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REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL

OF INDIA

FOR THE YEAR ENDED 31 MARCH 1988
NO. 1 OF 1989

UNION GOVERNMENT—CIVIL

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APPENDICES

PREFATORY REMARKS

The Report on the expenditure of the Union Government (Civil Departments) for the year ended 31 March 1988 has been prepared for submission to the President under Article 151 of the Constitution.

2. This Report relates to matters arising from the Appropriation Accounts of the Union Government (Civil) for the year 1987-88 prepared (with a few exceptions) by the Controller General of Accounts and test checked in Audit and other points arising from audit of the financial transactions of the Civil Departments of the Union Government except those relating to Scientific Departments; Delhi Administration and Central Autonomous Bodies which have been given in the Reports Nos. 7, 8 and 9 of 1989.

3. Certain points of interest arising from the Union Government Finance Accounts for the year 1987-88 as consolidated by the Controller General of Accounts and based on the statements of Finance Accounts furnished by the Controller General of Accounts/Controllers of Accounts are included in Chapter I of this Report.

4. This Report includes the following reviews :—

(*a*) Assistance to small and marginal farmers for increasing agricultural production,

(*b*) Acquisition of land,

(*c*) Manufacture of Japanese Encephalitis vaccine,

(*d*) Up-gradation of standards of administration in non-developmental sectors—Jails and Revenue and District Administration,

(*e*) Publications Division,

(f) Implementation of provisions of the Apprentices Act, 1961,

(*g*) Powerloom Service Centres and

(*h*) Salal Hydro-electric project.

5. The cases mentioned in this Report are among those which came to notice in the course of test audit during the year 1987-88 as well as those which came to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 1987-88 have also been included, wherever considered necessary.

OVERVIEW

Audit Report for the year ended 31 March 1988 contains 82 paragraphs including 8 reviews. The points highlighted in the Report are summarised below :

I. Ministry of Finance

Public Debt.—The internal debt increased to Rs. 98646 crores at the end of March 1988 as against Rs. 86313 crores in March 1987. The external debt had also increased to Rs. 23223 crores as against Rs. 20299 crores in the corresponding year. The total liabilities of the Government of India stood at Rs. 195561 crores at the end of March 1988 as against Rs. 166546 crores at the end of March 1977 registering an increase of 130 *per cent* over a period of five years. They were a little over 67 *per cent* of Gross National product. The debt service ratio i.e. ratio of interest payments and amortisation of foreign loans by Government of India, as a *per centage* of exports and invisibles was 19.7 *per cent* in March 1988.

The revenue deficit increased sharply from Rs. 1254 crores in 1982-83 to Rs. 9137 crores in 1987-88. A sum of Rs. 5497 crores was paid during 1987-88 as subsidies on food, indigenous fertilizers, export promotion and market development etc.

Budgetary Control.—The over all supplementary provision obtained during 1987-88 constituted three *per cent* of the original provision. In 20 cases, the supplementary provision of Rs. 546 crores was unnecessary. There were excesses amounting to Rs. 53.79 crores in 11 cases; these require regularisation by Parliament.

(Paragraph 1, 2 and 3)

II. Ministry of Agriculture

Assistance to small and marginal farmers for increasing agricultural production.— A sum of over Rs. 682 crores had been spent on the programme from 1983-84 to 1987-88. It was noticed that the programme had in-built constraints as the allocation of funds and expenditure incurred were not adequate to ensure any perceptible impact. Soon after the programme was launched, the need for integration of similar programmes and channelising the funds to the States through one programme was projected by the then Ministry of Rural Development, Planning Commission and Working Group on Agricultural Production set up for the formulation of the Seventh Five Year Plan. However, the programme continued to be implemented in isolation.

Funds were allocated on uniform basis *viz.,* Rs. 5 lakhs per block annually without regard to the number of small and marginal farmers in the blocks resulting in inequitable allocation of funds amongst various States and Union Territories. A major portion (70 *per cent* of allocation under the programme was envisaged for 'Minor Irrigation' without estimating the irrigation requirements of the regions or the position of already over-exploited ground water levels in the blocks. The distribution of minikits of oilseeds and pulses throughout the country was contemplated without taking into consideration the agro-climatic conditions and availability of certified seeds of improved varieties. Proper surveys had not been carried out by the States with a view to identifying the needy and priority areas and target groups.

Several financial shortcomings and irregularities were noticed during Audit. Disproportionately large amounts were released to a number of States by the Ministry of Agriculture during the last quarter or in the month of March. Similarly, large expenditure was incurred by several States in the month of March. Advances of over Rs. 29 crores made to several executing agencies were treated as final expenditure. More than Rs. 10 crores were diverted to other programmes or other activities. Payments of subsidy exceeding Rs. 4.10 crores were made in cash directly to the beneficiaries instead of adjusting them against loans obtained from the financing institutions. Excess disbursement of subsidy of over Rs. 1.06 crores due to application of incorrect rates was also noticed.

Several irregularities were noticed in the implementation of the programme such as non-utilisation of tubewells/irrigation works for want of energisation and non-provision of pump sets for 3.29 lakh wells/borings, etc. An excess payment of Rs. 36.62 lakhs was made to the Andhra Pradesh State Cooperative Rural Irrigation Corporation due to charging of higher rate for drilling in-well bores. In Muzaffarpur district of Bihar, purchase of GI pipes and accessories for tubewells costing Rs. 81.26 lakhs was made from selected firms without inviting tenders. Irregular disbursement of Rs. 88.48 lakhs directly to the farmers in Punjab during 1986-87 and 1987-88 was noticed in respect of boring of wells which were required to be done through Government agencies. A subsidy of Rs. 106.79 lakhs was adjusted on simple certificates furnished by the Informal Committees having no *locus standi* in Udaipur district of Rajasthan. Older varieties of seeds worth Rs. 454.39 lakhs were distributed in five States. Sub-standard seeds were found distributed in Orissa and West Bengal. There was insignificant expenditure on Land Development Works in five States.

There was lack of effective monitoring of the programme at the Central, State and District levels. No evaluation studies were undertaken to ascertain the impact of the programme.

(Paragraph 4)

Acquisition of land.—In the Union Territory of Dadra and Nagar Haveli, out of 50 proposals for land acquisition received during 1982 to 1987, award was declared in only two cases, two cases lapsed due to non-finalisation of proceedings, in 27 cases, proceedings were in progress whereas in the remaining 19 cases proceedings were yet to be initiated.

Land measuring 134.45 acres valued at Rs. 174.49 lakhs acquired by Union Territory of Chandigarh and possession taken in July 1983/July 1987 had remained unutilised. The Administration incurred extra expenditure of Rs. 5.78 lakhs due to delay in completion of acquisition proceedings, non-revision of award under the amended Act and delayed payment of compensation.

Land measuring 25.45 hectares acquired in Kerala at a cost of Rs. 68.92 lakhs for widening and strengthening of certain sections of National Highway 47 made available to PWD during 1974 to 1982 had not been made use of due to non-sanctioning of estimates by the Ministry of Surface Transport.

(Paragraph 6)

Injudicious expenditure on appealing against an award.—In a dispute on demurrage between Government of India and the owners of a vessel carrying diammonium phosphate from a port abroad to two Indian ports, the shipowners were awarded a sum of £19,896 in February 1983. This included an amount of £6,968 due to adoption of incorrect rate of exchange in the award. Although Government of India had agreed that the matter should not be pursued further, and the award money should be paid to the shipowners, the High Commission of India London continued with the appeal and incurred at expenditure of £46,793 (Rs. 11.18 lakhs) by way of solicitors and counsel fee just to gain a sum of £6,968 (Rs. 1.67 lakhs).

(Paragraph 5)

III. Ministry of Commerce

Under the Export Credit (Interest Subsidy) Scheme, 1968, export credit of various types and term loans are allowed by banks for prescribed period at interest rates not exceeding the ceiling rates prescribed by the Reserve Bank of India from time to time. Government pays subsidy at 1.5 *per cent* per annum on the amount of loan or advance drawn and outstanding to banks subject to fulfilment of certain conditions. A test-check of the accounts of 440 branches of 75 banks in the country disclosed that interest subsidy amounting to Rs. 413.92 lakhs had been drawn irregularly or in excess for the period up to March 1987. On being pointed out by Audit, an amount of Rs. 229.12 lakhs was refunded by the banks to Reserve Bank of India up to 30th September 1988 while the balance amount of Rs. 184.80 lakhs was to be refunded.

(Paragraph 4)

By not restricting the payment of cash compensatory support (CCS) to 25 *per cent* of value addition on the exports of footwear excess payments were noticed. On the basis of available records, the excess payments worked out to Rs. 58.71 lakhs by the various regional offices of the Ministry of Commerce during the period July 1986 to June 1988.

(Paragraph 8)

Joint Chief Controller of Imports and Exports (JCCIE) Bombay paid cash assistance amounting to Rs. 16.50 lakhs to a firm on the exports of "prefabricated slabs and blocks" made during 1980-81 by classifying the exported item as an engineering product. From 1st April 1979 to 13th July 1983, this item did not find place under any group for entitlement of cash assistance and the payment was irregular.

(Paragraph 9)

Under the scheme of registration of contracts, an exporter was entitled to protection if he registered the contract and the extension of the delivery schedule, if any, with a scheduled bank. An exporter entered into a contract with a foreign buyer in January 1978 for the export of steel tubular poles. The supplies which were to be completed by June 1978 were actually completed in April 1979. The exporter failed to register with the bank the extension in the delivery schedule. JCCIE, Calcutta allowed cash assistance at the protected rate of 20 *per cent* of f.o.b. value of exports instead of at 7.5 per cent applicable on the date of export resulting in an excess payment of Rs. 10.95 lakhs to the exporter.

(Paragraph 10)

JCCIE, Calcutta paid to an exporter CCS at the rate of 33.33 *per cent* of f.o.b. value of the exports of components and spares of railway coaches/wagons made from October 1980 to September 1981. These rates were applicable to railway coaches/wagons. Spares and components were eligible for CCS at the rate of 20 *per cent*. This resulted in excess payment of Rs. 6.53 lakhs.

(Paragraph 11)

An exporter entered into five contracts with two foreign buyers in January 1981 for the export of cast iron fittings. Whereas three of the five contracts contained a price variation clause, the other two did not. After executing part supplies, the rates of the balance quantities were re-negotiated due to change in specifications. The re-negotiated rates were not registered with the bank as required under the policy. JCCIE, Calcutta allowed CCS at the protected rate of 12.5 *per cent* of the f.o.b. value of exports instead of 5 *per cent* applicable on the date of export resulting in irregular/excess payment of Rs. 6.07 lakhs.

(Paragraph 12)

The rate of cash compensatory support during April 1979 to September 1982 for export of motor cycles, scooters, mopeds, three-wheelers to countries other than American, Carribean and West European countries was 10 *per cent* of the f.o.b. value of exports. Automobile anciliaries and accessories including components and spares exported to these areas were entitled to cash assistance at the rate of 12.5 *per cent* i.e. 2.5 *per cent* more than the parent product. The rate of cash assistance on the ancillaries and accessories was reduced to 10 *per cent* with effect from December 1980 on the ground that it would not be appropriate to allow cash compensatory support at a rate higher than that applicable to the parent product. Omission to fix the rate for components, spare parts, ancillaries and accessories at par with the parent product involved an avoidable payment of Rs. 3.81 lakhs during April 1979 to November 1980.

Even after the rate of cash assistance was reduced from 12.5 *per cent* to 10 *per cent* from 17th December 1980 the Joint Chief Controller of Imports and Exports, Madras continued to pay cash assistance at 12.5 *per cent*. The resulting overpayment, in 1981-82 worked out to Rs. 2.74 lakhs.

(Paragraph 13)

Cash assistance on the export of 'paper and pulp plant' was admissible only up to March 1981. In the case of deemed exports of 'wood chippers' of a firm during 1984-85 and 1985-86, Headquarters Classification Committee decided in January 1987 to classify the item for the purpose of admissibility of cash assistance under "Industrial machinery—others not specified". As per the guidelines for Industries (1983-84), issued by the Ministry of Industry, 'chippers' fall under the category of 'paper and pulp plant' and Director General of Technical Development also held the view that 'wood chippers' were part and parcel of the pulping equipment. Therefore, the item was not eligible for cash assistance. Thus, as a result of erroneous decision by Headquarters Classification Committee, the Joint Chief Controller of Imports and Exports, Bombay made a payment of cash assistance of Rs. 2.44 lakhs for the deemed exports of 'wood chippers".

(Paragraph 14)

An exporter entered into two separate contracts with two foreign buyers on 27th and 28h March 1979 for the supply of engineering goods. After executing part supplies, the contracted value of the balance quantity was enhanced on 15th and 20th March 1980 owing to the increase in the cost of raw materials. In terms of the policy, contracts concluded before 5th November 1979 became ineligible for the payment of cash compensatory support at the protected rate, if the contracts were re-negotiated to cover the rise in the cost of raw materials. The Joint Chief Contraller of Imports and Exports, Calcutta paid cash compensatory support at the protected rate of 15 *per cent* prevailing on the date of contract instead of normal rate of 10 *per cent* on the actual date of export in April and May 1980 on the f.o.b. value arrived at, on the basis of revised contracted value. Thus, inadequate scrutiny resulted in excess payment of cash assistance of Rs. 2.06 lakhs.

(Paragraph 15)

All the case files relating to payment of cash compensatory support on export of components of Railway wagons, cast iron fittings and engineerig goods were not made available to Audit despite repeated reminders by Joint Chief Controller of Imports and Exports, Calcutta. The non-production of files impeded the effective functioning of Audit and also contravened Section 18(2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 which makes it obligatory for departmental heads to furnish to Audit all documents and records requested by them in the discharge of their duties with the utmost speed and expedition.

(Paragraphs 11, 12 and 15)

IV. Ministry of External Affairs

The Consulate General of India, New York forwarded various proposals to the Ministry of External Affairs between June 1979 and August 1981 for the purchase of apartment as residence for the head of the Consulate. The apartment which was offered for \$ 339300 in January 1982 was purchased for \$ 950000 in September 1985. Delay in taking decision to purchase the apartment and further delay in occupying after purchase resulted in extra expenditure Rs. 95.58 lakhs.

(Paragraph 18)

The Indian Mission at Cairo purchased property in Jeddah Towers to accommodate the chancery and two officers at a cost of Rs. 127.20 lakhs in June 1984. The possession of the building had not been handed over by the owners even after four years. The Ministry which inspected the premises in 1986 found it unsuitable from security point of view and decided in April 1988 to sell the property.

(Paragraph 19)

Embassy of India, Bonn, incurred expenditure of Rs. 43.53 lakhs on purchase of plot of land for construction of 20 flats for India based staff. The ownership of the plot was transferred to Government of India in March 1983. However the construction work was not taken up resulting in blocking of Government funds for over five years. Menwhile, the Mission had continued hiring of accommodation for its staff incurring an expenditure of Rs. 33.20 lakhs till October 1988.

(Paragraph 20)

Under the Vienna Convention, foreign diplomatic missions are exempt from property tax for chancery building and residences of heads of Missions but exemption from property tax in respect of other properties is decided on the basis of reciprocity. Out of the 25 properties owned by the United States Embassy in Delhi, 15 properties falling under NDMC zone had been exempted from property tax since 1949. For the 10 other properties, falling under Municipal Corporation of Delhi zone, tax was being claimed. On the other hand, Embassy of India, Washington paid property tax till December 1985 on 16 properties. The Government of USA exempted tax on property owned by all diplomatic missions from January 1987. The reciprocity in financial aspects has been overlooked and there was lack of coordination amongst Ministry of External Affairs, Ministry of Urban Development, Delhi Municipal Corporation and New Delhi Municipal Committee.

(Paragraph 21)

Test check of records of Regional Passport Office (RPO), Bombay revealed that during the period from October 1985 to February 1986, 76,965 passports were issued with emigration endorsement without charging the prescribed fee of Rs. 10. This resulted in a loss of revenue of Rs. 7.70 lakhs. The Ministry proposed to write off the total loss of Rs. 74 lakhs, including Rs. 7.70 lakhs pertaining to RPO Bombay.

(Paragraph 22)

The Consulates at Chicago, New York and Sanfrancisco did not charge the cost of application form for issue/renewal of passport prescribed in August 1986. This resulted in short realisation of revenue to the extent of Rs. 5.39 lakhs by the three consulates after the receipt of new forms.

(Paragraph 23)

The Embassy of India Washington reimbursed a sum of \$ 22,532 (Rs. 2.95 lakhs) to the officers/staff of the Missions towards upkeep of gardens, lawns, hedges attached to the residences without obtaining proof of expenditure as prescribed by Government. The Mission paid a sum of \$ 7082.95 for journeys performed from April to June 1987 and \$ 5782.40 for taxi charges for the period July/August 1987 for attending office on holidays and beyond office hours on working days. The payments at the rate of \$ 16 in each case were made without production of receipts and irrespective of distance travelled. The average payments so made worked out to \$ 2573 per month (Rs. 4.04 lakhs per year).

(Paragraph 30)

V. Ministry of Health and Family Welfare

Manufacture of Japanese encephalitis vaccine.—The project for manufacture of Japanese encephalitis vaccine at the Central Research Institute, Kasauli was approved by the Government of India in March 1982 but could not be completed within the stipulated period of four years due to receipt of imported machinery in a damaged condition. Though the Institute had finished product of 4.67 lakh doses of vaccine in November 1987, there was no planning for its distribution and utilisation. The decision of the Government of India on the recommendations of the Committee (June 1987), for utilisation of three lakh doses on controlled field trial basis had not been received (December 1987). An indigenous freeze drying plant ordered in July 1985 at a cost of Rs. 15.16 lakhs to be supplied by May 1986 had not been received despite various extensions granted upto September 1987.

(Paragraph 32)

Irregularities in acceptance of medicines.—Generally, Medical Store Depots accept medicines after test and only in emergent cases on warranty certificate. Medical Store Depot Calcutta accepted medicines worth Rs. 153.91 lakhs during July—September 1985 which constiuted 52 *per cent* of total medicines purchased on warranty certificates. The medicines were also not subjected to subsequent tests. Further, the Depot accepted medicines consing Rs. 3.60 lakhs from three manufacturers without test even though the medicines supplied earlier by these very manufacturers had been rejected on test.

Re-testing of samples of medicines at a second laboratory is not allowed. Medicines costing Rs. 2.34 lakhs which were initially rejected after test were subsequently accepted on re-testing by another laboratory without investigating the reasons for variation in test results. Cases of acceptance and issue of substandard medicines costing Rs. 0.64 lakh were also noticed during test-check.

(Paragraph 77)

Avoidable extra expenditure on purchase of drugs.—Inspite of the recommendations of the Public Accounts Committee in 1970 that effort should be made to scale down local purchases to the minimum, Medical Store Depot, Calcutta made, local purchase of medicines to the extent of 79 to 89 per cent of the total purchases during 1984-85 to 1986-87. The Depot incurred avoidable extra expenditure of Rs. 130.45 lakhs in 1985-86 due to local purchase of 19 single ingredient items not included in the vacabulary of Medical Stores which should have been purchased by the indentors as per the prescribed procedure. Despite the existence of rate contracts for purchase of Erythromycin Stearate, the Depot purchased the drug at rates substantially higher than rate contract rates involving extra avoidable expenditure of Rs. 6.64 lakhs. The Depot incurred additional expenditure of Rs. 4.84 lakhs by making purchases at higher rates from the same firms with which it had lower contract rates. During 1985-86, the Depot issued costlier brand drugs to the indenting departments against specific indents for single ingredient drugs resulting in avoidable expenditure of Rs. 16.26 lakhs.

(Paragraph 78).

VI. Ministry of Home Affairs

Upgradation of standards of administration in non-developmental sectors—Jails and Revenue and District Administration.—In pursuance of the recommendations of the Seventh Finance Commission, Government of India released grants aggregating Rs. 4823.26 lakhs and Rs. 6288.03 lakhs to the State Governments for upgradation of standards in (i) Jails and (ii) Revenue and district Administration respectively. The amounts were to be spent as per the approved plans of action. Audit noticed that in several cases the plans of action were finalised after considerable delays; the implementation of the scheme was not monitored by the Ministry and grants were released without following the prescribed procedure. In one case, Rs. 96.20 lakhs were released over and above the amount provided in the approved action plan and without specifying the purpose for which it was to be spent.

In Jails Sector, grants aggregating Rs. 438.85 lakhs remained unspent. Further in both the sectors, the reported expenditure included Rs. 679.80 lakhs which were actually not spent and Rs. 349.96 lakhs were diverted from the approved designated items and spent on items not provided. Cases of avoidable expenditure of Rs. 24.54 lakhs and inadmissible expenditure of Rs. 53.50 lakhs were noticed.

The physical targets of construction of buildings were not achieved in the Jails sector in eight out of the nine States while in the Revenue and District Administration, the short-fall ranged from 17 to 100 per cent. Two jails works on which expenditure of Rs. 253.25 lakhs was incurred by the Governments of Rajasthan and Tamil Nadu were not completed resulting in blocking of funds. In three States, equipment/barracks worth Rs. 73.75 lakhs had remained idle|unutilised. Despite Government of India's assistance, the expenditure incurred by four States on provision of diet, medicines, clothing, etc. to the prisoners continued to be below the recommended norms.

(Paragraph 35)

VII. Ministry of Industry

Excessive payment of freight charges on levy Cement.—The expenditure incurred by the producers of cement on freight by the cheapest mode of transport was to be reimbursed out of the Cement Regulation Account established under the Cement Control Order 1967. Awarpur Cement Works, at Awarpur, Maharashtra started cement production in October 1983, and the unit was allowed reimbursement of additional handling and transportation charges at the rate of Rs. 29.50 per tonne of levy cement by road to be loaded into wagons at the Manikgarh rail head. Railway line up to Awarpur factory became operational from December 1985, but the Department of Industrial Development withdrew the concessions of payment at Rs. 29.50 per tonne by road from April 1987. Extra transportation charges of Rs. 18.48 lakhs were, thus, reimbursed to the unit.

(Paragraph 40)

VIII. Ministry of Information and Broadcasting

Publication Division.—The Publication Division had a cumulative backlog of 192 titles at the end of March 1988, of which 119 titles were in the editorial pipeline and 73 titles were at various stages of production. In 83 cases, delays upto two years in the receipt of copies from the printers were noticed. Eleven cases had remained in the editorial pipeline for more than five years. In 199 out of 391 test checked cases, delays upto 72 months were noticed in printing by press. The Ministry should explore the possibility of alternative sources of printing by adopting modern technology and should take steps to ensure timely supply of paper to the printing press.

The Division fixed the prices of publications printed at Government press on the basis of out-moded schedule of rates prescribed in April 1977 till January 1985. In 38 jobs, the difference due to fixation of prices on the basis of out-moded schedule of rates and the rates charged by the press in respect of publications during April 1983 to January 1985 worked out to Rs. 22.45 lakhs.

Books of the value of Rs. 221.72 lakhs had remained unsold. A proper assessment of the demand for printing of publicity material should be made so that the Publications Division is not burdened with unsold copies resulting in blocking of funds which could otherwise be utilised for worthwhile publications. The Ministry could also make sales promotion efforts through All India Radio and Doordarshan which are agencies under the same Ministry.

The annual physical verification was not done; no investigation was done for shortages/excesses. While the Ministry agreed with the Audit findings, it did not, however, indicate the action proposed by them creating an Internal Inspection Cell to attend exclusively to this work.

(Paragraph 43)

Blocking of Funds.—Ministry of Information and Broadcasting paid Rs. 49.22 lakhs to Chandigarh Administration during 1972-73 to 1974-75 as cost of land and ground rent for two years for setting up office and a studio for All India Radio (AIR). As the site was not suitable, an alternate site was allotted in November 1983 for Rs. 53.94 lakhs. The work of construction of studio was awarded in March 1988 and was in progress. In the mean time, equipment worth Rs. 33.68 lakhs were purchased by Chief Engineer, AIR between January 1982 and March 1987 out of which equipment worth Rs. 5.43 lakhs were diverted in July 1983 and installed at AIR, Rampur and the remaining equipment worth Rs. 28.25 lakhs were lying uninstalled. Acceptance of plot of land and purchase of equipment much in advance resulted in blocking of funds amounting to Rs. 84.57 lakhs for a period ranging from 4 to 14 years.

(Paragraph 81)

IX. Ministry of Labour

Implementation of provisions of the Apprentices Act, 1961.—One of the objectives of the Act was to utilise fully the facilities available in the industry for imparting practical training with a view to meeting the requirements of skilled workers in the industries.

Government of India, State Governmnets (Goa, Haryana, Maharashtra, Punjab, Tamil Nadu, Uttar Pradesh and West Bengal and Union Territory of Chandigarh spent Rs. 40.00 crores during 1982—88 for implementation of provisions of Apprentices Act, 1961. Audit observed that no comprehensive survey for identification of training places and establishments was conducted; only 28 per cent of the recognised establishments having training facilities were identified of which the percentage of establishments actually imparting training to apprentices was 66 to 69. In 67 out of 139 trades, the number of apprentices engaged did not exceed one hundred.

The percentage of unutilised seats *vis-a-vis* located seats ranged from 28 to 31 in case of trade apprentices, 47 to 66 in case of graduate engineers apprentices, and 24 to 39 in case of diploma holders. Some of the Ministries like Ministry of Railways had not engaged even half of the number of located seats, whereas the Eastern Coal-Fields Limited, Calcutta had been operating a parallel training scheme of its own contrary to the provisions of the Act. Only 9 to 11 and 2 to 3 per cent of seats reserved for trade apprentices belonging to Scheduled Castes and Scheduled Tribes respectively were utilised. No information was available about the drop-outs. The number of Apprenctices appeared in the trade test and the number passed ranged between 35 and 42 *per cent* and between 26 and 30 *per cent* respectively of the number of apprentices on roll.

No suitable machinery was designed to follow up the placement of trained apprentices; during 1982—88, 55 to 97 *per cent* of apprentices had not been provided gainful employment in five States/Union Territory. The progressive trade tests designed to evaluate the quality of training were not conducted as per targets.

The penal provisions of the Act where provisions of the Act were violated either by the establishments or by the apprentices had not been invoked in any case by the implementing authorities. No effective monitoring of the programme was carried out. The State Apprenticeship Councils were not functioning effectively in four States. Neither the State Apprenticeship Councils nor the Central Apprenticeship Council had looked into the shortcomings in the implementation of the Act.

(Paragraph 46)

X. Ministry of Textiles

Powerloom Service Centres.—A review of working of twelve powerloom service centres set up under the administrative control of Textile Commissioner, Bombay under the Ministry of Textiles and four centres under Textile Research Association showed that the centres were not established in Andhra Pradesh, Assam and Haryana which had a large number of powerlooms. Three centres at Amritsar, Surat and Trichur commenced operation after a lapse of two to five years due to delay in getting power connections. The budget provisions of the centres for six to ten years upto 1987-88 as well as grants paid during 1987-88 for the four centres under Textile Research Association were not fully utilised. Targets of training programmes were low *vis-a-vis* the large number of powerloom weavers; even these targets were not achieved in any of the centres. The centres did not have all the required machinery; cases of delay in installation and utilisation of the machinery were noticed. In Surat centre which catered only to the needs of the silk fibre unit, machinery useful for cotton fabrics testing was provided. Testing of the samples was only to the extent of 22 per cent of the targets and there was considerable shortfall in development of new designs and diversification of production. Advisory bodies did not hold their quarterly meetings as required and follow-up action on the recommendations of the advisory bodies was not readily available from the records of the Textile Commissioner.

(Paragraph 51)

XI. Ministry of Energy

Salal Hydro-electric project.—The estimated cost of the project has gone up from Rs. 55.15 crores in March 1970 to Rs. 585.35 crores in July 1986. Expenditure of Rs. 519.40 crores had been incurred up to end of March 1987.

The first phase of the project which was started in 1970 has been commissioned in 1987 The schedule of completion envisaged in the project reports from time to time could not be adhered to and there was delay in completion of almost all the major components of the project.

Machinery worth Rs. 41 crores purchased for construction of rockfill dam were under-utilized as works worth Rs. 3.53 crores were allotted to contractors and not executed departmentally. One pneumatic drilling jumbo machine worth Rs. 43.61 lakhs purchased for tail race tunnel had also not been put to use. While plugging diversion tunnel, machinery and equipment worth Rs. 29.16 lakhs were left behind and could not be retrieved.

Claim for Rs. 5.04 lakhs on account of subsidy on freight charges for cement was not preferred within the prescribed period which resulted in loss. Surplus spares worth Rs. 1.07 crores and imported steel worth Rs. 0.29 crore were lying unutilised.

(Paragraph 53)

XII. Ministry of Surface Transport

Construction of bridges and approach roads by Border Roads Organisation.—Border Roads Organisation awarded the construction of a bridge in May 1977 to a Public Sector Undertaking (PSU) for Rs. 59 lakhs in July 1978 to be completed by December 1981. The PSU completed 25 *per cent* of the work upto June 1985 when the contract with it was cancelled. The remaining work was awarded to a private firm in December 1986 for Rs 2.12 crores at the risk and cost of defaulting PSU. The private firm had completed 52 *per cent* work upto March 1988. The work was scheduled for completion by May 1989. Rs. 4.37 lakhs were recoverable from the PSU on account of mobilisation advance and expenditure on watch and ward of its stores, machinery etc. The feasibility of recovering the extra expenditure on construction of bridge from PSU was in doubt. Expenditure of Rs. 62.54 lakhs was incurred on the approach roads; the work on approach road on one of the two sides of the bridge was incomplete as part of land had not been acquired so far.

In another case, the construction of bridge sanctioned for Rs. 15.06 lakhs in February 1979 was awarded to a contractor for Rs. 14.39 lakhs in July 1980 to be completed by October 1982. The bridge was constructed in December 1984 but load tests were completed in February 1987 and the bridge was opened to traffic in March 1987. The Department has spent Rs. 2.22 lakhs during December 1984 to July 1986 on maintenance of the existing bailey bridge.

(Paragraph 55)

XIII. Ministry of Water Resources

Farakka Barrage Project.—During the years 1983—88, 14 arbitration awards relating to works awarded to contractors by Farakka Barrage Project between 1966-67 and 1982-83 were delivered in favour of the contractors out of which eleven awards involving Rs. 3.22 crores were discharged in full by May 1988. It was observed in audit that eight awards (each award involving more than Rs. 0.5 lakh) were discharged without making the awards, rules of the court in disregard of the orders. Further, in the case of six awards, Rs. 89.43 lakhs were allowed by the arbitrators towards interest with retrospective effect which was contrary to judicial pronouncements which resulted in avoidable extra payment of Rs. 89.43 lakhs in these six cases.

(Paragraph 66)

The Pagla and Bansloi river basin scheme was sanctioned by the erstwhile Ministry of Agriculture and Irrigation in January 1979 at an estimated cost of Rs. 4.12 crores. The scheme was to be completed by June 1980 and had not been completed so far despite expenditure of Rs. 4.68 crores upto September 1988. Audit observed that Rs. 28.04 lakhs were due from a contractor who had abandoned the work of construction of two regulators in November 1981, and excess payment of Rs. 3.29 lakhs was made to two contractors who were entrusted with the completion of the remaining work. The work of erection of gates to be completed by April 1987 had not been taken up and Rs. 91.81 lakhs were paid to the contractor against supply of materials upto September 1988.

(Paragraph 67)

Farkka Barrage Project authorities awarded the work of supply of 50,000 cubic metres of boulders required for the execution of protection works at right bank down-stream of Farakka Barrage to a contractor in February 1984. The work was to be completed before June 1984 subsequently extended upto 15th December 1984. Though the project authorities rescinded the contract on 15th December 1984 at the risk and cost of the defaulting contractor the extra expenditure Rs. 13.42 lakhs in procuring the supply of balance quantity through another contractor could not be recovered from the defaulted contractor.

(Paragraph 70)

XIV. **Ministry of Finance**

Though the Security Paper Mill, Hoshangabad had, in November 1982, found the special metallic security (SKM) thread to be unsuitable on modernised machines and the mill's consultants had recommended polyester based Mex Metal thread in December, 1982, further supply of SKM thread was not discontinued and instead 1.97 tonnes of SKM thread (cost : Rs. 14.84 lakhs) were received in August 1983 and used till January 1986. During 1983-84 to 1984-85, the mill used 30.52 tonnes of SKM thread on modernised machines, the production loss of paper on account of 10 per cent excess spoils worked out to 508.93 tonnes costing Rs. 274.82 lakhs.

(Paragraph 84)

Defective planning in purchasing equipment and lack of proper technical appraisal of the existing machines at the time of modernisation of the Security Paper Mill, Hoshangabad, resulted in non-utilisation of 503.77 tonnes of spoils. This resulted in avoidable extra expenditure of Rs. 69.30 lakhs on proportionate use of cotton and hardwaste during 1982—87.

(Paragraph 75)

XV. **Andaman and Nicobar Administration**

The Andaman and Nicobar Administration spent Rs. 3.85 lakhs on purchase of equipment for laundry plant in a hospital during 1977—79. The building for the plant was completed in March 1985 at a cost of Rs. 7.44 lakhs and the plant was commissioned in September 1985. The plant worked for 96 days during the period from August 1985 to August 1986, whereafter it broke down. Thus the expenditure of Rs. 11.29 lakhs incurred on the laundry plant remained largely infructuous.

(Paragraph 33)

The work, 'provision and improvement of piped water supply arrangement in North Andaman Villages' sanctioned in November 1983 to be completed in two working seasons at a cost of Rs. 20.26 lakhs, was actually completed in February 1987 at a cost of Rs. 34.06 lakhs. High density polythene pipes originally laid were found unsuitable and had to be replaced by cast iron and galvanised iron pipes resulting in a loss of Rs. 8.53 lakhs.

(Paragraph 63)

XVI. **Chandigarh Administration**

Chandigarh Administration allotted a plot of land measuring 14483 square yards to the Punjab constituent of All India Women's Voluntary Services in October 1975 for construction of a hostel for working women and scheduled castes and tribes girl students. The organisation paid Rs. 1.09 lakhs as first instalment of total cost of land of Rs. 4.34 lakhs at the time of allotment. For the construction of buildings, grants aggregating Rs. 11.81 lakhs were paid to the organisation in March 1975—March 1977. However, the construction of building, commenced in March 1976, was stopped by the organisation in March 1977. As the Organisation failed to pay the remaining instalments of the cost of land as well as the annual ground rent, Chandigarh Administration cancelled the allotment in April 1979 and got the property from the organisation in August 1983. Chandigarh Administration had to pay Rs. 3.11 lakhs to the building contractor to retain the title to land. The hostel structure remained incomplete and was not put to use (September 1988). Government grants aggregating Rs. 11.81 lakhs, allotment of land valuing Rs. 4.34 lakhs and settlement of contractor's claim worth Rs. 3.11 lakhs did not achieve the desired objective.

(Paragraph 38)

Chandigarh Administration did not consider the lowest of the valid tenders invited in February 1985 for replacement of teak wood flooring in the skating rink estimated to cost Rs. 5.50 lakhs. After reinviting tenders, in September 1985, and again in January 1986, the Administration awarded the work to another firm in March 1986 at higher rates resulting in extra expenditure of Rs. 3.52 lakhs.

(Paragraph 65)

CHAPTER I

1. General

1.1 The summarised position of the accounts of the Union Government for 1987-88 emerging from the Appropriation Accounts and the statements of Finance Accounts as rendered by the Controller General of Accounts, subject to adjustments made for capital expenditure met from the internal resources of Railways and Posts and Telecommunications, is given in the following statements.

Statement of financial position* of the Government of India as on 31st March 1988

(Rupees in crores)

Liabilities			Assets			
Amount as on 31-3-1987		Amount as on 31-3-1988	Amount as on 31-3-1987			Amount as on 31-3-1988
86312.59	Internal Debt	98645.62	76568.46	Gross Capital outlay (Schedule A)		
44928.38	Small Savings, Provident Fund, etc.	54527.94		Investment in shares of Companies, Corporations, Cooperatives, etc.	34464.02	
20298.89	External Debt	23223.18				
50.00	Contingency Fund	50.00				
1751.51	Reserve Funds	2173.18		Other Capital Expenditure	53884.75	
						88348.77
12780.86	Deposits and Advances	16112.56	71019.34	Loans and Advances :		
6482.47	Contributions by Railways and Posts and Telecommunications and others for financing capital expenditure (as per contra Refer Schedule A).	7739.74		For Development of Central Projects/Schemes, etc.	28751.72	
				State/Union Territory Governments	49557.82	
				Foreign Governments	525.18	
				Government servants and Miscellaneous	402.49	
						79237.21
			324.05	Suspense and Miscellaneous Balances		819.36
			1639.06	Remittance Balances		1670.03
			4.54	Cash Balance Investment		4.27
			1886.35	Cash Balance at end (including Departmental Balances and Permanent Advance)		1695.18
			21162.90	Deficit :		
				Revenue deficit for the year	9137.25	
				Less : Capital Receipts	0.37	
				Add : Miscellaneous Receipts (Net)	0.01	
				Add : Prior period adjustments	397.61	
				Add : Deficit as on 31st March 1987	21162.90	30,697.40
172604.70		202472.22	172604.70			202472.22

(*) Subject to Explanatory Notes appended.

NOTE :—Proforma corrections have been made by the Controller General of Accounts in the closing balance as on 31st March 1987 of Public Debt, Loans and Advances, Small Savings, Provident Funds etc., Reserve Funds, Deposit and Advances, Suspense and Miscellaneous etc., resulting in net increase of Rs. 397.61 crores in Credit balances. For details, refer statements of Union Government Finance Accounts for 1987-88.

Explanatory Notes :

1. The summarised Financial statements are based on the Statements of the Union Government Finance Accounts and the Appropriation Accounts rendered by the Controller General of Accounts and are subject to notes and explanations contained therein.

2. Government accounts being mainly on cash basis, the revenue surplus or deficit has been worked out on cash basis. Consequently, items payable or receivable or items like depreciation or variation in stock figures, etc. do not figure in the accounts.

3. The capital outlay represents capital expenditure booked in the accounts except adjustment made for subsidy on imported fertilizers and that met from internal resources of Railways, Posts and Telecommunications Departments.

4. Although a part of revenue expenditure and the loans are used for capital formation by the recipients, its classification in the accounts of Union Government remains unaffected by end use.

5. Under the Government system of accounting, the revenue surplus or deficit is closed annually to Government Account with the result that cumulative position of such surplus or deficit is not ascertainable. The balancing figure as on 31st March 1982 was, therefore, treated as cumulative surplus for drawing up the first Statement of financial position for 1982-83 which took the place of Balance Sheet.

6. Suspense and Miscellaneous balances include cheques issued but not paid, payments made on behalf of States and others pending settlement, amount collected by public sector banks awaiting credit to Government, Coinage balances, etc.

7. Internal Resources of Telecommunications include Rs. 344.21 crores representing advance rentals under O.Y.T., etc. schemes.

8. The closing cash balance as per Reserve Bank of India was Rs 623.09 crores against the general cash balance of Rs. 542.99 crores shown in the accounts. The difference had not been reconciled by Controller General of Accounts (March 1989).

SCHEDULE A

(Annexed to Statement of financial position as on 31st March 1988)

(Rupees in crores)

I. Details of Capital Outlay

As on 31-3-1987		As on 31-3-1988
73049.83	Gross capital outlay as per accounts	83572.87
2963.84	Less : Revenue expenditure charged to capital (Subsidy on imported fertilizers)	2963.84
70085.99		80609.03
6482.47	Add : Capital expenditure of Railways and Posts and Telecommunications financed from their internal resources and contributions from others	7739.74
76568.46	Total Capital Outlay	88348.77

II. Sector-wise Capital Outlay

Sector	Capital outlay during the year	Capital outlay at the end of March, 1988
Civil	6040.32	53683.53
Defence	3107.63	11469.64
Railways	1970.58	15807.17
Posts	30.48	326.65@
Telecommunications	631.30	7061.78@
TOTAL	11780.31	88348.77

@Difference is due to rounding of last year's figures.

III. Contributions from Railways, Posts and Telecommunications and others for financing capital expenditure

	Railways	Others*	Posts	Telecommunications	Total
Till end of 1986-87	2933.77	8.30	56.83	3483.57	6482.47
During 1987-88	621.56	..	4.41	631.30	1257.27
TOTAL	3555.33	8.30	61.24	4114.87	7739.74

* States, District Boards, etc.

IV. Sources and application of funds for

(*i*) *Sources*	(Rupees in crores)
1. Revenue Receipts	45405.25
2. Increase in Public Debt	15255.00
3. Net receipts from public account	12826.91
4. Recoveries from Loans and Advances	5180.85
5. Internal resources of Railways and Posts and Telecommunications used for capital	1257.27
6. Miscellaneous capital receipts	0.37
7. Decrease in cash Balance	191.16
TOTAL	80116.81

(*ii*) *Application*	(Rupees in crores)
1. Revenue Expenditure	54542.50
2. Lending for Development and other purposes	13794.00
3. Capital Expenditure	11780.31
TOTAL	80116.81

V. Abstract of Receipts and Disbursements for 1987-88

(Rupees in crores)

RECEIPTS / DISBURSEMENTS

SECTION A—REVENUE

Receipts

I.	Revenue Receipts		
	Tax Revenue	35070.44	
	Interest Receipts	5754.77	
	Dividends from Public Undertakings and other investments	239.98	
	Share of profits from Reserve Bank of India, Life Insurance Corporation, Nationalised Banks and Industrial Development Bank of India	339.32	
	Other dividends and profits	25.32	
	Aid materials and equipment	85.23	
	Other Non-tax Revenue	3483.36	
	External Grant Assistance	406.83	
			45405.25
II.	Revenue deficit c/o to Section B		9137.25
	TOTAL		54542.50

Disbursements

		Plan	Non-Plan	Total
I.	Revenue Expenditure			
	Grants to States under the Constitution	202.23	1195.21	1397.44
	Other grants to State/Union Territory Governments	7059.94	752.75	7812.69
	States' share of Union Excise Duties	—	7002.37	7002.37
	Interest and Debt Service obligations	—	11251.36	11251.36
	Pensions and Miscellaneous General Services (including Swatantrata Sainik Samman Pension)	—	2364.72	2364.72
	Food Subsidy	—	2000.00	2000.00
	Subsidy on Indigenous Fertilizers	—	2050.00	2050.00
	Assistance for Export Promotion and Market Development	—	962.11	962.11
	Interest Subsidy	—	311.26	311.26
	Other grants and contributions	0.24	191.88	192.12
	Postal expenditure	2.16	188.71	190.87
	Defence expenditure	—	8859.85	8859.85
	Subsidy to Railways towards dividends relief etc.	—	173.56	173.56
	Other expenditure	2640.68	7333.47	9974.15
	TOTAL	9905.25	44637.25	54542.50

SECTION B—OTHERS

Receipts

III.	Opening Cash Balance including Departmental Cash Balances and Permanent Advance		1886.34*
IV.	Contributions of Railways and Posts and Telecommunications for Capital Expenditure as per contra		1257.27
V.	Recoveries of Loans and Advances :		
	(a) From State and Union Territory Governments	3562.62	
	(b) From Government Servants	68.12	
	(c) From others	1205.43	
	(d) From Foreign Governments	344.68	5180.85
VI.	Miscellaneous Capital Receipts		0.37
VII.	Public Debt Receipts		138946.08
VIII.	Public Account Receipts		12826.91
	TOTAL		160097.82

Disbursements

II.	Gross Capital Expenditure as booked in accounts	10523.04	
	Add Capital Expenditure financed from Internal Resources of Posts and Telecommunications and Railways as per contra	1257.27	11780.31
III.	Loans and Advances by Central Government to :		
	(a) State Governments and Union Territories	9414.06	
	(b) Other Development Loans	4117.49	
	(c) Government Servants	126.04	
	(d) Foreign Governments	136.41	13794.00
IV.	Repayment of Debt		123691.08
V.	Cash Balance at year end :		
	(a) General Cash Balance	542.99	
	(b) Cash with Departmental offices	1138.13	
	(c) Permanent Cash Imprest	14.06	1695.18
VI.	Revenue Deficit b/f from Section A		9137.25
	TOTAL		160097.82

NOTE : (1) Does not include Revenue Receipts and Expenditure of Railways and Telecommunications.

(2) Defence expenditure and Postal expenditure is net of receipts.

(3) Receipts are net of States' share of Income Tax and Estate Duty and Union Territories' share of Estate Duty on agricultural land (Rs. 2595.44 crores).

(*) Differs from last year's figure due to less exhibition of figure in opening balance by Arunachal Pradesh and Meghalaya. Refer also statement No. 15 of Union Government Finance Accounts for 1987-88.

VI. Analysis of annual financial statements as summarised above brings out the following :—

1. The plan revenue expenditure during the year was Rs. 9905.25 crores against budget estimates of Rs. 10430.70 crores (including supplementary), disclosing shortfall of Rs. 525.45 crores. The non-plan revenue expenditure during the year was Rs. 44637.25 crores (Rs. 39922.35 crores during the previous year) against the estimates of Rs. 45444.78 crores (including supplementary) disclosing a shortfall of Rs. 807.53 crores. The reasons for overall shortfall of Rs. 1332.98 crores over the budget estimates plus supplementary of Rs. 55875.48 crores are given in the Union Government Appropriation Accounts (Civil) for 1987-88.

The revenue expenditure (both Plan and Non-Plan) during the year was Rs. 54542.50 crores against Rs. 48138.73 crores during 1986-87. The detailed reasons for variations are given in Statement-I of the Union Government Finance Accounts for 1987-88.

2. The capital expenditure fell short of budget estimates (including supplementary) by Rs. 2656.29 crores. The main reasons for variation in capital expenditure are given in the Union Government Appropriation Accounts (Civil) for 1987-88.

3. The actual revenue receipts during the year were Rs 45405.25 crores against the budget estimates of Rs. 45220.01 crores and revised estimates of Rs. 46609.03 crores. The comparative figures for 1985-86 and 1986-87 are given below :—

Year	*Budget Estimates	Revised Estimates	Actual
	(Rupees in crores)		
1985-86	32486.63	34646.86	34833.19
1986-87	37537.86	41491.90	40559.81

*Excludes States' Share of Income Tax and Estate Duty and Union Territories' share of estate duty on agricultural land.

Additional resource mobilisation from tax revenue on account of new fiscal measures was estimated at Rs. 514 crores.

4. The general cash balance at year end was Rs. 542.99 crores as compared to balance of Rs. 706.74* crores at end of 1986-87 and of Rs. 107.30 crores at end of 1985-86.

(*) Differs from last year's figure due to less exhibition of figures of opening balance by Arunachal Pradesh and Meghalaya.

5. The revenue deficit of 9137.25 crores during 1987-88, includes the effect of the following :—

	(Rupees in crores)
Food subsidy	2000.00
Subsidy on indigenous fertilizers	2050.00
Export promotion and Market Development Assistance	962.11
Interest Subsidy	311.26
Subsidy to Railways towards Dividends Relief, etc.	173.56
	5496.93

6. The net outgo on Debt Service obligations, after deducting Interest Receipts of Rs. 5754.77 crores, was Rs. 5496.59 crores, as compared to Rs. 3892.92 crores during 1986-87.

7. The aggregate of States' share of Union Excise Duties (Rs. 7002.37 crores) and Grants to States and Union Territories (Rs. 9210.13 crores was Rs. 16212.50 crores representing slightly more than 29 *per cent* of total revenue expenditure and over 46 *per cent* of the total tax revenues of the Union Government.

8. The net loans and advances disbursed to States and Union Territory Governments (Rs. 5851.44 crores) during the year constituted more than 61 *per cent* of the net receipts from the long term borrowings of the Union Government.

9. The total investment of Government in Statutory Corporations, Government Companies, other Joint Stock Companies, Cooperative Banks and Societies, International Organisations, etc., as on 31st March 1988 was Rs. 34464.02 crores. No dividend is receivable on investment of Rs. 344.13 crores in International Bodies and on Rs. 4404.07 crores invested in enterprises under construction. The share of profits from Reserve Bank, Industrial Development Bank, LIC and Nationalised Banks was Rs. 339.32 crores on a total investment of Rs. 1642.82 crores. The dividend received during the year from others, with investment of Rs. 28073.00 crores, was Rs. 239.98 crores, representing only 0.85 *per cent* return on investment.

10. The total debt Internal, External and Small Savings as on 31st March 1988 was Rs. 176396.74 crores out of which external debt was Rs. 23223.18 crores, representing more than 13 *per cent* of total debt. The interest paid on external debt during the year was Rs. 976.93 crores constituting over 8 *per cent* of total interest payments.

11. Upto 31st March 1988, grants including aid materials and equipments aggregating Rs. 7590.09 crores were received from foreign countries and international organisations, the receipts for the year under report being Rs. 492.06 crores. These are treated as revenue receipts. The cumulative deficit of Rs. 30697.40 crores as on 31st March 1988 has to be viewed in the context of external grant assistance of Rs. 7590.09 crores received so far.

12. The terms and conditons of loans aggregating Rs. 34.82 crores, advanced to Government owned Companies/Corporations, non-Government Institutions, local funds etc., have not yet been settled.

13. The rocovery of principal amounts of loans (Rs. 2936.05 crores) and of interest (Rs. 3411.31 crores) total (Rs. 6347.36 crores) as detailed below, remained in arrears from the State and Union Territory Governments and Government Companies/Corporations, non-Government Institutions, etc., at the end of 1987-88.

(Rupees in crores)

	Principal	Interest
State and Union Territory Governments	3.10	28.54
Government Companies/Corporations, non-Government Institutions, etc.	2932.95	3382.77
	2936.05	3411.31

14. During 1987-88, fresh loans of Rs. 3.70 crores were sanctioned to various public sector enterprises, etc., to enable them to make repayment of principal and payment of interest.

15. The maximum amount of guarantees for which Government have entered into agreement and sums guaranteed outstanding on 31st March 1988 were Rs. 34014.17 crores and Rs. 27943.88 crores (approximately) respectively.

The details of guarantees invoked during 1987-88 and payments made by Government were as under :—

(i) Government had guaranteed a net return of 3 to 3½ *per cent*/5 *per cent* per annum on the paid up share capital of Private Railway Companies. The guarantee was invoked during 1987-88 in the case of two companies and Rs. 1.79 lakhs were paid by Government.

(ii) In 3977 cases, Rs. 1356 lakhs were paid by Government as a result of invoking guarantees given under Central Guarantee Scheme for small scale industries due to default in repayment of loans/advances.

16. The total amount of contribution to International Bodies made during 1987-88 was Rs. 34.45 crores, Major contribution being to UNDP (Rs. 8.04 crores), United Nations International Children's Emergency Fund (Rs. 2.98 crores), Food and Agricultural Organisation (Rs. 1.12 crores), United Nations Industrial Development Organisation (Rs. 1.58 crores), International Telecommunication Union (Rs. 1.94 crores), United Nations Organisation (Rs. 3.87 crores), World Food Programme (Rs. 1.24 crores) and United Nations Educational Scientific and Cultural Organisation (Rs. 1.05 crores).

17. Government of India has been rendering assistance to various countries under the Colombo Plan and Special Commonwealth African Assistance Plan. The aid rendered to Governments of Nepal and Bhutan, who are major recipients of aid under the Colombo Plans during 1987-88 was Rs. 15.02 crores and Rs. 62.41 crores respectively. The aid rendered under the Special Commonwealth African Assistance Plan was Rs. 17.62 lakhs during 1987-88 and Rs. 363.50 lakhs upto the end of 1987-88.

18. The total gross receipts from Treasury Bills during the year were Rs. 127145.03 crores, while the gross discharges were Rs. 121460.46 crores, resulting in a net increase in borrowings of Rs. 5684.57 crores at the year end from this source.

1.2 *Public Debt*

Some aspects of 'Public Debt' covering, *inter alia,* the growing debt and other liabilities, increasing deficit in Revenue Account, rising overall deficit, the need for rigorously pruning wasteful expenditure, growth of external debt and servicing the external debt were commented upon in Report No. 10 of 1988 of the Comptroller and Auditor General of India for the year ended 31 March 1987. The review covered the period from 1981-82 to 1986-87. Further data available in the Finance Accounts of the Union Government for 1987-88, Economic Survey for 1988-89 and budget documents for 1989-90 emphasises the growing trend in public debt.

1.2.1 *Growing debt and other liabilities*

The total liabilities of the Government of India have increased considerably as indicated below :

(In crores of rupees)

Year	Internal Debt	External Debt	Public Debt (2+3)	Other Liabilities	Total Liabilities (4+5)	Gross National Product (GNP) at current prices	Percentage of total liabilities to GNP
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1982-83	46939	13682	60621	24250	84871	158217	53.6
1983-84	50264	15120	65384	29878	95262	184871	51.5
1984-85	58537	16637	75174	38268	113442	206357	55.0
1985-86	71039	18153	89192	48292	137484	232634	59.1
1986-87	86312	20299	106611	59935	166546	258875	64.3
1987-88	98646	23223	121869	73692	195561	291501	67.1
1988-89 (Revised Estimates)	114453	25239	139692	88549	228241	..	..

NOTE : (*i*) GNP figures from 1983-84 are provisional and based on Economic Survey, 1988-89.
(*ii*) Other Liabilities include Small Savings, Provident Funds etc. Reserve Funds and Deposits.

It will be seen from the tabular statement above that the total liabilities of the Government of India had increased from Rs. 84,871 crores in 1982-83 to Rs. 1,95,561 crores in 1987-88 registering an increase of 130 *per cent* over a period of five years. The total liabilities stood at more than 67 *per cent* of Gross National Products (at current prices) at the end of 1987-88.

1.2.2 *Increasing Deficit in Revenue Account*

The revenue deficit has increased from Rs. 1,254 crores in 1982-83 to Rs. 9,137 crores in 1987-88. While receipts (including Railways and Posts and Telecommunications) have grown at an average rate of 15.6 *per cent* since 1982-83, the expenditure has grown at an average rate of 18 *per cent* over the same period. The revenue deficit for 1988-89 (Revised Estimates) was Rs. 11,030 crores.

1.2.3 *Rising Overall Deficit*

The budgetary deficits on both the Revenue and the Capital Accounts taken together increased to Rs. 5,816 crores in 1987-88 as compared to Rs. 3,399 crores in 1982-83. It has been estimated to increase further to Rs. 7,940 crores in 1988-89. The Government's overall deficit has been computed after taking credit for the full range of Government's borrowings, including market loans, external loans, small savings schemes, provident funds and other sundry liabilities.

1.2.4 *Servicing the External Debt*

The debt service ratio, i.e. the ratio of interest payments and amortisation of foreign loans by Government of India, as a percentage of exports and invisibles, was 8.4 per cent in 1982-83 and 19.7 per cent in 1987-88 as per the tabular statement given below :

(In crores of rupees)

Year	Total external debt repayments including interest	Exports	Debt servicing as a percentage to exports	Foreign Exchange Reserves	Debt servicing as a percentage of foreign exchange reserves
(1)	(2)	(3)	(4)	(5)	(6)
1982-83	741.94	8803	8.4	4782	15.5
1983-84	810.53	9771	8.3	5972	13.6
1984-85	946.67	11744	8.0	7243	13.1
1985-86	1167.33	10895	10.7	7820	14.9
1986-87	1660.84	12452	13.3	8151	20.4
1987-88	3100.89	15741	19.7	7687	40.3

NOTE : Based on Finance Accounts and Economic Survey.

According to Economic Survey 1988-89, the debt service on external assistance (which does not include servicing of commercial borrowings and IMF credits other than Trust Fund) increased at an annual rate of 30.6 *per cent* during the first three years of the Seventh Plan while the increase was at an annual rate of 8 *per cent* during the course of the Sixth Plan period.

CAPTER II

Appropriation Audit and Control over Expenditure

2. General

The summarised position of actual expenditure during 1987-88 against grants/appropriations is as follows :—

	Original grant/ appropriation	Supplementary	Total	Actual expenditure	Variation Saving
	1	2	3	4	5
			(Rupees in crores)		
I. Revenue :					
Voted	25524.80	2645.61	28170.41	26590.40	1580.01
Charged	*18885.98*	*1048.71*	*19934.69*	*19701.17*	*233.52*
II. Capital :					
Voted	6862.97	337.22	7200.19	6447.21	752.98
Charged	*33.85*	*0.10*	*33.95*	*29.37*	*4.58*
III. Public Debt :					
Charged	*152120.80*	..	*152120.80*	*123693.61*	*28427.19*
IV. Loans and Advances :					
Voted	4648.79	628.62	5277.41	4440.13	837.28
Charged	*8967.72*	*851.39*	*9819.11*	*9387.72*	*431.39*
V. Other—Inter-State Settlement :			*		
GRAND TOTAL	217044.91	5511.65	222556.56	190289.61	32266.95

*Against 'Nil' provision a sum of Rs. 0.10 lakh was paid to the Government of Andhra Pradesh under Inter-State Settlement.

3. The broad results of Appropriation Audit are as follows :—

3.1 The overall supplementary grants and appropriations obtained during 1987-88 constituted 3 *per cent* of the original grants and appropriations.

3.2 In 20 cases, the supplementary provision of Rs. 545.76 crores was unnecessary as the saving in all these cases exceeded the supplementary provision obtained. Details are given in Appendix I.

3.3 The overall saving of Rs. 32266.95 crores (net) represented 14.5 *per cent* of the total provision of voted grants and charged appropriations and 585.4 *per cent* of the supplementary provision. It was the net result of saving of Rs. 32320.74 crores in 193 cases and excess of Rs. 53.79 crores in 11 cases as shown below :—

	Savings		Excesses		Net Saving	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
			(Rupees in crores)			
Voted Grants	1629.79 (In 75 grants)	1594.24 (In 57 grants)	49.78 (In 6 grants)	3.98 (In 3 grants)	1580.01	1590.26
Charged Appropriations	*233.54 (In 39 Appropriations)*	*28863.17 (In 22 Appropriations)*	*0.02 (In 1 Appropriation)*	*0.01 (In 1 Appropriation)*	*233.52*	*28863.16*

3.4 In 38 grants, the savings exceeded 20 *per cent* of the provision, while in 25 grants, the savings were in excess of 30 *per cent*. Details are given in Appendix II.

3.5 Out of the final savings of Rs. 3224.02 crores under voted grants and Rs. 29096.70 crores under *charged appropriations*, savings in 31 grants and 5 appropriations accounted for Rs. 2817.73 crores and Rs. 29043.60 crores respectively are detailed below :—

Sl. No.	Grant	Amount of Savings (Percentage of savings)	Main reasons
1	2	3	4
		(Rupees in crores)	
Voted Grants			
Revenue			
1.	4—Department of Rural Development	68.97 (3.0)	Less payment to meet the additional requirement of funds for National Rural Employment Programme to cover cost of foodgrains, curtailment of expenditure as an economy measure, late submission of detailed project reports, non-submission of accounts of grants released earlier and slow pace of expenditure in certain mini-mission projects.
2.	5—Department of Fertilizers	531.95 (17.3)	Shortfall in the quantum of import of fertilizers.
3.	6—Department of Commerce	27.57 (2.5)	Non-payment to foreign Governments under respective Trade and Payment Agreements and lesser re-imbursement of losses on export of commodities to State Trading and Mineral and Metal Trading Corporations.
4.	20—Ministry of Environment and Forests	24.95 (14.5)	Post-budget decision to make payment directly to the State Pollution Control Boards, non-availability of matching share of assistance from State/Union Territory Governments, non-taking up of new schemes/programmes, late submission of schemes by State Governments, slow progress of work, less purchase of stores and equipments.
5.	21—Ministry of External Affairs	43.36 (11.6)	Non-finalisation of the modalities of rehabilitation grant to Sri Lanka (Rs. 8.00 crores) delay in commencement / non-implementation of certain India-aided projects owing to technical reasons (Rs. 27.65 crores), shortfall in expenditure owing to part implementation of certain commitments, delay in import of some equipment and non-receipt of debit notes from other Departments (Rs. 13.13 crores).
6.	23—Currency, Coinage and Stamps	50.95 (17.5)	Shortfall in expenditure on 'Operation and Maintenance' (Rs. 36.27 crores), exemption of custom duty on import of material and supplies, non-receipt of claims from Directorate General of Supplies and Disposals and short supply of security papers from Security Paper Mill, Hoshangabad (Rs. 12.48 crores).
7.	25—Pensions	98.05 (20.5)	Receipt of lesser of claims than anticipated.
8.	30—Department of Expenditure	299.66 (98.7)	Non-utilisation of the lump sum provision (Rs. 300.00 crores) made for payment of instalments of dearness allowance to Central Government Employees due to inclusion of corresponding provision by various Ministries and Departments in their respective grants.
9.	34—Indirect Taxes	33.47 (10.6)	Non-expansion of computerisation projects in Central Excise Collectorates (Rs. 31.26 crores).
10.	43—Transfers to Union Territory Governments	58.43 (45.4)	Non-utilisation of the provision owing to Goa attaining the Statehood.
11.	64—Department of Biotechnology	20.06 (46.7)	Non-filling up of vacant posts, less requirements from grantee institutions, non-receipt/non-approval of certain proposals owing to technical reasons, and curtailment of expenditure as an economy measure.

1	2	3	4
12.	71—Ports, Light Houses and Shipping	47.82 (37.6)	Non-Sanction of subsidy to Cochin Shipyard (Rs. 6 50 crores); lower fixation of International parity price of Ship being built by Hindustan Shipyard Ltd. (Rs. 6.60 crores); non-submission of claims by various Shipyard and non-payment of interest differential on account of liabilities and assets of Shipping Development Fund Committee taken over by the Government (Rs. 38.10 crores).
13.	79—Nuclear Power Schemes	60.81 (24.0)	Transfer of all operating power stations (excepting Rajasthan Atomic Power Station-Unit-I) to Nuclear Power Corporation of India Limited (NPCIL) formed during the year, non-receipt of claims from NPCIL for payment of establishment and maintenance charges in respect of Rajasthan Atomic Power Station-Unit-I and non-adjustment of interest on capital owing to non-receipt of details from NPCIL.
Capital			
14.	5—Department of Fertilizers	28.03 (4.8)	Lesser budgetary support to Krishak Bharati Co-operative Limited following higher generation of internal resources by the company.
15.	6—Department of Commerce	107.99 (44.0)	Variation in the volume of trade with the respective countries within the respective limits fixed for the grant of technical credits in trade agreements.
16.	18—Department of Power	437.26 (29.0)	Economy cut on expenditure in respect of National Thermal Power Corporation of India and non-clearance of some revised cost estimates.
17.	21—Ministry of External Affairs	43.92 (58.5)	Shortfall in requirement of loan for Chukha Hydel Project, late commencement of work on Nangalam Cement Plant in Bhutan (Rs. 8.61 crores), non-finalisation of purchase deals, slow progress on on-going construction works and adjustment of cost of some housing projects (Rs. 6.02 crores), under utilisation of Government to Government credits owing to non-finalisation of some contracts for supplies to Bangladesh by Indian firms (Rs. 5.73 crores) and non-sanction of fresh stand-by credits to the Government of Nepal (Rs. 25.00 crores).
18.	22—Department of Economic Affairs	89.77 (41.0)	Non-utilisation of the provision relating to loans for fishing and trawler building subsidy (Rs. 68.96 crores), non-drawal/short drawal of credits by foreign Governments (Rs. 17.20 crores).
19.	23—Currency, Coinage and Stamps	52.72 (27.5)	Slow progress of work by Central Public Works Department (Rs. 2.99 crores), postponement of the purchase of new plant and machinery (Rs. 10.80 crores), shortfall in requirement of funds owing to non-receipt/less receipt of cupro nickel blanks from Australia, copper from Hindustan Copper Ltd., less receipt of nickel and aluminium magnesium strips, less procurement of metal for coinage (Rs. 15.85 crores), postponement in purchase of numbering Boxes owing to delay in completion of formalities (Rs. 8.32 crores), non-finalisation of contract by India Supply Mission, London, non-procurement of certain machinery (Rs. 5.89 crores) and less receipt of stainless steel coins, less clearance/destuffing the change and refund of margin money etc. in respect of imported coins (Rs. 7.92 crores).

