the management to effectively monitor the progress of the working of the mints.

Shortage of coins and anomalies regarding lifting of coins by RBI
(Sl.No. 7 - Para 64)

7. Dealing with the problem of shortage of coins and steps taken to meet the shortage, the Committee had in paragraph 64 observed as under:-

"The Committee have also been informed that the genesis of the problem and the steps that could be taken to meet the shortage of coins were discussed by the General Managers of the three Mints at Delhi in May 1983 and a comprehensive note on the subject was sent by the Ministry of Finance to the Governor of RBI. The note inter alia brought out that notwithstanding the fall in production as compared to the targets fixed on the basis of demand, RBI had failed to lift even the coins produced in the Mints. In a subsequent note to the Committee, the Ministry of Finance reiterated that it was only during the years from 1978-79 to 1980-81 that RBI was not in a position to lift the entire production together with the unlifted stocks at the Mints as the Reserve Bank along with the agency banks was carrying heavy unissued coins stocks. The Committee, however, find from the statistics furnished by the Ministry that RBI was lifting more coins than the mintage in each of the years during 1978-79 to 1983-84 and the lifting during 1979-80 and 1980-81 exceeded even the indents of the Banks.

8. In their Action Taken note dated 29.12.89 Government have stated as under:

"Certainly there had been some anomalies in the past and the General Managers did not apprise the Ministry of Finance correctly about the lifting of the coins by RBI. However, subsequently things have been streamlined and close monitoring is being done. Regular meetings are held with RBI to review the position from time to time and things are well under control. The details regarding RBI's indents, targets fixed and actual production achieved during the last three years are given below:

(in million pieces)

Year	RBI indent	Target	Production
1986-87	3400	2850	2893
1987-88	3565	2850	2945
1988-89	3665	2330	2589

In the action taken note on para 63, the Ministry have also stated as under:

"Not only are the mints meeting the targets in the recent years, there is also a better coordination between the Ministry of

Finance and RBI with the result that shortage crisis is over and no import of coins is taking place."

9. The statistics regarding RBI indents, targets fixed and actual production achieved during the last 3 years do not support the Ministry's statement that things were well under control and the mints were meeting the targets in the recent years. Against the RBI indents which ranged between 3400 and 3665 million pieces during the years 1986-87 to 1988-89, the actual production of coins has during the same period ranged between 2589 and 2945 million pieces. The actual production in each of the three years was much less than the quantity indented by the Reserve Bank. Therefore, unless the actual lifting of the coins by RBI during this period was much less than the indents placed, the statement that shortage crisis was over would not bear scrutiny. The Committee wish the Ministry had been more circumspect while giving figures of indents & production vis-a-vis actual lifting of the coins by RBI. They would like to be reassured that the actual production at the three mints is commensurate with the total demand of the coins in the country. If the RBI is still satisfied with each year's supply that only underlines the inflated nature of the indent. The Committee would like to know on what basis the RBI indent are formulated and what steps have been taken to correct the inflated demand.

Lack of Scientific system for checking effectively the actual repairs/ maintenance expenditure

(Sl. No. 17—Para 118)

10. Taking note of the absence of a scientific system to monitor and check effectively the repairs and maintenance expenditure at the mints, the Committee had in Para 118 recommended as under:

"It is disquieting to note that the Bombay Mint has no system of recording machine-wise/year-wise details of expenditure incurred on repairs and maintenance. According to the information furnished by the Ministry of Finance, in the absence of the machine-wise data, the expenditure commonly booked were located and absorbed on machines on the basis of capital cost of the machines. In the absence of these details it would be well high impossible for the Government to review the performance of machine with a view to seeing whether these have outlived their utility and in many cases it may even be advisable to go in for new machines incorporating latest technology which may be economical and efficient leading to optimum utilisation. The present piece-meal approach and faulty and indecisive planning is the main cause for this sad state of affairs in the Mints. The matter needs urgent attention so that obsolete and defective machines are replaced. Capacity has to be increased by expanding or by establishing new machines. The Committee need hardly point out that the extent system of allocation of expenditure is unscientific and inadequate to render useful information to the management on actual repairs and

maintenance of machinery. The Committee would urge the Government to introduce a scientific system intended to monitor and check effectively the actual repairs/maintenance expenditure on the machine in different sections of the mint."

11. In their action taken note dated 29.12.1989 Government have stated as under:

"The reason why the machine-wise data regarding utilisation of each machine vis-a-vis the available machine hours could not be maintained by the Calcutta and Bombay Mints is that most of the machines at these Mints are old. The problem regarding replacement of obsolete and defective machines have engaged the attention of the Government and in order to solve this problem, modernisation scheme for the three Mints at Bombay, Hyderabad and Calcutta has already been approved at a cost of Rs. 118 crores. The project is likely to be completed by December, 1992. Once the modernisation scheme is implemented performance of each machine with regard to its maintenance, expenditure output etc. would be scientifically maintained."

12. The reasons given by the Ministry for the non-maintenance of data regarding utilisation of each machine vis-a-vis the available machine hours are not convincing. What relevance the modernisation programme could have with the maintenance of records for repairs, replacements etc. is not at all clear. All that the Committee recommended was that a scientific system intended to monitor and check effectively the actual repairs/maintenance, expenditure on the machines should be introduced expeditiously. The Committee cannot but reiterate their earlier recommendation.

Delay in introduction of integrated cost and financial control system

(SL. No. 18, 19—Paras 141, 142)

13. Commenting on the inordinate delay in preparation of the proforma accounts of three Mints, the Committee had in paragraphs 141 and 142 of their Report observed as under:

"The Committee regret to observe that the Proforma Accounts of Bombay and Calcutta Mints from 1981-82 are still in arrears with the result that the extent of net profit/loss in the working of these mints could not be considered in detail. The purpose of preparing these accounts is to judge whether the mints functioned with minimum financial outlay avoiding all unnecessary and extravagant expenditure and keeping in view the requirement of maximum physical output for minimum financial input. The delayed preparation of these accounts would totally defeat the purpose.

The Committee find that although the Ministry of Finance considered a proposal for conducting a study on the introduction of integrated cost and financial control system in late 1970s, the same

was not followed up. According to the information furnished by the Ministry of Finance, the uniform system of costing had not been introduced in the Mints because each mint followed its own established methods. The Committee have now been informed that the Government has recently taken a decision for appointment of an agency for conducting such a study. The Committee deplores that no timely steps were taken by the Government for introduction of such a system earlier so as to effectively analyse the factors for the abnormal variations in the cost of production of different denominations of coins in the three Mints besides ensuring timely submission of Proforma Accounts. The Committee would like the Ministry to take appropriate steps for early introduction of integrated cost and financial control system in the three Mints. The Committee would also like to be apprised of the progress made by Bombay and Calcutta Mints in clearing the outstanding proforma accounts."

14. In their action taken note dated 29.12.1989 Government have stated as under:

"So far as Calcutta Mint is concerned, Proforma Accounts upto the years 1986-87 have been completed and audited. The accounts for the years 1987-88 are at final stage and likely to be completed soon. Preparation of Proforma Accounts for the year 1988-89 is also in progress simultaneously. So far as Bombay Mint is concerned, Proforma Accounts upto the year 1983-84 have already been completed and audited. Proforma Accounts for the years 1985-86 onwards are at various stages of completion."

A Committee was constituted to evolve an integrated cost and financial control system applicable to the mints. The Committee has since submitted its report which has also been approved by the Ministry of Finance. Instructions have already been issued to the Mints to implement the integrated cost and financial control system as per the report. Hyderabad Mint has implemented the report with effect from September, 1989 and Calcutta Mint with effect from October, 1989, while Bombay Mint with effect from April, 1989."

