REPORT

OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR 1981-82

UNION GOVERNMENT (CIVIL)

ERRATA

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8	3	Delhi, due	Delhi due
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133	13	Marahashtra	Maharashtra
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143	1	districts	district
144	3 from bottom	banks	bank
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152	12 from bottom Table under para 2.1 (last column)	539.97	539.99
161	19	lahhs	lakhs
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166	4	158.19 lakhs	123.44 lakhs
167	last line	,75	175
176	Annexure I serial No. 6 (column 9)	1	12
176	Annexure I Serial No. 17 (column 9)	1	11
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178	3	Stat	State
180	4 from bottom (Column 14)	11,26	1,126
182	13-Table (Column 5)	5.62	5.86
	13-Table (Column 6)	4.91	5.22
	18-Table (Column 5)	53.46	54.29
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321	4	*Introduction*	*Introductory*
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373	5 from bottom (Sl.No. 10 Column 6)	(Apri 1982)	(April 1982)
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377	4	29	39
	9 from bottom	Add word 'only' between the words 'from' and 'five'	
	8 from bottom	Add word 'and' between '32' and '39'	
379	Sl.No. 5, Column 9	(+)81,11	(+)31,11
380	Sl.No. 15 Column 8	3,13,75	2,13,75
381	Sl.No. 31 Column 2	Depots	Depots @
382	Sl.No. 39 Column 9	(+)11,04,71	(+)11,04,81
383	10 from bottom	May 1973	May 1975
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410	Table-1973-74 Total	644.03	664.03
416	13 from bottom	supplies	suppliers
	9 from bottom	'fall cause'	'fall clause'
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429	4 from bottom	boiler	boilers
	last line	(Rs. 19,454)	(Rs. 19,464)
431	12	only	(December 1982),
	14	Add 'in store' between the 'lying' and 'un-repaired'	
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438	2 from bottom	225	255
456	13	Ministry of Supplies	Ministry of Civil Supplies
	13	475	47.5
457	4	Ministry of Supplies	Ministry of Civil Supplies
	17-18	Overseas Communication Services	Overseas Communications Service

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TABLE OF CONTENTS

PREFATORY REMARKS

This Report has been prepared for submission to the President under Article 151 of the Constitution. It relates to matters arising from the Appropriation Accounts of the Union Government (Civil) for 1981-82 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.

2. The report also includes in Chapter I certain points of interest arising from the Finance Accounts of the Union Government for 1981-82 under consolidation by the Controller General of Accounts and based on the information furnished by the Controller General of Accounts/Controllers of Accounts.

3. The cases mentioned in the Report are among those which came to notice in the course of test audit during the year 1981-82 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 1981-82 have also been included, wherever considered necessary. These include, among others, paragraphs on Exploitation of marine resources in India, Scheme for welfare of Scheduled castes, Scheduled tribes and other backward classes, District Industries Centres Programme, National Cooperative Development Corporation, Activities of Tea Board Abroad and Delhi Development Authority.

4. The points brought out in this Report are not intended to convey or to be understood as conveying any general reflection on the financial administration by the departments/ authorities concerned.

CHAPTER I

I.—GENERAL

The original budget estimates and actuals of revenue receipts, expenditure met from revenue and expenditure on capital account during 1981-82 are shown below with the corresponding figures for the preceding two years :

		Budget estimates	Actuals	Variation	Percentage of variation
				(Crores of rupees)	
Revenue Receipts* .	1979-80	@13786.88	13867.50	+80.62	+0.6
	1980-81	@15070.59	15605.59	+535.00	+3.6
	1981-82	@17411.85	18814.47	+1402.62	+8.1
Expenditure met from revenue	1979-80	@13817.04	14563.68	+746.64	+5.1
	1980-81	@16911.80	17307.48	+395.68	+2.3
	1981-82	@18373.52	19107.91	+734.39	+4.0
Expenditure on Capital Account	1979-80	2522.30	2439.42	—82.88	—3.4
	1980-81	3567.88	3982.70	+414.82	+11.6
	1981-82	4085.78	4298.81	+213.03	+5.2

*Excludes payments to States of their share of divisible proceeds of taxes on income and estate duty and to Union Territory Governments of their share of estate duty on agricultural land which are taken as reduction of revenue receipts. Such payments to State/Union Territory Governments during the three years were :

	1979-80	1980-81	1981-82
			(Crores of rupees)
Taxes on Income	864.88	1001.97	1016.88
Estate Duty	10.94	12.38	16.50

@Budget estimates for revenue receipts shown above include Rs. 183.77 crores, Rs. 58.98 crores and Rs. 10.68 crores during 1979-80, 1980-81 and 1981-82 respectively being the share of Union Excise Duties payable to States as a result of budget proposals. The figures of budget estimates for expenditure met from revenue shown above do not include these amounts.

NOTE :—The figures for 1981-82 contained in this chapter are those furnished by the Controller General of Accounts (CGA)/Controllers of Accounts; these could not be verified in audit from the Union Government Finance Accounts for 1981-82 which are under preparation by the CGA (December 1982) (Prefatory Remarks may also be referred to).

During 1981-82, the revenue receipts, the expenditure met from revenue and expenditure on capital account exceeded the budget estimate by Rs. 1402.62 crores, Rs. 734.39 crores and Rs. 213.03 crores respectively.

During the course of the year, supplementary grants for expenditure were obtained, the effect of which was to increase the above estimates of expenditure met from revenue and expenditure on capital account by Rs. 1200.72 crores and *Rs. 311.89 crores respectively.

Further details of revenue receipts have been given in the Report on Revenue Receipts.

II—OVERALL EXPENDITURE (REVENUE AND CAPITAL)

2. The following table compares the expenditure on revenue account during 1981-82 under broad headings with the provision of funds made thereunder :—

Head of Expenditure	Budget estimates	Budget plus supplementary	Actuals	Variation
			(Crores of rupees)	
	PLAN			
A. General Services—				
(a) Fiscal Services. .	0.19	0.19	0.10	—0.09
(b) Administrative Services . . .	8.20	8.20	4.72	—3.48
B. Social and Community Services . . .	325.08	331.43	304.51	—26.92
C. Economic Services—				
(a) General Economic Services . . .	26.97	26.98	18.05	—8.93
(b) Agriculture and Allied Services .	299.10	316.31	263.18	—53.13
(c) Industry and Minerals . . .	144.84	147.92	135.34	—12.58
(d) Water and Power Development . .	37.02	37.02	16.48	—20.54
(e) Transport and Communications . .	55.00	55.00	47.31	—7.69
D. Grants-in-aid and Contributions . . .	2119.86	2222.33	2209.33	—13.00
TOTAL	3016.26	3145.38	2999.02	—146.36

*Excludes supplementary provision obtained for Loans and Advances.

(Crores of rupees)

NON-PLAN

Head of Expenditure	Budget estimates	Budget plus supplementary	Actuals	Variation
A. General Services—				
(a) Organs of State* .	103.24	110.49	107.35	—3.14
(b) Fiscal Services. .	316.50	334.04	335.45	+1.41
(c) Interest payment and Servicing of Debt* .	3123.80	3200.00	3194.68	—5.32
(d) Administrative Services . . .	803.97	853.97	642.80	—211.17
(e) Pensions and Miscellaneous General Services* . . .	235.40	270.68	267.46	—3.22
(f) Defence Services* .	3794.06	4160.96	4167.23	+6.27
B. Social and Community Services . . .	747.75	766.86	763.02	—3.84
C. Economic Services—				
(a) General Economic Services . . .	562.59	698.74	686.38	—12.36
(b) Agriculture and Allied Services . . .	759.35	808.04	800.28	—7.76
(c) Industry and Minerals . . .	680.91	773.86	730.07	—43.79
(d) Water and Power Development . .	171.35	175.28	176.82	+1.54
(e) Transport and Communications . .	224.39	240.23	252.49	+12.26
D. Grants-in-aid and Contributions . .	3833.95	4035.71	3984.86	—50.85
TOTAL . . .	15357.26	16428.86	16108.89	—319.97

*No provision and expenditure under these heads under Plan expenditure.

3. The expenditure during 1981-82 compared with that during the previous two years is shown below:

		1979-80	1980-81	1981-82
			(Crores of rupees)	
A. General Services—				
(a) Organs of State.	Plan	..	..	..
	Non-Plan	106.46	98.34	107.35
(b) Fiscal Services	Plan	0.02	0.03	0.10
	Non-Plan	267.34	312.40	335.45
(c) Interest payment and Servicing of Debt	Plan	..	..	..
	Non-Plan	2209.86	2604.30	3194.68
(d) Administrative Services	Plan	2.92	2.60	4.72
	Non-Plan	479.23	556.84	642.80
(e) Pensions and Miscellaneous General Services	Plan	..	..	..
	Non-Plan	187.13	1181.63	267.46
(f) Defence Services	Plan	..	..	..
	Non-Plan	3093.61	3540.38	4167.23
B. Social and Community Services	Plan	187.43	218.30	304.51
	Non-Plan	584.82	658.75	763.02
C. Economic Services—				
(a) General Economic Services	Plan	10.11	19.07	18.05
	Non-Plan	480.99	548.64	686.38
(b) Agriculture and Allied Services	Plan	162.37	177.67	263.18
	Non-Plan	698.18	736.89	800.28
(c) Industry and Minerals	Plan	95.39	119.25	135.34
	Non-Plan	639.44	471.84	730.07
(d) Water and Power Development	Plan	8.12	9.74	16.48
	Non-Plan	108.26	142.58	176.82
(e) Transport and Communications	Plan	31.84	37.84	47.31
	Non-Plan	187.15	223.13	252.49
D. Grants-in-aid and Contributions	Plan	1846.83	2120.59	2209.33
	Non-Plan	3176.18	3526.67	3984.86
TOTAL	Plan	2345.03	2705.09	2999.02
	Non-Plan	12218.65	14602.39	16108.89

4. The variation in expenditure under some of the heads mentioned in the preceding paragraph is analysed below :

	1979-80	1980-81	1981-82
			(Crores of rupees)
(*a*) Fiscal Services :			
Collection of Taxes on Income and Expenditure	47.41	54.28	61.12

The increase is mainly due to (i) larger expenditure on additional dearness allowance, (ii) creation of new posts, increase in the rates of postage and telephone charges, general increase in prices, hiring of additional accommodation and (iii) installation of wireless communication system and purchase of vehicles for Intelligence Units.

Union Excise Duties	35.39	38.42	44.03

The increase is mainly due to (i) larger expenditure on additional dearness allowance and (ii) creation of new Central Excise Divisional Offices, intensification of anti-smuggling activities and preventive work and for additional office accommodation.

Currency, Coinage and Mint . . .	41.13	44.54	55.59

The increase is mainly due to (i) larger payment for materials and supplies for Currency Note Press, Security Paper Mill on account of increased production and (ii) enhancement of additional dearness allowance.

Other Heads	*143.43	*175.19	174.81
TOTAL	267.36	312.43	335.55

*Differs from the last year's figure due to inclusion of some items previously shown distinctly.

	1979-80	1980-81	1981-82
			(Crores of rupees)
(*b*) Administrative Services :			
Secretariat-General Services	53.85	60.68	68.19

The increase is mainly due to (i) enhanced dearness allowance and normal growth of expenditure and (ii) increase in air fare, rail fare and settlement of outstanding debits.

Police	259.46	299.64	352.83

The increase is mainly due to more expenditure on (i) additional dearness allowance, arms and ammunition, clothing, tentage and stores, ration money to certain categories of staff, petrol oil, (ii) purchase of aircraft for Border Security Force, purchase of vehicles and hiring of additional accommodation and (iii) raising of additional battalions for Central Reserve Police and Delhi Armed Police.

Stationery and Printing	33.37	32.80	43.17

The increase is mainly due to enhanced dearness allowance and increased cost of paper.

External Affairs	57.52	64.73	77.84

The increase is mainly due to larger payment for (i) discretionary expenditure, establishment expenditure of Missions and Posts abroad due to increase in the local costs and (ii) contribution to the United Nations Organisation.

Other Administrative Services	34.76	62.38	67.63

The increase is mainly due to more payments of additional dearness allowance and normal growth of expenditure.

Other Heads	*43.19	*79.21	37.86
TOTAL	482.15	599.44	647.52

*Differs from last year's figure due to exclusion of some items now shown distinctly.

	1979-80	1980-81	1981-82
			(Crores of rupees)

(c) Social and Community Services :

Education	231.80	265.26	312.58

The increase is mainly due to larger payments for (i) assistance to Universities through University Grants Commission, (ii) grants to Indian Institute of Technology and Regional Engineering Colleges, (iii) grants to Municipal Corporation of Delhi for primary education and (iv) expenditure on secondary education including additional schooling facilities in Union Territory of Delhi for the age groups 11-14 and 14-17.

Scientific Services and Research .	204.64	221.62	290.78

The increase is due to larger payments for (i) additional dearness allowance, (ii) expenditure on maintenance and materials and supplies in Department of Atomic Energy, (iii) grants to Tata Institute of Fundamental Research, Tata Memorial Centre and Council of Scientific and Industrial Research, (iv) expenditure for space research in Vikram Sarabhai Space Centre, ISRO Centre and Sriharikota Centre and (v) provision for Department of Ocean Development for undertaking research expedition to the South Indian Ocean.