1	2	3	4
20.	24—Payments to Financial Institutions	25.46 (1.5)	Shortfall in the release of counterpart funds to the Industrial Development Bank of India and Industrial Credit and Investment Corporation of India for want of claims and non-receipt of matching funds from the World Bank and other bilateral agencies resulting in less release of loan to the National Bank for Agriculture and Rural Development.
21.	33—Direct Taxes	99.99 (83.3)	Implementation of stay order by Supreme Court against pre-emptive purchase of property by Government.
22.	35—Department of Food	32.45 (31.0)	Less payment of loans to Sugar Mills for Rehabilitation / Modernisation / Cane Development owing to shortfall in number of applications, non-execution of agreement and enforcement of economy measures.
23.	41—Police	38.75 (49.0)	Non-commencement of construction works owing to enforcement of economy measures.
24.	43—Transfers to Union Territory Governments	86.69 (78.2)	Non-utilisation of the provision owing to Goa attaining the Statehood.
25.	46—Art and Culture	20.36 (99.0)	Non-finalisation of the proposal for acquisition of Nizam jewellery.
26.	50—Department of Chemicals and Petro-chemicals	51.63 (29.5)	Fall in the requirement of Indian Petro-chemicals Corporation Limited owing to slow progress of work.
27.	53—Broadcasting Services	67.99 (20.4)	Non-receipt/non-supply of equipments from suppliers, deferment of schemes, slow progress of civil works, fall in receipt of direct receiver/very high frequency sets, non-sanction of the scheme of re-organisation of new structure (Rs. 50.53 crores) and late adoption of revised procedure for accounting of suspense stock transactions (Rs. 14.95 crores).
28.	69—Surface Transport	42.87 (31.6)	Shortfall in the release of loan to State Road Transport Corporation due to change in policy regarding sanction of loans to the Corporation.
29.	70—Roads	33.85 (7.8)	Shortfall in re-requirement of funds for works, non-receipt of claims for re-imbursement from State Governments (Rs. 24.80 crores), non-implementation of certain projects (Rs. 3.12 crores) and non-purchase of machinery as austerity measure (Rs. 3.03 crores).
30.	71—Ports, Light Houses and Shipping	73.42 (22.4)	Non-materialisation of stage payments/contract in regard to Shipping Corporation of India Ltd. (Rs. 15.95 crores), slow progress of work and utilisation of loan from Bombay Port Trust (Rs. 31.71 crores), shortfall in requirement of funds for arbitration awards, non-acquisition of a Dredger in replacement of old "Lady Willingdon" and late receipt of sanction for the container handling facilities (Rs. 16.27 crores).
31.	78—Atomic Energy	118.54 (24.4)	Reduction in procurement of materials, slow progress / postponement of works/new schemes; shortfall in production/purchase of equipments, stores and heavy water.
	Charged Appropriations *Revenue*		
32.	26—*Interest Payments*	*193.64* (1.7)	Lesser issue of treasury bills and conversion of ad-hoc treasury bills into special securities.

1	2	3	4
	Capital		
33.	27—Transfers to State Governments	*372.40* (4.0)	Shortfall in collection of small savings, block loans and other ways and means advances to State Governments and assistance for relief on account of natural calamities.
34.	29—*Repayment of Debt*	*28427.19* (18.7)	Discharge of less treasury bills than anticipated.
35.	65—Department of Steel	*21.68* (52.9)	Delay in implementation of the Yaleru Water Scheme owing to slippage in civil works and non-receipt of approval of revised cost estimates of the projects road schemes.
36.	70—Roads	23.69 (44.0)	Shortfall in requirement of loans by a State Government owing to slow progress of work (Rs. 23.50 crores).

3.6 *Excess over grants/appropriations*

In the revenue section, there was total excess of Rs. 49,78,16,691 in 6 grants and Rs. 1,99,074 in one appropriation, while excesses in capital section amounted to Rs. 3,97,91,257 in 3 grants and Rs. 93,373 in one appropriation. These excesses require regularisation under Article 115 of the Constitution.

The details of excesses are given below :—

Sl. No.	Grant	Total grant	Actual expenditure	Amount of excesses (Percentage of excesses)	Main reasons
1	2	3	4	5	6
	Revenue				
1.	11—Ministry of Defence	572,51,00,000	586,46,69,203	13,95,69,203 (24.38)	Implementation of the recommendations of Fourth Pay Commission in respect of Group 'A' Officers, re-structuring of Accounts cadre, payment of instalments of Dearness Allowance and Bonus.
2.	12—Defence Pensions	1212,36,00,000	1214,05,53,490	169,53,490 (0.14)	Receipt of more pension cases.
3.	22—Department of Economic Affairs	482,15,00,000	505,80,49,350	23,65,49,350 (4.91)	More payment of interest, losses resulting from exchange variation, payment of ad-hoc bonus, Additional Dearness Allowance and arrears of Pay and allowances of Group 'A' officers; escalation in prices of machinery and equipments.
4.	67 - Ministry of Textiles	479,52,00,000	479,87,23,369	35,23,369 (0.07)	Belated adjustment of expenditure incurred from the Jute Special Development Fund for which no budget provision was made and payment of interest, subsidy/write off of Irrecoverable loans to certain companies/corporations.
5.	74—Public Works	148,04,00,000	153,71,26,369	5,67,26,369 (3.83)	Execution of more works, payment of advance to suppliers for urgent deposit works, implementation of the recommendations of the Fourth Pay Commission, upgrading/increase in the number of posts of Assistant Engineers/Assistant Surveyors of Works, revision of pay scales of Divisional Accountants, more bills for electric and water charges and purchase of modern office equipment and local purchases of stationery.
6.	92—Chandigarh	110,86,00,000	115,30,94,910	4,44,94,910 (4.01)	Reasons for excess has not been received (March 1989).

1	2	3	4	5	6
	Capital				
7.	37 –Department of Health	141,28,00,000	143,90,54,817	2,62,54,817 (1.86)	Receipt of more debits for the supplies received and reimbursement claims for the stores.
8.	88 –Delhi	487,14,00,000	487,25,74,246	11,74,246 (0.024)	More expenditure on construction works and acquisition of land.
9.	91 –Lakshadweep	9,34,00,000	10,57,62,194	1,23,62,194 (13.24)	Reasons for excess has not been received (March 1989).
	Charged appropriations				
	Revenue				
10.	12—Defence pensions	*72,00,000*	*73,99,074*	*1,99,074* (*2.76*)	Materialisation of more court cases.
	Capital				
11.	74—Public Works	*17,00,000*	*17,93,373*	*93,373* (*5.49*)	Receipt of more arbitration awards than anticipated.

Ministry of Home Affairs

3.7 *Irregular adjustment of expenditure*

Ministry of Finance conveyed sanction to the opening of a new subhead B1(1)—Block Grants subordinate to major head B-Grants-in-aid to State Governments in Grant No. 43—Transfers to Union Territory Governments and expenditure of Rs. 15 crores towards release of Grants-in-aid of plan schemes of Goa attaining Statehood with effect from 30th May 1987 was met by re-appropriation dated 30th March 1988. This adjustment in Grant No. 43—Transfers to Union Territory Governments was irregular as all expenditure relating to Grants-in-aid to State Governments was to be made under Grant No. 27—Transfers to State Governments, under Ministry of Finance, which would have resulted in excess and required regularisation by Parliament.

CHAPTER III

CIVIL DEPARTMENTS

Ministry of Agriculture

(Department of Agriculture and Co-operation)

4. Assistance to the small and marginal farmers for increasing agricultural production

4.1 *Introduction*

The Ministry of Agriculture (Department of Agriculture and Co-operation) hereafter referred to as the Ministry launched a Centrally sponsored scheme 'Assistance to the small and marginal farmers for increasing agricultural production' (the programme) in 1983-84 in all the integrated rural development blocks of the country for alleviating the lot of poorer sections of the community that earn their livelihood from their land holdings. The Programme aimed at increasing the agricultural production of the small and marginal farmers identified for the purpose by the District Rural Development Agencies (DRDAs). For the purpose of coverage, the definition of small| marginal farmer followed as under the ongoing Integrated Rural Development Programme (IRDP) was adopted i.e. a farmer whose land holding was two hectares or less but more than one hectare was termed as a small farmer and a farmer whose land holding was one hectare or below was taken as marginal farmer In case of class-I irrigated land, a farmer having one hectare or less but more than 0.5 hectare was considered as small farmer and one having upto 0.5 hectare was considered as marginal farmer. Eligibility for assistance was in terms of either ownership or cultivation of land holdings of the prescribed size. Unlike as in the case of IRDP, income from other than farm was not reckoned.

4.2 *Scope of Audit*

The implementation of the programme during 1983-84 to 1987-88 was test-checked by Audit in the Ministry/States/Union Territories (UTs) and in a few districts/blocks of 20 States and three UTs. Important points noticed in Audit are given in the succeeding paragraphs.

4.3 *Organisational set up*

The Ministry is the nodal agency for the programme at Central level which is responsible for provision of funds, overseeing the implementation and monitoring of the programme. For this purpose, an Inter-Ministerial Project Implementation Committee headed by the Secretary (Agriculture and Co-operation) was set up in the Ministry. The State Governments and UT Administrations were to decide the nodal department at State/UT level for implementation of the programme. Each State/UT was to set up Inter-Departmental Co-ordination Committee headed by the Chief Secretary for implementation, supervision and monitoring of the programme. At the district level, the DRDA was responsible for co-ordination and monitoring the implementation of the programme. For providing credit support to beneficiaries, banks and other financing agencies were to be identified by the DRDAs/nodal departments and given separate targets.

4.4 *Highlights*

The review bring out, inter alia:

- **The programme was launched in 1983-84 for alleviating the lot of the small and marginal farmers by increasing their agricultural production. During 1983-84 to 1987-88, funds amounting to over Rs. 748 crores were available with various States/ Union Territories, out of which the expenditure of over Rs. 682 crores had been incurred.**

- **The programme was launched without attempting to integrate it with other ongoing Centrally Sponsored/Central Sector Schemes like the Integrated Rural Development Programme, Desert Development Programme, Drought Prone Area Programme, National Oilseeds Development Project, National Pulses Development Programme, etc., which had similar or over-lapping components and which covered section of the small and marginal farmers. Soon after the programme was launched the need for integration of these programmes and funneling the funds to the States/Union Territories in one programme was projected by the then**

Ministry of Rural Development, the Planning Commission and the Working Group on Agricultural Production set up for the formulation of Seventh Five Year Plan. The Working Group had also pointed out in September 1984 weaknesses in the institutions in areas such as extension, credit, input delivery, water management, soil conservation and suggested formulation of strategies to suit the requirements of each area. The programmes, however, continued to be implemented in isolation without remedying the weaknesses in infrastructure.

- The funds were allocated on uniform basis of Rs. 5 lakhs per block per annum without regard to the number of small and marginal farmers in the blocks resulting in inequitable allocation of funds amongst various States/Union Territories. Consequently, the average annual allocation of funds per small/marginal farmer varied between Rs. 28.67 (Andhra Pradesh and Uttar Pradesh) and Rs. 148.61 (Punjab). Considering the number of small and marginal farmers in the country, the per capita allocation of funds was too meagre to have any perceptible impact.
- The funds were allocated on uniform rate of Rs. 3.50 lakhs per block for minor irrigation without reckoning the irrigation requirements of the regions or the position of already over-exploited ground water levels in the blocks.
- The programme envisaged distribution of minikits of oil-seeds and pluses irrespective of agro-climatic conditions and entailed distribution of available certified seeds of improved variety to all the blocks thereby reducing availability of seeds in the regions with high potentiality for oilseeds/pulses production.
- Planning and implementation of the programme by several States was deficient in the following respects :
  - non-identification of the needy and priority areas through proper survey;
  - non-identification of beneficiaries on the basis of their land holdings; and
- non-preparation of the perspective/annual action plans for the districts.
- Financial shortcomings/irregularities noticed included :
  - releasing disproportionately large amounts during the last quater/month of March of the years to a number of States by the Ministry;
  - Incurring disproportionately large amounts of expenditure (25 per cent or more of the total expenditure) during the month of March by several States;
  - treating advances amounting to over Rs. 29 crores given to various executing agencies as final expenditure by several State Governments; and
  - diversion of funds of more than Rs. 10 crores by several States to other schemes/activities not covered under the programme.
- Irregularities in payment of subsidy noticed during test check included :
  - payment of subsidy exceeding Rs. 4.10 crores in cash direct to the beneficiaries instead of linking it for adjustment against loans obtained from the financing institutions;
  - disbursement of subsidy to ineligible farmers; and
  - excess disbursement of subsidy of over Rs. 1.06 crores due to application of incorect rates in six States.
- The percentage of rejection of loan applications recommended by the DRDAs, nodal departments and other executing agencies by the financing institutions was high and ranged between 37 and 76 in five States.
- Implementation of 'minor irrigation' for which 70 per cent of the allocation was envisaged, suffered from various shortcomings like non-utilisation of tubewells/irrigation works for want of energisation, non-provision of pumpsets for irrigation wells. non-maintenance of proper records, etc.
- In Andhra Pradesh, though the feasibility was advised by the technical departments after appropriate hydrogeological and hydrological tests, 1139 inwell bores drilled in various locations at a cost of Rs. 31.11 lakhs had failed.
- The Andhra Pradesh State Cooperative Rural Irrigation Corporation was paid Rs. 36.62 lakhs in excess due to charging higher rate for drilling 8,760 inwell bores.

— In Muzaffarpur district of Bihar, GI pipes and accessories for tubewells costing Rs. 81.26 lakhs were purchased from select-ed firms without inviting tenders and without approval of the District Purchase Committee.

— Subsidy of Rs. 79.77 lakhs was paid irregularly/in excess to the Gujarat Water Resources Development Corporation in respect of minor irrigation works.

— In Himachal Pradesh, details/reocrds showing utilisation of Central assistance of Rs. 223.42 lakhs released during 1983-84 and 1984-85 for minor irrigation works were not produced to Audit.

— In Punjab, despite the instructions of the Ministry to undertake boring of wells by Government agencies, Rs. 88.48 lakhs were disbursed by the financing institutions directly to the farmers during 1986-87 and 1987-88 for the purpose.

— In Udaipur district of Rajasthan, no records of collection/accountal of Rs. 15.72 lakhs recoverable from the farmers benefited under the community irrigation works were shown to Audit. DRDA, Udaipur adjusted the subsidy of Rs. 106.79 lakhs on the simple certificates furnished by the Informal Committees having no locus standi/recognised status.

— DRDA, West Tripura did not take the material worth Rs. 7.17 lakhs on stock while the materials worth Rs. 27.51 lakhs issued during 1986-87 to various Block Development Officers in Midnapore district (West Bengal) were lying unutilised.

— Minikits containing older varieties of seeds worth Rs. 454.39 lakhs were distributed in Andhra Pradesh, Gujarat, Karnataka (4 districts), Orissa and Punjab (4 districts). In West Bengal (Midnapore district), substandard seeds worth Rs. 10.14 lakhs were purchased and distributed without getting the germination tests conducted. In Orissa (Bolangir district), poor quality of groundnut seeds worth Rs. 3.07 lakhs were distributed, germination test of samples revealed 86 to 96 per cent dead seeds.

— In Assam, Punjab and West Bengal, seeds worth Rs. 23.19 lakhs were distributed after the sowing seasons. Though the distribution of seeds of wheat, paddy and beans in minikits was not contemplated under the programme, seeds of these crops worth Rs. 6.96 lakhs were distributed in Jammu & Kashmir, Karnataka and Maharashtra.

— Despite the distribution of minikits of fertilisers was dropped from the purview of the programme from 1985-86, fertiliser minikits worth Rs. 191.67 lakhs had been distributed in Assam, Jammu & Kashmir, Karnataka and Maharashtra. Nominal charges of Rs. 63.30 lakhs in respect of seed minikits distrbuited to the beneficiaries were not recovered in six States.

— Implementation and supervision over the distribution of minikits were lacking in the States of Gujarat, Karnataka, Punjab and West Bengal and the Union Territories of Andaman & Nicobar Islands and Pondicherry and the Programme Implementation Committees which were to evaluate impact of distribution of the minikits were not set up in Karnataka, Punjab and Sikkim.

— There were cases of non-supply and short/excess supply of packets of rhizobium culture along with seed minikits in the States of Assam, Bihar, Gujarat, Himachal Pradesh, Jammu & Kashmir, Punjab, Tamil Nadu and West Bengal and the Union Territory of Chandigarh.

— Despite discontinuance of 'distribution of fuel and fruit trees' component from the purview of the programme from 1985-86, over Rs. 10.00 crores were spent on this component by several States.

— Records of survival of plants were not maintained in Andhra Pradesh, Gujarat, Kerala, Manipur, Sikkim, Uttar Pradesh and West Bengal.

— Expenditure on 'land development' component was insignificant in Andhra Pradesh, Assam, Gujarat, Kerala, and Madhya Pradesh. In Kerala, Rs. 277.10 lakhs were spent on land development works without identification of beneficiaries and survey of the areas to be developed. The amount was released merely on the basis of certificates issued by the Land Mortgage Banks and not after proper verification and valuation of the works done by the beneficiaries.

— Effective monitoring of the programme was lacking at the Central, State and district levels.

— **No attempt at conducting evaluation to ascertain impact of the programme on the economic development and on the increase in agricultural production of the small and marginal farmers was done in any of the States/Union Territories except in Haryana and Punjab where partial studies were undertaken.**

4.5 *Outline of the programme*

4.5.1 The objectives were sought to be achieved through the following activities :

(i) Minor irrigation works.

(ii) Land development works like moisture conservation, construction of contour key line interception bunds, dead furrow formation across the slope, putting up small check dams. etc.

(iii) Distribution of minikits of improved seeds of pulses, oilseeds and coarse grains and minikits of fertilizers.

(iv) Plantation of fuel and fruit trees.

4.5.2 *Pattern of assistance* : The expenditure on the programme was shared equally between the Central and the State Governments. In the case of UTs, the expenditure was borne in full by the Central Government.

4.5.3 An annual outlay of Rs. 5 lakhs was provided per block. The component-wise break-up of the outlay was in the ratio of 7:1:2 as shown below :

Components	1983-84 and 1984-85	1985-86 onwards
	(In lakhs of rupees)	
(i) Subsidy on minor irrigation works	3.50	3.50
(ii) Subsidy on plantation of fruit and fuel trees	0.50	withdrawn
(iii) Free distribution of minikits of seeds and fertilisers for oilseeds and pulses, land development and cost of staff	1.00	..
(iv) Free distribution of minikits of seeds for oilseeds, pulses and coarse grain crops.	..	0.50
(v) Land development including cost of staff restricted to Rs. 4,000 per block.	..	1.00

While the State Government/UT Administrations had the flexibility to divert the funds from one component to another within a block, the total annual outlay of Rs. 5 lakhs for each block was not to be changed. However, the componentwise proportion of investment of 7:1:2 among minor irrigation, minikits and land development including staff was to be retained at district level.

4.5.4 Central assistance was released to the States which, in turn, were to place the funds along with their matching share at the disposal of the DRDAs/nodal departments. Central assistance released to the UTs was also to be placed at the disposal of the DRDAs/nodal departments.

4.5.5 Under the programme, credit linked subsidies were provided to the beneficiaries for minor irrigation and land development components. The extent of subsidy was as under :

Category of farmers	Rate of subsidy: Individual beneficiary schemes	Community works	Ceiling
Small farmers	25 *per cent*	50 *per cent* of the capital cost of an approved work apportionable to the beneficiaries.	Rs. 3000 (Rs. 4000 in respect of block selected from Drought Prone Area Programme areas).
Marginal farmers.	33⅓ *per cent*	–do–	–do–
Scheduled Tribe farmers.	50 *per cent*	–do–	Rs. 5,000

The minikits of seeds and fertilisers and seedlings of fuel and fruit trees were distributed free of cost or at subsidised rates.

From 1985-86 the ceiling limits in respect of individual minor irrigation works had been abolished and the prescribed rates of subsidy (i.e. 25 *per cent* or 33⅓ *per cent* or 50 *per cent*) were applied to the unit cost of the projects as fixed by the National Bank for Agriculture and Rural Development (NABARD) for different agro-climatic regions in the country. Subsidy upto Rs. 1000 was also admissible to the individuals in the case of failed wells.

4.6 *Planning*

4.61.1 *Inherent weaknesses* : The programme as conceived had inherent weaknesses in the following respects:

(i) At the time the programme was introduced, other Centrally Sponsored/Central Sector schemes like the IRDP, Desert Development Programme (DDP), Drought Prone Area Programme (DPAP), National Oilseeds Development Project (NODP).

National Pulses Development Programme (NPDP), having similar or overlapping components and also covering a section of the small and marginal farmers were already under operation besides other State schemes. While the programmes IRDP, DDP and DPAP included minor irrigation. land development, forestry, etc., NODP and NPDP included distribution of minikits of oilseeds and pulses to the small and marginal farmers. The IRDP, DDP and DPAP were implemented by the Department of Rural Development; the other two programmes were implemented by the Ministry of Agriculture (Department of Agriculture and Cooperation). Soon after the programme was launched, the need for integration of the common components of different programmes was felt by the then Ministry of Rural Development (presently the department of Rural Development under the Ministry of Agriculture). The Planning Commission had also observed that the components of the programme germane to IRDP should be merged with IRDP. These programmes were, however, continued in isolation.

(ii) The funds were allocated on uniform basis of Rs. 5 lakhs per block *per annum* without regard to the number of small and marginal farmers in the blocks. This led to inequitable allocation of funds amongst various States. Consequently, the average annual allocation of funds per small/marginal farmer varied between Rs. 28.67 (Andhra Pradesh and Uttar Pradesh) and Rs. 148.61 (Punjab).

(iii) Considering the fact that there were 661.94 lakh small and marginal farmers in the country (Agricultural census, 1980-81) the allocation of Rs. 250 crores in 1983-84 and Rs. 200 crores from 1984-85 onwards was to meagre (Rs. 38 per beneficiary in 1983-84 and Rs. 30 per beneficiary per annum thereafter) to have any perceptible impact.

(iv) The funds were allocated on uniform rate of Rs. 3.50 lakhs per block for minor irrigation without reckoning the relative irrigation requirements of the regions or the position of already over-exploited ground water levels. The National Commission on Agricuture in its report (1976) had specifically mentioned about over exploited areas of coastal districts of Andhra Pradesh; Bihar Shariff areas in Bihar; Kutch and Mehsana districts in Gujarat; Karnal district in Haryana; Ludhiana district in Punjab; Jhunjhunu district and Kharkar basin in Rajasthan and Coimbatore, Modurai, North Arcot and Salem districts in Tamil Nadu and recommended further exploitation of ground water only for domestic and industrial use and that too after taking steps to recharge it by all practicable means.

(v) The programme envisaged distribution of minikits of oilseeds and pulses irrespective of agro-climatic conditions and entailed distribution of available certified seeds of improved variety to all blocks thereby reducing availability of seeds in the regions with high potentiality for oilseeds/pulses production.

4.6.2 *Observation of the Working Group* : The Working Group on agricultural production for the formulation of Seventh Five Year Plan made *inter alia* the following observations in September 1984 :

(i) A number of schemes and programmes were being implemented by the Ministry of Agriculture as well as by the Ministry of Rural Development which were area based and oriented towards land resources development. There was considerable overlapping of these schemes and programmes. The States found it difficult to keep accounts and attend to the multiplicity of reporting work. There was a clear need to integrate these programmes and funnel funds to the States for the development of rainfed farming through one programme only.

(ii) The institutions in areas such as extension, credit, input delivery, water management, soil conservation and so on were both technically and managerially weak.

(iii) The development of ground water potential was highly uneven. While North-Western region consisting of Haryana and Punjab had reached about 80 *per cent* of the potential, the percentage was about 35 in Bihar, about 20 in Orissa and West Bengal and very low in North-Eastern region. Conjunctive use of ground and surface waters in a scientific manner was yet to be achieved.

(iv) There were many constraints operating in quickening the pace of ground water exploitation in the existing framework. Some of these were :

(a) Defective land records resulting in farmers not being able to obtain bank loans;

(b) delayed electric connections rendering the investments made by the farmers unviable and eventually leading to defaults; and

(c) highly fragmented and uneconomic holding in the Eastern Region making it impossible for any one farmer to undertake such investments, etc.

(v) Seed was one of the basic and fundamental requirement, and unless quality and the production potential of seed was ensured any other effort in terms of application of nutrients, irrigation, plant protection, labour, etc., would go waste. Availability of certified seed was very low.

(vi) In many States, supervisory posts were either not created promptly, or when created they were not filled. It was not realised that without field supervision the entire investment in the extension system was wasteful.

(vii) Strategies would have to be designed to suit the requirements of each area.

Necessary corrective measures specifically in regard to integration of different programmes, exploitation of ground water, optimisation of availability of certified improved variety of seeds of oilseeds and pulses were, however, not taken while continuing the programme.

4.6.3 *Planning at the State level* : As contemplated in the guidelines issued by the Ministry, the beneficiaries under the programme were to be identified on the basis of their land holdings. The States/UTs were to identify the areas to be taken up in each block for development giving preference to identified mini-watersheds in dryland farming areas. A block which had not received the advantage of considerable ground water development was to be given preference over blocks in which ground water development had been considerable. The States/UTs were also to prepare suitable schemes of minor irrigation for district or for a region or for the State as a whole depending upon the availability of ground water potential. The participating agencies and banks were also to be identified and targets fixed for them and the same were to be incorporated in the scheme itself.

It was, however, observed that the beneficiaries were not identified on the basis of their land holdings in Bihar, Himachal Pradesh, Madhya Pradesh and Tamil Nadu. No survey or identification of needy and priority areas was done before implementing various components of the programme in Bihar, Himachal Pradesh, Jammu & Kashmir, Kerala, Madhya Pradesh, Punjab, Tamil Nadu, Uttar Pradesh and West Bengal. Further, no perspective/annual action plans were framed in Andhra Pradesh, Bihar, Himachal Pradesh, Tamil Nadu and Uttar Pradesh.

4.7 **Financial Outlay**

4.7.1 *Outlay* : Under the programme an outlay of Rs. 250 crores with a Central share of Rs. 125 crores during 1983-84 was envisaged. The programme was continued during 1984-85 onwards with the Central share of Rs. 100 crores *per annum*.

The details of Central releases, the matching share to be provided by the States and the total expenditure during 1983-84 to 1987-88 as intimated by the Ministry were as under :

(In lakhs of rupees)

Year	Central releases	Matching share* of the States	Total funds available	Total expenditure
1983-84	8500.00	8197.12	16697.12	10556.83
1984-85	8872.41	8549.24	17421.65	13195.23
1985-86	7479.60	7229.82	14709.42	17667.51
1986-87	5774.84	5684.09	11458.93	14241.80
1987-88	7259.00	7230.98	14525.98	12562.94**

*Central releases were more than the matching share of the States as it included *cent per cent* assistance to the UTs.

**Excluding the figures of Assam, Bihar, Himachal Pradesh, Jammu & Kashmir, Meghalaya, Sikkim, Chandigarh and Delhi and for March 1988 in respect of Uttar Pradesh.

4.7.2 *Rush of releases/expenditure* : Despite the instructions contained in the General Financial Rules that provision which could not be profitably utilised was to be surrendered as it was contrary to the interest of Government that money be spent hastily or in an ill-considered manner merely because it was available or to avoid the lapse of a grant, the Ministry released during the last quarters of the years 50 *per cent* or more of the total funds released each year to Andhra Pradesh (1985-86), Haryana (1985-86), Himachal Pradesh (1985-86 and 1987-88), Jammu & Kashmir (1984-85 and 1987-88), Karnataka (1986-87), Kerala (1985-86 and 1986-87), Madhya Pradesh (1985-86 and 1986-87), Maharashtra (1986-87), Manipur (1985-86 and 1987-88), Orissa (1985-86 and 1986-87), Punjab (1985-86), Rajasthan (1983-84 and 1985-86), Sikkim (1985-86 and 1986-87) and West Bengal (1985-86 and 1986-87).

Similarly, the releases made in the month of March alone of the years were 25 *per cent* or more of the total funds released to Andhra Pradesh (1986-87 and 1987-88), Assam (1987-88), Bihar (1987-88), Gujarat (1983-84, 1986-87 and 1987-88), Haryana (1983-84 and 1987-88), Himachal Pradesh, (1983-84 and 1987-88), Jammu & Kashmir (1984-85 and

1987-88), Karnataka (1986-87 and 1987-88), Kerala (1983-84, 1985-86 and 1987-88), Madhya Pradesh (1983-84, 1986-87 and 1987-88), Maharashtra (1985-86 to 1987-88), Manipur (1987-88), Orissa (1985-86 to 1987-88), Rajasthan (1987-88), Sikkim (1985-86 to 1987-88), Tamil Nadu (1985-86 to 1987-88), Uttar Pradesh (1987-88) and West Bengal (1986-87).

Twentyfive *per cent* or more of the total expenditure was incurred during the month of March each year in Andhra Pradesh (1983-84 and 1985-86 in Karimnagar district), Bihar (1983-84 to 1987-88 in Hazaribagh, Munger and Muzaffarpur districts), Gujarat (1985-86), Himachal Pradesh (1983-84 to 1986-87 in 21 units), Jammu & Kashmir, 1983-84, 1985-86 to 1987-88 in Anantnag, Baramulla and Jammu districts) and Sikkim (1983-84 to 1987-88). In Kerala and Punjab (Bhatinda, Jalandhar and Ludhiana districts in respect of land development component), the expenditure during the month of March ranged between 19 and 100 *per cent*).

4.7.3 *Advances treated as final expenditure* : In the following cases, the advances of Rs. 2921.66 lakhs lying with the executing agencies were shown as final expenditure :

Name of States	Period	Amount of advances shown as final expenditure (in lakhs of rupees)	Remarks
1	2	3	4
Andhra Pradesh	1986-87 to 1987-88	960.00	
Assam	1983-84 to 1987-88	841.00	
Bihar	1983-84 to 1987-88	143.95	Position in respect of four districts test checked.
Karnataka	1986-87	13.10	In Dharwar district only.
Kerala	At the end of 1987-88	337.23	The amount was not spent but was deposited with the banks.
Madhya Pradesh	1987-88	323.99	The amount was irregularly credited to Civil Deposits.
Orissa	1985-86 and 1987-88	5.85	
Sikkim	1983-84 to 1987-88	7.85	
Uttar Pradesh	1984-85 to 1987-88	289.98	
	TOTAL	2922.95	

4.7.4 *Diversion of funds* : A test-check of records revealed that more than Rs. 1016 lakhs, as detailed in Appendix III were diverted by various States to schemes and purposes outside the scope of the programme.

4.7.5 *Non-adjustment of advances/outstanding utilisation certificates* : A test-check of records revealed that adjustment of advances/utilisation certificates of over Rs. 7323 lakhs were awaited from various executing agencies as detailed in Appendix IV.

4.7.6 *Payment of Subsidy*

(i) *Payment in cash* : In the following cases subsidy of Rs. 410.47 lakhs was paid in cash directly to the beneficiaries instead of through the banks/financing institutions at the time of disbursement of loans as envisaged under the programme:

Name of States	District	Year	Amount of subsidy (Rs. in lakhs)	Remarks
Bihar	Hazaribagh, Munger and Muzaffarpur.	1983-84 to 1987-88	363.97	The payment was made through Block Development Officers in Hazaribagh (Rs. 145.23 lakhs) and Munger (Rs. 152.14 lakhs) and by the DRDA Muzaffarpur (Rs. 66.60 lakhs).
Himachal Pradesh	Kangra, Mandi and Solan	1985-86 to 1987-88	15.47	Paid by soil conservation units (Mandi, Palampur, Dehra and Nalagarh) out of Government funds.
Sikkim	State as a whole	1983-84 to 1987-88	14.85	3034 beneficiaries to whom subsidy was paid had not taken any loan from financing institutions.
Tripura	—	1984-85 to 1987-88	16.18	Paid by Minor Irrigation and Flood Control (MIFC) Divisions. Acknowledgement from the farmers in token of receipt of the pump-sets were not available with MIFC Divisions/DRDAs. Follow up action as to the proper utilisation of pump-sets were also not taken.
		TOTAL	410.47	

(ii) *Payments without identification of farmers* : In Punjab, subsidy was payable to the small farmers and marginal farmers having Class I irrigated land of one hectare or less and 0.5 hectare respectively. Where the land was irrigated but was not of Class I variety, a suitable conversion ratio was to be adopted with a ceiling limit of two hectares. As per revenue records, 82.8 *per cent* of land was irrigated in Bhatinda district but no conversion ratio had been adopted by the State Government to determine the eligibiliy of the farmers. Consequently, farmers having more than one hectare/0.5 hectare of irrigated land were treated as small/marginal farmers and were given subsidy of Rs. 4.09 lakhs. The Chief Agriculture Officer, Bhatinda stated in May 1988 that although land was irrigated by canals (69 *per cent*) and tubewells (14 *per cent*), the water supply was not considered sufficient for the crops.

In West Bengal subsidy of Rs. 43.27 lakhs (Midnapore: Rs. 25.14 lakhs and Malda: Rs. 18.13 lakhs) was spent during 1986-87 and 1987-88 for 74 projects of land development and minor irrigation without identification of beneficiaries. As a result, the rate at which payment was made could not be verified.

(iii) *Payments to ineligible farmers* : In Andhra Pradesh (Mahaboobnagar districts) and Maharashtra (Akola, Dhule and Nashik districts), subsidy of Rs. 6.62 lakhs and Rs. 5.05 lakhs was paid to 210 and 545 beneficiaries during 1983-84 to 1985-86 and 1983-84 to 1987-88 respectively whose land holdings were higher than the prescribed limits.

In Karnataka 246 farm ponds were taken up during 1986-87 and 1987-88. Of these, 26 farm ponds (cost: Rs. 2.95 lakhs) including 12 ponds in Kodagu district were located in the lands owned by big farmers and did not benefit the small and marginal farmers.

(iv) *Excess payments due to application of incorrect rates of subsidy* · The programme contemplated payment of subsidy at the rate of 25 *per cent*, 33⅓ *per cent* and 50 *per cent* of the cost of the project to the small farmers, marginal farmers and scheduled tribe farmers respectively. However, an excess amount of Rs. 14.37 lakhs was paid to the beneficiaries by allowing rates of subsidy higher than those prescribed in Andhra Pradesh (Karimnagar district: Rs. 2.48 lakhs), Himachal Pradesh (Kangra, Mandi and Solan districts : Rs. 4.19 lakhs), Jammu & Kashmir (Akhnoor, Anantnag, Baramulla, Jammu, Kathua, Pulwama and Udhampur districts/units : Rs. 4.59 lakhs), Madhya Pradesh (Jabalpur district : Rs. 1.35 lakhs) and Rajasthan (Bharatpur and Sawai Madhopur districts : Rs. 1.76 lakhs) between 1983-84 and 1987-88.

Further, subsidy of Rs. 197.66 lakhs was paid at 80 *per cent* of cost of the project in Andhra Pradesh (Warrangal district : Rs. 21.95 lakhs), at 85 *per cent* (Rs. 42.18 lakhs) and at 100 *per cent* (Rs. 45.45 lakhs) in Bihar (Muzaffarpur district) and at 100 *per cent* in Rajasthan (Rs. 88.08 lakhs) without limiting to the prescribed percentages. Even assuming that all the beneficiaries belonged to scheduled tribe farmers being eligible for subsidy at the maximum rate of 50 *per cent* of cost of the projects, the excess payment of subsidy would work out to Rs. 92.37 lakhs.

(v) *Irregular payments against communityprojects* : Though community irrigation works were to be taken up where more than 50 *per cent* of the land holders (minimum 10 farmers) were small and marginal farmers and they owned not less than 25 *per cent* of the land, yet in the following cases the above conditions were not observed and as such payment of subsidy treating these works as community works was irregular.

In Andhra Pradesh though in the case of community irrigation work coverage of not less than 10 farmers was envisaged, this was not observed in case of 2461 works done by the Scheduled Caste Service Cooperative Society and 164 works executed by the Andhra Pradesh State Irrigation Development Corporation (APSIDC) in Anantapur, Chittoor, East Godavari, Guntur and Mahaboobnagar districts. This resulted in irregular payment of subsidy of Rs. 268.63 lakhs during 1983-84 to 1987-88.

In two DRDAs—Karimnagar and Mahaboobnagar, subsidy amounting to Rs. 26 lakhs was paid during 1983-84 to 1987-88 for excavation of 43 wells and provision of 762 pumpsets, electric motors|diesel engines for community wells at 50 *per cent* of cost of the asset. These works were not community irrigation works as minimum covrage of 10 small and marginal farmers required for community works was not observed.

DRDA, Karimnagar paid subsidy of Rs. 11.80 lakhs (February 1984: Rs. 2 lakhs; March 1988: Rs. 9.80 lakhs) to the APSIDC for undertaking a lift irrigation scheme on the Godavari river at Jagannadapur at an estimated cost of Rs. 21.30 lakhs for the exclusive benefit of 98 scheduled tribe farmers of whom 50 were the small and the marginal farmers.

The cost apportionable to the small and marginal farmers worked out to Rs. 7.66 lakhs on the basis of their land holdings (245 acres out of 681 acres in the 'ayacut'). The work was not commenced till May 1988 due to administrative delays and requirement of higher amount of subsidy for making the scheme economical. As against the subsidy of Rs. 3.83 lakhs payable at 50 *per cent* of the apportionable cost, the total subsidy paid was Rs. 11.80 lakhs resulting in a payment of excess subsidy of Rs. 7.97 lakhs.

In Gujarat, DRDA, Vadodra paid Rs. 19.17 lakhs to Gujarat Water Resources Development Corporation (GWRDC) during 1984-85 and 1985-86 for 14 minor irrigation works deleting certain big farmers from the list of beneficiaries though their land was within the ayacut. This inflated the percentage of land holding of the small and marginal farmers and resulted in excess payment of subsidy of Rs. 2.98 lakhs. DRDA agreed, in April 1988, to carry out necessary recovery on receipt of completion certificates from GWRDC.

In Jammu & Kashmir, expenditure of Rs. 1.74 lakhs in Udhampur district and Rs. 0.55 lakh in Kathua district during 1986-87 and 1987-88 were incurred on 31 community projects without conducting any survey to ascertain whether conditions of community works were fulfilled in these cases.

In Baramulla district, subsidy of Rs. 1.61 lakhs was paid during 1986—88 for taking up community land development works, without assessing the number and extent of land holdings of the small and marginal farmers. As a result, it could not be ascertained in Audit whether the benefit of these works had reached the target group.

In Karnataka, though the portion of expenditure incurred on the development of lands pertaining to the small and marginal farmers only qualified for Central assistance yet the Department did not work out the cost of land development works apportionable to the lands of small and marginal farmers. State Government claimed 50 *per cent* share of the entire expenditure of Rs. 394.57 lakhs incurred during 1985-86 to 1987-88. In the absence of share of the expenditure relating to the development of lands pertaining to the small and marginal farmers, the exact amount of excess grant by Central Government could not be ascertained.

In Orissa, in 42 cases, subsidy of Rs. 56.32 lakhs was released to Orissa Lift Irrigation Corporation Limited during 1984-85 and 1985-86 against Rs. 32.64 lakhs being 50 *per cent* of the apportionable cost of minor irrigation works. This resulted in an excess release of Rs. 23.68 lakhs (Rs. 1.08 lakhs for 5 cases in Puri and Rs. 22.60 lakhs for 37 cases in Cuttack district).

In Rajasthan,, DRDAs paid the entire cost of community lift irrigation projects apportionable to the land of small and marginal farmers as subsidy instead of limiting it to 50 *per cent*. The exact amount irregularly charge to the scheme for the entire State was not ascertainable on account of non-maintenance of separate accounts for community lift irrigation schemes. However, the amount irregularly met out of the programme fund in Bhilwara, Sawai Madhopur and Udaipur districts (out of six district test checked) worked out to Rs. 41.39 lakhs.

(vi) *Delays in payments* : Subsidy was required to be adjusted at the time of payment of loans to the beneficiaries by the banks/financing institutions so that the beneficiaries were not required to pay interest on subsidy portion. However, in the following cases delay in payment of subsidy was noticed:

In Bihar (Munger, Patna and Siwan districts), subsidies aggregating Rs. 30.94 lakhs relating to 1983-84 to 1986-87 were paid in 1987-88. DRDA, Siwan deposited from time to time part amounts in postal saving accounts instead of keeping the entire fund with the bank so that the subsidy portion could be debited at the time of disbursement of the package of assistance as required. As on 1st June, 1988, the balance in the postal saving accounts was Rs. 83.78 lakhs. Similarly in four blocks of Muzaffarpur district, subsidy totalling Rs. 6.97 lakhs was paid either in the following year or even thereafter.

In Punjab, subsidy of Rs. 3.13 lakhs paid between 1983-84 and 1986-87 to financing institutions in Amritsar and Ropar districts for adjustment in the accounts of beneficiaries was not adjusted till March 1988. Again, subsidy of Rs. 6.84 lakhs was adjusted late for periods ranging from 6 to 36 months resulting in payment of avoidable interest of Rs. 1.26 lakhs by the beneficiaries.

(vii) *Payment of subsidy at rates in excess of fixed unit cost* : In the following cases test checked, the payment of subsidy was not restricted to the unit cost fixed by the Ministry resulting in excess payment of over Rs. 20 lakhs:

Name of State	District/Implementing agencies	Details of work	Year	Unit cost fixed	Unit cost allowed (Rs. per hectare)	Excess payment (Rs. in lakhs)
Himachal Pradesh	Kangra and Solan	Land development works	1984-85 to 1987-88	Between 300 and 1000	1650	2.13
Sikkim	State as a whole	Land smoothening	1983-84 to 1987-88	400 to 800	3750	9.86
		Moisture Conservation and erosion control measures	1986-87 and 1987-88	600 to 1000	3750	1.07
Tripura	Superintendents of Agriculture, Jirania, Matarbari and Mohonpur.	Land development	1983-84 to 1987-88	300 to 1000	2969	2.42
Uttar Pradesh	All districts/ DRDAs	Land development	(i) 1985-86 (ii) 1986-87	300 to 1000 300 to 1000	15910 10821	..
West Bengal	Midnapore	Sinking of tubewells	1986-87	3600	5569	5.04
					TOTAL	20.52

In Rajasthan, subsidy amounting to Rs. 116.47 lakhs was sanctioned/paid by DRDAs without obtaining the applications of the beneficiaries of community lift irrigation schemes. In the absence of the applications, it could not be ensured whether the beneficiaries were actually entitled to the subsidy. In Jodhpur district, the small and marginal farmers who had already availed of subsidy for construction of tubewells under Desert Development Programme, were again given subsidy of Rs. 8.19 lakhs for the same tubewells out of the funds for the programme.

According to the provision of the programme, the small and marginal farmers who had already received subsidy under one Centrally Sponsored Scheme were not entitled for subsidy for the same purpose under any other Centrally Sponsored Scheme. However, in the three districts, in addition to subsidy to the extent of 50 *per cent* of the cost paid under the programme, the farmers were paid remaining 50 per *cent* of the cost as subsidy out of the funds for Tribal Area Development/Modified Area Development Programmes. The amount of subsidy irregularly paid worked out to Rs. 21.80 lakhs.

4.7.7 *Disbursement of loan*

(i) *High rate of rejection of loan applications*: Out of the loan applications recommended by DRDAs/ executing agencies, the percentage of their rejection/ non-sanction by the financing institutions was as high as 37 to 46 (Gujarat: 1984-85 to 1987-88—54 and 55 in Kheda and Surendranagar districts respectively in 1984-85), 47 (Haryana—Ambala, Faridabad, Hissar and Jind districts: 1983-84 to 1987-88), 45 (Kerala—Quilon district : 1983-84 to 1987-88), 41 (Tamil Nadu—Chengalpattu, Madurai, North Arcot and Tiruchirapalli districts: 1983-84 to 1987-88) and 76 (Tripura—South Tripura: 1984-85 to 1987-88).

(ii) Other shortcomings: In Andhra Pradesh, Physical verification of assets conducted (November 1987) by DRDA, East Godavari in six mandals disclosed 80 defaulters in repayment out of 124 beneficiaries who reecived loans from banks. Default in repayment of loans was 64.52 *per cent*.

In Himachal Pradesh, beneficiaries were given loan of Rs. 54.16 lakhs for land development work during 1983-84 to 1987-88 from Government funds instead of from the financing institutions. Further Rs. 27.08 lakhs (50 *per cent*) were charged to Central funds and recoveries of loan credited to State revenues which was irregular.

The reasons for rejection by the banks were *inter alia* stated to be non-viability of schemes, default by farmers unwillingness of beneficiaries to avail of loans, etc. This would indicate inadequate scrutiny by DRDAs/executing agencies.

4.7.8 *Other observations*:

In Andhra Pradesh contrary to the envisaged procedure of release of subsidy against the loan sanctioned by the banks, DRDAs released subsidy merely on the basis of consent letters of banks to sanction loans. Consequently in Anantpur district, subsidy of Rs. 52.61 lakhs received from DRDA (1983—87) was retained by the banks (June 1988). Further, unutilised subsidy aggregating Rs. 63.87 lakhs in four districts (Anantapur : Rs. 9.46 lakhs. Chittoor:

Rs. 29.35 lakhs, Karimnagar: Rs. 7.80 lakhs and Mahboobnagar: Rs. 17.26 lakhs) was refunded by the banks from time to time (1983--88) due to non-observance of the procedure for sanction of loan preceding the release of subsidy. The physical and financial achievements were, thus, inflated to the extent as the State Government had been reporting the achievements on the basis of sanctions issued instead of actual achievement without taking into account the utilised subsidy as refunded.

In Bihar execution of minor irrigation works were to be executed by DRDAs for which funds were to be provided by the district collectors. The Collector, Patna drew amounts totalling Rs. 97.01 lakhs during 1983-84 to 1985-86 for minor irrigation works under the programme. The amount was not released to DRDA (June 1988).

In Gujarat, DRDA, Kheda drew two cheques aggregating Rs. 8.73 lakhs in March 1987 in favour of GWRDC. The cheques in question were not passed on to GWRDC as the expenditure was under objection. However, Rs. 8.73 lakhs were shown to have been expended during 1986-87 by DRDA thereby claiming Central assistance of Rs. 4.37 lakhs. In September 1987, the cheques were cancelled and Rs. 8.73 lakhs were taken as receipt in the books of the DRDA and were spent on the programme during 1987-88. The Central assistance of Rs. 4.37 lakhs was again claimed against the expenditure of Rs. 8.73 lakhs during 1987-88 resulting double claim of Rs. 4.37 lakhs.

In Haryana, as against the admissible expenditure of Rs. 1.72 lakhs on staff at the rate of Rs. 4000 per block per annum in three districts : (Ambala : 1984-85 and 1985-86; Faridabad : 1984-85 and Hissar: 1986-87 and 1987-88), the actual expenditure incurred on staff was Rs. 2.91 lakhs. The excess expenditure of Rs. 1.19 lakhs was not got approved from the Central Government.

In Karnataka (Dharwar district), refunds by the banks during 1985-86 and 1986-87 on account of excess payments, double drawal, etc., totalling Rs. 21.40 lakhs were not taken as reduction of expenditure.

In Manipur, the State Government sanctioned an amount of Rs. 12.99 lakhs on 30th March 1987 towards State's share of the estimated cost of 26 Micro-watersheds and deposited the amount under the head '848-Other Deposits'. It was withdrawn on 17th and 20th February 1988 and Rs. 11.49 lakhs were disbursed to the District Officers for utilisation. The balance amount of Rs. 1.50 lakhs was kept in the form of a bank draft. Similarly, State's share (Rs. 19.46 lakhs) for 1987-88 was sanctioned and drawn in March 1988 and kept in the form of a cheque. Out of the total expenditure of Rs. 48.13 lakhs during 1987-88 on minor irrigation, an amount of Rs. 28.49 lakhs was drawn in March 1988 and kept in the form of a cheque.

In Orissa, DRDA, Puri deposited Rs. 23.08 lakhs in the postal savings account in December 1984 and kept the amount unutilised for more than three years.

In Punjab, the Chief Agriculture Officer, Ropar drew Rs. 66.77 lakhs between 1983-84 and 1986-87 from the treasury and deposited in the current account. The balance in current account on 2nd March 1988 as per the cash book was Rs. 3.62 lakhs indicating that subsidy of Rs. 63.15 lakhs had been disbursed but the expenditure as per the cash book was Rs. 62.02 lakhs and that as per blockwise records was Rs. 58.86 lakhs.

In Rajasthan, no expenditure on minor irrigation and land development works under the programme was incurred during 1983-84 to 1986-87 in Sriganganagar and during 1983-84 to 1987-88 in Jaisalmer districts.

In Sikkim, no proof of disbursement like acknowledgements|receipts for Rs. 5.43 lakhs and bank receipts in support of remittance of Rs. 2.42 lakhs as revenue was made available to Audit.

In Tamil Nadu, as against the annual admissibility of Rs. 15.12 lakhs on staff at Rs. 4000 per block, Rs. 58.58 lakhs, Rs. 59.67 lakhs, Rs. 62.70 lakhs and Rs. 71.67 lakhs were incurred on salaries of staff in 1984-85, 1985-86, 1986-87 and 1987-88 respectively out of the programme funds.

In Tripura, the Block Development Officer, Teliamura, drew a bank draft for Rs. 1.01 lakhs in favour of DRDA, West Tripura being the unspent balance for the implementation of the programme but the whereabouts of the bank draft could not be traced in the books of DRDA.

4.8 *Minor Irrigation*

4.8.1 Schemes under this component comprised construction of dugwells/shallow tubewells, boring and deepening of wells, installation of pump-sets, electric motors/engines, community irrigation works like deep tubewells, lift irrigation, etc.

A major portion (70 *per cent*) of allocation under the programme was envisaged for this component. However, the implementation of this component suffered from various shortcomings like non-utilisation of tubewells/lift irrigation works for want of energisation, non-provision of pumpsets for irrigation wells, non-maintenance of proper records of the works undertaken, etc., indicating inadequate attention paid to efficient implementation of the component. Test check in Audit revealed various shortcomings which are discussed below.

4.8.2 Non-utilisation of tubewells/irrigation works for want of energisation : In the following cases tubewells/irrigation works could not be utilised for want of energisation. The percentage of non-energisation of tubewells ranged between 5 and 100.

Name of State	District	Year	No. of tubewells/ irrigation works		Percentage of non-energised tubewells	Expenditure incurred on non-energised tubewells (In lakhs of rupees)	Remarks
			Completed	Not energised			
Andhra Pradesh	State as a whole	1983-84 to 1987-88	2,933	2,077	70	N.A.	Not available with the State department
Haryana	Bhiwani, Faridabad and Karnal.	1983-84 to 1985-86	1,495	780	52	24.22	
Orissa	—	1983-84 to 1986-87	1,765 (Lift Irrigation projects)	94*	5	90.70	*1983-84 : 3 1984-85 : 11 1985-86 : 52 1986-87 : 28
Rajasthan	Udaipur	1984-85 to 1987-88	58	37*	64	80.99	*1984-85 : 6 1986-87 : 16 1987-88 : 15
Tamil Nadu	13 districts	1983-84 to 1987-88	N.A.	697	N.A.	N.A.	
West Bengal	Midnapore	1983-84 to 1987-88	86	86	100	5.59	
	Nadia	1985-86 to 1986-87	18	18	100	0.22	

In Himachal Pradesh, Rs. 22.81 lakhs were advanced to the State Electricity Board between March 1984 and March 1986 for energising nine irrigation works. The execution of these works was yet to be taken up (July 1988).

4.8.3 Non-provision of pumpsets for irrigation wells : In the following cases, pumpsets were not provided to the beneficiaries leading to non-utilisation of 3,28,959 irrigation wells constructed :

ame of State	District	Year	No. of minor irrigation works	No. of wells/ borings not provided with pumpsets	Expenditure (In lakhs of rupees)	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Bihar	State as a whole	1983-84 to 1987-88	2,46,000 (2,08,000 private borings and 38,000 big dugwells).	1,84,000	.....	Total expenditure incurred was Rs. 9,890.06 lakhs including the cost of 62,000 pumpsets.
Gujarat	Banaskantha	1983-84 to 1987-88	1,670	1,670	45.62	The DRDA stated in June 1988 that on account of shortage of funds and to cover more beneficiaries it was decided to give only one asset to one beneficiary.
Orissa	State as a whole	1984-85 to 1987-88	1,22,345 (15,983 dugwells, 5,370 tubewells, and 1,00,992 community minor irrigation works).	1,11,921	Not available with the nodal department	
Uttar Pradesh	State as a whole	1984-85 to 1987-88	1,86,355	31,368	941.04	Number of pumpsets installed in respect of 5,481 borings done during 1984-85 was not available.
			TOTAL	3,28,959		

4.8.4 *Non-charging of concessional water rates* : Though the guidelines envisaged that water rates should be collected from the small and marginal farmers at 50 *per cent* of the rates fixed for other farmers, the benefits of concessional water rates were not extended to them in Andhra Pradesh (by APSIDC), Gujarat (by GWRDC and the co-operative societies) and Orissa.

4.8.5 *Other topics* : In Andhra Pradesh, DRDAs released advances to the Andhra Pradesh State Co-operative Rural Irrigation Corporation (APSCRIC) aggregating Rs. 290.75 lakhs during 1986-87 and 1987-88 for meeting the cost of free inwell bores. APSCRIC drilled 8,760 bores during this period, the depth drilled being 1,83,088 metres in various locations in the State which were found feasible by appropriate hydrogeological and hydrological tests conducted by the approved geologists. However, 1139 inwell bores failed resulting in unfruitful expenditure of Rs. 31.11 lakhs computed at the rate of Rs. 130 per metre.

The rate charged by APSCRIC was Rs. 130 per metre of drilling for both the successful and failed inwell bores under the programme. It was, however, noticed that APSCRIC had charged only Rs. 110 per metre for drilling during the same period and in the same area to a similar work under a State programme—Telugu Grameena Kranti Patham. Thus, charging a higher rate of Rs. 130 per metre in the works undertaken under the programme was unjustified. Consequently, the extra cost under the programme amounted to Rs. 36.62 lakhs for the 8760 inwell bores drilled at a differential rate of Rs. 20 per metre for a total depth of 1,83,088 metres.

In Assam, an amount of Rs. 149.74 lakhs drawn during 1986-87 and 1987-88 for installation of shallow tubewells in districts of Cachar, Karimganj, Karbi—Anglong and North Cachar Hills was left unutilised with the Director of Agriculture because there was no potentiality for installation of shallow tubewells in these districts. No efforts were made to provide surface irrigation by means of diesel pumping sets (low lifting points) in these districts which was possible as per report (September 1986) of Engineering Wing of the Agriculture Department.

In Bihar, 53,300 metres of GI pipes and accessories for tubewells worth Rs. 81.26 lakhs were purchased in Muzaffarpur district without approval of the District Purchase Committee, during 1982-83 (Rs. 46.90 lakhs) and 1983-84 (Rs. 34.36 lakhs) after obtaining quotations from selected firms instead of inviting tenders. The purchase of GI pipes instead of mild steel pipes resulted in an extra expenditure of Rs. 4.40 lakhs. Besides this, the details of utilisation of these pipes and accessories were also not available. Further, mild steel pipes (value : Rs. 33.42 lakhs) purchased in July 1987 had been lying unutilised (May 1988) in 14 blocks. Physical verification of stock in none of the above cases was conducted (June 1988).

In Gujarat, against the minor irrigation works got executed through GWRDC, instances of payment of irregular/excess subsidy totalling Rs. 79.77 lakhs were noticed during test check by Audit as indicated below :

— Four DRDS paid a subsidy of Rs. 35.56 lakhs to GWRDC during 1983-84 to 1985-86 for 32 works (Banaskantha : 5 works : Rs. 4.14 lakhs; Kheda : 8 works : Rs. 6.38 lakhs; Surat : 13 works : Rs. 17.81 lakhs and Vadodra : 6 works : Rs. 7.23 lakhs) started prior to introduction of the programme and completed thereafter. DRDA, Kheda stated in April 1988 that this was done due to failure of GWRDC in furnishing correct data.

— DRDA, Surat paid subsidy of Rs. 5.16 lakhs to GWRDC during 1983-84 to 1985-86 in respect of five lift irrigation works which were started between March 1978 and December 1981 and completed between October 1980 and February 1983 before the introduction of the programme.

— DRDA, Kheda sanctioned 104 pipe line works for supply of water for irrigation as community works and paid subsidy of Rs. 25.62 lakhs (at 50 *per cent*) to GWRDC during 1983-84 to 1985-86. As the pipe line works were to be taken up only as individual works, the payment at 50 *per cent* was irregular. DRDA stated in April 1988, that this would be got regularised.

— GWRDC reported (July 1988) to have completed 57 tubewell works in two districts (Banskantha : 18 and Vadodra : 39) under the programme since 1983-84. In respect of 45 works, subsidy of Rs. 15.82 lakhs was paid in excess (Banaskantha : 14 works : Rs. 2.05 lakhs and Vadodra : 31 works : Rs. 13.77 lakhs) and Rs. 2.39 lakhs were paid short (Banskantha : 4 works : Rs. 0.68 lakh an Vadorda : 8 works : Rs. 1.71 lakhs). The net excess subsidy of Rs. 13.43 lakhs was refundable to DRDAs (Banaskantha : Rs. 1.37 lakhs and Vadodra : Rs. 12.06 lakhs).

DRDA, Surat paid a subsidy of Rs. 74.20 lakhs druing 1983-84 to 1985-86 to GWRDC for 49 lift irrigation schemes to create irrigation potential of 7,539 hectares. Out of these schemes, two schemes (subsidy : Rs. 4.25 lakhs) were dropped and the work in respect of 14 schemes (subsidy : Rs. 24.63 lakhs) was not started, resulting in retention of the unutilised subsidy of Rs. 28.88 lakhs (June 1988). DRDA paid Rs. 13.85 lakhs to the Ukai Division No. I during 1984-85 to 1985-86 for six lift irrigation works to create irrigation potential of 935 hectares. Due to slow progress of the works, DRDA got Rs. 6.73 lakhs refunded in March 1987. None of the works had been completed (June 1988).

DRDA, Kheda paid a subsidy of Rs. 7.07 lakhs during 1984-85 and 1985-86 to GWRDC for four lift irrigation schemes to create irrigation potential of 440 hectares. Neither the works had been started nor the subsidy refunded (June 1988).

DRDA, Panchamahals paid a subsidy of Rs. 30.59 lakhs to a voluntary organisation during 1983-84 to 1985-86 for six lift irrigation works debiting Rs. 14.98 lakhs to the programme and Rs. 15.61 lakhs to the Tribal Area Sub Plan and Tribal Welfare schemes. Details of actual expenditure, utilisation/completion certificates, etc., were awaited (June 1988).

In Himachal Pradesh, during 1983-84 to 1987-88, a total amount of Rs. 535.64 lakhs was released from Central funds. However, instead of making separate matching allocation of funds in respect of minor irrigation works under the programme, Central funds were utilised on on-going State schemes.

To provide subsidy to the extent of 50 *per cent* on distribution/installation of pumpsets and on digging of wells for the benefit of the small and marginal farmers, Central assistance of Rs. 223.42 lakhs was released during 1983-84 and 1984-85. Details/records showing utilisation of the amount for the purpose was not made available to Audit.

Materials valuing Rs. 9.30 lakhs procured by Irrigation and Public Health Division, Sundernagar, Dharamsala, Dehra, Majra and Paonta during 1985-86 and 1986-87 were lying unutilised (July 1988).

In eight Irrigation and Public Health Divisions, 67 works were undertaken during 1983-84 to 1987-88 to cover culturable command area of 8,043 hectares against which an area of 4,092 hectares could be covered upto June 1988. Out of the above, 65 works were incomplete. Reasons for non-completion were attributed by the Divisions to shortage of matching funds to be released by the State Government.

In Karnataka, according to the progress reports sent by the District Rural Development Society to the State Government, 199 wells (cost not available) were reported failed during 1983-84 to 1985-86.

In Kerala, there was considerable difference in the prices of pumpsets obtained through bank/Government compared to the market price as in June 1987 as shown below :

Type of motor	Dealers' price	The rate at which a cultivator may get the pump-set through bank/ Government	Open market price at which the farmer may directly get the pump-set
	(Rs.)	(Rs.)	(Rs.)
GEC 1.5 HP	2200	2950+ Sales tax	2700
1.5 HP Manjeri	2250	3000	2475
Crompton Monobloc 1.5 HP.	2454	3050	2888

NABARD had also pointed out to the State Government in May 1987 that the manufacturers of pumpsets had increased the prices of pumpsets.

In Maharashtra, the State Government did not take up minor irrigation works as envisaged in the programme as in large areas of the State the water table was stated to be/very low. Instead, they utilised funds of Rs. 5411.99 lakhs (during 1983—88) out of this programme for executing integrated watershed development under the Comprehensive Watershed Development Programme. Though relaxation for the deviation was sought by the State Government in October 1983, Central Government approved it only in February 1988 on the condition that (i) expenditure on land development should not exceed 90 *per cent* of the amount administratively approved; (ii) land development works to be undertaken in such watersheds where more than 50 *per cent* of the land holders were small and marginal farmers owning not less than 25 *per cent* of the land and total number of farmers should not be less than ten; and (iii) no bulldozers/ heavy tractors to be employed for top soil movement. The land development programme would include land smoothening to improve *in situ* moisture conservation, contour keyline interception bunds, construction and dead furrow formation across the slope and keyline formations with vegetative barriers.

A test check in Audit revealed that (i) the State Government had incurred Rs. 581.25 lakhs during 1984—87 on land development works exceeding 90 *per cent* of the amount administratively approved which resulted in excess claiming of Central assistance of Rs. 290.62 lakhs; (ii) in 21 sub-divisions of Akola, Amravati, Aurangabad, Dhule, Nagpur and Nashik districts, Rs. 140.42 lakhs were incurred during 1983—88 on 464 watersheds though the small and marginal farmers were less than 50 *per cent* of the total farmers covered under these watersheds. As such the claim of Rs. 70.21 lakhs being share of Central Government was not admissible; (iii) in 26 watersheds of Akola, Amravati, Aurangabad and Nashik districts Rs. 6.95 lakhs were spent during 1983—88 wherein the small and marginal farmers were less than ten. Thus Central assistance of Rs. 3.47 lakhs was not admissible; and (iv) in Akola and Nashik districts, land development works were carried out between May 1984 and July 1986 with the help of bulldozers, tractors, etc., incurring Rs. 4.11 lakhs. Central assistance of Rs. 2.05 lakhs was, thus, not admissible. The expenditure on works not conforming to the stipulated conditions would need regularisation/adjustment.

In Madhya Pradesh, community irrigation works and free boring on the lands of eligible farmers were not undertaken in any of the five years ending 1987-88.

In Punjab, from 1985-86 onwards, State Government was required to arrange free boring on the lands of small and marginal farmers through its own agency and adjust the cost thereof towards the subsidy payable, but the boring was not undertaken by Government. An amount of Rs. 88.48 lakhs was disbursed to farmers between 1986-87 and 1987-88 in Amritsar, Bhatinda and Ropar districts through financing institutions for the above purpose. The Chief Agriculture Officer denied the receipt of departmental instructions regarding boring of tubewells through departmental agencies.

In Amritsar, Bhatinda and Ropar districts, subsidy of Rs. 3.52 lakhs was released to financing institutions during 1984-85 to 1986-87 without sanction and payment of loan to the beneficiaries. Out of this Rs. 3.05 lakhs remained undisbursed in Bhatinda and Ropar districts (May 1988) which had not been refunded (June 1988).

In Rajasthan, where institutional finance was not forthcoming, community irrigation works were to be taken up from Government funds. The State Governments issued orders in May 1986 that a minimum of 10 *per cent* of the total cost of the scheme should be contributed by the beneficiaries in the form of self labour or loan from banks. In Udaipur district, a total amount of Rs. 15.72 lakhs was to be collected as farmers' own contribution. No record in support of the collection of the amount and its accountal were shown to Audit.

Two community lift irrigation schemes (Paner and Tirol of Panchayat Samiti Gogunda) were sanctioned at a cost of Rs. 4.57 lakhs (Paner : Rs. 2.18 lakhs and Tirol : Rs. 2.39 lakhs) during 1984-85. These works were shown completed in the same year. Scrutiny of records of these schemes revealed non-availability of payees' receipt for Rs. 2.60 lakhs (Paner : Rs. 1.44 lakhs and Tirol : Rs. 1.16 lakhs); non-completion of work relating to pipe-lines; and non-maintenance of cash book in respect of the work at Paner.

In Udaipur district, an excess payment of Rs. 2.30 lakhs was made in 28 community lift irrigation schemes due to payment of labour charges at basic schedule rates which included contractor's profit (10 *per cent*) and labour welfare, supervision and tools and plants (3 *per cent*) which were not admissible in case of departmental work.

In Udaipur district, 29 community lift irrigation schemes sanctioned/executed during 1984-85, 1986-87 and 1987-88 in Dark Zone Area (the area where the stage of ground water development is over 80 *per cent* of the recoverable re-charge) at a cost of Rs. 67.43 lakhs without supporting hydrogeological data. Out of the above schemes, 15 schemes involving investment of Rs. 37.24 lakhs were closed for want of electric connections/engines not being in working order ; in two schemes the area irrigated was only 16.8 *per cent* of the total area targeted for minor irrigation; in respect of 10 schemes actual area irrigated was not available; and the remaining two schemes were in progress. The main reasons for not providing irrigation facilities, as originally planned, was shortage of water.

Subsidy for construction of new wells and deepening of old wells were to be paid in two instalments. The first instalment was to be paid on completion of 50 *per cent* of excavation work by the farmer and the second instalment on receipt of utilisation certificate for the first instalment. In Udaipur district, an amount of Rs. 11.71 lakhs was paid as first instalment of subsidy to 1104 small/marginal farmers without verifying the fact of completion of 50 *per cent* of excavation work by the farmers. These farmers did not turn up for the second instalment.