15. The Committee note that the proforma accounts in respect of the Calcutta Mint have been completed and audited upto the years 1986-87 and those for the years 1987-88 and 1988-89 are reportedly in progress simultaneously. However, in the case of Bombay Mint, proforma accounts upto the year 1983-84 only have been completed so far. As the proforma accounts serve a useful purpose in ensuring financial accountability, the Committee strongly feel that the preparation of proforma accounts should not be allowed to fall in arrears. There should be a time bound programme for the timely completion and auditing of these

accounts from year to year. The Committee would like that the work relating to preparation of proforma accounts in respect of Bombay Mint may be brought up to date without further loss of time.

The Committee further note that an integrated cost and financial control system recommended by a Committee constituted by Government has been implemented in the Mints. The Committee would like to be apprised in due course of the results achieved in terms of cost efficiency and improvement in performance of these mints.

CHAPTER II

RECOMMENDATIONS AND OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Para 17 (Recommendation No. 1)

Coins constitute a small but necessary part of the total currency in circulation in the country. A distinct from the currency notes issued by the Reserve Bank of India (RBI), the rupee notes/coins and the subsidiary coins are issued by the Government of India and put into circulation through RBI. The Central Government is responsible for the minting of various denominations of coins which are presently produced in the three India Government Mints established at Bomabay, Calcutta and Hyderabad. Although the production in these Mints has been continuously on the increase in each year from 1982-83, the existing Mints have failed to meet country's growing demand of coins in the recent years with the result that the Government has had to recourse to import of coins pending commissioning of a Mint at NOIDA due by 1988-89.

[S.No. 1 (Para 17) of appendix to 90th report of PAC (Eighth Lok Sabha)]

Action Taken Note

The reasons for shortage of coins during 1982-83 were due to the reduced working hours in the previous years, and also because of a sudden increase in demand for coins. However, in order to meet the coinage demand of the country, Government have taken various steps for increasing the production of the existing Mints. Wherever feasible, old and outdated machines have been replaced and modern machines installed. Incentive schemes have also been introduced at these Units. With these steps and also due to the commissioning of the new Mint at NOIDA in July, 1988, country is presently self-sufficient in the production of coins and no import of coins is taking place.

[Ministry of Finance (Deptt. of economic affairs) O.M. No. C&C/JAO/1/19/87-88/Coin-I dated 29.12.89]

Para 61 (Recommendation No. 4)

The Committee have been informed that the annual indents for various denominations of coins are placed on Government by the Reserve Bank of India (RBI) after assessing the demand of coins made in the light of the previous years utilization patterns and the stock of unissued coins held by the offices of RBI. Based on such indents, the mint-wise target of production of coins are fixed by the Ministry of Finance on year to year basis after taking into consideration the production achieved by the three Mints during the preceding few years and the availability of man/machine

power for processing different coinage alloys. These targets of production of coins are arrived at on the basis of the stock of coins available with both RBI and the Mints.

[S.No. 4 (Para 61) of Appendix to 90th Report of PAC (Eighth Lok Sabha)]

Action Taken Note

The Above para describes the procedure for placing the annual indents for various denominations of coins by RBI on the Government and hence does not call for any comments.

[Ministry of Finance (Deptt. of Economic Affairs) O.M. No. C&C/JAO/1/19/87-88/Coin-I dated 29.12.89]

Para 68 (Recommendation No. 11).

The Committee note that RBI's Issue Offices issue coins over their counters and also through small coin depots/currency chests established with the branches of State Bank of India, nationalised banks, treasuries etc. the Committee also note that there are constraints in expansion of the network of small depots due to "infrastructural deficiencies like rail/road link, inadequate security etc." The Secretary, Ministry of Finance, however, informed the Committee during evidence that Government had recently taken a decision to involve SBI and all the nationalized banks directly in the distribution of coins. the Committee would urge upon the Government to expeditiously take steps for revamping the distribution system by involving all branches of SBI and nationalized banks with a view to providing smooth notes/coins exchange facility in all parts of the country. The Committee note that the Government intends to examine the alternatives of modernizing the mints on the availability of MECON Report. The Committee hope that while examining this question, the Government would take into account the latest technological development in this field in advanced countries and also the fluctuating requirements of coins so that the production of coins in the mints is done efficiently and economically.

[S.No. 11 (Para 68) of Appendix to 90th Report of PAC (Eighth Lok Sabha)]

Action Taken Note

At present, there is no problem in the distribution of coins/notes and the coins/notes are readily available in all parts of the country. The very fact that the coins/notes are readily available testifies to revamping of the system by the Govt. and the RBI through the distribution network. As a part of the revamping of the distribution system, 3757 currency chests and 2930 small coin depots have been opened by the RBI and the nationalized banks throughout the country. The modernization scheme aims at introducing latest technology in the minting of coins.

[Ministry of Finance (Deptt. of Economic Affairs) O.M. No. C&C/JAO/1/19/87-88/Coin-I dated 29.12.89]

Para 113 (Recommendation No. 12)

The Audit Para points out that no norms have been fixed for arising of wasters and rejections in any of the coining processes and that the percentage of operational loss in melting process in respect of aluminium-magnesium has exceeded the prescribed norm during the year 1979-80, 1982-83 and 1983-84. According to Ministry of Finance, norms for wasters/rejections in coining processes in Rolling Section to Coining Section can be fixed only when slabs of uniform quality are received from Melting Section. The Committee are also informed that the Bombay Mint has "recently introduced continuous casting with the help of sophisticated machinery and the operational rejection in casting bars have now been eliminated to a very great extent". The Committee, however, note that the remaining two mints still have oil fired tilting furnances in operation in the melting sections.

[S.No. 12 (Para 113) of Appendix to 90th Report of PAC (Eighth Lok Sabha)]

Action Taken Note

The Oil fired furnances in the Mints are being progressively replaced by induction furnances. This, coupled with continuous casting plants which forms a part of the modernization scheme, is expected to bring about uniformity in the quality of the cast product. However since most of the machinery of the mints is out-dated, uniform norms for rejections are not possible. Once the modernization scheme is implemented which is expected to be completed by December 1992, uniform norms for rejections will be fixed.

[Ministry of Finance (Deptt. of Economic Affairs) O.M.No. C&C/JAO/1/19/87-88/Coin-I dated 29.12.89]

Para 117 (Recommendation No. 16)

The Committee note that the Mints at Bombay and Calcutta are not maintaining machine-wise data with a view to ascertaining the extent of utilisation of each machine vis-a-vis the available machine hours. Although the Hyderabad Mint has been maintaining such records in all production departments, the experience of Hyderabad is stated to have been not followed in Bombay Mint because of the 'sheer volume of work involved and large number of machineries in use'. The Committee, however, find from Paragraph 61 of the Report of the C&AG of India for the year 1982-83, Union Government (Civil) regarding India Government Mint, Hyderabad that 34 and 38 per cent of the available hours were lost due to break-down of machines in the years 1979-80 and 1980-81 respectively in the coining presses in Hyderabad. According to this Audit Para, an analysis of the machine-wise break-down during 1980-81 revealed that one-third of the machines in coining departments were under repairs continuously for over nine months. The Committee feel that this is a disturbing

feature especially when 'the workers are motivated to produce as much as possible from the existing aged machines' leading to break-downs now and then. The Committee need hardly emphasize that complete records of the plants and equipments showing the number of break-downs, total number of man/machines hours lost and the losses suffered as a result thereof should be properly maintained so that the precise reasons of break-downs etc. could be identified for conclusive action to avert their recurrence.

[S.No. 16 (Para 117) of Appendix to 90th Report of PAC (Eighth Lok Sabha)]

Action Taken Note

Maintenance of records of machine utilisation and break-down has been introduced in the India Govt. Mints at Calcutta, Hyderabad and Bombay. The basic reason for the high break-down ratio necessitating repairs of the machines is that most of the machines are old and obsolete. The modernization scheme now approved by the Govt. aims at solving this problem.