Medical	56.96	67.04	83.72

The increase is mainly due to increased expenditure in Government hospitals and grantee medical institutions due to enhanced rate of dearness allowance and increase in prices of medicines, diet articles, other materials and equipment.

Housing	28.96	26.24	36.96

The increase is mainly due to larger payments for (i) dearness allowance, (ii) maintenance and repairs of Government residential buildings, (iii) interest subsidy to Hindustan Prefab

	1979-80	1980-81	1981-82
		(Crores of rupees)	

Limited and (iv) municipal taxes at Bombay and Delhi, due to construction of new buildings and arrear claims.

Information and Publicity . . .	18.51	22.53	28.66

The increase is mainly due to (i) reimbursement of losses to State Trading Corporation for import of newsprint, (ii) more expenditure on Directorate of Advertising and Visual Publicity and Publications Division and (iii) purchase of materials and supplies for Films Division and Employement News.

Broadcasting	58.61	67.50	79.81

The increase is mainly due to larger payments for (i) additional dearness allowance, telephone charges, electricity charges, petrol oil etc., (ii) transfer to Akashwani and Doordarshan Commercial Revenues Fund due to increase in net revenues and (iii) payment of commission to advertising agencies.

Labour and Employment . . .	58.26	64.34	76.99

The increase is mainly due to larger expenditure on (i) Coal Mines Labour Welfare and (ii) transfer to Coal Mines Labour Housing and General Welfare Fund, Iron Ore Mines and Maganese Ore Mines Labour Welfare Fund and Beedi Workers Welfare Fund.

Social Security and Welfare . .	63.49	74.22	84.56

The increase is mainly due to larger payments for (i) relief and rehabilitation of repatriates from Burma and other refugees and (ii) Central Government Employees' Insurance Scheme and protected savings scheme relating to recurring deposit schemes in post offices.

Other Heads	*51.02	*68.30	73.47
TOTAL	772.25	877.05	1067.53

*Differs from the last year's figure due to inclusion of some items previously shown distinctly.

	1979-80	1980-81	1981-82
		(Crores of rupees)	
(*d*) *Grants-in-aid and contributions :*			
Payments to States of their share of Union Excise Duties . . .	2530.20	2777.04	3240.28
Grants to State Governments :			
(*i*) Under proviso to Article 275(i) of the Constitution . .	86.10	86.17	105.36
(*ii*) Grants under (Distribution of Revenue) order . . .	257.91	318.96	337.43
(*iii*) Grants in lieu of Tax on Railway passenger fares . .	16.25	16.25	16.25
(*iv*) State Plan Schemes-Block Grants.	834.54	956.92	1055.53
(*v*) Central Plan Schemes-Employment and Training-Other Grants	377.62	345.11	187.65
(*vi*) Compensation and Assignments to Local Bodies and Panchayati Raj Institutions .	23.40	30.26	30.78
(*vii*) Technical and Economic Co-operation with other Countries	58.20	56.90	68.28
(*viii*) Other Grants and Contributions	715.11	929.08	1004.17
Grants to Union Territory Governments . . .	123.68	130.57	148.46
TOTAL	5023.01	5647.26	6194.19
(*e*) *General Economic Services.*			
Secretariat-Economic Services	19.88	20.74	23.47

	1979-80	1980-81	1981-82
		(Crores of rupees)	
Foreign Trade and Export Promotion	378.89	426.42	509.44

The increase is mainly due to larger payments for (i) cash assistance for export promotion on the basis of increase in volume of exports due to revival of cash assistance on export of jute products with effect from 1st October 1981, (ii) increase in interest subsidy on account of higher volume of export credits, (iii) settlement of more claims for *ex gratia* payment to Indian nationals for properties seized by Pakistan during and after 1965 conflict and (iv) Foreign Governments in terms of Trade and Payments Agreements on account of change in exchange rates.

Cooperation	66.23	87.96	134.07

The increase is mainly due to larger payment of subsidy on controlled cloth to National Consumer Co-operative Federation due to further remission in the rate of subsidy from 1st July 1981.

Other General Economic Services	22.94	28.96	32.23

The increase is mainly due to larger payments for (i) increase in rate of additional dearness allowance, (ii) grants to Indian Investment Centre, (iii) grant to Industrial Credit and Investment Corporation of India and Industrial Finance Corporation of India to cover losses due to fluctuation in the rates of exchange and (iv) grants to Indian Statistical Institute.

Special and Backward Areas	3.16	3.63	5.22
TOTAL	491.10	567.71	704.43
(f) Agriculture and Allied Services :			
Agriculture	153.34	143.03	219.42

The increase is mainly due to larger payments for (i) Custom duty and clearing charges on import of equipment under Indo-U.K. Bilateral Programme, (ii) membership contribution to consultative Group on International Agricultural Research

	1979-80	1980-81	1981-82
		(Crores of rupees)	

and (iii) Research Institutes of Indian Council of Agricultural Research.

Food	608.24	658.22	706.72

The increase is mainly due to payment of larger subsidy to Food Corporation of India.

Dairy Development	56.01	62.12	80.72

The increase is mainly due to larger grants-in-aid to (i) Indian Dairy Corporation for establishment of bull stations/ frozen semen with Danish assistance and for operation Flood II Scheme and (ii) State Dairy Development Corporation etc. and Indian Council of Agricultural Research for research schemes.

Other Heads	42.96	51.19	56.60
TOTAL	860.55	914.56	1068.46
(g) Industry and Minerals :			
Industries	559.09	376.43	619.89

The increase is mainly due to (i) larger payments to Oil Industry Development Board from Cess collections to meet the increased requirements of public sector undertakings and institutions for development purposes, (ii) larger payments under fertilizer freight subsidy scheme, (iii) subsidy to Cochin Shipyard, (iv) Ghazipur and Neemuch Opium Factories for purchase of opium, (v) subsidy to Jute Corporation of India and Cotton Corporation of India for meeting losses on procurement of Jute and sale of imported cotton respectively, (vi) Nuclear Fuel Complex, Hyderabad and Heavy Water Plant, Tuticorin for purchase of materials and supplies etc. and Ammonia Synthetic Gas Facility (for payment of arrears of operation and maintenance charges to Gujarat Fertilizer Corporation), (vii) refund of discount by Oil India Limited for price differential, (viii) payment of interest under the provision of Jute Companies (Nationalisation) Act, 1980 and National Company Limited (Acquisition

	1979-80	1980-81	1981-82
			(Crores of rupees)

and Transfer of Undertakings) Act, 1980 and (ix) subsidy to the State Trading Corporation for import of rubber and procurement of tobacco.

Village and Small Industries . .	68.16	74.54	92.30

The increase is mainly due to larger payment of rebate arrears to Khadi and Village Industries Commission.

Mines and Minerals	107.58	140.12	153.22

The increase is mainly due to larger payment for (i) enhanced dearness allowance and filling up of vacant posts, (ii) subsidy to Coal India Ltd. for payment of interest on non-plan loans, (iii) machinery and equipment for mineral exploration programme of Geological Survey of India, (iv) payment to Bharat Gold Mines on account of price differential on gold acquired by Government and Central Sales Tax payable thereon and (v) grants-in-aid to National Mineral Development Corporation.

TOTAL	734.83	591.09	865.41

(h) Water and Power Development :

Water and Power Development Services.	19.54	20.39	28.31

The increase is mainly due to more expenditure for (i) Hydrological studies in river basins, survey for flood plans zoning and aerial photography, tidal generation and (ii) grants to Power Engineers Training Society and National Thermal Power Corporation for investigation of new power projects.

Power Projects	93.40	128.03	160.08

The increase is mainly due to more expenditure on (i) operational expenses of Badarpur Thermal Power Station due to more consumption of oil and coal and (ii) Rajasthan Atomic Power

	1979-80	1980-81	1981-82
			(Crores of rupees)

Station due to increase in the pooled price of Heavy Water, increase in cost of fuel and more interest payments and (iii) purchase of Power for the Union Territory of Chandigarh.

Other Heads	3.44	3.90	4.91
TOTAL	116.38	152.32	193.30

(i) Transport and Communications :

Civil Aviation	18.19	23.12	28.37

The increase is mainly due to larger payment for (i) additional dearness allowance and office expenses, (ii) maintenance of aerodromes due to rise in wages, cost of petrol oil and other stores and (iii) International Airports Authority of India towards reimbursement on account of security measures and compensation in lieu of passenger service fee.

Roads and Bridges	60.82	75.09	96.13

The increase is mainly due to larger expenditure for the maintenance of National Highways due to increase in price of bitumen etc.

Other Transport and Communication Services	71.01	90.54	103.66

The increase is mainly due to larger payments for (i) interest and maintenance charges relating to Overseas Communications Service and (ii) subsidy to Railways towards dividend reliefs and other concessions.

Other Heads	*68.97	*72.22	71.64
TOTAL	218.99	260.97	299.80

*Differs from last year's figure due to inclusion of some items previously shown distinctly.

5. The capital expenditure during the three years ending 1981-82 as compared with the budget estimates and the budget estimates plus supplementary provision is given below :

Head of expenditure	Year	Plan				Non-plan			
		Budget estimates	Budget plus supple-mentary	Actuals	Variation	Budget estimates	Budget plus supple-mentary	Actuals	Variation
1	2	3	4	5	6	7	8	9	10
		(Crores of rupees)				(Crores of rupees)			
A. General Services	1979–80	22.35	22.35	14.15	—8.20	325.24	325.94	286.47	—39.47
	1980–81	19.34	19.84	19.47	—0.37	917.85	919.45	913.68	—5.77
	1981–82	26.57	26.57	21.43	—5.14	453.72	512.51	490.00	—22.51
B. Social and Com-munity Services.	1979–80	126.66	127.07	101.51	—25.56	22.74	24.31	3.95	—20.36
	1980–81	138.28	139.26	110.82	—28.44	26.40	32.04	19.94	—12.10
	1981–82	162.77	164.76	146.40	—18.36	39.75	58.43	30.14	—28.29
C. Economic Services—									
(a) General Economic Services.	1979–80	68.78	68.78	43.35	—25.43	0.05	0.05	6.87	+6.82
	1980–81	55.08	70.27	73.46	+3.19	5.28	5.53	15.45	+9.92
	1981–82	163.51	174.79	170.45	—4.34	—9.68	54.73	105.21	+50.48
(b) Agriculture and Allied Services.	1979–80	50.05	50.05	25.99	—24.06	144.93	320.70	282.35	—38.35
	1980–81	46.65	46.65	28.80	—17.85	197.38	246.69	335.32	+88.63
	1981–82	55.63	55.65	28.29	—27.36	364.33	364.33	100.81	—263.52

(*c*) Industry and Minerals	1979–80	708.36	750.36	654.36	—96.00	56.33	63.36	54.27	—9.09
	1980–81	897.09	988.18	943.00	—45.18	77.52	120.70	107.13	—13.57
	1981–82	1386.89	1441.58	1317.42	—124.16	44.10	119.53	161.20	+41.67
(*d*) Water and Power Development	1979–80	332.54	332.87	310.31	—22.56	—0.05	—0.05	0.52	+0.57
	1980–81	386.60	386.62	376.97	—9.65	2.40	2.48	2.85	+0.37
	1981–82	530.11	531.29	495.03	—36.26	0.85	1.24	1.68	+0.44
(*e*) Transport and Communications	1979–80	198.93	200.64	147.91	—52.73	12.60	12.60	14.71	+2.11
	1980–81	237.05	286.37	256.95	—29.42	9.66	17.16	26.58	+9.42
	1981–82	293.89	317.18	275.61	—41.57	26.14	27.88	29.55	+1.67
(*f*) Railways .	1979–80	395.00	395.00	484.08	+89.08	3.92	3.92	..	—3.92
	1980–81	482.00	482.00	644.77	+162.77	..	..	..	..
	1981–82	482.00	482.00	657.17	+175.17	..	..	..	..
(*g*) Posts and Telegraphs	1979–80	53.87	53.87	1.53	—52.34	..	..	7.09	+7.09
	1980–81	69.30	69.30	67.81	—1.49	..	..	39.70	+39.70
	1981–82	65.20	65.20	229.44	+164.24	..	..	38.98	+38.98
TOTAL .	1979–80	1956.54	2000.99	1783.19	—217.80	565.76	750.63	656.23	—94.60
	1980–81	2331.39	2488.49	2522.05	+33.56	1236.49	1344.05	1460.65	+116.60
	1981–82	3166.57	3259.02	3341.24	+82.22	919.21	1138.65	957.57	+181.08

6. The variations in capital expenditure during 1981-82 over that of the previous year under the broad sectors are analysed below :—

(a) *Social and Community Services*

The total increase in expenditure under this sector during 1981-82 as compared to 1980-81 is Rs. 45.78 crores. The increase is mainly under the following heads :

	1979-80	1980-81	1981-82
		(Crores of rupees)	
Education, Art and Culture . .	4.55	13.96	23.91

The increase is mainly due to larger expenditure on (i) construction of buildings in Union Territories for schools and technical institutions etc. and (ii) construction of sports facilities for Asian Games, 1982.

Scientific Services and Research .	33.51	39.73	54.60

The increase is mainly due to purchase of (i) machinery equipment for ISRO Satellite Centre, New Engineering Halls, Research Reactor and Computer Centre for the Department of Atomic Energy and (ii) materials and supplies for Indian National Satellite (INSAT).