In Rajasthan, the execution, operation and maintenance of all the community irrigation works were assigned to the Informal Committees organised for the purposes. The committees were neither registered nor their ownership was vested with the gram panchayats. Despite the committees having no *locus standi*/recognised status, DRDA, Udaipur adjusted the subsidy of Rs. 106.79 lakhs paid to them for execution of community schemes during 1984—88 on their simple certificates that amounts advanced were utilised in full instead of insisting on the production of detailed accounts along with supporting vouchers.

In Tripura, four minor irrigation works, taken up between 1983-84 and 1984-85 had been abandoned after incurring an expenditure of Rs. 2.46 lakhs upto 1984-85. Reasons for abandonment were not available on record. Further, expenditure totalling Rs. 18.20 lakhs incurred by the Executive Engineer, Minor Irregation and Flood Control Division III for execution of eight minor irrigation works during 1983-84 to 1987-88 became unfruitful due to insufficient water discharge, defects in pumpsets and improper electric supply.

Materials (pipes, strainers, etc.) worth Rs. 19.99 lakhs were purchased by the Project Director, DRDA, West Tripura during 1986-87 and 1987-88 for utilisation under the programme but stock entries in respect of materials worth Rs. 7.17 lakhs were not made. Further, it was seen that materials (GI pipes and strainers) worth Rs. 2.10 lakhs remained unutilised with the Block Development Officer, Teliamura since November 1986.

In West Bengal, DRDA, Burdwan advanced Rs. 3.43 lakhs during 1984-85 and 1985-86 for minor irrigation works to two Panchayat Samitis. However, no information was available about either completion of the works or adjustment of the advance (May 1988).

DRDA, Midnapore, issued material worth Rs. 27.51 lakhs during 1986-87 to various Block Development Officers for installation of 494 tubewells which had not been taken up due to the apprehension of non-availability of water at the stipulated depth. Information about return of the material was not available with DRDA.

In Andaman & Nicobar, though a provision of Rs. 21.74 lakhs was made in the budget, minor irrigation works were not taken up during 1983-84 to 1987-88. No action plan to utilise these funds had been finalised and consequently these amounts were lying unspent (April 1988). The Administration stated in April 1988 that the component of minor irrigation was not implemented as the department was already having a separate minor irrigation scheme under Annual Plan under which loan and subsidy were more favourable.

4.8.6 *Non-maintenance of proper records of minor irrigation works* : The Government of Assam, Bihar, Harayana (Ambala, Faridabad, Jind and Hissar district) Kerala (Ernakulam, Kozhikode and Quilon districts), Manipur, Orissa and Tripura (in respect of three deep tubewells and five lift irrigation works) did not have proper records/information about the irrigation potential created in the State/districts. No records of assets/inventory of minor irrigation works created out of the funds of the programme was maintained in Assam, Kerala (Ernakulam, Kozhikode and Quilon districts), Manipur, Madhya Pradesh, Orissa and West Bengal (Burdwan, Malda, Midnapore and Nadia districts). In Assam, there was no record to show that shallow tubewells/low lifting points installed by the Assam State Minor Irrigation Development Corporation were formally taken over and handed over to the beneficiaries for irrigation purpose after due inspection. In Karnataka and Uttar Pradesh particulars of failed/abandoned wells were not maintained.

In Jammu & Kashmir during 1986-87 and 1987-88, only 3470 and 4429 hectares of land under minor irrigation with 9751 and 24600 beneficiaries respectively had been identified but the area-wise break up of the land and the particulars of beneficiaries to whom the land belonged were not available from the records examined.

4.9 *Distribution of minikits of pulses, oilseeds and coarse grains*

4.9.1 This component comprised distribution of minikits of improved varieties of seeds of pulses, oilseeds and coarse grains and of fertilizers for inculcating the habit of their use by the small and marginal farmers. Out of the allocation of Rs. 5 lakhs per block, Rs. 0.50 lakh was earmarked for this activity. During 1983-84 to 1987-88, minikits of pulses (72.59 lakhs), oilseeds (80.55 lakhs) and coarse grains (12.48 lakhs) were distributed.

4.9.2 *Distribution of old/sub-standard variety of seeds* : The programme envisaged distribution of improved varieties of certified seeds. However, truthfully lebelled seed—a seed of promising variety as true to type and labelled by the seed certification agency, as distinct from certified seed—could also be distributed in case certified seeds were not available. Only those varieties which were within seven years of their notification were required to be distributed. The varieties beyond seven years of their notification could be distributed only with the prior approval of Central Government. It was, however, seen that minikits containing older varieties of seeds worth Rs. 454.39 lakhs were distributed between 1983-84 and 1987-88 in Andhra Pradesh (test-checked districts : Rs. 71.90 lakhs : 1983—88), Gujarat (Rs. 12.83 lakhs : 1985—88), Karnataka (Bangalore, Dakshina Kannada, Dharwar and Kodagu districts : Rs. 39.86 lakhs : 1983—88), Orissa (Rs. 323.02 lakhs : 1983—88) and Punjab (Amritsar, Bhatinda, Ludhiana and Ropar districts : Rs. 6.78 lakhs · 1984—88) under the programme without obtaining approval of Central Government.

In Bolangir district of Orissa, 500 quintals of groundnut seeds (2000 minikits) costing Rs. 3.07 lakhs were procured from the Deputy Director of Agriculture, Dhenkanal during 1983-84 and supplied to 20 sales centres for distribution to the beneficiaries. According to the reports of District Agriculture Officer, Bolangir and Deputy Director of Agriculture (Investigation) the seeds supplied were of poor quality. Out of 1664 minikits distributed, in the case of 593 minikits, germination was nil, it was upto five *per cent* in 103 minikits and above 5 to 60 *per cent* in 387 minikits. There were no reports in respect of 581 minikits; 336 minikits remained undistributed. Subsequently, samples were sent to the testing laboratory at Bhubaneswar. The result of test report (February 1984) revealed that 86 to 96 *per cent* were dead seeds and normal germination was only four to five *per cent*.

The West Bengal Agro Industries Corporation supplied 6000 sub-standard groundnut minikits (value : Rs. 10.14 lakhs) during 1985-86 in Midnapore district resulting in failure of crops in 780 hectares. There was no system of testing the quality of seeds before distribution.

4.9.3 *Distribution of minikits of seeds after sowing season* : Timely distribution of seed minikits was the essence of the programme and identification of the farmers was to be done well in advance of the sowing season. However, seeds worth Rs. 23.19 lakhs were distributed in Assam (Jorhat, Nagaon, Cachar and Karbi-Anglong districts : Rs. 7.80 lakhs), Punjab, Hoshiarpur, Jullundar, Kapurthala, Ludhiana, Patiala, and Sangrur districts (Rs. 2.45 lakhs) and West Bangal, Malda, Midnapura and Madia districts : (Rs. 12.94 lakhs) between 1983-84 and 1987-88 under the programme after the sowing season.

In Chengalpattu, Madurai, North Arcot and Tiruchirapalli districts in Tamil Nadu, minikits were distributed after the sowing season during 1983-84 to 1987-88. Delay ranged from two to seven months.

4.9.4 *Distribution of minikits of seeds of indigible crops* : Minikits of seeds of paddy, wheat and beans worth Rs. 6.96 lakhs, though not contemplated in the programme, were distributed in Jammu & Kashmir (Baramulla and Pulwama districts : bean seeds : Rs. 1.53 lakhs), Karnataka (Kodagu district : seeds of Paddy : Rs. 0.76 lakh) and Maharashtra (seeds of wheat and paddy : Rs. 4.67 lakhs) during Kharif 1986-87; 1987-88 and 1985—88 respectively. In Sikkim, 3058 kgs. of wheat seeds were distributed during 1987-88.

4.9.5 *Distribution of minikits of fertilisers* : Under the programme minikits of fertilisers were to be distributed along with the minikits of seeds during 1983-84 and 1984-85. Thereafter, the distribution of minikits of fertilisers was dropped from the purview of the programme. Still, minikits of fertilisers worth Rs. 191.67 lakhs were irregularly distributed after 1984-85 in Assam (Rs. 87.02 lakhs), Jammu & Kashmir (Jammu and Udhampur districts : Rs. 4.57 lakhs), Karnataka (Rs. 52.80 lakhs) and Maharashtra (Rs. 47.28 lakhs).

In Bihar, the information about the distribution of fertiliser packets during 1983-84 and 1984-85 was not available with the State department. It was, however, seen that in 10 districts fertiliser packets were not supplied during 1983-84 along with 8,341 seed minikits.

In Karnataka, fertiliser was to be issued along with the minikit of oilseeds and pulses at 20 kgs. per 0.2 hectare of the cultivated land. But no fertiliser was issued to groundnut crop in the districts of Bangalore, Dakshina Kannada, Dharwar and Kodagu during 1983-84 and 1984-85.

4.9.6 *Distribution of minikits of seeds/fertilisers to ineligible farmers* : Minikits of seeds were to be distributed under the programme to small and marginal farmers only. However, in four blocks (three in Patna and one in Ranchi districts) in Bihar 478 minikits; six districts (Akola, Amravati, Aurangabad, Dhule, Nashik and Pune) in Maharashtra 13524 minikits of seeds costing Rs. 2.26 lakhs were distributed between 1983-84 and 1987-88 to the farmers other than the small and marginal farmers. In Yanam region in Pondicherry, 1090 minikits (costing : Rs. 2.06 lakhs) were distributed to agricultural labourers during 1983-84 to 1987-88.

4.9.7 *Non-recovery of nominal charges of the minikits* : As per the guidelines issued by the Ministry, the State Governments were required to fix and recover a nominal charge for each minikit distributed to the small and the marginal farmers during 1986-87 onwards. It was, however, noticed that in the following cases, the recovery of Rs. 63.30 lakhs on account of nominal charges of the minikits were not effected :

Name of State	Year of distribution of minikits	District in which minikits were distributed	Rate of nominal charge	Amounto of nominal charge not recovered (Rs. in lakhs)	Remarks
(1)	(2)	(3)	(4)	(5)	(6)
Andhra Pradesh	Kharif 1986-87	State as a whole	One tenth of the cost of minikits.	8.21	
	Rabi 1986-87 onwards	State as a whole	—do—	1.65	
Bihar	1986-87	State as a whole	Not fixed	45.70	Worked out at the rate fixed from 1st April 1987.
	1987-88	Hazaribagh, Munger, Muzaffarpur, Patna and Siwan.	Rs. 2.00 per kg. of seed from 1st April 1987.	1.42	
Gujarat	1986-87 and 1987-88	Kheda, Surat, Panchmahals and Vadodara.	10 *per cent* of the price of minikit if it exceeded Rs. 50.	1.98	
Himachal Pradesh	1986-87	Mandi and Solan	'Toria' kits at the rate of Re. 1/- and others at Rs. 5/-.	0.42	
Maharashtra	1986-87 onwards	Akola, Amravati and Dhule	Between Re. 1/- and Rs. 5/- per minikit.	0.82	
Rajasthan	March 1986 to April 1987	State as a whole	Re. 1/- for minikits costing upto Rs. 20/- and Rs. 3/- for those costing above Rs. 20/-.	3.10	
			TOTAL	63.30	

In Sikkim and in Andaman & Nicobar Islands no rate of nominal charge was fixed and collected from 1986-87 onwards.

4.9.8 *Discrepancies in reporting the physical achievements* : The following cases of discrepancies in reporting the physical achievements were noticed :

The total number of beneficiaries to whom the minikits were distributed were 27.32 lakhs (during 1983-84 to 1987-88, in Bihar and 11.51 lakhs (during 1985-86) in Uttar Pradesh as reported to the Central Government against which the actual beneficiaries were 20.27 lakhs and 14.05 lakhs respectively.

Further, in Bihar the number of minikits received in the districts was shown as achievement without obtaining reports of actual distribution thereof.

4.9.9 *Absence of effective implementation and supervision* : The guidelines envisaged adequate provisions for technical advice and extension support to the farmers. The extension workers were required to be fully acquainted with the characteristics of the new variety of seeds distributed through minikits and provide feed back to the researcher for further improving the varieties. The State Government/UT Administration was to ensure effective implementation and supervision of the programme by fixing specific responsibility of the senior officers at the State district and block levels. The officers from the Oilseeds, Millets and Pulses Directorates and the Ministry were also to make random visits to see the distribution of minikits and their use in the fields.

In the States of Gujarat, Karnataka, Punjab and West Bengal and UTs of Andaman & Nicobar Islands and Pondicherry the supervisions was either not done or the records of supervision were not maintained.

4.9.10 *Supply of rhizobium culture* : The packets of rhizobium culture (a living organism cultured in the laboratory for use as bio-fertiliser which helps in fixation of nitrogen in soil and increases yield of crop by 10—15 *per cent*) were required to be supplied along with the minikits of seeds of oilseeds and pulses. However, in the following cases the packets of rhizobium cultures were not supplied/short supplied/excess supplied :

Name of State/UT	Name of district	Year	Remarks
(1)	(2)	(3)	(4)
Chandigarh	Chandigarh	1983-84 to 1987-88	Packets of rhizobium culture were not issued with 5,367 minikits.
Gujarat	Banaskantha, Kheda, Panchmahals, Surat and Surendranagar	—do—	Packets of rhizobium culture were not supplied for 3 years in Surat, 2 years in Kheda and 1 year in Surendranagar districts. Details regarding supply of rhizobium culture were not available with the DRDAs, Banaskantha and Panchmahals.
Jammu & Kashmir	Anantnag, Baramulla and Pulwama.	1983-84 to 1987-88	Packets of rhizobium culture were not supplied with the minikits.
Punjab	Amritsar, Bhatinda and Ropar	1983-84 to 1987-88	Packets of rhizobium culture were not supplied along with the minikits of arhar, moong, peas, lentil, groundnut and soyabean.
West Bengal	State as a whole	1985-86	Packets of rhizobium culture were not supplied along with 3.74 lakh minikits.
Bihar	State as a whole	1986-87 and 1987-88	Against the requirement of 4.64 lakh packets of rhizobium culture, only 2.25 lakh packets were distributed.
Himachal Pradesh	State as a whole	1983-84 to 1987-88	23,083 packets of rhizobium culture were short supplied.
Tamil Nadu	Chengalpattu, Madurai, North Arcot and Tiruchirapally.	1983-84 to 1987-88	Against 36,170 minikits of groundnut/soyabean seeds, only 3,905 packets of rhizobium culcute were issued.
Assam	State as a whole	1983-84, 1984-85 and 1986-87	Packets of rhizobium culture worth Rs. 2.90 lakhs were distributed in excess.
Himachal Pradesh	Sirmaur and Solan	1984-85 to 987-88	863 packets of rhizobium culture were distributed in excess.

4.9.11 *Non-setting up of Programme Implementation Committee* : A Programme Implementation Committee was to be constituted at the State level to undertake evaluation and to furnish detailed reports thereon. The committee was also to identify varieties of oilsees, pulses and coarse grains for minikits. Such a committee was also to be constituted at the district level. The committee *inter alia* were to report on the following important aspects :

— the impact on varietal introduction and diversification;

— overall impact on the production of oilseeds, pulses and coarse grains;

— quality and variety of seeds distributed with the consequent increase in yields; and

— whether the recipients of minikits were assisted by the village level workers and other extension agencies technically and in supply of other inputs for maximising the yields.

It was, however, noticed that the committee was not constituted in Karnataka, Punjab and Sikkim.

In Andhra Pradesh, Assam, Bihar, Gujarat, Himachal Pradesh, Jammu & Kashmir (excepting Udhampur district), Karnataka, Kerala, Madhya Pradesh, Maharashtra, Manipur, Orissa, Rajasthan, Tamil Nadu, Tripura, Uttar Pradesh, West Bengal and Andaman & Nicobar Islands, the impact of the distribution of the minikits on increase in agricultural production of the small and marginal farmers was not evaluated.

4.9.12 *Non-maintenance of records of distribution of minikits* : In order to ensure proper distribution of seed minikits to eligible farmers, the guidelines for the programme, envisaged maintenance of a village-wise register indicating the name, holding number, type of identified farmer whether small or marginal farmer to whom the minikit was given had to be entered and acknowledgement for the receipt of the minikit obtained from the beneficiaries on the register itself. It was, however, noticed that while in Assam, Orissa, Tripura (Jirania, Matarbari, Mohonpur and Teliamura), the registers were not maintained; the registers maintained in Maharashtra (Aurnagabad, Dhule and Nashik districts) were incomplete and in Sikkim these did not contain the basis information. In Jammu & Kashmir, the registers were not made available by the Agriculture Extension Officers except that of Chatergam (Pulwama). In Karnataka (Bangalore, Dakshina Kannada, Dharwar and Kodagu districts) either the registers were not maintained or they did not contain the full particulars. In West Bengal, the records in support of the distribution of minikits worth Rs. 33.82 lakhs in Midnapore and Nadia districts during 1983-84 to 1987-88 were not obtained from Gram Panchayats while in Tripura, acknowledgement receipts in support of distribution of 10,589 kgs. of seeds (value : Rs. 1.18 lakhs) were not made available by the Superintendants of Agriculture, Jirania and Teliamure).

4.9.13 *Other observations* : In Orissa, during 1983-84 and 1984-85 (both kharif and rabi) and 1985-86 (kharif only) seeds of arhar, moong, biri and kulthi at the rate of five kgs. each for 0.2 hectare against the prescribed norms of four kgs. and of cowpea at the rate of 15 kgs. against 12 kgs. were supplied in 95,004 minikits of pluses (1983-84) : 14,023 minikits; 1984-85 : 49,903 minikits; and 1985-86; 31,078 minikits). Similarly, seeds of sunflower at the rate of four kgs. against two kgs. were supplied in 6,366 minikits (1984-85 : 5,966 minikits and 1985-86 : 400 minikits). The excess issue of seeds over prescribed norms resulted in extra expenditure of Rs. 11.05 lakhs.

In Punjab, neither training was organised to educate the small an marginal farmers about new techniques for raising crops, use of fertilisers nor was the recommended package of practices and other instructions written in regional language supplied.

In Tamil Nadu, minikits containing 40 kgs. of groundnut pods were distributed during 1983-84 to 1987-88 against 30 kgs. prescribed by the Government of India. This resulted in excess distribution of 8,53,630 kgs. of groundnut pods during 1984-85 to 1986-87. The cost of above pods worked out to Rs. 34.15 lakhs at the minimum rate of Rs. 4 per kg.

In Tripura, against the admissible expenditure of Rs. 33.45 lakhs, Rs. 47.24 lakhs were incurred on the distribution of 49,186 minikits during 1983—88. The excess expenditure was due to the payment at a rate higher than that prescribed by the State Government.

4.10 *Distribution of fuel and fruit trees*

4.10.1 The scheme of plantation of fuel and fruit trees on the land holdings of small and marginal farmers was in operation during the year 1983-84 and 1984-85. Thereafter the scheme was discontinued. The precise reasons for its discontinuance were not made available.

4.10.2 *Irregular expenditure on fuel and fruit trees component after its discontinuance* : Despite issue of instructions discontinuing distribution of fuel and fruit trees from 1985-86, a total amount of over Rs. 10 crores was spent on this activity during 1985-86 onwards in various States as per details given below :

State	Districts	Year	Amount spent (Lakhs of Rs.)	Remarks
Andhra Pradesh	State as a whole	1985-86 and 1986-87	68.63	
Gujarat	State as a whole	1985-86	10.54	
Haryana	Hissar & Jind	1985-86	2.20	
Himachal Pradesh	State as a whole	1985-86	45.93	
Jammu & Kashmir	Doda, Kathua and Udhampur	1985-86 and 1986-87	1.04	
Karnataka	State as a whole	1985-86	20.89	
		1986-87	Not available	6.93 lakh seedlings were distributed.
Kerala	State as a whole	1985-86	17.16	
Madhya Pradesh	State as a whole	1985-86	76.60	
Maharashtra	State as a whole	1985-86	30.64	
Orissa	State as a whole	1985-86	20.22	
Punjab	State as a whole	1985-86	22.79	
Tamil Nadu	State as a whole	1985-86	42.35	
Tripura	State as a whole	1985-86	9.95	
Uttar Pradesh	State as a whole	1985-86 and 1986-87	485.93	
West Bengal	State as a whole	1985-86	165.25	
		TOTAL	1020.12	

4.10.3 *Survival of plants : In the following cases the records of survival percentage of plants distributed to the farmers were not maintained/made available* :

Name of States	Districts	Year	Plants distributed		Remarks
			Number (In lakhs)	Value (Rs. in lakhs)	
(1)	(2)	(3)	(4)	(5)	(6)
Andhra Pradesh	State as a whole	1983-84 to 1985-86	203.55	289.98	
Gujarat	State as a whole	1983-84 to 1984-85	..	135.78	
Kerala	State as a whole	1983-84 to 1985-86	504.81	100.22	
Manipur	State as a whole	1983-84 to 1985-86	29.80	18.93	
Sikkim	State as a whole	1983-84 to 1984-85	N.A.	3.94	
Uttar Pradesh	State as a whole	1983-84 to 1986-87	N.A.	943.59	In 1983-84, despite incuring an expenditure of Rs. 163.62 lakhs, no plants were distributed. Plants distributed during 1984-85 to 1985-86 were 535.86 lakhs while those distributed during 1986-87 were not available. The DRDA, Varanasi had details of survival of plants during 1985-86 which showed that out of 9.84 lakh seedlings planted only 0.98 lakh seedlings (10 *per cent*) could survive.
West Bengal	Burdwan, Malda, Midnapore and Nadia.	1983-84 to 1985-86	131.84	96.59	Divisional Forest Officer, Nadia (Murshidabad Division) stated that rate of survival of seedlings was 60 *per cent* in 1984-85 and 42 *per cent* in 1985-86.

In Himachal Pradesh (Mandi district), the percentage of survival of plantation done during 1983-84 to 1985-86 ranged between 38 and 47.

In Madhya Pradesh, against 458.75 lakh seedlings raised during 1983-84 and 1984-85, only 299.26 lakh seedlings were planted. Out of the plants developed in 1984-85, only 53.6 per cent of fruit plants and 61.5 per cent of fuel wood plants reportedly survived at the end of March 1985. Similar information in respect of 1983-84 and 1985-86 was, however, not available with the Directorate of Horticulture as it was awaited from the districts (May 1988).

In Orissa, out of 6.31 lakh plants distributed through the Horticulturists (Athagarh, Bolangir, Champua, Jajpur, Khurda, Nayagarh and Rairangpur) and 2.36 lakh seedlings of fuel trees distributed in Kalahandi district during 1983-84 and 1984-85, 3.55 lakh plants (53 per cent; expenditure: Rs. 8.93 lakhs) and 1.55 lakh seedings (66 *per cent* expenditure . Rs. 0.35 lakhs) respectively did not survive.

4.10.4 *In the following cases, shortcomings in reporting the physical achievements were as under* :

Andhra Pradesh: The Physical achievements reported were on the basis of sanction issued instead of actual achievements and did not take into account the unutilised subsidies refunded from time to time. The accuracy of physical progress reported by DRDAs was not checked by State level implementing agency.

Assam: Year-wise physical achievements under the scheme except for the minikits of seeds and fertilisers were neither prepared nor reported to Government of India for the period upto 1985-86.

Bihar: The total number of beneficiaries to whom fruit plants had been distributed during 1983-84 to 1987-88 as reported to Government of India were 3.56 lakhs against the actual beneficiaries of 2.99 lakhs as reported to Audit.

Karnataka: Data relating to the number of seedlings distributed and the number of beneficiaries were not maintained at State, district and block levels. The State departments continued to furnish the monthly and quarterly reports to Government of India on available data received from some of the districts instead of collecting the same from all the districts.

4.10.5 *Other topics*

In Assam, an expenditure of Rs. 3.39 lakhs and Rs. 2.99 lakhs was incurred on plantation of 'Fuel and Fruit trees' during 1983-84 and 1984-85. The beneficiaries were 66 and 65 only during the years.

In Gujarat, a total amount of Rs. 3.92 lakhs was paid to all DRDAs during 1984-85 for organising 'Khedut Shibirs' (training camps). Details of its utilisation and the number of farmers trained was neither available with the Commissioner, Rural Development nor with DRDAs.

In Orissa, seedlings worth Rs 2.51 lakhs (Horticulturist Puri: Rs. 0.98 lakh and Horticulturist Berhampur: Rs. 1.53 lakhs) were purchased from the private nurseries during 1983-84 to 1985-86 and distributed to the beneficiaries.

In West Bengal, distribution of seedlings free of cost against subsidised rates prescribed (25 to 50 per cent) resulted in extra expenditure of about Rs. 108.73 lakhs during 1984-86

Against Central assistance of Rs. 167.50 lakhs received, the admissible assistance was Rs. 34.87 lakhs (50 per cent of the total expenditure of Rs. 69.75 lakhs on fuel and fruit trees plantation during 1983-84 and 1984-85). Thus, excess Central assistance of Rs. 132.63 lakhs remained unadjusted (May 1988) even though the component was discontinued from 1985-86.

4.11 *Land development*

4.11.1 Land development component comprised works like moisture conservation, construction of contour keyline interception bunds, dead furrow formation across the slope, putting up small check dams, etc., on individual and community basis.

The expenditure incurred during 1983-84 to 1987-88 on land development works was insignificant as compared to the total expenditure incurred under the programme in Andhra Pradesh (5.99 *per cent*), Assam (7.81 *per cent*), Gujarat (0.71 *per cent*), Kerala (12.33 *per cent*) and Madhya Pradesh (2.93 *per cent*).

No expenditure was incurred on land development works in Assam (1983—85), Kerala (1984-85), Manipur (1983—86, Rajasthan (1983—86), Uttar Pradesh (1983—85), West Bengal (1983—86) and Andaman & Nicobar Islands (1983—87). In Uttar Pradesh, Rs. 141.92 lakhs meant for land development were utilised for the distribution of minikits of seeds and fertilisers during 1983—85. In West Bengal, no land development work was undertaken except in Malda and Midnapore districts. In Karbi-Anglong and Nagaon districts, in Assam, no record to show the identification of the small and marginal formers was maintained and land development works were carried out by engaging labourers on muster rolls other than the beneficiaies. Measurement books maintained for this purpose did not indicate the full particulars of work done which were also not checked before making payments.

4.11.2 Other points of interest: In Kerala, Rs. 277.10 lakhs were spent during 1983-84 and 1985-86 to 1987-88 but the preliminary procedures of surveying the areas of implementation and identification of beneficiaries were not followed. Subsidy was released merely on the basis of certificate issued by the Land Mortgage Banks and not after proper verification and valuation of the land development works done by the beneficiaries. Audit could not ascertain the correctness of the subsidy paid as the list claiming subsidy furnished by the banks did not contain details of the land holding, area benefitted, the exact nature of work executed by the beneficiary, etc.

4.12. *Monitoring.*

4.12.1 The Ministry being the nodal agency was responsible for overseeing, supervision and monitoring the programme. For this purpose an Inter-Ministerial Project Implementation Committee headed by Secretary (Agriculture and Cooperation) was set up. At the State level an Inter-Departmental Coordination Committee with State Chief Secretary as Chairman was envisaged. Informaion about the periodicity of the meetings of the Project Implementation Committee and the extent of monitoring done which was called for in Audit was not furnished by the Ministry. For monitoring the financial and physical progress under various components of the programme a regular reporting system had been devised. The Ministry could not, however, furnish information about component-wise expenditure each year incurred by the States/UTs.

4.12.2 Statewise/UT-wise position of monitoring: No monitoring of the programme was done at the state and/or at the district levels in the States/UTs of Assam, Bihar, Jammu and Kashmir, Haryana, Himachal Pradesh, Manipur, Punjab, Rajasthan, Sikkim, Tripura, Uttar Pradesh, Andaman & Nicobar Islands and Pondicherry. The Government of Tamil Nadu stated in June 1988 that the scheme was being reviewed by the Special Officer (Monitoring Cell) created for IRDP at the State level and by DRDA at the district level. The review reports and the details of follow up acion taken thereon were not made available to Audit. It was furher stated in September 1988 that no files dealing with inspection review were maintained.

The Inter-Departmental Committees were not set up in Madhya Pradesh, Punjab, Tripura and Andaman & Nicobar Islands. The Committee set up in February 1984 in Bihar met twice in 1984 and only once in each of the year 1985 to 1987; in Haryana the Committee set up in April 1986 met on three occassions between November 1986 and August 1987. In Tamil Nadu, the Committee met once in December 1983 and again in June 1984. In June 1985, the Committee was reconstituted. It met only once in July 1985 (till June 1988). In Pondicherry, the State Level Coordination Committee formed in November 1983 did not meet regularly.

4.12.3 Inter-component ratio of expenditure of 7:1:2 among minor irrigation, minikits and land development including staff which was to be maintained at district level had not been maintained in Andhra Pradesh, Bihar, Gujarat, Haryana, Jammu & Kashmir, Kerala, Karnataka, Madhya Pradesh, Manipur, Orissa and West Bengal. In Tamil Nadu, information regarding maintenance of inter-component ratio at district level was not made available to Audit.

In Gujarat, four annual action plans were required to be prepared by each DRDA during 1984-85 to 1987-88. DRDA, Banskantha prepared only two action plans while DRDAs, Kheda and Vadodara furnished no detail of action plans for any of the years. The annual action plans were not approved by any authority.

In Orissa, due to lack of monitoring arrangements the State Government did not have the information regarding the benefits under various components of the programme accrued to the eligible beneficiaries.

4.12.4 The prescribed periodical (monthly, quarterly six-monthly and annual) reports regarding physical and financial progress sent by the officers at district level to the State Governments and by the State Governments to Central Government, revealed the following defaults/deficiencies :

Andhra Pradesh: Monthly and quarterly progress reports received from the district revealed delays and internal inconsistencies in reporting. In Anantpur, Chittoor, East Godavari, Gutur, Karimnagar and Mahaboobnagar districts there were discrepancies between the progress reported by DRDAs and the consolidated progress reported by the State level implementing agencies. The physical achievements reported were on the basis of sanctions issued instead of the actual achievements.

Bihar: DRDA, Patna sent no report to the State Government since inception of the programme. There was considerable delay in sending he progress reports by the State Government to Central Government.

Himachal Pradesh: The reports submitted by the field agencies to the district officers and by the district officers to the State were not analysed. The data incorporated in the reports were not factual. Monitoring by the district officers was restricted to the achievement of financial target.

Karnataka: Monthly and quarterly reports sent to Central Government contained only the available data received from some of the districts instead of collecting the same from all the districts.

Karala: Though the periodical reports were prepared and submitted to the district/State level officers, no machinery was evolved for ensuring the accuracy of data. Figures adopted in the progress reports in respect of the quantum of additional crop yield, extent of expansion of areas under cultivation, etc., were only the projected figures based on the usual package of practices.

Madhya Pradesh: Consolidated monthly reports were not sent at all to Central Government. Only quarterly reports were sent during 1983-84 to 1987-88 and that too with delay ranging upto 23 monhts.

Sikkim: Barring submission of annual report by one district authority (1985-86) and three district authorities (1987-88), no other district authority sent any periodical report to the State Government till 1986-87. However, the State Government sent two monthly reports during 1983-84, all the quarterly reports for 1986-87 and 1987-88 as well as the annual reports from 1983-84 to 1987-88 to the Central Government. In the absence of periodical reports from the district authorities, the authenticity of the reports sent to Central Government could not be verified.

West Bengal: Information on the total amount of loan granted by different financing agencies to the beneficiaries and the total number of beneficiaries under each component each year was not available in the department.

Andaman and Nicobar Islands: No reports (except annual reports) were received from block levels. Monitoring was confined to consolidation of the annual reports for submission to Central Government.

Chandigarh: Monthly/quaterly reports were not submitted regularly to Central Government and those submitted were also incomplete.

Information regarding the increase in production/productivity of pulses, oilseeds, etc., in the land of the small and marginal farmers covered under the programme was not available in the Ministry. In Andhra Pradesh, Assam, Bihar, Gujarat, Himachal Pradesh, Jammu and Kashmir (exceping Udhampur disrict), Karnataka, Kerala, Madhya Pradesh, Maharashtra, Manipur, Orissa, Rajasthan, Tripura, Uttar Pradesh, West Bengal and Andaman and Nicobar Islands, the impact of distribution of the minikits on increase in agricultural production of the small and marginal farmers was not evaluated.

An analysis of the overall area, production and yield of pulses and oilseeds in the conutry during 1970-71 to 1986-87 would reveal that despite the distribution of minikits of pulses (64.80 lakh minikits each containing 4 kgs. to 12 kgs. of seeds) and oilseds (70.61 lakh minikits each containing 1 kg. to 30 kgs. of seeds) during 1983-84 to 1986-87 under the programme besides the implementation of other centrally sponsored programmes—the NPDP and the NODP, the production of pulses had more or less been stagnating while there was a marginal increase in the production of oilseeds. In the case of groundnut, the average per hectare yield in Gujarat, which had been the largest grower of ground-nut (area-wise), had been on the declining trent.

4.13. *Evaluation.*

Records of the Ministry did not indicate that any arrangements for evaluation of the programme had been made.

No attempt at conducting evaluation to ascertain the impact of the programme on the economic development and on the increase in agricultural production of the small and marginal farmers was done in any of the States/UTs excepting Haryana and Punjab where partial studies were undertaken.

In Haryana, evaluation study of distribution of minikits of oilseeds and pulses was undertaken. The study undertaken by the Agriculture Department during Rabi 1984-85 disclosed that distribution of minikits was not entirely as per the parameters laid down in the programme and that 24 *per cent* growers of pulses and two per cent of oilseeds had not been supplied fertilisers packets alongwith the seed minikits. The State Government directed the departmnt to implement the minikit component and also the programme strictly in accordance with the prescribed instructions but no follow up action had been taken to take corrective measures.

In Punjab, a study conducted by NABARD in Bhatinda district revealed lack of technical guidance to the beneficiaries. The specifications prescribed for installation of shallow tubewells were also not followed.

In Tamil Nadu, the Director of Evaluation and Applied Research was asked in December 1986 to undertake an evaluation of the programme in consultation with the Planning and Developmet Department and to submit a report within three months. The report was awaited (June 1988).

The matter was reported to Ministry in October 1988; the reply has not been received March 1989).

Ministries of Agriculture
and
Surface Transport

5. **Injudicious expenditure on appealing against an award**

A dispute on demurrage between the charterers (Government of India) and the owners of the vssel, "MV LIPS", carrying diammonium phosphate from a port abroad to two Indian ports was referred to two Arbitrators appointed by each party as per provisions contained in Charter-party. Owing to disagreement between the two Arbitrators, an Umpire was appointed by them in February 1983 to sit in judgement. After hearing both the parties and studying the evidence available on record, the Umpire awarded (February 1983) a sum of £19,896 (Demurrage £15,156, interest: £4658 and error in commission and freight: £82) in favour of the ship-owners.

As per the provisions contained in the Charter-party, while the currency of account in respect of freight and demurrage charges was in US Dollars, the currency of payment was in British Sterlings and the mean exchange rate ruling on the date of Bill of Lading would apply to related payments/settlements. In his award, the Umpire, however, allowed conversion of the two currencies at the rate of exchange (US \$1.54 = £1), as prevailing on the date of the award, as against the rate of exchange (US \$ 2.37 = £1) as prevailed on the date of the Bill of Lading, on the ground that the charterers were in breach of contract in not making payment at the proper time. Adoption of rate of exchange, contrary to the provisions in the Charter party, involved a loss of £6968 (Rs. 1.67 lakhs).

On 3rd March, 1983, the solicitors of the High Commission of India, London, while forwarding a copy of the Umpire's award to the Mission, stated that a copy of the award was sent to the charterer's counsel for his consideration and advice on whether the charterers should seek leave to appeal on the Umpire's decision on the exchange rate losses and compound interest on late payment of frieght and demurrage. They sought the views of the Mission on the Umpire's reasoning under the award. The Mission did not, however, take any cognizance of the solicitor's reference on the plea that since a copy of the Umpire's award had already been sent to the charterer's counsel for advice in the matter, no instructions were called for from them. On 15th March 1983, the solicitors informed the Mission that in order to protect limitation of time for appealing against the award, they had issued on 14th Marh 1983 a notice of originating motion on the issues of exchange rate and interest in a commercial court. The solicitors, however, opined on 16th March 1983 that the case might not be appealed against in view of the fact that (i) the amount involved in respect of the issue was so small that it would simply be not justifying the cost of fighting the motion and (ii) although both the counsel and the solicitors felt that the Umpire had gone totally wrong on the rate of exchange issue, the court might refuse the leave to appeal, in which case charterer's other cases might also be affected.

Acting on the advice of the solicitors, the Mission informed the Ministry in March 1983 that the matter should not be pursued further by way of appeal against the award and also sought authorisation to make payment of the awarded sum to the shipowners. Ministry accepted the recommendation and authorised the Mission to make payment of the award money. The Mission did not, however, communicate the Government's decision to honour the Umpire's award and not to go ahead with the appeal, to the solicitors. Consequently, the solicitors continued to pursue the motion for leave to appeal against the award, as filed on 14th March 1983. The Commercial Court granted the leave to appeal in July 1983 with regard to rate of exchange issue only. In September 1983, the solicitors intimated the Mission that the actual appeal would shortly come up for hearing and they would appeal with the same counsel unless instructed by the Mission to the contrary. Even at this stage, the Mission failed to inform the solicitors about the Government's decision of not going ahead with the appeal against the award. The actual appeal was, therefore, proceeded with and was allowed by the Commercial Court in favour of the charterers. However, on a further appeal filed by the shipowners in the Court of Appeal, the decision was reversed and the Umpire's award restored.

Ministry of Agriculture, therefore, had no alternative but to ask the Mission to seek leave to appeal to the House of Lords. The appeal was ultimately filed, heard and was decided in favour of the charterers.

To sum up, the failure of the Mission to convey the decision of the Ministry for not seeking 'Leave to Appeal' against the Umpire's award to the solicitors led to pursuit of the case in various courts, involving an injudicous expenditure of £46,793 (Rs. 11.18 lakhs) by way of fees to solicitors and counsel itself, just to avoid payment of £6,968 (Rs. 1.67 lakhs) on demurrage charges.

The matter was reported to Ministries in April 1988, replies have not been received (December, 1988).

Ministries of Agriculture

Surface Transport and Urban Development

6. Acquisition of land

6.1 *Introduction*

The Land Acquisition Act, 1894, as amended by Parliament in 1984 empowers the Government to acquire land required for public purpose. The preliminary notification for acquisition of any land is issued under Section 4(1) followed by a declaration under Section 6(1) of the Act that land is required for public purpose. In case of urgency, the Collector is empowered under Section 17 of the Act to take possession of land pending its acquisition. The compensation to be awarded for land acquired is determined under Section 23 and interest for delayed payment under Section 34 of the Act.

The Collector or the designated officer is responsible for the acquisition of land under the Act.

6.2 *Scope of Audit*

Records pertaining to the period from April 1982 to March 1988 of Land Acquisition Officer, Union Territory of Chandigarh and from 1982 to 1987 of the Offices of Land Acquisition Officer and the Executive Engineer, Division-I of the Union Territory of Dadra and Nagar Haveli were test checked in audit in May|June 1988. A few points in acquisition of land by the Central Government Departments in the State of Kerala were also noticed. The points noticed in audit are mentioned in the succeeding paragraphs.

6.3 *Organisational set up*

In the Union Territories of Chandigarh and Dadra and Nagar Haveli, the work of acquisition of land has been entrusted to the Land Acquisition Officer.

The land required by the Notified Area Committee, Manimajra of Union Territory of Chandigarh for public purpose is acquired by the Assistant Estate Officer who functions as Land Acquisition Officer for the Committee.

6.4 *Highlights*

In the Union Territory of Dadra and Nagar Haveli, out of 50 proposals of land acquisition received during 1982 to 1987, award was declared in only two cases; two cases lapsed due to non-finalisation of proceedings; proceedings in 27 cases were in progress, whereas in the remaining 19 cases proceedings had yet to be intiated. Neither any system was devised by Dadra and Nagar Haveli Administration to Keep record of all the acquisition cases for better monitoring, nor any norms fixed for finalisation of award by the Land Acquisition Officer.

—Delay in completion of land acquisition proceedings due to late approval of notification resulted in payment of additional compensation amounting to Rs. 2.79 lakhs in the Union Territory of Chandigarh.

—Land measuring 134.45 acres (value Rs. 174.49 lakhs) acquired by Union Territory of Chandigarh and possession taken in July 1983/July 1987 have remained unutilise. Neither any monetary limit upto which awards could be announced by the Land Acquisition Officer was fixed by the Chandigarh Administration, nor any authority whose approval was required under Section 11 of the Act notified. Non-revision of award by the Chandigarh Administration, under the Act as amended, within the stipulated period resulted in avoidable payment of interest of Rs. 1.13 lakhs. Delayed payment of compensation entailed additional libality of interest amounting to Rs. 1.86 lakhs.

—Land measuring 25.45 hectares acquired in Kerala at a cost of Rs. 68.92 lakhs and made available to Public Works Department (PWD) during March 1974 to May 1982 has not been made use of due to non-sanctioning of estimates by the Ministry of Surface Transport.

6.5 *Delay in acquisition of land*

In the Union Territory of Dadra and Nagar Haveli, out of 50 proposals of land acquisition received during 1982 to 1987, the award was declared only in two cases; two cases lapsed due to non-finalisation of proceedings within the stipulated period prescribed in the Act and proceedings in 27 cases were at various stages viz. six cases were pending at notification stage under section 4; three cases at declaration satge under section 6, thirteen cases at objection stage under Section 9 and five cases at award stage under Section 11 of the Act. The proceedings in the remaining 19 cases were yet to be initiaed (June 1988).

Delay in acquisiion proceedings was attributed (September 1988) by the Land Acquisition Officer due to non-empoyment of regular staff fo rthis purpose. In regard to the pending cases it has been stated that the awards would be finalised within 3 months i.e. before their expiry period.

A land acquisition proposal had to pass through different stages before reaching the award stage. In Union Territory of Dadra and Nagar Haveli, a time bound schedule to complete the various stages of land acquisition was neither chalked out by the Administration till April 1988, nor a system was devised to keep a record of all the acquisition cases in order to ensure that the acquisition proceedings were completed within the time prescribed in the Act. No system of submission of periodical returns|progress reports in respect of proposal received was devised by the Administration for better monitoring.

6.6 *Non-completion of proceedings*

The Land Acquisition Act as amended in 1984 contemplated that no declaration under Section 6 of the Act should be made after the expiry of one year from the date of notification under Section 4. In Dadra and Nagar Haveli, 2 notifications under Section 4 for acquisition of land measuring 2.80 and 0.91 hectare proposed in January 1986 for expansion of roads at villages Kerchond and Jamalpada respectively were published on 30th July 1986. However, the corresponding declaration under Section 6 were not made within the prescribed time limit of one year reportedly due to late approval of declarations by the Administrator. This entailed delay in acquisition of land resulting in additional payment towards increased compensation besides increase in cost of construction due to escalation.

6.7 *Possession of land before notification*

In 4 cases involving 13.06 acres of land in the Union Territory, Chandigarh, the possession of land was taken in 1960 for costruction of an outfall sewarage system of Chandigarh city without issuing notification under Section 4 and declaration under Section 6 of the Land Acquisition Act either by the erstwhile Punjab Government or by Chandigarh Administration. On a civil writ petition filed by one party in 1980, the Punjab and Haryana High Court decided that the notification under Sections 4 and 6 of the Act shall be deemed to have been issued on 9th December 1988 and the compensation be paid at the market value prevalent on this date. In a writ petition filed by another party in 1982, the court allowed similar benefits as decided in the earlier petition.

Accordingly the Land Acquisition Officer awarded in 1981-82, 1983 and 1985 compensation at the market rate of land viz. Rs. 0.30 lakh per acre prevalent in the year 1980 in the adjoining village of Kajheri of Union Territory, Chandigarh as the rates from the District Collector Ropar in respect of neighbouring village of Punjab State were not available. The earlier market rate of village Kajheri adopted in an award in 1971 was, however, Rs. 11,422 per acre. The information about rates prevalent in 1960 was, however, not available. Based on the rate awarded in 1971 additional liability arising out of inordinately late completion of land acquisition proceedings borne by Chandigarh Administration worked out to Rs. 2.79 lakhs. The additional liability on the basis of 1960 rates which were not available would have been much higher. The reasons for belated completion of process of acquisition of land were not furnished (September 1988).

6.8 *Non-utilisation of land*

(i) Land measuring 72.87 acres at enchanced (by-court) value of Rs. 104.46 lakhs in village, Maloya, in the Union Territory, Chandigarh was acquired for the purpose of setting up a second grain, fruit and vegetable market under the Central sector scheme for providing assistance to Market Committees for the development of marked yards. The possession of land was taken by the department in July 1983, but it remained unutilised and steps taken to develop the land for the purpose for which it had been acquired were not intimated by the Administration (October 1988).

Similiarly, 61.58 acres of land valuing Rs. 70.03 lakhs in village Manimajra was acquired and the possession was taken by the department in July 1987 for the purpose of rehabilitation of slum-dwellers. However, there was nothing on record to show utilisation of the acquired land (October 1988).

(ii) The requisitions for acquiring about 30 hectares of land for the work of widening and strengthening single lane section to 2 lanes at Km. 462/00 to 470/300, 474/700 to 482/00 and 502/804 to 506/00 of NH 47 in Kerala State, were sent by the Public Works Department to the Revenue Department during May—August 1972. The land to the extent of 25.46 hectares was acquired at a cost of Rs. 68.92 lakhs and made available to the PWD during March 1974 to May 1982. The land has not been made use of, reportedly due to non-sanctioning of estimates for works by Ministry of Surface Transport (July 1988).

6.9 *Awards*

The Land Acquisition Officer in the Union Territory, Chandigarh is responsible for the preparation of land acquisition cases and announcement of awards. Under the Amended Act 1984 (Section 11 of the Principal Act 1894 the Land Acquisition Officer is required to obtain approval of the appropriate Government or of such officer as the appropriate Government may authorise in this behalf before the announcement of awards except to the extent the powers are delegated to him by the Government. In the Union Territory Chandigarh neither any monetary limit upto which the awards can be announced by the Land Acquisition Officer without the approval of the Union Territory Chandigarh Administration had been fixed by the Administration nor any authority, whose approval was to be obtained under the provision of Section 11, had been notified. Thus, the awards were announced by the Land Acquisition Officer without seeking previous approval of appropriate Government irrespective of the amount involved. Land Acquisition Officer intimated (June 1988) that the ex-post facto approval of the Chandigarh Administration in respect of awards announced after the said amendment would be obtained.

(2) No norms were fixed by the Dadra and Nagar Haveli Administration for finalisation of awards by the Land Acquisition Officer reportedly due to non-provision of staff.

6.10 *Avoidable payment of interest*

Under the amended Act 1984, the increase in compulsory acquisition charges (solatium), from 15 to 30 *per cent* and rate of interest from 6 to 9 *per cent* for the 1st year and 15 *per cent* thereafter was given effect retrospectively after 30th April 1982. The amended Act further introduced a new sub section 1—A under Section 23 of the Act whereby additional compensation at the rate of 12 *per cent* per annum on the market value of the land was also admissible from the date of notification to the date of award or date of possession, whichever was earlier.

(i) In order to minimise the additional liability of payments under the amended Act 1984, the Chandigarh Administration should have taken steps for suo-moto revision of the award for land acquired between the transitional period starting from 1st May 1982 to 23rd September, 1984. The amended Act became a law on 24th September, 1984 and the Administration could have got the awards revised within a reasonable period up to 31st December 1984. In that event, the additional interest would have been paid up to 31st December 1984. It was, however, noticed that the awards were not revised suomoto and the parties got enhanced compensation under the amended Act, 1984, which entailed avoidable payment of interest of Rs. 1.13 lakhs for the period January 1985 to dates of actual payment which were made between April and August 1987 in discharge of revision awarded by the District Judge. Likewise, amount of compensation for land measuring 72.87 acres in village Maloya enhanced (from Rs. 37.70 lakhs to Rs. 87.44 lakhs) by the District Judge in January 1985, was not paid within one month from the date of judgement. It was paid in September 1985 with additional interest of Rs. 1.86 lakhs for delayed payment (up to 6th July 1985).

(ii) Sections 17 and 34 of the Act as amended in 1984, provide that (a) before taking possession of land in case of urgency, the collector shall pay 80 *per cent* of the compensation for such land as estimated by him and (b) when the amount of such compension is not paid, on or before taking possession of the land, interest at 9 *per cent* per annum for the first year and at 15 *per cent per annum* for the remaining period shall be paid from the date of taking possession of the land, till the amount if paid in full. Out of 2.06 hectares of land requisitioned in March 1983 by the Director of Integrated Fisheries Project, Eranakulam for construction of staff quarters, 1.57 hectares of land was taken possession in February 1985, without payment of 80 *per cent* of the estimated amount of compensation immediately. The amount of advance compensation amounting to Rs. 54.74 lakhs was paid only in September 1986. When the award was finalised in January 1987, the final compensation payable for the land taken in advance possession worked out to Rs. 65.40 lakhs and interest under Section 34 was also paid. Had the advance payment been made on time as per the statute, the amount of
been made on time as per the statute, the amount of
proximately. The reasons for the delay for payment of advance amount have been called for (August 1988). The balance area of 0.49 hectares land taken possession in April 1988 and Rs. 18.51 lakhs paid as compensation.

Director, Integrated Fisheries Project stated, in January 1989, that the estimates for construction of compound wall|quarters were pending approval of Ministry|CPWD, resulting in non-utilisation of entire area of land acquired.

The matter was reported to Ministries in July, August and September 1988, reply has not been received (December 1988).

Ministry of Commerce

7. Irregular excess payment under Export Credit (Interest Subsidy) Scheme

The Export Credit (Interest Subsidy) Scheme, 1968 (hereafter referred to as scheme), effective from the 3rd March 1968, was introduced in June 1968 as an export promotion measure. Under the scheme, export credit of various types like packing credit or pre-shipment credit, post-shipment credit and term loans are allowed by banks for prescribed period at interest rates not exceeding the ceiling rates prescribed by the Reserve Bank of India (RBI) from time to time. Government pays subsidy at 1.5 *per cent* to banks provided repayment of credit is made according to the prescribed manner and the banks do not charge interest at rates exceeding those prescribed by the RBI.

The exporter wishing to avail of the facility of term loan is required to obtain prior approval of the RBI. The instalments and the due dates of repayment are stipulated in advance. Each instalment is to be treated as an independent unit for watching realisation of the proceeds. The payment has to be received from the foreign importer within six months from the due date of the instalment, failing which no subsidy is admissible on such term loans.

Mention was made in paragraphs 27 and 14 of the Reports of the Comptroller and Auditor General of India for 1975-76 and 1982-83 : Union Government (Civil) respectively of the various irregularities and excess payments in the disbursement of interest subsidy of Rs. 116.72 crores to the public and private scetor banks during 1968-69 to 1981-82.

From April 1982 to December 1986, a total subsidy of Rs. 108.54 crores was paid, of which Rs. 93.91 crores were given to the public sector commercial banks.

Further test-check of the accounts of 440 branches of 75 banks in the country disclosed that interest subsidy amounting to Rs. 413.92 lakhs had similarly been drawn irregularly or in excess for the period up to which local audit reports were issued till the end of March 1987. Of this amount, Rs. 221.78 lakhs accounted for packing/preshipment credits, Rs. 76.33 lakhs for post-shipment credits, Rs. 30.81 lakhs for deferred loans and Rs. 85.00 lakhs for other items. On being pointed out by Audit an amount of Rs. 229.12 lakhs was refunded by the banks to RBI up to 30th September 1988 while the balance amount of Rs. 184.80 lakhs was yet to be refunded.

Thus, the irregularities in the drawal of interest subsidy by the banks persist despite the remedial measures stated (October 1985) to have taken by the Department in their Action Taken Note on paragraph 14 of the Audit Report for 1982-83.

The matter was reported to the Ministry in August 1988; reply has not been received (February 1989).

8. **Cash Compensatory Support on export of leather footwear**

The Import and Export Policy 1985—88 prescribed that registered exporters of footwear would be entitled to import replenishment at 20 *per cent* of f.o.b. value for their exports of 'closed shoes with leather uppers' and 15 *per cent* of f.o.b. value for 'leather footwear other than closed shoes with leather uppers'. These rates were retained up to 29th June 1988.

From 1st July 1986, for the purpose of allowing cash assistance, leather shoes, chappals, sandals etc. were all classified as 'footwear (where at least 60 *per cent* of visible outer surface areas was of leather' and allowed a cash assistance of 22 *per cent* of f.o.b. value when exports were made by air on CIF and C&F basis and 15 *per cent* in other cases.

Under the guidelines laid down by the Ministry, as also incorporated i nthe Cash Assistance Manual, cash assistance on an export product should not exceed 25 *per cent* of value addition (f.o.b. value minus import replenishment entitlement as per the import and export policy). The Ministry had clarified in October 1977 that reduction in the rate of cash assistance should be applied whenever it exceeded 25 *per cent* of value addition and that exporters would not have an option to claim the higher rate of cash assistance for a lower claim of import replenishment. Since the rate of import replenishment on footwear as contained in Import and Export Policy 1985—88 was retained in the Import and Export Policy 1988-91 up to 29th June 1988, cash assistance wherever paid at 22 *per cent* on export of 'footwear' by air on CIF or C&F basis would be excessive to the extent of two *per cent* of f.o.b. value on 'closed shoes' and one *per cent* of f.o.b. value on other categories of footwear after 1st July 1986.

Information regarding Cash Compensatory Support CCS paid by some of the licensing officers revealed the following position :—

(a) *Joint Chief Controller of Imports and Exports (JCCIE), New Delhi.*

A test check of 69 cases of cash assistance paid on the export of footwear by air during July, September 1986, September 1987 and November 1987 to June 1988, revealed that cash assistance amounting to Rs. 2.70 lakhs was allowed in excess by not implementing the 25 *per cent* cut off formula.

(b) *JCCIE, Bombay*

27 exporters had been paid cash assistance at 22 *per cent* of f.o.b. value of export of Rs. 377.69 lakhs of footwear by air during 1st July 1986 to 31st March 1987. Since a break up of the f.o.b. value of exports of different types of footwear was not made available to Audit, the amount excess paid could not be worked out. However, the minimum excess payment at 1 *per cent* would work out to Rs. 3.78 lakhs. In respect of exports made during 1987-88, the overpayment of cash assistance in 1109 cases of exports, relating to 18 exporters, separately for 'closed shoes' and 'other categories of footwear' at two *per cent* and one *per cent* respectively, worked out to Rs. 26.30 lakhs on the total f.o.b. value of exports of Rs. 1607.42 lakhs.

(c) *JCCIE, Madras*

The JCCIE, Madras paid cash assistance of Rs. 167.06 lakhs during July 1986 to March 1987 at 22 *per cent* on the f.o.b. value of exports of footwear by air where import replenishment was also allowed at 20 *per cent*. Since category-wise exports of footwear were not available, minimum excess payment at one *per cent* would work out to Rs. 7.59 lakhs.

(d) *JCCIE, Kanpur*

A test check of 1023 cases of exports relating to 34 exporters revealed that cash assistance amounting to Rs. 18.34 lakhs was overpaid on the f.o.b. value of exports of Rs. 1026.60 lakhs of 'closed shoes' and 'other categories of footwear' exported by air during 1st July 1986 to 31st March 1988.

The case revealed that by not restricting the payment of cash assistance to 25 *per cent* of value addition on the exports of footwear by air during 1st July

1986 to 29th June 1988, there had been excess payment of cash assistance in the regional offices of the CCIE which needed to be assessed and recovered/ adjusted from future claims of the parties concerned.

The matter was reported to Ministry in August 1988; reply has not been received (February 1989).

9. Irregular payment of Cash Compensatory Support due to incorrect classification

The Joint Chief Controller of Imports and Exports (JCCIE), Bombay paid cash assistance amounting to Rs. 16.50 lakhs to a firm on the exports of "prefabricated slabs and blocks" made during 1980-81 at 10 *per cent* of f.o.b. value of exports by classifying the exported item as an engineering product under A. 56 of the compendium of cash compensatory support 1979-82 which was applicable for export of prefabricated houses of steel, wood panel products and other materials". It was also observed from the shipping bills attached to the applications of cash assistance claims, that the exported items were classified as per Indian Trade classification Code Nos. 661-3200 and 661-8311 description of which reads as under :

661 : (Main Group) Lime, cement at fabricated construction materials (except glass and clay materials).

661. 3200 : Building and monumental stone work and articles thereof.

661. 8311 : Articles of cellulose fibre cement or the like.

The item was classified under B. 52.4 (chemical group) up to March 1979. From 1st April 1979 to 13th July 1983, the item did not find place under any group for entitlement of cash assistance. Thus, no cash assistance was admissible on the export of this item from 1st April 1979 to 13th July 1983.

A new entry "components of prefabricated houses namely (a) lightweight auto-claved cellular prefabricated concrete reinforced slabs, lintels and unreinforced blocks; and (b) precast columns, beams, staircase both of concrete and steel" was introduced under the list of Engineering goods-56 with effect from 14th July 1983 only.

The JCCIE, Bombay, to whom the matter was referred in May 1982, however, justified, in December 1982, the payment of cash assistance to the firm on the basis of the Ministry of Commerce letter dated 8th January 1979. According to this letter cash assistance at the rate of 10 *per cent* of f.o.b. value of exported item "cellular cement concrete blocks/slabs" was admissible up to 31st March 1979. As the said order was not relevant to the item exported after 31st March 1979, the payment of cash assistance of Rs. 16.50 lakhs made to the firm was irregular. The recovery was yet to be effected (December 1988).

The matter was reported to Ministry in May 1988; reply has not been received (February 1989).

10. Cash Compensatory Support on export of poles

An Indian exporter entered into a contract with a foreign buyer in January 1978 for the export of 15,000 numbers of 9 meter long and 8,000 numbers of 11 meter long steel tubular poles. The contract provided that the supplies were to be completed within four months of the opening of letter of credit. The letter of credit was opened in February 1978 and, thus, according to the contract, the supplies were to be completed by June 1978. The supplies were, however, completed in April 1979.

Under the Import policy this item attracted cash compensatory support (CCS) of 20 *per cent* of the f.o.b. value for exports made till 31st March 1979. From 1st April 1979 the rate was reduced to 7.5 *per cent.* However, under the scheme of registration of contracts, the exporter was entitled to protection of the rate of CCS obtaining on the date of contract if the exporter registered the contract and the extension in the delivery schedule, if any, with a scheduled bank. Whereas the contract had been registered with the scheduled bank, the exporter failed to register with the bank the extension in the delivery schedule. Accordingly, the Joint Chief Controller of Imports and Exports (JCCIE), Calcutta allowed CCS for the part-shipments made on 4th April 1979 at the rate of 7.5 *per cent* of the f.o.b. value of exports. The exporter appealed to the Chief Controller of Import and Exprts (CCIE), New Delhi, demanding the protected higher rate, who admitted the appeal in June 1981. Consequently, the JCCIE released to the exporter in January 1982 an amount of Rs. 10.95 lakhs, being the difference in amount computed with reference to the two rates of CCS in respect of the quantities shipped on 4th April 1979.

The excess payment was pointed out by Audit in November 1984 and in reply to the Audit query the CCIE, New Delhi stated, *inter alia*, that the contract was with a foreign Government and the prestige of the Government of India was involved. The delayed shipments were due to two contraints viz. raw material and non-availability of vessels which were beyond the control of the exporter and the loading could not be completed in time i.e. before 1st April 1979.

Hence, the condonation of time up to 4th April 1979 had been granted. Audit contested that the actual condonation granted in this case was for more than nine months from the stipulated delivery date and not four days as held by the CCIE. Audit also pointed out that the CCIE had not been delegated with any powers for such condonation. The CCIE ultimately decided in May 1987 to recover the excess payment of Rs. 10.95 lakhs and issued directions to the JCCIE to do so.

The JCCIE informed Audit in November 1987 that he had issued a demand notice to the exporter. Actual recovery had not been effected till October 1988. Engineering Export Promotion Council intimated in July 1988 that the firm had closed down and stopped functioning since 1983. Accordingly the chances of recovery in this case were bleak.

The matter was reported to Ministry in July 1988; reply has not been received (February 1989).

11. Cash Compensatory Support on export of component of railway wagons

An Indian exporter entered into a contract with a foreign Corporation in November 1978 for the export of 1500 numbers of complete automatic alliance no. 2 couplers (components and spares of railway coaches|wagons) for a total f.o.b. value of Rs. 66.46 lakhs. The exports were made in nine consignments. In response to Audit requisitions for case files relating to the payment of cash compensatory support (CCS) on these exports, in November 1982 and thereafter the Joint Chief Controller of Imports and Exports (JCCIE), Calcutta made available in July/September 1983 and October 1985 case files in respect of six consignments covering 1150 couplers—f.o.b. value Rs. 49.30 lakhs. CCS of Rs. 16.40 lakhs at the rate of 33.33 *per cent* of f.o.b. value was paid to the exporter during the period October 1980 to September 1981.

This rate of CCS was applicable only to railway coaches|wagons and not to spares and components for which a lower rate of CCS at 20 *per cent* of the f.o.b. value had been prescribed. Thus, payment of Rs. 16.40 lakhs as CCS as against admissible amount of Rs. 9.87 lakhs, resulted in excess payment of Rs. 6.53 lakhs. Further, as a result of failure to make a proportionate reduction in the rate of CCS, on account of the drawal of higher value of import replenishment over the normal admissible rate, there was a further overpayment of Rs. 0.49 lakh, aggregating to an overall excess payment of Rs. 7.02 lakhs.

Records in respect of the remaining three consignments covering the export of 350 couplers of f.o.b. value of Rs. 17.16 lakhs were not made available to Audit and as such excess payment, if any, on this could not be worked out.

Thus, lack of adequate scrutiny by the JCCIE, Calcutta resulted in an excess payment of Rs. 7.02 lakhs to the exporter.

The matter was reported to Ministry in July 1988; reply has not been received (February 1989).

12. Cash Compensatory Support on export of cast iron fittings

In terms of the Import Policy of the Government of India for the year 1980-81, contracts already registered, where the price was renegotiated, would cease to have the benefit of protected rate of cash compensatory support (CCS) under the scheme of registration of contracts. However, a contract permitting variation in price/value to cover *inter alia,* a change in the specification of goods to be exported might be registered, provided the change in the price/value was duly registered with the bank concerned within 45 days of such a change.

An Indian firm entered into five contracts with two foreign buyers during January 1981 for the export of 20,700 tonnes of cast iron fittings. The contracts were registered with the authorised dealers in foreign exchange within the prescribed period. Whereas three of the five contracts contained a price variation clause, the other two did not. Out of the above contracted quantity, 2,022.898 tonnes of the fittings were exported at the original contract rates. The rates for the balance quantities were renegotiated in July 1981—December 1982 for the changes in specifications raising the contract value from US $ 79.22 lakhs to Us $ 91.38 lakhs. The renegotiated rates were not registered with the concerned banks as required under the policy for getting the benefit of protected rates prevailing on the dates of contracts.

The CCS on this item was admissible at the rate of 12.5 *per cent* of the f.o.b. value of exports made up to 28th January 1981. For exports made from 29th January 1981, these rates were reduced to 5 *per cent* of the f.o.b. value.

In response to Audit requisitions for case files pertaining to these exports, the Joint Chief Controller of Imports and Exports (JCCIE), Calcutta made available 62 case files covering exports worth US $ 14.61 lakhs made at the renegotiated rates. Out of these 62 cases in 38 cases involving export worth US $ 10.42 lakhs excess payment to the extent of Rs. 6.07 lakhs was noticed because the JCCIE allowed the protected rate of CCS instead of the reduced rates prevailing on the date of export. Case files relating to payment of CCS on exports worth US $ 76.77 lakhs were not made available to Audit and as such excess payment, if any, on this could not be worked out.

Thus, lack of adequate scrutiny by the JCCIE, Calcutta resulted in an excess payment of Rs. 6.07 lakhs to the exporter.

The matter was reported to Ministry in July 1988 ; reply has not been received (February 1989).

13. **Cash Compensatory Support on export of components, spare parts of motor cycle/scooters**

During April 1979 to September 1982, the rate of cash compensatory support (CCS), also called cash assistance, on the exports of spare parts|components|ancillaries and accessories pertaining to engineering goods was the same|less than that prescribed for the relative parent export products except in the case discussed below :—

During April 1976 to March 1979, a uniform rate of CCS of 10 *per cent* of f.o.b. value was allowed for the export of motor cycles, scooters, mopeds, three wheelers and their components|parts|ancillaries and accessories for all destinations. The rate of CCS during April 1979 to September 1982 for the export of motor cycles, scooters, mopeds, three wheelers excluding tempos was 15 *per cent* of the f.o.b. value of exports to North and South America, Carribean countries and West European countries and 10 *per cent* to other destinations. A uniform rate of 12.5 *per cent* was, however, prescribed from April 1979 for the export of automobile ancillaries and accessories including automobile components and spares and components and spares of tractors to all the countries after examining the actual cost data furnished by the exporting firms and taking a conservative|lowest estimate for each of the various factors which contribute to the fixation of rate of CCS. On 17th December 1980 an amendment was issued to serial number 64 of CCS list of engineering goods reducing the rate of CCS from 12.5 *per cent* to 10 *per cent* on the ancillaries and accessories of 2-wheelers and 3-wheelers including side cars on the ground that it would not be appropriate to allow CCS at a rate higher than that applicable to parent product. The amendment also provided that CCS for exports made prior to this date was to be decided on the basis of the then existing entry at serial number 64 of CCS list. For the period from October 1982 to June 1986 there was again a uniform rate of CCS of 12 *per cent* for the parent product and 10 *per cent* for components/parts etc. for all destinations.