[Ministry of Finance (Deptt. of Economic Affairs) O.M. No. C&C/JAO/1/19/87-88/Coin-I dated 29.12.89]

Para 143 (Recommendation No. 20)

It is disquieting to find that while the physical verification of stores is required to be conducted at least, once every year, such verification has not been properly conducted in most of the cases in all the three mints during the preceding six years. The Committee also observe that the stores verification in Calcutta Mint during the years 1982-83 and 1983-84 could not be completed either due to incomplete stores adjustments in the previous year or due to non-posting of stores ledgers etc. This is clearly indicative of lack of control with regard to accountal of stores and against canons of financial propriety. The Committee would like the Ministry to fix responsibility for the lapses in not undertaking the complete and timely annual physical verification of stores in all the three Mints from 1979-80 onwards. The Committee would also like the Ministry to issue instructions for proper annual verification of the stores in the existing Mints, fixing norms for permissible shortages, enforcing accountability of offices for not conducting timely physical verification and fixing responsibility in cases involving heavy shortages.

[S.No. 20 (Para 143) of Appendix to 90th Report of PAC (Eighth Lok Sabha)]

Action Taken Note

The verification of stores has been brought upto date in Bombay Mint. So far as Calcutta Mint is concerned, physical verification of stores is being done on regular basis since 1986-87 once every year and action taken as per the verification report. The stores account of the Hyderabad Mint will be brought upto date by end of 1989-90.

Instructions have been issued by the Ministry of Finance to the Mints for proper annual verification of stores and for fixing of responsibility for past lapses.

[Ministry of Finance (Deptt. of Economic Affairs) O.M. No. C&C/JAO/1/19/87-88/Coin-I dated 29.12.89]

Para 144 (Recommendation No. 21)

The Committee find that Bombay Mint has not yet fixed maximum, minimum and ordering levels for the consumable stores nor analyzed the stores into surplus, slow-moving and obsolete items. The ratio of issue of stores to the balance held in stock has been very high in Bombay Mint, it being 1:97 in 1984-85. According to the information furnished by the Ministry, the Bombay Mint had purchased 1025 bars of nickel for utilisation under National Standard Rules of India but this inventory had to be carried forward as the said Rules remained only in draft stage. The Committee feel concerned about these bars lying unutilized and would like to know the total value of such stock and the period for its remaining unutilized. The Committee would also like the Ministry of Finance to appoint a group of technical officers to examine the aspect of stores management so as to evolve an appropriate mechanism to rationalize the inventories with a view to ensuring that these are not burdened by acquisition of stores far in excess of inventory level thereby blocking capital. The Committee may be apprised of the action taken in this regard.

[S.No. 21 (Para 144) of Appendix to 90th Report of PAC (Eighth Lok Sabha)]

Action Taken Note

Ordering levels for stores have since been fixed in Bombay Mint. The 58% Nickel Steel Bars are specialized item of stores. These were purchased in the year 1977 and is being preserved on the advice of the Director of Weights and Measures. Value involved is Rs. 10.94 lakhs. These bars have been taken for processing from August, 1985 and approximately about 20% of the bars have already been consumed by now. A Technical Committee has been appointed to examine the aspect of stores management in the Mints as suggested by the PAC. The Committee has completed its report and instructions have already been issued to implement the recommendations of the report.

[Ministry of Finance (Deptt. of Economic Affairs) O.M. No. C&C/JAO/1/19/87-88/Coin-I dated 29.12.89]

Para 145 (Recommendation No. 22)

Another disquieting feature noticed by the Committee is that there is no departmental manual in Calcutta and Hyderabad Mints and the departmental manual for Bombay Mint is more than four decades and has not been updated from time to time. The Committee fail to understand as to how the Mints functioned in the absence of departmental manual which

not only lays down the procedure for financial and accounting arrangements but also specifies the duties and responsibilities of each category to staff. The Internal Work Study Group of the Government of India had also laid emphasis on the need for maintenance of such a manual in the Mint. This clearly indicates that the management have failed on this count. According to the Ministry of Finance, it is proposed to entrust the work of compilation of a uniform manual for all the Mints to consultants/management experts 'as it would contain both technical as well as accounting and administrative areas'. The Committee hope that urgent steps would be taken to prepare the departmental manual incorporating latest decisions for being introduced in the Mints without any further loss of time. The Committee would like to be apprised of the action taken in this direction.

[S.No. 22 (Para 145) of Appendix to 90th Report of PAC (Eighth Lok Sabha)]

Action Taken Note

The work of preparation of a uniform manual was entrusted to a Committee. The Committee has already completed the draft manual which has also been circulated to all the General Managers. The comments of the General Managers have also been received by the Committee and are being synthesized for incorporation in the final version. The printed version of the manual is expected to be brought out by July, 1990.

[Ministry of Finance (Deptt. of Economic Affairs) O.M. No. C&C/JAO/1/19/87-88/Coin-I dated 29.12.89]

Para 146 (Recommendation No. 23)

The observation of the Committee aforesaid leads the Committee to inevitable conclusion that there has been a dismal failure of the Ministry of Finance in managing the affairs of the Mint. Due to lackadaisical approach to the problems of the Mints, the Government Mints which have been in production for over a century, have almost become obsolete. Lack of replacement and rehabilitation programme has led to the continuance of overage and obsolete machines which have a poor out-turn as compared to the new machines. Had this part of the issue received proper attention in time, perhaps, the need for import of coins from abroad would not have arisen at all. The system of forecast for the requirement of the coins, its production and circulation requires to be thoroughly overhauled and reoriented so as to ensure that the shortcomings pointed out by the Committee do not recur. There has been total absence of the system of costing in the Mint, with the result that there is no cost control and, therefore, economics of the production cannot be judged. The Committee recommends that the system of cost accounting and cost control, as is suitable for any manufacturing unit, should be instituted forthwith to ensure that the cost of production remains under control and the output is economical. The Committee would specifically urge the Government to

arrange a review of the existing over aged machines engaged in the production of coins on a priority basis so as to examine whether these need replacement, keeping in view that the expenditure on their upkeep and maintenance is on the high side and may justify purchase of new machines incorporating latest technology which may result in better out-turn.

[S.No. 23 (Para 146) of Appendix to 90th Report of PAC (Eighth Lok Sabha)]

Action Taken Note

While preparing the project report on modernization of the Mints as directed by Government, M/s. MECON, the consultants for the modernization project, have taken care to recommend the latest technology available in this field. The modernization scheme has already been approved by the Government and the project is expected to be completed by December 1992. So far as the system of forecast for the requirement of coins, its production and circulation is concerned, the position is regularly reviewed and there is a better co-ordination between the Ministry of Finance, the Government Mints and the RBI with the result that the targets for production of coins are fixed realistically and the mints are achieving those targets. The country is presently self-sufficient in the production of coins and no import of coins is taking place. So far as the costing system is concerned, a Committee was constituted to evolve an integrated cost and control system. The Committee has already submitted its report and the Mints have also implemented the report.