Public Health, Sanitation and Water Supply	—3.72	5.97	8.69

The increase is mainly due to more expenditure on rural water supply in the Union Territory of Delhi.

Housing	59.20	55.26	63.19

The increase is mainly due to more expenditure on Government residential buildings and other housing schemes in Delhi and provision for buildings for embassy staff abroad.

Broadcasting	5.48	7.21	16.33

The increase is mainly due to (i) more expenditure on civil works for All India Radio and Doordarshan, (ii) payment of

	1979-80	1980-81	1981-82
			(Crores of rupees)

higher rentals for INSAT by All India Radio and (iii) purchase of machinery and equipment for Doordarshan.

(b) *General Economic Services*

The total increase in expenditure under this sector during 1981-82 as compared to 1980-81 is Rs. 186.74 crores. The increase is mainly under the following heads :—

Co-operation	*18.59	39.86	83.91

The increase is mainly due to (i) higher investments in Cooperative Fertilizer Factories and (ii) additional investments in debentures of Co-operative Land Development Bank.

Special and Backward Areas . .	19.34	17.69	21.40

The increase is mainly due to (i) higher capital outlay on Kopili Hydro Electric Project and (ii) construction of bridge on Brahamputra at Tezpur.

Investments in General Financial and Trading Institutions . . .	1.50	20.37	74.22

The increase is mainly due to payment for subscription towards share capital of the Export Import Bank of India set up in 1981-82.

International Financial Institutions .	9.53	9.27	94.71

The increase is mainly due to higher subscription to (i) the International Bank for Reconstruction and Development and (ii) International Development Association under IDA-VI replenishment and variations of rupee-dollar exchange rate.

(c) *Industry and Minerals*

The total increase under the sector during 1981-82 as compared to 1980-81 is Rs. 428.49 crores. The increase is

*Differs from the last year's figure due to subsequent correction.

	1979-80	1980-81	1981-82
		(Crores of rupees)	

mainly under the following heads :—

Village and Small Industries . .	3.67	3.40	7.60

The increase is mainly due to more expenditure on development of handicrafts, handloom sericulture and other village industries and for testing centres, Small Scale Industries Institutes etc.

Petroleum, Chemical and Fertilizer Industries	86.28	120.93	172.01

The increase is mainly due to (i) payments for take over of private share holdings in Oil India and Assam Oil Company and for additional payment to ESSO in terms of Participation Agreement for take over of its Indian assets and liabilities and (ii) larger investment in Indian Drugs and Pharmaceuticals Ltd., Hindustan Organic Chemicals Ltd., Rashtriya Chemicals and Fertilizers Ltd., and Hindustan Fertilizer Corporation Ltd.

Telecommunication and Electronics Industries	6.60	6.92	13.09

The increase is mainly due to more investments in Indian Telephone Industries, Semi Conductor Complex Ltd. and Bharat Electronics Ltd.

Consumer Industries . . .	92.80	92.63	115.76

The increase is mainly due to more investments in Cement Corporation of India and Hindustan Paper Corporation and National Textile Corporation (NTC).

Mining and Metallurgical Industries	436.54	665.18	998.69

The increase is mainly due to more investments in Steel Authority of India Ltd., Kudremukh Iron Ore Co. Ltd., Hindustan Steel Works Construction Ltd., National Mineral Development Corporation, Hindustan Zinc Ltd., National Aluminium Company Ltd. and Coal India Ltd.

Industrial Financial Institutions .	25.62	23.27	60.36

The increase is mainly due to more investments in Industrial Development Bank of India.

	1979-80	1980-81	1981-82
		(Crores of rupees)	

(d) *Water and Power Development*

The total increase in expenditure under this sector during 1981-82 as compared to 1980-81 is Rs. 116.89 crores. The increase is mainly under the following heads :—

Irrigation, Navigation, Drainage and Flood Control Projects . .	16.17	19.66	24.40

The increase is mainly due to more expenditure on drainage schemes in Union Territories of Delhi and Dadar and Nagar Haveli and on Farakka Barrage Project.

Power Projects	293.16	358.39	470.00

The increase is mainly due to (i) more expenditure on Salal Hydro-Electric Power Project for stepping up of works in concrete dam and power house and increase in the cost of materials, (ii) more payments to meet the expenditure on the four Super Thermal Power Stations at Singrauli, Korba, Ramagundam, Farakka and their associated transmission lines and (iii) to meet the expenditure for procurement of equipment and for civil and electric works pertaining to Narora and Madras Atomic Power Stations.

(e) *Transport and Communications*

The total increase under this sector during 1981-82 as compared to 1980-81 is Rs. 21.63 crores. The increase is mainly under the following heads :—

Ports, Light-houses and Shipping .	0.50	7.13	25.42

The increase is mainly due to more expenditure for (i) acquiring a new vessel in place of P.V. Andaman for Andaman and Nicobar Islands, (ii) Ports in Andaman and Nicobar Islands and Lakshadweep, (iii) light houses and light ships and (iv) construction of landing facilities and jetties.

Roads and Bridges	108.09	125.87	164.49

The increase is mainly due to more expenditure for (i) major works on National Highways and (ii) improvement works on roads and construction of fly-over bridges in the Union Territory of Delhi in connection with Asian Games.

7. The total investment of Government in statutory Corporations, Government companies, other joint stock companies, co-operative banks and societies, etc. upto March 1982 was *Rs. 12,595.82 crores. This amount includes investments in International Bodies like the International Finance Corporation, International Bank for Reconstruction and Development, Asian Development Bank and in Undertakings under construction/expansion from which no dividends are receivable. It also includes investments in nationalised banks, Reserve Bank of India, Life Insurance Corporation, etc. which do not declare dividends but transfer a part of the profits earned to general revenues. Against these investments, the amount brought to account during 1981-82 by way of dividend and other receipts was Rs. 82.90 crores and Rs. 229.16 crores respectively. The corresponding receipts in the two preceding years were Rs. 56.46 crores and Rs. 227.76 crores (1980-81) and Rs. 78.78 crores and Rs. 230.61 crores (1979-80) respectively. Particulars of the main investments and dividends and other receipts are given in Appendix I. The contributions received by Government from the Railways and Posts and Telegraphs excluding interest** during the three years ending 1981-82 are as under :

	1979-80	1980-81	1981-82
		(Crores of rupees)	
Railways	—32.12	..	..
Posts and Telegraphs	—1.00	—2.19	—1.95

Contribution from Railways shown above does not include Rs. 16.25 crores received each year for payment to State Governments as grants in lieu of tax on railway passenger

*The figure includes value of bonus shares, gift material treated as investment, shares transferred on consideration other than cash, etc. Details will be available in statement no. 13 of Finance Accounts—Union Government, 1981-82.

**Interest received by Government from Railways and Posts and Telegraphs during three years ending 1981-82 was :

	1979-80	1980-81	1981-82
		(Crores of rupees)	
Railways	239.50	109.97	338.30
Posts and Telegraphs	33.52	38.67	51.78

fares ; Rs. 1.44 crores, Rs. 1.27 crores and Rs. 1.92 crores paid by the Railways during 1979-80, 1980-81 and 1981-82 respectively as contribution towards safety works are also not included in the figures shown above.

RECEIPT AND DISBURSEMENT OUTSIDE THE REVENUE ACCOUNT

8. The following tables give a broad analysis of the receipts and disbursements outside the revenue account during the three years ending 31st March 1982 :—

	1979-80	1980-81	1981-82
		(Crores of rupees)	
(a) Receipts			
Consolidated Fund—			
(*i*) Miscellaneous Capital Receipts .	3.00	..	0.01
(*ii*) Internal Debt (Other than treasury bills and *ad hoc* treasury bills)	*(a)2525.05	*(b)4448.48	(c)7898.19
(*iii*) External Debt	993.95	1727.13	1451.19
(*iv*) Repayment of loans and advances by State Governments etc. . .	1461.21	2461.56	2173.00
Public Account—			
Small Savings, Provident Funds, etc. (Net)	1760.18	1497.37	2643.59
Reserve Funds (Net)	81.77	**4.01	—86.58
Deposits and Advances (Net) . .	—240.74	—8.42	83.01
Suspense and Miscellaneous (Net) .	—40.99	**—296.04	—175.73
Remittances (Net)	—6.20	—11.97	—85.93
Total receipts outside the revenue account	6537.23	9822.12	13900.75
Add—Debt raised by issue of treasury bills and *ad hoc* treasury bills (Net) . .	2587.89	2654.56	—2578.20
GRAND TOTAL	9125.12	12476.68	11322.55

*This includes (a) Rs. 50 crores and (b) Rs. 100 crores on account of conversion of *ad hoc* treasury bills into dated securities.
(c) Includes Rs. 3,500 crores on account of conversion of *ad hoc* treasury bills into new form of securities "Treasury bills (Conversion) special securities".

**Differs from the figure shown in the Audit Report (Civil) for 1980-81 due to subsequent correction.

	1979-80	1980-81	1981-82
			(Crores of rupees)
(b) Payments			
Capital Outlay—Civil.	1684.69	*2904.03	2838.65
Capital Outlay—Railways	484.08	*644.77	657.17
Capital Outlay—Posts and Telegraphs	8.62	*107.51	268.42
Capital Outlay—Defence	262.03	326.39	484.57
TOTAL	2439.42	3982.70	4298.81
Loans and Advances by Central Government	4720.09	5663.74	6248.08
Repayment of Debt—			
Internal Debt (Other than treasury bills and *ad hoc* treasury bills).	648.41	558.54	530.54
External Debt	410.15	391.58	421.78
Total expenditure outside the revenue account	8218.07	10596.56	11499.21
Total receipts as in sub-paragraph (a) above	9125.12	12476.68	11322.55
Excess of expenditure over receipts (+)/ Excess of receipts over expenditure (—) pertaining to heads outside the revenue account	+907.05	+1880.12	—176.66
Deficit (—)/Revenue Surplus (+)	—696.18	—1701.89	—293.44
Net Surplus (+)/Deficit (—)	+210.87	+178.23	—470.10

It will be seen that if net expansion of treasury bills and conversion of *ad hoc* treasury bills of Rs. 50 crores during 1979-80 and Rs. 100 crores during 1980-81 into dated securities is taken into account, the overall deficit during these years was Rs. 2427.02 crores and Rs. 2576.33 crores respectively. However, during the year 1981-82, if the net expansion of treasury bills and conversion of *ad hoc* treasury bills of Rs. 3500 crores into special securities is taken into account, the overall deficit during the year was Rs. 1391.90 crores.

(c) The year 1981-82 closed with a deficit of Rs. 1391.90 crores against the anticipated deficit of Rs. 1538.97 crores

*Differs from the figure shown in the Audit Report (Civil) for 1980-81 due to subsequent correction.

(budget) and Rs. 1699.71 crores (revised estimate). The table below gives the analysis of the deficit :—

	Budget	Actuals	Variation
		(Crores of rupees)	
Treasury bills and *ad hoc* treasury bills (Net)	+1539.06	—2578.20	+4117.26
Conversion of *ad hoc* treasury bills into special securities	..	+3500.00	—3500.00
Decrease (—)/increase (+) of Cash Balance	—0.09	+470.10	—470.19
TOTAL	+1538.97	+1391.90	+147.07

III—DEBT

9. (A) The following table indicates the outstanding under 'Public Debt' and 'Small Savings, Provident Funds, etc.' at the end of 1955-56, 1980-81 and 1981-82 :—

	31st March 1956	31st March 1981	31st March 1982
		(Crores of rupees)	
Public Debt—			
(*a*) *Internal Debt—*			
(*i*) Market Loans	1569	15676	18589
(*ii*) Treasury Bills		11915	*4432
(*iii*) *Ad hoc* Treasury Bills	595	936	5840
(*iv*) Other Internal Debt	189	2337	6792
(*b*) External Debt	111	11298	12328
(*c*) Small Savings, Provident Funds, etc.—			
(*i*) Small Savings Collections	576	7976	9375
(*ii*) Provident Funds	169	2645	2943
(*iii*) Other Accounts	13	3332	4279
TOTAL	3222	56115	64578

(B) The net balances at the credit of Reserve Funds and deposit accounts as shown below also constitute liabilities of Government as these have not been separately invested, but are merged in the general cash balance of Government.

	31st March 1956	31st March 1981	31st March 1982
		(Crores of rupees)	
Reserve Funds bearing interest	..	871.38	769.43
Reserve Funds not bearing interest	..	496.04	511.41
Deposits bearing interest	(X)188.96	960.38	1116.61
Deposits not bearing interest	(Y)233.14	1306.05	1214.89

(X) Includes amount under Reserve Funds bearing interest.

(Y) Includes amount under Reserve Funds not bearing interest.

*Decreased by Re. one crore due to rounding.

(C) Details of debt transactions during 1981-82 are given below :

	Receipts	Payments	Net Increase(+) Decrease (—)
			(Crores of rupees)
(a) *Internal Debt*—			
(*i*) Market Loans	3198.30	285.42	+2912.88
(*ii*) Treasury Bills	36262.49	43744.32	—7481.83
(*iii*) *Ad hoc* Treasury Bills	13565.00	8661.37	+4903.63
(*iv*) Other Internal Debt	*4699.89	245.12	+4454.77
(*b*) External Debt	1451.19	421.78	+1029.41
(*c*) Small Savings, Provident Funds, etc.—			
(*i*) Small Savings Collections	3877.27	2478.52	+1398.75
(*ii*) Provident Funds	743.20	445.44	+297.76
(*iii*) Other Accounts	1302.69	355.61	+947.08
TOTAL	65100.03	56637.58	+8462.45

10. (A) Market Loans.—Market loans amounting to Rs. 3198.30 crores were raised during 1981-82, as per details given below :—

	(Crores of rupees)
(*i*) Realised in cash	2906.63
(*ii*) By conversion of loans matured during the year	191.67
(*iii*) By issue of securities in favour of Reserve Bank of India	100.00
TOTAL	3198.30

(Loan wise details will appear in statement no. 16-A of the Union Government Finance Accounts for 1981-82).