According to the data compiled by Director General Commercial Intelligence and Statistics, Calcutta, f.o.b. value of exports of components|spares, ancillaries and accessories of motor cycles|scooters to countries other than America, Carribean and West European countries was Rs. 152.31 lakhs during 1979-80 to 1980-81 (Up to November 1980). Omission to fix the rate of CCS for components|spare parts etc. at par with the parent product after taking into account all the relevant factors including appropriateness of fixing higher rates of CCS for components as compared to the parent product resulted in an avoidable payment of CCS of Rs. 3.81 lakhs at 2.5 *per cent* of Rs. 152.31 lakhs.

According to the information furnished by Joint Chief Controller of Imports and Exports (JCCIE) Madras in June 1988, he continued to pay CCS at 12.5 *per cent* of f.o.b. value of exports of components and parts etc. of motor cycles, scooters|mopeds to countries other than North and South America, Carribean and West European countries even during 17th December 1980 to March 1982. From the information given by the JCCIE Madras, the exact amount of overpayment of CCS made during 17th December 1980 to 31st March 1981 could not be worked out. However, the amount of CCS over-paid during 1981-82 worked out to Rs. 2.74 lakhs.

Ministry stated in December 1988 that the decision to allow CCS at a rate higher than parent product was based on the cost data and the later decision to bring it at par with the parent product was a conscious decision based on the feeling that it should not exceed the CCS on parent product as was done in other cases. Comments of the Ministry on the overpayment of cash assistance by JCCIE Madras have not been received (February 1989).

14. **Cash Compensatory Support on the deemed export of wood chippers**

From April 1979 the rates of cash compensatory support (CCS) on all export products were to be fixed by the Ministry on the basis of the verified cost and other data of the representative number of units received through the respective Export Promotion Councils. In the absence o fthis data CCS for the export of 'paper and pulp plant' during 1979-80 and and 1980-81 was allowed on ad-hoc basis by the Cash Assistance Review Committee (CARC) of the Ministry at 12.5 *per cent* of f.o.b. value. As the requisite data was not received even during 1980-81 from the Engineering Export Promotion Counil (EEPC) the rate of CCS on 'paper and pulp plant' was not extended further and the same ceased to be admissible from April 1981.

A firm claimed CCS for their supplies as deemed exports of 'wood chippers' during 1984-85 and 1985-86 under 'industrial machinery—others not specified which was rejected by the Joint Chief Controller of Imports and Exports (JCCIE) Bombay on the ground that, 'wood chippers' were used in the paper and pulp industries/plants and were not, therefore, eligible for CCS. On a representation received in the Ministry the matter was placed before the Headquarters Classification Committee (HQCC) in January 1987, when the committee decided to classify this item for the purpose of CCS under 'Industrial machinery—others not specified'. According to the guidelines for Industries (1983-84), (Part II), issued by the Ministry of Industry, 'chippers' fall under the category of 'paper and pulp plant' and therefore, could not be made eligible for CCS by classifying it under 'Industrial machinery—others not specified'. The Directorate General of Technical Development (DGTD) from whom the Ministry had sought an opinion had also stated that the 'wood chippers' were part and parcel of the pulping equipment.

Thus, as a result of erroneous decision given by the HQCC in January 1987, the JCCIE Bombay subsequently had to make a payment of CCS of Rs. 2.44 lakhs for the deemed export of 'wood chippers'. Information regarding payment, if any, of CCS on the export of wood chippers made by the JCCIE Calcutta/Madras/New Delhi, after the circulation of HQCC decision to all licensing/disbursing offices in February 1987, was awaited (June 1988).

The Ministry stated in November 1988 that the classification of 'wood chippers' under 'Industrial machiery—others not specified' was adopted only on the recommendations of the DGTD which was the technical authority for conforming the classification of an item. The fact, however, remains that while taking the decision, HQCC had ignored the fact that CCS on paper and pulp plant, had ceased to be admissible from April 1981 and 'wood chippers' were stated by DGTD to be a part and parcel of the pulping equipment.

15. Cash Compensatory Support on engineering goods

Under the scheme of "Registration of export contracts" the registered exporters are eligible to claim cash compensatory support (CCS) at the same percentage prevailing on the date of contract in case the contract is registered with the authorised dealer in foreign exchange (i.e. scheduled bank) within the prescribed period of 45 days from the date of signing of the contract.

An Indian exporter entered into two separate contracts with two foreign buyers on 27th and 28th March 1979 for the supply of engineering goods, the C&F value of which was US $ 13.81 lakhs and US $15.40 lakhs respectively. The contracts were registered with a scheduled bank on 16th April 1979 for obtaining the benefit of protected rate for payment of CCS.

After executing part supplies worth US $ 2.18 lakhs and US $ 4.71 lakhs, the contracted value of the balance quantity was enhanced on 15th and 20th March 1980 from US $ 11.63 lakhs to US $ 13.93 lakhs and from US $ 10.69 lakhs to US $ 11.64 lakhs respectively owing, *inter alia;* to the increases in the cost of raw materials. The Joint Chief Controller of Imports and Exports (JCCIE), Calcutta paid CCS at the protected rate of 15 *per cent* prevailing on the date of contract instead of normal rate of 10 *per cent* on the actual date of export in April and May 1980 on the f.o.b. value arrived at on the basis of revised contracted value.

In terms of the Import Policy of the Government of India, contracts concluded before 5th November 1979 became ineligible for the payment of CCS at the protected rate, if the contracts were re-negotiated to cover the rise in the cost of raw matrials. The import policy allowed the benefit of protected rate of CCS only if the contracts contained a price variation clause relating to materials/labour cost which were based on fixed parameters spelt out in the contract itself and were not subject to any renegotiation after signing of the contract. These contracts having been entered in March 1979 and renegotiated in March 1980 for the revision of the C&F value. *Inter alia* for the rise in the cost of raw materials, the firm was not entitled to CCS at the protected rate prevailing on the date of original contracts.

Only one case file relaing to one shipment each against the above-noted contracts was made available to Audit wherein it had been noticed that CCS at protected rate of 15 *per cent* pertaining to C&F value US $ 3.63 lakhs and US $ 2.93 lakhs respectively were allowed which had resulted in excess payment to the tune of Rs. 1.10 lakhs and Rs. 0.96 lakh respectively in two shipments only. The extent of excess payment in respect of other shipments covering the balance C&F value of US $ 10.57 lakhs and US $ 8.71 lakhs could not be verified as the relevant files were not made available.

When these cases of excess payment were brought to the notice of the JCCIE in May 1986 by Audit, the JCCIE issued demand notice to the firm in July 1987 for the refund of excess payment. The firm sent to the JCCIE in August 1987 copies of two letters of July 1987 written by the foreign buyers to the exporters on saying that the price variation was on account of freight increase, bunker surcharge and variation in currency adjustment which were allowed in the contract. The JCCIE, in turn, passed on to Audit in February 1988, the reply of the exporter disputing the overpayment alongwith letters of July 1987 obtained by the exporter from the buyer stating that escalation in prices was only due to increase in freight and bunker charges as well as variation in exchange rates and not for any other cause and suggested that the matter needed to be decided. The JCCIE did not take into account the letters, dated 3rd/7th March 1980 from the exporter to the buyers suggesting increase in value of balance quantities on account of *inter alia*, increase in the cost of raw material and the letters dated 15th/20th March 1980 from the buyers to the exporter accepting such increases. In a communication to Audit in September 1987, the JCCIE stated that the original contracts and the case files referred to by Audit were not available in his office though original contracts were required to be in the personal custody of the JCCIE.

Thus, an examination of the cases relating to two shipments revealed excess payment of cash assistance of Rs. 2.06 lakhs due to inadequate scrutiny by the JCCIE. The overpayment in respect of the other shipments could not be determined in the absence of relevant files which were not made available to Audit.

The matter was reported to the Ministry in July 1988; reply has not been received February 1989).

16. **Cash Compensatory Support on export of Ampicilin Ronoxyl and Rascillin capsules**

According to the Manual of Cash Compensatory Support Instructions 1986, cash compensatory support (CCS) on an export product should not exceed 25 *per cent* of value addition i.e. f.o.b. value minus value of the import replenishment entitlement. Where, however, on the basis of the import replenishment given in the Import and Export Policy, the cut off point of 25 *per cent* of value added is exceeded, the rate of CCS should be reduced proportionately so that it is within the cut off point.

A test check of 11 vouchers in respect of CCS paid during 1987 to a firm for the export of Ampicillin, Ronoxyl and Rascillin capsules revealed that CCS at 15 *per cent* of f.o.b. value amounting to Rs. 6.44 lakhs was paid. The firm was also entitled to an import rellenishment at 50 *per cent* of the f.o.b. value. According to the instructions, the rates of CCS should have been reduced to 12.5 *per cent* of the f.o.b. value by applying the cut off formula viz., 25 *per cent* of value addition namely, f.o.b. value minus 50 *per cent* thereof representing import replenishment. Non-application of the same resulted in an excess payment of Rs. 1.06 lakhs to the firm.

The matter was reported to Ministry in August 1988: reply has not been received (Februray 1989).

Ministry of Defence

17. **Payment of pension to Defence Pensioners**

A scheme for payment of pension to Defence pensioners including Defence civilian pensioners and pensioners of the Defence Accounts Department through the Public Sector Banks (PSBs) was introduced from 1st April 1977 in selected States from 1st April 1978 in all the States. Out of 17.94 lakh Defence pensioners as on 1st April 1987, 2.05 lakh pensioners got their pension through PSBs.

The accounts, records and registers maintained, in the paying branches of the PSBs are subject to test audit by the Comptroller and Auditor General of India. The objections arising out of the test audit are pursued with the Controller of Defence Accounts (Pensions) Allahabad.

Test audit conducted during 1978 to 1987 in PSBs located in 5 States Rajasthan, Maharashtra, Tamil Nadu, Karnataka and Kerala, revealed overpayments in respect of 180 cases to the extent of Rs. 13.10 lakhs (March 1988) on account of :

		(Rs. in lakhs)
(*a*)	Relief during re-employment	6.45
(b)	Pension/relief/ex-gratia, etc.	3.91
(c)	Non-reduction of commuted portion of pension.	1.43
(d)	Disability pension due to non-finalisation of latest entitlement.	0.64
(e)	Incorrect fixation of pension, based on recommendations of Fourth Pay Commission.	0.67
	TOTAL	13.10

Besides, the over payments, under-payments to the extent of Rs. 0.29 lakh during 1980 to 1987, on account of non-payment of relief at appropriate rates from time to time and non-stepping up of minimum pension, were also noticed.

In October 1988, Ministry of Defence stated that over-payments/under-payments were largely due to lack of awareness on the part of concerned staff of the PSBs of all rules and orders on pensions. A decision had been taken to arrange training workshops for senior officers of PSBs in consultation with the Reserve Bank of India.

To conclude,

— Due to incorrect calculation of entitlement of pension and relief, overpayments of Rs. 13.10 lakhs were made to the Defence pensioners.

— Non-revision of pension and relief resulted in underpayments of Rs. 0.29 lakh.

Ministry of External Affairs

18. **Extra expenditure due to delay in purchase of an apartment in New York**

The Consulate General of India, New York rented an apartment on lease in 1972 to serve as residence for head of the Consulate. With the renovation of the Government owned office building (New India House) and provision of residence of head of Consulate there in, the question of continued occupation or vacation of the apartment came under consideration in September 1979. The apartment was likely to come up for sale shortly.

Various proposals for purchase of this accommodation were forwarded to the Ministry between June 1979 and August 1981 on the following grounds:—

(i) the existing lease was expiring in August 1981;

(ii) the building housing the apartment was being sold to a new management with intention to convert it into co-operative ownership and it was apprehended that the lease might not be extended beyond August 1981;

(iii) the alternate arrangement for constructing a Government owned residence was not coming up; and

(iv) Rent for alternate accommodation would have ranged between US $ 5000 and US $ 6000 per month as against $ 2004 being paid for the apartment.

Ministry did not accept the proposal for purchase of the apartment (August 1981) and suggested to locate alternate accommodation, if necessary.

As the ownership of the building was being made cooperative, an offer for sale of the apartment to the tenants for US $ 3,39,300 (which was 41 *per cent* lower than the price payable by a non-tenant purchaser) was received by the Mission in January 1982 which was followed by another offer in July 1982 for US $ 4,40,277 (which was 50 *per cent* lower than the price prevailing at that time and offered to a non-tenant purchaser). It was stipulated that option was to be exercised within 90 days. No action was taken on these offers during the validity of the offer.

The new management refused to extend the lease beyond 31st August 1981 and took recourse to legal proceedings for eviction. The management, however, agreed to continue the tenancy as a result of persuasion till March 1985 or till the completion of construction of residential accommodation by the Consulate.

Keeping in view the location of the apartment and requirement of residence for officers posted in Permanent Mission of India (PMI) to the United Nations, the proposals to purchase the apartment was again taken up by the PMI with the Ministry in July 1984. A team of the Ministry visited in November 1984 and April 1985 (cost of visit US $ 4704 plus air fare) to negotiate the purchase. The purchase was finalised in September 1985 for US $ 9,50,000. This resulted in extra expenditure of US $ 6,10,700 (Rs. 73.89 lakhs) as compared to the original offer. In addition $ 96,192 paid as rent for 4 years at the rate of $ 2004 per month and $ 67,091 (Rs. 8.12 lakhs) were paid to the lawyers for litigation during April 1982 to October 1985.

The apartment was purchased in September 1985 for occupation by the Deputy Permanent Representative who was occupying an apartment at a monthly rental of $ 5,300. The officer actually moved into the newly purchased apartment in December 1985; i.e. three months after the purchase during which $ 15,900 were paid as rent for rented residence. The delay in occupying the apartment was attributed by PMI to non-vacation of the apartment by the head of Consulate.

Delay in taking decision to purchase the apartment and further delay in occupying after purchase resulted in extra expenditure of $ 7,89,884 (Rs. 95.58 lakhs).

The matter was reported to Ministry in January 1988; reply has not been received (November 1988).

19. **Blocking of funds in purchase of property in Cairo**

The Indian Mission in Cairo was housed in a rented building from 1958 on a monthly rent of LE 200 (Rs. 3333/-) upto 1976 and LE 500 (Rs. 8335/-)

thereafter. The lease of the building was extended for 10 years upto June 1987. The condition of this building deteriorated after a storm in early 1983. The Mission, therefore, proposed, in March 1983, the purchase of 'Shibakshi' property as alternate premises. A team of experts sent by the Ministry in December 1983 found 'Shibakshi' property unsuitable and recommended a property in Jeddah Towers, a multi-story building which could accommodate the Chancery as well as two officers of the rank of Attache. It was purchased at a cost of US $ 12 lakhs (Rs. 127.20 lakhs) in June 1984. The building nearing completion at the time of purchase was expected to be ready by September 1984.

Even after the expiry of four years, the possession of the premises had not been handed over by the owners. The Ministry stated, in January 1988, that the owners of the building had run into difficulty with the local authorities over the question of registration, leading to non-transfer of ownership of the premises. The Ministry further stated, in July 1988, that due to non-availability of buyers for the space earmarked for office premises on first and third floors of Jeddah Towers, the builders modified the plans to have shops on the other floors as well. The Ministry inspected the premises in 1986 and found that the premises were totally unsuitable from security point of view and decided, in April 1988, to sell the property to the best advantage of the Government. When the transfer of ownership of the premises has not yet been done, it is not clear how the Ministry could sell the property to safeguard the interest of the Government.

The Ministry hoped in July 1988 that it would be possible to recover the blocked funds.

20. **Blocking of funds in purchase of property in Bonn**

The Embassy of India, Bonn mooted a proposal in October 1981 for purchase of a plot of land measuring 2588 Sq. meters at an estimated cost of DM 1,035,200 for construction of 20 flats for the India based staff of the Mission. In July 1982, the purchase of the plot on out-right basis was approved. Purchase deed was signed in July 1982 and in August 1982, an overseas bank was authorised to make payment of DM 1,035, 200 (Rs. 41. 88 lakhs) to the owner of the plot. The Mission had also paid DM 35,093 (Rs. 1.42 lakhs) and DM 5,639 (Rs. 0.23 lakh) towards commission/brokerage and notary charges respectively. In September 1982, the Mission requested allotment of the estimated cost of construction of Rs. 2.32 crores during the financial year 1983-1984. The ownership of the plot was transferred to the Government of India on 31st March 1983.

In September 1983, the Ministry, while intimating the availability of funds during 1983-84, emphasised the need to take expeditious action to utilise the funds for the purpose in view of the Foreign Minister's concern over the slow rate of utilisation of funds allocated under 5 years scheme of acquiring properties abroad for various Missions.

In October 1983, the Mission brought to the notice of the Ministry the need for immediate selection of an Indian architect to assess the best manner in which the construction work could be undertaken taking into account the local regulations and building practice. However, it was only in March 1984, that the Ministry informed the Mission about appointment of a consultancy firm for the purpose. The consultant was required at the first stage to prepare a project report and submit it to the Ministry by August 1984.

The Chief Architect of the CPWD and the consultant accordingly visited Bonn in May/June 1984 to have discussions with the local architects on all aspects of the construction. The discussions revealed that as per local regulations, the maximum built-up area of 1460 Sq. meters as against 2184 Sq. meters initially envisaged, would only be available for the construction. The Ministry, therefore, decided in March 1985 to construct 16 as against 20 flats originally planned and accordingly informed the consultant to prepare the preliminary drawings.

The consultant thereafter visited Bonn only in June/July 1986 and got the blue-print approved by the local Municipal authorities and thereafter submitted the project report as late as in February 1987. A lead-time of 12—18 months for completion of the construction was indicated in the report. The project report was stated to be incomplete in that it did not indicate the estimated cost of the project.

In July 1988, the Mission stated that the project report was under Ministry's consideration. The case still seems to be hanging fire and the construction had not been taken up till October 1988.

In the meantime, the Mission had to continue the hiring of accommodation for the staff. Reckoning the maximum lead-time of 18 months required for completion of the construction, the project could have been completed by September 1984 but for the delays, ibid. The expenditure towards rent of the accommodation hired for the staff for the period October 1984 to October 1988 incurred by the Mission worked out to Rs. 33.20 lakhs.

Thus, a plot of land costing Rs. 43.53 lakhs purchased in March 1983 has not been put to productive use, resulting in blocking up of Government funds for over 5 years. Further, the Mission had to continue the hiring of the accommodation for its staff, incurring an avoidable expenditure of Rs. 33.20 lakhs.

Ministry stated in December 1988 that for various reasons, such as delay in selection of architect, finalisation of fresh space norms, substantive action could only start in March 1985. Moreover, the project has been held up due to a proposal for purchase of a further plot of land and then an integrated plan will be prepared.

21. Payment of taxes on the basis of reciprocal realisation

(A) In terms of Article 23 of the Vienna Convention the foreign diplomatic Missions accredited to a country are exempt from property tax for chancery buildings and residences of heads of missions. The exemption of property tax in respect of other properties is decided on the basis of reciprocity.

The United States Embassy in Delhi owns 25 properties including the chancery-cum-residential complex, 15 of these properties fall under New Delhi Municipal Committee (NDMC) zone and have been exempted from property tax since 1949. In respect of 10 other properties falling under Municipal Corporation of Delhi (MCD) zone, tax amounting to Rs. 11.74 lakhs claimed by MCD (upto 31st March 1987) was pending against U.S. Embassy which has not been paid by them under protest.

Embassy of India, Washington purchased 16 residential accommodation for its officers and staff between March 1980 and October 1981. While U.S. Embassy in Delhi had not paid the tax under protest, the Embassy of India, Washington paid US $ 96.195 as property tax till December 1985. While the tax liability of $ 18,604 for the year 1986 remains to be settled, the United States Government exempted (March 1987) the property owned by all diplomatic Missions in the United States from property tax with effect from January 1987. The U.S. Government proposed in August 1987 to adjust the arrears of $ 18,604 (Rs. 2.4 lakhs) against MCD's pending claim of Rs. 11.74 lakhs. Had the tax not been paid by Indian Embassy in Washington as was being done by U.S. Embassy in New Delhi the expenditure of US $96.195 (Rs. 12.60 lakhs) could have been avoided.

On this being pointed out by Audit, the Ministry stated in November 1987 that the following action is proposed to be taken :—

(i) Waiver of dues to be claimed by MCD not only if all claims pending against our properties are waived but also the taxes paid uptil now are refunded;

(ii) In case, the above does not work out, the Protocol Division alongwith MCD will work out modalities for realising claims due to MCD from U.S. Embassy in New Delhi/Delhi.

Thus the reciprocity in financial aspects has been overlooked and there has been lack of coordination between the Ministry of External Affairs on the one hand and Ministry of Urban Development, Delhi Municipal Corporation and New Delhi Municipal Committee on the other. Also the lack of coordination between the Ministry of External Affairs and the Municipal authorities in India led to a situation where the Municipal authorities in India exempted the property of US Embassy in India, while similar treatment was not accorded in USA for the property of Indian Embassy.

Ministry informed in January 1989 that the U.S. Embassy in Delhi had paid Rs. 12.42 lakhs to the MCD as dues towards property tax for the period upto March 1989 in respect of five properties.

(B) On the basis of reciprocity in terms of Vienna Convention on Diplomatic and Consular Relations of 1961 and 1963 the Government of United Mexican States introduced a scheme (July 1985) for the reimbursement of 'Value added tax' known as 'IVA' (impuesto al Valor Agregado) on the following transactions/services :—

(a) Selling of goods
(b) Rendering of independent services
(c) The use of temporary grant of goods
(d) The importance of goods or services

With effect from 12th February 1986 the Indian Mission was offered the above facility of reimbursement of IVA against purchases made by the Mission.

A scrutiny of the claims made by the Mission revealed that the reimbursement of taxes for the purchases made by the Mission had been claimed with effect from October 1986 only. While the claims upto October 1986 were not preferred, the reimbursement of taxes after October 1986 was only partially preferred. Out of an amount of Mexican Pesos 59.82 lakhs reimbursable for the period February 1986 to June 1987, only Mexican Pesos 9.68 lakhs were applied for reimbursement leaving an amount of Mexican Pesos 50.14 lakhs (Rs. 0.69 lakh) unclaimed.

On this being pointed out by Audit, Mission preferred a claim for refund of Mexican Pesos 50.14 lakhs (April 1988).

22. Loss of revenue due to non-levy of fee

A mention was made in paragraph 17 of the Report of the Comptroller and Auditor General of India for the year ended March 1987 : Union Government (Civil)-No. 1 of 1988 about loss of revenue to the extent of Rs. 62.86 lakhs due to short levy of fee. Ministry had clarified to all the passport issuing authorities in September 1985 that an additional fee of Rs. 10 would be charged at the initial stage of affixing 'Emigration Clearance Required' (ECR) or 'Emigration clearance Not Required' (ECNR) endorsement with effect from 1st October 1985.

The Regional Passport Office (RPO) Bombay actually implemented the Ministry's order with effect from 14th February 1986.

A test check of records of RPO revealed that during the period from 1st October 1985 to 13th February 1986, 76,965 passports were issued with emigration endorsement without charging Rs. 10. This had resulted in a loss of revenue of Rs. 7.70 lakhs.

Ministry stated (August 1988) that loss of revenue to the extent of Rs. 74 lakhs, including Rs. 7.70 lakhs pertaining to Regional Passport Office Bombay, due to non-charging of fees by several Regional Passport Offices in the country is proposed for write off. It stated further in November 1988 that the loss due to non-levy of the fee from 1st October 1985 was due to non-receipt of their instructions by the Passport Offices.

23. Non-realisation of cost of passport forms

Ministry of External Affairs decided (August 1986) to introduce the revised applications forms for the issue/renewal of passports with effect from 1st September 1986. The cost of forms (Rs. 10 for new passports and Rs. 5 for other services) was required to be recovered from the applicants. In the case of the Missions abroad, the priced forms were to be introduced from the date of receipt of the forms by them. While the forms for new passport were received by the Embassy of India, Washington and Consulate at San Francisco prior to September 1986, these were received by Consulates at Chicago and New York only in June 1987 and January 1987 respectively. The forms for renewal of passports were received by Consultates at Chicago in June 1987, New York and San Francisco in September 1987.

In order to avoid the problems of collection of a fraction of dollar (Rs. 10 = $ 0.76) the Embassy of India, Washington informed the Ministry as well as the Consulates within U.S.A. that they should charge $ 1.00 for form for new passports and $ 0.50 (subsequently increased to $ 1.00 with effect from 1st December 1986) for other services. This decision of the Embassy was also confirmed in a meeting of the heads of Consular Wings of U.S.A. and Canada held in June 1987 where a representative of the Ministry was also present. To avoid the collection of money twice (once for the form and second time for the services), it was decided in this meeting to charge the cost of the forms alongwith the fees for other services rendered. It was also decided to provide the forms to the Consulates which had not received the forms from the stock of the Embassy.

Notwithstanding the decisions arrived at in the meeting and instructions of the Ministry, the Consulates in U.S.A. did not charge the cost of application form and hence different rates were being charged by the Embassy and Consulates within the same country. The three Consulates in U.S.A. issued 30247 new passpports and renewed 10887 passports after the receipt of new forms. This resulted in short realisation of revenue to the extent of $ 41,134 (Rs. 5.39 lakhs), calculated with reference to the date of receipt of forms.

In reply to Audit observations, the Consulates advanced following reasons for non-introduction of new forms and recovery of enhanced rates :—

(i) though revised forms for new passports and duplicate passports were received in January/June 1987, other forms for renewal of passports were received later;

(ii) new printed forms had not been utilized;

(iii) it would involve enormous work if the cost of forms is realised in advance;

(iv) the Consulate at New York stated (May 1988) that the cost of the forms in use by that office was met in full by Air India and that there was no financial loss to Government.

The views of the Consulates have to be viewed with reference to the fact that the Consular Wing of the Embassy at Washington has realised this revenue under the same conditions as prevalent in the Consulates. Had the Consulates taken similar steps, the short realisation of revenue amounting to Rs. 5.39 lakhs could have been avoided.

The matter was reported to Ministry in April 1988; reply has not been received (November 1988).

24. Excess drawal of foreign allowance by a Head of Mission

According to the provisions contained in the Indian Foreign Service (Pay, Leave, Compensatory Allowances and Other Conditions of Service) Rules 1961, Government may fix, in respect of each category of officers or of any particular officer serving at any station abroad, the number and type of Indian and/or local domestic servants, which such officer or any officer of such category shall be required to maintain and include in the officer's foreign allowance provision for the payment of the standard wages for such type of servants. The term 'Local servant' as defined in those rules includes a person of Indian origin/nationality only if such person has not been taken out from India at Government cost, but has been recruited by an officer at the station of his posting, provided such servant has completed three years' residence at the station or the date on which he enters the employ of the officer.

Ministry of External Affairs fixed (May 1982) the foreign allowance of Ambassador (Grade I) at an Indian Mission abroad at Rs. 17,850 per month including a provision therein for the following complement of servants :—

Two Indian servants	. . at Rs. 4 00 p.m. each
One full time local servant	. . at Rs. 2,784 p.m.
One part time local servant	. . at Rs. 1,853 p.m.

On assumption of charge as Ambassador in the Mission on 10th November 1982, an officer intimated that he had employed three full time servants at monthly wages of Rs. 400 each (obviously all Indian servants, considering the wages). This information was sent by the Mission to the Ministry on 18th November 1982. Subsequently, the officer stated, in his note of 23rd November 1982 that his third Indian servant, whose travel costs had been borne by him was to be treated as full time local servant. The Mission, thereupon, sent a revised intimation to the Ministry, mentioning therein the revised status and wages of one of the three Indian servants as full time local servant employed at Rs. 2,784 p.m. According to a telex message dated 17th November 1982 from the Ministry, this servant was to have arrived at a foreign airport only on 22nd November 1982 and as per the officer's note of 23rd November 1982, the Mission was to make arrangements for his visa and work permit. The servant had, therefore, not completed three years' residence at the station abroad on the date of his employment with the officer and accordingly could be categorised only as an Indian servant at a standard wage of Rs. 400 p.m. as originally intimated to the Ministry and not as a 'local servant'.

On the basis of the incorrect information supplied by the officer and the Mission, the Ministry authorised the officer to draw, throughout his tenure of two years, higher rate of foreign allowance, inclusive of the local wages of Rs. 2,784 p.m. instead of the Indian wages of Rs. 400 p.m. in respect of the said servant. This involved a total overpayment of Rs. 57,216.

The Mission stated in December 1985 that the officer treated the servant as full time local servant 'apparently through oversight' and that the matter was being taken up with the officer and the Ministry of External Affairs. Ministry advised the Mission in June 1986 that it was not permissible under rules to treat one of the Indian servants as full time local servant and sought some further information/clarifications from the latter. The Ministry should have taken suitable corrective measures so that such mistakes do not occur in other Missions.

The matter was reported to Ministry in February 1986. Ministry stated in December 1988 that the matter was being looked into with a view to urgently furnishing the Ministry's comments. Final reply has not been received (January 1989).

25. Improper grant of passages

India based officers posted in Missions abroad and the entitled members of their families are allowed passages between India and their place of posting in the event of an emergency. A test check of grant of such passages revealed the following irregularities :—

(a) An officer posted in the Mission at Washington applied for three weeks' leave from November, 1985 on the grounds of illness of his father residing at Chandigarh and requested for grant of emergency passage. Pending sanction of the Ministry, return ticket (value Rs. 0.29 lakh) was purchased and the officer was allowed to proceed to Chandigarh.

Ministry of External Affairs, however, treated this passage as temporary duty in Delhi for the entire period. The Ministry stated (February 1988) that "the officer, who came to India on emergency passage initially was required to be placed on consultation duty..............it was decided to treat the entire period of his stay in India as duty..........." Ministry's reply has to be viewed with reference to the fact that under the rules when a member of service on leave in India is required to undertake tours, refresher courses and such other duties as may be necessary, only the time so spent can be treated as duty. Further as the officers are entitled to only two emergency passages during the entire career, such conversion of emergency passages into duty defeats the purposed of restriction on number of passages. Treating the emergency passage of Rs. 0.29 lakh as duty, was irregular.

(b) Similarly, the emergency passage (Rs. 0.29 lakh) availed of by an officer posted at the Consulate (New York) by availing of earned leave in June 1985 was converted into a duty passage combined with casual leave which was irregular.

The cases were reported to Ministry in June 1988; replies have not been received (December 1988).

26. **Excess payment of salary**

The Embassy of India, Bogota had been increasing the pay of its locally recruited staff from time to time without the prior approval of the Ministry.

On being pointed out by Audit in December 1985 the Ministry issued ex-post facto sanction in December 1986 regularising the adhoc increases in the pay of locally recruited staff between August 1980 and February 1986, Ministry stated in December 1987 that Head of Missions had unilaterally increased the pay without referring the matter to the Ministry and a serious note was taken about this disregard of proper procedure and financial norms. The excess expenditure regularised by the ex-post facto sanction amounts to Rs. 1.32 lakhs.

The fact remains that the Ministry of External Affairs has no satisfactory mechanism to ensure that the proper procedures and financial norms are followed by the Missions. The internal audit of the Ministry needs strengthening because such unauthorised excess payment of salary has not been detected by the internal audit over a period of time.

27. **Overpayment to locally recruited officials**

As per terms and conditions of appointment, the locally recruited staff of the Mission in London retire on superannuation at the age of sixty years. Three locally recruited officials of the Mission were, however, granted extension of service beyond the normal dates of their superannuation on 10th July 1982, 27th June 1983 and 8th August 1983 respectively. The Government of India, while according *ex-post facto* sanction to the extension of service of these officials for five years beyond the normal date of superannuation had, inter-alia, directed (December 1985) that these officials would continue to draw, during the extended period of service, the pay that was drawn by them at the time of their superannuation. In February 1986 and May 1986, the Government of India further clarified that during the extended period of service, the locally recruited staff would neither be entitled to the benefit of annual increments nor to the benefit of revised pay scales, if any. Such staff would, however, be entitled to additional Cost of Living Allowance (COLA), if sanctioned during the period of extension.

It was noticed in Audit (November 1987) that the Mission granted not only the benefit of revised pay-scales in October 1983 to these officials but also allowed annual increments in the revised scale in contravention of Government's order. Further, two of the officials were promoted as Senior Administrative Officer and Administrative Officer in July 1984 and October 1983 respectively, during the currency of their extended service. The total overpayments in the three cases as a result of the aforesaid irregularities worked out to £ 28,400 (Rs. 5.17 lakhs) as upto September 1988.

Realising its mistake, in January 1986, the Mission had approached the Ministry in April 1986 for regularisation of the overpayments amounting to £ 12,050 (Rs. 1.89 lakhs) as upto January 1986 which was accorded *ex-post-facto* by the Ministry in March 1987. However, even at the time of seeking Ministry's regularisation of overpayments, the Mission took no steps to reduce the pay of these officials with effect from Ist February 1986 which resulted in continued overpayments to beyond January 1986. Further overpayments between February 1986 and September 1988 amounted to £18,452 (Rs. 3.65 lakhs). In the meanwhile, two of the officials had retired from service in July 1987 and August 1988 respectively, while the third had been granted further extention upto 31st December 1988.

On the matter being taken up by Audit in November 1987, the Mission, instead of revising the pay and effecting recovery of overpayments, had once again approached the Ministry (March 1988) for regularisation of overpayments during the further period between February 1986 and February 1988 which, according to its reckoning, was £ 15,371 (Rs. 2.91 lakhs). According to Ministry's letter of November 1988 to the Mission, the latter was asked in April 1988 to stop the irregular payments and start recoveries but it did not comply with the Ministry's instructions.

The matter was reported to Ministry in May 1988; reply has not been received (February 1989).

28. Irregular grant of advance increments

Fundamental Rule 27 lays down that an authority may grant a premature increment to a Government servant on a time scale of pay, if it has power to create a post in the same cadre on the same scale of pay. The financial powers delegated in February 1955 to the Ministries of the Government of India envisage that the Administrative Ministry concerned may grant a higher initial pay any exceeding five stage increments in the scale of pay to the post, having regard to the conditions of age, previous experience, qualifications emoluments last drawn, etc. in the case of initial appointments to Government service. On review of the exercise of the powers under FR 27, the Government of India (Ministry of Finance) decided in February

1968 that such powers should not be invoked, inter-alia, to grant premature increments as a reward for meritorious work.

The above powers have been delegated further from time to time to the Government of India's Representatives Abroad. According to these delegations, the Head of Mission can exercise the powers in the case of local staff, who on initial appointment are placed on probation and paid at the minimum of the sanctioned scale of pay of the post and in such cases, the advance increments may be granted after completion of the probationary period either retrospectively from the date of appointment or from any subsequent date, having regard to age, experience and qualifications at the time of appointment. In March 1984, the Ministry of External Affairs further clarified explicitly that since no provision in the rules exists to grant advance increments for meritorious or loyal service, any particular case, where the Head of Mission desired to grant advance increment on grounds of meritorious service, should be referred to the Ministry for relaxation of existing rules.

However, in High Commission of India, London, advance increments as reward for meritorious|loyal service were granted to 16 locally recruited employees, in contravention of the rules and orders, ibid, involving an overpayment of Rs. 4.38 lakhs for the period December 1980 to March 1987.

The irregular grant of advance increments was brought to the notice of the Ministry as back as in March 1983, but no action was taken to recover|regularise the overpayments.

Ministry informed in December 1988 that instructions had again been issued to the Mission in November 1988 to effect recoveries and stop overpayments. Action, if any, initiated by the Mission in this regard has not been intimated to Audit (February 1989).

29. Avoidable expenditure on residential telephones

An Indian Mission abroad had been providing telephones at the residences of non-representational members of the Mission who were not entitled to residentional telephones. The information regarding provision of such telephones was requested for by Audit in December 1984. While no such information was furnished to Audit, the Mission decided to discontinue the residential telephones with effect from January 1988 (three years after being pointed out in Audit). Some of the non-entitled members, however, continued to have the telephones till May 1988.

During the period from April 1985 to May 1988 an expenditure of Rs. 3.68 lakhs in free foreign exchange was incurred on the maintenance of telephones without sanction of competent authority which could have been avoided if the non-entitled members had not been provided with telephones. Though the Ministry of External Affairs turned down the Mission's proposal in February 1986, the telephones were disconnected only in January|May 1988.

30. Reimbursement without proof of expenditure

Certain expenditure incurred by the officers|staff is reimbursible from office contingencies. A test check of vouchers revealed that the Mission at Washington has been reimbursing certain expenses without production of receipts of any other evidence indicating that expenditure had actually been incurred.

(a) *Gardening charges*

As per orders issued in March 1986 by the Government of India, the charges on maintenance of gardens attached to the residences of India based officers and staff are reimbursible upto the monetary limits fixed by the head of Mission subject to the condition that the expenditure has been actually incurred which was to be verified on the basis of receipts produced. A scrutiny of vouchers relating to reimbursement of expenditure on upkeep of lawns and hedges attached to the residences of officers and staff in Washington, however, revealed that the Mission had been reimbursing these charges to India based officers and staff without production of receipts. During the year 1986 and 1987 (April to November) a sum of $ 22,532 (Rs. 2.95 lakhs) was reimbursed without production of receipts.

(b) *Taxi charges*

The expenditure incurred on the hiring of conveyance when as Government servant is required to attend office on holidays can be reimbursed to the Government servants with the sanction of the head of the office subject to the condition that the expenditure incurred on conveyance is within the scheduled scale of charges and cheapest means of transport available in the locality has been made use of.

In June 1987, it was decided by the Mission to reimburse taxi charges claimed as a part of conveyance bills for attending office on holidays|Saturdays|Sundays provided these were supported by receipts as a proof of payment. This decision was, however, revised in July 1987 and the Mission started paying taxi charges for conveyance bills without production of receipts upto $ 16.00 in each case.

In pursuance of this decision, the staff working in the Mission was paid a sum of $ 7082.95 in the month of July 1987 on account of taxi|bus fares for journeys performed by them during the months April to June 1987 and $ 5782.40 for taxi charges for the period July|August 1987 for attending office on holidays and beyond office hours on working days. These payments at the rate of $ 16.00 in each case were made without production of receipt and irrespective of the distance travelled. The average payments so made work out to $ 2573 per month (Rs. 4.04 lakhs per year).

The payments made without verifying whether the expenditure has been actually incurred on these accounts (gardening taxi charges) work out to Rs. 6.99 lakhs. It was not understood how the Mission satisfied itself as regards the genuineness of the claims.

The matter was reported to Ministry, in June 1988, and the Ministry stated, in July 1988, that the Mission has been requested to do the needful.

Ministry of Food and Civil Supplies

(Department of Civil Supplies)

31. Observations as a result of general review

31.1 *Introduction*

The Department of Civil Supplies under the Ministry of Food and Civil Supplies is responsible for monitoring of prices and availability of essential commodities, public distribution system, control of future trading, registration of trade marks and matters relating to regulation of weights and measures standardisation and quality control, consumer cooperatives prices and distribution of vanaspati, oil seeds, vegetable oils, cakes and fats.

31.2 *Budgetary Provision*

The approved Seventh Five Year Plan outlay of the Department is Rs. 82.50 crores against which the expenditure for the three years till March 1988 was Rs. 36.35 crores constituting 44 *per cent* only and the remaining 56 *per cent* to be spent in the remaining two years of the Plan.

The summarised position of the actual expenditure incurred by the Department during the first three years of the Seventh Plan against grants|appropriations was as follows:—

(Rs. in lakhs)

Year	Grant/appropriation		Actual expenditure	Excess (+) Saving (—)
1985-86				
Revenue	Plan	301.45	177.93	(–)123.52
Capital	Plan	1198.55	1029.23	(–)169.32
1986-87				
Revenue	Plan	268.00	232.06	(–)35.94
Capital	Plan	1312.00	1190.28	(—)121.72
1987-88				
Revenue	Plan	492.00	359.23	(—)132.77
Capital	Plan	678.00	645.61	(—)32.39

Thus these were savings during all the three years and the savings against the total grants during 1985-86 were of the order of 20 *per cent.* Substantial savings were on the following schemes|projects :

(i) Development of consumer co-operatives—saving of Rs. 298.84 lakhs representing 34 *per cent* of the allocation.

(ii) Soyabean processing-saving of Rs. 150 lakhs representing 100 *per cent* of the allocation.

(iii) Weights and measures—savings of Rs. 64.31 lakhs representing 99 *per cent* of the allocation.

(iv) Standardisation and quality control—savings of Rs. 49.09 lakhs representing 38 *per cent* of the allocation.

31.3 *Non-settlement of Audit objections*

Financial irregularities and defects noticed during audit of the Department and its subordinate and attached offices|organisations were included in the Audit Inspection Reports issued from time to time. As on 30th June 1988, settlement of 24 Inspection Reports containing 173 paragraphs issued up to 31st December 1987 to various heads of offices under the Department were pending. Ten Inspection Reports containing 54 paragraphs were outstanding for more than three years. Even first replies to 108 paragraphs contained in 11 Inspection Reports were not given by the Department and its attached and subordinate offices, though they were requested to send first replies within one month.

Some of the important objections relate to :—

(a) Irregular payment of pay and allowances.

(b) Tardy implementation of scheme of public distribution system.

(c) Irregular maintenance of accounts|records.

(d) Non-receipt of utilisation certificates.

Some important points noticed during audit and remaining unsettled are mentioned below :—

31.4 *Defective planning in procurements and delay in installation/operation of equipment*

(a) *Injudicious purchase of workshop equipment* : Indian Institute of Legal Metrology, Ranchi, a subordinate office of the Department of Civil Supplies, approached the Department in November 1983 for the purchase of equipment for the workshop which was stated to be an essential ingredient of the Institute. It was added by the Institute that the building for the workshop had yet to be constructed and the supplier, M/s Hindustan Machine Tools Limited had indicated that the equipment would be supplied by January| February 1984. The Department sanctioned the purchase in March 1984 at an overall cost of Rs. 3.12 lakhs.

The equipment with a guarantee period of 12 months from the date of commissioning or 15 months from the date of despatch, whichever was earlier, were received in May and June 1984.

The Workshop building had not been completed till November 1988 and, consequently, the equipment had not been installed.

Thus, procurement of equipment, without ensuring the availability of workshop building resulted in idling of the equipment and blocking of funds for more than four years, besides foregoing the guarantee cover for the equipment.

The Department stated, in December 1988 that efforts were being made to impress upon the Central Public Works Department (CPWD) for early completion of the workshop building so as to make full utilisation of the equipment which were being partly utilised for demonstration|training purposes.

(b) *Non-utilisation of equipment* : Under technical collaboration with a foreign country the Institute received equipment worth Rs. 7.73 lakhs as gift for imparting training in legal metrology. A sum of Rs. 4.27 lakhs was paid as custom duty.

The equipment which were received prior to March 1982 were not installed till November 1988 for want of premises. Thus, the equipment valuing Rs. 12 lakhs were not utilised for more than six years defeating the purpose for which these were intended.

The Department stated in December 1988 that the Institute as well as the Ministry were vigorously pursuing the matter with the CPWD for early completion of the laboratory.

(c) *Idling of imported equipment* : The Directorate of Vanaspati, Vegetable Oils and Fats imported in August 1986 'High pressure liquid chromatograph' at an overall cost of Rs. 7.04 lakhs. The equipment were to be used mainly for enforcing quality control over oil and fats and for conducting research work. A sum of Rs. 0.35 lakh was further spent on furnishing|partitioning|airconditioning of a laboratory for keeping the apparatus. Though the equipment were received in September 1986, the same were not put to use till February 1989 for want of certain specific parts|accessories which had not been included in the original order placed for equipment. The purpose for which the equipment were imported had, thus, remained unfulfilled.

The Department stated ,in February 1989, that the Directorate had identified the additional parts| accessories and an order for the import of these components had been placed on DGSD on 19th December 1988.

Ministry of Health and Family Welfare

32. Manufacture of Japanese Encephalitis vaccine

32.1 *Introduction*

The Central Research Institute (Instittue) was established at Kasauli in 1905 for conducting medical research and field investigations to assess pattern of morbidity and mortality due to communicable diseases. A project for manufacture of Japanese Encephalitis (JE) vaccine at the Institute with the technical know-how agreed to be extended by a foreign Government was approved by Government of India in March 1982.

A human is infected with the Japanese encephalitis virus by the bite of mosquitoes which carry the virus. Though it had not been possible to make an accurate estimate of the quantity of JE vaccine required annually in our country yet information currently available with Government of India showed that Japanese encephalitis virus activity is present in many parts of the country.

32.2 *Scope of audit*

The funds for the functioning of the Institute are met from the Consolidated Fund of India and as such these are subject to audit by the Comptroller and Auditor General of India under section 13 of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

32.3 *Organisational set up*

The Institute is functioning under the overall supervisory charge of a Director assisted by five Deputy Directors. The production, polio vaccine, testing, medical and research and administrative activities are looked after by respective Deputy Directors.

32.4 *Highlights*

— **The project could not be completed within the stipulated period of 4 years due to receipt of imported machinery in a damaged condition.**

— **Though the Institute had a finished product of 4.67 lakh doses of vaccine in November 1987, there was no planning for the distribution and utilisation of the vaccine. In a meeting convened in June 1987 by the Director, National Malaria Eradication Programme with Directors Health Services of various States it was recommended that in addition to utilisation of 3 lakh does on controlled field trial basis in June—July 1988, 100 per cent Central assistance should be given against the price of vaccine which would result in an extra expenditure of Rs. 36.60 lakhs. The Committee also recommended in June 1987 for providing of funds of Rs. 14.34 lakhs to cover expenditure on apparatus, etc. The decision of Government of India on these recommendations has not been received (December 1987).**

— **A supply order for the purchase of indigenous freeze drying plant was placed in July 1985 at a cost of Rs. 15.16 lakhs. Despite various extensions granted upto September 1987, neither the machinery has been received nor the supply order cancelled so far (December 1987).**

32.5 *Project appraisal*

A draft project report for manufacture of Japanese Encephalitis Vaccine was submitted by the Institute to Government of India in November 1978 which was further revised in January 1979 and April 1982. The project report envisaged a capital outlay of Rs. 246.31 lakhs spread over a period of four years, *viz.*, 1982-83 to 1985-86. Out of this, aid to the tune of Rs. 146 lakhs was to be provided by the foreign Government. The remaining (Rs. 100,31 lakhs) was the liability of the Government of India. The yearwise phasing of the funds required from Government of India was envisaged to be Rs. 10.59 lakhs, Rs. 28.24 lakhs, Rs. 29.94 lakhs and Rs. 31.54 lakhs during the years 1982-83 to 1985-86 respectively. In addition to above, the building was provided by the Institute which was already lying unused. Against the above projections, aid amounting to Rs. 117.78 lakhs and Rs. 37.41 lakhs in the shape of machinery was received from the foreign Government under grant-in-aid and technical co-operation programme respectively whereas the funds provided by Government of India could not be determined as no separate records were kept at the Institute.

32.6 *Project implementation*

A detailed agreement between the foreign Government and the Government of India was signed on 12th March 1982 under which the duration of the technical co-operation for the project was agreed to be for four years *i.e.* upto 11th March 1986. The project could not be completed within the stipulated period due to receipt of imported machinery in damaged condition resulting into its late commissioning. Consequently, the agreement was extended upto 11th March 1987 resulting in delay in bulk production of the vaccine and the vaccination programme.

The Institute sent its first five batches of vaccine to Foreign Government for preliminary potency tests on 13th December 1985. Out of these, two batches of vaccine were rejected (January 1986) as a result of which 1530 ml. of highly concentrated vaccine valuing Rs. 4.26 lakhs manufactured in these batches was destroyed. The quality control tests of the final product were cleared by the foreign Government on 20th March 1987 for which samples were sent on 28th October 1986. The Institute had a finished product of 4.67 lakh doses of vaccine as on 30th November 1987. The shelf life of the vaccine is five years.

32.7 *Distribution and vaccination*

A meeting of sub-committee on Japanese Encephalitis consisting of Directors of Health Services of various States was held on 8th June 1987 under the Chairmanship of the Director, National Malaria Eradication Programme to sort out ways and means for the distribution and application of the vaccine. In addition to vaccination of 3 lakh doses contained in 0.60 lakh vials on controlled field trial basis in Assam (0.90 lakhs), Uttar Pradesh (0.90 lakh) and West Bengal (1.20 lakhs) during June and July 1988, the sub-committee recommended in June 1987 for 100 *per cent* Central assistance against the price of the vaccine which would result in an extra expenditure of Rs. 36.60 lakhs (at Rs. 61.00 per vial of 5 doses excluding postage, packing and forwarding charges). The Committee also recommended providing of funds to the tune of Rs. 14.34 lakhs by Government of India to cover the expenditure on apparatus, etc., in field operation except vehicles which were proposed to be provided by the respective State Governments.

The decision of Government of India on the above recommendations has not been received (December 1987).

It was stated (July 1987) by the Institute that after the completion of the vaccine trial, plan for despatch of vaccine to various States would be drawn up depending upon the attack rate in endemic States in the past and the requirements of different States|Union Territories.

32.8 *Other topics of interest*

(i) Purchase of machinery

The terms of agreement envisaged grant-in-aid of Rs. 118 lakhs by foreign Government which was required to be utilised for the purchase of machinery from foreign firms. Accordingly, a supply order for the purchase of machinery valuing Rs. 117.78 lakhs was placed (November 1982) with two foreign firms. The machinery was received in India in March 1983. The Freeze Drying Line Machine (Model CF 80) supplied by one of the firms was damaged during transportation from Bombay to Kasauli. As the supplying firm did not repair or replace the damaged parts the experts advised Government of India to get the damaged parts repaired|replaced from the principal manufacturers of the machinery. The demaged parts were got repaired|replaced during March—September 1986 at a cost of Rs. 3.11 lakhs (includes Rs. 1.16 lakhs as travelling expenses of engineers). This resulted in delay of one year in the completion of the project.

The machinery was imported under an insurance coverage of marine-cum-storage-cum-erection from the port of landing to the destination Kasauli by paying Rs. 0.82 lakh as premium to the Insurance Company. Against the first claim of Rs. 2.99 lakhs submitted (October 1985) for the machinery found damaged during transit, Rs. 2.28 lakhs was received by the Institute in December 1985. A subsequent claim of Rs. 1.87 lakhs lodged in November 1986 was still (December 1987) to be accepted and paid by the Insurance Company as the required informations were furnished by the Institute on 3rd November 1987.

(ii) Procuremet of indigenous Freeze Drying Plant.

Keeping in view the delay in getting the damaged parts repaired|replaced of the imported Freeze Drying Line Machine, it was decided (February 1985) to purchase an indigenous Freeze Dryer from an Indian firm to avoid the anticipated delay in commissioning the project. Accordingly, the supply order for the same was placed (July 1985) through the Director General, Supplies and Disposals at a cost of Rs. 15.16 lakhs (Central Excise and Central Sales Tax extra). The date of delivery was by 31st May 1986. The machinery had neither been supplied by the firm nor the supply order cancelled so far (December 1987). The firm had instead been granted various extensions by the Director General, Supplies and Disposals (DGSD). Last extension was granted upto 30th September 1987. In the meantime, the damaged parts of the machinery imported from foreign country had already (March 1986) been repaired|replaced.

The Institute stated (July 1987) that the management considered an immediate alternative and inescapable solution to overcome the situation by installing the plant for freeze drying of Anti Snake Venom serum and Typhoid vaccine on its receipt where the requirement already existed in response to the said proposal of the Institute submitted in October 1984. Government of India conveyed (January 1985) the sanction for the purchase of two freeze drying units at an estimated cost of Rs. 20 lakhs for JE vaccine production unit. No sanction for the installation of the said machinery in anti-snake venom serum and typhoid vaccine units had been accorded by Government so far (December 1987).

(iii) Non-installation of Oil Fired Boiler.

The bilateral agreement envisaged the measures to be taken by Government of India at its own expenses. These included installation of two boilers for Bulk Process and Final Product Sections. In compliance with these provisions, supply order for the purchase of an Oil Fired Boiler for the Final Product Section was placed with an Indian firm in October 1984 through DGSD at a cost of Rs. 2.24 lakhs. The boiler was supplied by the firm in July 1985 against which 90 *per cent* payment amounting to Rs. 2.02 lakhs was released (August 1985). The boiler was installed in March 1987 in the Tripple Vaccine Division housed in a separate building where it was awaiting (December 1987) commissioning after certification by the Inspectorate of Boilers. The guarantee|warranty period of the machinery had expired on 15th January 1987.

The Institute stated (July 1987) that since the Final Product Section of the JE vaccine project was not ready to receive the vaccine for final processing till July 1986, it was decided in a high level meeting of the Institute staff to instal the boiler in Tripple Vaccine Division of the Institute where sterilisation was enormous and increasing year over year. The diversion was not got approved before/after installation of the boiler in the said division.

Cosequently, the Institute placed (May 1987) another supply order through the DGSD for the purchase of one more boiler valuing Rs. 1.63 lakhs for JE vaccine project. The date of delivery was 30th September 1987. Neither the machinery has been received nor any extension for the supply of the same granted (December 1987). The Final Product Section of the Project was still without a boiler.

It was also noticed that one boiler and one disinfector were also got transferred in April 1982 by the Institute from Port Health Organisation, Kandla, a sister Institute by incurring transportation charges amounting to Rs. 0.16 lakh. These machineries were lying surplus with the Kandla Institute. The boiler valuing £465 was installed in August 1985 in the Bulk Process section of the project but was awaiting (December 1987) commissioning after certification by the Inspectorate of Boilers. The Disinfector valuing £1126 was still (December 1987) lying unused.

(iv) Purchase of steel racks in anticipation of requirement.

Steel racks valuing Rs. 0.97 lakh were purchased in January 1983 (Rs. 0.31 lakh) and August 1985 (Rs. 0.66 lakh) for breeding of mice in JE vaccine Mice Breeding colony of the project. Out of these, racks valuing Rs. 0.66 lakh were issued to the said colony in June—August 1987 whereas racks valuing Rs. 0.31 lakh were still lying in stores as unused as the breeding of mice was kept at adequate level commensurating the production of vaccine till the protective efficacy and immunological responses are evaluated for which tests were proposed to be conducted in June-July 1988.

The matter was reported to Ministry in August 1987; reply has not been received (September 1988).

Andaman and Nicobar Administration

33. Infructuous expenditure on a laundry plant

Andaman and Nicobar Administration decided (1976-77) to instal a laundry plant in a hospital with a view to providing hygienic washing facility. It was estimated that the plant would have a washing capacity of 13,000 kgs. per month. No comprehensive financial estimate was done. A coal-fired steam boiler costing Rs. 0.88 lakh and one disinfector costing Rs. 1.01 lakhs were purchased locally after inviting tenders in March 1977. Rest of the equipments costing Rs. 1.96 lakhs were procured from a firm through the Director General of Supplies and Disposals in September 1979.

The building to accommodate the plant and completed departmentally at a cost of Rs. 7.44 lakhs in March 1985 and the plant was commissioned in September 1985.

During the period August 1985 to August 1986, the plant actually worked for a period of 96 days which accounted for only 14 per cent of its capacity and the under-utilisation was stated to be due to non-availability of adequate quantity of linen for washing. Thereafter the plant broke down in August 1986 because of rusting of electrical panels of washing machine due to exposure to rains at the wharf where it remained in crates for a long time since its arrival.

Thus, an expenditure of Rs. 11.29 lakhs on the laundry plant remained largely infructuous. The hospital has since reverted to the manual mode of washing by conventional means.

The matter was reported to Ministry in June 1988; reply has not been received (January 1989).

Chandigarh Administration

34. Idle dialysis machine

Chandigarh Administration decided in July 1980 to purchase a dialysis machine for a kidney patient. The Chief Commissioner of Chandigarh Administration sanctioned it in September 1981. The machine was procured in December 1981 at a cost of US $ 12,687 (Rs. 1.30 lakhs).

In the absence of infrastructure required for the installation and operation of a dialysis unit in the General Hospital, Chandigarh, the Administration proposed in April 1982 to the Post Graduate Institute of Medical Education and Research (PGI) to purchase the unit. This was not agreed to by the latter. PGI did not agreed (December 1983) to have the machine on loan as it did not suit their system of dialysis.

The Administration also deputed one of their medical specialists to Japan for training during October-December 1983 to operate the unit. Another doctor and a nurse of the hospital were imparted training to operate the machine in the PGI from February 1985. Accessories worth Rs. 0.19 lakh were procured for the machine in January 1986. The doctor trained at the PGI left the hospital in January 1986 for Nigeria on deputation. The machine was installed in May 1986 after incurring an expenditure of Rs. 0.43 lakh. The Medical Specialist of the Hospital imparted training abroad as also in the PGI was not willing to operate the machine unless a proper renal unit with one standby machine was set up. The machine had remained unused so far (July 1988).

The matter was reported to Chandigarh Administration and Ministry in August 1988 ; reply has not been reecived (December 1988).

MINISTRY OF HOME AFFAIRS

35. Upgradation of standards of administration in non-developmental sectors-Jails and Revenue and District Administration

35.1 *Introduction*

The Seventh Finance Commission was constituted in June 1977 to recommend, *inter alia*, the requirements of the States which were backward in Jails and Revenue and District Administration for upgradation of standards in non-developmental sectors with a view to bring them to the level obtaining in more advanced States. The Commission in its Report submitted, in October 1978, recommended an outlay of Rs. 48.31 crores and Rs. 64.41 crores for upgradation of standards of administration in Jails and in Revenue and District Administration respectively. The schemes which were initially operative from 1979-80 to 1983-84 were extended by one year i.e. upto 1984-85.

35.2 *Scope of Audit*

The records of 12 States viz., Andhra Pradesh, Assam, Bihar, Himachal Pradesh, Jammu and Kashmir, Madhya Pradesh, Manipur, Meghalaya, Orissa, Rajasthan, Tamil Nadu and Uttar Pradesh for the period 1979-80 to 1984-85 were test checked by Audit and the points noticed are given in the succeeding paragraphs.

35.3 *Organisational set-up*

At the Centre, the Ministry of Home Affairs was responsible for monitoring the progress of implementation of the schemes under both the sectors. At the State level, the schemes relating to Jails were to be implemented by the Home Department of the State Government through Director General of Prisons/ Superintendents of Central Prisons etc., whereas those pertaining to Revenue and District Administration were to be implemented by Revenue Department of the State.

35.4 *Highlights*

— **The procedure of submitting plans of action well in advance by the State Governments to Government of India in the Ministry of Home Affairs was not followed both for Jails and Revenue and District Administration. The plans of action for upgradation of standards in jails and revenue and district administration were submitted long after the commencement of the programme.**

— **The Ministry did not follow the procedure prescribed by the Finance Commission while releasing the grants to State Governments. Monitoring and evaluation of the scheme was not conducted by any task force or working group in the Ministry.**

Jails Administration

— **Six States (Bihar, Jammu and Kashmir, Madhya Pradesh, Manipur, Orissa and Tamil Nadu) did not utilise funds totalling Rs. 438.85 lakhs which were released by Government of India for improving the standards of Jails administration.**

— **Five States (Bihar, Jammu and Kashmir, Madhya Pradesh, Orissa and Tamil Nadu) had included in their expenditure amounts aggregating Rs. 472.36 lakhs which were actually not spent.**

— **Targets of construction of building, electricity sanitary and water supply works were not achieved in eight States out of nine States.**

— **Six State Governments had diverted Rs. 222.12 lakhs from capital to revenue acount and vice versa and incurred expenditure on items not provided for in the scheme.**

— **Four State Governments had incurred avoidable expenditure of Rs. 24.54 lakhs.**

— **Expenditure of Rs. 253.25 lakhs incurred by Governments of Rajasthan and Tamil Nadu on construction of building for Juvenile Reformatory at Ajmer and a new prison at Pozhal (Madras) respectively resulted in blocking of funds as the works were not completed.**

— **In three States, equipment/barracks worth Rs. 73.75 lakhs had remained idle/unutilised.**

— **Despite Government of India assistance, the expenditure incurred by four States on provision of diet, medicines, clothing, etc., to**

the prisoners fell short of the recommended norms.

Revenue and District Administration

- **Amounts aggregating Rs. 207.44 lakhs were charged to the scheme by three State Governments though not actually spent on improving the standard of revenue and district administration.**
- **Government of India released Rs. 96.20 lakhs to the Government of Orissa over and above the amount of Rs. 163.80 lakhs provided in the action plan without specifying item-wise provision.**
- **Government of Jammu and Kashmir and Orissa charged inadmissible expenditure of Rs. 29.31 lakhs and Rs. 24.19 lakhs respectively.**
- **There was shortfall in achievement of target in the construction of buildings/quarters which ranged from 17 to 100 per cent.**
- **More than Rs. 127 lakhs were diverted for other items of expenditure not covered under the scheme by five State Governments.**

35.5 *Outlay and expenditure*

For Jails Administration, against the amount of Rs. 4831 lakhs recommended by the Commission, Government of India released grants aggregating Rs. 4823.26 lakhs to 11 States, which incurred total expenditure of Rs. 4449.63 lakhs during 1979-80 to 1984-85. For Revenue and District Administration, Government of India released grants aggregating Rs. 6288.03 lakhs to 12 States against Rs. 6441 lakhs recommended by the Commission. The expenditure incurred by 11 States for which details were available amounted to Rs. 6854.30 lakhs. The Statewise details of outlay recommended by the Finance Commission, grants released by Government of India and expenditure incurred thereagainst by the State Governments during 1979-80 to 1984-85 under Jails and Revenue and District Administration are given in Appendix V and VI respectively.

35.6 *Plan of action*

Under the scheme for Jails Administration, the expenditure was to be incurred on prisoners, amenities for prisoners and construction of jails|sub jails and for Revenue and District Administration, it was to be incurred on the construction of residential and non-residential buildings and was to cover recurring and non-recurring expenditure relating thereto.

The plan of action was to be formulated well in advance by the State Governments in conformity with the pattern contemplated by the Finance Commission. It was to be drawn up in sufficient details including nature of expenditure norms to be adopted, location of site|sites, etc., and also depicting phasing of expenditure during five years. This was then to be finalised in consultation with Government of India in the Ministry of Home Affairs. The funds were to be utilised by the States in accordance with the plan of action and the progress was to be reviewed by the Ministry. This procedure was not followed and the plans of action|revised plans of action were submitted late as indicated below :

Andhra Pradesh—The State Government submitted plans of action for Jails Administration in September 1979, (two plans) and in July 1980 which were approved by Government of India in January, April and October 1980 respectively. The State Government did not prepare comprehensive plan of action and basic amenities to be provided to prisoners were not considered. For Revenue and District Administration, comprehensive plan of action was sudmitted during July—October 1980 on the directions of the Ministry, in February 1980, as the plan of action sent, in November 1979, was incomplete.

Assam—The plan of action for Revenue and District Administration was submitted by the State Government in August 1979 and revised in June 1982 which were approved by the Government of India in December 1979 and August 1982 respectively. The State Government once again proposed major modifications therein in August 1983 which were not approved by the Government of India and no grant was released to the State Government after 1982-83.

Jammu and Kashmir—For Jails Administration, the State Government did not prepare comprehensive plan of action. The revised plan submitted in February 1983 was approved by the Ministry in May 1983. The plan of action for Revenue and District Administration was submitted only in July 1981 for Rs. 450.13 lakhs. A revised action plan for Rs. 200.00 lakhs, earmarked by the Finance Commission, was sent only in October 1982 on the directions of the Ministry.

Madhya Pradesh—For Jails Administration, the State Government sent the plan of action for 1979-80 only in May 1979 to which approval of the Ministry was received in January 1980. The State Government sent plan of acion for 1979—84 in June 1980, revised plans of action for 1981-82 in January 1982 and for 1982—84 in September 1982 which were approved by the Ministry in February and October 1982 respectively. The plan of action for Revenue and District Administration, was not made available to Audit. It was, however, reported that the plan was initially sent in May 1979 and was finally sent in January 1980 after some clarifications. It was approved by the Ministry during February 1981 and March 1982.

Manipur—For Jails Administration, works proposed by State Government, in February 1980 and July 1982, were approved by the Ministry during May 1980 and February 1984. The State Government did not furnish the original and revised plans of action for Revenue and District Administration to Audit. The Ministry released Rs. 2 crores on the basis of tentative programme of construction indicated by the State Government which was also not available. The action plan approved by the State Government, in November 1981, was revised in September 1983.

Orissa.—Action plans for Jails Administration, sent in May and September 1979 were approved by the Ministry in December 1979. For Revenue and District Administration, the plan of action submitted by the State Government, in May 1979 and modified in June 1979, was not approved by the Ministry and was revised in April 1981 which was approved by the Ministry in October 1981.