[Ministry of Finance (Deptt. of Economic Affairs) O.M. No. C&C/JAO/1/19/87-88/Coin-I dated 29.12.89]

CHAPTER III

RECOMMENDATIONS AND OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES RECEIVED FROM GOVERNMENT

Para 62 (Recommendation No. 5)

The Committee note that during the year 1978-79 the closing balances of coins at RBI's offices and the Mints was 1595 million pieces and 929 million pieces respectively. Owing to these large balances of unissued coins with its offices, RBI lowered its annual indents for coins from 1450 million pieces for 1978-79 to 750 million pieces for each of the years 1979-80 and 1980-81. The targets of production of coins during these years, as prescribed by the Ministry of Finance, were 1000 million pieces and 1100 million pieces but the actual production of coins was only 551.94 and 551.91 million pieces in the respective years. As the annual absorption of coins during these years was high, the coins stocks both at RBI and the Mints were reduced significantly at the end of 1980-81. RBI, accordingly, increased its annual indents for coins to 1000 million pieces for 1981-82 and 1500 million pieces for 1982-83. The Ministry of Finance however prescribed lower targets of production of 750 million pieces of coins for 1981-82 and 900 million coins for 1982-83 but the Mints failed to achieve even these reduced targets of production with the result that the coins' stock with the Mints and RBI declined steeply during these years. According to the information furnished by the Ministry of Finance, the shortfall in the production of coins was attributable to the reduction in the working hours of the Mints and the withdrawal of the incentive schemes which resulted in loss in the earnings of the workers causing psychological set-backs and discontentment among them. The Committee have also been informed that the working hours of the Mints were reduced from 60 hours a week to 54 hours from 1-4-1977 and again to 48 hours from 10-5-1978 on the ground of accumulation of stocks in the Mints owing to fall in demand of coins. The committee, however, note that although an incentive scheme aimed at increasing the production of coins in the Bombay Mint was introduced from 28-12-1981, the Mint could not achieve the prescribed targets of production during the years 1981-82 and 1982-83.

[S.N. 3 (Para 62) of Appendix to 90th Report of PAC (Eighth Lok Sabha)]

Action Taken Note

The basic problem during the reported years had been that the Mints could not achieve the targets due to various reasons. Actual production during the years 1979-80 and 1980-81 had been only about 50 to 55% of the targets. On the other hand, the demand for coins increased suddenly

and consequently RBI increased their indents, but why Ministry of Finance could not fix a higher target for the years 1981-82 and 1982-83 was because of the low target achievement in the previous years. Therefore an attempt was made to fix achievable targets on the basis of past performance of the Mints and that is why the targets for 1981-82 and 1982-83 were reduced. Apart from the two reasons i.e. reduction in the working hours and withdrawal of incentive scheme as stated in this para, which contributed to the shortfall, there have been many other reasons, the primary one being that the Mints were functioning with outdated machinery. However, various measures have been taken in recent years which have helped solve the problem of shortage of coins in the country. Some of the measures taken are that the targets are fixed according to indents of RBI, it is ensured that the targets so fixed are actually achieved by the Mints, besides introduction of incentive scheme in the Mints for enhanced production etc.

[Ministry of Finance (Deptt. of Economic Affairs) O.M. No. C&C JAO/1/19/87-88/Coin-I dated 29.12.89]

Para 63 (Recommendation No. 6)

It is disquieting to note that the targets of production of coins for the years 1979-80 to 1982-83 were not in conformity with the procedure stated to have been adopted by the Ministry of Finance while fixing such targets. During 1979-80 and 1980-81 when RBI lowered its indents for coins due to heavy stocks of coins with its offices and the Mints, the Ministry of Finance had persisted with high targets of production. On the contrary in 1981-82 and 1982-83 when the stock position of coins with RBI and the Mints was dwindling and the RBI's indents were rising due to increase in demand of coins, the Ministry had prescribed lower targets of production. It is difficult to comprehend as to how the dwindling stock position of coins at RBI and the Mints was overlooked by the Ministry of Finance while fixing targets of production for the years 1981-82 and 1982-83. What surprises the committee most is the fact that the 'Committee of officers', appointed by the Ministry of Finance in July, 1983 to look into the problem of shortage of coins had observed that "there was a possibility that the demand estimates of RBI might be on the high side". The Committee, on the contrary, feel that had the indents of RBI been met during 1981-82 and 1982-83, there would not have been any shortage of coins. Evidently, there was a total failure on the part of Ministry of Finance in prescribing realistic targets of production and initiating timely measures with a view to augmenting the production of coins. In the opinion of the Committee, this failure had resulted in tapering down of production and consequential shortage of coins.

[S.No. 6 (Para 63) of Appendix to 90th Report of PAC (Eighth Lok Sabha)]

Action Taken Note

Admittedly there was need for better coordination between Ministry of Finance and RBI. Targets for the years 1979-80 and 1980-81 were fixed on the basis of targets for the previous years. However, since the actual production during the years 1979-80 and 1980-81 was far less than the targets, attempt was made to fix realistic targets during the subsequent years, and that is why the targets were reduced. As stated in the Action Taken Note against para 62, the basic problem was that the Mints were unable to meet the targets owing to variety of reasons. The situation has since been rectified. Not only are the Mints meeting the targets in the recent years, there is also a better co-ordination between the Ministry of Finance and RBI, with the result that shortage crisis is over and no import of coins is taking place. The details of the targets vis-a-vis the achievements for the last three years are as under: (in million pieces)

Year	Target	Production
1986-87	2850	2893
1987-88	2850	2945
1988-89	2330	2589

[Ministry of Finance (Deptt. of Economic Affairs) O.M. No. C&C/JAO/1/19/87-88/Coin-I dated 29.12.89]

Para 65 (Recommendation No. 8)

The Committee consider that the system adopted by the Ministry of Finance for prescribing targets of production of coins had certain deficiencies in so far as it failed to take into consideration the adjustments necessitated on account of shortfall in the production of coins in the previous years. Another factor responsible for the situation was that the Ministry of Finance had failed to take into consideration the typical tariff rates and the price structure in the market while fixing targets of production of smaller denomination coins with the result that the targets of production of 10p. and 5p. coins were considerably lowered despite RBI's high indents for the same.

The entire process of assessment of demand of coins by RBI and the fixation of volume of production and its monitoring by the Ministry of Finance is so inter-linked that both RBI and the Ministry of Finance should interact with a view to assessing and meeting the coinage requirement of the country. The Committee, therefore, recommend that the Ministry of Finance should not only devise a scientific mechanism for assessing requirement and production of coins but should also coordinate with RBI with a view to analyzing the coinage requirement from time to time so that the shortage of coins is avoided.

[S.No. 8 (Para 65) of Appendix to 90th Report of PAC (Eighth Lok Sabha)]

Action Taken Note

The experience of the Reserve Bank of India has shown that estimating coin demand over long time periods like 10 to 15 years is an extremely difficult task because of the various changes in the economy. However for fixing the quantity for the annual indents, RBI does take into consideration certain rates of income growth and inflation and makes corrections in their estimates every year.

In order to have an independent methodology for estimating the demands for coins and currency notes, RBI have been advised by Govt to engage an independent agency. Accordingly, RBI have engaged the Indian Statistical Institute, Calcutta. Nevertheless, long term forecasting of coin and currency demand is quite a difficult task in a developing economy like ours. Production targets have to be based on the experience gained during the immediately preceding period in regard to coin absorption, existing stocks of coins and observed changes in consumer preference for coins. Whatever methodology is used, a close coordination between RBI and the Ministry of Finance is maintained in order to ensure that the targets for production of coins are realistic and based upon the perception of RBI. For this purpose, the unlifted stocks in the Mints, the stocks with the RBI and the agency banks (i.e. small coin depots and currency chests) will continue to be reckoned, as hitherto. Every effort is made to make the estimates as realistic as possible.

[Ministry of Finance (Deptt. of Economic Affairs) O.M. No. C&C/JAO/1/19/87-88/Coin-I dated 29.12.89]

Para 66 (Recommendation No. 9)

The Committee find that the percentage of small coins to total currency had gone down from 3 in 1971 to 1.4 in 1986. Similarly, the percentage of one rupee notes/coins had also declined from 5.7 in 1971 to 1.9 in 1986. This is presumably due to the declining value of rupee. Small coins are no longer in demand as they used to be except in retail shops. The demand for small coins is likely to be reduced and those for coins of 50 paise may go up. It is considered desirable that the Ministry of Finance take into account all relevant consideration for fixing a proper percentage of the coins to the total currency so that the targets for the production of coins in the Mints are fixed realistically. It is imperative that the psychology of shortage should remove.