(B) Treasury Bills, Securities and Bonds. These include :—

(a) *Ad hoc* Treasury Bills issued to the Reserve Bank of India. Rupees 5840.04 crores were outstanding on 31st March 1982.

*Includes Rs. 3,500 crores on acount of conversion of ad hoc treasury bills into new form of securities "Treasury bills (conversion) special securities."

(b) Treasury Bills issued to State Governments, Banks and other parties. Rupees 4432.49 crores were outstanding on 31st March 1982. These were held by the Reserve Bank of India (Rs. *3804.00 crores), State Governments (Rs. *455.55 crores) and other parties (Rs. *172.97 crores).

(c) Non-negotiable, non-interest bearing securities issued to the International Financial Institutions (Rs. 1535.85 crores) and compensation and other bonds (Rs. 1145.91 crores) as on 31st March 1982.

11. (A) Interest payment on account of debt etc. is analysed below :

	1979-80	1980-81	1981-82
			(Crores of rupees)
(*i*) Interest paid by Government on debt and other obligations	2209.86	2604.30	3194.68
(*ii*) Deduct—			
(*a*) Interest received on loans to State and Union Territory Governments	499.36	**889.05	908.04
(*b*) Interest received on loans from investment of cash balance and other items excluding the receipts mentioned at item (iv) below	198.65	236.74	267.09
(*iii*) Net amount of interest charges	1511.85	**1478.51	2019.55
(*iv*) Interest from Departmental Commercial Undertakings, Public Sector Undertakings and other Undertakings	670.86	**668.82	1040.19
(*v*) Net amount of interest charges after deducting the receipts shown at item (iv) above	840.99	809.69	979.36

*Difference of Rs. 0.03 crore is under reconciliation.

**Differs from the figure shown in the Audit Report (Civil) for 1980-81 due to subsequent correction.

(B) Further details of interest paid by the Government of India are given below :

	1979-80	1980-81	1981-82
		(Crores of rupees)	
Interest on market loans	671.26	807.61	1016.16
Discount on Treasury Bills	396.78	557.56	613.71
Payment to Reserve Bank for management of debt	3.22	3.84	4.73
Interest on External Debt	235.18	231.15	258.13
Interest on Provident Funds	160.19	188.42	220.76
Interest on Savings Certificates	86.70	75.62	95.50
Other items	656.53	740.10	985.69
TOTAL	2209.86	2604.30	3194.68

IV.—GRANTS AND LOANS FROM FOREIGN SOURCES

12. (a) Upto 31st March 1982, Rs. 22766.92 crores were received as Grants (Rs. 4976.21 crores) and loans (Rs. *17790.71 crores) from foreign countries, International Bank for Reconstruction and Development, International Development Association, etc. In addition, contributions in the shape of technical services etc. which are not reflected in Government accounts, have been received from UNTAA, UNESCO, etc. and certain international philanthropic organisations. Certain contributions received up to 1973-74 in the shape of materials, equipment, etc. were also not reflected in Government accounts. From 1974-75 onwards value of all materials, equipment, etc. received as aid from foreign sources is accounted for in Government accounts.

(b) *Grants.*—The Government of India has been getting grants from various countries/international organisations for various programmes. The grants received totalled Rs. 384.15 crores during 1981-82 and Rs. 4,976.21 crores upto 1981-82. The programme and source-wise details are given in Appendix II.

*Figures upto 5th June 1966 at pre-devaluation rates and after 5th June 1966 at post-devaluation rates.

13. The position of foreign loans received, repaid during 1981-82, and the balance outstanding at the end of the year is indicated below. Source-wise details are given in Appendix III.

(In crores of rupees)

(*i*) Amount authorised	21,838.91
(*ii*) Received :	
during 1981-82	1,451.19
upto end of 1981-82	17,790.71
(*iii*) Repaid :	
during 1981-82	421.78
upto end of 1981-82	6,825.27
(*iv*) Outstanding at the end of 1981-82 . . .	12,327.74

14. (a) In pursuance of recommendations of Sixth Finance Commission, Government have re-imbursed an amount of Rs. 0.32 crore as grants in aid to State Governments upto 31st March 1982 towards state's share of 50 *per cent* of recoveries of loan from displaced persons/repatriates in respect of pre-1974 consolidated rehabilitation loans.

The Union Government has so far (upto 31st March 1982) remitted or written off (Rs. 33.57 crores) of the loans advanced to states for rehabilitation of displaced persons from erstwhile East Pakistan.

(b) During 1981-82, Rs. 0.29 crore were written off or converted into grants by the Government of India, Ministry of Education and Culture (Department of Education) on account of loans sanctioned for scholarships to various states/Union Territory administrations.

15. During 1981-82, Rs. 390 crores were paid as Ways and Means advances to State Governments for clearance/avoidance of overdrafts from the Reserve Bank of India. The entire amount was recovered within that year.

16. (a) The terms and conditions of 5 loans of Rs. 0.49 crore sanctioned to Governments of Assam, Orissa and Tripura during 1979-80 and 1981-82 remained unsettled (December

1982). Ministry and State-wise details of these loans are included in statement no. 4 of the Union Government Finance Accounts—1981-82.

(b) The terms and conditions of the following loans to Government owned Companies/Corporations, Non-Government Institutions, Local Funds, etc. have not yet (December 1982) been settled :—

Ministry sanctioning the loan	Name of the concern to which loan was paid	No. of loans	Total amount of loans	Earliest period to which the loans relate
1	2	3	4	5
			(Crores of rupees)	
Ministry of Agriculture	Indian Dairy Corporation, Baroda.	12	54.83	1978-79
(Department of Agriculture and Co-operation)	Indian Council of Gosamvardhan, New Delhi.	1	0.04	Awaited
	SOMEX (Mexico)	2	0.06	1975-76
	National Seeds Corporation Ltd., New Delhi.	2	2.05	1981-82
Ministry of Home Affairs (Delhi Administration)	Delhi State Industrial Development Corporation, Delhi.	7	2.95	1978-79
	Delhi Tourism Development Corporation, New Delhi.	1	0.03	1980-81
	Municipal Corporation of Delhi, Delhi.	1	0.01	1980-81
	Delhi Development Authority, New Delhi	4	10.20	1979-80
Ministry of Steel and Mines. (Department of Steel)	Mandovi Pellets Ltd., Goa.	1	0.44	1978-79

17. (a) In respect of loans and advances given to State Governments by various Ministries/Departments of the Government of India, recovery of Rs. 2704.10 lakhs towards principal and Rs. 406.11 lakhs towards interest remained in arrear at the end

of 1981-82. Details of these loans are included in statement no. 4 of the Union Government Finance Accounts, 1981-82.

(b) Details of loans and advances to Government Corporations, Non-Government Institutions, Local Funds, etc. in which recovery of principal and interest remained in arrear at the end of 1981-82 will be available in statement no. 4 of the Union Government Finance Accounts—1981-82.

(c) During 1981-82, fresh loans of Rs. 5,228.99 lakhs for payment of arrears of principal and interest were sanctioned by the various Ministries/Departments of Government, full details of which are given in statement no. 4 of the Union Government Finance Accounts—1981-82.

18. *Assistance to various countries.*—Government of India has been rendering assistance to various countries under the Colombo Plan and Special Common-wealth African Assistance Plan. The aid rendered under the Colombo Plan was Rs. 16.30 crores during 1981-82 and Rs. 193.79 crores upto 1981-82 of which Rs. 184.69 crores were to Nepal (for national highways, hydro-electric projects, minor irrigation works, village development programme, training of technical personnel and services of Indian experts). The aid rendered under the Special Commonwealth African Assistance Plan was Rs. 29.13 lakhs during 1981-82 and Rs. 249.21 lakhs up to the end of 1981-82.

In addition, Government has also given loans to foreign countries; the amount outstanding on that account at the close of 1981-82 was Rs. 364.82 crores.

19. *Guarantees given by the Union Government.*—During 1981-82 Government issued guarantees in 220 cases (including renewal of old guarantees) for Rs. 11315.26 crores. The total amount guaranteed by Government outstanding at the end of 1981-82 was Rs. 9487.38 crores (including certain cases where the sums are payable in foreign currencies). The guarantees were given for loans raised by 81 joint stock companies and

Government companies, 9 statutory corporations, 3 port trusts, 5 co-operative banks, 117 co-operative societies, 2 State Financial Corporations, a consumer co-operative society, an autonomous body and Industrial Development Bank. In addition, Government has also guaranteed a minimum dividend on the share capital of certain corporations, as also payment of interest on debentures, etc. floated by them. The following guarantees were invoked during 1981-82 and payments made by Government :—

(i) *Branch line railway companies.*—Government has guaranteed a net return of 3 *per cent* to 3½ *per cent*/5 *per cent* per annum on the paid up share capital of branch line railway companies. The guarantee was invoked during 1981-82 in the case of three companies and Rs. 15.42 lakhs were paid by Government.

(ii) *Credit guarantees scheme for Small Scale Industries.*—During 1981-82, Rs. 500 lakhs were paid by Government on account of default in repayment of loans/advances for the guarantees invoked.

20. *Contributions to International Organisations.*—The total amount of contributions to international bodies made during 1981-82 was Rs. 2207.65 lakhs. The more important contributions made during each of the three years ending 1981-82 are indicated below :—

To whom paid	1979-80	1980-81	1981-82
		(Lakhs of rupees)	
Ministry of Agriculture—			
Commonwealth Agricultural Bureau .	(A)25.15	11.71	13.94
Food and Agricultural Organisation .	(B)	79.17	143.60
Consultative Group on International Agricultural Research . . .	..	..	44.10

(A) Includes Rs. 14.05 lakhs paid during 1976-77.

(B) Rs. 60.55 lakhs paid during 1979-80; but adjusted in the accounts for 1982-83.

To whom paid	1979-80	1980-81	1981-82
		(Lakhs of rupees)	
Ministry of Communications—			
International Telecommunications Union	85.77	84.85	92.25
Ministry of Education and Culture—			
United Nations Educational Scientific and Cultural Organisation . .	(C)94.92	83.07	80.38
Ministry of External Affairs—			
United Nations Organisation . .	286.42	260.77	322.80
Ministry of Finance—			
United Nations Development Programme	657.52	615.39	650.42
Ministry of Health and Family Welfare—			
World Health Organisation . . .	221.41	(D)105.36	66.89
Ministry of Industry—			
United Nations Industrial Development Organisation	82.00	79.40	85.51
Ministry of Labour—			
International Labour Organisation .	74.91	45.63	65.45
Ministry of Social Welfare—			
United Nations Children's Fund . .	141.00	200.00	169.05
Department of Atomic Energy—			
International Atomic Energy Agency .	41.74	37.57	39.63

21. *Subsidies.*—The details of subsidy on food, export promotion and market development, fertilizers, interest, etc. paid during 1979-80, 1980-81 and 1981-82 are given below :—

To whom paid	1979-80	1980-81	1981-82
		(Crores of rupees)	
(*i*) Food	600.03	652.44	700.00
(*ii*) Export promotion and market development	348.58	376.41	452.48
(*iii*) Fertilizers	320.87	170.00	275.00
(*iv*) Interest	108.02	113.09	162.03
(*v*) Others	254.23	379.15	370.18
TOTAL	1631.73	1691.09	1959.69

(Ministry-wise/Department-wise details are given in Appendix IV).

(C) Includes Rs. 39 lakhs paid during 1978-79 but adjusted in the accounts for 1979-80.

(D) Includes Rs. 2.06 lakhs paid during 1979-80 and adjusted in the accounts for 1980-81.

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

Results of appropriation audit

22. The table given below shows the amount of original and supplementary grants and appropriations, the actual expenditure and the savings in the revenue and capital sections during 1981-82 :—

		Total grants/ appropriations	Actual expenditure	Saving	
				Amount	Percentage
				(Crores of rupees)	
Voted Grants—					
Revenue					
Original Supplementary	8275.42 623.65	8899.07	8429.42	469.65	5.3
Capital					
Original Supplementary	6589.88 919.06	7508.94	7023.20	485.74	6.4
Charged Appropriations—					
Revenue					
Original Supplementary	*6643.21* *256.37*	*6899.58*	*6893.13*	*6.45*	*0.09*
Capital					
Original Supplementary	*46144.88* *12326.91*	*58471.79*	*56734.70*	*1737.09*	*2.9*
GRAND TOTAL		81779.38	79080.45	2698.93	3.3

The overall saving of Rs. 2698.93 crores represents about 3.3 *per cent* of the total amount of voted grants and charged appropriations; it was the net result of savings of Rs. 497.22 crores in 133 cases in the revenue section and Rs. 2408.54 crores in 84 cases in the capital section and excess of Rs. 21.12 crores in 9 cases in the revenue section and Rs. 185.71 crores in 3 cases in the capital section. The savings in 1981-82 have been analysed in paragraph 25.