Rajasthan.—The State Government submitted plan of action for Jails Administration, in March 1979 to which formal approval of the Ministry was not communicated. However, Inspector General, Prison was intimated by the State Government that the plan was scrutinised by the Ministry in January 1980. For Revenue and District Administration, the plan of action submitted, in June 1979, was approved by the Ministry in January 1980 though it was not supported by sitewise details.

Tamil Nadu.—Plans of action originally proposed by the State Government for Jails Administration were changed from time to time. The Ministry had not approved any plan of action as such. Administrative approval was, however, conveyed by the Ministry on revenue account viz., diet etc., between June 1980 and February 1985 and for capital expenditure viz., construction of building, amenities to prisoners, etc. during June 1980 and September 1985.

Uttar Pradesh.—Original, revised and supplementary plans of action for Jails Administration were submitted to the Ministry, in June 1979, October 1979 and August 1983 respectively. Information regarding their approval by the Ministry was not available. For Revenue and District Administration, original and supplementary plans of action submitted in May 1979 and July 1980 were approved by the Ministry, in December 1979, and October 1980 respectively.

35.7 *Release of funds*

According to the procedure prescribed by the Commission for release of grants by the Ministry, an initial 'on account' grant was to be released in the first year and the second year's grant was to be released on the basis of performance and expenditure reported by the State Governments. By the third year, the expenditure and Audit report for the first year was to be available which were to be taken into account while making subsequent annual releases of grants.

The Ministry did not follow this procedure while releasing the grants to State Governments under both the sectors.

Jails Administration

35.8 *Financial progress*

It will be seen from Appendix V that the actual expenditure exceeded the funds released by Government of India in case of four States viz. Andhra Pradesh : Rs. 28.03 lakhs, Meghalaya : Rs. 12.22 lakhs, Rajasthan : Rs. 2.51 lakhs and Uttar Pradesh : Rs. 36.46 lakhs. On the other hand, six other States (Bihar : Rs. 33.23 lakhs, Jammu and Kashmir : Rs. 0.78 lakh, Madhya Pradesh : Rs. 38.32 lakhs, Manipur : Rs. 3.73 lakhs, Orissa : Rs. 5.91 lakhs and Tamil Nadu : Rs. 356.88 lakhs) could not fully utilise the funds made available to them.

Following further points were noticed :—

(i) The expenditure of Rs. 421.74 lakhs by Bihar included advances of Rs. 17.27 lakhs paid to the Public Health Engineering Department (PHED) during 1980-81 to 1983-84 for execution of water supply and sanitary works in eight jails which were lying unspent with the PHED as the relevant works had not been taken up so far (May 1988).

(ii) The expenditure of Rs. 49.22 lakhs by Jammu and Kashmir included advance of Rs. 2.15 lakhs paid to the Electricity Department during 1981-82 (Rs. 0.12 lakh), 1982-83 (Rs. 0.20 lakh) and 1983-84 (Rs. 1.83 lakhs) for electric line and transformer for new jail complex at Udhampur, for which details of expenditure were not available.

(iii) The expenditure of Rs. 663.68 lakhs by Madhya Pradesh included Rs. 7.03 lakhs withdrawn from the treasury in 1983-84 and subsequently deposited in the treasury as departmental receipt, in March 1984 (Rs. 3.43 lakhs) and May 1986 (Rs. 3.60 lakhs).

(iv) The expenditure of Rs. 428.38 lakhs by Orissa, included a sum of Rs. 5.70 lakhs drawn upto March 1984 on abstract contingent bills which were lying unspent on 31st March 1984 and was utilised subsequently till February 1986 on day to day direct expenditure on prisoners.

(v) Out of Rs. 817.62 lakhs released to Tamil Nadu during 1980-81 to 1985-86 for capital expenditure, a sum of Rs. 437.67 lakhs (representing unspent grants) was drawn by the State Government and credited to Personal Deposit Accounts of Tamil Nadu Water Supply and Drainage Board (Rs. 244.82 lakhs on 31st March 1984) and Tamil Nadu State Construction Corporation Limited (Rs. 72.85 lakhs in March 1984 and Rs. 120 lakhs in March 1985) in the public account of the State so as to get the entire allocation of grants released. At the end of March 1985, Rs. 330.57 lakhs was lying unspent with these two bodies. Further, amount of Rs. 109.64 lakhs was lying under suspense in the accounts of Public Works Divisions on 31st march 1985. This included advance of Rs. 64.56 lakhs made to firms and cost of materials at site valuing Rs. 45.08 lakhs.

It was also observed that expenditure of Rs. 12.83 lakhs was incurred on items not covered under the scheme. This included Rs. 1.19 lakhs spent on staff employed (October 1981 to March 1984) in Inspector General Prison Office and included in the prison overheads, Rs. 9.76 lakhs on salary of warders Grade II of sub-jails utilised for sub-treasuries and Rs. 1.88 lakhs misclasified under "Upgradation" head.

35.9 *Physical progress*

The construction of buildings, electrification, provisions of water supply, etc. fell short of the targets as detailed below :—

Bihar.—The shortfall in completion of various items of work ranged from 70 to 89 *per cent*. Against the target of eight jails, generating set was installed in one jail only while electricity works and water supply and sanitary works were completed in 19 and 6 jails against the target of 63 and 55 jails. The reasons for shortfall were delay on the part of executing agencies and long time taken in completion of formalities.

Madhya Pradesh.—None of the two jails provided in the action plan was completed, while the number of additional barracks in the existing jails was three against the target of eight. Out of works of Water Supply and sanitary fittings in 16 and 30 jails, only 13 and 27 works respectively could be completed. The shortfall was stated (July 1988) to be due to late receipt of technical and administrative sanctions, late handing over of land and slow execution of works.

Manipur.—The construction work was completed in one jail only and remained incomplete (March 1988) in two jails.

Meghalaya.—None of the three new jails was completed till 31st March 1985; two jails were, however, completed in 1987-88.

Orissa.—The shortfall in the construction of new jails (target 11, achievement 7) and water supply and sanitary works, (target 47, achievement 42) was 36 and 11 *per cent* respectively. Out of 11 jails, works in seven jails were completed and four jails involving expenditure of Rs. 130.18 lakhs remained incomplete (April 1988).

Rajasthan.—The construction of Juvenile Reformatory was not completed as all the items of work originally planned and basic requirements necessary for the operation of the Reformatory were not taken up for execution.

Tamil Nadu.—Out of 281 sanctioned construction works, 235 works were completed, 19 works on which expenditure of Rs. 87.29 lakhs was incurred (February 1988) were still incomplete and 27 works (estimated cost Rs. 69 lakhs), were not taken up, as unnecessary or dropped.

Uttar Pradesh.—The shortfall under water supply, sanitary and electrification schemes was 38, 21 and 9 *per cent* as only 20, 27 and 50 schemes were completed by 31st March 1985 out of 32, 34 and 55 schemes respectively. Even upto 31st December 1987, only 27 water supply and 30 sanitary schemes were completed. Four schemes each of water supply, sanitary and electrification were cancelled due to shortage of funds. There were delays ranging from two to five years in completion of seven water supply and three sanitary schemes.

35.10 *Diversion of funds*

The scheme provided for expenditure on prisoners viz., diet, medical, clothing under revenue head, amenities for prisoners viz., water supply, sanitary facilities, electrification of barracks, etc., and additional jails capacity, construction of new jails, subjails under capital head. The following State Governments diverted Rs. 222.12 lakhs from capital to revenue account and vice versa and incurred expenditure on items not provided for in the scheme as detailed below :—

— In Aandhra Pradesh, (i) a sum of Rs. 14.04 lakhs was spent upto March 1985 on construction of store rooms and kitchens etc., in sub-jails although no allocation of funds was made by the Commission and. (ii)

Rs. 1.94 lakhs provided in 1982-83 and subsequent years for eight posts of ministerial staff attached to a central prison were utilised for headquarters office during the period from January 1983 to March 1985.

— In Bihar, Rs. 23.83 lakhs provided for amenities to prisoners were spent on diet, medical facilities etc., to prisoners during 1982-84.

— In Jammu and Kashmir, Rs. 11.14 lakhs and Rs. 11.99 lakhs provided for amenities to prisoners were utilised on the purchase of vehicles in 1983-84 (not provided for in the scheme) and on construction activities in jails at Baramulla, Leh, Srinagar and Udhampur respectively.

— In Orissa, Rs. 60 lakhs provided for diet, medical facilities etc., to prisoners were spent on providing additional jail accommodation for 1380 prisoners; on a suggestion (September 1982) of the State Government. Government of India agreed (November 1982) to this diversion.

— In Tamil Nadu, Rs. 44.38 lakhs provided for amenities to prisoners were diverted to diet, medical facilities, etc., for prisoners; the diversion which was in deviation from the recommendations of the Commission and the plan of action was approved by Government of India on representation made by the State Government. A sum of Rs. 43.32 lakhs provided for camp prison at Thanjavur was spent on construction of Pozhal Complex (a new modern prison at Pozhal).

— In Uttar Pradesh, Rs. 11.48 lakhs provided for establishing two borstals (places where adolescent convicts are given industrial training and provided disciplinary and moral influence for their reformation) at central jails, Fatehgarh and Varanasi during 1981-82 to 1983-84 were spent on diet, security staff, etc.

35.11 *Avoidable expenditure*

Avoidable expenditure of Rs. 24.54 lakhs was incurred by four State Governments as detailed below :—

— In Madhya Pradesh, 36,705 blankets were manufactured by prisoners in jails till March 1986 against the requirement of 16,000 blankets for providing one additional blanket to each of the 16,000 prisoners which involved avoidable expenditure of Rs. 13.88 lakhs on purchase of excess requirement of raw material.

— In Orissa, 17,000 blankets were purchased (9000 in 1979-80 and 8000 in 1983-84) against actual requirement of 12,700 blankets involving avoidable expenditure of Rs. 2.17 lakhs on 4,300 blankets purchased in excess. Further, unused clothing and bedding valuing Rs. 2.82 lakhs and dietary provisions valuing Rs. 0.88 lakh charged to scheme were lying in stock at the end of 1983-84, which were utilised for normal purpose subsequently.

— In Tamil Nadu, a sum of Rs. 80 lakhs was deposited with Tamil Nadu Water Supply and Drainage Board (TWAD), in March 1984, for water supply work for central prison Tiruchirapalli, which was not taken up upto June 1988. Due to delay in execution of work, expenditure of Rs. 2.45 lakhs was incurred for arranging supply of water for the prison.

— In Uttar Pradesh, expenditure of Rs. 2.34 lakhs was incurred upto 1983-84 on an engineering cell established in 1980-81 for supervision of works relating to amenities to prisoners. The cell did not execute any capital works, and the works were continued to be entrusted to the State Public Works Department|Jal Nigam.

35.12 *Blocking of funds*

Expenditure of Rs. 253.25 lakhs incured by two State Governments on construction of new jails resulted in blocking of funds as the works were not completed.

— In Rajasthan, expenditure of Rs. 17.13 lakhs was incurred (Central assistance Rs. 15.00 lakhs; State funds Rs. 2.13 lakhs) upto October 1982 on certain items of work for juvenile reformatory against its total estimated cost of Rs. 37.08 lakhs. As all the works originally planned and the basic requirements necessary for the operation of the juvenile reformatory were not taken up for execution, the building remained incomplete. The State Government intimated in November 1988 that the building was being completed to be used as borstal schools.

— In Tamil Nadu, expenditure of Rs. 236.12 lakhs was incurred upto March 1988. (Rs. 178.07 lakhs incurred upto 1984-85 including Rs. 44.97 lakhs advance payments and value of unutilised materials in March 1985), on the construction of two of the three phases of a new modern prison at Pozhal in lieu of the existing central prison, Madras. The new prison complex was not completed as the third phase of work necessary for making it functional had not yet been approved by the Government of Tamil Nadu resulting in blocking of funds amounting to Rs. 236.12 lakhs.

35.13 *Equipment|barracks lying idle|unutilised*

Equipment|barracks worth Rs. 73.75 lakhs remained idle|unutilised as detailed below :—

In Jammu and Kashmir, Rs. 1.90 lakhs and Rs. 1.27 lakhs were spent on purchase of diesel generator set and 200|250 kva sub-station respectively. The diesel generator set, installed in 1985, was neither formally handed over nor commissioned by May 1988. No information regarding installation of 200/250 kva sub-station was made available.

In Madhya Pradesh, two additional barracks for 80 prisoners constructed in district jail, Bilaspur in May 1984, at a cost of Rs. 5.24 lakhs were lying vacant due to lack of security arrangements (July 1988).

In Uttar Pradesh, most of the 28 X-ray units purchased, in August-September 1984, at a cost of Rs. 50.37 lakhs were lying idle in the absence of X-ray technicians and radiologists. Rupees 14.97 lakhs were spent between August 1984 and February 1985 on the purchase of medical equipments. Bulk of these equipments could not be put to use even upto May 1988 as 52 posts of pharmacists and 28 posts of laboratory assistants sanctioned in May 1981 had not been filled in.

35.14 *Shortfall in expenditure on prisoner's diet, medicines etc.*

The Commission had considered it necessary that a minimum expenditure of Rs. 6 per day per prisoner should be provided for in all States on diet (Rs. 3.00), prison overheads (Rs. 2.00) and medicines, clothing etc. (Re. 1.00 for the years 1979—85. The norms of expenditure on prisoners as also the plan approved by the Central Government were not adhered to and desired level of expediture on diet medicine, etc., on prisoners could not be reached in the States mentioned below :—

Andhra Pradesh.—(i) In three central prisons, extra clothing was not supplied due to financial and administrative reasons though an amount of Rs. 2.58 lakhs was charged to the scheme during 1979—85. The scheme was also not implemented in one district jail on the ground that only undertrial prisoners and short term convicts were lodged there, though short term convicts also were entitled to the benefit of the scheme.

(ii) The scheme of appointment of four clinical psychologists though approved by Government of India and State Governments for 1980—84 was not implemented (July 1988) due to delay in approval of rules for the posts and selection of candidates.

(iii) Purchase of hospital equipment worth Rs. 3.00 lakhs for six jails (where full time doctors were available) though sanctioned, in December 1982, was not made even by March 1985. Equipment valuing Rs. 1.14 lakhs were, however, purchased between 1985—88.

Bihar.—The expenditure per day per prisoner on medicines etc., was less than the prescribed amount of Re. 1 during 1980-81 and 1981-82 (Re. 0.67 in 1980-81 and Re. 0.93 in 1981-82).

Orissa.—(i) The expenditure on diet during the period 1979—84 amounted to Rs. 56.51 lakhs against Rs. 79.57 lakhs received from Government of India for the purpose. The wide variation of Rs. 23.06 lakhs was due to (i) providing diet as per norms from January 1980 instead of April 1979, (ii) non-supply of full quota of diet in four jails out of 14 jails and (iii) non-supply of diet to guarding staff etc. Expenditure on clothing, medicines, etc., per day per prisoner ranged form Re. 0.60 to Re. 0.88 during 1980-81 to 1984—85 against the norm of Re. 1.00 per prisoner.

(ii) Purchase of hospital equipment etc., proposed in May and September 1979 was approved by Government of India in December 1979 and Rs. 1.90 lakhs were released by Goverment of India but these equipments were not purchased (February 1988).

(iii) A sum of Rs. 15 lakhs was reported to Government of India as spent on the purchase of 15 vans for shifting of sick prisoers to hospital outside the jails, for better treatment wheras the actual drawal amounted to Rs. 9.23 lakhs only. Details of vans purchased and relevant vouchers were not available. No vans had been provided to any of the jails and prisoners were shifted in hired vehicles, ambulances, etc.

(iv) Supply of one extra blanket to each prisoner as contemplated was not made in seven jails; in seven other jails, the delay in supply ranged from two to three years.

Tamil Nadu—(i) The cost of diet per day per prisoner was less than the minimum of Rs. 3, in the case of two jails and one sub-jail test checked and ranged from Rs. 2.64 to Rs. 2.87 during 1979—84.

(ii) The expenditure per day per prisoner towards medicines, clothing, bedding, etc. fell short of the minimum of Re. 1 in the State during the years 1979—84 and ranged from Re. 0.14 to Re. 0.61 only.

(iii) For extension of wage earning scheme and training in simple trades, etc. to the prisoers, Government of India released a sum of Rs. 49 lakhs out of which only Rs. 8.41 lakhs was spent. These Schemes were sanctioned, in July 1982 and June 1983, repectively. Against the target of training 12,960 prisoners during 1983-84 to 1985-86 only 1532 prisoners were given training recording a shortfall of 88 *per-cent.* The reasons for shortfall were delay in appointment of craft-inspectors, purchase of raw materials. transfer of prisoners convicted for over three months to other prisons and lack of popularity of training schemes among prisoners.

Uttar Pradesh—(i) Against the allocation of Rs. 11.50 lakhs for toning up of Jail Administration during 1979—84 (by creating and filling up of 30 additional posts of Superintendents|additional Superintendents), Rs. 0.70 lakh only was spent upto 1983-84 as only three posts of additional Superintendents were filled in. Till August 1985, only 10 posts had been filled in.

(ii) For replacement of Provincial Armed Constabulary from two open camp jails with department's security staff, an allotment of Rs. 26 lakhs was made against which, only, Rs. 5.43 lakhs were spent till 1983-84 as the post|posts of security officer (one) and assistant security officers (three) were not filled in. The retention of Provincial Armed Constabulary for these jails was stated to be under consideration of the State Government (May 1988).

Revenue and District Administration

35.15 *Financial progress.*

It will be seen from Appendix VI that all the State Governments incurred excess expenditure over the funds released by Government of India, except Government of Assam which could not utilise Rs. 0.49 lakh out of grant of Rs. 329.17 lakhs released.

(i) Amounts aggregating Rs. 207.44 lakhs were charged to the Scheme by three State Governments though these were not actually spent thereon as detailed below :

Assam—A sum of Rs. 146.40 lakhs was paid to Assam Government Construction Corporation Limited during 1983-84 for construction works out of which a sum of Rs. 129 lakhs was released by the Corporation to Public Works Divisions during 1986-87 for actual construction.

Orissa—A sum of Rs. 25.40 lakhs was deposited, in March 1985, with Orissa Bridge and Construction Corporation Limited to avoid lapse of funds; the Corporation refunded the amount, in October, 1985, without executing any work. Another amount of Rs. 11.87 lakhs received for construction of 11 buildings was shown as fully utilised by charging it to final head of account by way of booking building materials and advances to the Orissa Bridge and Construction Corporation Limited.

Uttar Pradesh—Rupees 749.78 lakhs were paid to Uttar Pradesh Rajkiya Nirman Nigam against which expenditure of Rs. 726.01 lakhs was incurred upto 1983-84. Information regarding expenditure incurred after 1983-84 and further amounts paid to the Nigam, if any, was not available.

(ii) Excess release of funds.

A sum of Rs. 260 lakhs was allocated to the Government of Orissa under capital head for re-organisation of districts and sub-divisions. The State Government did not create any district whereas only one subdivision was created in April 1979. On the request of the State Government, Government of India accorded administrative approval (October 1981) to the revised plan for Rs. 163.80 lakhs but released Rs. 260 lakhs as originally allocated without specifying itemwise provision.

(iii) Inadmissible expenditure.

Two State Governments incurred inadmissible expenditure aggregating Rs. 53.50 lakhs as detailed below :—

Jammu and Kashmir—The plan of action submitted, in July, 1981, and approved by Government of India, in October 1981, contained provision for 46 posts of tehsildars and 48 posts of junior Accountants (which were already borne in the normal plan budget) alongwith other posts under Agrarian Reforms Organisation for which an allocation of Rs. 50 lakhs (Revenue Account) was made and Rs. 37.84 lakhs was released by Government of India. In order to reduce normal plan budget expenditure, the total expediture of Rs. 29.31 lakhs (Rs. 6.72 lakhs in

1982-83 and Rs. 22.59 lakhs in 1983-84 was booked against the upgradation programme and Rs. 8.53 lakhs remained unutilised.

Orissa--Expenditure on the pay and allowances of staff of existing 70 Revenue Inspection Circles which was earlier being met from State funds was irregualarly booked under upgradation of District and Revenue Administration. The amount, so booked, for the years 1982-83 and 1983-84 was Rs. 24.19 lakhs.

35.16 *Physical progress.*

The construction of buildings was the major activity under Revenue and District Administration. While the achievement against the target of 218 buildings in Assam could not be ascertained in the absence of relevant records with the Department. In the case of remaining States test checked, the achievement fell short of the targets. The extent of shortfall upto March 1985 ranged from 17 to 100 *per cent* as detailed below :—

Name of State	No. of quarters/ buildings to be constructed by March 1985	No. of quarters/ buildings constructed by March 1985	Shortfall	Percentage shortfall
Andhra Pradesh	232	138	94	41
Bihar	958	485*	473*	50*
Jammu & Kashmir	8	Nil	8	100
Madhya Pradesh	106	27	79	75
Manipur	399	258	141	35
Meghalaya	149	Nil	149	100
Orissa	193	83	110	57
Rajasthan	120	100	20	17
Uttar Pradesh	4290	3005	1285	30

(*) Upto 1985-86.

Three States viz, Andhra Pradesh, Meghalaya and Uttar Pradesh for which information upto 1987-88 was available had not achieved the targets even upto March 1988.

The shortfall in achieving the targets was attributed to delay in technical and administrative formalities, change in design and location, non-availability nonhanding over of sites, price escalation and in some cases, construction sites being in far flung areas.

35.17 *Diversion of funds/deviation from approved plans.*

The scheme envisaged expenditure on construction of administrative buildings and staff quarters under capital and setting up of sub record offices, delimitation of tehsils, addition of sub-divisions, creation of tehsils, provision of vehicles, etc. under revenue. Diversion of funds from capital to revenue account or vice-versa was not permissible. The following States, however, made irregular diversion of funds as detailed below :

Assam—Expenditure of Rs. 61 lakhs was incurred on the construction works of sub-divisions at Biswanath-Charale, Mangaldoi and Sonari in anticipation of approval of plan of action by Government of India, submitted in August 1983. Consequently, the works at North Salmara, South-East Nagaon and Ramakrishna Nagar which were duly approved by Government of India, in August 1982, had to be abandoned.

Madhya Pradesh—A sum of Rs. 2.41 lakhs on account of cost of land (22.64 hectares) and Rs. 0.15 lakh for concept design was charged to the Scheme funds instead of State funds in contravention of Government of India's instructions.

Manipur—Mild steel rods and galvanised iron sheets valuing Rs. 34.28 lakhs were issued to 18 Public Works Divisions during 1983-84 to 1985-86 for works not connected with the Scheme.

Meghalaya—The State Government spent Rs. 30 lakhs on the constructions of 14 units of staff quarters during 1983-84 at Shillong which were not included in the approved plan of action.

Uttar Pradesh—Construction of two allied buildings (constable barrack and garage) was taken up though the same were not provided for in the approved plan of action. The expenditure incurred thereon could not be ascertained as the constructing agencies did not show unit-wise details of progress of work and expenditure.

35.18 *Monitoring and evaluation.*

To ensure utilisation of grants released by Government of India for the purpose for which these were provided, and also to ensure the achievement of the desired results in physical terms, the implementation of the Scheme was to be monitored by the Ministry of Home Affairs. Submission of annual progress report/periodical returns with financial and physical data on actual progress and performance of the approved schemes of upgradation was made a precondition for further release of grants to the State

Governments. This condition was, however, not fulfilled by any of the State Governments and the amounts were released by Government of India on the basis of demands received from the State Governments.

Evaluation of the programmes of the Schemes was not conducted by any Task Force or Working Group in the Ministry.

Administrative departments at Centre and States did not (i) watch the receipt of periodical returns (ii) ascertain the achievements vis-a-vis targets, (iii) make evaluation study through any Task Force and Working Group.

The matter was reported to Ministry, in October 1988 ; reply has not been received (January 1989).

36. **Avoidable expenditure due to storage of surplus furniture**

Furniture (425 wooden tables, 1006 chairs and 580 racks) worth Rs. 3.52 lakhs were purchased during 1981 for setting up of Regional Tabulation Offices under the control of Joint Director, Census Operation, West Bangal. Consequent on the completion of work, the tabulation offices were closed down in August 1984 and the furniture became surplus. They were stored in a hired accommodation of 6,644 square feet on a monthly rent of Rs. 13,288 till May 1986. The furniture were disposed of for Rs. 11,011 only. Meanwhile, the department spent Rs. 2.92 lakhs on payment of rent of the space occupied for storing the furniture for 22 months which could have been avoided had the surplus furniture been disposed of from their original location immediately after closure of the tabulation Offices. Timely disposal of the furniture could have also fetched more revenue. The accommodation was also hired without calling for tenders.

The Joint Director, Cansus Operation, West Bangal while accepting the facts stated in December 1987 that delay in disposal of furniture occurred due to reasons like time taken in inviting quotations through newspaper advertisements, obtaining approval of the Ministry and dealing with the situation arising out of retreachment of temporary employees. The records, however, showed that the first step for disposal of the surplus furniture was taken in March 1985 i.e., seven months after storage.

The matter was reported to Ministry in July 1988 ; reply has not been received (January 1989).

37. **Blocking of funds in acquisition of land**

Director of Census Operations, Uttar Pradesh, Lucknow, paid Rs. 36.31 lakhs (Rs. 35.94 lakhs in January 1984 and Rs. 0.37 lakh in December 1984) to the Lucknow Development Authority (LDA) for acquiring a piece of land measuring 1.52 acres at Aliganj, Lucknow for construction of office building. Later on, a sum of Rs. 73.78 lakhs was also paid to the LDA (Rs. 54.35 lakhs in September 1985 and Rs. 19.43 lakhs in November 1986) for acquiring 7.62 acres of land at Sitapur Road, Lucknow, for construction of staff quarters.

The possession of both pieces of land had not been given by the LDA as the sale deeds had not been executed (June 1988) due to dispute regarding exemption from payment of stamp duty of Rs. 9.5 lakhs for which a request for exemption had been made by the Director of Census Operations (July 1987) to the Government of Uttar Pradesh.

Thus, apart from blocking of Government money to the tune of Rs. 1.10 crores for one to four years, the Director of Census Operations, Lucknow, had been incurring expenditure of Rs. 14.72 lakhs per annum on the rent of nine hired office buildings.

The matter was reported to Ministry in August 1988 ; reply has not been received (November 1988).

Ministry of Human Resource Development
and
Department of Women Child Development
(Chandigarh Administration)

38. **Blocking of Government grants in construction of a hostel**

A plot of land measuring 14483.03 sq. yards was allotted by Chandigarh Administration to the Punjab constituent of All India Women's Voluntary Services, a body under Central Citizen Council (Organisation), in October 1975 for the construction of a hostel building for 400 working women and scheduled castes and tribes girl students. The cost of land was Rs. 4.34 lakhs, of which the first instalment of Rs. 1.09 lakhs, was paid by the organisation at the time of allotment and the balance, with interest at 7*per cent* per annum was payable in three equated annual instalments of Rs. 1.24 lakhs each together with ground rent of Rs. 0.11 lakh per annum.

According to the terms of allotment, the allottee was required to complete the building by October 1978. The cost of construction of the building was estimated (1975) at Rs. 21.71 lakhs. Layout plan of the building was approved by the Estate Officer, Chandigarh Administration, in March 1976. Of the total cost, 25 *per cent,* (Rs. 5.43 lakhs) was to be borne by Punjab Government|organisation and the balance, 75 *per cent,* (Rs. 16.28 lakhs) was payable as grants by the Government of India. The actual grant released (March 1975—March 1977) by the Government of India was Rs. 8.14 lakhs and by Government of Punjab Rs. 3.67 lakhs. The construction of the building commenced by the organisation through a contractor in March 1976 was stopped by the organisation in March 1977 for reasons not on record of the Chandigarh Administration.

The Organisation paid neither the annual ground rent nor the three equated instalments of the cost of land due in November 1976, 1977 and 1978 respectively. Chandigarh Administration, therefore, cancelled the allotment of land in April 1979 and through legal proceedings, got the property (land and partly constructed building) from the organisation in August 1983, except two rooms which were reported to have been got vacated after conclusion of litigation. The organisation had also failed to settle the claims of Rs. 3.11 lakhs of building contractor which, under a court decree, had to be paid by Chandigarh Administration in May 1983 to retain the title to land.

The matter was reported to Chandigarh Administration and Ministries of Home Affairs and Human Resource Development and the Government of Punjab in June 1986. Reply from the Ministry of Home Affairs has not been received (November 1988). The Chandigarh Administration stated in July 1988 that payment of Rs. 3.11 lakhs made by them on behalf of the organisation could be recovered out of the assets (having estimated cost of Rs 7.50 lakhs) of incomplete structure left on the land site. The Administration further contended that the recoveries of amounts of grants paid by the Government of Punjab to the Organisation was the responsibility of that Government.

Government of Punjab stated in September 1988 that the organisation was actually paid between July 1975 and March 1977 grants aggregating to Rs. 3.67 lakhs, out of which a sum of Rs. 2.67 lakhs was spent for construction of the hostel building.

Ministry of Human Resource Development, while admitting the facts stated in August 1988 that the Chandigarh Administration has been asked (June 1988) to encourage a suitable organisation to take over the partially completed building for completion and running a working women's hostel.

The hostel structure remained incomplete and was not put to use (September 1988). Government grants aggregating Rs. 11.81 lakhs, allotment of land valuing Rs. 4.34 lakhs and settlement of contractor's claims worth Rs. 3.11 lakhs did not achieve the desired objective.

39. Loss on purchase of electronic equipment

In order to impart training with improved and scientific methods, the Government College of Arts, Chandigarh invited tenders in February 1985 from manufaturers|authorised dealers of specified makes of foreign origin for the purchase of remote-controlled colour T.V. monitor, video casstte recorders, video cameras, tape recorders, video lights and connected accessories. One of the terms and conditions stipulated in the tender was that a certificate to the effect that the equipments were free from all taxes, excise| customs duty should be attached by the tenderer. Of the 4 tenders received, orders for the purchase of equipments valuing Rs. 2.25 lakhs were placed on a firm. The equipments were supplied by the firm in March 1985 duly certifying that these were free from duties|taxes.

In May 1985, the equipments were seized by the Central Excise and Customs authorities under the Customs Act 1962, on the ground that the equipments were without any legal customs|import documents| duty payment receipts and that there was no evidence of lawful importation of the equipment. The customs authorities imposed (November 1986) redemption fine of Rs. 0.05 lakh and penalty of Rs. 0.01 lakh on the Principal of the College for not verifying the aspect of duty and a personal penalty of Rs. 0.50 lakh on the firm. The college authorities were also asked (July 1987) by the Customs department to pay customs duty of Rs. 0.93 lakh on the seized equipments. Rs. 0.99 lakh were paid (May—September 1987) to the Customs and Central Excise authorities towards, duty, redemption fine and penalty. The equipments had not been released and utilised so far (June 1988), as the case regarding recovery of Rs. 0.50 lakh from the supplier, as filed by the Customs department, was stated to be pending in a court of law. No action had been taken by the Chandigarh administration to recover the customs duty from the firm (June 1988).

Ministry stated, in December 1988, that the Chandigarh Administration has decided to file a suit against the firm for recovery of losses.

Ministry of Industry

40. Excess payment of freight charges on levy cement

Cement control order 1967 was promulgated by the Government of India with a view to securing an equitable distribution of cement and its availability at fair prices. The order provided for the establishment of Cement Regulation Account with the object, *inter alia,* of paying or equalising the expenditure incurred by the producers of cement on freight in respect of levy cement. The expenditure incurred by the producers of cement on freight by the cheapest mode of transport, or, where any other mode of transport had been specified by the Central Government, by such mode of transport, was to be re-imbursed to the producers by the Development Commissioner for Cement Industry, Department of Industrial Development from out of the Cement Regulation Account.

Awarpur Cement Works, at Awarpur, Maharashtra, a unit of M/s. Larsen and Toubro Limited started cement production in October, 1983. Pending completion of Awarpur-Manikgarh railway line, the unit was allowed re-imbursement of additioanl handling and transportation charges at the rate of Rs. 29.50 per tonne of levy cement by road to be loaded into wagons at the Manikgarh rail head. Since the railway line up to Awarpur factory became operational after trial period from December 1985, the unit should have been allowed the normal railway freight from Awarpur, rail transport being the cheapest mode.

During December 1985 to March 1987, a total quantity of 2,93,962 tonnes of cement was loaded from factory siding. Of the total production of cement during December 1985 to March 1987, 1,50,259 tonnes was declared by the Government as levy cement. The factory loaded 68,953 tonnes from the factory siding and the remaining 81,306 tonnes from Manikgarh railway siding, extra transportation charges of Rs. 18.48 lakhs which were reimbursed by the Department to the factory.

The concession of payment at Rs. 29.50 per tonne by road transport was, however, withdrawn by the Development Commissioner from April 1987.

The Department stated in May 1988 that the producer had tried to maintain loading for levy and non-levy cement at factory's siding and Manikgarh station proportionately and that loading of levy cement both from factory's siding and Manikgarh had been only to maintain optimum level of despatches. The fact, however, remains that the availability of wagons at factory siding was adequate to enable the factory to load the entire quantity of levy cement from factory siding, thus avoiding the need to re-imburse the extra transportation charges of Rs. 18.48 lakhs.

The matter was reported to Ministry in September 1988; reply has not been received (October 1988).

41. Idle machinery

Mention was made in paragraph 20 of the Report of the Comptroller and Auditor General of India for 1983-84, Union Government (Civil), of a portable X-Ray unit with accessories worth Rs. 2.89 lakhs purchased in May 1979 lying idle in the Regional Testing Centre (RTC) Bombay. The unit could not be installed as the dark room building was not ready. In the action taken note, the Ministry stated that a formal sanction to construct dark froom building at RTC (cost Rs. 3.70 lakhs) was issued in February 1984. The room has been constructed and the X-Ray unit has also been installed in April 1987. The unit has not so far (August 1988) been commissioned as trained personnel are not available for its operation. Thus, the expenditure of Rs. 2.89 lakhs incurred in May 1979 on the purchase of the unit and of Rs. 3.70 lakhs on building has not yielded the desired results.

The matter was reported to Ministry in August 1988; reply has not been received (December 1988).

42. Extension of undue benefit to a corporation

Government of India introduced the "Credit Guarantee Scheme" for Small Scale Industries in 1960 with the object of giving protection to banks and other financial institutions against possible losses in respect of advances granted by them to Small Scale Industries. The administration of the scheme was entrusted to the Reserve Bank of India (RBI) which was notified as "Gurantee Organisation."

The Estimates Committee (6th Lok Sabha) in its 18th Report presented in March 1978, *inter alia,* recommended that the scheme administered by the RBI should be brought within the ambit of the Deposit Insurance and Credit Guarantee Corporation (DICGC). The Department of Industrial Development constituted a Working Group in February 1979 which submitted its report in September 1979. The Group in their report, *inter alia,* recomended that :—

(i) it is advantageous both to the credit institutions and the ultimate beneficiaries as also from the point of flexibility of operations that the scheme is integrated with the other guarantee schemes of the DICGC.

(ii) the rate of guarantee fee under the proposed scheme may remain the same as that in force i.e. 0.25 per cent per annum in the case of advances upto Rs. 25,000 per unit per institution and 0.50 per cent per annum in the case of advances in excess threof, but computed on the balances outstanding in the guaranteed accounts.

(iii) the Government's liability may be attended by the Corporation on behalf of the Government which should place funds with the Corporation for meeting claims.

(iv) the cost of administration may be borne by RBI as hitherto.

(v) the recoveries effected may be allowed to be retained by the Corporation which will partly compensate it for the loss of revenue on account of suggested revised method of computation of guarantee fee based on outstandings in the guaranteed accounts instead of on the basis of limits, higher claims of liability that was expected to devolve on it and the high administrative cost involved in pursuing and accounting of recovery.

The Ministry accepted in November 1979 the recommendations of the Working Group in toto and issued a gazette notification cancelling the scheme with effect from the close of business on 31st March 1981. The rate of guarantee fee, was, however, revised by the Ministry from Ist April 1981.

The Corporation introduced another parallel new Guarantee Scheme of Small Loans (SSI) on Ist April 1981. It was decided that for such of the existing guarantees which could not be transferred to the new scheme the Corporation would act as an agent of Central Government in place of RBI to administer the residual functions of the scheme which would maintain a separate account for such claims. The reimbursement from Government of such claims under the existing scheme would be preferred as was being done by the RBI.

In cases, where borrowers default in the repayment of loans which are guaranteed by the Corporation, the credit institutions may invoke the guarantees and claim from the Corporation the sum so guaranteed. The Corporation pays the claim on behalf of the Government and later claims reimbursement from the Government. Simultaneously, legal proceedings are instituted by the credit institutions against the borrowers and the recoveries effected as a consequence are passed on by them after deducting the actual expenditure on such proceedings to the Corporation which treats them as recoveries.

The Corporation wrote to the Ministry in November 1983 that the work relating to the scheme was being attended to by the entire staff of SSI Credit Guarantee Department of Head Office of the Corporation and at four branches at New Delhi, Calcutta, Madras and Bombay. The annual expenditure on the staff for the period January to December 1982 amounted to Rs. 1.52 crores. The Corporation also pointed out in February 1984 that in addition to the pending claims of Rs. 98.18 crores transferred by RBI to the Corporation in April 1981, the accounts in default (where default had occured prior to April 1981) at Rs. 203 crores were also the Government's liability. The total liability of the Government of India as in April 1981, thus, stood at around Rs. 300 crores. The Corporation requested the Government to approve its proposal to allow it to retain the entire recoveries in claims-paid-accounts settled by it on behalf of Government of India. The Ministry decided and accorded approval in September 1984 that the Corporation might be allowed to retain the recoveries effected so far and those which would be effected till March 1986, though Integrated Finance Wing advised that it would be more prudent to give an annual grant to the Corporation to meet the administrative expenditure incurred on account of this agency function. The position in regard to recoveries after March 1986 was to be reviewed in relation to administrative expenditure of the Corporation.

The Corporation was operating six credit guarantee schemes. Under one of these schemes viz. Small Loans (Small Scale Industries) Guarantee Scheme 1981, the Corporation disposed of 1.98 lakhs claims involving an amount of Rs. 412.40 crores during April 1981 to December 1987. Out of these claims, Government scheme accounted for 0.85 lakh claims (43 *per cent*) totalling to Rs. 203.30 crores (49 *per cent*). The total expenditure incurred by the Corporation during 1981-82 to 1986-87 for administering all its schemes was Rs. 10.72 crores.

The total amount of recoveries retained by the Corporation till the end of 1986 in claims-paid-accounts of the Government of India's Credit Guarantee Scheme of SSI (since cancelled) worked out of Rs. 14.21 crores.

The Corporation requested the Ministry again in August 1986 to allow it to retain the recoveries in claims-paid-accounts beyond March 1986. The Ministry decided in February 1988 to call for the necessary details regarding collection of dues, expenditure of staff etc. on receipt of which the question of retention of recoveries say on a proportionate basis would be considered. Since the Corporation did not furnish the required information, the Ministry asked for the refund of the amount recovered beyond March 1986 on account of claims-paid-accounts. The recovery of the amount had not so far (November 1988) been received from the Corporation.

Thus, the decision of the Ministry to allow the Corporation to retain the recoveries in claims-paid-accounts without regard to the proportionate expenditure on the quantum of work done by the Corporation on the residual work pertaining to the scheme on behalf of the Government led to the retention by the Corporation of an amount much in excess of the proportionate expenditure on administering the government scheme.

Government reimburses to the Corporation the claims paid by it and hence amounts recovered in the claims-paid-account should be credited as receipt of Government. Allowing the Corporation to retain the amounts recovered as an agent and to appropriate the same towards the cost of administering the Government Credit Guarantee Scheme tantamounts to making payment towards administrative cost without a voted grant.

The Ministry stated in November 1988 that the Corporation was allowed to retain the recoveries against paid in claims for meeting the liability which by its nature was uncertain because the likely loss to be caused to the Corporation on account of revised method of computation of guarantee fee could not easily be calculated in exact figures. Moreover, the transfer of the scheme to the Corporation on the basis of the recommendation of the Working Group was a package deal and hence the question of routing the recoveries against paid in claims to the Corporation through the Central budget did not arise. The contention of the Ministry cannot be accepted because the rates of guarantee fee were raised from 1st April 1981. Further once the Corporation effected recoveries as an agent of Central Government, they should have been credited to the Consolidated Fund of India; it was irregular to permit appropriation of the same for meeting the cost of administering the scheme.

Ministry of Information & Broadcasting

43. Publications Division

43.1 *Introduction*

The Publications Division (Division) is one of the largest publishing organisations in India. The functions of the Division as defined by the Ministry in 1962, are, "production, sale and distribution of popular pamphlets, books and journals on matters of national importance for internal as well as external publicity with a view to imparting to the general public at home and abroad, upto-date and correct information about India".

The books brought out by the Division are illustrated and cover subjects, such as art and culture, travel and tourism, speeches of national leaders, biographies of great sons of India, Gandhian literature, freedom movement, popular books on science education, history reference and specialised books written for children.

The Division also undertake sale of publications brought but by bodies like the National Book Trust, National Council of Educational Research and Training, etc.

43.2 *Scope of Audit*

A test check of records of the Division was carried out by Audit during March to October 1988 covering the period from 1983-84 to 1987-88. Audit has kept in view that the mandate of the Publications Division is not profit motive, that the Division is to provide educative and healthy literature at reasonable prices and that a significant component of the publications is meant for free distribution as they are publicity oriented.

43.3 *Organisational*

The Division is an attached office of the Ministry. The work of the Division is organised functionally into four main wings viz. (a) Editorial, (b) Production, (c) Business and (d) Administration. An Advisory Committee was constituted, in February 1987, for rendering advice to the Division on various aspects of its working.

43.4 *Highlights*

The annual total expenditure of the Division had exceeded its annual receipts during 1983—87. In 1987-88, however, the expenditure was marginally less than the receipts.

The Division had a cumulative backlog of 192 titles at the end of March 1988 of which 119 titles were in the editorial pipeline and 73 titles were at various stages of production. In 83 cases, delays upto two years in the receipt of copies from the printers were noticed. Eleven cases had remained in the editorial pipeline for more than five years

In 199 out of 391 test checked cases, delays up to 72 months were noticed in printing by press. The Ministry should explore the possiblity of alternative sources of printing by adopting modern technologies and should take steps to ensure timely supply of paper to the printing press.

The Division fixed the prices of publications printed at Government press on the basis of out dated schedule of rates prescribed in April 1977 till January 1985. In 38 jobs, the difference due to fixation of prices on the basis of out dated schedule of rates and the rates charged by the press in respect of publications during April 1983 to January 1985 worked out to Rs. 22.45 lakhs.

A proper assesment of the demand for printing of publicity material should be made so that the Publications Division is not burdened with unsold copies resulting in blocking of funds which could otherwise be utilised for worthwhile publications.

Books of the value of Rs. 221.72 lakhs had remained unsold. The Ministry could also make sales promotion efforts through All India Radio and Doordarshan which are agencies under the same Ministry.

The annual physical verification had not been done for a number of years. While the Ministry agreed with the Audit findings, it did not, however, indicate the action proposed by them for creating an Internal Inspection Cell to attend exclusively to this work.

Discrepencies amounting to Rs. 4.03 crores between the books of the Division and of the Accounts Office during the years 1983-84 to 1987-88 had remained un-reconciled.

Consumption account of paper valuing Rs. 25.79 lakhs had not been rendered to the Division by the printing press.

43.5 *Finance*

Budget sanctioned and expenditure incurred on the running of the Division, and its receipts fetched by sale of its books, journals and advertisements from 1983-84 to 1987-88 were as under :—

(Rupees in lakhs)

Year	Publications Division			Employment News		
	Budget sanctioned	Expenditure	Receipts	Budget sanctioned	Expenditure	Receipts
1983-84	177.00	199.60	150.36	122.06	121.59	170.24
1984-85	201.63	270.91	141.64	124.76	130.08	175.45
1985-86	284.50	297.43	226.42	141.79	162.22	189.31
1986-87	325.81	332.78	175.69	141.55	160.28	245.50
1987-88	345.49	336.76	246.11	169.00	223.55	315.85

The summarised position of receipts and expenditure of the Division for the five years ended March 1988 is given in Appendix VII.

The expenditure of the Division had exceeded its receipts upto 1986-87; the excess ranged from Rs. 0.57 lakh in 1983-84 to Rs. 83.97 lakhs in 1984-85. During 1987-88, the income exceeded the expenditure by a small margin of Rs. 1.65 lakhs.

The improvement in the working results on cash basis during 1987-88 was mainly on account of increase in commission on sale of books brought out by outside bodies (Rs. 61.17 lakhs) and in receipts from Employment News (Rs. 70.35 lakhs) over 1986-87. On the other hand, the receipts from sale of Division's own books had declined from Rs. 78.89 lakhs in 1986-87 to Rs. 61.05 lakhs in 1987-88.

43.6 *Publications*

The Division had published 493 books as against a target of 438 books during 1982—87, which is encouraging. However, the Division did not fix separate targets of publication of original titles and reprints. At the end of March 1988, the Division had a cumulative backlog of 192 titles of which 119 titles were in the editorial pipeline and 73 titles under various stages of production. Audit noticed 11 cases where books had remained in the editorial pipeline for more than five years.

It was also observed that the Division showed the publications as 'released' on receipt of advance copies numbering between 20 and 100 while the remaining copies were received long afterwards. In paragraph 27 of the Report of the Comptroller and Auditor General of India for the year 1982-83—Union Government (Civil), mention was made of the long time gap between the receipt of advance copies of publications and the remaining copies. Ministry stated in September 1987 that the organisations concerned like the Directorate of Printing, Managers of Government of India Press and private printers were approached both officially and personally where possible to sort out the problems relating to the printing of a particular title. Scrutiny of records of the Division showed that time taken in receipt of remaining copies of 83 cases ranged upto two years as indicated below :—

Total number of cases noticed during 1983—88	Gaps between receipt of advance copies and remaining copies of publications				
	1—3 months	3—6 months	6—9 months	9—12 months	1—2 years
83	29	18	9	8	19

The Ministry stated, in March 1989, that the delays were mainly caused by out-station press. However, effective steps had to be taken by the Division to reduce the gap between the receipt of advance copies and the remaining copies.

43.7 *Printing*

The Editorial Wing of the Division sends the edited manuscripts of its Production Wing, for further transmission to the press for printing. Inordinate delays between the receipt of manuscripts in the Production Wing and sending them to the press for printing, were pointed out in paragraph 27 of the Report ibid. Ministry had stated, in September 1987, that the Division had to face certain difficulties before fixing the press of the titles and their publication such as examination by the technical staff, observance of prescribed Government procedures, obtaining no objection certificates from Government press in case of inability to take up jobs, calling of quotations, etc. Such delays had continued to persist as seen from test check of 387 cases as per details given below :

Delays by Production Wing

Year	Number test checked	Delays in allotment of jobs to press			
		Less than six months	From six months to less than one year	From one year to less than two years	Less than five years
1983-84	89	65	18	4	2
1984-85	79	60	13	5	1
1985-86	65	55	7	2	1
1986-87	91	79	9	2	1
1987-88	63	50	6	6	1

There were further delays in printing by the press. Out of 391 cases test checked, there were 199 jobs (51 per cent) for which there was delay ranging from one year to more than six years. These delays were attributed to (i) reluctance of printers to take up jobs due to low print orders and delay on the part of the Division in settlement of printer's previous bills, (ii) delay in supply of paper to the press and (iii) delay in return of proofs by the Division etc. to the press. The Ministry should explore the possibility of alternative sources of printing by adopting modern technology and should take steps to ensure timely supply of paper to the printing press.

Taking note of these delays, the Advisory Committee decided, in August 1987, that an author should be allowed upto two years to write a book, six months should be allowed for editing and the Production Wing should bring it out within six months to one year at the most. The Ministry stated, in March 1989, that "all out efforts are made to eliminate any possible delay in the process of production of books".

43.8 *Pricing policy*

According to the revised orders issued by Ministry, in July 1968, the Division had been fixing the prices of its publications at the minimum rate of 100 and 125 per cent above the direct cost of production of publications printed in private and Government press respectively.

In the case of books printed in Government presses, the prices of publications were fixed with reference to the estimated cost of production computed at the rates given in the schedule of rates of Directiorate of printing effective from 1st April 1977. However, the bills for printing were preferred by Govenment press on a higher rate and not on the basis of schedule of rates. Mention was made in paragraph 27 of the Report of the Comptroller and Auditor General of India ibid regarding the under pricing of publications of the Division based on the outdated schedule of rates of 1977. Ministry had stated, in September 1987, that the schedule of rates was reported to be under revision by the Directorate of Printing. The difference due to fixation of price on the basis of out dated schedule of rates when compared with the rates charged by the press in respect of publications during April 1983 to January 1985 worked out to Rs. 22.45 lakhs.

In January 1985, (given effect by the Division from February 1985) Ministry decided to add 100 per cent surcharge to the operational cost based on the schedule of rates to take care of the increased cost. However, despite the inclusion of 100 per cent surcharge, the Division had to bear an extra expenditure of

Rs. 14.15 lakhs on 16 out of 54 titles released during February 1985 to March 1988.

It was further observed that the Division omitted to include the transportation and other incidental charges on lifting the paper from the Divisions godown's and transporting the same to the press from the cost of production. These charges worked out to an average of Rs. 175 per production. The Division suffered loss of revenue of Rs. 1.67 lakhs in the case of 453 (excluding un-priced) publications brought out during 1983-84 to 1987-88, due to omission to recover transportation charges of paper. Ministry stated in March 1989 that henceforth transportation charges would count as direct cost of production.

43.9 *Journals*

The Division published 21 journals comprising three weeklies, eleven fortnightlies, five monthlies and two quarterlies. Among these, the Indian and Foreign Review (English) and Kurukshetra, (English and Hindi) are published on behalf of Ministry of External Affairs and Department of Rural Development respectively.

The Public Accounts Committee in their 38th Report (Third Lok Sabha—1964-65) and again in 76th Report (Fifth Lok Sabha—1972-73) had observed that, "the commercial viability of journals cannot be ignored and that Ministry should explore ways and means and take suitable steps to secure advertisements so that losses are minimised". However, the revenue from advertisements on publications other than Employment News steadily decreased from Rs. 4.83 lakhs in 1983-84 to Rs. 1.65 lakhs in 1986-87 and despite an increase in 1987-88 to Rs. 2.29 lakhs, was still less than 50 per cent of the revenue for 1983-84.

The Division had not prepared the annual profit and loss statement of account of the journals. The Division suffered losses in the sale of these journals in three out of five years upto 1987-88 to the extent of Rs. 29.05 lakhs, Rs. 35.48 lakhs and Rs. 27.78 lakhs in 1983-84, 1984-85 and 1986-87 respectively, resulting in a net loss of Rs. 59.09 lakhs. Ministry stated in March 1989 as folows:

> "It may also be emphatically reiterated that the question of loss in case of journals of Publications Division does not come into being because they are basically publicity oriented and also because significant component of these journals especially the issues of Yojana are freely distributed because of obvious reasons. Therefore, using the concept of loss for Publications Division's journals would not be a correct analysis of the scenario".

Ministry also stated that the advertisement rates were revised in January 1974, July 1980 and January 1988, and the sale prices of journals were revised in 1974, 1976, 1980 and 1984. However, it was observed by Audit that the prices of journals were 16 to 500 per cent below the cost of production during 1983-84 to 1986-87.

43.10 *Unsold publications*

The publications should normally be brought out on the basis of sales potential with the aim of selling the entire quantity within two-three years of their release and selling 40 to 60 per cent of the number of copies of a title within a year of its publication. As on 31st March,1988, the Division had stock of unsold books valung Rs. 221.72 lakhs (sale price) produced during 1980—88 as shown below:—

Year	Number of titles (including reprints)	Number of copies printed	Number of copies sold	Value of books produced	Value of books sold	Value of books distributed free of cost	Value of unsold stock
					(Rupees in lakhs)		
1980-81	99	3.02	1.12	39.97	25.61	1.84	12.52
1981-82	113	7.79	6.92	65.59	53.63	1.59	10.37
1982-83	111	3.45	1.76	63.91	25.78	2.50	35.63
1983-84	104	2.48	1.42	45.45	24.12	2.23	19.10
1984-85	87	3.07	1.37	44.34	16.35	1.80	26.19
1985-86	112	10.31	9.52	108.83	79.42	2.07	27.34
1986-87	94	4.88	2.77	74.49	32.93	2.84	38.72
1987-88	88	2.56	0.39	71.59	17.76	1.98	51.85
TOTAL	808	37.56	25.27	514.17	275.60	16.85	221.72

The percentage of unsold copies upto March 1988 to numbers printed during 1980-81 to 1985-86 ranged from 12 (1981-82) to 48 (1982-83). Of the total value of unsold books, books worth Rs. 32.64 lakhs were in regional languages. The Advisory Committee recommended in August 1987, that the language publications should be brought out by the State Academies only. But no action had been taken by the Division till date (January 1989).

Some titles of the books are such that it might be difficult to make them saleable to the general public at large because of their being purely propaganda material. Government offices and institutions might be the possible buyers. A proper assessment of the demand for this category of editions should be made so that the Publications Division is not burdened with unsold copies leading to blocking of funds which could otherwise be utilisd for worthwhile publications.

The Ministry stated, in March 1989, that vigorous efforts were being made to raise the sale of publications. The various sales promotion measures, namely, participation in important bookfairs, organising book exhibitions, distribution of detailed catalogues, starting a mobile book van, advertisements through important dailies were stated to have been taken by the Ministry.

The Ministry could also use All India Radio and Doordarshan for sales promotion efforts as these agencies are also under the same Ministry.

A pilot project for the sale of books was launched in Madras in 1981 which was to be followed by a similar project in Calcutta from 14th March 1982 based on its success. The project was, inter alia meant to make publications available to the cross sections of the society along with providing gainful employment opportunities to educated un-employed youth. The project failed as no earnest efforts were made by the Division to popularise this scheme among the students and un-employed youth.

43.11 *Outstanding dues*

A sum of Rs. 133.69 lakhs was outstanding as on 31st March 1988 for recovery by the Division on account of books supplied to various sales and return parties, Government departments and advertising agents. The outstandings had increased from Rs. 75.39 lakhs in 1983-84 to Rs. 133.69 lakhs in 1987-88. Out of Rs. 133.69 lakhs outstanding as on 31st March 1988, Rs. 130.15 lakhs related to advertisements for Employment News.

The Division stated, in January 1989, that Rs. 94.87 lakhs out of Rs. 130.15 lakhs had been recovered during 1988-89 and Rs. 35.28 lakhs were outstanding from Directorate of Advertising and Visual Publicity|Union Public Service Commission|Staff Selection Commission (Rs. 20.04 lakhs), Railway Service Commission, State Governments (Rs. 10.07 lakhs) and Advertising agencies (Rs. 5.17 lakhs). An analysis of the outstanding amount of Rs. 35.28 lakhs showed that Rs. 7.12 lakhs pertained to the period upto 1985-86.

43.12 *Physical verification*

The Division has nine centres where a large quantity of books published by the Division are stocked and sold. Seven centres i.e. six emporia and one feeder stores are located outside Delhi and one emporium and one current store are located in Delhi. The annual physical verification at the end of the year 1987-88 was not complete even for a single centre. The incomplete and random physical vertification of different emporia covered the period between November 1983 to April 1987 only. Thus, the number of years for which physical vertification was in arrears ranged from one to five years. The shortages of each emporium were being written off and excesses taken on record without any investigation rendering the very purpose of physical verification ineffective.

The Division stated, in November 1988, that the physical verification was in arrears due to shortage of staff. While admitting that the physical vertification normally got delayed, Ministry stated in March 1989 that such verification could be carried out in a smooth manner and without any arrear only and only when an Internal Inspection Cell was created for exclusively attending to the work in a well-scheduled manner. However, the Ministry did not indicate whether any action was being taken by them.

The Sales emporia are required to furnish half yearly sales and stock statements to all the participating organisations for confirming the correctness of balance of stock and their valuation.

The National Council of Educational Research and Training, New Delhi pointed out, in May 1986 and October 1987, on the sales statement of text books sent by sales emporium, Calcutta for the period from 1st April 1982 to 30th September 1982 and from 1st October 1982 to 31st March 1983 that text books numbering 15,655 of the value of Rs. 4.05 lakhs had not been accounted for. Out of this, the emporium had reconciled books worth

Rs. 0.74 lakh so far. Thus books worth Rs. 3.31 lakhs had remained unreconciled till date (July 1988).

43.13 *Reconciliation of accounts*

Sale proceeds of publications of the Division in respect of Delhi unit are accounted for in the books of Pay and Accounts Office, Directorate of Advertising and Visual Publicity etc. Sale proceeds in respect of sales emporia outside Delhi are accounted for by the Regional Pay and Accounts Offices. These are further consolidated in the Principal Accounts Office of the Ministry.

Large differences existed in the accounts of sale proceeds of publications as per books of the Division and those accounted for in the books of the Deputy Controller of Accounts, Ministry of Information and Broadcasting. An amount of Rs. 4.03 crores remained un-reconciled for the years 1983-84 to 1987-88. No steps had been taken to reconcile these differences by the Division (June 1988).

In the case of Employment News, a sum of Rs. 44.80 lakhs remained unreconciled for the years 1983-84 to 1987-88.

43.14 *Consumption of paper*

The paper for the various books and journals printed at private and Government press is supplied by the Division. The presses are required to render accounts of the paper consumed by them to the Division on completion of the particular printing job. A review of the paper consumption registers for the years 1982-83 onwards revealed that the consumption account of 5014 reams of paper valuing Rs. 25.79 lakhs issued to 29 presses (private 19 and Government 10) had not been rendered upto 1987-88.

Ministry stated, in March 1989, that the paper account had been received from 13 out of 19 private presses.

44. Personal deposit account

(a) In August 1969, Ministry of Information and Broadcasting permitted the Directorate of Advertising and Visual Publicity (DAVP) to open Personal Deposit Account at a treasury (now Reserve Bank of India) for making deposit of amounts received in advance from autonomous bodies or semi-governmental bodies under the Government of India for display of classified advertisements and other publicity work and to make payments therefrom for such items of work. An account showing the amount received, expenditure incurred therefrom in respect of various advertisements departmental charges adjusted etc. and the balance was to be rendered by DAVP to every autonomous or semi-governmental body at the end of each quarter.

As on 31st March 1987, an amount of Rs. 65.04 lakhs was recoverable from 148 autonomous bodies, which did not deposit the amount in advance for their advertisements, displays, etc.

It was also noticed that the procedure of quarterly accountal of balances to every autonomous body was neither observed by DAVP as required nor the yearly certificates of correctness of balances were obtained from the deposit holders. There were also incomplete postings in the ledgers maintained by the DAVP. It was stated by the DAVP that these were due to shortage of staff.

(b) It was further noticed that amounts received in advance by DAVP from Ministries|Government of India departments for meeting the expenditure on their advertisements etc. were also deposited in this account without any permission from the Government of India and huge unspent balances of such deposits were being carried over from year to year and were not refunded to the Ministries|departments concerned. This had resulted in keeping Government money out of the Consolidated Fund of India without valid sanction. As on 31st March 1987, the amount of such deposits received from 15 Ministries|Government departments during 1981-82 to 1986-87 and lying unspent|unrefunded stood at Rs. 307.55 lakhs. DAVP was also unauthorisedly recovering departmental charges from the Ministries|Government departments.

Ministry stated in January 1988 that money deposited by the Government departments|Ministries and credited to the Personal Deposit Account would be withdrawn and kept under "8443 Civil Deposits—III other Departmental Deposits" and set off against the amounts to be billed against these departments.

Andaman and Nicobar Administration

45. Blocking of Funds on a movie camera

Andaman and Nicobar Administration purchased a Swiss Bolex Pillard 16 mm Movie Camera at a cost of Rs. 2.13 lakhs in November 1985 to strengthen the film unit under the Directorate of Information, Publicity and Tourism. It was reported in May 1987 that the camera was not functioning presumably due to defects in its motor. No technician|cameraman was appointed to operate the camera. There was also no arrangement or system for sound recording.

The camera is lying unused (August 1988) since its purchase. The entire expenditure of Rs. 2.13 lakhs incurred on purchase of the camera resulted in idle outlay and proved to be blockage of funds.

The matter was reported to Ministry in June September 1985; reply has not been received (January 1989).

Ministry of Labour

Directorate General of Employment and Training

46 Implementation of provisions of the Apprentices Act, 1961.

46.1 *Introduction*

The Apprenticeship Training Programme (hereinafter referred to as Programme) in the industry was made statutory by the enactment of the Apprentices Act, 1961 for regulation and control of training of apprentices in industry and the matters connected herewith. The Act aimed at the following main objectives viz;

(i) to regulate the programme of training of apprentices in industry so as to conform to the syllabi, period of training, etc. prescribed by the Central Apprenticeship Council; and

(ii) to utilise fully the facilities available in the industry for imparting practical training with a view to meeting the requirements of skilled workers in the industries.

The implementation of the Act commenced in January 1963 after framing of the Apprenticeship Rules 1962 throughout the country except Sikkim. In 1973, the Act was amended to include the training of graduates and diploma holders in engineering and technology.

The Act makes it obligatory on the part of the employers. both in public and private sector industries, to engage trade apprentices according to a prescribed ratio of apprentices to workers, other than unskilled, in 139 designated trades prescribed for each trade under the rules.

At present there are four categories of training programme available under the Act namely; (i) Trade apprentices; (ii) Graduate apprentices; (iii) Technician apprentices and (iv) Technician (Vocational) apprentices (introduced in December 1987).

Trade apprentices are to be trained for six months to four years in basic and practical training with related instructions depending on the designated trades.

46.2 *Scope of Audit*

Points noticed in the scrutiny of records relating to implementation of the Act during 1982-83 to 1987-88 in the Ministries of Labour and Human Resource Development and of the seven States namely—Goa, Haryana, Maharashtra, Punjab, Tamil Nadu, Uttar Pradesh, West Bengal and Union Territory of Chandigarh are mentioned in the following paragraphs.

46.3 *Organisational set-up*

At the Central Sector, the implementation of the Programme is looked after by the Ministry of Labour, Directorate General of Employment and Training (DGET) through the six Regional Directorates of Apprenticeship Training (RDTA) located at Bombay Calcutta, Faridabad, Hyderabad, Kanpur and Madras.

At the State Sector, the implementation of the Programme is looked after by the respective State Apprenticeship Advisers (SAA). The training of graduates and technician apprentices including technicians (vocational) is looked after by the Ministry of Human Resource Development (Department of Education) through four Regional Boards of Apprenticeship Training (BOAT) located in Bombay, Calcutta, Kanpur and Madras. The overall responsibility for the implementation of the Act, however, rests with the Central Apprenticeship Council (CAC) in the Ministry of Labour. Similar Apprenticeship Councils have also been established by the State Governments|Union Territories.

46.4 *Highlights*

— No comprehensive survey for identification of training places and establishments was ever conducted ; training places and establishments were only partially identified.

— The shortfall of establishments/departments having training facilities but were not imparting training ranged from 31 to 34 per cent during 1985—88.

— In 67 out of 139 trades, upto 100 number of apprentices were only engaged in each trade.

— The percentage of unutiilsed seats vis-a-vis located seats ranged frem28 to 31 in the case of trade apprentices, 47 to 66 in the case of graduate engineer apprentices and 24 to 39 in the case of diploma holders.

— Ministry of Railways had not engaged even half of the number of seats located by it; Eastern Coal Fields Limited had been operating a parallel training scheme of its own.

— Only 9 to 11 and 2 to 3 per cent of seats reserved for trade apprentices belonging to Scheduled Castes and Scheduled Tribes respectively were utilised.

— No information was available about drop outs or the number of apprentices eligible for trade tests. The number of apprentices appeared in the test and the number passed ranged between 35 and 42 per cnet and between 26 and 30 per cent respectively of the number of apprentices on roll during 1982—87.

— Progressive trade tests designed to evaluate the quality improvement of training were not conducted as per targets.

— No suitable machinery was designed to follow up the placement of trained apprentices; in four States (Maharashtra, Punjab, Tamil Nadu and West Bengal) and Union Territory Chandigarh, 55 to 97 per cent of apprentices have not been provided gainful employment.

Rupees 23.74 lakhs relating to the practical and basic training cost of apprentices was not recovered from employers in four States.

— Payment of stipend to the apprentices was not made in time.

— Penal provisions of the Act had not been invoked in any case.

— No effective monitoring of the programme was carried out.

— The State Apprenticeship Councils were not functioning effectively in four States (Goa, Punjab, Tamil Nadu and West Bengal).

— The review conducted by the Task Force set up by the Central Apprenticeship Council had not looked into some of the shortcomings mentioned above.

46.5 *Budget provision and expenditure*

Central and the State Governments are responsible for ensuring implementation of the Programme in departments|establishments under their respective jurisdictions. The entire expenditure is borne from their own budget provisions.