[S.No. 9 (Para 66) of Appendix to 90th Report of PAC (Eighth Lok Sabha)]

Action Taken Note

Admittedly the percentage of small coins to the total currency has gone down which could be primarily due to the declining value of rupee. So far as fixing a proper percentage of the coins to the total currency for fixing targets of coin production is concerned, the Long Term Coinage Policy Committee considered this matter and felt that in the circumstances of the

Indian economy reasonable requirements of the payment needs of the community would be met if about 3% of the total currency in circulation consisted of coins in active circulation. It was estimated by the Committee (in 1985) that coin circulation was 1.67% of the total currency circulation. Since then because of increase in production as also due to import of coins, the present estimate of coin to currency proportion is about 2.4%. However, fixing or arriving at an exact percentage ratio of coins vis-a-vis total currency in circulation is fraught with problems in as much as RBI has no accurate data on coin circulation as also of total currency in circulation due to a variety of reasons. In any case, the targets for production of coins are fixed by RBI on the basis of past experience and the country is presently self-sufficient in the production of coins and the psychology of coin shortage no longer persists.

[Ministry of Finance (Deptt. of Economic Affairs) O.M. No. C&C / JAO/ 1/19/87-88/Coin-I dated 29.12.89]

Para 114 (Recommendation No. 13)

The Committee find from Paragraph 61 of the Report of C&C of India for the year 1982-83. Union Government (Civil) regarding India Government Mint, Hyderabad that there had been a sudden increase in the fuel oil consumption in Melting Section of Hyderabad Mint from the year 1977-78 onwards. According to the information furnished by the Ministry, the reasons for this increase in fuel oil consumption in melting process were attributable to the reduced working hours and the time gap of about 9 hours between the closure of the shifts and its commencement on next day resulting in considerable heat loss in the furnaces. The Committee regret to note that no timely action was taken for readjustment of the shifts in Melting Section with a view to economically utilising the furnaces in operation in Hyderabad Mint. The system of continuing the present casting techniques in Calcutta and Hyderabad Mints requires an assessment of cost-benefit ratio as the continued use of primitive casting techniques have not only resulted in abnormal operation losses but have also affected the performance of the Mint.

[S.No. 13 (Para 114) of Appendix to 90th Report of PAC (Eighth Lok Sabha)]

Action Taken Note

It may not be correct to state that no timely action was taken for re-adjustment of shifts in the Melting Section for economic utilisation of furnaces. A gap was to an extent unavoidable because the Mint was functioning 16 hours in two shifts out of 24 hours in a day. Efforts to spread the melting operation throughout the day was also frustrated because of the non-cooperation on the part of workers who had started a go-slow agitation to protest against the reduction in working hours which had resulted in lesser overtime earnings. In any case, Medium Frequency Electric Furnace has already been procured and is in the process of being

installed and commissioned which will reduce energy wastage in melting operations. Moreover, in the modernization proposal, provision has been made for replacement by modern electric furnaces.

[Ministry of Finance (Déptt. of Economic Affairs) O.M. No. C&C/JAO/1/19/87-88/Coin-I dated 29.12.89]

Para 115 (Recommendation No. 14)

Huge stock of rejections/wasters and uncurrent coins has been accumulating in Bombay Mint year after year from 1979-80 onwards. According to the information furnished to the Committee, the value of rejections/wasters and the uncurrent coins lying in Bombay Mint as on 31.3.1985 is Rs. 3,28,36,459 and Rs. 7,18,412 respectively. While the aluminium magnesium coins were made from ready made extrusions procured from outside, the rejections arising out of these extrusions along with the uncurrent coins could not be melted 'within the restricted capacity'. Even the extent casting system 'with the help of sophisticated machinery' adopted in Bombay Mint has failed to meet the necessary diversion of melting capacity from one alloy to another with the result that the Mint has been exploring the possibility of getting the rejection processed through outside agencies. The Committee fail to understand the logic behind the belated decision of the Government to get the rejections melted from outside agencies. It is imperative that the Ministry of Finance realized the necessity for taking concrete steps for augmenting the melting capacity of the Mints through modern techniques so as to effect all possible economies consistent with the requirements of the Mints.

[S.No. 14 (Para 115) of Appendix to 90th Report of PAC (Eighth Lok Sabha)]

Action Taken Note

The accumulation of rejections/wasters and uncurrent coins was due to (1) unprecedented sudden failure of the furnace which affected the melting capacity and (2) increased production targets fixed which in turn generated more rejections/wasters. However, although two-pronged actions viz. (i) getting the rejections melted from outside agency, and (ii) installation of new furnace were initiated as early as in 1983, there was some delay in liquidating the accumulation due to the following reasons:

Responses from manufacturers who could undertake the work of conversion according to the Mint's technical specifications against open tenders/limited tenders were extremely poor. In the beginning those who quoted did not even satisfy with sample performance, and their rates were also too high.

The bulk of the accumulation of scissels projections, wasters, uncurrent coins etc. has been got melted from outside agencies and used for production of new coins. Present stocks are nominal. Modern electric

induction furnaces have been procured and installed in the Bombay Mint. Coupro-Nickel rejections are now expected to be processed in the Mint in the normal course.

[Ministry of Finance (Deptt. of Economic Affairs) O.M. No. C&C JAO/1/19/87-88/Coin-I dated 29.12.89]

CHAPTER IV

RECOMMENDATIONS AND OBSERVATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND REQUIRE REITERATION

Para 18 (Recommendation No. 2)

The Committee are surprised to find that while the existing Mints have been functioning under the Department of Economic Affairs in the Ministry of Finance for a considerable long period the installed/achievable capacity of these Mints has not yet been determined. The Government appointed M/s Kirloskar as consultants to study the various aspects regarding installed and achievable capacity, labour hours utilised etc. in the Bombay Mint in the seventies. The Consultants' Report inter-alia recommended "fixation of scientific norms and enhanced productivity calculated on the basis of 48 hours working of the Mint". However, the Ministry of Finance could not pursue its implementation as the recognised Unions of the Mints resisted the Report mainly on account of the "proposed reduction in manpower and increase in the production norms to be achieved with the same old machinery". The Committee further noted that the Department of Personnel and Administrative Reforms (DPAR) also recommended installation of an Industrial Engineering Cell in the Mints with a view to assessing installed/operating capacity of each equipment and plant. Although the Study Report of DPAR was submitted in May 1983, the specially constituted Empowered Committee accepted the recommendation only in August 1985. The Committee have now been informed that the Government has in November 1985 appointed M/s MECON as engineering consultants for the new Mint Project, NIODA and the scope of their assignment also includes preparation of engineering reports for modernization of the three existing Mints. While M/s MECON are expected to submit their report within three months after the final clearance is given by the Government, the final clearance has not yet been given due to the impending decision on substituting the coinage alloy of some of the coins with stainless steel.

[S. No. 2 (para 18) of Appendix to 90th Report of PAC (Eight Lok Sabha)]

Action Taken Note

The modernization scheme for the three Mints at Bombay, Hyderabad and Calcutta was submitted by MECON in September, 1986, and was approved by the Cabinet on 24-2-1989. According to the scheme which has been drawn up by M/s MECON in consultation with the Mints, new factory location is envisaged for Hyderabad Mint while for the other two

Mints i.e. Bombay and Calcutta, the existing premises would be sufficient. Land for the new location of Hyderabad Unit has already been indentified. Formalities regarding acquisition of land have also been completed and the possession of land has also been taken by the Hyderabad Mint. Necessary follow up steps are being taken for modernization of the three Mints as envisaged in the modernization scheme. The detailed engineering and implementation schedule has been finalized and the project is expected to be completed by December, 1992.