23. *Supplementary grants/appropriation.*—During the year supplementary provision of Rs. 623.65 crores and Rs. 919.06 crores were obtained under 64 and 30 voted grants in the revenue and capital sections respectively. Supplementary appropriations of Rs. 256.37 crores and Rs. 12326.91 crores were also obtained for charged expenditure under 19 and 13 appropriations in the revenue and capital sections respectively.

The amount of supplementary grants/appropriations obtained during the previous three years were :—

(Crores of rupees)

Year	Voted	Charged
1978–79 . . .	1201.11 (in 58 cases)	*13175.06* (in 28 cases)
1979–80 . . .	1152.13 (in 63 cases)	*810.71* (in 24 cases)
1980–81 . . .	1516.33 (in 76 cases)	*16448.85* (in 25 cases)

In 16 cases* supplementary provision of Rs. 51.26 crores (revenue Rs. 6.73 crores and capital Rs. 44.53 crores) proved unnecessary as the expenditure did not even come up to the original grants/appropriations. In these cases, supplementary provision of Rs. 6.11 crores (revenue Rs. 5.61 crores and capital Rs. 0.50 crore) was obtained in March 1982.

*Details of these cases are given in Appendix V.

24. *Excess over grants/appropriations*

(a) *Excess over grants.*—There were excesses of Rs. 21.11 crores in 7 grants in the revenue and Rs. 185.63 crores in 2 grants in the capital section; these excesses require regulation under Article 115 of the Constitution; the details of the excesses are given below :—

Revenue Section

S. No.	Grant	Total grant	Actual expenditure	Excess
		Rs.	Rs.	Rs.
		Ministry of Communications		
(1)	15—Overseas Communications Service	21,38,17,000	23,25,40,223	1,87,23,223

Excess occurred mainly under 'A.1(2)—Operation and Maintenance' (expenditure : Rs. 1336.02 lakhs, provision : Rs. 1159.82 lakhs) and was due to post budget decision to liquidate liability under Commonwealth Tele-communications financial arrangements and more expenditure on engineering stores, tapes and copier rolls, electricity charges, repairs and maintenance of buildings, plant and machinery.

Ministry of Finance

(2)	32—Ministry of Finance	45,87,44,000	45,97,18,609	9,74,609

Excess occurred mainly under 'A.2(1)—Defence Accounts Department' (expenditure : Rs. 3731.04 lakhs; provision : Rs. 3690.79 lakhs) and was due to increased payments of additional dearness allowance, leave salary encashment claims, leave travel concession claims and agency charges to Posts and Telegraphs Department for arranging departmental payments and hiring of more office buildings.

Ministry of Home Affairs

(3)	53—Delhi	234,35,58,000	240,34,12,527	5,98,54,527

Excess occurred mainly under 'A—General Services : A.14—Public Works : A.14(6)—Suspense' (expenditure : Rs. 1738.53

lakhs; provision : Rs. 950.00 lakhs) and was due to purchase of more building materials and at higher cost following voluminous increase in construction works connected with ASIAD, 1982.

(4) 55—Andaman and Nicobar Islands	35,85,36,000	38,71,04,419	2,85,68,419

Excess occurred mainly under (i) 'A.12(5)(2)—Purchases' (expenditure : Rs. 567.66 lakhs; provision : Rs. 430.00 lakhs) and was due to liquidation of past liabilities regarding purchase of materials made through Directorate General of Supplies and Disposals and receipt of more stores than anticipated, (ii) 'A.12(5)(3)—Miscellaneous P.W. Advances' (expenditure : Rs. 58.67 lakhs; provision : Rs. 21.49 lakhs) and was mainly due to adjustment of more debits than anticipated pending recovery from Divisions/Departments, (iii) 'B.1(1)(1)—Government Primary Schools' (expenditure : Rs. 239.33 lakhs; provision : Rs. 212.74 lakhs) and was due to increase in rates of additional dearness allowance and cost of material and accelerated progress of work, (iv) 'C.13(1)(1)(1)—Maintenance of Jetties' (expenditure : Rs. 99.01 lakhs; provision : Rs. 48.96 lakhs) and was due to liquidation of past liabilities and receipt of more stores and (v) 'C. 13(1)(4)—Dockyard and Dry Docking' (expenditure : Rs. 114.43 lakhs; provision : Rs. 73.67 lakhs) and was due to belated adjustment of debits received from Directorate General of Supplies and Disposals, receipt of more stores and increase in rates of additional dearness allowance.

(5) 56—Dadra and Nagar Haveli	3,55,29,000	3,72,26,547	16,97,547

Excess occurred mainly under 'A.13—Public Works : A.13(6) Suspence' (expenditure : Rs. 27.90 lakhs; provision : Rs. 10.00 lakhs). Reasons for excess are awaited (December 1982).

Ministry of Works and Housing

(6) 91—Public Works	161,48,15,000	171,60,61,039	10,12,46,039

Excess occurred mainly under 'A.—Public Works : A.7—Suspense : A.7(1)—Stock' (expenditure : 7163.40 lakhs; provision : Rs. 6056.18 lakhs) and was due to procurement of more billets, steel, bitumen and cement at higher rates and unexpected receipt of billets, cement and steel during the year instead of in the next year.

Department of Space

(7) 103—Department of Space	55,23,76,000	55,24,28,355	52,355

Excess occurred under 'C.1(2)(1)(5)(5)—Ariane Passenger Payload Experiment (APPLE) Project' (expenditure : Rs. 110.85 lakhs; provision : Rs. 74.70 lakhs) and was due to increase in foreign travel expenses owing to postponement of launch schedule, computer usage, making of spillover payments to European Space Agency and *pro rata* allocation of more expenditure to project following extension of its time schedule.

Capital Section

Ministry of Commerce

(1) 12—Foreign Trade and Export Production	187,88,01,000	356,81,46,998	168,93,45,998

Excess occurred under 'EE.7(1)—Technical credits incorporated in Trade Agreements' (expenditure : Rs. 29966.00 lakhs; provision : Rs 12000.00 lakhs) and was due to requirement of more technical credits for purchase of goods in India by foreign Government under the respective Trade Agreements.

Ministry of Home Affairs

(2) 53—Delhi	156,03,35,000	172,73,10,744	16,69,75,744

Excess occurred mainly under 'BB.5(1)(1)(1)—Large Scale Acquisition, Development and Disposal of land in Delhi' (expenditure : Rs. 4769.60 lakhs; provision : Rs. 3100.00 lakhs) and was due to steep rise in cost of material and services and conversion of premia/advance premia realised on leasing out of un-developed/developed land as advance to Delhi Development Authority.

(b) *Excess over charged appropriations.*—There were excesses of Rs. 1.28 lakhs and Rs. 7.98 lakhs in 2 and 1 appropriations in the revenue and capital sections respectively. These excesses also require regularisation under Article 115 of the Constitution. The details are :—

Revenue Section

Ministry of Finance

(1) 32—Ministry of Finance	*25,000*	*83,088*	*58,088*

Excess occurred under 'A.2(1)—Defence Accounts Department' (expenditure : Rs. 0.83 lakh; provision : Rs. 0.25 lakh) and was due to receipt of a court judgement for payment of arrears of pay and allowances to Indian Defence Accounts Service Officers.

Lok Sabha

(2) 104—Lok Sabha	*1,78,000*	*2,48,169*	*70,169*

Excess occurred under 'A.1(1)(1)—Speaker and Deputy Speaker' (expenditure : Rs. 2.48 lakhs; provision : Rs. 1.78 lakhs) and was due to overall increase in the Parliamentary activities in all spheres and more expenditure on travelling allowance arising from increase in air fares and transportation charges.

Capital Section

Department of Space

(1) 103—Department of Space	*9,12,000*	*17,10,160*	*7,98,160*

Excess occurred under 'AA.1(1)(3)(2)—Srihartkota Centre' (expenditure : Rs. 8.98 lakhs; provision : Rs. 1.00 lakh) and was due to payment of decretal amount in respect of certain works.

25. *Savings in voted grants and charged appropriations* :—

The overall saving of Rs. 2698.93 crores was the net result of excesses and savings as shown below :—

	Savings		Excesses		Net Savings	
	Revenue	Capital	Revenue	Capital	Revenue	Capital (Crores of rupees)
Voted						
Grants	490.76 (in 92 grants)	671.37 (in 56 grants)	21.11 (in 7 grants)	185.63 (in 2 grants)	469.65	485.74
Charged						
Appro-priations	*6.46* (in 41 appro-priations)	*1737.17* (in 28 appro-priations)	*0.01* (in 2 approp-riations)	*0.08* (in 1 appro-priation)	*6.45*	*1737.09*

It would be seen from Appendix VI that in 26 grants (10 grants in the revenue section and 16 grants in the capital section), the savings (more than Rs. 5 lakhs in each case) exceeded 20 *per cent* of the funds, in 14 grants (revenue 3 and capital 11) of these cases, the savings exceeded 30 *per cent*.

Out of the final saving of Rs. 1162.13 crores (Rs. 490.76 crores in revenue section and Rs. 671.37 crores in capital section) under voted grants, savings in 9 grants, particulars of which are given below, accounted for savings of Rs. 740.32 crores (Rs. 243.34 crores in revenue section and Rs. 496.98 crores in capital section).

Revenue Section

Ministry of Finance

Sl. No.	Grant	Saving
(1)	41—Transfers to State Governments	Rs. 24.48 crores

Saving occurred mainly under (i) 'A.1(6)—General-Relief on account of Natural Calamities—Other Grants' (Rs. 21.93 crores) and (ii) 'A.1(7)(1)—Railway Safety Works' (Rs. 1.37

crores) and was due to release of less grants-in-aid to State Governments following less expenditure incurred by them on relief measures and receipt of less claims towards their shares of cost on railway safety work respectively.

(2) 42—Other Expenditure of the Ministry of Finance — Rs. 178.14 crores

Saving occurred mainly under 'A.2(2)(1)—Lumpsum provision for dearness allowance' (Rs. 200 crores) and was due to surrender of entire provision of funds made under this head to reflect overall impact on Government resources of payment of additional instalments of dearness allowance to the Central Government employees, following inclusion of provision by various Ministries in their respective grants for the purpose.

Ministry of Petroleum, Chemicals and Fertilizers

(3) 71—Chemicals and Fertilizers Industries — Rs. 40.72 crores

Saving occurred mainly under 'A.1(1)(2)(2)(1)—Nitrogenous Fertilizers' (Rs. 37.07 crores) and was mainly due to payment of less subsidy to manufacturers owing to post budget increase in sale prices of fertilizers following revision of prices of petroleum products from 11th July, 1981.

Capital Section

Ministry of Agriculture

(1) 2—Agriculture — Rs. 132.37 crores

Saving occurred mainly under (i) 'AA.3(1)—Purchase of Fertilizers' (Rs. 120.48 crores) and was mainly due to import of less fertilizers from abroad owing to indigenous production being more than anticipated, (ii) 'AA.3(2)—Bulk Fertilizers Unloading and Handling project' (Rs. 3.14 crores) and was mainly due to non-clearance of proposal for Madras High Speed Project, (iii) 'AA.3(5)—Infrastructural Facilities at Nodel Centre in Northern States' (Rs. 1.94 crores) and (iv) 'AA.3(6)—Pilot Projects for Bulk Inland Transportation by Railways' (Rs. 1.40 crores) and was due to non-finalisation of the schemes owing to procedural delays and (v) 'CC.3(1)—Short term loan to NAFED for Price Support Operations' (Rs. 5.00 crores) and was due to non-payment of loans to National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED) following non-requirement of price support operations.

Ministry of Energy

(2) 30—Department of Power Rs. 163.12 crores

Saving occurred mainly under 'BB.1(4)(1)—National Hydro Electric Power Corporation of India' (Rs. 168.92 crores) and was due to non-materialisation of transfer of Salal Hydro Electric Project to the Corporation and delay in sanctioning of certain new projects following delay in/non-completion of certain formalities.

Ministry of Industry

(3) 59—Industries Rs. 32.65 crores

Saving occurred mainly under (i) 'AA.2(3)(1)—Investment in Hindustan Paper Corporation' (Rs. 8.40 crores) and was due to less investment in the Corporation following slow progress in implementation of certain schemes owing to delay in approval of revised cost estimates of projects and (ii) 'BB.2(1)(1)(1)(11)—Burn Standard Company Ltd.' (Rs. 21.46 crores) and was due to payment of less loans to the company following non-repayment of earlier loans and non-payment of interest thereon owing to delay in grant of moratorium therefor.