Ministry of Labour incurred a total expenditure of Rs. 645.84 lakhs (Plan : Rs. 168.29 lakhs; Non-Plan : Rs. 477.55 lakhs) against the budget provision of Rs. 689.16 lakhs (Plan : Rs. 165.57 lakhs ; and Non-Plan : Rs. 523.59 lakhs) during the period 1982—88. An overall saving of Rs. 43.32 lakhs (Rs. 5 to 8 lakhs annually) was observed in test check.

Ministry of Human Resource Development (HRD) incurred a total expenditure of Rs. 1799.47 lakhs whereas the total grant of Rs. 1787.94 lakhs was released to the four BOATS during the period 1982—88 including the balances of previous years lying with them. An amount of Rs. 1417.06 lakhs out of Rs. 1787.94 lakhs was provided for payment of stipends to the engineering graduates and diploma holders at the prescribed rates.

Budget provision and actual expenditure incurred during 1982—88 on the programme by the seven State Governments and Union Territory of Chandigarh were as under :

(In lakhs of rupees)

..Sl. No.	Name of State/ Union Territory	Budget allotment	Expenditure	Excess (+) Saving (—)
1.	Goa	8.18	7.80	(—)0.38
2.	Haryana	28.21	27.34	(—)0.87
3.	Maharashtra	915.19	909.18	(—)6.01
4.	Punjab	111.51	106.50	.—)5.01
5.	Tamil Nadu	178.50	170.72	(—)7.78
6.	Uttar Pradesh	135.09	131.54	(—)3.55
7.	West Bengal	208.48	192.54	(—)15.94
8.	Union Territory Chandigarh	10.48	9.57	(—)0.91
	TOTAL	1595.64	1555.19	(—)40.45

NOTES : (i) In Punjab, Rs. 17.13 lakhs were transferred to Craftsman Training Scheme.

(ii) In West Bengal Rs. 5.81 lakhs were utilised for Craftsman Training Scheme.

46.6 *Identification of training places and establishments*

All establishments in public and private sectors dealing with any of the 218 number of specified industries and employing persons in 139 designated trades and 71 subject fields for graduate diploma holders were covered under the Act. It was not obligatory under the Act on the part of newly set up industries to furnish particulars to the Apprenticeship Advisers regarding the date of commissioning the industry, its nature, number of workers employed, etc. As a result, the newly set up industries had to be identified by RDAT|SAA based on the inormation received from various informal sources including newspapers, magazines, etc. After the industries were identified, a survey was required to be conducted to ascertain the training facilities available in the establishment for a particular designated trade|trades under the Act and to determine the number of apprentices to be allotted.

According to information furnished by DGET, in January 1989, only 28 per cent of the recognised establishments were identified where training facilities existed during 1986 to 1988, the extent of shortfall ranged from 6 to 17 per cent and 72 to 73 per cent in the Central and State sectors respectively.

Identification of establishments was done partially by the implementing authorities. Targets of surveys were not fixed by the implementing authorities except BOAT, Bombay from 1982-83 and RDAT, Bombay from 1985-86. The test check of records disclosed as under :—

(i) RDAT Bombay had surveyed 343 establishments (15 per cent) out of 2273 establishments from 1982-83 to 1987-88.

(ii) RDAT, Hyderabad had surveyed only four establishments since its inception in 1983. The seats once allocated were not to be changed without resurvey. It was, however, noticed that four establishments in Andhra Pradesh (which had been surveyed by RDAT Madras prior to the inception of RADT Hyderabad) had altered, the number of seats on their own.

(iii) In West Bengal, out of 8811 registered factories as in December 1987, 1891 (21 per cent) were surveyed and identified.

(iv) In Union Territory of Chandigarh records of SAA showed that survey and inspection were not conducted as per prescribed methodology and procedure.

A resurvey was also required to be done after three to five years to determine the changes in training facilities and to review the whole matter in a realistic manner. No comprehensive survey was ever conducted by RADTs/SAAs.

Ministry of HRD stated, in December 1988, that targets for survey of establishments and training places were fixed by the BOATs according to the requirements and surveys were conducted to bring in new establishments while existing establishments were resurveyed in three to five years. However, as already stated, only BOAT Bombay had fixed targets from 1985-86 onwards.

DGET stated, in January 1989, that due to paucity of staff and other administrative reasons, it was sometimes not possible to cover all establishments and that remedial action would be taken to improve the position.

46.7 *Shortfall in establishments imparting training*

According to the information furnished by DGET, in January 1989, the shortfall of establishments|departments which were having training facilities but were not imparting training ranged from 31 to 34 per cent during 1985—88 (Central sector, 37 to 41 per cent ; State sector, 30 to 33 per cent) as below :—

Year	Number of establishments having training facilities			Number of establishments engaging apprentices			Shortfall percentage in brackets		
	Central	State	Total	Central	State	Total	Central	State	Total
1985	869	18760	19629	515	13040	13555	354 (41)	5720 (30)	6074 (31)
1986	886	22602	23488	524	15276	15800	362 (41)	7326 (32)	7688 (33)
1987	851	23009	23860	519	15247	15866	332 (39)	7662 (32)	7994 (34)
1988	900	23385	24285	563	15715	16278	337 (37)	7670 (33)	8007 (33)

Following points were noticed in test check :—

In the State sector, in five of the seven States the percentage of establishments which actually imparted training ranged from 12 to 90 (Goa : 66, Maharashtra : 90, Punjab : 81, Tamil Nadu : 80 and West Bengal : 12) during 1983—88.

46.8 *Engagement of apprentices*

In November 1987, DGET analysed the number of apprentices engaged in each trade and observed that out of 139 trades, in 67 trades upto 100 number of apprentices were only engaged in each trade throughout the country. In trades like plastic mould makers, sports goods maker (wood), mill hand and moulder (refractory), not a single apprentice was engaged. In about 14 trades, the number of apprentices engaged in each trade was even less than ten. In 13 trades, like cable jointers, hotel clerk, printing (textile) and tailor (women), the number of apprentices engaged ranged between 100 and 250 and in 10 trades, like auto electrician, driver-cum-fitter, sales assistant and tailor (men), the number of apprentices engaged ranged between 250 and 500. Thus, out of 139 designated trades, statistics for only 90 designated trades were available which indicated there was ample scope to engage more apprentices. Most of these trades did not fall under the Craftsman Training Scheme and as such it was doubtful whether proper training facilities in these trades were at all available.

Following further points were noticed :—

(a) Out of 71 subject fields specified by Government for graduate/diploma holders, training was conducted only in 31 fields in southern region and no training facilities were available in other fields.

(b) In Uttar Pradesh, out of 139 designated trades, 74 trades for Central sector and 85 trades in the State sector were allocated for imparting training.

(c) In Andhra Pradesh, seats were allocated in respect of 48 out of 139 trades where training facilities existed.

(d) In three states (Haryana, Punjab and West Bengal), training facilities were available in 65 trades (47 per cent) ; 60 trades (43 per cent) and 49 to 34 trades (35 to 24 per cent) out of 139 trades respectively. In Chandigarh, training facilities were available only in 58 trades (52 per cent) out of 139 designated trades.

DGET stated, in January 1989, that the RDATs and SAAs had been requested to investigate the reasons for stagnation of located seats as well as non-utilisation of these seats and necessary remedial action would be taken after concrete reasons were made available.

46.9 *Shortfall in Training*

The Programme envisaged providing of maximum number of trained apprentices to the industries. It was observed in Audit that the number of utilised seats fell considerably short of the number of located seats. The overall percentage of unutilised seats vis-a-vis located seats in respect of trade apprentices ranged between 28 and 31 during 1983—88. The under-utilisation ranged between 36 and 49 in the Central sector and between 22 and 29 in the State sector.

In the case of graduate engineers and diploma holder apprentices, the overall percentage shortfall in utilisation of seats during 1985—88 (information for 1983—85 was not available) ranged 47 to 66 and from 24 to 39 respectively (Central sector 37 to 67 and 12 to 34 : State sector 53 to 70 and 27 to 43 *per cent* respectively).

In six Central Ministries/Departments, the non-utilisation of seats had increased substantially between 1976 and 1987 as detailed below :

Name of Ministry/Department	Position as on 31st December 1976			Position as on 30th June 1987		
	Seats located	Seats utilised	Shortfall/ excess and percentage in brackets	Seats located	Seats utilised	Shortfall/ percentage in brackets
Energy (Department of Coal and Power)	3222	2842	380 (12)	4424	2021	2403 (54)
Railways	19844	17180	2664 (13)	16526	5558	10968 (66)
Steel and Mines (Department of Steel)	2623	3154	531 (+) (20)	1959	961	1008 (51)
Department of Mines	1937	1851	86 (4)	930	468	462 (49)
Surface Transport	2649	3078	429 (+) (16)	2351	1251	1100 (47)
Fertilizers	1777	1794	17 (+) (1)	1364	783	587 (42)
Textiles (National Textiles Corporation)	1739	1827	88 (5)	2157	788	1369 (63)

Ministry of Labour took up the matter, in December 1987, with the Ministries of Railways, Steel and Mines, Energy and Fertilizers for proper implementation of the Act but the position had not improved. The Ministry of Railways which made their own assessment located 13120 seats but had not engaged even half of the number of apprentices against the seats.

In Tamil Nadu, 30 establishments under various Ministries had not recruited any apprentice against 545 located seats. In nine textile mills, 136 seats remained vacant since the mills were running on loss. The Act did not contemplate any relaxation in the case of loss making units.

Three Central Government undertakings viz., the Mining Allied Machinery Corporation Limited, Durgapur, Burn Standard Company Limited and Projects and Development India Limited, Sindri had not been engaging a single apprentice for training against 227 number of seats from 1982, 90 seats from 1981 and 64 seats from 1976 respectively.

In Eastern Coal Fields Limited, 600 seats were located but the organisations had not been engaging apprentices in accordance with the provisions of the Act regarding age, qualification, etc. but as per its own scheme called "Land looser Scheme" and imparting training to them as per its own requirements. The Company which engaged 3185 persons during 1982-83 to 1986-87 had been operating a parallel training scheme of its own contrary to the provisions of the Act.

The percentage shortfall of non-utilisation of seats in the 7 States|Union Territory ranged between 8 and 58 (Haryana : 16 to 31, Maharashtra : 10 to 21, Punjab : 10 to 33, Tamil Nadu : 8 to 12, Uttar Pradesh : 10 to 27, West Bengal : 10 to 47, Goa : 32 to 58 and Union Territory of Chandigarh : 29 to 55) during 1982—88.

Ministry of HRD stated, in December 1988, that the seats located indicated the potential for training and would depend upon the industries, their size, nature and magnitude, the number of technical personnel employed and the training facilities available in the establishments whereas the number utilised depended upon the number of eligible candidates applying for apprenticeship, number finally joining for training and would be related to the unemployment position.

The DGET stated, in January 1989, that the efforts made by the Ministry did not succeed. It has been decided to issue show cause notices to the defaulting establishments under the control of Ministries|Departments of Coal, Railways, Steel and Mines, etc. and instructions are also being issued to Eastern Coal Fields Limited to engage apprentices having appropriate qualifications, age etc. for the category "Land looser". The DGET further stated that SAAs would be requested to take appropriate action in the matter of non-utilisation of seats.

46.10 *Training of Scheduled Castes/Scheduled Tribes*

Under Rule 4-A of the Apprenticeship Rules 1962, the employers were required to reserve seats for the apprentices belonging to Scheduled Castes (SC) and Schduled Tribes (ST) as per ratio fixed in 1975 by the Central Government. When the prescribed number of persons belonging either to the SC or to the ST was not available, the training places so reserved for them could be filled by persons belonging to ST or SC and if the prescribed training places could not be filled even in the above manner, then the training places so lying unfilled could be filled by persons not belonging to SC or the ST.

The overall perecentage of utilised seats reserved for SC|ST trade apprentices during 1983 to 1988 worked out to 9 to 11 and 2 to 3 respectively.

In the case of graduate engineers and diploma holders apprentices, the overall percentage in utilisation of seats for 1983—88 ranged from two to six and three to four for SC and one for ST respectively.

In the case of four States—Haryana, Punjab, Uttar Pradesh and Tamil Nadu and Union Territory of Chandigarh, the position was as under :—

Name of the State/ Union Territory	(Shortfall in Percentage)	
	Scheduled Castes	Scheduled Tribes
Haryana	44 to 67	Nil
Punjab	6 to 69	88 to 100
Tamil Nadu	5	4
Uttar Pradesh	7	97
Chandigarh	36 to 63	95 to 100

The DGET stated, in January 1989, that due to non-availability of suitable SC|ST candidates, adequate number of persons could not be engaged.

46.11 *Trade test*

Every apprentice was required under the Act to put in a minimum attendance of 240 days in a year inclusive of 40 days for related instructions whereafter he became eligible to appear in the all India trade test conducted by the National Council for Vocational Training, a statutory body, which awards the National Apprenticeship Certificates to the successful apprentices under the Act. The tests are held twice a year in April and October.

It was observed in Audit that the format of certificate to be given to graduate and diploma holders after completing their training by Government under section 21(4) of the Act was still under consideration of the Ministry of HRD and BOATs are issuing provisional certificates of training to apprentices (December 1988).

No information was available with DGET regarding the number of dropouts. Information regarding the number of persons who were eligible for the trade tests was also not available with DGET.

Test check of records of DGET showed that the number of apprentices appeared in test and the number passed ranged between 35 and 42 *per cent* and between 26 and 30 *per cent* respectively of the number of apprentices on roll during 1982—87 as under :—

(Number in lakhs)

Year	Number of apprentices on roll	Number of apprentices appeared	Percentage appeared	Passed	Percentage passed: To appeared	Percentage passed: To total on roll
1982	1.24	0.43	35	0.33	77	27
1983	1.29	0.45	35	0.34	76	26
1984	1.34	0.49	37	0.35	71	26
1985	1.29	0.54	42	0.39	72	30
1986	1.32	0.54	41	0.38	70	29
1987	1.32	0.49	37	0.34	70	26

DGET had not analysed the resoons for the shortfall.

In the Central sector, the percentage of shoftfall of apprentices who appeared in trade test ranged between 27 and 85 during 1983—88. In the seven States|Union Territory the shoftfall ranged from 14 to 88 per cent during 1983—88 (Goa : 43 to 78, Haryana : 69 to 88, Maharashtra : 50 to 61, Punjab: 56 to 77, Tamil Nadu : 29 to 52, Uttar Pradesh : 69 to 80, West Bengal : 14 to 29, Union Territory of Chandigarh : 15 to 23).

In the Central sector, passed percentage to number appeared, ranged from 47 to 88 (RADT Hyderabad; 67 to 84. Bombay : 75 to 87, Calcutta : 47 to 88) during 1983—88.

In six States|Union Territory, passed percentage to number appeared ranged from 42 to 89 during 1983—88 (Goa : 42 to 82, Haryana 52 to 82, Maharashtra 65 to 72, Punjab : 48 to 75, Uttar Pradesh 70 to 84, West Bengal : 82 to 89 and Union Territory Chandigarh : 66 to 83). In Tamil Nadu, the passed percentage to number appeared ranged from 74 to 82 during 1983—87.

DGET stated, in January 1989, that the percentage of apprentices appeared to those who were supposed to appear would be about 50 and that it would be a difficult exercise to compel the apprentices concerned to appear in the final trade test.

46.12 *Shortfall in progressive trade tests*

With a view to evaluate the quality of training, the DGET stated in 1970, the progressive trade tests|inspections of related instruction classes and basic training programme which was being conducted by RDATs in their respective regions. Their reports were sent to State Governments and establishments concerned to remove the deficiencies pointed out therein so that remedial action could be taken during the period of training itself.

Scrutiny of records showed that the newly started RDATs Faridabad and Hyderabad had not conducted any tests so far, RDAT Kanpur conducted two tests during 1987, and the remaining three RDATs Bombay, Calcutta and Madras conducted 10, 1 and 15 tests during 1987-88 against the targets of 25, 12 and 25 tests respectively. In the State sector, the SAAs were advised by DGET to approach their respective State Governments for special staff for conducting these tests. DGET stated, in November 1987, that hardly any State Governments had created any special staff to improve the quality of training.

Ministry of HRD stated, in December 1988, that all BOATs had ben laying emphasis on improving the quality of apprenticeship training under the Act.

The DGET stated, in January 1989, that so far, the State Governments had not agreed to provide extra staff for conducting trade tests and that even in RDATs, enough funds for Travelling Allowance| Daily Allowance were not available so as to conduct at least one progressive trade test in each establish ment every year. DGET further stated that efforts were being made to set up more related instruction centres and basic training centres to improve the quality of training.

46.13 *Employment of trained apprentices*

Under the Act, it was not obligatory on the part of the employer to offer employment to any apprentice who had completed the period of apprenticeship training in his establishment. The training envisaged providing of maximum number of trained apprentices to the industries. Government of India issued orders in April 1983 to ensure employment to successful apprentices and public sector establishments were required to earmarked 50 per cent vacancies for direct recruitment and out of these vacancies a minimum of 50 per cent were to be filled by trained apprentices. Government did not devise suitable machinery to follow up the absorption of apprentices and suitable placement for them. The position of employment of trained apprentices as observed during test check of records implenting authorities is given below:

(i) In March 1987, RDAT, Hyderabad inquired from 51 establishments whether modified recruitment rules were followed. Only nine establishments replied out of which three had agreed to implement the proposal ; (figures of actual recruitment were not available).

(ii) In Maharashtra, according to a departmental survey (1986-87) out of 12,406 apprentices who passed trade tests in 1983—85, only 860 (7 per cent) were stated to have been employed.

(iii) In Punjab, a survey was conducted in April 1988 by SAA at the instance of Audit in respect of apprentices of various designated trades who had passed in three all India trade tests held between April 1986 and April 1987 in two district (Patiala and Jalandhar) by sending a questionnaire to 182 apprentices out of which replies from 52 apprentices were received. The survey indicated that 81 per cent of the trained personnel remained unemployed.

(iv) In Tamil Nadu, out of 39191 apprentices who had successfully completed training during 1982—88, only 6808 (17 per cent) were absorbed by their employers. During 1983 to 1987, 38,985 trained apprentices, registered themselves in the employment exchanges in the State, of these 4259 (11 per cent) secured employment. BOAT Madras stated that only 7029 out of 16246 graduate|technician apprentices who under went training during 1982—85 had informed BOAT of employment, of these only 3215 (45 per cent) had obtained gainful employment. RDAT, Madras had no information regarding employment of 19151 trained apprentices who had passed during 1982—88.

(v) In West Bengal, a sample survey conducted by State Government for apprentices who passed out between April 1983 and April 1985 showed that out of 3170 apprentices, only 401 (13 per cent) could secure regular jobs.

(vi) In the Union Territory of Chandigarh, only 3 to 9 per cent of trained apprentices were provided gainful employment in industries.

DGET stated, in January 1989, that it had taken up a survey regarding the percentage of employment provided to the apprentices.

46.14 *Recovery of practical and basic training cost*

Under the Act, every employer was required to make suitable arrangements in his workshop for imparting practical training to the apprentices engaged by him as per the programme approved by the Apprenticeship Adviser. Employers employing 500 workers or more were to bear the full cost of imparting basic training while in the case of those employing less than 500 workers, the recurring cost for imparting practical training including basic training was equally shared by the employer and Government concerned upto a ceiling of Rs. 360 per apprentice per month from 1983.

According to Government orders, in January 1984, the cost of such training was recoverable in advance from the employers when the tarinees were deputed for training to Government institutions. However, it was observed on test check of records of SAAs that Rs. 23.74 lakhs (Haryana : Rs. 7.08 lakhs, Punjab : Rs. 2.57 lakhs, Maharashtra : Rs. 6.56 lakhs, West Bengal : 7.53 lakhs) was not recovered|claimed during 1982—88 from those employers having more than 500 workers.

46.15 *Payment of stipend*

As per provisions of the Act, all apprentices were to be paid full stipend regularly by the establishments concerned and BOATs reimbursed 50 per cent of the prescribed minimum rates of stipend to the training establishments on receipt of stipend claim from them on quarterly basis.

The stipend for a particular month was to be paid by the tenth day of the following month and the continuance of payment of stipend depends upon the satisfactory work and conduct of the apprentice.

Ministry of HRD released a total amount of Rs. 1,417.06 lakhs during 1982—88 for payment of stipends in respect of graduates and diploma holder apprentices, to the respective BOATs which, in turn, reimbursed Rs. 1441.98 lakhs to the employers.

The amount of stipend paid in 1987-88 by BOAT Bombay was Rs. 92.65 lakhs out of which Rs. 72.24 lakhs pertained to the years 1983-84 to 1986-87. BOAT, Bombay maintain a register indicating the particulars of apprentices and re-imbursement of the stipend claimed for such apprentices. The payment made by the employer were not recorded in the register on the ground that this information was not required by it. BOAT could also not give the number of apprentices to whom the stipend was paid stating that the information was not recorded in the register.

BOAT Kanpur had not paid the full amount of stipend during the period 1982—88. Out of a total amount of Rs. 500.76 lakhs, BOAT had paid only Rs. 281.92 lakhs as the employers had not preferred the bills. This indicated that the employers had not been paying the stipend to the eligible apprentices in time.

Ministry of HRD stated, in December 1988, and March 1989 that a large number of employers sent their claims late or sometimes they did not even prefer the claim. This did not imply that the employers had not been paying the stipends regularly.

46.16 *Registration of contracts*

According to Rule 4B of Apprenticeship Rules, every employer should send the apprenticeship contract for registration within three months of the date on which it was signed. The register of contracts was maintained by the implementing authority to watch the interests of apprentice as well as employer. It was observed in Audit that the employers did not send the contracts in time for registration under the Act. In Uttar Pradesh and Chandigarh, 39 to 58 and 30 to 50 per cent contracts respectively were received late from the employers for registration during 1983—88. The delay in registration of contracts was upto 26 months in Uttar Pradesh and 12 months in establishments under BOAT Calcutta.

46.17 *Terminationof contracts*

Under the Act, RDATs|SAAs|BOATs were authorised to terminate the premature contract of apprenticeship and award compensation or recovery of training costs payable to employers. However, BOATs and SAAs were not keeping record of payment of compensation to the employers in case of termination of contracts.

It was noticed in Audit that the number of apprenticeship contracts terminated by RDAT Bombay during 1982—88 was 1461 of which 973 contracts were terminated with costs and 488 were terminated without costs. No record of recovery was maintained by the RDAT as the employer recovered the cost of training. BOAT Bombay had terminated 2171 out of 27582 contracts registered during 1982—88 without stating the number of contracts with costs and without costs.

In Chandigarh, out of 746 contracts registered, 184 (24 per cent) were terminated with costs (68 contracts) and without costs (116 contracts). No details of recovery were available with SAA.

DGET stated, in January 1989, that it was not necessary for the RDATs to maintain recovery records as it was the responsibility of the employers concerned to recover the amount which belonged to them (employers).

Ministry of HRD stated, in March, 1989, that under the Act, the BOATs were not required to maintain the records of payment of compensation as they did not pay any compensation.

46.18 *Offences and penalties*

A test check by Audit revealed that no implementing authority as well as DGET was in a position to furnish any case wherein penalty had been levied. The deterrent clauses of the Act were not being invoked by the implementing authorities. In Goa, show-cause notices had been issued against 32 establishments for contravening provisions of the Act but the matter was not pursued with the establishments.

Ministry of HRD stated, in December 1988, that the prosecution of defaulting establishments could be made by creating a legal cell in each BOAT.

DGET stated, in January 1989, that RDATs dealt with the Central Government Undertakings and Central Government Departments and that all persuasive efforts were used for improving the implemention of the Act.

46.19 *Delay in submission of records and returns by the employers*

With a view to exercising control over the progress of training, various returns containing personal details of the apprentices and periodical review of their progress of work together with the record of their attendance were required to be submitted to the implementing authorities by the employer after every six months. It was observed in Audit that no proper records of receipt of these returns were maintained by RDATs, BOATs and SAAs on the plea that these records were test checked at the time of inspection of the establishments and omissions were pointed out in the inspection reports for compliance. However, the establishments were also not inspected regularly.

RDAT Hyderabad had inspected only once 34 establishments during 1984—88 for want of staff.

BOAT Bombay had inspected 4261 establishments out of a target of 9944 fixed during 1982—88 due to shortage of supervisory staff.

DGET stated, in January 1989, that all RDATs and SAAs would be requested to make further efforts to obtain records in time.

46.20 *Monitoring*

The employers were required to submit returns to the implementing authorities *viz.,* RDATs, BOATs and SAAs who, in turn, furnished the consolidated information to the Ministry of Labour (DGET) and Ministry of HRD. The information thus collected was finally consolidated quarterly and annually by DGET and submitted to the CAC when was the final authority for proper implementation of the Programme. The notified establishments|industries were required under the Act and Rules to submit certain returns to the implementing authorities.

It was noticed in Audit that neither the monthly returns and six monthly progress reports were submitted regularly by the establishments to RDATs and SAAs nor were the records to watch the receipt of returns being maintained properly in their offices.

In Andhra Pradesh, monthly report of 17 establishments for January 1988 were incomplete but were accepted without any scrutiny. Half yearly reports were compiled for some of the establishments only e.g. March 1985 (29 establishments), September 1985, March 1986 (31 establishments), September 1986 (30 establishments) and March 1987 (28 establishments).

No information was furnished by BOAT, Bombay regarding the receipt of quarterly returns from the employers. The details of examination passed, field of engineering|technology of the candidates with a copy of certificate, mark sheet and eligibility certificates for selected candidates for training were obtained.

In Punjab, half yearly returns were not insisted upon by SAA due to shortage of staff.

In Uttar Pradesh, the returns furnished by the establishments were neither complete nor tabulated properly for a clear picture for the State and region as a whole.

In West Bengal, no reports and returns were submitted by the establishments.

In Union Territory of Chandigarh, out of 72 monthly returns during the period 1982—88, only 43 returns were sent to the Ministry out of which six returns were sent late by 2 to 68 days.

It was felt in Audit that with such untimely returns by the employer to the implementing authorities, it was doubtful if any effective monitoring of the programme was carried out.

Ministry of HRD stated, in December 1988, that all the Boards were following the prescribed procedure but due to lack of adequate number of officers and staff, monitoring was not done to the complete satisfaction of the Boards.

DGET stated, in January 1989, that RDATs and SAAs would be requested to take up the matter with the employers for sending the returns in time.

46.21 *Sate Apprenticeship Councils*

Under the Act, the State Governments were to constitute SACs for a period of three years to ensure smooth and speedy implementation of the provisions of the Act. The important recommendations of the SAC's were to be discussed by the CAC in its annual meetings. SAC's were to be reconstituted after a period of three years failing which they became inoperative.

It was, however, noticed that SACs were not reconstituted in time a large number of cases. SACs also did not hold annual meetings.

In Goa, SAC was constituted in January 1970 and reconstituted only in August 1983. SAC had not met even once during 1982—88.

In Punjab, the term of SAC expired in 1978 and it was re-constituted in 1986.

In Tamil Nadu, the SAC was constituted in June 1978 and reconstituted in June 1987.

In West Bengal, though SAC was constituted from time to time, it never functioned as no meeting was ever convened.

DGET stated, in January 1989, that State Governments had been requested time and again to ensure that SACs were constituted timely and met at least once a year and that the matter would be pursued.

46.22 *Evaluation*

CAC in its 18th meeting (October 1985) constituted a Working Group from amongst its members for conducting review of the Act in a comprehensive manner. The Working Group submitted its report to the CAC in its 19th meeting held in November 1986 and after discussion, a Task Force from amongst its members was further constituted to suggest the methodology to be adopted for implementation of the recommendations either by way of—

(a) Amendment of Apprentices Act, or

(b) Amendment of Apprenticeship Rules, or

(c) Items where only administrative instructions were required.

But neither the CAC nor the Task Force had considered the following points regarding the implementation of the Act :

(i) non-utilisation of the available seats located in the identified industries/establishments which had training facilities;

(ii) failure to follow/invoke the penal provisions of the Act by the competent authorities regarding non-compliance of contracts, non-admission of apprentices in those industries where training facilities were available etc.;

(iii) revision of the syllabus of training of graduates/diploma holders apprentices prescribed in the Act (started in 1973), and format of the completion certificate of training.

Ministry of HRD stated, in December 1988, that the programme of training of graduate and diploma holders apprentices varied from establishment to establishment and it was the responsibility of the employer to prepare a suitable training programme and get the same approved by the Regional Central Apprenticeship Advisers and it was not possible to have one generalised programme of training.

The DGET stated, in January 1989, that non-utilisation of seats was a purely administrative matter and that in the recent meeting of CAC, it had been decided to enhance the penalty for non-implementation of the Act. DGET also stated that the State Governments would be requested to invoke the penal provisions of the Act against defaulting establishments.

Ministry of Personnel, Public Grievances and Pensions

47. Irregular payment of compensation in lieu of rent free accommodation

According to the orders issued in September 1974 by the Ministry of Finance, Central Government employees who are incumbents of posts which were eligible for rent free accommodation but not provided rent free accommodation were entitled to compensation equal to the amount chargeable as licence fees in respect of Government accommodation given to employees who were not eligible for rent free accommodation, and also the House Rent Allowance (HRA) admissible. As the total compensation payable was to be restricted to the rent actually paid, production of the rent receipt was compulsory except in cases where the claims did not exceed the licence fee for Government accommodation or HRA. The orders were effective from 1st November 1973 and were not applicable to the employees of the Police Organisations under the administrative control of the Ministry of Home Affairs. In partial modification of these orders the Ministry of Finance issued orders in March 1978 dispensing with the production of rent receipt by the officials whose pay did not exceed Rs. 750. In cases where pay exceeded Rs. 750 the employees were given the option to draw the compensation and HRA at the same rates as applicable to an employee getting pay of Rs. 750 and serving at the same station.

Ministry of Home Affairs, clarified in August 1978 that the Ministry of Finance foregoing orders were applicable to the police officials working in Central Bureau of Investigation (CBI). Ministry of Home Affairs further clarified in November 1978 that the payment of compensation at the rates prescribed in the orders of September 1974 was to be made to the police officials from November 1973. These orders, stated to have been issued wrongly by the Ministry of Home Affairs, were subsequently cancelled by it and orders to stop payment were telegraphically issued in August 1979. In the meanwhile the payment of arrears on account of compensation amounting to Rs. 1.08 lakhs (being the difference between the amount wrongly reported as admissible and the amount of HRA already paid) had already been paid to 82 officials of CBI, Bombay for the period from November 1973 to November 1979.

Ministry of Personnel, Public Grievances and Pensions has since waived the recovery (June 1988) of an amount of Rs. 16.34 lakhs being the overpayment for the period from November 1973 to November 1979 to 1137 CBI executive staff including the 82 officials of Bombay.

Ministry of Steel and Mines

48. Blocking of funds in acquisition of land

The Indian Bureau of Mines (Bureau) needed land for construction of its all India headquarters at Nagpur and approached the Government of Maharashtra in December 1976 for allotment of suitable land. The State Government agreed in March 1977 to allot land measuring 6.54 acres and structure standing thereon costing Rs. 9.97 lakhs and Rs. 1.18 lakhs respectively. Ministry of Steel and Mines sanctioned the purchase in March 1977. A sum of Rs. 9.97 lakhs and Rs. 1.18 lakhs were paid to the State Government in March 1978 and August 1979 towards cost of land and structure thereon respectively. Out of 6.54 acres of land the State Government handed over the possession of only 5.15 acres and the structure thereon in October 1979. However, the sanction for demolition of the structure on the land, which was vacated in July 1980, was issued by Ministry in April 1984 only. The construction work, was awarded to a firm at Nagpur in January 1985 by the Central Public Works Department at a tendered cost of Rs. 254.91 lakhs.

In the meanwhile the State Government handed over possession of 0.73 acre of land in June 1983 leaving the balance of 0.66 acre costing Rs. 0.98 lakh. This land was not required for construction but only to satisfy the floor space index.

To an Audit inquiry (March 1988) about taking possession of the remaining land or else claiming the refund of its cost (Rs. 0.98 lakh) Ministry stated (May 1988) that the Collector of Nagpur has agreed to refund the cost of the said land. However, the orders of State Government are awaited (September 1988).

Thus, the delay of about four years in sanctioning the demolition of the structure vacated in July 1980 contributed to the delay in undertaking the construction work. The amount of Rs. 0.98 lakh had remained blocked over ten years. The Bureau had been incurring an expediture of Rs. 4.78 lakhs *per annum* on rent for the premises occupied by it upto March 1988.

Ministry stated in October 1988 that the Government of Maharashtra is being vigorously pursued for issuing a corrigendum relating to the reduced area of land allotted. Bureau was taken over possession of new Headquarters building in April 1988 after vacating the private building.

Ministry of Surface Transport

49. Outstanding survey charges

The Minor Ports Survey Organisation undertakes survey works on behalf of various State Governments and Government bodies on "No profit no loss" basis. For this purpose the charges are fixed by the Government of India from time to time based on the actual expenditure incurred in the year preceding to the year of survey and the provisional hire charges in the survey year. Government orders fixing the charges do not envisage the recovery of the charges in advance.

For the surveys undertaken by the organisation during 1981-82 to 1986-87 the survey charges of Rs. 143.22 lakhs were outstanding upto 31st March 1988 as per details given below :

State Government/ Government bodies	Name of Survey	Year	Amount due
			(Rupees in lakhs)
Jammu and	Dal Lake	1981-82	0.37
Kashmir	Jhelam River	1983-84	6.21
Gujarat Maritime	Gogha	1984-85	22.71
Board	Dahej	1985-86	15.95
Inland Waterwages	Dahej Jagigopha	1986-87 1985-86	24.08 6.85
Authority Jogigopha	Dhubri	1986-87	52.28
Andaman Lakshadweep Harbour Works	Lakshadweep Island	1986-87	14.77
			143.22

Ministry stated, in June 1988, that the matter has been taken up with the authorities concerned at highest level and the outstanding survey charges are due from Central Government or State Government departments only.

50. Injudicious release of funds

The Ministry of Surface Transport decided in March 1982 to set up a training institute for highway engineers at Chandigarh to provide "at entry" and "in service" training to highway engineers of Central and State Governments. The expenditure was to be shared equally by Central and State Governments. The States' share was also to be released by the Central Government as grant-in-aid from Central Road Fund. The Ministry released an amount of Rs. 20 lakhs in March 1982 to Chandigarh Administration towards the cost of the land for the Institute. The cheques were returned to the Ministry in April 1982 because the formalities for the purchase of land had not been completed. In January 1983, Government set up the National Institute for training of Highway Engineers and the amount of Rs. 20 lakhs was paid to the Institute in January 1983. At the request of the Institute the Ministry released a further amount of Rs. 40 lakhs in March 1983 out of the existing budget allotment for the purpose.

A review of the accounts of the Institute for the year 1983-84 revealed that out of the grant of Rs. 60 lakhs released till 1983-84, an expenditure of Rs. 0.71 lakh only had been incurred by it. Out of the balance amount of Rs. 59.29 lakhs, Rs. 48 lakhs had been invested by it in Vikas Cash Certificates.

The Ministry released yet another sum of Rs. 25 lakhs to the Institute in March 1985, as the budget provision for Rs. 25 lakhs was available, without satisfying itself about the actual requirement of the Institute. The Institute incurred an expenditure of Rs. 0.53 lakh only during 1984-85. Thus, out of a total grant of Rs. 85 lakhs paid during 1981-82 to 1984-85, an expenditure of Rs. 1.24 lakhs only had been incurred by the Institute. It spent a further sum of Rs. 21.94 lakhs during the two subsequent years and was having a balance of Rs. 79.57 lakhs as on 31st March 1987 inclusive of interest. The Institute has been functioning in a hired building at New Delhi. It was decided in September 1987 in principle to shift the location of the Institute to Ghaziabad.

The release of Rs. 85 lakhs during the month of March, in the years 1982, 1983 and 1985 amounted to injudicious cash management resulting in avoidable budgetry deficits to Government of India. It also resulted in diversion of funds as funds were invested in Vikas Cash Certificates. Release of such huge sums unmatched by requirements could also means denial of funds to organisations and departments which could have used them for developmental purposes during March 1982 to March 1987.

The Ministry stated in January 1989 that the release of funds amounting to Rs. 85 lakhs to the Institues was in the hope that the land would be available for the building and construction taken up in near future.

Ministry of Textiles

51. Powerloom service centres

51.1 *Introduction*

Powerloom service centres have been set up for assisting powerloom weavers on new and better methods of production, improvement in quality of powerloom products and their diversification providing guidance to persons engaged in the powerloom industry, conducting training programmes and collecting up-to-date statistics relating to industry, thereby facilitating improvement in socio-economic conditions of the people. The scheme was formulated on the basis of draft plan prepared by the National Committee on Science and Technology.

51.2 *Scope of Audit*

Working of all the twelve centres set up under the administrative control of the Textile Commissioner, Bombay and three centres out of four under the Textile Research Associations was reviewed by Audit during February to July 1988.

51.3 *Organisational set up*

Out of sixteen powerloom service centres set up in various States between September 1977 and January 1988 twelve centres were set up till March 1988 function under the direct administrative control of the Textile Commissioner, Bombay. The four remaining centres set up during 1987-88 function under the administrative control of the Textile Research Association located in the respective States. The Textile Commissioner obtains periodical reports from the various centres/Associations and acts as an overall co-ordinating authority.

51.4 *Highlights*

— **Though powerloom service centres were to be set up in the States having larger concentration of powerlooms, centres were not established in Andhra Pradesh, Assam and Haryana having large number of powerloom; in Bihar, Kerala and Orissa, centres were established having comparatively less number of powerlooms.**

— **Centres at Amritsar, Surat and Trichur commenced operations after a lapse of 2 to 5 years due to delay in getting power connections.**

— **There was shortfall in expenditure as compared to the budget provision in all the centres (except Gaya) during the last 6 to**

10 years upto 1987-88 due to late allocation of accommodation, non-availability of machinery, etc.

— Grants paid during 1987-88 for the four centres under the Textile Research Associations were not fully utilised.

— Door to door survey to collect statistical data for policy formulation initiated in July 1979 was discontinued in June 1982. Sample surveys ordered thereafter were also not satisfactory. Comprehensive data is still not available.

— Targets fixed for the training programmes for each year were low considering the large number of powerloom weavers. Even these low targets have not been achieved in any of the centres.

— Though testing facilities to weavers were required to be provided free of cost by the centres, many centres did not have adequate space and laboratory facilities.

— Centres did not have all the required machinery besides there were delays in installation and utilisations of the machinery. In Surat centre which catered only to the needs of the art silk fibre unit, machinery useful for cotton fabrics testing were provided.

— The testing of the samples was only to the extent of 22 per cent of the targets fixed for the centres.

— There was a considerable shortfall in development of new designs and diversification of production were achieved only to the extent of 33 per cent.

— Advisory bodies for the centres did not held their meetings quarterly as required. Information regarding the action taken on the recommendations of the advisory bodies, was not readily available from the records of the Textile Commissioner.

— Number of powerloom units in servicing jurisdiction of the centres at Burhanpur, Calcutta, Cuttack, Kishangarh and Malegaon were either closed or kept idle as their running was not economically viable.

51.5 *Objectives of the centres*

The powerloom service centres were established with the following objectives :—

(a) to collect statistics of powerloom industry in each State as regards state of technology, production pattern, rawmaterial supply marketing facilities, finance, labour etc. and to provide information to Government for policy formulation ;

(b) to conduct training programmes to improve the productivity and quality of the powerloom ;

(c) to provide free testing facilities to the powerloom weavers ;

(d) to develop new designs and diversify the powerloom production ;

(e) to provide technical information and guidance for better management, cost and waste reduction and procurement of raw materials ; and

(f) to co-ordinate with various powerloom associations/co-operative Societies and State Governments for development of powerloom industries.

51.6 *Establishment of centres*

51.6.1 *Centres under the Textile Commissioner.*—The powerloom service centres under the administrative control of the Textile Commissioner, Bombay are as under :—

Sr. No.	Place	Month and year of establishment
1.	Malegaon (Maharashtra)	September 1977
2.	Calcutta (West Bengal)	January 1978
3.	Burhanpur (Madhya Pradesh)	January 1979
4.	Gaya (Bihar)	January 1979
5.	Kishangarh (Rajasthan)	January 1979
6.	Maunath Bhanjan (U.P.)	January 1979
7.	Cuttack (Orissa)	December 1980
8.	Erode (Tamil Nadu)	March 1981
9.	Amritsar (Punjab)	April 1981
10.	Belgaum (Karnataka)	September 1981
11.	Trichur (Kerala)	December 1981
12.	Surat (Gujarat)	March 1982

While the centres at Amritsar and Surat cater to the needs of wollen and art silk powerloom industries respectively, the other centres cater only to the needs of cotton powerloom industries.

The location of powerloom service centres was stated to have been selected taking into account the number of powerloom in the State and their concentration in a particular place. It was seen from the records of the Textile Commissioner that no centre has been set up in the States of Andhra Pradesh (13904 looms), Assam (2250 looms) and Haryana (5355 looms) though such centres were opened in Bihar (907 looms), Kerala (2082 looms) and Orissa (1550 looms). In Karnataka no service centre has been established in Bangalore where there were 24040 powerlooms though such a centre has been established at Belgaum where there were 8712 powerlooms.

Centres at Amritsar, Surat and Trichur commenced full operation after a lapse of two to five years from the dates of their establishment due to the delay in getting power connections.

51.6.2 *Centres under Textile Research Associations.*—Ministry of Textiles entrusted the evaluation of the working of the centres to South India Textile Research Association (SITRA) with a view to determining how far the existing centres under Textile Commissioner were fulfilling the functions assigned to them and suggesting ways and means for improving their operational efficiency. Pending evaluation of the working of existing centres under the Textile Commissioner, Bombay no new centre was established during April 1982, to March 1987. In its report of October 1984, the SITRA observed that the performance of the centres visited by them was not satisfactory particularly in the matter of training and giving technical assistance to the weavers. There was not enough interaction with local powerloom operators. The SITRA recommended that the management of the centres may be given to outside agencies like co-operative research organisations. Ministry of Textiles decided in July 1986, to open new powerloom centres under Textile Research Association (TRAs). The following centres were accordingly opened :—

Sr. No.	Name of the T.R.A. and the Centre	Month and year of establishment
1.	North India Textile Research Association (NITRA) Tanda—Uttar Pradesh.	April 1987
2.	South India Textile Research Association (SITRA) Sankaran Koil—Tamil Nadu.	May 1987
3.	Ahmedabad Textile Industry Research Association (ATIRA) Ahmedabad—Gujarat.	July 1987
4.	Bombay State Textile Research Association (BTRA) Ichalkaranji—Maharashtra.	January 1988

The centre at Ichalkaranji has yet to commence its operations (August 1988).

51.7 *Budget provision and actual expenditure* :

51.7.1 As per details of the schemes formulated in 1977 the capital and annual recurring expenditure of each centre was estimated to be Rs. 2 lakhs and 0.65 lakh respectively.

The actual budget allocations and the expenditure for the period ending 31st March, 1988 were as given below :—

Sr. No.	Name of the Centre	Period	Budget allocation (In lakhs	Expenditure of rupees)
1.	Malegaon	1978-79 to 1987-88 (10 years)	19.00	15.53
2.	Calcutta	1982-83 to 1987-88 (6 years)	14.79	12.31
3.	Burhanpur	1978-79 to 1987-88 (10 years)	18.49	14.08
4.	Gaya	1981-82 to 1987-88 (7 years)	9.65	10.20
5.	Kishangarh	1978-79 to 1987-88 (10 years)	19.90	16.18
6.	Maunath Bhanjan	1979-80 to 1987-88 (9 years)	15.91	14.36
7.	Cuttack	1980-81 to 1987-88 (8 years)	15.73	13.02
8.	Erode	1980-81 to 1987-88 (8 years)	16.39	13.42
9.	Amritsar	1980-81 to 1987-88 (8 years)	17.15	13.71
10.	Belgaum	1981-82 to 1987-88 (7 years)	14.11	12.93
11.	Trichur	1981-82 to 1987-88 (7 years)	13.83	11.53
12.	Surat	1982-83 to 1987-88 (6 years)	13.07	12.25

The shortfall in expenditure with reference to budget allocation was attributed in April, 1988 by the Textile Commissioner to non-supply of the machines ordered. Late allocation of suitable accommodation, non-payment of rents of the permises, non-availability of the required yarn beams from market in time and the difficulties in getting power supply to the machinery installed.

51.7.2 For the centres set up under the Textile Research Associations, capital investment of Rs. 1.50 lakhs and recurring expenditure of Rs. 3 lakhs was proposed. This did not include facilities for infrastructure needed for training of weavers at the centre. The Textile Research Associations were sanctioned grants-in-aid by the Government of India. Centre-wise position of grants paid during 1987-88 and expenditure therefrom were as under :—

Name of the centre	Grant sanctioned	Expenditure
	(In lakhs of rupees)	
Ahmedabad	4.50	Not available
Ichalkaranji	4.50	0.11
Sankaran Koil	3.26	1.79
Tanda	4.50	1.33

51.8 *Collection of data*

The Textile Commissioner had directed each centre in July, 1979 to under take door to door survey of powerlooms and collect statistics needed by the Government for policy formulation. The centres were not, however, able to conduct door to door survey as the list of powerlooms working district-wise and area-wise, was not available with the State Governments. The survey was therefore discontinued in June, 1982. The centres had, however visited some of the powerloom units upto 1982-83 e.g. Amritsar (621), Belgaum (231), Calcutta (376), Erode (484), Gaya (978), Kishangarh (1354) and Maunath Bhanjan (320).

After discontinuance of the door to door survey the centres were directed in June, 1982 to obtain the statistics by conducting a sample survey and for this purpose necessary information was to be obtained from the State Textile Officers. Since then the number of powerloom units visited by the centres up to the end of 1987-88 were Amritsar (1078), Belgaum (365), Burhanpur (38), Calcutta (358), Cuttack (52), Erode (224), Gaya (97), Kishangarh (1225), Malegaon (105), Maunath Bhanjan (694), Surat (625) and Trichur (145).

As the work of obtaining the needed statistics was incomplete despite the lapse of several years the Textile Commissioner, stressed (November, 1987) on the State Governments the urgency to compile the necessary data. The work was reportedly to be taken up after completion of the registration of powerlooms in April, 1988. There has however, been no progress in this regard, (August 1988). Thus comprehensive data which is a pre-requisite for planning is still not available.

The problems brought to notice during visits to the powerloom units by the officers and technical staff of the centres were :—

(i) high prices of yarn (Calcutta, Cuttack, Erode, Maunath Bhanjan and Trichur),

(ii) lack of processing and marketing facilities (Calcutta, Gaya, Maunath Bhanjan and Trichur),

(iii) power shortage (Gaya, Maunath Bhanjan and Trichur), and

(iv) inadequate financial assistance and working capital to the weavers (Cuttack, Erode, Gaya, Malegaon and Maunath Bhanjan).

Other problems noticed were weavers' dependence on merchants, labour problem (Calcutta), low profit margin (Malegaon), shortage of adequate number of sized beams and difficulties in procuring raw material, lack of co-ordination between Director of State Textile and District Industries Centres|State Financial Corporation and competition with handloom sector (Cuttack).

51.9 *Monthly report*

Keeping in view the objective of collecting statistics of powerloom industry, the Textile Commissioner prescribed prior to March, 1980 monthly activity reports to be sent by each centre under his control. For the four centres under the control of the Textile Research Associations established during April, 1987 to January, 1988 such reports were prescribed for the first time in February, 1988. The format provided for furnishing information on statistics such as budget, machinery, staff, persons trained, samples tested, samples developed etc. The format, however, did not provide for knowing the machenism evolved and adopted by the centre for ascertaining the benefits derived by the weavers. In this context the Textile Commissioner stated in May, 1988 that his office constantly reviews the working of the powerloom centres and gives guidance to them.

51.10 *Training programmes*

The purpose of the training was to motivate the weavers for efficient working and better maintenance of looms, appraisal of yarn etc. so as to improve the productivity and quality of the powerloom sector. The training programme prepared by the Textile Commissioner in 1979-80 stipulated training for a period of three months and the syllabus included both theoretical and practical training.

The targets fixed were training of 12 candidates per quarter i.e. 48 per year. Without taking into account the initial period of one year which is reasonably required for getting the centre fully equipped for training, the targets and achievements of training at each centre were as under :—

Sr. No.	Name of the Centre	Number of persons required to be trained upto 1987-88	Number of persons trained upto 1987-88
1.	Amritsar	324	33
2.	Belgaum	240..	56
3.	Burhanpur	384	196
4.	Calcutta	432	133
5.	Cuttack	276	170
6.	Erode	288	289
7.	Gaya	384	143
8.	Kishangarh	384	165
9.	Malegaon	432	246
10.	Maunath Bhanjan	384	200
11.	Surat	264	53
12.	Trichur	240	108
	Total	4032	1792

The number of powerloom in all the States where the centres have been located is 9.61 lakhs as on 31st July, 1988 and the number of powerloom weavers would also be approximately, the same. Considering this hugs number on the one hand and the achievements against the targets fixed for training the backlog in training is heavy.

The number of persons trained by the centres under Textile Research Association were 34 in Ahmedabad, none in Ichalkaranji, 17 in Sankaram Koli- and 40 in Tanda.

The main reasons for the shortfall in training against the targets were stated (February|July, 1988) to be paucity of staff (Burhanpur, Gaya and Malegaon) lack of initiative of the officials in charge of the centre (Maunath Bhanjan), lack of hotel facilities (Kishangarh), poor response in sponsoring candidates by powerloom sector (Amritsar, Belgaum Surat and Trichur), non-working or non-availability of the machinery and fewer number of powerloom (Burhanpur and Trichur). The centre at Surat attributed the shortfall not only to non-working of the machinery but also to the remote location of the centre and the medium of instruction not in local language.

In December, 1984 keeping in view the recommendations of the SITRA suggesting ways and means for improving the efficiency of the centres the Textile Commissioner asked the centres to chalk out short time training programmes for one week or so. The centres at Calcutta, Gaya and Melegaon did not arrange for such programmes while the achievement of the other centres in regard to conducting such short term courses was negligible.

As the implementation of various schemes of the powerloom industry was for the economic prosperity of the powerloom weavers in the State, the Government of India recommended to the State Governments in 1984 the payment of stipend at Rs. 200 per month per trainee. No stipend was however, paid to the trainees in the centres at Amritsar, Kishangarh Malegaon and Surat. The stipends were paid at Rs. 100 per trainee per month by the centres at Calcutta, Gaya and Maunath Bhanjan; at Rs. 150 by the centre at Belgaum and Burhanpur; and at Rs. 200 by the centre at Trichur. The centre at Surat recommended in December, 1987 stipendary provision of Rs. 300 per month. The Textile Commissioner has stated in April, 1988 that even though some State Governments provided stipend to the trainees, persons from far away places could not attend the training programmes because of inadequacy of the stipend. There was also fear of loss of wages during the days spent on training.

No records were maintained by the centres at Amritsar, Burhanpur, Calcutta, Erode, Gaya, Krishangarh, Surat and Trichur to indicate whether the persons trained in the powerloom centres continued to work in the powerloom sector.

51.11 *Testing Facilities.*

51.11.1 *Accommodation.*—Each centre was to provide free testing facilities to the weavers. The total area required at each centre for display room, office room and machinery was approximately 4500 to 5000 sq. ft. The area allotted by the State Governments to the centres was Amritsar (3700 sq ft.), Cuttack (2880 sq. ft.), Gaya (2000 sq. ft.) and Surat (3600 sq. ft.), Trichur (3700 sq. ft.). In regard to the remaining centres the accommodation of the prescribed scale was provided. The centre at Burhanpur which was not provided with any accommation by the State Government was being run in a hired accommodation of 3600 sq. ft. from January 1979 on a rent of Rs. 950 per month.

51.11.2 *Laboratory* :—The testing laboratory was required to be air conditioned to carry out the testing standard conditions. In the following centres there were delays in the purchase of the air conditioners and also delay in their installation.

In the centre at Calcutta, prior to October 1987 the testing activities were conducted in the shops where loooms were installed and which had air conditioned machinery. The air conditioner in the centre at Gaya is lying idle since October 1987. Though the Textile Commissioner informed that the air conditioned laboratory was established in Belgaum in February 1984, the centre stated in March 1988 that the construction of the laboratory was still under correspondence with the Central Public Works Department. For want of this facility various sophisticated instruments costing Rs. 0.67 lakh were stated to have been kept in an open shed.

51.11.3 *Machinery and equipments.*—Each powerloom service centre was required to be equipped with (i) preparatory machines such as sectional warping machine with creel, hunk to cone winding machine, pirn winding machines and five powerlooms and (ii) testing equipments e.g. wrap reel, lea testing, single thread testing, twist testing machines etc. The machines named below were not installed in the following centres (April 1988):—

Sl. No.	Name of the machine not installed	Centres
1.	Cloth Inspecting / automatic Cloth Inspecting Machine.	Burhanpur, Cuttack, Erode, Maunath Bhanjan and Trichur.
2.	Sectional warping machine	Belgaum, Calcutta. Kishangarh and Trichur
3.	Homi Lab-humidifier	Maunath Bhanjan
4.	Jacquard machine	Belgaum
5.	Hank to cone winding machine	Calcutta, Kishangarh.
6.	Bobin pirn winding machine	Cuttack.
7.	Drop Box machine	Calcutta.
8.	Pirn winding machine	Amritsar.

In the absence of these essential machines it was not known how the functions of these machines were being discharged. The centre at Calcutta reported that the preparation of beams is hampered for want of the machines and readymade beams had to be purchased from market. In the centre at Cuttack the work of feeding the creel and preparation of weft package for looms was hampered and it was stated to be managed at present by an indigenous hand-driven "Charkha". The Textile Commissioner, however, stated (April 1988) that non-availability of these machines in the cetnres will not have any significant impact on overall working condition of the centres.

51.11.4 *Delay in installation of the machines* :—Each of the centres under the control of the Textile Commissioner has 11 to 28 machines. The number of machines in each centre where there was delay of over one year in installation after purchase and delay in operation after installation was as under:

Sl. No.	Name of the Centre	Number of machines: Delay in installation	Number of machines: Delay in operation
1.	Amritsar	No records maintained	
2.	Belgaum	6	..
3.	Burhanpur	2	Not available
4.	Calcutta	4	6
5.	Cuttack	4	6
6.	Erode	4	6
7.	Gaya	9	3
8.	Kishangarh	1	1
9.	Malegaon	..	4
10.	Maunath Bhanjan	8	Not available
11.	Surat	12	15
12.	Trichur	13	2

The main reasons for the delay were stated to be non-availability of building and water tank (Erode), non-availability of spare parts. (Calcutta, Gaya and Kishangarh), non-availability/delay in availability of competent persons to install and operate the machines (Erode, Trichur), accommodation problems (Calcutta, Erode and Gaya) delay in power connection (Belgaum, Erode, Surat and Trichur). One powerloom purchased in November 1979 for the centre at Maunath Bhanjan was installed after a lapse of 6 years and 9 months due to late receipt of approval from the Textile Commissioner and non-availability of competent persons to install the equipments.

51.11.5 *Machinery installed but lying idle.*—The sectional warping machine and cloth inspection machine (at Malegaon), oven fabric strength tester, hand driven twist tester, Sasmira Crimp tester (at Burhanpur), three humidifier type which were not indented from the Textile Commissioner and one loom (at Kishangarh) were lying idle for over three years. In the centre at Amritsar the machinery valued at Rs. 2.06 lakhs purchased between 1980 and 1985 were not put to use till March 1986. The testing machinery i.e. fabric strength tester, single thread tester, hot aid oven were not required by the centre at Surat as the tensile strength tests were required to be carried out only on cotton fabrics while the Surat centre caters to the needs of art silk powerloom industries only. No action has been taken (March 1988) by the Textile Commissioner for shifting this equipment elsewhere though requested by the Centre in July 1986.

51.11.6 *Testing of Samples* :—Prior of December 1987 the centres were advised to improve the testing after examining their monthly activity reports. In December 1987 targets for the number of samples to be tested each month were prescribed by the Textile Commissioner. In all 50 samples were to be tested under five types of tests. The tests were to be carried out according to the Indian Standard Institutions (ISI) specifications. Testing results were to be indicated in terms of fineness of yarn, lea strength of yarn, product of count twist per inch and cloth analysis. Regional offices were directed to supply the samples if the centres failed to collect adequate samples. Centres were also directed in December 1986 to procure the samples from the market in the entrepreneures do not come forward in sufficient number to supply the samples.

As per the target of 50 samples per centre per month fixed in December 1987, during the last 6 years each centre should have tested at least 3600 samples. The number of samples tested upto 1987-88 were however as under :—

Sl. No.	Name of the centre	Target	Achievement	Shortfall	Samples obtained from the Regional Office
1.	Amritsar	3600	113	3487	12
2.	Belgaum	3600	717	2883	Nil
3.	Burhanpur	3600	611	2989	Nil
4.	Calcutta	3600	368	3232	Not available
5.	Cuttack	3600	20	3580	27
6.	Erode	3600	3257	343	Nil
7.	Gaya	3600	243	3357	Nil
8.	Kishangarh	3600	1027	2573	Nil
9.	Malegaon	3600	2056	1544	Nil
10.	Maunath Bhanjan	3600	28	3572	Nil
11.	Surat	3600	865	2735	58
12.	Trichur	3600	83	3517	17
		43200	9388	33812	114

Thus it may be seen that the testing of samples was only to the extent of 22 per cent of the targe.

No targets were fixed for the centres under the Textiles Research Associations. Thirty two samples were stated to have been tested by the centre at Sankaran Koil during 1987-88.

The cente at Amritsar reported (February 1988) that the test reports were neither acceptable in terms of Textile (Control) Order 1986 nor were the tests conducted by the centre, recognised by the Government. The tests conducted were not as per ISI specifications. The quantity of samples received was stated to be just sufficient to prepare 2-3 test specimens whereas at least 30 tests specimens were required for determination of yarn strength.

The centres at Cuttack and Trichur reported (March/April 1988) that the present production in the area demands minimum of technical excellency and quality consciousness. The weavers, therefore, did not feel it necessary to get the samples tested.

51.12. *Development of new designs and diversification of production.*

51.12.1 No targets were fixed for development of designs till December 1987. The Textile Commissioner stated that the installed capacity varied from centre to centre. A target of development of five designs per month was fixed in December 1987. The centres were asked to send samples of the new designs (each measuring at least 6" x 6") to each of the other centres giving full particulars of fabric construction for their reference so as to develop fabric sample library for the benefit of the industry. The centres were also asked to keep the records of the samples developed. The achievements for the period upto 1987-88 were as under:

Amritsar (80), Belgaum (93), Burhanpur (6), Calcutta (216), Cuttack (143), Erode (97), Gaya (193), Kishnangarh (109), Malegaon (71), Maunath Bhajan (46), Surat (58) and Trichur (153).

The centre at Sankaran Koil under the Textile Research Association developed 12 samples.

Considering the target of five samples per month each centre should have developed a large number of samples during the last six years.

The reasons for shortfall in testing of samples and development of new designs were generally stated as:—

(a) delay in procurement and installation of the laboratory equipments,

(b) non-availability of certain equipments,

(c) non-filling up of posts of laboratory tachnicians,

(d) poor response from weavers/certain powerlooms,

(e) locations of units far away from the centres,

(f) inadequate publicity regarding facilities available,

(g) looms remaining idle for want of repairs, warp beams etc.,

(h) shortage of working capital; and

(i) non-availability of a good textiles designer for giving attractive designs (Surat centre).

51.12.2 The centre at Calcutta stated that attempts made for diversification of products were not encouraging as most of the units had to depend upon the merchant for supply of warp beams and weft yarn and sell their products to merchants only at a low margin of profit. No records were maintained by the centres at Amritsar Burhanpur Cuttack and Trichur to indicate that the deversification of production intended for better realisation of the product was attempted. The centre at Kishangarh reported that out of 46 units visited at random during January 1988, only one unit had diversified the porduct to synthetic blended quantities of cloth. Thus, the purpose of diversification for better realisation was hardly served.

The centres at Amritsar, Calcutta and Gaya have not established library for the designs developed. The centre at Belgaum, Burhanpur and Trichur had established fabric libraries but they had not sent the samples developed by them to other centres.

51.13 *Advisory bodies*

With a view to co-ordinating the activities with various powerloom associations, co-operative societies and State Governments and also to discuss the measures to be taken for improvement of the centres, advisory bodies were formed in each centre (under the administrative control of the Textile Commissioner). The State Director of Industries and Powerloom was the Chairman and representatives of the powerloom associations, local weaving mills and the officer in charge of the centre concerned were members. The advisory bodies were also formed in the two centres at Ahmedabad and Tanda under the control of Textile Research Association. No such bodies have, however, been formed in the other two centres at Sankarn Koil and Ichalkaranji under Textile Research Associations. Meetings were to be held at least once in three months, as per instructions of the Textile Commissioner issued in December 1987.

It was seen that in all the 12 centres advisory body meetings were held twice in the year 1987-88. Thereafter the meetings have been held only once in the centres at Amritsar, Cuttack, Erode and Gaya. In the absence of Advisory bodies in the centres at Sankaran Koil and Ichalkaranji, it was not clear as to how the plans for these centres were being formulated. The delay in holding the meetings in the centres at Burhanpur was attributed to the post of the Assistant Director in charge of the Centre lying vacant. At Erode the reason for the delay was preoccupation the members. The centre at Amritsar reported that the response to the meetings was poor.

The problems discussed in the Advisory Committee meeting at Burhanpur related to the working of the centre. The prolems such as lack of supply of raw materials and arrangement for processing and marketing of products faced by the weavers were not discussed in the meeting. Similar position prevailed in the Advisory Committee's meeting at Belgaum also.

The Advisory Committees of the centres at Malegaon, Maunath Bhanjan, Kishangarh and Trichur recommended that the payment of the stipend should be at reasonable rates. Other recommendations of the committees were as follows :—

(a) installation of two looms for synthetic fabrics (Cuttack) ;

(b) opening of retail counter by the National Textile Corporation for sale of yarn (Gaya) ;

(c) rent free hostel facilities to weavers, conducting study tours of the trainees (Kishangarh) ;

(d) increase in the staff, installation of automatic loom, providing export quota (Malegaon) ;

(e) increase in the period of training and giving monetary support to weavers (Maunath Bhanjan) ;

(f) starting libary with technical books, audio visual assistance, posting of staff having good knowledge of local language ; and

(g) identification of items for usage by Government Departments and giving preferential treatment to them (Trichur).

There was no record in the Textile Commissioner Office to readily indicate whether all the recommendations of the Advisory Committees were examined and action taken on them.

51.14 *Other topics of interest.*

51.14.1 *Powerlooms lying idle* :—Nearly 60 *per cent* of the powerlooms in Malegaon area have stopped functioning as they were not economically viable. Due to low margin of profit, non-availability of working capital, high price of yarn and closure of textile mills, the installed capacity of the powerlooms in Calcutta area has been reduced to 30 *per cent*. Powerlooms lying idle for similar reasons in other centres were Burhanpur (40 *per cent*) and Cuttack (60 *per cent*).

51.14.2 *Non-disposal of stock of cloth* :—In the centre at Burhanpur, cloth measuring 879.50 metres and 47 sarees and three chadars manufactured by the trainees during practical training on different looms had been lying (April 1988) at the centre from 1980-81 and were getting damaged. The stocks could not be disposed of as guide lines for disposal were yet to be formulated. In the centre at Kishangarh cloth measuring 2985.5 metres (cost not fixed) manufactured by the trainees since inception of the centre was lying undisposed off (December 1988).

51.14.3 *Idle manpower* :—The expenditure on pay and allowances of the staff which remained idle due to non-starting of training programmes, non-developing of designs etc. till 1981-82 incurred by the centre at Gaya amounted to Rs. 1.32 lakhs. Similarly the expenditure of Rs. 1.97 lakhs on the pay and allowances of the staff of the centre at Amritsar, during 1980-81 to 1985-86 was by and large rendered wasteful as no samples were tested/developed during the period.

51.14.4 *State Governments support* :—State Governments were requested (1979) to extend full facilities, co-operation and support to achieve the various objectives of the scheme. The centre at Surat, however, stated (March 1988) that the District Industries Centre which was approached in December 1984 to give wide publicity for the training facilities provided under the scheme had not taken any action to give such publicity.

51.14.5 *Encroachment in handloom sector* :—As per the Government of India, Handloom Reservation Act 1986, 22 items like sarees with woven borders, hundered *per cent* cotton check shirtings, dhotis with woven borders with extra warp etc. were exclusively reseved for handloom sector. Through the monthly activity reports for July 1987, December 1987 and January 1988 the Belgaum centre brought to the notice of the Textile Commissioner, encroachments of powerloom units on such items. No remedial measures had, however, been taken by the Textile Commissioner (March 1988). It was stated by the Additional Director of Industries and Commerce, Bangalore that the Enforcement Officer, Government of India, New Delhi inspected a few powerloom units in Bangalore District in 1986-87 and found a few cases of violation of the provisions of the Act. The Powerloom Association has obtained a stay order for operation of Handloom Reservation Act and these cases are pending in the Supreme Court. The Director of Industries and Commerce, Bangalore had submitted to State Government during 1987-88 a proposal to create a separate Enforcement wing on the State side. Decision was awaited (August 1988).