[Ministry of Finance (Deptt. of Economic Affairs) O.M. No. G & C JA/1/19/87-88/Coin-I dated 29-12-89.]

Para 19 (Recommendation No. 3)

The facts stated above could clearly indicates that the Ministry of Finance have been far too lackadaisical and indifferent towards the aspect of determination of capacity of the Mints with the result that the actual capacity utilization of these Mints could not hitherto be assessed. Even if the Kirloskar Report could not be implemented because of its rejection by the Recognized Unions of the Mints for reasons explained in the proceeding paragraph, the Committee have no doubt that more practical and scientific approach could and should have been made for determining capacity of the Mints with due consideration for the existing manpower and the machinery in the interest of optimum economic results. The Committee are of the considered view that it is absolutely essential to have the capacity utilization of these Mints assessed so that it is possible to analyze variations in the actual work and determine reasons for work slippage and other delays. The Committee deprecate that there has been delay of more than two years in accepting the recommendation of DPAR for setting up of Industrial Engineering Cell in the Mints with the result that the proposed cell still continues to be in a formative stage. What is more disquieting is the fact that ever M/s MECON's engineering study has been held for want of clearance by the Ministry of Finance pending the decision on substituting the coinage alloy of some of the coins with ferrous steel. The Committee would like the issue of determination of capacity and its optimum utilization to be settled without any delay so that it is possible to effectively monitor the progress of the working of mints and to take prompt remedial measures in regard to work slippages.

[S.No. 3 (para 19) of appendix to 90th Report of PAC (Eighth Lok Sabha)]

Action Taken Note

For determining the capacity of the Mints with the existing manpower and machinery and with a view to achieve maximum utilization of the capacity, the Mints have evolved group incentive schemes and the incentive schemes are working satisfactorily for the last 3-4 years because of which better utilization could be achieved. Steps have also been taken

to determine the capacities of the Mints at different levels of daily working hours. The modernization scheme for the three Mints at Bombay, Hyderabad and Calcutta has already been approved by the Government. Capacity determination is one of the main thrust areas of modernization scheme. Once the modernization scheme is fully implemented, the capacity of the Mints would be scientifically determined. With these measures, the mints are achieving their targets in the recent years. The details of the targets vis-a-vis the achievements for the last three years are as under:

Year	(in million pieces)	
	Target	Production
1986-87	2850	2893
1987-88	2850	2945
1988-89	2330	2589

[Ministry of Finance (Deptt of Economic Affairs) O. M. No. C & C JAO/1/19/87-88/Coin-I dated 29-12-89.]

Para 64 (Recommendation No. 7)

The Committee have also been informed that the genesis of the problem and steps that could be taken to meet the shortage of coins were discussed by the General Managers of the three Mints at Delhi in May 1983 and a comprehensive note on the subject was sent by the Ministry of Finance to the Governor of RBI. The note *inter-alia* brought out that notwithstanding the fall in production as compared to the targets fixed on the basis of demand, RBI had failed to lift even the coins produced in the Mints. In a subsequent note to the Committee, the Ministry of Finance reiterated that it was only during the years from 1978-79 to 1980-81 that RBI was not in a position to lift the entire production together with the unlifted stocks at the Mints as the Reserve Bank along with the agency banks was carrying heavy unissued coins stocks. The Committee, however, find from the statistics furnished by the Ministry that RBI was lifting more coins than the mintage in each of the years during 1978-79 to 1983-84 and the lifting during 1979-80 and 1980-81 exceeded even the indents of the Banks.

[S. No. 7 (para 64) of Appendix to 90th Report of PAC (Eighth Lok Sabha)]

Action Taken Note

Certainly there had been some anomalies in the past and the General Managers did not apprise the Ministry of Finance correctly about the lifting of the coins by RBI. However subsequently things have been streamlined and close monitoring is being done. Regular meetings are held with RBI to review the position from time to time and things are well under control.

The details regarding, RBI's indents, targets fixed and actual production achieved during the last three years are given below:

(in million pieces)

Year	RBI indent	Target	Production
1986-87	3400	2850	2893
1987-88	3565	2850	2945
1988-89	3665	2330	2589

[Ministry of Finance (Deptt. of Economic Affairs) O.M. No. C & C JAO/
2/19/87-88/Coin-I dated 29.12.89.]

Para 67 (Recommendation No. 10)

The Committee note that RBI in March 1983 had given the estimated requirements of coins to the tune of 2050 million pieces in 1983-84, 2250 million pieces in 1984-85 and 3200 million pieces in 1991-92. As against this, the production of coins in the Mints was, however, only 1063 million pieces and 1356 million pieces during the years 1983-84 and 1984-85 respectively. The Committee have been informed that with a view to meeting the shortfall in production and the growing demand of coins in future years, the Ministry has initiated certain short and long term measures in viz (i) introduction of an incentive scheme and increase in the weekly working hours in the three mints; (ii) introduction of second shift in Calcutta Mint from 25.2.1985; (iii) import of 22 new coining presses which have been installed or are in the process of installation either as replacement or in addition in the three Mints and (iv) setting up of a new Mint at NOIDA, UP which is likely to start production from 1988-89. The Committee, however, find that despite the augmented production of coins in the country during the years 1983-84 and 1984-85, the existing mints have failed to meet the entire coinage requirement with the result that Government has placed orders for import of 4000 million pieces of coins from the foreign mints. The Committee are unhappy to point out that these import orders have not only costed the country valuable foreign exchange but have also exposed the poor coordination and planning in the Ministry of Finance. The Committee would like to be apprised of the amount of foreign exchange spent in the import of coins during the aforesaid years. Keeping in view the fact that the forecast for requirement of coins generated for the decade would entail a growth rate of about 10.6 per cent for circulation of small coins and 9.23 per cent for Rs. 2 and Rs. 1 coins, the Committee would urge upon the Government to take measures to plan the future mintage capacity in the country directly in proportion to the rate of demand growth so as to obviate any possibility of imbalance. The Committee would urge the Government to take adequate steps in advance so as to ensure that it is not necessary to import coins. It must be

remembered that the history of Indian Mints shows that at one time foreign countries used to get their coins minted in India.

[S.No. 19 (Para 67) of Appendix to 90th Report of PAC (Eighth Lok Sahba)]

Action Taken Note

While no import of coins took place either in 1983-84 or 1984-85, 4000 million pieces of coins were imported during the period 1985-86 and 1986-87 which involved an expenditure of about Rs. 140 crores in foreign exchange. Government have taken various measures to increase the production of coins with the result that the Mints are meeting the targets in the recent years, and no more import of coins is taking place. The details of the targets vis-a-vis the achievements for the last three years are as under:

(in million pieces)

Year	Target	— — — — Production
1986-87	2850	2893
1987-88	2850	2945
1988-89	2330	2589

It is expected that after modernization of the three Mints at Bombay, Calcutta and Hyderabad, the production capacity of these Mints working in 2 shifts of 8 hours each will stabilise at 2700 million pieces of coins per annum. The New Mint established at NOIDA and commissioned in July 1988 has an installed capacity of 2000 million pieces of coins per annum. The plan is, thus, for a production capacity of 4700 million pieces, which based on RBI's projections, is expected to meet the country's requirements of coins upto 1995.

[Ministry of Finance (Deptt. of Economic Affairs) O.M. No. C & C JAO/1/19/87-88/Coin-I dated 29.12.89.]