Ministry of Petroleum, Chemicals and Fertilizers

(4) 71—Chemicals and Fertilizers Industries Rs. 105.44 crores

Saving occurred mainly under (i) 'AA.3(1)—Fertilizer Corporation of India Ltd.,' (Rs. 6.07 crores) and was due to less investments in the Corporation following less expenditure incurred by it on Sindri Rationalisation, Sindri Modernisation, Ramagundam and Talcher Projects owing to postponement of programme and decision for payment of Income Tax on foreign technicians to next year, (ii) 'AA.3(5)—Rashtriya Chemicals and Fertilizers Ltd.' (Rs. 45.38 crores) and was due to less investments in the company following less expenditure incurred by it on plan programmes, (iii) 'AA.3(6)—Hindustan Fertilizers Corporation Ltd.' (Rs. 8.00 crores) and was due to less investments in the Corporation following less expenditure incurred by it on setting up of ammonia storage facilities at Durgapur and Barauni, (iv) 'AA.3(8)—New Phosphatic Fertilizers Plants' (Rs. 4.00 crores) and was due to delay in incorporation of new company "Paradeep Phosphates Limited" for setting up new project at Paradeep, (v) 'BB.2(1)(1)—Indian Drugs and Pharmaceuticals Ltd.' (Rs. 9.87 crores) and was due to payment of less loans to the Company owing to grant of moratorium by Government for two years on repayment of loans and payments of interest and less expenditure incurred on expansion schemes at Rishikesh and Phase II at Hyderabad and (vi) 'BB.3(1)(6)—Hindustan Fertilizers Corporation Ltd.' (Rs. 27.56 crores) and was mainly due to payment of less loans to the Corporation owing to grant of moratorium by Government for three years on repayment of loans and payment of interest and less expenditure incurred by it on setting up of ammonia storage facilities at Durgapur and Barauni.

Ministry of Shipping and Transport

(5) 78—Ports, Lighthouses and Shipping — Rs. 40.54 crores

Saving occurred mainly under (i) 'GG.1(1)(1)(1)—Calcutta Port' (Rs. 6.86 crores) and was due to non-payment of loan to the Port Trust for meeting development expenditure following improvement in its internal resources and (ii) 'GG.2(1)—Loans to Shipping Development Fund Committee' (Rs. 36.98 crores) and was due to payment of less loans to the Committee following less disbursement of loans by it to Shipping Companies owing to non-materialisation of "on account" payments.

Ministry of Steel and Mines

(6) 81—Department of Steel — Rs. 22.86 crores

Saving occurred mainly under 'AA.1(1)—Steel Authority of India Limited (SAIL)', (Rs. 46.38 crores) and was due to less investments in the Authority following reduction in outlay owing to delay in receipt of equipment from suppliers, slow progress of civil works, non-implementation of new schemes for want of investment decisions and improvement in its internal resources.

(ii) The rest of the saving under voted grants of Rs. 421.81 crores (247.42 crores in revenue section and Rs. 174.39 crores in capital section) largely occurred in the revenue and capital sections of the following grants :—

Sl. No.	Grant	(Rupees in crores)	Controlling Ministry/ Department
	Revenue Section		
1.	2—Agriculture	17.05	Agriculture
2.	9—Payments to Indian Council of Agricultural Research.	14.60	Agriculture
3.	12—Foreign Trade and Export Production.	16.47	Commerce
4.	26—Education	18.76	Education and Culture
5.	64—Ministry of Irrigation . . .	16.40	Irrigation
	Capital Section		
6.	3—Fisheries	11.37	Agriculture
7.	4—Animal Husbandry and Dairy Development.	10.46	Agriculture
8.	7—Department of Food . . .	17.41	Agriculture
9.	43—Loans to Govt. Servants etc. .	13.79	Finance
10.	45—Medical and Public Health . .	11.93	Health and Family Welfare
11.	96—Atomic Energy Research, Development and Industrial Projects.	15.63	Atomic Energy

(b) There were also savings of Rs. 1704.92 crores in 2 appropriations in the capital section as detailed below :—

Capital (Charged)

(1) 41—Transfers to State Governments Rs. **154.69** ***crores***

Saving occurred mainly under 'AA.2(1)—Block Loans' (Rs. 105.37 crores) and was due to release of less loans to State Governments owing to post-budget decision to revise pattern of central assistance for development of hill areas/Western ghats from 50 *per cent* loan and 50 *per cent* grant to 10 *per cent* loan and 90 *per cent* grant respectively and non-receipt of claims for projects financed from foreign donations.

(2) Repayment of Debt Rs. **1550.23** ***crores***

Saving occurred mainly under 'AA.2—Treasury Bills' (Rs. 1594.31 crores) and was due to less discharge of treasury bills than anticipated.

CHAPTER III
CIVIL DEPARTMENTS
MINISTRY OF AGRICULTURE

(Department of Agriculture and Co-operation)

26. Exploitation of marine resources in India

1. *Introductory.*—India has a coast line of about 6536 kms. and a shelf area of about 4.52 lakh sq. kms. With the enactment of "Territorial Waters, Continental shelf, Exclusive Economic Zone and other Maritime Zones Act, 1976," a total area of 2.01 million sq. kms. as Indian Exclusive Economic Zone (EEZ) up to 320 kms. from the coast line had come under national jurisdiction in 1976. The area of EEZ is almost two-third of the land surface of the country. Also there is no restriction to exploit the international water beyond the EEZ.

2. *Organisational set up.*—Fisheries have been accorded high priority in the various Five Year Plans. There is, however, no single organisation, which is directly responsible for looking after all aspects of the industry, *inter alia,* relating to production, processing and export marketing. At present, some aspects relating to fishery industry are dealt with by the Ministry of Agriculture (with its five attached offices, out of which one is being wound up and 14 base offices), others by the Ministry of Commerce (with one attached office), Ministry of Shipping and Transport, Ministry of Industry, Ministry of Defence (Department of Defence Production), Ministry of Science and Technology, Department of Ocean Development, Indian Council of Agricultural Research (with four attached offices together with its 61 sub-offices), Departments of Fisheries and Fisheries Corporations of various maritime States. In view of the multiplicity of organisations dealing with the fishing industry, it was suggested (July 1973) that there should be a common body which would

look into all the aspects of survey of marine resources, development of fishing including ports, processing, export, etc. so that earnings from this sector could be substantially stepped up. The Ministry of Agriculture, constituted (December 1979) the Central Coordination Committee on National Fisheries Survey of India with a view to integrating and coordinating the activities of fishery survey only with well defined functions and responsibilities. Till April 1982, this committee met thrice, but no break through in the work relating to survey of fishery had been made. Other aspects of the fishery development are still being looked after by the various agencies.

3. *Plan outlay and expenditure.*—The Plan outlay and actual expenditure during the Plan periods for development of inland and marine fisheries and for major and minor fishing harbours were as under :

	Outlay	Expenditure
	(Rs. in crores)	
I Plan	5.13	2.78
II Plan	12.26	9.06
III Plan	28.27	23.37
1966-67 to 1968-69	42.21	31.67
IV Plan	82.68	54.11
V Plan	151.24	134.98
Annual Plans		
1978-79	82.36	40.59
1979-80	66.94	37.47
VI Plan		
1980-81	62.30	49.88
1981-82	68.05	54.91 (anticipated)
Total	601.44	438.82

Source: Pages 49 and 50 of hand book of fisheries statistics 1981 published by the Ministry of Agriculture and its replies dated 2nd September 1982.

Thus, against a total outlay of Rs. 601.44 crores till 1981-82, the actual expenditure was Rs. 438.82 crores.

4. Results of a test-check in audit (May 1982) of records/files of the departments relating to the marine fisheries are mentioned in the succeeding paragraphs.

4.1 *Resources.*—In accordance with a study undertaken by the International Indian Ocean Expedition (IIOE) from September 1959 to December 1965, the coasts of India are highly productive areas, yet the average yield from the Indian Ocean per sq. km. in 1975 was 50 kgs. against the yield of 235 kgs. and 170 kgs. from the Atlantic and Pacific Oceans respectively. Based on the Shelf area, the yield from the Indian, Atlantic and Pacific Oceans are 1.1, 3.0 and 3.6 tonnes per sq. km. respectively.

In order to survey the resources and to develop marine fishery industry, the Government of India (Government) established the following institutions/projects in the country :—

Sl. No.	Name of unit	Year
1.	Deep Sea Fishing Station [Exploratory Fisheries Projects (EFP)], Bombay	1946
2.	Central Marine Fisheries Research Institute (CMFRI), Cochin	1947
3.	Integrated Fisheries Project, Cochin	1952
4.	Central Institute of Fisheries Operatives [Central Institute of Fisheries Nautical and Engineering Training (CIFNET)], Madras and Cochin	1963
5.	National Institute of Oceanography (NIO), New Delhi	1966
6.	Pelagic Fisheries Projects (F.A.O./UNDP/GOI Project), Cochin	1971 to 1979

The Indian Institute of Foreign Trade (IIFT) emphasised in 1970 the need to bring about coordination among the various research institutions/organisations connected with fisheries development with a view to achieving effective results and avoiding overlapping of research efforts. In December 1981, the

Ministry of Agriculture recommended to the Planning Commission that all organisations, namely Department of Agriculture, Indian Council of Agricultural Research (ICAR), Council of Scientific and Industrial Research (CSIR) and Department of Ocean Development (DOD) may work together so that they might look for a certain facet of data to avoid duplications. In March 1982, the Central Coordination Committee discussed the role of EFP, CMFRI, CSIR in the field of survey and charting of fisheries resources.

Despite involvement of a number of institutions/orgainsations, the area of EEZ had not been fully surveyed and charted. The Ministry of Agriculture stated (April 1982) that about 2.5 lakh sq. kms. only within 100 fathoms depth in the EEZ was surveyed due to shortage of larger survey vessels with capacity to survey deep sea resources.

The annual potential yield of marine fish in the entire Indian Ocean as projected by the IIFT (1970) and FAO(1971) was 13.9 and 14.3 million tonnes respectively. Against the above potential, the annual exploitable marine resources in the EEZ is about 4.5 million tonnes, against which the average annual catch has been 1.47 million tonnes.

4.2(a) *Fishing fleet of large trawlers.*—Fishing fleet of large trawlers of 20 metres and above in length was operated as under :—

Year	No. of large trawlers
Till 1970	2
Till March 1976	23
Till 1977-78	52
Till 1978-79 to May 1982	68 (53 imported and 15 indigenous; out of this, 9 trawlers were awaiting customs clearance and two were yet to arrive)

In addition, 73 deep sea trawlers were chartered from countries 'A' (70), 'B' (1) and 'C' (2) during November 1977 to December 1978 under charter and joint ventures. These 73 trawlers had been withdrawn from operation by March 1981. Out of 70 trawlers chartered from country 'A', 45 had been chartered by two Indian companies. These companies were required to make irrevocable arrangements for purchasing of trawlers either by import or from an Indian shipyard before the expiry of the charter period, but they did not procure any trawler. The IIFT had, however, visualised in 1970 that on gaining experience from the operations of these trawlers, the drawing up of detailed designs of trawlers required for the country and construction programme therefor would be speeded up and that the trawlers chartered under joint ventures could be commissioned within three to six months and would start earning foreign exchange immediately thereafter and would also provide for training and organising the commercial projects.

Under the charter scheme, only one firm had been authorised so far (May 1982) to procure two trawlers from country 'A'. Thus, the main objects of procuring trawlers and drawing up of proven detailed designs and specifications of the trawlers suitable for Indian conditions, etc. were not achieved.

4.2 (*b*) *Exports to country 'A'*.—It was also observed that, prior to the chartering of trawlers from country 'A', there had been virtually no exports from India to that country during the period 1971 to 1978 excepting 315 and 5000 kgs. of fish during 1973-74 and 1977-78 respectively. However, with the chartering of trawlers, bulk export of fish to that country commenced on a regular basis. As per findings of the report on 'market potential survey for seafoods in Andaman and Nicobar islands' (July 1980) submitted by the Marine Products Export Development Authority, Calcutta, the exports made by the chartering companies to country 'A', were allowed by the customs after classification into 'a', 'b' and 'c' grade varieties according to the commercial marketability of these fishes on the basis of purchase orders said to have been received from time to time by the counterparts of the companies concerned in country 'A' and not on the basis of the ruling international price of similar quality of fish exported by India.

From the statistics of exports of fish, it was observed that the unit value realisation per kg. of export to country 'A' ranged from Rs. 2.28 to Rs. 5.38 only during the period of charter against the unit value realisation of Rs. 7.74 to Rs. 15.40 from export of fish (fresh or chilled) classified under similar heading, *viz.* 'other edible fish chilled' and 'all others chilled' to other countries during the same period. This had resulted in a loss of foreign exchange earnings to the tune of about Rs. 6.85 crores.

From November 1981, 15 trawlers were chartered from country 'D', out of which 7 had arrived and the rest were in the pipeline (May 1982).

The Marine Products Exports Development Authority, Cochin observed (April 1981) that poaching by as many as 400 trawlers, especially from country 'A' under the garb of chartering in last two years had caused considerable loss to the nation.

4.3 *Fish landing* :—Against the availability of vast marine resources, the yearwise marine fish landings in India during 1970—81 ranged between 22 and 34 *per cent* (Annexure). The major factor responsible for the meagre exploitation of the rich potential of Indian seas especially the offshore and deep sea was non-availability of large fishing trawlers for deep sea and high sea operations.

Taking Rs. 4 per kg. as the average value (assessed by the Ministry of Agriculture in May 1982) the value of untapped marine resources of 30 lakh tonnes works out to Rs. 1200 crores *per annum.* Ministry of Agriculture stated (October 1982) that exploitation of deep sea fishing required capital investment, appropriate technology and large number of concomitant activities like building of fishing harbours, acquisition of modern and sophisticated fishing vessels and training of persons which were time consuming. It was also stated that India's efforts in deep sea fishing were comparatively of recent origin and exploitation of distant waters was not that easy.