The centre at Cuttack stated that no powers were delegated to them for inspection of the areas reserved for handloom sector to locate the encroachments.

The matter was reported to Ministry in October 1988 ; reply has not been received (December 1988).

52. General—Losses and irrecoverable due, written off/waived and ex-gratia payments made

Statement showing losses and irrecoverable revenues, duties, advances, etc. written off/waived and *ex-gratia* payments made during 1987-88 is given in Appendix VIII to this Report.

It will be seen from the Appendix that in 78 cases, Rs. 16.93 lakhs representing losses mainly due to failure of system, neglect, fraud, etc. on the part of individual Government officials and for other reasons were written off during 1987-88. In 454 cases, involving Rs. 927.59 lakhs, recovery was waived and in 1524 cases aggregating Rs. 325.36 lakhs, ex-gratia payments were made during the same year.

CHAPTER IV

WORKS EXPENDITURE

Ministry of Energy

(Department of Power)

53. Salal Hydro-electric Project

53.1 *Introduction*

The Salal Hydro-electric Project is a "run-of-the river" scheme (i.e. without any storage reservoir) on the river Chenab located at Dhyangarh loop near Reasi about 100 kilometres from Jammu. The Project envisages exploiting of hydropotential of the river Chenab to achieve an installed capacity of 690 megawatts (MW) of power to be implemented in two stages of 345 MW each. The three units (115 MW each) of the first stage have been under execution since 1970 when the project was finally cleared by Government of India. The power generated will be fed into the nothern grid through five 220 KV transmission lines of about 490 circuit kilometres.

Mention was made about this project in the Report of the Comptroller and Auditor General of India for the year 1977-78, Union Government (Civil). The recommendations of the Public Accounts Committee are contained in their 25th Report (1980-81) and 65th Report (1981-82).

53.2 *Scope of Audit*

The accounts of the project for the period from 1978-79 to 1986-87 were test checked in Audit. Subsequent developments wherever considered appropriate have also been referred to.

53.3 *Organisational set-up*

The project was entrusted by the Government of India to the National Hydro-electric Power Corporation (NHPC) on agency basis with effect from 15th May 1978.

53.4 *Highlights*

— **The project cost of Rs. 55.15 crores sanctioned in March 1970 was revised to Rs. 222.15 crores in May 1978 and to Rs. 490.45 crores in August, 1983. Rupees 519.40 crores have been incurred up to end of March 1987.**

— **The estimated cost of "Direction and Administration" has gone up from Rs. 375.70 lakhs in 1968 to Rs. 3553.86 lakhs in 1986 the actual expenditure to end of March 1987 being Rs. 3084.87 lakhs.**

— **The first phase of the project which was stated in 1970 has been commissioned in November 1987. The schedule of completion envisaged in project reports from time to time could not be adhered to and there was delay in completion of almost all the major components of the project.**

— **Rockfill dam was to be constructed departmentally but works worth Rs. 3.53 crores were allotted to the contractors, resulting in under-utilisation of machinery worth Rs. 41 crores purchased for execution of work departmentally. Despite heavy expenditure incurred to check seepage in the dam the same has not been controlled.**

— **The cost of concrete dam increased from Rs. 3959.36 lakhs as per sanctioned estimate of 1978 to Rs. 15610.19 lakhs as per modified estimate of 1986.**

— **Though financial assistance worth Rs. 31[illegible] lakhs was given to a firm yet tail race tunnel, which was to be completed by September 1982, was completed only in October 1987. One pneumatic drilling jumbo machine worth Rs. 43.61 lakhs purchased for this tunnel could not be put to use due to technical reasons thereby resulting in blockage of this amount.**

— **While plugging diversion tunnel in December 1986 machinery and equipment worth Rs. 29.16 lakhs were left behind and could not be retrieved.**

— **Claim for Rs. 5.04 lakhs on account of subsidy on freight charges for cement was not preferred within the prescribed period which resulted in a loss. Claims valuing Rs. 2.53 lakhs with Railways on account of non-receipt of materials/transit shortages are still unsettled. Surplus spares worth Rs. 1.07 crores (out of Rs. 2.11 crores) lying in stores have not so far been got utilised/disposed of by NHPC. Steel worth Rs. 28.87 lakhs imported from abroad during June to September 1981 is also lying un-utilised.**

53.5 *Project estimate/expenditure*

The project cost of Rs. 55.15 crores sanctioned in March 1970 was revised to Rs. 222.15 crores in May 1978 and to Rs. 490.45 crores in August 1983. In September 1985, a fresh project estimate for Rs. 567.34 crores was prepared. On the basis of the comments of the Central Water Commission (CWC) the project cost was modified to Rs. 585.35 crores (July 1986) and is awaiting sanction of the Ministry of Energy, Department of Power.

The expenditure up to March 1987 vis-a-vis the sanctioned estimates of May 1978 and August 1983 and modified estimate of 1986 is as under :—

(In lakhs of rupees)

	Item of work	Revised Estimates 1978	1983	1986	Expenditure to end of March 1987
1.	Direction and Administration	19,04.35	40,06.64	35,53.86	30,84.74
2.	Machinery and equipment	14,67.59	26,55.04	24,58.09	28,01.27
3.	Stock suspense	39.35	91.41	1,25.23	2,88.17
4.	Dams	85,83.54	199,77.04	255,32.83	234,79.13
5.	Water conductor system (penstocks)	6,35.20	38,66.06	31,31.48	27,26.45
6.	Power house	11,89.43	48,67.40	53,23.06	37,59.08
7.	Generating plant and machinery	31,58.48	39,91.64	36,90.65	33,20.85
8.	Transmission and distribution	13,50.15	20,38.33	26,96.74	21,47.23
9.	Communication and buildings	11,76.89	19,09.64	25,42.85	17,85.54
10.	Ancillary works	9,29.36	26,31.46	30,70.37	29,99.45
11.	Other expenditure	6,86.06	17,92.58	24,61.62	16,65.67
12.	Tail race tunnel	18,12.94	27,27.93	54,24.23	45,67.88
	Gross amount	229,33.34	505,55.17	599,93.01	525,98.46
	Receipts and recoveries on capital account	(—)7,18.36	(—)15,10.00	(—)14,58.13	(—)6,58.26
	Net amount	222,14.98	490,45.17	585,34.88	519,40.20

The increase in cost as compared to the sanctioned estimate of 1978 has been broadly classified in the sanctioned estimate of 1983 and modified estimate of 1986 as under :—

(In lakhs of rupees)

(i) Geotechnical reasons	44,74.03
(ii) Price escalation	1,54,97.41
(iii) Inadequate/excess provision	47,12.72
(iv) Change in design/construction planning	25,86.61
(v) New items	97,88.90
TOTAL	3,70,59.67

The increase in cost is due to inadequate preliminary investigations, defective planning, estimation and organisation, extensive design changes during construction and abnormal delay in the completion of all major components of the project.

Ministry, however, stated in August 1988 that geological problems with regard to the foundations of dams and diversion tunnel encountered during excavation could not be assessed during investigation stage and that extensive design changes during construction, causing abnormal delay in completion, could not be avoided as the project had to react to various unforeseen geo-technical problems cropping up as the work progressed.

In a project of such magnitude, the feasibility report should have considered all these aspects. It is regrettable that the Ministry should justify the delay and the cost over-run.

Disturbed at manifold increase in cost in "Direction and Administration" with estimated expenditure under this head having jumped from Rs. 375.70 lakhs in 1968 to Rs. 1904.35 lakhs in 1976 and Rs. 2550 lakhs in 1980, the Public Accounts Committee in their twenty-fifth Report (1980-81) had asked the Ministry of Energy to analyse in depth with the help of the Chief Cost Accounts Officer of the Ministry of Finance the reasons for the abnormal increase in expenditure under this head with a view to exploring areas where economies could be effected. There was nothing on record with the project authorities to indicate whether any follow-up action had been taken in the matter. Meanwhile, as per the modified project estimate of 1986, the cost of this item has gone up to Rs. 3553.86 lakhs, an increase of 846 *per cent* the actual expenditure to end of March 1987 being Rs. 3084.74 lakhs.

Ministry while stating (August 1988) that "the expenditure on establishment was well within the overall guidelines of the CWC" and the "absolute economy was exercised in filling up the sanctioned posts", did not clarify whether any follow-up action was taken in pursuance of the recommendations of the Public Accounts Committee especially in regard to other items of expenditure falling under "direction and administration". It is not clear what was the "absolute economy" that was exercised despite which there was an increase of 846 *per cent* in the expenditure falling under "Direction and Administration".

53.6 *Commissioning schedule*

As per the revised project estimate prepared in 1981, the commissioning date for the first unit of the project was August 1987 and that of the second and the third units was November 1987 and February 1988 respectively. The project estimate was sanctioned by the Ministry of Energy in August 1983 with the stipulation that the entire project was likely to be completed by November 1986. Concurrently, ways and means were identified by the NHPC which compressed the schedule by corresponding increase in the various inputs and accordingly the revised compressed schedule envisaged commissioning of the first unit of the project by December 1985, second unit in May 1986 and third unit in October 1986. Later on, the date of commissioning of first unit was revised to June 1986 in September 1984. In the third revised project estimate prepared in 1985, the date of commissioning of the first unit was again shifted to September 1986 followed by commissioning of the second and third units in October and December 1986 respectively, attributing the delay in the completion of the project mainly to (i) the presence of a 50 metre thick highly water charged shear zone in the tailrace tunnel which prevented boring the balance 300 metres of the tunnel and (ii) the increase in the length of the tunnel by about 50 metres during execution. Inspite of augmentation of resources of the firm, the project authorities could not commission the first unit on the schedule date. Subsequently, due to massive sliding of hill opposite spillway on 9th June 1987 the right bank road in a stretch of about 200 metres got completely washed away as a result of which overall progress of the project got a set back. Further, after the reservoir level was raised and the river water was allowed to pass over the spillway on 29th June 1987, the operated spillway generated continuous splash and spray due to ski-jump on the right bank road over the plunge pool. The spray water also covered the power house tail pool area where the working had become very difficult. Besides, flow of shear zone material with water continued affecting progress of work of the tail race tunnel.

As per terms of the award all relevant|connected civil works pertaining to power house under the contact were to be completed by the National Projects Construction Corporation Limited (NPCC) by 31st October 1986. In case of failure, to complete the work or items of works within the specified dates of completion, the contract could be cancelled without prejudice to any other right or remedy and carry out the incomplete work by any means at the risk and cost of the firm. Further, in the case of failure in completing of the whole work by October 1986, the firm was liable to pay compensation at the rate of 1/4 *per cent* of the contract sum (Rs. 1867.26 lakhs) per week's delay, subject to maximum of 5 *per cent* (Rs. 93.36 lakhs) of the contract value. Though the civil works were completed only in May 1987 the aforesaid penalty clauses have not been invoked against the firm. Due to all the aforesaid factors three units of stage-I of the project was commissioned as late as November 1987.

Ministry stated, in August 1988, that marginal delay in completion of essential works was beyond the control of the firm and attributed the delay to (i) flooding of the Power House due to industrial unrest in April 1983; (ii) submergence of the Power House due to floods in March 1984 and July 1986; (iii) shortage of key construction materials and skilled man power due to disturbances in Punjab; and

(iv) disturbances and riots at the project site in November 1984.

53.7 *Rock fill dam*

53.7.1 *Delay in construction* :—The CWC in their report (1971) on Salal Project envisaged commencement of construction work for rockfill dam in January 1974 with completion schedule in February 1977. The work on rockfill dam was, however, started in 1976 only after development of approach roads. The rockfull dam was actually completed in January 1987 for reservoir filling.

The major reasons for delay as per the project records are as under :—

(i) Unrealistic construction schedule;

(ii) Delay in commencement of work on the entire project due to finalisation of Indo-Pak Treaty;

(iii) delay in completion of diversion tunnel and diversion of river;

(iv) substantial increase in foundation and abutment treatment works.

(v) increase in the quantity of rockfill material;

(vi) Procedural delay in procurement of new equipments of indigenous and imported origin; and

(vii) imposition of prolonged curfew in the projcet area in November 1984 resulting in setback to the progress for about 3 months.

53.7.2 *Departmental execution of work* :—In its meeting held in February 1974, the standing committee of the project decided on technical considerations to construct the rockfill dam departmentally as the proper expertise was not available in private sector. Accordingly, the project purchased heavy earth moving machinery worth Rs. 41 crores, seventy five *per cent* of this expenditure was decided to be debited to rockfill dam on account of depreciation of machinery till completion of the work. The project recruited more than 2000 personnel, both skilled and unskilled, for execution of this work departmentally and also set up field and base workshops for maintenance, repairs and overhauling of the equipments. It was seen during Audit that a number of works relating to collection and carriage of sand, river borne material and clay etc. costing about Rs. 230.70 lakhs were also allotted to the contractors in 1984-85 as according to the project authorities, the progress of some components of the rockfill dam was behind schedule. Besides, guniting and shotcreting works of dam were also got executed by contractors at a cost of about Rs. 1.22 crores.

Though according to Ministry (August 1988) the skilled/unskilled labour and machinery thus rendered surplus were utilised on mining river borne materials at some other places, the details of actual deployment could not be worked due to non-compilation of estimate-wise accounts by the Finance Wing of the project. Besides, the machinery purchased at a cost of Rs. 41 crores also remained under-utilised to a larger extent as hire charges recovered from the contractors amounted to Rs. 2.68 lakhs only.

53.7.3 *Increase in cost* :—The increase in the estimated cost of rockfill dam from Rs. 4028.70 lakhs in the second revised estimate sanctioned in 1978 to Rs. 6943.43 lakhs in the sanctioned estimate of 1983 and to Rs. 9125.37 lakhs as per modified estimate of 1986 has been attributed namely to price escalation (Rs. 2130.65 lakhs), inadequate provision (Rs. 174.29 lakhs), change in design (Rs. 298.97 lakhs), inclusion of new items (Rs. 2092.92 lakhs) and geo-technical reasons (Rs. 399.94 lakhs). This is indicative of defective planning and estimation.

53.7.4 *Seepage of water* :—In order to check the seepage of water it was decided to provide curtain grouting as per sanctioned estimate of 1983 at a cost of Rs. 11.66 lakhs and a 50 mm thick gunite over hard drawn steel wire fabric in the core base and all along the core contact zone at a cost of Rs. 93.21 lakhs besides a concrete cut off in the core trench of the dam at a cost of Rs. 7.90 lakhs. As per revised estimate of 1985 the cost of this guniting work was reduced to Rs. 44.47 lakhs and instead shortcreting of 150 mm thick in lieu of guniting 50 mm thick was provided in right and left abutments at an estimated cost of Rs. 78.85 lakhs. But when the water filling was started in the reservoir from March 1987 there was seepage of water in the rockfill dam. Seepage increased with the increase of water level in the reservoir. Thus curtain grouting, guniting and 150 mm thick shortcreting have not controlled the seepage.

As against this, shotcreting and guniting works were got done through contractors at a cost of Rs. 1.22 crores. Still the seepage has not been controlled so far.

The Deputy Manager, Salal Rockfill dam Division stated, in May 1988, that as per suggestion of the Technical Advisory Committee (TAC) construction of piazometres, relief walls and horizontal holes has been taken up and that Central Water Power Research Station (CWPRS) has also conducted studies but their report was awaited. However, Ministry stated (August 1988) that the path/source of the seepage was still not known and the studies by the CWPRS for tracing the path of seepage were under progress. It was further stated that it could not be firmly stated whether seepage is wholly being contributed through the foundation of the rockfill dam or otherwise but due to silting of upstream in front of dam the total seepage had come down from 25 cusecs in August 1977 to 21.43 cusecs in April 1988.

53.8 *Concrete dam*

The increase in the estimated cost of concrete dam from Rs. 3959.36 lakhs in the second revised estimate sanctioned in 1978 to Rs. 12338.30 lakhs in the sanctioned estimate of 1983 and to Rs. 15610.19 lakhs as per modified estimate of 1986 has been attributed mainly to price escalation (Rs. 4462.87 lakhs), inadequate provision (Rs. 1325.58 lakhs), geo-technical reasons (Rs. 2829.36 lakhs), and inclusion of new items (Rs. 3835.36 lakhs), counter balanced by decrease of Rs. 802.34 lakhs due to change in design of plunge pool.

53.9. *Tail Race Tunnel*

53.9.1 *Financial assistance given to the contractor*

Out of the total advance of Rs. 315 lakhs paid to Gammon India Limited, Bombay in connection with the award of work for construction of tail race tunnel a sum of Rs. 63.22 lakhs was still outstanding at the end of May 1987. So against a contract value of Rs. 9.49 crores the contractor was given financial assistance to the extent of about 33 *per cent* of the contract value but the job was actually completed by the firm in October 1987 instead of September 1982.

In pursuance of the recommendations made by the Public Accounts Committee in para 1.198 and 1.199 of thier Twenty fifth Report (1980-81) the Ministry of Energy had informed the Committee in September 1981 that NHPC would have no hesitation in invoking the penal psovisions of the agreement against the firm and take alternative steps to get the work done should it become necessary. It has, however, been observed by Audit that no penal provisions were invoked by NHPC even though the work was not completed by them in the revised scheduled date viz. March 1984.

Ministry, however, stated (August 1988) that the firm was given additional ways and means advance in the wake of phenomenal increase in the value of contract, poor geological conditions and change in construction technique etc. It was also stated the recovery of advances had to be deferred when the contractor's payment on work done would not match with the outage on payments to labour and other inputs.

53.9.2 *Unfruitful expenditure on purchase of pneumatic drilling jumbo machine.*

In order to accelerate the construction of the tail race tunnel a requisition was placed in July 1984 by the General Manager of the project with NHPC for the purchase of one pneumatic drilling jumbo machine. It was desired by the project authorities that the order be placed only in case the machine could reach the project and commissioned by February 1985. The firm on whom the order for the purchase of a similar drilling machine for "Dul-Hasti Project" had been placed expressed its inability to supply the machine by the said date. Therefore in a meeting held by the General Manager in October 1984 it was decided to drop the proposal of procurement of the machine. However, on the basis of orders of NHPC (November 1984) supply orders were placed in November 1984 and January 1985 for the machine and spares respectively at a cost of Rs. 43.61 lakhs. The machine was received in project stores in March 1985 and the assembly thereof at site was completed in May 1985. The trial runs were taken up only in February 1986 due to late receipt of shank-adopters, one of the vital parts of the machine. It was, however, observed that the machine was not suitable for use in drilling of the tunnel due to technical reasons and thus the same was returned to stores immediately and has been lying there un-utilised thereby resulting in the blockage of Rs. 43.61 lakhs.

53.10 *Diversion Tunnel*

The diversion tunnel gates and hoists were supplied and erected by Triveni Steel Limited in 1980 at a cost of Rs. 71.67 lakhs. Material component of this work was worth Rs. 50 lakhs. The diversion tunnel was in operation from March 1980 till it was permanently closed on December 1986. The plugging of diversion tunnel was allotted to Hindustan Construction Corporation Limited on a limited tender basis in May 1985 at a negotiated cast of Rs. 94.93 lakhs. At the time of plugging of the tunnel, equipment worth Rs. 0.84 lakh only was retrieved from the tunnel and the equipment viz. fixed wheel gates, worth Rs. 20 lakhs was to be embedded in concrete of diversion tunnel. However, it was observed that equipment worth Rs. 29.16 lakhs which could have been retrieved was also embedded in the concrete plugging of diversion tunnel on the plea that there was no access to the hoist chamber to remove the equipment as the approach adit was divided in two parts by an RCC wall and the time available for doing this job was very limited. However, it was stated by the Ministry in August 1988 that the unretrieved items were unwieldy and extremely heavy and had to be left embedded due to emergent of situation and that these had already served their full utility and had scrap value of about Rs. 5 lakhs only.

53.11 *Civil stores and procurement circle.*

53.11.1 Loss on account of non-recovery of freight charges/subsidy : Against supply order of June 1984 and April 1985 placed with Khrew Cement factory of J&K Cements Limited (a J&K government undertaking) for supply of 2000 and 4000 tonnes of levy cement respectively on the basis of allocation made by the Cement Controller of India, the project authorities could lift 5456.20 tonnes of cement only. As per the condition laid down in the said orders, the project authorities were to carry cement by their own arrangement and the factory was to reimburse freight in accordance with the formula laid down by the Government of India under the scheme of rationalisation of freights. In respect of supply order of June 1984 the factory reimbursed freight subsidy of 485.65 tonnes, against 1456.20 tonnes of cement lifted, at the rate of Rs. 101.30 per tonne but refusd to entertain claim for refund of the balance amount on the plea that the same was not preferred within the prescribed time of six months and duly supported by necessary documents. As regards supply order of April 1985 the project authorities did not lodge any refund claim on account of freight within the prescribed period due to their failure in procuring necessary documents in support of their claim. The project has thus sustained a loss of Rs. 5.04 lakhs. Ministry stated (August 1988) that the matter was under correspondence with the cement factory and Cement Controller of India.

53.11.2 Unsettled claims with Railways : In March 1981 eight wagons of cement containing 7149 bags despatched from Virrakkam to Jammu by a cement company were not received by the project authorities at Jammu Tawi rail-head. The claim against short delivery of cement lodged with the Railways amounting to Rs. 2.14 lakhs (calculated at Rs. 30 per bag) has not been settled as yet (August 1988).

Similarly, steel despatched by Tata Iron and Steel Company (TISCO) and Sharda Industries in March, July and October 1982 was received short to the extent of Rs. 0.39 lakh by the project authorities at Jammu Tawi rail-head. The claims for these transit shortages have remained unsettled so far.

However, it has been stated by the Ministry in August 1988 that efforts are continuing to get these claims settled as early as possible.

53.11.3 *Non-disposal of surplus spares.*—Spares worth Rs. 207.68 lakhs and Rs. 3.25 lakhs lying in stores of Mechanical Stores Division of the project had not yet been disposed of (August 1987) by Mechanical Procurement and Transport Complex Circle though the matter had been under correspondence with the Senior Manager, NHPC since August 1986. Ministry stated in August 1988 that surplus spares worth Rs. 104.32 lakhs had been transferred up to January 1988) to other porjects.

53.11.4 Purchase of imported steel without requirement : Steel worth Rs. 28.87 lakhs of various sizes was imported in bulk from Korea and Italy and was received at Jammu during June to September 1981. The steel which was procured for being used on the project works had not been transferred to project stores at Bidda|Talwara and was lying (September 1987) at Railway siding Jammu. Though the project has been commissioned in November 1987 this steel worth Rs. 28.87 lakhs had not been used nor the same had been disposed of resulting in blocking up of capital.

In reply to an Audit qurey, the Divisional Engineer Salal Project stated, in September 1987 that planning of project as big as Salal Project required advance action for all procurement of material which may not be of immediate use but may be used at a later stage. It was, however, stated by the Ministry in August 1988 that keeping in view the requirement of power house|second stage of the project some quantity has been reserved and the disposal of the rest by release| issue to other sister projects was under process.

53.12 *Finance and accounts.*

53.12.1 Maintenance of priced store ledger : Consequent upon the transfer of the control of Salal Hydro Electric Project to NHPC on agency basis a Finance and Accounts (FA) wing came into being. Among various items of work, the FA wing was also required to maintain a priced store ledger in order to have an effective control over the receipt and issue of stores. It was observed that the said ledger was in arrears since inception of the project with the result that there was no watch over stores transactions centrally.

Ministry Stated (August 1988) that updating of priced stores ledger was in progress.

53.12.2 Variation of Rs. 93.76 lakhs : The closing balance of the stores and stock for 1985-86 was evaluated at Rs. 1685.73 lakhs, while the FA Wing evaluated the same at Rs. 1591.97 lakhs resulting in a variation of Rs. 93.76 lakhs. These figures have not been reconciled so far to ascertain the correct position and consequently the inventory statement for 1986-87 is in arrears (July 1987). However, the physical verification of store and stocks for the year 1985-86 is yet to be conducted as stated (August 1988) by the Ministry.

54. Mis-appropriation of cement by a transporter

The executive Engineer, Stores and Transportation Division, Beas Project, Bhiwani, after inviting sealed quotations from enlisted contractors allotted on work order basis, carriage of 700 tonnes cement from Lakheri to Bhiwani and Ganguwal to a transport company during June 1984 at an estimated cost of Rs. 1.28 lakhs. The work was to be completed by 20th July 1984. By 30th June 1984, seven trucks carrying 13 tonnes each were loaded at Lakheri for Bhiwani, out of which four trucks reached Bhiwani. It was noticed that stitching of some cement bags was not in order, colour looked different and cement bags weighed less. The truck drivers refused to weigh the truck loads and took back two trucks without delivering the cement. Despite this, the department did not take effective steps to safeguard Government's interest and allowed the transporter, thereafter, to lift 430 tonnes cement, out of 521 tonnes received by him. Against 521 tonnes cement received from supplier in good condition, the transporter delivered only 273.31 tonnes cement to the department including 14.35 tonnes of adulterated cement leaving a balance of 247.69 tonnes cement which was not delivered. Total cost of 262.04 tonnes cement (Rs. 3.93 lakhs) not supplied or supplied in adulterated form and loss (Rs. 0.20 lakh) due to use of defective cement worked out to Rs. 4.13 lakhs. Earnest money of Rs. 0.05 lakh and bank guarantee of Rs. 0.14 lakh obtained against the work order were forefeited and credited to deposit pending adjustment. Notice under Section 10 of the Carriers Act, 1965, was not served on the transporter within the limitation period of six months and became time barred. Responsibility for not taking timely action to ensure and regulate further supplies of cement after 30th June 1984 and for subsequent delay in issue of notice under Section 10 *ibid* has not been fixed. The loss also not been made good by recovery from the transporter.

The matter was reported to Ministry in November 1987, reply has not been received (February 1989).

Ministry of Surface Transport

55. Construction of brodiges and aproach roads by Border Roads Organisation

Two cases of substantial time and cost overruns on construction of bridges and approach roads by Border Roads Organisation (BRO) have come to notice.

Case I

With the object of securing for a road of strategic importance two lane traffic and also a bye pass facility to a point, Ministry of Shipping and Transport (Ministry), in May 1977, sanctioned construction of a bridge at an estimated cost of Rs. 77 lakhs. Approach road to the proposed bridge and pavement including road lift on the approach road were also sanctioned in July 1977 and April 1980, at a cost, in all, of Rs. 69.16 lakhs.

In July 1978, the BRO, after calling for tenders, entrusted the construction of the bridge to a Public Sector Undertaking (PSU), the lowest bidder, for Rs. 59 lakhs. The PSU commenced the work in December 1978. The work was to be completed in December 1981.

The PSU was paid a mobilisation advance of Rs. 5.9 lakhs against a bank guarantee. The advance carried interest at 4 *per cent* and was recoverable through running account payments.

The progress of work was slow. The PSU's request for alternate (Pneumatic) method of sinking of foundation wells was approved by BRO in October 1981, but the former's claim for additional payment therefor could not be agreed to in terms of the contract. In January 1983, the PSU pressed for the additional payment and threatened, in the alternative, to abandon the work. The quantum of work done by the PSU was assessed at 23 *per cent* and an amount of Rs. 26.95 lakhs had been paid to it till October 1982.

The Ministry of Law, to whom the request of PSU for higher rate was referred to, opined in September 1983 that ordering of pneumatic sinking was not a deviation from the original contract and the contractor was bound to execute the work without any extra payment. The PSU resumed the work in January 1984 but with no tangible progress. Finally, in June 1985, the contract was cancelled. The progress achieved before cancellation of contract was 25 *per cent*. A fresh contract was concluded with a private firm in December 1986 for completing the balance work at a cost of Rs. 2.12 crores, at the risk and cost of the defaulting PSU. The progress of the work in March 1988 was 52 *per cent* and an amount of Rs. 69.10 lakhs had been paid to the private firm. The work was scheduled for completion by May 1989.

Out of mobilisation advance, a sum of Rs. 3.48 lakhs with 4 *per cent* interest thereon remains to be recovered from the PSU (July 1988). In addition, BRO had incurred an expenditure of Rs. 0.89 lakh on watch and ward of stores, plant and machinery, left over by the PSU, from January 1986 to February 1987. The bank guarantee for Rs. 3.48 lakhs was not encashed (July 1988).

As regards the construction of the approach road, the work only on one side of the bridge had been completed departmentally an expenditure of Rs. 62.54 lakhs was incurred on the approach roads on both the sides up to May 1988. The work on the approach road on the other side of the bridge was still (July 1988) incomplete as a part of the land required therefor had not been acquired (July 1988).

Case-II

In February 1979, the Ministry sanctioned construction of a permanent bridge on a national highway at an estimated cost of Rs. 15.06 lakhs and contsruction of its approach road at an estimated cost of Rs. 4.62 lakhs.

In July 1980, the construction of the bridge was entrusted to a contractor for a lumpsum amount of Rs. 14.39 lakhs. Work on the approach road was undertaken departmentally. The construction of the bridge, due for completion in October 1982, was completed only in December 1984. In January 1985, the contractor was asked to carry out the load tests. While stage I test was successful, the result of stage II test, conducted in February 1986, was found unsatisfactory. The contractor was consequently instructed not to proceed with stage III test. The contractor was asked in May 1986 to make a revised load test but he declined to do so stating that the earlier tests under taken were quite satisfactory. He also added that the revised load test, if required, might be undertaken at the cost of the department. As the contractor failed to carry out load test inspite of notices the contract was terminated in October 1986 and it was decided finally to carry out the load test at the risk and cost of the contractor. The bridge was subjected to a revised load testing by the department in February 1987. It passed the test and was finally opened to traffic in March 1987. The contractor had asked for arbitration. The arbitrator was appointed on 9th June, 1987. The award of arbitrator was awaited (July 1988).

An expenditure of Rs. 16.11 lakhs had been incurred upto March 1987 on the construction of the bridge. The department had also spent Rs. 2.22 lakhs during December 1984 to July 1986 on maintenance of an existing bailey bridge which catered to the traffic in the absence of the new bridge.

On the approach road. BRO had incurred an expenditure of Rs. 20.26 lakhs as against the sanctioned estimate of Rs. 4.62 lakhs. The reasons for abnormal increase in cost are under investigation (July 1988). Sanction for the excess over the estimate was awaited (July 1988) .

BRO, in July 1988, stated that in respect of case I, the tender documents had a provision for obtaining quotations for items of pneumatic sinking. The PSU had quoted, separately, for pneumatic sinking in their tender which ultimately formed part of the contract. The PSU have been informed about the award of balance works at their risk and cost and the related issues are proposed to be resolved with the PSU through arbitration for which the concurrence of the PSU was awaited.

To sum up :

(a) BRO entrusted the construction of a bridge, estimated to cost Rs. 77 lakhs, to a PSU, at the latter's bid amount of Rs. 59 lakhs. The PSU failed to carry out the work. Consequently, BRO ended up with another contractor to complete 75 *per cent* of the left over work, at a cost of Rs. 2.12 crores. The feasibility of recovering the additional cost from the PSU, is in doubt. Even the recovery of Rs. 3.48 lakhs, due from the PSU, on the mobilisation advance paid to it, remains to be recovered despite the bank guarantee therefor. On the approach roads, estimated to cost Rs. 69.16 lakhs, a sum of Rs. 62.54 lakhs had been spent (February 1988) but work on one side of the bridge was incomplete as a part of land was yet to be acquired and the bridge scheduled for completion by December 1981, remains to be completed (July 1988) resulting in blocking up of over Rs. 90 lakhs.

(b) Another bridge alongwith the approach road, estimated to cost, in all, Rs. 19.68 lakhs, already costs over Rs. 36.37 lakhs and the time overrun had been about 41|2 years, from October 1982 to March 1987 besides involving an avoidable expenditure of Rs. 2.22 lakhs on maintaining an old bridge.

Ministry of Urban Development

56. Infructuous expenditure on vacant requisitioned accommodation.

Floor area measuring 15,239 square feet in a private building was requisitioned by the Director of Estate for allotment to Central Government Departments in Calcutta in October 1965. The Zoological Survey of India which occupied the space from the date of its requisition vacated it in June 1987. While the matter regarding release of the accommodation to the owner was under examination, it received a request from the Ministry of Environment for allotment of vacant portion to some of its attached offices located at Calcutta. Meanwhile the owner filed a writ petition in February 1988 in the Calcutta High Court for recovery of possession and obtained a stay order from the Court restraining from allotting the vacant portions to any Department. The Department pleaded retention of the possession of the premises on the ground of continued requirement of the space for Central Government Offices in Calcutta. In June 1988, it was mutually settled between the owner of the premises and the Department that the Department would continue possession of the accommodation on payment of rent at the rate of Rs. 5.35 per sq. ft. as was determined with effect from 1982. The accumulated rental liability from July 1987 to September 1988 works out to Rs. 12.23 lakhs. Thus, the retention of the accommodation without allotment of the same resulted in infructuous expenditure of Rs. 12.23 lakhs. The accommodation has been allotted to two Central Government offices in Calcutta in August 1988 but the same has not been occupied till January 1989.

The matter was reported to Ministry in July 1988; reply has not been received January 1989).

57. Non-recovery of extra expenditure and compensation from a contractor.

In October 1979, the work "Construction of Technical Teachers Training Institute Building" at Salt Lake, Calcutta was awarded to a contractor at a cost of Rs. 4.33 lakhs and the work was to be completed in April 1980. The contractor started the work in October 1979, but could not complete it within the scheduled date. After issuing a show-cause notice in April 1981, the department rescinded the contract in May 1981 at his risk and cost. Delay in issuing the show-cause notice was attributed (September 1988) by the department to allowing a chance to the contractor during that period. Security deposit of the contractor amounting to Rs. 0.10 lakh was forfeited in May 1981 but compensation equal to 10 *per cent* of the estimated cost (Rs. 0.42 lakh) was not levied. An amount of Rs. 1.35 lakhs had been paid to the contractor up to December, 1980.

The balance work valued at Rs. 2.98 lakhs was awarded in August 1982 to another contractor for Rs. 4.68 lakhs. The work was to be completed in January 1983. It was completed in April 1985 at a total cost of Rs. 5.70 lakhs. Extra-expenditure of Rs. 2.72 lakhs was not recovered from the defaulting contractor. The Ministry of Law was also not consulted in the matter. Department stated in September 1988 that final payment in respect of balance work had not been made. Hence the question of recovery of loss from the defaulting contractor did not arise.

Thus the Government suffered a loss of Rs. 3.14 lakhs on account of extra-expenditure incurred in the execution of balance work and non-levy of compensation for the delay in the execution of work.

The matter was reported to Ministry in July 1988; reply has not been received (January 1989).

58. Extra expenditure due to delay in preparation of building plans.

Ministry of Works and Housing accorded administrative approval and expenditure sanction for an amount of Rs. 6.44 lakhs in June 1985 for conversion of 16 selected D I Flats into sample C II flats in Chanakya Puri, New Delhi by addition of one bed room with attached bath.

Central Public Works Department (CPWD) decided in July 1985 to get the work executed in two flats immediately and to identify later, the blocks in which the remaining work was to be undertaken. Without preparing the building plans and getting the same approved from the local body as required under the bye-laws of the local body and the provisions of the CPWD Manual, the work in two flats was started in July 1985 and completed in April 1986 at a cost of Rs. 1.30 lakhs. The tenders for the remaining 14 flats were invited in August 1985. The lowest quoted amount of Rs. 4.86 lakhs of contractor 'A' which worked out to 17.85 *per cent* above the estimated cost of Rs. 4.13 lakhs put to tender was recommended by the executive engineer for acceptance. The tenders were, however, rejected in April 1986 since the action to prepare the plans and get approval thereto from the local body had not been taken. The CPWD applied to the local body for approval of plans in June 1986 after a year of administrative approval. Without, however, getting the plans approved, tenders were re-invited in July 1986. The work was awarded in September 1986 to contractor 'B' at a cost of Rs. 8.10 lakhs which worked out to 59.82 *per cent* above the estimated cost of Rs. 5.07 lakhs put to tender. The work was commenced by contractor 'B' in September 1986 and was to be completed in nine months. Contractor 'B' executed the work in 8 flats only and completed it in August 1987 at a cost of Rs. 6.73 lakhs which included extra/substituted items amounting to Rs. 1.02 lakhs not envisaged at the time of award of the work. The plans were approved by the local body in January 1987 with a levy of Rs. 0.50 lakh as compounding fee for starting the work unauthorisedly.

Fresh tenders were called for the remaining 6 flats and work was awarded in August 1987 to firm 'C' at a cost of Rs. 4.42 lakhs i.e. 48.25 *per cent* above the estimated cost of Rs. 2.98 lakhs put to tender. The work in six flats was executed by contractor 'C' at a cost of Rs. 4.48 lakhs. Thus, the work in the 14 flats was completed in March 1988 at a cost of Rs. 11.21 lakh. Ministry accorded revised administrative approval and expenditure sanction for all the 16 flats for Rs. 12.73 lakhs in February 1987.

Thus, delay in preparation of building plans and execution of work before getting the plans approved from the local body led to the payment of avoidable compounding fee of Rs. 0.50 lakh to the local body, and extra expenditure of Rs. 2.32 lakhs on account of payment of higher rates to contractors 'B' and 'C'.

The matter was reported to Ministry in August 1988: reply has not been received (December 1988).

59. Extra expenditure due to non-observance of terms of contract.

The contract for the work 'Construction of Central Government Health Services (CGHS) dispensary' at Hauz Khas (Bhim Nagri), New Delhi was awarded by the Central Public Works Department (CPWD) in January 1978 to contractor 'A' at his tendered amount of Rs. 4.14 lakhs which was 13.37 *per cent* above the estimated cost of Rs. 3.65 lakhs put to tender. The stipulated dates of start and completion of work were 30th January 1978 and 29th January 1979 respectively. The foundation plans/drawings were supplied only in April 1978, though according to the provisions of CPWD Manual, detailed plans were to be made available to the contractor along with the tender documents. The work was started by the contractor in April 1978.

According to the terms of the contract cement to be used on the work was also to be supplied by CPWD. The same was supplied during February 1978 to January 1979. The cement issued to the contractor was got tested from CPWD laboratory in June and July 1978 and again in January 1979, and the same was found to have less strength than that required for reinforced cement concrete (RCC) work. CPWD supplied structural drawings to the contractor 21 days before the stipulated date of completion of work. The contractor did not resume the work because the cement with required strength was not supplied till January 1979 when the contractor intimated CPWD that he had no objection to carry out the work with the cement supplied by CPWD provided, the work of lower compressive strength would be acceptable to the department. Without issuing the cement with required strength CPWD served show cause notice on the contractor in February 1979 for not completing the work by the stipulated date of completion and for abandoning the work. CPWD finally rescinded the contract in May 1979.

The balance work was awarded in April 1980 to contractor 'B 'at the risk and cost of contractor 'A' at Rs. 5.51 lakhs which was 64.27 *per cent* above the estimated cost of Rs. 3.44 lakhs put to tender. The work was completed in June 1981 at a cost of Rs. 4.92 lakhs.

Contractor 'A' sought arbitration in April 1979 and claimed payment for work executed and payable to him. He also claimed compensation for cost of structures, expenditure on establishment and staff, hire charges of shuttering and temporary electric connections, interest for delayed payment etc. CPWD submitted counter claims to the arbitrator for Rs. 3.01 lakhs which included Rs. 1.72 lakhs on account of extra cost of getting the left over work completed through contractor 'B' The arbitrator rejected the claim of CPWD on the ground that the work could not be completed by contractor 'A' owing to various breaches/lapses on the part of CPWD. He held the rescission legally unjustified and awarded payment of R. 0.10 lakh in favour of contractor 'A' on account of compensation for expenditure on structure, establishment, hire charges of shuttering and temporary electric connections and interest at 12 *per cent* per annum from April 1979 to the date of actual payment of decree whichever might be earlier. The payments in terms of the award were made in May 1988.

Thus, CPWD incurred extra expenditure amounting to Rs. 1.98 lakhs in the case due to non-fulfilment of contractual obligations, namely, (i) non-supply of plans/drawing to contractor 'A' in time and (ii) non-issue of cement of required strength to contractor 'A'.

The matter was reported to Ministry in August 1988; reply has not been received (December 1988).

60. Extra expenditure due to delay in finalisation of drawings and handling over of site.

The work of converting an 'ordinary room' into a 'computer room' for installation of a mini-computer at the Regional Meteorological Centre, Calcutta was sanctioned in April 1984 and the work was awarded in May 1984 to a contractor at a cost of Rs. 1.88 lakhs. The work was to be completed by 15th July 1984. The drawings for the execution of the work were received from higher authorities in December 1984 and the same were immediately handed over to the contractor i.e. 5 months after the stipulated date of completion of the work. The site (vacant room earmarked for conversion into a computer room) was handed over to the contractor in April 1985 just after the Regional Director, Metrorological Observatory, could hand over the same to the Division. The contractor commenced work in June 1985 and was granted extension of time upto July 1986. When the progress of work was found to be unsatisfactory, the contract was rescinded in June 1986 at the risk and cost of the defaulting contractor.

The contractor had executed work valued at Rs. 0.79 lakh till June 1986. The balance work costing Rs 1.09 lakhs valued at the rate of first contractor) was re-tendered and was awarded in August 1986 to another contractor at a cost of Rs. 1.87 lakhs and the same was completed in April 1987 at a cost of Rs. 2.17 lakhs. The extra expenditure of Rs. 1.08 lakhs could not be recovered from first contractor as an Arbitrator who had gone into the claims of the department had held (December 1987) that the initial violation of the contract had been committed by the department in not making the drawings and site available to the contractor and therefore rescission of the contract at the risk and cost of the contractor was untenable. The department had accepted the award of the Arbitrator in January 1988.

Thus the award of work without finalisation of the drawings, and delay in handing over the site resulted in avoidable extra expenditure to the tune of Rs. 1.08 lakhs.

The department stated (September 1988) that no action had been taken for the delay in handing over of the drawings and site.

The matter was also reported to Ministry in July 1988, reply has not been received (January 1989).

61. Loss due to non-observationce of terms of contract and shortage of material

The work of "Construction of quarters under Crash Programme at Aram Bagh Area, New Delhi, sub-head : Roads and Paths" was awarded in December 1984 to contractor 'A' for Rs. 3.41 lakhs at 6 *per cent* below the estimated cost of Rs. 3.62 lakhs put to tender.

The contract, *inter alia,* provided that "site of the work is available|site of wosk shall be made available in parts as specified below". However, the parts in which site was/was to be made available were not specified.

The work was scheduled to start in December 1984 and was to be completed in four months. Since the contractor had not maintained the progress of work and had failed to complete the same inspite of show cause notice served on him in January 1986 the contract was rescinded in March 1986 after he had executed a part of the work and had been paid a sum of Rs. 0.68 lakh. The balance work was got executed through four contractors during June 1986 to January 1987 at the risk and cost of contractor 'A' at an extra cost of Rs. 0.56 lakh. Contractor 'A' was asked to attend the site for joint measurements in March 1986. Joint measurements of the work done were taken in the presence of contractor 'A' who is stated to have refused to sign the measurement book. No measurement was recorded of stock of bitumen which was lying at the site of work, on which contractor 'A' had been paid secured advance of Rs. 0.34 lakh in July 1985 even though during site inspection in February 1986, 53 out of 104 drums had been found empty and no item of work requiring the use of bitumen had been executed by the Contractor.

After rescission of the contract, contractor 'A' requested CPWD in June 1986 to return the bitumen after adjusting the amount of secured advance paid to him in his running account bill.

Contractor 'A' was informed by the CPWD that the bitumen was still under his custody. He was again requested in January 1987 to attend the site and handover all the drums of bitumen on which the secured advance had been paid to him. Contractor 'A' however, did not attend the site. The bitumen drums were again checked by he CPWD in January 1987 and after more than two months of the date of checking of the drums, the CPWD informed the contractor in March 1987 that only 54 drums were full and the remaining 50 drums were empty. It requested him either to refund the amount of secured advance paid or to replace 50 empty drums with filled ones. However, when 54 drums stated to be full were actually weighed in November 1987, these were also found partly full and a quantity of 2.40 tonnes only was found in those drums, against 16.276 tonnes for which secured advance had been paid.

The contractor went in arbitration in March 1987, *inter alia* to obtain payment of his final claim which had been withheld due to rescission of contract. He also claimed the cost of 104 bitumen drums left at the site of work. The contractor pleaded that full site was not given to him till long after the stipulated date of completion of work. The arbitrator gave award in favour of the contractor stating that there were hindrances regarding non-availability of clear and full site for the execution of the work even after the stipulated period for the completion of the work was over and, therefore, the contractor could not be forced to continue with the work. The arbitrator also held that the contractor was entitled to a sum of Rs. 0.57 lakh as the cost of full quantity of bitumen in 104 drums brought by him at site, as he found no evidence for rejecting the claim of contractor 'A' that CPWD had already taken over the stock of bitumen. Accordingly, CPWD had to bear the loss of Rs. 0.49 lakh representing the cost of bitumen found short.

Thus, the Government suffered a loss of Rs. 1.05 lakhs due to the following lapses on the part of CPWD:—

(i) Clear and full site was not made available to the contractor even up to the stipulated date of completion of work.

(ii) Action was not taken to get replaced the stock of bitumen found short during February 1986, though the indenture for secured advances empowered the CPWD to do so.

(iii) The quantity of bitumen available at the site of work at the time of rescission of contract was not taken over.

CPWD stated in October 1988 that they decided not to refer to the arbitrator their claim for extra cost incurred on execution of the balance work as the arbitrator had not upheld their order for rescinding the work; as regards loss incurred on bitumen, the case was being referred to the Vigilance unit of the CPWD for detailed investigation and fixation of responsibility.

The matter was reported to Ministry in July 1988; reply has not been received (December 1988).

62. Defective diesel generating set

To provide continuous power supply to the Central Indian Pharmacopoeia Laboratory, Ghaziabad (CIPL), the Hindon Central Electrical Division, Ghaziabad purchased a 200 KVA diesel generating set through the Director General of Supplies and Disposals, New Delhi for Rs. 5.99 lakhs (including installation charges Rs. 0.17 lakh), of which Rs. 5.24 lakhs, towards 90 *per cent* cost, were paid against inspection and proof of despatch, the balance Rs. 0.75 lakh to be released after satisfactory installation and testing.

The set, supplied in March 1983, was guaranteed for 15 months from the date of supply or 12 months from the date of commissioning, whichever was earlier. Before it could be tested in August 1984, the guarantee period expired due to supplier's one year delay in installation of the set and the Division's four months delay in arranging the load required for testing. Consequently, the defects noticed during testing were not removed by the supplier. The Division, however, commenced using the defective set from March 1985, after disconnecting the in-built automatic overload safeguard, due to which it got burnt after occasional use till July 1985. The supplier authorised the Division in March 1986 to get the set repaired at the supplier's cost. The set was handed over to another firm without obtaining any security for repairs in April 1986. The set, due to be repaired by 20th May, 1986, had not been returned by that firm (July 1988) after repairs; spares costing Rs. 2.50 lakhs procured in 1985-86 were also lying idle. The CIPL continuous to run without assured power supply.

The matter was reported to Ministry in September 1988; reply has not been received (November 1988).

Andaman and Nicobar Administration

63. Provision and improvement of piped water supply arrangement in North Andaman villages.

In November 1983, the Principal Engineer, Andaman & Nicobar Administration accorded administraitve approval and expenditure sanction for Rs. 20.26 lakhs for the work 'Providing piped water supply to Kalipur—Shibpur and improvement to piped water supply for Durgapur in North Andaman. The work was to be executed departmentally within a period of two working seasons. The work was, however, completed in February 1987 at a cost of Rs. 34.06 lakhs. Excess of expenditure of Rs. 13.80 lakhs over sanction has not been regularised (July 1988). The division stated to the Principal Engineer in June 1988 that the unsatisfactory site condition, remotenees of locality, transportation difficulties, rise in cost of materials, low labour out-turn and limited working seasons mainly contributed to the delay in completion of the work. The contention of the division is not acceptable as the estimation of work was done after taking into account all attendant difficulties in executing a work and there are no extraordinary circumstances on record to prove that the cost overrun and time overrun could not be avoided.

A scrutiny of the accounts of the works and other relevant records by Audit brought out the following points :—

(i) The original estimate envisaged laying of 14,370 metres of high density polythene pipes. Shortly after commencing of work in May 1984, it was found that the high density polythene pipes were not strong enough to withstand water pressure and were hence unsuitable. This necessitated replacement of 4,859.15 metres of high density polythene pipes already laid by cast iron and galvanised iron pipes resulting in a loss of Rs. 8.53 lakhs being the cost of unsuitable high density polythene pipes discarded. Reasons for non-consideration of factors like hilly areas etc. while making provisions for polythene pipes in the estimate were not on record nor stated.

(ii) The material at site account showed high density polythene pipes worth Rs. 2.12 lakhs lying unutilised from August 1986. The department stated (June 1988) that the excess materials had been returned to stores. But, no explanation could be offered as to the prospect of use of the pipes.

The matter was reported to Ministry in April 1988; reply has not been received (January 1989).

64. Unfruitful expendiutre due to change of site.

Administrative approval and expenditure sanction for Rs. 7.64 lakhs were accorded in August 1980 for construction of training centre, workshop and hostel for Fisheries Department at Port Blair. The work was taken up in October 1980 departmentally for completion within one year. No soil testing was done while selecting the site. The excavation work of foundation trenches in respect of the building, however, commenced in December 1980 and completed at a cost of Rs. 2 lakhs in March 1981. But, further work could not be taken up owing to landslide and cracking of earth on the top side. A technical committee after joint inspection of the site recommended shifting of the training centre to another site and the work at the original site was abandoned. This resulted in wasteful expenditure of Rs. 2 lakhs due to execution of work at an unsuitable site without soil testing.

The matter was brought to the notice of the Department first in November 1984 but no reply was received despite repeated reminders. In May 1988 the Department finally confirmed that no soil testing had been done before selection of original site and accepted the objection.

The matter was reported to Ministry in July 1988; reply has not been received (January 1989).

Chandigarh Administration

65. Replacement of teak wood flooring in the skating rink.

In February 1985, tenders for replacement of teak wood flooring in the skating rink in Chandigarh were invited. The estimated cost of the work was Rs. 5.50 lakhs of the four tenders received, the rate quoted by firm 'A' (Rs. 68.65 per sft was the lowest followed by firms 'B' to 'D' with rates ranging between Rs. 74.60 and Rs. 119.00 per Sft. The lowest rate of firm 'A' was rejected in Augsut 1985 on the ground that the tender was not accompanied by the earnest money. The rates offered by the remaining firms were not considered for which no reasons were on record.

Tenders for the above work were re-invited in September 1985. Rate of Rs. 80.75 per Sft. offered by firm 'E' was the lowest followed by firm 'F' and 'G' with rates of Rs. 81.45 and Rs. 139.75 per Sft. respectively. The lowest rate of firm 'E' was not accepted on technical ground. The rates quoted by other firms were also not considered for which no reasons wer on record.

Tenders were re-invited for the third time in January 1986 and the order was placed in March 1986 on firm 'H' at the lowest rate of Rs. 114.98 per Sft.

Thus, on account of non-placement of order on firm 'B' (second lowest tender received in February 1985) and re-inviting tenders for the third time, the Administration had to incur an extra expenditure of Rs .3.52 lakhs on the execution of 8714 Sft. of the work.

Ministry endorsed, in December 1987, the views of Chandigarh Administration which informed that the validity period of the offers of other firms had expired by the time the lowest tenders of the firms 'A' and 'E' were rejected after first and second call of the tenders respectively. However, the fact remains that the extra expenditure was due to delay in processing the tenders.

Ministry of Water Resources

(Farakka Barrage Project)

66. Avoidable expendiutre due to irregular grant of interest by Arbitrators.

During the year 1983—88, 14 arbitration awards relating to works contracted by the Farakka Barrage Project between 1966-67 and 1982-83 were delivered in favour of the contractors. All the awards excepting one were non-speaking ones. Eleven awards involving payment of Rs. 3.22 crores to the contractors were discharged in full by May 1988. Out of 11, eight awards (each award involving more than Rs. 0.5 lakh) were discharged without making the awards rules of the Court as required under the manualised provisions. Three awards involving payment of Rs. 44.23 lakhs to the contractors are subjudice (May 1988).

Rupees 3.22 crores involving 11 awards and paid to the contractors in discharge of the awards included interest of Rs. 1.13 crores. In six out of these 11 cases, the arbitrators awarded interest with retrospective effect amounting to Rs. 89.43 lakhs although reference to arbitration was not made with the intervention of the court. It has been judicially held that the arbitrator has no jurisdiction to grant interest on the amount of the award retrospectively in cases where the reference to him has not been made with the intervention of the court. Inclusion of interest liability with retrospective effect on the amount of the award therefore was irregular and resulted in avoidable extra payment to the tune of Rs. 89.43 lakhs. The Project authorities stated in September 1988 that awards granted by the Arbitrators being non-speaking, it was not possible to ascertain the reasons for allowing interest from a retrospective date.

The Ministry stated, in December 1988, that a few arbitration awards had to be discharged without making the awards, rules of the appropriate court to avoid heavy interest liability. Therefore, there was no scope to challenge the award of interest with retrospective effect.

Since the reference to arbitration was not made with the intervention of the court, arbitrators had no jurisdiction to award of interest retrospectively in the six cases. The payment of interest retrospectively has resulted in avoidable expenditure of Rs. 89.43 lakhs.

67. Delay in execution of Pagla and Bansloi river basin scheme.

After the commissioning of Farakka Feeder Canal in 1975 an area of about 20 square miles of low lying areas of Pagla and Bansloi rivers in the district of Murshidabad got permanently inundated by back flow from the river Bhagirathi through the Pagla and Bansloi channels. Prior to the commissioning of Farakka Feeder Canal the low lying areas used to remain inundated for three months during the monsoon period and as soon as the level of Bhagirthi river went down after the monsoon this whole area used to get drained into the Bhagirathi through Pagla and Bansloi channels.

In order to drain out the accummulated water and bring back the affected area to the condition prevailing before the commissioning of Feeder Canal, a scheme at cost of Rs. 4.12 crores was sanctioned by the erstwhile Ministry of Agriculture and Irrigation in January 1979 which was revised to Rs. 5.67 crores in June 1987 mainly due to increase in the cost of labour and materials. The main purpose of the scheme was to make the land suitable for raising rabi and premonsoon crops in the area. As envisaged in the Project Report, the scheme was to be completed by June 1980, but the same has not yet been completed although Rs. 4.68 crores were spent upto September 1988.

The scheme originally consisted of the following works :

(i) construction of two regulators (civil and gate portion) across the rivers Pagla and Bansloi.

(ii) cross drainage works and other incidental works.

Construction of regulators : The construction of two regulators (civil work component) estimated to cost Rs. 1.68 crores was awarded in December 1979 to contractor 'A' at a cost of Rs. 2.69 crores and was to be completed in November 1981. Contractor 'A' started the work in January 1980 and subsequently without any notice left the job in November 1981. An amount of Rs. 16.99 lakhs had already been paid to him for the work done. After issuing a show-cause notice to contractor 'A' in June 1982 the contract was rescinded by the project authorities in September

1982 at the risk and cost of contractor 'A'. The security deposit of Rs. 1.05 lakhs was also forfeited at the time of rescission of contract. A sum of Rs. 28.04 lakhs plus interest (not assessable before finalisation of the case) were recoverable from contractor 'A' on account of (i) compensation due to non-completion of work (Rs. 15.70 lakhs), (ii) compensation for probable excess amount for getting the balance works done through other agencies (Rs. 7.43 lakhs), (iii) interest on mobilisation advance (Rs. 1.61 lakhs), (iv) cost of materials issued but not recovered (Rs. 1.12 lakhs) and (v) hire charges of tools and plant, electricity charges, recovery of house rent and for adjustment of sheet piles etc. (Rs. 2.18 lakhs). But, the am ount could not be recovered as whereabouts of the contractor were not known.

The balance works were awarded to two other contractors 'B' and 'C' in July 1983 at a cost of Rs. 1.54 crores and Rs. 1.04 crores respectively and the work to be completed in April 1985. The contractors 'B' and 'C' started the work in October 1983 and completed the work in September and October 1985 respectively. Rupees 1.54 crores and Rs. 0.95 crore were paid to contractors 'B' and 'C' as running payment upto September 1988. The final bills of both the contractors 'B' and 'C' have not yet been settled (October 1988).

Test check conducted by Audit in November 1986 revealed that as per the agreements made with contractors 'B' and 'C' for construction of civil works on two regulators (balance portion) the work done was to be adjusted (according to the formula specified in the agreements) for increase or decrease in the rate of labour and materials excepting those materials supplied by the project authorities. The value of materials supplied by the project authorities was, however, wrongly taken into account while making escalation payments. This resulted in an excess payment of Rs. 3.29 lakhs to contractors 'B' and 'C'. Besides, while granting the amount of escalation the three monthly average index was worked out for the period in which payments had been made to contractors 'B' and 'C' and not the period in which work had been done. This also resulted in an excess payment of Rs. 0.43 lakh to contractors 'B' and 'C'. The project authorities stated in March 1988 that the work done meant the value of work done and measured in the measurement book irrespective of the fact whether the materials used for the work were supplied by the project authorities or contractor and hence no excess payment had been made. The contention, however, is not correct as the agreements entered into with contractors 'B' ad 'C' specifically excluded the value of materials supplied by the project authorities from the scope of escalation.

The work of design, manufacture, supply and installation of gates over Pagla and Bansloi regulators (including hoisting arrangements) was awarded in August 1985 to contractor 'D' at a cost of Rs. 1.51 crores. The work was to be completed by April 1987. Only 429.86 tonnes of materials were supplied by the contractor upto March 1988 and the erection work has not yet been started (September 1988). Rs. 91.81 lakhs were paid to the firm upto September 1988 against supply of materials.

Cross drainage works etc. The project authorities stated in April 1988 that the effectiveness of above component of the scheme would be known when the regulators were put into operation after completion of installation of gates. The gate work was expected to be completed by March 1989. The project authorities also stated (October 1988) that the execution of the balance works had been suspended as the drainage works might not be required.

Thus, the scheme, though originally scheduled to be completed in June 1980 at a total cost of Rs. 4.12 crores as per project report, has not yet been completed even after a lapse of eight years and the purpose for which the scheme was taken up has not also been achieved even after incurring an expenditure of Rs. 4.68 crores upto September 1988. The works executed have resulted in large irrecoverable cash advances and cost of services (Rs. 28.04 lakhs) to contractor 'A' which may become losses to Government. Due to wrong calculation of the amount paid as escalation Rs. 3.72 lakhs were overpaid to contractors 'B' and 'C'.

The project authorities stated in March 1988 that delays upto 8 years had occurred due to reasons like delay in land acquisition, delay in the receipt of drawings, delay in the supply of materials and reinvitation of tenders. The project authorities further stated in October 1988 that Ministry of Law and Justice whose advice was sought for in January 1988 had advised (March 1988) them to ascertain whether the firm (contractor 'A') had gone into liquidation or not. Further course of action would be advised by the Ministry of Law and Justice on receipt of the above information.

The matter was reported to Ministry in July 1988; the reply has not been received (January 1989).

68. Injudicious procurement of materials.

As part of the programme for augmentation of water supply at Farakka Barrage Project site, it was recommended by the Building Committee of Farakka Barrage Project in July 1978 that domestic overhead service tanks might be provided on buildings having reinforced cement concrete roofs.

In pursuance of the above recommendation the authorities without estimating the load bearing capacity of the roofs, purchased materials worth Rs. 22.49 lakhs (200 overhead tanks costing Rs. 3.83 lakhs between November 1980 and July 1981, 21660.62 metres of 3" galvanised iron pipes costing Rs. 13.59 lakhs between April 1980 and April 1981 and 86.50 metres of cast iron double flange pipes costing Rs. 5.07 lakhs in June 1984). The executing circle found in August 1986 that the overhead tanks could not be placed over the roofs of the buildings and considerable additional expenditure would have to be incurred in order to modify the roof structures for erection of the tanks. But no action in this regard had been taken upto September 1988. Consequently, none of the materials could be used in the work for which those were intended. Only 10,057 metres of galvanised iron pipes (valued at Rs. 6.31 lakhs) could be used in other works. All other materials are lying unused in store (September 1988). In October 1988, the project authorities admitted that the overhead tanks had become unserviceable, but the remaining materials were in serviceable condition.

Thus, due to injudicious purchase of materials without examining the technical feasibility of the work, the expenditure of Rs. 3.83 lakhs on purchase of 200 overhead tanks became wasteful apart from blockade of Rs. 12.35 lakhs on purchase of other materials.

The matter was reported to Ministry in July 1988; reply has not been received (January 1989).

69. Extra expenditure on hiring of a godown.

In February 1980 Farakka Barrage Project authorities imported 994.564 tonnes of M.S. billets at a cost of Rs. 22.13 lakhs for converting them into M.S. rounds of different diameters. The billets were to be released from Haldia Dock for which a clearing agent was engaged in February 1980 through the Director General of Supplies and Disposals. For storing of billets in the clearing agent's godown at Calcutta hire charge of Rs. 10 per tonne per month or part thereof was agreed upon. An amount of Rs. 4.11 lakhs was paid to the clearing agent including Rs. 3.18 lakhs being the hire charges for the godown from February 1980 to March 1983.

Although the billets were received in February 1980, notice inviting tender (NIT) for the second call for re-rolling the billets into rounds was issued in September 1980 as the NIT for the first call issued in November 1979 had to be cancelled due to non-furnishing of bank guarantee by the tenderer whose rate was accepted. Final orders for the work were, however, placed on the contractor in December 1980 for Rs. 5.54 lakhs. Delivery of finished products was required to be completed in April 1981 with the stipulation that 200 tonnes of finished product was received every month. The contractor, however, completed the supply in batches in December 1983. No penalty was levied for delay in supply.

Issue of billets from the clearing agent's godown to the contractor was to be regulated with reference to the position of supply of finished products. This period of storage for which the project was to bear the rental liability depended on the contractor's ability to deliver the finished products. There was no provision in the agreement to cover this contingency. Further, the contractor was allowed by the authorities to furnish bank guarantee for Rs. 1 lakh against the agreement provision of furnishing a bank guarantee for Rs. 3.30 lakhs to cover the cost of issues made. This reduced the quantum of issues to conform to the guaranteed amount. Consequently, issues became less and the period of storage increased. Extension of time to complete the work by December 1983 had to be granted to the contractor.

Delay in completion of re-rolling work resulted in avoidable extra expenditure of Rs. 2.90 lakhs towards rental charges for the godown. The project authorities in October 1988 attributed the delay in completing the re-rolling work to non-furnishing of bank guarantee by the firm for the full amonut as per terms of the agreement, abnormal power cut, labour unrest in the factory of the contractor, fuel crisis and other essential materials.

The matter was reported to Ministry in July 1988 ; reply has not been received (January 1989).

70. Non-recovery of extra expenditure due to irregular rescission of contract.

Farakka Barrage Project authorities awarded the work of supply of 50,000 cubic metres of boulders at Rs. 80.15 per cubic metre required for the execution of protection works at right bank downstream of Farakka Barrage to a contractor in February 1984. The supply was to be completed before June 1984. It was extended upto 15th December 1984 with a right to recover liquidated damages.

On 3 December 1984, however, the project authorities invoked the agreement for liquidated damages for delay in supply making it clear that steps would be taken to rescind the contract if supply was not satisfactory. The contractor supplied one more consignment of boulders on 4 December 1984. On 15 December 1984, the project authority rescinded the contract at the risk and cost of the contractor. Since extension of time had been granted upto 15 December 1984, the contractor could supply the balance quantity of boulders on or before that date and further, the option of unilaterally rescinding the contract was available to the authority only if the supply was not made after ten days from the last extended date even after imposing liquidated damages for the period. Rescission of contract was, therefore, not in accordance with the agreement. Since the rescission of contract was irregular extra expenditure of Rs. 13.42 lakhs incurred by the project in procuring the supply of balance quantity of 35,000 cubic metres of boulders through another contractor could not be recovered from the defaulting contractor. No liquidated damages were also collected from him.

The project aothorities stated in March 1988 that Ministry of Law whose advice was sought by the project on the rescission orders had opined that rescission was irregular and hence the extra expenditure was not recoverable from the contractor. The project authorities further added in September 1988 that subsequent to the rescission of the contract in December 1984, the contractor filed a petition in the High Court of Calcutta challenging the action of the project authorities. On the advice of the Ministry of Law, the project authorities asked the contractor to withdraw the case to which he agreed. Accordingly, the contract was treated as rescinded without any legal and financial repercussions. So, the recovery of liquidated damages could not be insisted upon.

The matter was reported to Ministry in July 1988 ; reply has not been received (January 1989).