Para 118 (Recommendation No. 17)

It is disquieting to note that the Bombay Mint has no system of recording machine-wise / year-wise details of expenditure incurred on repairs and maintenance. According to the information furnished by the Ministry of Finance, 'in the absence of the machine-wise data, the expenditure commonly booked were located and absorbed on machines on the basis of capital cost of the machines'. In the absence of these details it would be well nigh impossible for the Government to review the performance of machine with a view to seeing whether these have outlived their utility and in many cases it may even be advisable to go in for new machines incorporating latest technology which may be economical and efficient leading to optimum utilisation. The present piece-meal approach

and faulty and indecisive planning is the main cause for this sad state of affairs in the Mints. The matter needs urgent attention so that obsolete and defective machines are replaced. Capacity has to be increased by expanding or by establishing new machines. The Committee need hardly point out that the extant system of allocation of expenditure is unscientific and inadequate to render useful information to the management on actual repairs and maintenance of machinery. The Committee would urge the Government to introduce a scientific system intended to monitor and check effectively the actual repairs / maintenance expenditure on the machines in different sections of the Mint.

[S. No. 17 (Para 118) of Appendix to 90th Report of PAC (Eighth Lok Sabha)]

Action Taken Note

The reason why the machine-wise data regarding utilization of each machine vis-a-vis the available machine hours could not be maintained by the Calcutta and Bombay Mints is that most of the machines at these Mints are old. The problem regarding replacement of obsolete and defective machines have engaged the attention of the Government and in order to solve this problem, modernization scheme for the three Mints at Bombay, Hyderabad and Calcutta has already been approved at a cost of Rs. 118 crores. The project is likely to be completed by December, 1992. Once the modernization scheme is implemented, performance of each machine with regard to its maintenance, expenditure, output etc. would be scientifically maintained.

[Ministry of Finance (Deptt. of Economic Affairs) O.M. No. C & C
JAO / 1 / 19 / 87-88 / Coin-I dated 29-12-89].

CHAPTER V

RECOMMENDATIONS AND OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Para 116 (Recommendation No. 15)

The Committee note that the working in the existing Mints is labour oriented and section-wise manufacturing is undertaken in the coining process. According to Ministry of Finance, the Mints sometimes have to carry with the 'counter flow processes due to space constraint'. Most of the machines in operation in the various production sections have outlived its normal span of life, and in spite of the failure of the existing Mints in meeting country's coinage requirement fully, no concrete steps have yet been taken by the Government for replacement of the old machinery except recent installation of 22 imported coining presses either as additions or in replacement of the old ones in the existing Mints. M/s MECON appointed as Engineering Consultants to conduct a study on the modernization of the Mints, are yet to start their study due to the impending decision of the Government on the coinage alloy to be used in future. The fact, however, remains that the Government has displayed apathetic attitude towards updating the production technology in the Mints with the result that the conditions in the production sections of the Mints are far from satisfactory. The fact that the Indian coins manufactured in foreign mints are cost beneficent further strengthens Committee's view that the Government has not worked out the economies of production in the existing Mints. In the absence of such an exercise, the Committee are unable to understand how the Government can ensure optimum and economic production of coins in the best financial interest of the Government. The Committee desire that Government, after taking into consideration the future coinage alloy, should expeditiously take appropriate steps for providing the latest technology in the existing mints so as to effect utmost economy in the cost of production of coins. The Committee would also like to be apprised of the steps taken in this regard.

[S No. 15 (para 116) of Appendix to 90th Report of PAC (Eighth Lok Sabha)]

Action Taken Note

Mints modernization scheme costing about Rs. 118 crores has since been approved by the Govt. of India and action for implementation

is under progress. Modernization of the three mints at Calcutta, Bombay and Hyderabad is likely to be completed by December, 1992.

[Ministry of Finance (Deptt. of Economic Affairs) O.M. No. C&C JAO / 1 / 19 / 87-88 / Coin-I dated 29.12.89]

Para 141 (Recommendation No. 18)

The Committee regret to observe that the -Proforma Accounts of Bombay and Calcutta Mints from 1981-82 are still in arrears with the result that the extent of net profit/loss in the working of these mints could not be considered in details. The purpose of preparing these accounts is to judge whether the mints functioned with minimum financial outlay avoiding all unnecessary and extravagant expenditure and keeping in view the requirement of maximum physical output for minimum financial input. The delayed preparation of these accounts would totally defeat the purpose. [S.No. 18 (Para 141) of Appendix to 90th Report of PAC (Eighth Lok Sabha)]

Action Taken Note

So far as Calcutta Mint is concerned, Proforma Accounts upto the year 1986-87 have been completed and audited. The Accounts for the year 1987-88 are at final stage and likely to be completed soon. Preparation of Proforma Accounts for the year 1988-89 is also in progress simultaneously. So far as Bombay Mint is concerned, Proforma Accounts upto the year 1983-84 have already been completed and audited. Proforma Accounts for the year 1985-86 onwards are at various stages of completion.

[Ministry of Finance (Deptt. of Economic Affairs) O.M. No. C&C JAO/1/ 19/87-88/Coin-I dated 29.12.89]

Para 142 (Recommendation No. 19)

The Committee find that although the Ministry of Finance considered a proposal for conducting a study on the introduction of integrated cost and financial control system in late 1970s, the same was not followed up. According to the information furnished by the Ministry of Finance, the uniform system of costing had not been introduced in the Mints because each mint followed its own established methods. The Committee have now been informed that the Government has recently taken a decision for appointment of an agency for conducting such a study. The Committee deplored that no timely steps were taken by the Government for introduction of such a system earlier so as to effectively analyze the factors for the abnormal variations in the cost of production of different denominations of coins in the three Mints besides ensuring timely submission of Proforma Accounts. The Committee would like the Ministry to take appropriate steps for early introduction of integrated cost and financial control system in the three Mints. The Committee would also like

to be apprised of the progress made by Bombay and Calcutta Mints in clearing the outstanding proforma accounts.

[S.No. 19 (Para 142) of Appendix to 90th Report of PAC (Eighth Lok Sabha)]

Action Taken Note

A Committee was constituted to evolve an integrated cost and financial control system applicable to the Mints. The Committee has since submitted its report which has also been approved by the Ministry of Finance. Instructions have already been issued to the Mints to implement the integrated cost and financial control system as per the report. Hyderabad Mint has implemented the report with effect from September, 1989 and Calcutta Mint with effect from October 1989, while Bombay Mint with effect from April, 1989.

So far as Calcutta Mint is concerned, Proforma Accounts upto the year 1986-87 have been completed and audited. The accounts for the year 1987-88 are at final stage and likely to be completed soon. Preparation of Proforma Accounts for the year 1988-89 is also in progress simultaneously. So far as Bombay Mint is concerned, Proforma Accounts upto the year 1983-84 have already been completed and audited. Proforma Accounts for the year 1985-86 onwards are at various stages of completion.

[Ministry of Finance (Deptt. of Economic Affairs) O.M.No. C&C JAO/1/19/87-88 / Coin-I dated 29.12.89]

NEW DELHI
24 August, 1990

2 Bhadra, 1912 (Saka)

SONTOSH MOHAN DEV

Chairman,

Public Accounts Committee.