4.4 *Scheme for import of trawlers*: (a) In October 1958, Government had approved a scheme for import of 30 trawlers by private parties to encourage commercial exploitation of fisheries resources around the Indian coasts, on the following terms:

— "Two trawlers will be allowed to be imported on condition that orders will be placed on an Indian ship building firm for one indigenously constructed trawler above 55 ft. in length.

— A guarantee should be furnished to the effect that the value of export of fish and fish products during the period of seven years from the date of acquisition of the trawlers will not be less than twice the value of trawlers".

Only 12 trawlers were imported under this scheme.

(b) In 1973, another scheme was approved by the Committee of Economic Secretaries for import of 50 large trawlers with the following conditions:—

— "The importer was required to place orders for one indigenously constructed trawler for each trawler permitted for import.

— The import licence was to be issued after the following conditions were fulfilled:

— proof of having placed order for the construction of indigenous trawler and of having made the first stage payment; and a bond and bank guarantee for an amount of Rs. 3 lakhs for each trawler to be constructed indigenously"

Under this scheme, the contract for import of 30 trawlers was finalised by the Ministry of Agriculture after negotiation with a foreign party. Of these, 28 trawlers have arrived (October 1982). The basic price of each trawler was US$ 304430 (Rs. 27.40 lakhs).

Government linked the import of trawlers with the manufacture of indigenous trawlers on the insistance of the Department of Defence Production on the ground of existing spare capacity in the Indian yards, especially Mazagaon Docks Ltd., Garden Reach Workshops and Goa Shipyards. The production data of boats and craft building/ship repair industry available in the Annual Reports of the Director General, Technical Development, New Delhi revealed that the capacity for trawler building was fully utilised during 1968 to 1975. Government observed in 1976 that the country lacked in proven designs, drawings and specifications required for construction of big trawlers. Government further observed in 1978 that due to non-payment of subsidy under the scheme of June 1970 for construction of indigenous trawlers, the development of trawler building industry in India had been adversely hit.

(c) In June 1977, yet another scheme for the import of 60 trawlers by private parties was approved by Government. Against this scheme, 11 trawlers have so far been imported by the Indian parties. Out of this, 9 trawlers were awaiting customs clearance (May 1982). The basic price of each trawler was Dutch Guilders 1926750 (Rs. 69.36 lakhs).

Thus, 51 trawlers were procured under these schemes by May 1982 as against 140 trawlers envisaged. The slow progress was due to non-availability of funds with the Indian parties, the requirement of compulsory acquisition of indigenous trawlers alongwith each trawler imported, high collateral security demanded by financial institutions for indigenous trawlers, etc.

4.5 *Subsidy to offset higher cost of manufacture of Indian trawlers:*—In order to encourage construction of indigenous trawlers and to remove the difference in cost between the indigenous and imported trawlers, the Department of Agriculture introduced a scheme in June 1970 for grant of a subsidy of 27½ *per cent* of the cost of the imported trawlers. Against this scheme, no subsidy had been paid so far (August 1982) to the three trawler builders and claims amounting to Rs. 158.26 lakhs in respect of trawlers supplied during 1975 to 1980 were pending for payment with the Ministry of Agriculture (May 1982) for want of decision as to which Ministry should pay the subsidy.

In February 1980, the Ministry of Industry increased the subsidy rate to 33 *per cent* of indigenously constructed trawlers with the provision for import of components and equipment up to a value of 20 *per cent* of the cost of the trawlers. Till April 1982 no claim of subsidy against this scheme had been preferred.

4.6 *Import of trawlers under the scheme of* 1973:—An agreement was entered into on 4th September 1974 between Government and a Mexican firm for import of 20 fishing trawlers of 23 metres by selected Indian parties. The approved price per trawler was US $ 3,04,430 (Rs. 27.40 lakhs). Twenty *per cent* down payment of the contract price was to be made within 30 days from the date of signing the contract and for the balance 80 *per cent*, a letter of credit/guarantee was to be furnished from an Indian bank acceptable to the builder's bank within 45 days of the contract date failing which, the value of the contract price would be increased by 1 *per cent* for each month of delay from the 45th day of signing the contract.

Although 20 *per cent* down payment was made by the Indian buyers in respect of 18 trawlers, letters of credit towards 80 *per cent* of the cost were not furnished by the Indian buyers till September 1975, resulting in escalation in cost and the value of trawler increased to US$ 3,37,917 from US$ 3,04,430.

As a result of negotiations, the price was brought down to US$ 3,11,569 per trawler in September 1975 with modification of some of the equipment. The number of trawlers was also increased from 20 to 30. The Indian buyers did not make 20 *per cent* down payment in respect of 12 trawlers by the due date of 29th February 1976 and also did not furnish letters of guarantee towards 80 *per cent* of the cost to the builder's bank in respect of all the 30 trawlers by 29th February 1976 due to their inability to arrange the finance in time.

Extra foreign exchange amounting to Rs. 51.58 lakhs had, thus, to be expended due to escalation.

4.7 *Non-disbursement of loan by Shipping Development Fund Committee (SDFC)* :— For exploiting fisheries resources in the EEZ, Government initiated a scheme during 1975-76 to provide soft loans to the fishing companies except big houses at a concessional rate for acquiring fishing trawlers through the SDFC. Since the inception of this scheme, Rs. 22.05 crores loan had been received by the SDFC from Government up to April 1982, out of which Rs. 2.42 crores only was disbursed by the SDFC up to 1981-82. The shortfall was mainly due to difficulty in raising authorised capital by the fishing companies, increase in cost of trawlers and demand of security against loans by the SDFC, etc.

4.8 *Fishing harbours* :—Fishing harbour is an important link between the actual operation of catching fish and the delivery to the processors and consumers. The main objective of fishing harbours is to provide essential facilities such as berthing, maintenance and repairs of fishing boats/trawlers, supply of fishing requisites and landing, handling and auctioning of fish, etc.

A test-check in audit of records revealed that the main factor for slow progress in construction of fishing harbours was the inordinate delay in sanctioning the projects by Government after receipt of feasibility reports as indicated below:

S. No.	Name of harbour	Month of receipt of feasibility report	Month of issue of sanction by Government	Period of delay
1.	Malpe	December 1970	May 1975	Over 4 years
2.	Honnavar	April 1971	June 1973	Over 2 years
3.	Chandipur	September 1969	July 1972	Over 2 years
4.	Namkhana	March 1968	March 1976	Over 8 years
5.	Madras	November 1968	August 1973	Over 4 years
6.	Agardanda	May 1976	Yet to be sanctioned	Over 6 years
7.	Karanjhalen	November 1975	Yet to be sanctioned	Over 7 years
8.	Phoenix Bay (Stage II)	April 1978	Yet to be sanctioned	Over 4 years
9.	Campbell Bay	March 1978	Yet to be sanctioned	Over 4 years

Delay in sanctioning these projects resulted in escalation of projects cost due to general rise in the price of materials and also shortage of berthing facilities.

Government stated (December 1981) that a number of factors were taken into consideration before a project was finally approved, *i.e.* site selection, preparation of project reports, obtaining comments of State Governments, processing proposals for obtaining approval of Expenditure Finance Committee/ Public Investment Board/Cabinet, issue of administrative sanction, non-availability of land in time, escalation in cost of the projects and imposition of total ban on sanction of any new harbours until evaluation of completed harbours was done.

4.9 *Training*:—One of the major requirements for exploitation of deep sea resources is technical man-power for operation of large sophisticated trawlers. The Central Institute of Fisheries Operatives (Central Institute of Fisheries, Nautical and Engineering Training) was established in 1963 for this purpose. The total number of trainees who had successfully completed training from this institute till May 1982 was as under:

S. No.	Name of course	Total number of trainees who successfully completed the institutional training from 1963 to May 1982
1.	Fishing second-hand	685
2.	Engine driver	658
3.	Boat building foreman	93
4.	Shore mechanic	135
5.	Fishing gear technician	123
6.	Radio telephone operator	172
7.	Teacher's training	22

The number of trainees, out of above, whose services could be utilised in India was not available with the Ministry of Agriculture (May 1982).

In accordance with the Indian Merchant Shipping Act, 1958, the fishing second-hand and engine drivers were required to render 9 to 36 months seatime/workshop service on the fishing vessels before appearing for competency certificate examination. However, till May 1982 the following trained persons could only qualify for the competency certificate examination; the main reason for the small number being non-availability of training berths in fishing vessels.

S. No.	Name of course	Number of CIFNET trainees who have obtained the competency certificate
1.	Skipper	101
2.	Fishing second-hand	170
3.	Engineer of fishing vessels	5
4.	Engine driver of fishing vessels	72

5. *Cash Compensatory support on export of fish products* :— In July 1975, the Marine Products Exports Development Authority (MPEDA), Cochin proposed 15 *per cent* cash assistance on the f.o.b. value of exports of canned shrimp to the producers by way of partial relief to meet the critical situation of fall in export and accumulation of stock worth Rs. 1 crore as on 1st January 1975 with the canners. This was turned down by the Ministry of Finance stating that extending cash assistance on accumulated stock amounted to retrospective extension of cash assistance and that, in the past, exports for more than Rs. 4 crores had taken place without any cash assistance, and, therefore, it suggested that a cost study by the Cost Accounts Branch should be got conducted. The Marketing Development Fund Committee did not also agree (August 1975) to the grant of cash assistance for liquidating the accumulated stock and desired that cost data justifying the need for compensatory cash support be submitted afresh. Despite this, a general sanction granting cash assistance from 1st October 1975 at a rate of 10 and 5 *per cent* of the f.o.b. realisation not only in respect of the accumulated stock of canned shrimps worth Rs. one crore, but also on all future exports of canned fish (other than canned sardines) and frozen fish (other than prawns and shrimps) respectively was issued with a view to assisting export production.

The export of frozen fish worth Rs. 45.58 crores and canned fish worth Rs. 6.34 crores was made from 1st April 1977 to January 1981 and from 1st October 1975 to January 1981 respectively on which cash compensatory support worked out to Rs. 2.77 crores., which was not justified in the absence of a proper cost study. No separate statistics were available in the Export Statistics published by the Director General, Commercial, Intelligence and Statistics, Calcutta for the export of frozen fish made during the period 1st October 1975 to March 1977.

6. *Side effects of non-utilisation of the fisheries resources*

6.1 *Processing, canning and freezing industry of marine products*:—Processing, canning and freezing of fish plays an important role in the development and promotion of export of sea food.

The sea food industry is almost fully export oriented. The installed capacity as on 1st December 1980 and exports of frozen and canned marine products during the period April to November 1980 were as under:

Name of industry	Installed capacity as on 1-12-1980	Average export during 1-4-1980 to 30-11-1980	Percentage of capacity utilised
	(Tonnes per day)		
Canned products	249.64	1.07	Negligible
Frozen products	1486.13	148.60	10

The capacity of processing, canning and freezing had thus been very much under-utilised as compared to the economic utilisation of at least 50 to 60 *per cent* of the installed capacity. This significantly affects the cost of production and relative profitability and also competitiveness of the processed sea food in the international markets.

6.2 *Fish Meal*:—Fish meal occupies a prominent place in the international trade of fishery by-products. Fish meal, used as fertilizer, is also a high quality ingredient for animal feeds and is also an excellent source of protein and other nutrients. Total production of fish meal in India is estimated to be only about 20,000 tonnes *per annum* (November 1980) against the installed capacity of 2.15 lakh tonnes *per annum*.

6.3 *Fish as food substitute*:—Fish and shell fish constitute one of the growing food harvests of the world. It is primarily a high protein food and is of great dietary value. Thus, the exploitation of resources to the full is of utmost importance as the increased fish landing would bring down the domestic market price of fish which would enable the people to have rich protein at a lower cost.

6.4 *Employment*:—The fishery industry, at present, gainfully employs about 45.59 lakh people. By fuller exploitation of this industry, additional annual job avenues of the order of nearly 58.45 lakhs could have been created on the basis of untapped resources of 30 lakh tonnes in the fishery and ancillary industries like research development, fishery exploitation, processing, freezing, canning, marketing both domestic and foreign, transportation, etc.

The Ministry of Agriculture stated (December 1981) that "development of deep sea industry was highly capital intensive and to create one job may cost Rs. half a lakh to several lakhs". This apparently does not hold good since the benefits in the shape of additional food production and earnings in foreign exchange could far outweigh the investment besides incidental benefit to the employment potential.