71. Injudicious procurement of barbed wires

Farakka Barrage Project authorities placed a supply order in April 1977 through the Director General of Supplies and Disposals for supply of 184 tonnes of barbed wire at a cost of Rs. 6.24 lakhs. The barbed wires were to be supplied by June 1977 but actual supply was made in February 1980. Out of 184.377 tonnes supplied, 141.588 tonnes were found to have rusted at the time of receipt due to poor galvanise eoting. The supplier replaced 26.695 tonnes of barbed wire before it went out of business. The supplier was, however, paid (June to November 1977) an amount of Rs. 6.22 lakhs. 30.962 tonnes of defective wires were used for fencing, leaving 83.931 tonnes of defective barbed wires in stock. Out of the barbed wires found to be in accordance with specification, only 6.316 tonnes were used in fencing work leaving a balance of. 63.168 tonnes unused in stock.

The value of barbed wires in stock works out to Rs. 4.99 lakhs (Rs. 2.85 lakhs being the cost of defective barbed wires and Rs. 2.14 lakhs being the cost of barbed wires of the correct specification).

The Project authorities stated in June 1988 that the prospect of utilisation of the balance quantity of barbed wires was being explored. But it was found (October 1988) in Audit that no progress could be made in regard to utilisation of the materials and further the defective materials in stock valued at Rs. 2.85 lakhs have been rendered unsuitable for use.

Thus injudicious purchase of 147.099 tonnes of barbed wires has resulted in blockage of Rs. 4.99 lakhs apart from utilisation of poor quality of material in work.

The matter was reported to Ministry in July 1988; reply has not been received (January 1989).

CHAPTER V

STORES PURCHASES

Ministry of External Affairs

72. Procurement of defective aviation store

An indent for procurement of 25 items of aviation stores was raised in October 1982 by Air Headquarters (Indentor) on the Supply Wing of an Indian Mission abroad (SW). In response to the tender enquiry floated in January 1983 by the SW, four firms 'A', 'B', 'C' and 'D' quoted for the items. Four contracts, in parts, for different items were concluded with the four firms based on the respective lowest quotation. No order was, however, placed for the item "Discharge Gap" for which the SW made a reference to the indentor, seeking his decision as to whether the item be procured from firm 'B' who had quoted for the item, but with an alternative part number at £ 40 each, or from firm 'C' (in whose favour the indentor had issued the proprietory article certificate), at £ 77.56 each, with the same part number as indicated in the indent. The SW also mentioned that firm 'C' had been supplying the item as bought-out from firm 'B' as the firm was not the manufacturer. While a decision in this regard was still awaited from the indentor, the SW received in April 1983 a telex quotation from firm 'E' (to whom no tender enquiry had been issued at any stage) quoting a rate of £ 33 (later reduced to £ 31.95). Based on this quotation, the SW concluded a contract in May 1983 for procurement of 671 nos. of Discharge Gaps without cosulting the indentor and also ignoring the caution given by firm 'C' at the time of submitting its quotation about the reliability of the use of the item that might be available with other source of supply. The stores were, however, actually supplied by firm 'F' (against the contract with firm 'E') during September 1983—February 1984 and payments aggregating £ 20,295, after deducting £ 1,143 towards liquidated damages for the belated supply and handling charges, were made during October 1983 to March 1984.

481 out of 671 nos. of the item supplied by firm 'F' were found to be defective at the user's end in that "they were firing between 1.75 to 1.95 KV as against 1.9 to 2.1 KV required". On a request in June 1984 to firm 'F' for replacement of the defective Discharge Gaps, it called (August 1984) for particulars regarding test reports, etc. and return of 25 nos. of the rejected batch for investigation at its end. As the Government did not agree to the conditional despatch of 25 nos. of the rejected item, the indentor despatched in July 1985 all the 641 nos. (including 160 nos. since found defective further) of the Discharge Gaps to the firm by air freight to pay.

While confirming receipt of 641 nos. of the Discharge Gaps, the firm informed the SW in August 1985 that its manufacturer was reluctant to accept any liability for the defects due to time lag between the date of supply (September 1983—February 1984) and the date of return of the rejected item (July 1985) and as such, it had to get 10 *per cent* of the rejected lot inspected by an approved Inspection Agency, according to which the tested units showed satisfactory results ; however, if the remaining units were to be tested, the cost of testing should be borne by the SW. In its reply thereto, the SW in June 1986 insisted upon the firm that the 641 nos. of the Discharge Gaps should be replaced free of cost.

Replacement of 641 nos. of the Discharge Gaps remains as yet to be made (September 1988). On the case being taken up by Audit, the SW stated in June 1988 that "all its efforts to trace the firm had been unsuccessful and enquiries were being made from trade sources as to its whereabouts".

The procurement of 641 nos. of Discharge Gaps from a firm other than the one in whose favour the indentor had furnished the Proprietary Article Certificate and that too on the basis of an unsolicited telex quotation and without obtaining the indentor's approval had thus resulted in an infructuous expenditure of £ 19,337 (Rs. 3.37 lakhs).

The matter was reported to Ministry of Defence and Ministry of External Affairs in September 1988. Ministry of Defence stated, in December 1988, that the firm had been traced out at its new location and the matter was being referred by Supply Wing to solicitors for commencement of legal proceedings against firm 'F' for replacement of the stores free of charge. There was no reply from Ministry of External Affairs (December 1988).

CHAPTER VI

73. Departmentally managed Government Undertakings.

General

On 31st March 1988, there were 37 Departmentally managed Government undertakings of Commercial and quasi-commercial nature.

The financial results of these undertakings are ascertained annually by preparing *proforma accounts* outside the general accounts of Government. Trading and Profit and Loss Accounts and Balance Sheet are not prepared by the undertakings, viz., Department of Publications, Delhi and Government of India Presses ; Stores Accounts were only prepared. In pursuance of the recommendations contained in paragraph 1.107 of the Public Accounts Committee, in their Forty First Report (Fifth Lok Sabha—1971-72), Government agreed to prepare the Manufacturing, Profit and Loss Accounts and Balance Sheet for the Government of India Presses. The format of accounts for this purpose effective from 1st April 1983 was accordingly approved.

Proforma accounts for the year 1987-88 had not been received in respect of any of the undertakings (November 1988). A synoptic statement showing the summarised financial results of the departmental undertakings on the basis of their latest available accounts is given in Appendix IX. It will be seen that in a number of cases, *Proforma accounts* had been in arrears for a number of years. The delays in compilation of accounts were brought to the notice of administrative Ministries concerned.

Ministry of Finance

(Department of Economic Affairs)

Security Paper Mill, Hoshangabad

74. Avoidable extra expenditure due to use of unsuitable security thread.

The Security Paper Mill, Hoshangabad, procured 46 tonnes of special metallic security thread (SKM type) from a foreign supplier against two orders placed by an Indian Mission abroad in June 1980 (29 tonnes) and July 1982 (17 tonnes), the material was received till after June 1983. The Mill utilised the thread in the production of bank note paper up to January 1986 before discontinuing its further use due to its unsuitability on faster uniflow modernised paper machines installed in the Mill under a modernisation programme. In January 1987, the Mill proposed to write off the balance quantity of 3.91 tonnes (cost : Rs. 29.46 lakhs) on the ground that the use of this thread would involve an additioal loss of Rs. 5.75 lakhs due to production of excess spoils affecting production to the extent of 65 tonnes of paper costing Rs. 35.21 lakhs. The sanction of the Ministry to the write-off of the amount has not been received (November 1988).

Test check by Audit (September 1986) revealed that though the Mill had in November 1982 found the thread as not suitable on the modernised machines due to frequent breaking, and the Mill's collaborators consultants had instead recommended, after trials, the use of polyester based Mex Metal thread in December 1982, no efforts were made to discontinue receipt of further supply of the SKM thread from the supplier who was also the Mill's collaborator in the modernisation programme, supply of 1.97 tonnes (cost : Rs. 14.84 lakhs) was received in August 1983 against supplier's invoice of June 1983. Instead, this thread was continued to be used up to January 1986. During 1983-84 to 1985-86, the Mill used 30.52 tonnes of SKM thread on the modernised machines for production of paper and the production loss of paper on account of 10 *per cent* excess spoils works out to 508.93 tonnes (cost : Rs. 274.82 lakhs), in addition to the avoidable purchase of 1.97 tonnes of thread costing Rs. 14.84 lakhs.

The Mill stated (August and December 1987) that it could not be foreseen that SKM thread would not run on modernised machines and that the foreign consultants had also categorically certified in July 1976 about its satisfactory run at higher machine speeds.

It was, however, observed that :—

— had the import of SKM thread during 1981 and 1982 been restricted to the actual requirement for a year each (the lead time for import being 9-12 months), the Mill could have switched over to Mex Metal thread during 1983-84 itself and the production losses and spoilage during 1983-84 to 1985-86 could have been avoided ;

— while implementing the modernisation programme, the Mill failed to take into account the continued usefulness or otherwise of SKM thread which had low intrinsic strength to run on faster uniflow modern machines and thereby caused frequent breaks resulting in excess spoils and production loss ;

— though the Mill had considered (December 1980) importing for trial purposes after modernisation some quantity of polyester laminated thread (Mex Metal) for which sample and quotation were received in September and December 1980 respectively, this thread was not actually obtained and tried out ; and

— though the consultants had recommended switch over to polyester based thread (Mex Metal), after successful trials with the thread, in December1982, a trial order for 500 kgs. was placed after a lapse of one year in December 1983, before placing an indent for bulk supply of Mex Metal thread in April 1984.

Ministry stated, in January 1988, that it was not before March 1984 that the consultants recommended the use of Mex Metal thread to overcome the problem of more spoilages and that the switchover could only be effected after sufficient trial, the contention is not tenable in view of the facts stated above.

75. Non-utilisation of spoidls

The Project Proposals (1978) for the modernisation of the Security Paper Mill, Hoshangabad, contemplated use of waste paper (spoils) upto the extent of 20 *per cent* of gross machine production of bank note paper, the remaining 80 *per cent* consisting of comber and hardwaste.

A test check (September 1986 and August 1987) by Audit showed that out of 6,286.87 tonnes of spoils available during 1982-83 to 1986-87 and against 4,461.10 tonnes that could have been utilised only 3,957.33 tonnes were repulped and utilised, the balance quantity of 2,329.54 tonnes was either burnt (1,549.62 tonnes or disposed of by sale (779.92 tonnes).

For repulping of spoils, two Solvo Pulpers (cost : Rs. 2.93 lakhs) with an annual installed capacity of 3,141 tonnes had been available with the Mill since 1967 and provision for another pulper was not made at the time of modernisation as it was thought that the existing solvos could serve the purpose even after modernisation of the plant. However, from 1981-82 *i.e.* before completion of the modernisation programme in August 1983, the performance of the pulpers had not been satisfactory and they could not be kept in perfect running condition due to non-availability of spares. A scrutiny of records revealed that though a proposal for purchase of an indigenous pulper was made in March 1981 and received Government sanction in June 1984, the Mill had dropped the idea of acquiring that pulper due to its non-suitability to pulp the spoils containing polyester thread and finally placed an indent for a complete Broke Plant equipment (Helical pulper, etc.) from abroad (estimated cost : Rs. 71.03 lakhs) only in December 1985, the equipment was received in May 1988 and was commissioned in September 1988.

Thus defective planning and lack of proper technical appraisal of the existing machinery at the time of modernisation of the Mill resulted in non-utilisation of 503.77 tonnes spoils and consequential avoidable extra expenditure of Rs. 69.30 lakhs on proportionate use of cotton comber and hardwaste during 1982-83 to 1986-87.

The Mill contended (January 1988) that the avoidable extra expenditure would partially to set off by Rs. 26.44 lakhs realised on sale of 779.92 tonnes of spoils. The contention is not tenable since, as mentioned above, 1,549.62 tonnes of spoils had also been disposed of by burning. Ministry admitted (January 1988) that spoils to the extent of 4,461 tonnes could have been utilised. The Ministry informed (January 1989) that with the commissioning of new Broke Plant in September 1988 the entire broke would be processed.

Ministry of Healths and Family Welfare

(Medical Store Deptt. Karnal)

76. Non-recovery of cost of defective cotton supplied by firms.

The Directorate General of Supplies and Disposal (DGS&D) Bombay and Madras, placed supply orders on three firms during April 1979 to August 1980 for supply of wool cotton absorbent to various Medical Store Depots (MSD). A test check of records of MSD, Karnal revealed that out of 28,500 kgs. of wool cotton absorbent received during May

1980 to February 1981, 19575 kgs. of cotton valuing Rs. 2.94 lakhs failed in absorbency test and was consequently rejected|declared sub-standard in October 1980. The suppliers of the above stores had already received advance payments ranging between 95 and 98 *per cent* on the basis of copies of the inspection notes and proof of despatch. In accordance with para 246(3) of the Manual for Medical Store Depots, the supplying firm is required either to replace the sub-standard wool cotton absorbent with standard wool cotton absorbent or reimburse the cost thereof.

In May and December 1980, MSD, Karnal had asked two suppliers to arrange removal of the wool cotton absorbent and in November 1980 requested, the Controller of Accounts, Bombay to take effective steps to recover the cost etc. of sub-standard wool cotton from the third supplier. Rs. 0.67 lakh could only be recovered by the Depot from one of the supplying firms by returning only 4250 kgs. of sub-standard wool cotton absorbent; remaining cotton weighing 15325 kgs. valuing Rs. 2.27 lakhs had been lying with the Depot for more than eight years. The defaulting firms were not black listed. The Depot was asked to indicate alternate arrangements made to supply the Medical Stores Departments in lieu of the unused material. The Depot stated, in August 1988, that alternative arrangements were made by floating rate enquiries as per power delegated for direct purchase and rules therefor. The Depot further stated that initial inspection had been conducted by the Directorate of Inspection, DGSD and no supply orders on these firms were placed in the subsequent years. As regards blacklisting the defaulting firms, this comes in the jurisdiction of DGSD.

The Public Accounts Committee in para 2.51 of their Fifth Report (4th Lok Sabha—1967-68) had recommended that Ministry should evolve a suitable procedure to effect a better co-ordination to check the quality and efficacy of medicines. According to the action taken report on recommendation of the Public Accounts Committee, the firm was required to be removed from the list of suppliers and other concerned were to be informed of the decision. In addition to non-initiation of action as above, the Ministry had not recovered from the suppliers Rs. 2.27 lakhs being the cost of sub-standard wool cotton absorbent.

The Ministry stated, in October 1987, that protracted correspondence with the Department of Supply and their Pay and Accounts Office did not fetch any results.

The matter was also reported to the Department of Supply, in September 1988; reply has not been received (November 1988).

Medical Store Depot, Calcutta

77. Irregularities in acceptance of medicines

As per prescribed procedure, medical stores received in the Medical Stores Depot will generally be accepted after test. However, stores may be accepted on warranty only in emergent cases and not as a matter of routine. A test-check of the records maintained by the Medical Stores Depot, Calcutta for the year 1985-86 brought out the following irregularities:

(a) *Injudicious use of Warranty Certificate*

A scrutiny of purchase documents for three months from July to September 1985 disclosed that medicines worth Rs. 153.91 lakhs constituting 52 *per cent* of the total cost of medicines purchased were accepted on warranty certificate. Thus the provision for acceptance of medicine on warranty certificate was resorted to as a matter of routine. It was further noticed that medicines acceped on warranty certificates during 1985-86 were not subjected to subsequent test. This was fraught with the risk of spurious drugs getting free passage in Government hospitals|dispensaries.

It also came to notice that though a batch of medicine was rejected on test, other batches of the same medicine were accepted on warranty certificate without test. Two illustrative instances are given below:

(i) 4.70 lakhs quinol tablets costing Rs. 0.88 lakh belonging to some batches from Vishal Therape Care Laboratory were rejected on test in July 1985. But, 16,47,000 tablets of the same medicine from the same supplier (cost: Rs. 3.08 lakhs) belonging to other batches were subseuqently received and accepted between July and September 1985 without test on warranty certificates although it was an item of normal purchae.

(ii) Similarly, though 4.12 lakhs A&D tablets (cost : Rs. 0.14 lakh) of one batch were rejected on test in June 1985, yet 9,26,000 tablets of other batches (cost : Rs. 0.31 lakh) from the same supplier were accepted without test between July 1985 and September 1985.

(iii) 2.10 lakhs potide tablets (NIV) involving two batches (cost : 0.64 lakh) were rejected on test in June 1985 and were replaced by medicines of two other batches. While medicine of one batch was tested and accepted 70,000 tablets of another batch (cost Rs. : 0.21 lakh) were accepted in July 1985 by the depot without test.

(b) *Test Reports*

As per prescribed procedure, samples of medicines to be purchased are to be tested at the laboratory of the depot if it has got the arrangement of testing the same and no re-testing at a second laboratory will be allowed. If however, the Deputy Assistant Director General (Medical Store) is satisfied on a representation by a supplier that a re-testing is called for, he may allow the re-testing by the same laboratory.

A test check of the reports of tests done during 1985-86 revealed that in many cases samples of a certain batch of medicines were found to be of substandard quality on testing by a laboratory. But on the suppliers' representation, they were re-tested in a different laboratory which found the medicines to be of standard quality. No investigation was conducted to establish the reasons for such wide veriation in test results. In the absence of such investigation, certificate of quality of the medicines becomes doubtful. Some instances are cited below:

(i) One lakh tablets (Batch No. 83-056 YA) of Erythrocin 250 mg. were purchased for Rs. 1.24 lakhs in November 1985. A sample of the batch was tested in December 1985 by an authorised laboratory 'A' in Delhi which reported that the medicine was not of standard quality. On the representation of the supplier re-test was done by another authorised laboratory 'B' in Bombay which was contrary to the rules and it certified the medicine in March 1986 as of standard quality and the same was accepted.

A comparision of the findings of the two tests is given below :

Name of the ingredient tested	Claims by the supplier	Finding by Laboratory 'A'	Finding by Laboratory 'B'
Erythromycin Stearate	250 mg. Per tablet	220.93 mg.	248 mg.

The result of the first test varied widely from that of the second test. The first test report was ignored without investigation.

(ii) 4.70 lakhs Quinol tablets of four batches were purchased for Rs. 0.88 lakh in January 1986. Samples of four batches supplied initially were tested by the laboratory attached to the depot. The laboratory rejected the medicines as black spots had developed on the surface of the tablets. These were replaced by the supplier by other four batches which were tested by the depot laboratory and rejected on the ground that considerable number of tablets bore black spots and did not conform to the Indian Pharmacoepia (IP). On a representation from the supplier re-test was done by authorised laboratory 'A' which was contrary to rules. Laboratory 'A' reported that the samples were of standard quality as the same conformed to I.P. but laboratory 'A' did not mention whether the tablets bore black spots although they were visually established by the depot laboratory. The depot accepted the medicine on the strength of the certificate of outside testing agency ignoring its own findings.

(iii) 70.000 Styptochem tablets of batch No. 468 were purchased for Rs. 22,131 in April 1986. Laboratory 'A' found the sample of sub-standard quality. On re-test at laboratory 'B' which was contrary to rules it was found of standard quality. A comparison of the results of the first test and re-test is given below:

Name of the ingredients	Claim by the supplier per tablets	Result of	
		1st test	Re-test
Vitamin–D	500 I.U.	307.45 I.U.	562.5 I.U.
Hindadine Sodium Bi-sulphite.	10 mg.	3.41 mg.	10.98 mg.

Thus the results showed vide variations and the test results certifying the samples were only entertained for final acceptance of the products without any investigations.

(iv) 3.50 lakhs Furatab tablets of batch No. 445 were purchased at Rs. 0.23 lakh in May 1986. Laboratory 'A' tested the sample and found it of sub-standard quality. On re-test at the depot laboratory it was found of standard quality and the medicine was accepted by the depot. Thus the re-test was not done in the laboratory where the first test was done and the report of the first test was rejected without assigning any reason.

(c) Three instances where medicines though rejected on test had been accepted by the depot and issued are given below :

(i) 60.000 tablets (Batch Nos. 375 & 378) of Ralcrizyme Drage (NIV) valuing Rs. 0.23 lakh were supplied in October 1985. Sample of the medicine was tested in a laboratory which reported in January 1986 that the medicine was of sub-standard quality as the presence of the ingradients pepsin and diastage was found to be negligible against 5 mg. per tablet and 10 mg. per tablet respectively as claimed. The depot admitted the report and issued rejection memo to the supplier in February 1986. On the supplier's representation in April 1986 the depot withdrew its rejection memo citing the reasons that (a) the entire stock of the medicine had already been issued and (b) there was no stock left for re-testing.

(ii) 40,000 tablets (Batch No. 4502) of Ibupen 200 mg. defectively film-coated were purchased at Rs. 0.20 lakh in February 1986 and accepted even though these contained an unpleasant odour.

(iii) 1.10 lakhs tablets (Batch No. 010385) of quinol were purchased for Rs. 20,592 in April 1985 on warranty certificate. The same medicine of the same batch was subsequently supplied in July 1985 against another supply order and was rejected on test by the Depot laboratory in July 1985 and was replaced. The acceptance of quinol tablets of sub-standard quality on warranty certificate resulted in issue of sub-standard medicine for use by patients.

The matter was reported to Ministry in July 1988; reply has not been received (January 1989).

78. **Avoidable extra expenditure on purchase of drugs**

Government of India Vocabulary of Medical Stores 1983 (VMS) volume I contains the list of generic drugs in Section I and the list of proprietary drugs in Section II. The indents for the supply of medical stores should preferably be for the items given in the MVS since thees items are only stocked in the depots. Items n otincluded in the VMS (NIV items) are to be purchased locally by indenters and not by the MSD. Local purchase of VMS items for building up two months' stock of VMS items not included in the Centrally placed orders, and all items for meeting emergent requirements on account of natural calamities, can be made by the MSD subject to usual purchase regulations.

Considering the fact that local purchases were generally costlier as compared to the purchases through a centralised agency like the Director-General Supplies and Disposals (DGSD), the Public Accounts Committee in Paragraph 1.25 of its 103rd report (4th Lok Sabha 1970) had recommended that effort should be made to scale down local purchases to the minimum. But, the percentage of annual local purchase to the total annual purchase increased from year to year as would be evident from the following table :—

Year of Account	Total Purchase (Rs. in lakhs)	Local purchase	Purchase through DGSD	Percentage of local purchase to total purchase
(1)	(2)	(3)	(4)	(5)
1982-83	382.57	110.19	172.38	28.8
1983-84	476.45	238.28	238.26	50.0
1984-85	883.55	695.88	187.66	78.7
1985-86	1384.35	1238.40	145.95	89.4
1986-87	1438.00	1276.00	162.00	88.7
1987-88	—NOT AVAILABLE —			

A test check of records relating to purchase made during 1985-86 revealed that items purchased by trade names included 19 items of single ingredient generic drugs listed in the VMS and amounted to Rs. 206.42 lakhs. The trade names were treated as NIV and then local purchases were made by ignoring the generic names in the VMS.

The Depot had wrongly been treating generic drugs included in the VMS as NIV drugs (i.e. drugs not included in VMS) and procured them as NIV items by resorting to local purchase. Further, the so-called NIV items are being purchased as monopoly products at substantially higher rates than the rates at which the generic drugs contained in the same NIV items were purchased at competitive market rates i.e. at the rate of accepted tender (A/T) or of Rate Contract (R/C) for purchase through DGSD, or at the rate received after calling for competitive quotations for local purchase.

It was noticed that local purchase of the aforesaid 19 single-ingredient NIV items during 1985-86 resulted in avoidable extra expenditure of Rs. 130.45 lakhs compared to A/T rates (Rs. 4.81 lakhs), competitive local purchase rates (Rs. 88 lakhs) and rate contract rates (Rs. 37.64 lakhs).

According to instructions issued in February 1981 purchases should be made under competitive conditions and on terms and conditions (including price) to the best advantage of the Government and the indents should under no circumstances be split upto bring them under the direct purchase limit of the DADG(MS) i.e. Rs. 25,000 per item.

Nevertheless the Depot split up the indents to circumvent the requirement of sanction by higher authorities as a matter of routine. It was noticed in Audit that more than one supply order was issued for the same item to the same supplier on the same day so that the value of each supply order remained within the sanctioning power of the Depot.

Some instances of local purchases are detailed below :—

(a) For supply of Erythromycin Stearate 250 mg. (generic), there were three Rate Contracts with three different firms during 1985-86. But, instead of utilising the R|C the depot purchased the same drug in different NIV names at rates substantially higher than the R/C rates involving extra avoidable expenditure of Rs. 6.64 lakhs.

(b) During 1985-86, a firm had a R/C for supply of Erythromycin Stearate 250 mg. at Rs. 87.50 per 100 tablets. But the depot locally purchased 3 lakhs Erythrocil tablets (NIV), (each containg Erythoromycin Stearate 250 mg.) at Rs. 162 per 100 tablets from the same firm during 1985-86 involving extra avoidable expenditure of Rs. 2.23 lakhs.

(c) Although a firm had R/C for supply of Methyldopa 250 mg. tablets at Rs. 75.25 per 100 tablets 4,02500 ciladopa tablets (NIV), each containing Methyldopa 250 mg. were purchased locally from the same firm at Rs. 140 per 100 tablets during 1985-86, resulting in avoidable expenditure of Rs. 2.61 lakhs.

(d) A test check of the issue vouchers of 1985-86 showed that against specific indents for single-ingredient generic drugs in generic names costlier NIV brand of the same drugs were issued by the Depot involving extra expenditure of Rs. 16.26 lakhs to the indenting departments.

The matter was reported to Ministry in May 1988; reply has not been received (January 1989).

Ministry of Information and Broadcasting

79. Setting up of a film Processing Laboratory

The Public Accounts Committee in para 4.46 of their 182nd Report for the year 1975-76 relating to paragraph 49 of the Report of Comptroller and Auditor General of India for the year 1972-73 ; Union Government (Civil) had adversely commented on Film Division's total dependence on private processing laboratories. A committee constituted by the Ministry of Information and Broadcasting recommended in September 1978 the setting up of a film processing laboratory in Bombey. A scheme for setting up of a film processing laboratory at an estimated cost of Rs. 130 lakhs (subsequently enhanced to Rs. 256.22 lakhs) for processing 35 mm and 16 mm black and white and colour films was drawn up for implementation during the Sixth Five Year Plan (1980-85). A saving of Rs. 61.40 lakhs per year was expected after the proposed laboratory becomes fully operational.

Ministry of Information and Broadcasting accorded sanction to the expenditure of Rs. 10.50 lakhs towards acquisition of a plot at Vashi-Taloja complex in New Bombey from City and Industrial Development Corporation of Maharashtra Ltd. (CIDCO) in January 1982. The plot was acquired in March 1982 on payment of lease premium of Rs. 10.50 lakhs to CIDCO. The Films Division incurred expenditure of Rs. 1.36 lakhs towards cost of fencing, construction of chowkidar's quarter and deployment of the chowkidar.

Ministry intimated Films Division in November 1984 that the project of setting up a laboratory stood cancelled. Ministry further informed CIDCO (March 1985) that the Films Division could get its work done through the number of processing laboratories in Bombay and setting up of a laboratory would involve not only good amount of investment but also maintaining regular establishment of a large staff and hence it had been decided not to set up a processing laboratory.

Though the decision to cancel the project was taken in November 1984, the instructions for surrender of land at Vashi was conveyed in July 1987. Accordingly the Films Division took up the matter with CIDCO for surrender of land in July 1987. While the amount of Rs. 10.50 lakhs towards cost of acquisition was received back (October 1987), the claim for compensation of Rs. 1.36 lakhs for fencing, construction of Chowkidar's quarters and the deployment of the Chowkidar was not admitted by CIDCO as per terms of their lease. The processing charges paid to private processing laboratories on account of printing and developing of films from April 1982 to March 1988 were as under :—

Year	Amount
	(Rupees in lakhs)
1982-83	88.44
1983-84	88.47
1984-85	80.38
1985-86	89.71
1986-87	113.39
1987-88	99.63
	560.02

Thus, the decision of dropping the project which was earlier held desirable and expected to yield a saving of Rs. 61.40 lakhs per annum has resulted into blocking of funds of Rs. 10.50 lakhs over five years and infructuous expenditure of Rs. 1.36 lakhs.

The matter was reported to Ministry in may 1988; reply has not been received (December 1988).

80. **Overpayment of royalty**

Doordarshan Kendra, Calcutta (Calcutta Kendra) pays royalty in accordance with the rate prescribed by the Government of India, for telecasting song requences from Bengali films in its locally originating Chitramala programme. The rate of such royalty was Rs. 250 per song upto 1st January 1988 when it was raised to Rs. 500.

In December 1985, the Calcutta Kendra received by endorsement a reference dated the 26th November 1985 from the Directorate General, Doordarshan New Delhi to the Ministry of Information and Broadcasting. It was stated therein that the Directorate in a memorandum dated 21st September 1984 had already issued instructions to all Doordarshan Kendras to pay the same royalty (Rs. 1000 per song) for non-Hindi songs as was being paid for Hindi songs telecast in Chitramala. On the basis of the said communication, Calcutta Kendra started making payments of royalty for song sequences telecast in the locally originating Chitramala at the rate of Rs. 1000 per song with effect from 5th December 1985 without verifying if the 'Chitramala' programme referred to in the said communication was the Chitramala programme telecast in the national network or the locally originating Chitramala type of programme known by different names in different Kendras. The confusion arose presumably because the Calcutta Kendra calls its locally originating song sequence programme as Chitramala which is also the name for the nationally telecast programme for regional film-song sequences. The difference between the locally originating Chitramala of Calcutta Kendra and nationally telecast 'Chitramala' from Delhi Doordarshan Kendra is that whereas the former telecasts only Bengali film songs, the latter telecasts a mixed fare of different languages.

Calcutta Kendra having not received a confirmation of the rate from the Director General, Doordarshan, referred the matter in August 1986 to other Doordarshan Kendras like Delhi, Bombay and Madras asking for the rate at which they had been paying for song sequences telecast in their local Chitramala programme. While no reply was received from the Delhi Doordarshan Kendra, Bombay and Madras Doordarshan Kendras replied stating that the rate of payment for song sequences in local Chitramala type programme was Rs. 250 per song. Calcutta Kendra then reverted to the old rate of Rs. 250 per song. Meanwhile, it had paid ropalities at the inflated rate of Rs. 1000 per song squence in 184 cases telecast in its local Chitramala Programme between 5th December 1985 and 24th July 1986 resulting in an overpayment of Rs. 1.38 lakhs. The contracts executed with the assignors did not make any provision for refund of any excess payment.

The matter was reported to Ministry in June 1988. reply has not been received (January 1989).

81. **Blocking of funds**

Ministry of Information and Broadcasting acquired (April 1973) from Chandigarh Admn., Chandigarh on lease hold basis, 2.6 acres of land in Chandigarh for setting up office and a studio of All India Radio (AIR). A sum of Rs. 49.22 lakhs was paid by AIR during 1972.73 to 1974-75 as cost of land and ground rent for two years. The construction of building was not taken up as architectural wing of Chandigarh Administration, insisted on the construction of six storeyed building despite the fact that the requirement of AIR was for a two storeyed building. An alternate site measuring 3.01 acres was allotted in November 1983 by Chandigarh Administration for Rs. 53.94 lakhs, possession of which was taken over in March 1984, after paying Rs. 7.10 lakhs, representing the difference in the rates of old and new sites. The work of construction of studio was awarded in March 1988 and is in progress.

Against an allocation of Rs. 34.30 lakhs equipment worth Rs. 33.68 lakhs were purchased by the Chief Engineer, All India Radio, New Delhi, between January 1982 and March 1987 even prior to taking possession of alternate site and awarding of work for construction of studio. Out of total purchase, equipment worth Rs. 5.43 lakhs purchased in March 1983 was diverted in July 1983 and installed in another station of AIR at Rampur. The remaining equipment valuing Rs. 28.25 lakhs were lying un-installed at Chandigarh and Delhi. Meanwhile, the warranty period of one year for the equipment expired. On an enquiry about the purchase of equipment much in advance of requirements, Ministry stated in May 1988 that lead time for procurement of equipment from abroad ranged between 2 and 5 years and as such, the order for purchase was placed immediately, after the approval of the project, so that the equipment were available for installation by the time the building was ready.

Thus acceptance of the plot of land without bringing its building and technical requirements to the notice of Chandigarh Administration and purchase of equipment much in advance resulted in blocking of funds to the extent of Rs. 84.57 lakhs for a period ranging from 4 to 14 years.

Ministry of Urban Development

Government of India Press, Santragachi)

82. Loss due to delay in finalisation of waste paper contract

In response to tender notice for sale of waste papers during 1985-86 of Publication and Forms Units of Government of India Press at Santragachi, the highest rate of Rs. 362.81 per quintal of firm 'A', received in January 1985, was recommended for approval of the Directorate of Printing in March 1985. The Directorate of Printing approved the same in May 1985 after the expiry of three months' validity period of the offer. Firm 'A' did not respond when asked to execute the agreement.

In response to fresh tender notice the offer of Rs. 115.15 per quintal received in August 1985 from firm 'B' was the highest and it was approved by the Directorate of Printing in November 1985. The accepted rates per quintal for 1982-83, 1983-84 and 1984-85 were Rs. 201.00, Rs. 227.51 and Rs. 305.25 respectively. Even this very firm 'B' had quoted Rs. 291.25 per quintal in response to the previous tender notice of January 1985.

Ministry stated (September 1988) that between the gap period of first tender call and second one there was a change in the import policy and the Government had allowed import of pulp under general licence which resulted in substantial decrease in the price of waste papers. Hence, the rates quoted by the tenderers the second time were not very attractive as compared to earlier trends. But, the highest price quoted by the tenderers during 1986-87 (Rs. 222 per quintal) and accepted contract price for 1987-88 (Rs. 308.85 per quintal) do not corroborate the contention of the Ministry. Besides, the Press authorities admitted that the condition of waste paper dumped under open sky deteriorated during monsoon (June to September) since contract for 1985-86 could not be finalised before November 1985. During 1986-87, also, no contract could be finalised. During 1987-88 also, no contract could be finalised before January 1988 and the previous contract was also not extended. Contract for 1988-89 could not be finalised even by August 1988. As a result, during 1985-86 to 1988-89 accumulated waste papers were allowed to rot during monsoon every year. The Press also admitted in January 1988 that waste papers lying scattered in the Press premises were exposed to sun and rain causing fire hazards as well as health hazards, apart from loss to the Government. But, effective steps were not taken to avoid such loss year after year.

After execution of agreement firm "B" lifted 1069.81 quintals of waste paper from December 1985 to April 1986, on payment of Rs. 1.23 lakhs.

Had the tenders received in January 1985 been finalised within the validity period of the offer, Government would have earned Rs. 2.65 lakhs more as revenue from the sale of 1069.81 quintals of waste papers.

Ministry stated, in September 1988, that the highest offer received in January 1985 could not be availed of due to circumstances beyond the control of the Directorate.

Dharam L.

New Delhi
The 3 MAY 1989

(DHARAM VIR)
Director of Audit-I, Central Revenues.

Countersigned

T. N. Chaturvedi

New Delhi
The 3 MAY 1989

(T. N. CHATURVEDI)
Comptroller and Auditor General of India.

APPENDIX I

(*Vide* Paragraph 3.2)

Extent of utilisation of Supplementary grants/appropriations

Sl. No.	Grant/Appropriation	Amount of Grant/Appropriation Original	Supplementary	Actual Expenditure	Saving
1	2	3	4	5	6
	Cases where supplementary grants/appropriations proved unnecessary				
	Revenue—Voted				(Lakhs of rupees)
	Ministry of Agriculture				
1.	5—Department of Fertilizers	2772,63	303,25	2543,93	531,95
	Ministry of Finance				
2.	34—Indirect Taxes	303,15	11,41	281,09	33,47
	Ministry of Home Affairs				
3.	39—Ministry of Home Affairs	131,02	7,31	125,73	12,60
4.	42—Other Expenditure of the Ministry of Home Affairs	186,94	5,00	182,83	9,11
	Ministry of Industry				
5.	49—Department of Company Affairs	6,33	0,01	6,28	0,06
	Ministry of Labour				
6.	54—Ministry of Labour	166,78	6,59	162,16	11,21
	Ministry of Personnel, Public Grievances and Pensions				
7.	57—Ministry of Personnel, Public Grievances and Pensions	32,86	0,81	31,45	2,22
	Ministry of Science and Technology				
8.	64—Department of Biotechnology	40,99	2,00	22,93	20,06
	Ministry of Urban Development				
9.	75—Stationery and Printing	67,40	2,64	50,37	19,67
	Ministry of Welfare				
10.	77—Ministry of Welfare	259,87	2,00	258,94	2,93
	Capital—Voted				
	Ministry of Commerce				
11.	6—Department of Commerce	226,19	19,00	137,20	107,99
	Ministry of Energy				
12.	18—Department of Power	1407,27	100,03	1070,04	437,26
	Ministry of Petroleum and Natural Gas				
13.	58—Ministry of Petroleum and Natural Gas	435,83	3,83	431,65	8,01
	Ministry of Surface Transport				
14.	69—Surface Transport	112,36	23,14	92,63	42,87
15.	70—Roads	411,01	24,42	401,58	33,85
16.	71—Ports, Lighthouses and Shipping	294,89	33,61	255,08	73,42
	Revenue—*Charged*				
	Ministry of Surface Transport				
17.	70—Roads	..	*0,01*	..	*0,01*
	Ministry of Urban Development				
18.	75—Stationery and Printing	*0,01*	*0,01*	..	*0,02*
	Capital—*Charged*				
	Ministry of Agriculture				
19.	2—Other Services of Department of Agriculture and Cooperation	*22,03*	*0,50*	*22,03*	*0,50*
	Ministry of Home Affairs				
20.	42—Other Expenditure of the Ministry of Home Affairs	*10,22*	*0,19*	*7,36*	*3,05*

APPENDIX II

(*Vide* Paragraph 3.4)

Savings under Voted Grants

Voted Grants where the savings (more than Rs. 5 lakhs in each case) exceeded 20 *per cent* of the total grant are given below :—

Sl. No.	Grant	Total grant	Expenditure	Saving	Percentage of Saving
1	2	3	4	5	6
	Revenue				
			(Lakhs of rupees)		
1.	30—Department of Expenditure	303,66	4,00	299,66	98.7
2.	64—Department of Biotechnology	42,99	22,93	20,06	46.7
3.	43—Transfers to Union Territory Governments	128,56	70,13	58,43	45.4
4.	71—Ports, Lighthouses and Shipping	127,13	79,31	47,82	37.6
5.	81—Department of Ocean Development	24,42	16,08	8,34	34.1
6.	69—Surface Transport	20,29	13,68	6,61	32.6
7.	75—Stationery and Printing	70,04	50,37	19,67	28.1
8.	32—Department of Revenue	69,85	51,91	17,94	25.7
9.	79—Nuclear Power Schemes	264,09	203,28	60,81	23.0
10.	40—Cabinet	15,43	11,96	3,47	22.5
	Capital				
11.	38—Department of Family Welfare	1,05	..	1,05	100.0
12.	46—Art and Culture	20,51	0,15	20,36	99.3
13.	4—Department of Rural Development	0,36	0,02	0,34	94.4
14.	81—Department of Ocean Development	2,31	0,16	2,15	93.1
15.	20—Ministry of Environment and Forests	2,36	0,17	2,19	92.8
16.	32—Department of Revenue	1,98	0,30	1,68	84.8
17.	33—Direct Taxes	120,00	20,01	99,99	83.3
18.	43—Transfers to Union Territory Governments	110,93	24,24	86,69	78.1
19.	54—Ministry of Labour	0,16	0,05	0,11	68.8
20.	21—Ministry of External Affairs	75,06	31,14	43,92	58.5
21.	41—Police	79,10	40,35	38,75	49.0
22.	76—Ministry of Water Resources	13,80	6,91	6,89	49.9
23.	6—Department of Commerce	245,19	137,20	107,99	44.0
24.	75—Stationery and Printing	8,24	4,66	3,58	43.4
25.	22—Department of Economic Affairs	218,80	129,03	89,77	41.0
26.	52—Ministry of Information and Broadcasting	2,91	1,88	1,03	35.4
27.	72—Civil Aviation	8,67	5,73	2,94	33.9
28.	69—Surface Transport	135,50	92,63	42,87	31.6
29.	35—Department of Food	104,84	72,39	32,45	30.9
30.	50—Department of Chemicals and Petrochemicals	175,00	123,37	51,63	29.5
31.	18—Department of Power	1507,30	1070,04	437,26	29.0
32.	23—Currency, Coinage and Stamps	192,00	139,28	52,72	27.5
33.	1—Agriculture	23,60	17,51	6,09	25.8
34.	78—Atomic Energy	485,57	367,03	118,54	24.4
35.	42—Other Expenditure of the Ministry of Home Affairs	73,41	56,75	16,66	22.7
36.	71—Ports, Lighthouses and Shipping	328,50	255,08	73,42	22.3
37.	73—Urban Development and Housing	93,26	73,29	19,97	21.4
38.	53—Broadcasting Services	333,95	265,96	67,99	20.4

APPENDIX III

(Vide Paragraph 4.7.4)

Diversion of funds

State/District	Year	Amount (In lakhs of rupees)	Items/schemes on which funds were spent
1	2	3	4
Andhra Pradesh			
Anantapur	1984-85	33.88	IRDP, DPAP, etc.
Chittoor	1983-84	5.00	
Chittoor	1984-85	0.19	Distribution of 0.36 lakh seedlings to housing colonies and poultry complexes.
Assam			
Six districts	1985-86 to 1987-88	39.36	Other schemes like IRDP, RLEGP, BIOGAS, NREP, etc.
Gauhati	1984-85	4.02	The amount meant for implementing 'Fuel and Fruit trees' was drawn by the District Forest Officer Gauhati, S.F. Divisions for meeting administrative expenditure *i.e.* printing of forms, purchase of stationery, expenditure on staff, etc.
Bihar			
Four districts	...	133.06	Paid to the Land Development Banks for claims relating 1980-81 to 1982-83 when the programme was not in operation.
Hazaribagh	1985-86 to 1986-87	1.49	Contingent expenditure on the purchase of signboards for dugwells (not contemplated in the scheme).
Himachal Pradesh			
State as a whole	1985-86 onwards	51.75	Minor irrigation works already being run by the State Government.
Sirmaur	1985-86 to 1986-87	4.39	Removal of silt from Giri Nagar Lake.
Kaugra and Sirmaur	March 1986	2.31	The stores purchased out of the funds of this programme were utilised on irrigation works covered under other programme.
Kangra and Solan	1983-84 to 1986-87	2.02	Incurred by the Irrigation and Public Health Divisions, Dharmsala, Dehra, Palampur and Solan II on items like wages of staff, tools and plants, scientific instruments, office furniture, maintenance of works, etc.
Kangra and Sirmaur	1983-84, 1985-86 and 1986-87	0.63	Incurred on items like charcol, drill cloth, petrol, telephone bills, printing of vegetable seeds leaflets, etc., not covered under the programme.
Karnataka			
Dharwar	1985-86	1.72	Diverted to the Revolving Fund (Gobar Gas).
Dakshina Kannada	1985-86	0.16	Installation of pumpset by the Horticulture department in the office compound of the Assistant Commissioner, Kundapur.
Dakshina Kannada	1985-86	1.82	Utilisation of 6.45 lakh seedlings for departmental plantation by the Forest department as the Blocks Development Officers did not take action to distribute them to the beneficiaries.
Maharashtra			
Akola and Dhule	Between 1983-84 and 1987-88	2.37	Development of 190.18 hectares of land in two Taluka seed farms not within the purview of the scheme.
Akola	1985-86 to 1986-87	2.28	Repairs to nalla bunding and graded bunding.

1	2	3	4
Akola, Amravati, Aurangabad, Dhule, Nagpur, Nashik and Pune	Between February 1984 and September 1987	38.14	Incurred on the works 'On-farm Dryland Development including purchase of Stylow Hemata grass seeds' and 'Land-development-cum-Horticulture'.
All the districts	1983-84 and 1984-85	22.80	Distribution of 30.10 lakh seedlings for Van Mahotsava and various other programmes and/purposes not covered under the programme.
Orissa			
All the 13 districts	1983-84 to 8987-88	587.79*	To meet the cost of operation and maintenance of lift irrigation projects by the Orissa Lift Irrigation Corporation Limited.
Cuttack	1983-84 and 1984-85	1.83	Purchase of signboards, packets of tracel for use in ground nut demonstrations and expenditure towards fuel and lubricant, repairs of vehicle, stationery articles, etc., not contemplated in the programme.
Bolangir	1984-85 and 1985-86	2.68	On cotton demonstration.
Kalahandi, Mayurbhanj, Puri and Sundargarh	1983-84 to 1985-86	3.61	Construction of tree guards, tools and implements, earthen pots, sign boards, fuel, lubricant and repair charges of vehicles.
Punjab			
Ludhiana	Between November 1983 and October 1985	1.64	On-farm Forestry under the National Rural Employment Programme in order to utilise the Central assistance and flood relief.
Rajasthan			
Alwar, and Sawai Madhopur	1987-88	4.78	Amount chargeable to the Scheduled Caste Development Cooperative Corporation Limited.
Sawai Madhopur	1983-84 and 1984-85	4.00	IRDP.
Tamil Nadu			
2 districts	March 1985	11.10	Purchased farm equipment such as power tiller, sprinkler sets, oil engines, etc., for the State Seed Farms.
2 districts	1984-85 to 1987-88	3.62	IRDP.
	1987-88	0.38	Tamil Nadu Bhoodan Development Trust.
Tripura			
3 Minor Irrigation and Flood Control Divisions and 2 Block Development Officers	1983-84 to 1987-88	31.12	River diversion schemes, Training of Rural Youth for Self-Employment Programme and Development of Women and Children in Rural areas.
Divisional Forest Officer, Teliamura	1983-84 to 1984-85	1.71	Social forestry scheme.
Uttar Pradesh			
Azamgarh	1985-86	4.84	On works not related to the programme.
West Bengal			
Birbhum Malda and Nadia	Between 1983-84 and 1987-88	9.88	IRDP.
	Total	1016.37	

*The proposal for regularisation of Rs. 721.00 lakhs (including Rs. 133.21 lakhs relating to other programmes) actually diverted, was turned down in December 1987 by the State Government.

APPENDIX IV

(Vide Paragraph 4.7.5.)

Non-adjustment of advances/outstanding utilisation certificates

Name of State/districts	Name of executing agencies to whom advances were given	Period	Amount of advances for which adjustment account/ utilisation certificates were awaited (In lakhs of rupees)	Remarks
1	2	3	4	5
Andhra Pradesh	Sectoral Officers/Banks/Others 12 Block Development Officers in Karimnagar	1986-87 1984-85	840.77 6.87	
	Different Sectoral Officers in Karimnagar district	1984-85	7.00	
Gujarat (Banaskantha, Kheda, Panchmahals, Surendranagar and Vadodra)	Various implementing Officers	1983-84 to 1987-88	486.77	
Haryana (Ambala)	Various commercial/ cooperative banks	1983-84, 1984-85 and 1987-88	2.04 3.57 4.48	
Jammu & Kashmir				
(i) Udhampur	Various Block Development Officers	1984-85 and 1985-86	1.34	
(ii) Jammu	7 Block Development Officers	March 1985	1.75	
Karnataka	District Rural Development Societies and Zilla Parishads	1983-84 to 1987-88	762.21	
Kerala	Two Blocks	1983-84 to 1986-87	3.56	
Madhya Pradesh	Financing institutions	1983-84 to 1987-88	1470.52	
Pondicherry	Commercial banks	1984-85 to 1987-88	4.89	
Orissa	DRDAs	1983-84 to 1986-87	2354.38	It included Rs. 348.73 lakhs lying with Orissa Lift Irrigation Corporation, Rs. 313.72 with Orissa State Electricity Board and Rs. 13.86 lakhs with Lift Irrigation Division, Mayurbhanj.
Punjab (Amritsar, Bhatinda and Ropar)	Various banks	1983-84 to 1987-88	100.51	
Rajasthan	DRDAs, Agriculture and Forest departments	1984-85 to 1986-87	689.14	
West Bengal (Burdwan, Malda, Midnapore and Nadia)	Financing agencies	1983-84 to 1987-88	583.64	
		Total	7323.44	

APPENDIX V

(Vide Paragraph 35.5)

Jails Administration

(In lakhs of rupees)

Name of States	Grant recommended			Grant released			Expenditure		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
1	2	3	4	5	6	7	8	9	
1. Andhra Pradesh	182.00	..	182.00	182.00	—	182.00	210.03	—	210.03
2. Assam	No allocation of fund was made by the 7th Finance Commission.								
3. Bihar	205.00	250.00	455.00	204.98	249.99	454.97	228.81	192.93	421.74
4. Himachal Pradesh	No allocation of fund was made by the 7th Finance Commission.								
5. Jammu & Kashmir	..	50.00	50.00	..	50.00	50.00	..	49.22	49.22
6. Madhya Pradesh	496.00	206.00	702.00	448.20	253.80	702.00	409.88	253.80	663.68
7. Manipur	..	68.00	68.00	..	68.00	68.00	..	64.27	64.27
8. Meghalaya	..	55.00	55.00	..	55.00	55.00	..	67.22	67.22
9. Nagaland	No allocation of fund was made by the 7th Finance Commision.								
10. Orissa	221.00	221.00	442.00	153.29	281.00	434.29	147.38	281.00	428.38
11. Rajasthan	..	22.00	22.00	..	22.00	22.00	..	24.51	24.51
12. Sikkim	..	14.00	14.00	..	14.00	14.00	..	..	..
13. Tamil Nadu	631.00	862.00	1493.00	675.38	817.62	1493.00	327.26	808.86	1136.12
14. Uttar Pradesh	1078.00	270.00	1348.00	1078.00	270.00	1348.00	1100.40	284.06	1384.46
Total	2813.00	2018.00	4831.00	2741.85	2081.41	4823.26	2423.76	2025.87	4449.63

APPENDIX VI

(Vide Paragraph 35.5)

Revenue and District Administration

(In lakhs of rupees)

Name of State	Grant recommended			Grant released			Expenditure		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
1	2	3	4	5	6	7	8	9	10
1. Andhra Pradesh	..	250.00	250.00	..	250.00	250.00	..	298.93	298.93
2. Assam	..	470.00	470.00	..	329.19	329.19	..	182.30+ 146.40	182.30+ 146.40(A)
3. Bihar	263.00	1000.00	1263.00	263.00	1000.00	1263.00	263.00	1000.00	1263.00
4. Himachal Pradesh	40.00	..	40.00	40.00	..	40.00	45.02	..	45.02
5. Jammu & Kashmir	50.00	200.00	250.00	37.84	200.00	237.84	29.31	213.06	242.37
6. Madhya Pradesh	100.00	344.00	444.00	100.00	344.00	444.00	143.20	593.73	736.93
7. Manipur	..	500.00	500.00	..	500.00	500.00	..	505.58	505.58
8. Meghalaya	..	150.00	150.00	..	150.00	150.00	..	206.51	206.51
9. Nagaland	50.00	24.00	74.00	50.00	24.00	74.00	(Figures not available)		
10. Orissa	190.00	260.00	450.00	190.00	260.00	450.00	244.40	260.00	504.40
11. Rajasthan	50.00	350.00	400.00	50.00	350.00	400.00	51.42	389.25	440.67
12. Sikkim	..	..	..	..	..	..			
13. Tamil Nadu	Grants not allocated by the 7th Finance Commission.								
14. Uttar Pradesh	150.00	2000.00	2150.00	150.00	2000.00	2150.00	186.08	2096.11	2282.19
Total	893.00	5548.00	6441.00	880.84	5407.19	6288.03	962.43	5745.47+ 146.40	6707.90+ 146.40

(A) Rs. 146.40 lakhs advanced to Assam Government Construction Corporation during 1983-84.

APPENDIX VII

(Vide sub-paragraph 43.5)

Summarised position of annual receipts and expenditure of the Publication Division

(Rupees in lakhs)

	1983-84	1984-85	1985-86	1986-87	1987-88
Receipts					
(i) Sales of Publications Division books	30.77	23.37	64.19	78.89	61.05
(ii) Commission earned on non-Publication Division books.	56.74	49.57	43.53	41.79	102.96
(iii) Sales of journals	21.31	25.68	22.73	31.78	35.19
(iv) Advertisements	4.83	3.52	2.47	1.65	2.29
(v) Amount received from other departments towards the cost etc. of their journals.	36.71	39.50	93.50	21.58	44.62
(vi) Employment News	170.24	175.45	189.31	245.50	315.85
	320.60	317.09	415.73	421.19	561.96
Excess of income over expenditure	(—)0.57	(—)83.97	(—)43.94	(—)71.84	(+)1.65
Expenditure					
(Plan and Non-Plan)					
(i) Salaries	95.59	108.59	121.25	141.45	159.83
(ii) Travelling Allowance	1.04	1.04	1.47	1.96	2.08
(iii) Office Expenses	8.80	8.19	10.31	12.53	13.17
(iv) Publications	56.79	116.20	122.52	130.68	115.28
(v) Payment for professional and special services	5.85	6.20	6.77	11.09	8.50
(vi) Rents, rates and taxes	9.69	9.39	8.98	9.06	9.67
(vii) Materials and supplies	5.33	5.87	6.60	5.68	4.08
(viii) Other charges	16.50	15.44	19.55	20.33	24.15
(ix) Employment News	121.58	130.14..	162.22	160.25	223.55
Total	321.17	401.06	459.67	493.03	560.31

APPENDIX VIII

(Vide Paragraph 52)

Statement showing losses, irrecoverable revenues, duties, Advances, etc. written off/waived and ex-gratia payments made during the year 1987-88

(In lakhs of rupees)

Name of Ministry/ Department	Write off of losses, irrecoverable revenues, duties advance etc. — Due to failure of system etc.		Due to neglect, fraud etc. on the part of individual Government officials		Due to other reasons		Waiver of recovery		Ex-gratia payment	
	No. of Cases	Amount	No. of Cases	Amount	No. of Cases	Amount	No. of Cases	Amount	No. of Cases	Amount
Home Affairs	2	0.16	..	..	25	1.85	446	926.83	..	..
Atomic Energy	..	..	..	..	3	0.23	..	..	..	..
Finance (Department of Economic Affairs)	..	..	..	..	1	0.39	..	..	..	..
Commerce	..	..	..	..	..	..	..	...	1524	325.36
Urban Development	..	..	..	..	3	0.07	6	0.67	..	..
Labour	..	..	..	..	1	2.19	..	..	..	..
Department of Space	..	..	..	..	15	1.56	..	..	..	..
Information and Broadcasting	1	1.40	..	..	5	2.72	2	0.09	..	..
Energy	..	..	1	1.07	13	2.55	..	..	..	..
Science and Technology	..	..	1	0.17	..	..	..	..	..	..
External Affairs	..	..	..	..	2	0.11	..	..	..	..
Steel and Mines	..	..	..	..	5	2.46	..	..	..	..
	3	1.56	2	1.24	73	14.13	454	927.59	1524	325.36

Note :—Information from the Director of Audit, Defence Services, New Delhi, Two Accountants General and 5 Controllers of Accounts has not been received.

APPENDIX IX

(Vide Paragraph 73)

Summarised Financial Results of Departmentally Managed Government Undertakings

(In lakhs of rupees)

Sl. No.	Name of the Undertaking	Period of Accounts	Government Capital	Block Assets (Net)	Depreciation to date	Profit (+)/ Loss (–)	Interest on Government capital	Total return	Percentage of total return to mean capital	Remarks
1	2	3	4	5	6	7	8	9	10	11
	MINISTRY OF FINANCE									
1.	India Security Press, Nasik Road	1986-87	3165.03	2843.54	434.36	(—)650.66	553.18	(—)97.48		Figures based on the un-audited accounts.
2.	Security Printing Press, Hyderabad	1985-86	611.11	526.12	78.07	(+)139.53	81.86	221.39	36.23	
3.	Currency Note Press, Nasik Road	1985-86	1736.70	2299.15	360.01	(+)1152.45	677.03	(+)1829.48	21.62	
4.	Government Opium Factory, Ghazipur	1982-83	63.08	18.75	15.71	(—)30.23	260.77	(+)230.54	5.89	
5.	Government Opium Factory, Neemuch	1984-85	173.94	107.67	0.08	(+)141.91	203.31	345.22	12.41	Figures based on the un-audited accounts.
6.	Government Alkaloid Works, Neemuch	1984-85	335.86	235.82	0.72	(—)88.89	43.96	(—)45.02	..	—do—
7.	Government Alkaloid Works, Ghazipur	1982-83	24.56	12.20	9.17	(—)72.13	18.13	(—)54.00	..	
8.	India Government Mint, Bombay	1983-84	29.89	516.46	25.22	(+)1561.18	193.32	(+)1754.50	63.98	
9.	India Government Mint, Calcutta	1984-85	182.00	107.00	220.00	(+)419.00	150.00	569.00	..	
10.	India Government Mint, Hyderabad	1985-86	966.65	343.48	117.09	1642.09	12.57	1654.66	171.17	
11.	Assay Department, Bombay	1980-81	13.00	12.76	0.32	(+)8.04	0.43	(+)8.47	119.89	
12.	Assy Department, Calcutta	1984-85	0.74	0.27	0.03	(+)2.00		(+)2.00	..	
13.	Silver Refinery, Calcutta	1984-85	59.00	12.00	90.00	(+)278.00	174.00	452.00	..	
14.	Bank Note Press, Dewas	1984-85	3419.41	1858.22	672.22	(+)279.52	250.70	530.22	15.78	
15.	Security Paper Mill, Hoshangabad@	1973-74	1072.07	685.80	386.31	(—)86.29	38.42	(—)47.87	..	

1	2	3	4	5	6	7	8	9	10	11
	MINISTRY OF INFORMATION AND BROADCASTING									
				Capital Assets						
16.	All India Radio	1979-80	5562.01	3125.28	2344.72	(—)589.59	197.70	(—)391.89	..	
				Revenue Assets						
				92.01	19.96*					
17.	Radio Publication, All India Radio.	1983-84	513.64	..	(—)77.44	(—)77.44	0.96	(—)76.48	..	
				Revenue Assets						
				0.61	0.08*					
18.	Doordarshan Kendras									Separated from All India Radio w.e.f. 1st April 1976. Proforma Accounts for year 1976-77 to 1985-86 had not been received.
19.	Films Division, Bombay	1983-84	416.16	245.14	246.80	(—)83.20	47.61	(—)35.59	..	(i) Due to change in accounting method from 1983-84, net loss has been arrived at after taking into account revenue in respect of supply of prints made to Directorate of Field Publicity and National Revenue (Rs. 19.81 lakhs) for free supply of prints to State Governments. (ii) Net loss calculated after excluding adjustments relating to previous years. (iii) Compilation of *proforma accounts* for 1984-85 is in arrears.
				Capital Assets						
20.	Commercial Broadcasting Service, All India Radio	1980-81	157.80	83.25	69.08	(+)827.41		(+)827.41	..	
				Revenue Assets						
				5.47	1.24*					
	MINISTRY OF TRANSPORT									
21.	Lighthouses and Lightships Departments@	1985-86	3545.62	2943.64	659.77	(—)14.67	116.74	102.07	2.77	

1	2	3	4	5	6	7	8	9	10	11
22.	Shipping Department, Andaman and Nicobar Islands	1972-73	43.58	56.80	7.89	(—)80.15	4.47	(–)75.68	..	
23.	Ferry Service, Andamans	1979-80	150.03	110.12	39.91	(—)59.37	2.00	(—)57.37	..	
24.	Marine Department (Dock-Yard), Andaman and Nicobar Islands	1979-80	4.72	3.48	1.25	(—)21.78	8.77	(—)13.01	..	
25.	Chandigarh Transport Undertaking, Chandigarh	1986-87	859.90	554.45	72.09	(—)243.91	58.81	(—)185.10	..	
26.	State Transport Service, Andaman and Nicobar Islands	1977-78	35.87	16.05	50.05	(—)21.03	1.64	(—)19.39	..	Acceptance not received
	MINISTRY OF AGRICULTURE									
27.	Delhi Milk Scheme	1982-83	1067.37	425.84	657.28	(—)1112.14	75.78	(—)1036.36	..	
28.	Ice-cum-Freezing Plant, Cochin	1984-85	39.74	39.24	29.71	(—)8.89	0.33	(—)8.56	..	
	MINISTRY OF ENVIRONMENT AND FOREST									
29.	Forest Department, Andaman and Nicobar Islands.	1982-83	196.75	196.75	50.91	(+)296.36	51.38	(+)1067.29	147.5	
	MINISTRY OF HEALTH AND FAMILY WELFARE									
30.	Central Research Institute, Kasuali.	1985-86	206.79	12.41	15.63	(+)4.96	15.74	(+)92.35	Awaited	
31.	Medical Store Depots@	1977-78	64.54	45.40	28.12	(+)43.45	£93.87	(+)137.32	8.05	£This represents interest on Government capital, accounted for in the consolidated Profit and Loss Accounts of Medical Store Depots, Profit and Loss Account of Factories attached to the Medical Store Depots and Workshop Accounts.

1	2	3	4	5	6	7	8	9	10	11
32.	Vegetable Garden of the Central Institute of Paychiatry, Kanke, Ranchi.	1984-85	0.31	0.27	0.04*	(—)0.11	0.02	(—)0.09	..	
	MINISTRY OF URBAN DEVELOPMENT									
33.	Department of Publicaions, Delhi.	1979-80@								@Trading and Profit and Loss Accounts and Balance Sheet are not perpared; instead only store accounts are prepared.
34.	Government of India Presses.	1979-80@								
	MINISTRY OF ENERGY									
35.	Electricity Department, Andaman.@	1980-81	379.71	248.12	58.12	(—)115.92	22.36	(—)93.56	..	
36.	Electricity Department, Lakshadweep	1982-83	185.80	110.57	36.76	(—)64.04	8.11	(—)55.93	..	
	MINISTRY OF DEFENCE									
37.	Canteen Stores Departments.@	1986-87	48.00	271.39	283.79	(+)1767.13	525.51	2292.64	41.66	

@Proforma Accounts have not been prepared according to the revised procedure prescribed in the Ministry of Finance O. M. No. F.i (35)/B/71 dated 23-1-1974.

*Depreciation for the year only.

MGIPRRND—S/68 C&AG/89—TSS I—29-4-89—2250.

ERRATA

Page	Column	Line	For	Read
1	2	3	4	5
(viii)	2	15	(4)	(7)
(xiv)	1	21 from bottom	1484 lakhs	14.84 lakhs
2	1	13	adjustment	adjustments
4	1	18 from bottom	Actual	Actuals
7		1	CAPTER II	CHAPTER II
9	1	3	(Rs. 650 crores);	(Rs. 6.50 crores);
12	2	5 from bottom	Grants in aid	block grants
16	1	27	was provided	was to be provided
16	2	9 from bottom	4.61.1	4.6.1
22	2	5 from bottom	Anantpur	Anantapur
23	1	10	utilised	unutilised
25	2	14	DRDS	DRDAs
27	2	9 from bottom	paid completion	paid on completion
29	1	7 -do-	Jullundar	Jalandhar
29	1	2 -do-	North Arect	North Arcot
29	2	3	indigible	ineligible
32	1	7	Teliamure	Teliamura
35	2	14 from bottom	1987-88	1986-87
37	1	6	frieght	freight
37	2	9	injudicous	injudicious
38	2	3	initiaed	initiated
38	2	7	empoyment	employment
38	2	10 from bottom	costruction	construction
39	1	25	enchanced	enhanced
40	1	24 from bottom	1983	1988
40	1	11 -do-	been made on time as per the statute, the amount of	interest could have been reduced by Rs. 9 lakhs
40	1	10 from bottom	proximately	approximately
40	1	8 -do-	land taken	land was taken
40	2	12 -do-	Scetor	sector
42	1	24	at	and
42	2	16 from bottom	Experts	Exports
42	2	4 -do-	contraints	constraints
44	2	8 -do-	and	—
45	2	18 -do-	. Inter	. inter
45	2	10	3.63	3.36
46	2	1	rellenishment	replenishment
52	2	7 from bottom	any	not
56	1	2 from bottom	100,31	100.31
57	1	8 -do-	-pay	-pany
57	2	25	existed in	existed. In
58	2	6	and	was
66	1	6	irregualarly	irregularly
67	1	12 from bottom	Cansus	Census
67	1	6 -do-	retreachment	retrenchment
71	2	16	but	out
71	2	20 from bottom	Organisational	Organisational set up
81	1	17 -do-	8 to 12	8 to 11
85	1	27	when	which
97	2	7	stated	started
99	1	21	the	—
99	2	26	-tact	-tract
100	2	20	namely	mainly
101	1	10 from bottom	psovisions	provisions
102	1	1	or	for
102	1	5	of	—
103	1	2 from bottom	brodiges	bridges
104	1	6 -do-	9th	19th
113	2	10	eoting	coating
117	2	8 from bottom	purcha	purchase
118	1	2	0.64 lakh	Rs. 0.64 lakh
118	1	25	veriation	variation
118	2	6 from bottom	Hindadine	Hinadine
119	2	6	MVS	VMS
120	2	19	May 1988	July 1988
121	2	3	requences	sequences
121	2	3 from bottom	ropalities	royalities
122	2	12 -do-	also	—
128	1	8	8987-88	1987-88