APPENDIX

Conclusions and Recommendations

Sl. No.	Para No.	Conclusions/Recommendations
1.	6	The Committee consider it unfortunate that till date the installed/achievable capacities of the three mints had not been determined and spelt out. Instead it is stated that capacity determination is one of the main thrust areas of Modernisation Scheme and once the modernisation scheme is fully implemented, the capacity of the mints would be scientifically determined. The Committee cannot but reiterate that the issue of determination of capacity of the mints and also their optimum utilisation level should first be settled without any further delay. Such an assessment would enable the management to effectively monitor the progress of the working of the mints.
2.	9	The statistics regarding RBI indents, targets fixed and actual production achieved during the last 3 years do not support the Ministry's statement that things were well under control and the mints were meeting the targets in the recent years. Against the RBI indents which ranged between 3400 and 3665 million pieces during the years 1986-87 to 1988-89, the actual production of coins has during the same period ranged between 2589 and 2945 million pieces. The actual production in each of the three years was much less than the quantity indented by the Reserve Bank. Therefore unless the actual lifting of the coins by RBI during this period was much less than the indents placed, the statement that shortage crisis was over would not bear scrutiny. The Committee wish the Ministry had been more circumspect while giving figures of indents and production <i>vis-a-vis</i> actual lifting of the coins by RBI. They would like to be reassured that the actual production at the three mints is commensurate with the total demand of the coins in the country. If the RBI is still satisfied with each year's supply that only underlines the inflated

Sl. No.	Para No.	Conclusions/Recommendations
		nature of the indent. The Committee would like to know on what basis the RBI indents are formulated and what steps have been taken to correct the inflated demand?
3.	12	The reasons given by the Ministry for the non-maintenance of date regarding utilisation of each machine <i>vis-a-vis</i> the available machine hours are not convincing. What relevance the modernisation programme could have with the maintenance of records for repairs, replacement etc. is not at all clear. All that the Committee recommended was that a scientific system intended to monitor and check effectively the actual repairs/maintenance, expenditure on the machines should be introduced expeditiously. The Committee cannot but reiterate their earlier recommendation.
4.	15	The Committee note that the proforma accounts in respect of the Calcutta Mint have been completed and audited upto the year 1986-87 and those for the years 1987-88 and 1988-89 are reportedly in progress simultaneously. However, in the case of Bombay Mint, proforma accounts upto the year 1983-84 only have been completed so far. As the proforma accounts serve a useful purpose in ensuring financial accountability, the Committee strongly feel that the preparation of proforma accounts should not allowed to fall in arrears. There should be a time bound programme for the timely completion and auditing of these accounts from year to year. The Committee would like that the work relating to preparation of proforma accounts in respect of Bombay Mint may be brought upto date without further loss of time.
		The Committee further note that an integrated cost and financial control system recommended by a Committee constituted by Government has been implemented in the Mints. The Committee would like to be apprised in due course of the results achieved in terms of cost efficiency and improvement in performance of these mints.

PART II

MINUTES OF THE 7TH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON 24 AUGUST, 1990 IN COMMITTEE ROOM NO. 50, PARLIAMENT HOUSE

The Committee sat from 1500 hrs. to 1645 hrs.

PRESENT

Shri Sontosh Mohan Dev — *Chairman*

MEMBERS

2. Shri G.M. Banatwalla
3. Shri Nirmal Kanti Chatterjee
4. Shri Bhavani Shankar Hota
5. Shri Manjay Lal
6. Shri M.S. Pal
7. Shri Kamal Morarka
8. Shri Sunil Basu Ray
9. Shri Vishvjit P. Singh
10. Shri Rameshwar Thakur

SECRETARIAT

Shri G.L. Batra — *Joint Secretary*

Shri G.S. Bhasin — *Deputy Secretary*

REPRESENTATIVES OF AUDIT

1. Shri R. Parameswar — *Dy. C&AG*
2. Shri S. Sounderrajan — *Addl. Dy. C&AG*
3. Shri S.B. Krishnan — *Pr. Director (Reports)*
4. Shri V.A. Mahajan — *Director General of Audit, P&T*
5. Shri K. Jayaraman — *Dy. Director (Rlys.)*
6. Shri A.K. Menon — *Director General of Audit, Defence Services*
7. Shri Baldev Rai — *Pr. Director of Audit, Air Force & Navy*
8. Mrs. Ajanta Dayalan — *Director of Audit (P&T)*

9. Shri Dharam Vir — Pr. Director, Central Revenue-I

10. Shri R. Ramanathan — Pr. Director (Indirect Taxes)

2. The Committee considered the following draft Reports and adopted the same subject to certain modifications and amendments as indicated in Annexures IV.

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iv) Action taken on 90th Report of PAC (8th LS) regarding India Government Mint, Bombay—overview

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3. The Committee authorised the Chairman to finalise these Draft Reports in the light of verbal changes and minor modifications/amendments arising out of factual verification by the audit and present the Reports to the House.

The Committee then adjourned.

ANNEXURE IV

Modifications/Amendments made in the draft report on action taken on 90th Report of Public Accounts Committee (8th Lok Sabha) regarding Indian Government Mint, Bombay—Overview

Page	Para	Line(s)	Modifications/Amendments
3	6	4-6	For 'In the absence.....to the Committee.' Substitute 'Instead it is stated that capacity determination is one of the main thrust areas of Modernisation Scheme and once the Modernisation Scheme is fully implemented the capacity of the Mints would be scientifically determined'.
5	9	10	For 'all' Read 'each of'
5	9	21	Add at the end 'If the RBI is still satisfied with each year's supply that only underlines the inflated nature of the indent. The Committee would like to know on what basis the RBI indents are formulated and what steps have been taken to correct the inflated demand?'

LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA SECRETARIAT PUBLICATIONS

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BIHAR		WEST BENGAL	
2.	M / s. Crown Book Depot, Upper Bazar, Ranchi (Bihar).	13.	M / s. Manimala, Buys & Sells, 123, Bow Bazar Street, Calcutta-1
GUJARAT		DELHI	
3.	The New Order Book Company, Ellis Bridge, Ahmedabad-380006. (T. No. 79065).	14.	M / s. Jain Book Agency, C-9, Connaught Place, New Delhi. (T. No. 351663 & 350806)
MADHYA PRADESH		15.	M / s. J. M. Jaina & Brothers, P. Box 1020, Mori Gate, Delhi-110006 (T. No. 2915064 & 230936).
4.	Modern Book House, Shiv Vilas Palace, Indore City. (T. No. 35289).	16.	M / s. Oxford Book & Stationery Co. Scindia House, Connaught Place, New Delhi-110001. (T. No. 3315308 & 45896)
MAHARASHTRA		17.	M / s. Bookwell, 2 / 72, Sant Nirankar Colony, Kingsway Camp, Delhi-110009 (T. No. 7112309).
5.	M / s. Sunderdas Gian Chand, 601, Girgaum Road, Near Princes Street, Bombay-400002.	18.	M / s. Rajendra Book Agency IV-DR59, Lajpat Nagar, Old, Double Storey, New Delhi-110024. (T. No. 6412362 & 6412131).
6.	The International Book Service, Deccan Gymkhana, Poona-4.	19.	M / s. Ashok Book Agency, BH-82, Poorvi Shalimar Bagh, Delhi-110033.
7.	The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-400001.	20.	M / s. Venus Enterprises, B-2 / 85, Phase-II, Ashok Vihar, Delhi.
8.	M / s. Usha Book Depot, 'Law Book Seller and Publishers' Agents Govt. Publications 585, Chira Bazar Khan House, Bombay-400002.	21.	M / s. Central News Agency Pvt. Ltd., 23 / 90, Connaught Circus, New Delhi- 110001. (T. No. 344448, 322705, 344478 & 344508).
9.	M & J Services, Publisher, Representative Accounts & Law Book Sellers, Mohan Kunj, Ground Floor 68, Jyotiba Fuele Road, Nalgaum-Dadar, Bombay-400014.	22.	M / s. Amrit Book Co., N-21, Connaught Circus, New Delhi.
10.	Subscribers Subscription Services India, 21, Raghunath Dadaji Street, 2nd floor, Bombay-400001.	23.	M / s. Books India Corporation Publishers, Importers & Exporters, L-27, Shastri Nagar, Delhi-110052. (T. No. 269631 & 714465).
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