7. *Summing up*.—The following are the main points that emerge:—

- fishery industry is being looked after by various Ministries of the Central Government and their attached sub-offices, ICAR and the Departments of Fisheries and Corporations in various States. There is no single organisation to look after this industry particularly for production and marketing of fish both in domestic and export markets;
- only Rs. 438.82 crores out of the total outlay of Rs. 601.44 crores since 1st Plan to 1981-82 were spent on the fishery sector;
- the marine resources of India were not exploited fully. The entire area of EEZ had not been surveyed due to shortage of larger survey vessels with capacity to survey deep sea resources;
- the procurement of trawlers under joint ventures and charters did neither help in speedy import nor in indigenous construction of trawlers as envisaged. Further, the unit value realisation per kg of exports by the chartered vessels ranged from Rs. 2.28 to Rs. 5.38 only against the unit value realisation of Rs. 7.74 to Rs. 15.40 per kg. from exports of the same variety

of fresh fish to other countries. Due to this, there was a loss of foreign exchange earnings of about Rs. 6.85 crores;

- the SDFC disbursed only Rs. 2.42 crores out of Rs. 22.05 crores received by it from Government for disbursement as loan to Indian purchasers of trawlers;
- due to delay by Indian private parties in making 20 *per cent* down payment and opening of letter of credits/guarantees for the balance 80 *per cent* towards the cost of trawlers to be imported there was an extra payment of Rs. 51.58 lakhs in foreign exchange;
- grant of cash compensatory support of Rs. 2.77 crores (approximately) on export of frozen/canned fish from 1st April 1977 to January 1981 and from 1st October 1975 to January 1981 respectively was not justified;
- there were delays of over 2 years to 8 years in sanctioning projects of fishing harbours by Government after receipt of feasibility reports, thereby resulting in delay in construction of fishing harbours;
- the processing, freezing and canning industry could utilise only 10 *per cent* of its installed capacity as against economic utilisation of at least 50 to 60 *per cent* due to scarcity of raw materials, *viz.* fish;
- the installed capacity of 2.15 lakh tonnes *per annum* of fish meal, which is a by-product of fishery industry, was utilised to the extent of 20,000 tonnes only due to non-availability of raw materials, *viz.* fish;
- non-exploitation of total available fishery resources deprived the country of food substitute of good dietary value to the tune of 30 lakh tonnes *per annum;* and
- full exploitation of fishery resources could have provided additional job avenues for nearly 58.45 lakh people *per annum*.

ANNEXURE

Year	Marine fish landing (In lakh tonnes)	Percentage of exploitation to the resources of 45 lakh tonnes in EEZ
1970	10.86	24
1971	11.61	26
1972	9.74	22
1973	12.10	27
1974	14.72	33
1975	14.82	33
1976	13.75	31
1977	14.48	32
1978	14.90	33
1979	14.92	33
1980	15.48	34
1981	16.68 (anticipated)	

MINISTRY OF COMMERCE

27. Cash assistance for the export of guar gum.—Guar gum is derived from the seed of guar plant botanically known as 'cyamopsis tetragonolobus'. The gum is present in the endosperm which forms 35 to 42 *per cent* of the seed. The seed comprises of two portions, namely the gum and the meal. For every 100 tonnes of seed processed, the recovery is of the order of about 32 tonnes of gum and 68 tonnes of guar meal which is used as a cattle feed.

In 1980, there were 8 guar gum processing units registered with the Director General, Technical Development (DGTD) with an installed capacity of 45,500 tonnes of guar processing, two of which have foreign collaboration. In addition, there were 60 to 70 small scale units situated in Rajasthan, Gujarat, Haryana and Maharashtra engaged in the processing of guar gum. Only 6 or 7 units were producing pulverised and treated guar gum. The industrial licences for setting up factories were issued under chemical (Textile Auxiliary) industry, but in the Import Trade Control Policy, guar gum is classified under the head 'processed food'. The exporters of guar gum are represented by the Processed Food Export Promotion Council (PFEPC) which is entrusted with the task of promoting the export of their products and, *inter alia*, supplying relevant information and data to Government of its export, including export incentives.

The annual world production of guar gum was estimated (1981) to be between 80,000 tonnes and 1,10,000 tonnes, of which India's share was 59 *per cent*. In India, most of the production is guar gum refined quality and only 10 *per cent* of the total production is estimated to be pulverised and treated quality, but no authentic production data are available.

Guar gum has varied industrial uses. It is mainly used in textiles, mining, water treatment, paper, explosives (70 *per cent*), pharmaceuticals (5 *per cent*) and food industries (25 *per cent*).

However, in India it is not permitted for use in processed food products. There is an Indian Standard (IS : 3988—1967) for guar gum.

Guar gum is a traditional item of export of India being produced and exported since 1956 and 80 to 85 *per cent* of the gum produced in the country was exported. U.S.A. has been the main market for Indian guar gum, other principal countries importing from India are Spain, Australia, Germany (FR) and Japan. Though guar gum is exported in three varieties, viz. guar gum crude, refined guar gum and pulverised and treated guar gum, the Director General, Commercial Intelligence and Statistics (DGCIS) had clubbed these together till 1979-80 for export statistics. The PFEPC had also not compiled separate production/export figures, but had estimated the value of exports of pulverised and treated guar gum at 15-20 *per cent* of the total exports. Exports of guar gum during 1974-75 to 1980-81 were as follows:—

Year	Quantity (Tonnes)	F.o.b. value (Rs. in lakhs)	F.o.b. unit value (Rs. per tonne)
1974-75	37128	1768.91	4764
1975-76	22837	1093.08	4786
1976-77	45111	1512.47	3352
1977-78	56308	1906.03	3385
1978-79	74621	3049.94	4087
1979-80	54053	3538.81	6546
1980-81			
(Refined guar gum)	52921	4713.64	8907
(Pulverised and treated guar gum)	6137	558.06	9093

Source : DGCIS.

Cash assistance.—Cash assistance for export of guar gum was sanctioned in 1975-76 and is continuing since then. The rates of cash assistance were as follows:—

Period	Rate (in percentage of f.o.b. value)
1-10-1975 to 31-5-1976	15
1-6-1976 to 31-3-1979	15 (for pulverised and treated guar gum) 5 (for refined guar gum)
1-4-1979 to 4-11-1979	10 (for pulverised and treated guar gum)
5-11-1979 to 31-3-1982	12½ (-do-) 2½ (for refined guar gum)

Cash assistance decision from 1975-76 *to* 1978-79.—In October 1975, the Cabinet Committee on Exports decided to give additional cash assistance to certain products applicable only on exports during the period from 1st October 1975 to 31st March 1976. The Ministry of Commerce decided (October 1975) to extend cash assistance to items covered under product group 'G' of the Import Policy at a uniform rate of 15 *per cent* of f.o.b. realisation. The Ministry of Finance, while concurring in the proposal remarked "it is presumed that the intention is to introduce cash assistance on all items covered under product group 'G' and not those items only on which cash assistance was admissible earlier but was subsequently withdrawn. In particular, it is presumed that the intention is to give cash assistance on items like G. 2.1 alcoholic beverages, G. 2.2 non-alcoholic beverage bases, G. 3 soft drink tablets, G.26 guar gum, G.36 cocoa products, moving fast on their own and for which there has been no request for assistance...................." No confirmation/clarifications for granting cash assistance at the rate of 15 *per cent* of f.o.b. realisation on all the processed food items from 1st October 1975 to 31st March 1976 on *ad hoc* basis in October 1975 are available.

Guar gum, which has mainly non-food uses (75 *per cent*) got cash assistance along with other processed food items by virtue of its being included in the Import Policy under Group G Processed Foods. The proposal was not submitted to the Main Marketing Development Fund (MMDF) Committee who were authorised to sanction cash assistance on a regular basis, after assessing the requirement of the product and other aspects, nor was it justified on the basis of a cost study. During the period from 1st October 1975 to 31st March 1976, 13,511 tonnes (value : Rs. 530.19 lakhs) of guar gum was exported on which cash assistance amounting to Rs. 79.53 lakhs was paid without a cost study.

The cash assistance which was sanctioned to boost the exports did not achieve the objective; instead, guar gum exports drastically declined from 37,128 tonnes in 1974-75 to 22,837 tonnes in 1975-76 resulting in lesser foreign exchange earnings. In the absence of a minimum floor price the unit value realisation also fell, from Rs. 6,036 per tonne for the period 1-4-1975 to 30-9-1975, to Rs. 3,924 per tonne for the period 1-10-1975 to 31-3-1976.

In June 1976, the cash assistance review committee (CARC) extended cash assistance on all items included in processed foods group 'G' of Import Policy for 1976-77 retrospectively from 1st April 1976 to 31st March 1977. The cash assistance for refined guar gum and pulverised and treated guar gum was sanctioned at 15 *per cent* of f.o.b. realisation till 31st May 1976 and from 1st June 1976 cash assistance for refined guar gum was reduced to 5 *per cent*. In October 1976, the Ministry of Commerce, by a general order, extended the cash assistance at the same rates for three years from 1st April 1976 to 31st March 1979.

Thus, the cash assistance, introduced on an *ad hoc* basis for a period of six months (1st October 1975 to 31st March 1976) only, was extended upto 31st March 1979 without study of cost and other aspects of export economics of guar gum.

An independent computation of cost of production on the basis of average market rates of guar seeds as registered by the Directorate of Economies and Statistics, local sales rates of guar meal and f.o.b. realisation for refined guar gum and conversion charges (as estimated for 1978-79) gave the position in respect of refined guar gum during 1975-76 to 1977-78 as under :

Year	Average market rate of seed	Average local rate of guar meal	Cost of raw material (3.50 tonnes) less cost of by-products (2.38 tonnes)	Processing cost	Total cost	F.o.b. realisation	Net profit
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
				(Rs. per tonne)			
1975-76 . .	1265	834	2443	657	3100	4682	1582
1976-77 . .	910	820	1234	657	1891	3225	1334
1977-78 . .	1300	897	2415	657	3072	3268	196

It would be seen that there was a substantial margin of profit available in the exports.

Ninety *per cent* of the total quantity of guar gum exported was refined guar gum; the export of pulverised and treated variety was estimated at 10 *per cent* only. Thus, the trade had not been encouraged to switch over to produce pulverised and treated guar gum, which was stated to be a value added item, even by paying cash assistance at a higher rate (15 *per cent*).

During the period 1st April 1976 to 31st March 1979, 1,76,040 tonnes (valued at Rs. 6468.44 lakhs) of guar gum was exported, which attracted cash assistance of Rs. 440.50 lakhs which was not justified in the absence of a proper cost study and in view of the profitability in exports.

Explaining the criteria on the basis of which cash assistance was determined, the Ministry of Commerce stated (November 1982) that "in fact the guidelines issued for the purpose of assessing the rate of cash assistance did not require cost study of the product".

Cash assistance for 1979—82.—

On the recommendations (January 1978) of the Alexander Committee, set up by the Ministry of Commerce in November 1977, the pattern of cash assistance was revised. The Alexander Committee recommended cash assistance for a limited period only, particularly for compensation of various types of unrefunded indirect taxes, neutralisation of disadvantages of freight, development of market and initial promotional costs of the export commodity.

In October 1978, the PFEPC was asked to furnish information required under the new pattern to formulate the policy of cash assistance on guar gum. Noting that the taxes would vary from State to State, the Ministry of Commerce requested the PFEPC to collect data from a representative number of units of manufacturers/exporters covering at least 10 *per cent* of the manufacturers/exporters spread over as wide a geographical area as possible. These units were to work out the average incidence of various non-refundable taxes, duties and levies imposed on inputs to the export products. The Council was required to analyse the data and certify its correctness. The Council, while forwarding the requisite data (December 1978) in respect of one unit only (Firm 'A' from Bombay), certified that there were 60 manufacturers of the product and 40 of them were either directly or indirectly engaged in the export of this product and accordingly the data could be taken as representative in character for the industry as a whole for working out the quantum of cash assistance. The information regarding imported and indigenous material used in the manufacture of the export product was also certified to have been shown correctly. It recommended cash assistance at 7 *per cent* for refined guar gum and 20 *per cent* for pulverised and treated guar gum.

The data showed a disadvantage of 5.1 *per cent* in the export of refined guar gum. In respect of pulverised and treated guar gum the disadvantage was shown as 17.98 *per cent*.

The data furnished by the firm in November 1978 were stated to be in the form of a statement showing the prospective f.o.b. cost, net f.o.b. realisation and shortfall in the net f.o.b. realisation on the exports over f.o.b. cost for the year 1979. The firm indicated that the price of the by-product (guar meal) and the cost of guar seed were fluctuating and, as such, the figures in the cost sheets had been worked out on current prices of seeds and by-product and those were notional only. Similarly, the cost of chemicals used in the pulverisation process were also estimated at 5 to 10 *per cent* of the final product. The firm was engaged in the production of refined guar gum as well as pulverised and treated guar gum, but in the cost sheet for the latter, the costs of packing material, packing charges, freight and forwarding, selling overheads, etc. for the former had also been included, as if the former had been purchased locally instead of being manufactured by the firm itself.

Thus, the cost data were not based on the records of any representative unit, but were based on assumed figures. The Ministry of Commerce did not verify the correctness of the data independently but simply accepted them on the basis of certificates recorded by firm 'A' and the PFEPC. They recommended cash assistance at 5 *per cent* for refined guar gum and 15 *per cent* for pulverised and treated guar gum for exports upto 4000 tonnes and 20 *per cent* thereafter. They worked out various disadvantages at 5.4 *per cent* for refined guar gum and 21 *per cent* for pulverised and treated guar gum.

The CARC while considering the case observed (January 1979) that the disadvantage in respect of refined guar gum was only 2 *per cent* and as such there was no case for cash assistance on that product. For guar gum, pulverised and treated, they agreed to grant cash assistance at 10 *per cent* for 3 years from Ist April 1979. The sanction for cash assistance was issued by the Ministry of Commerce in January 1979.

As soon as the new rates of cash assistance were announced, the Guar Gum Exporters' Association represented (February 1979) against the Government decision and requested for revival of the cash assistance on refined guar gum at 5 *per cent* and enhancement of cash assistance on pulverised and treated guar gum from 10 to 20 *per cent*.

In August 1979, the PFEPC submitted fresh cost data, collected from the same firm 'A' (also shown to be pertaining to the year 1979) and recommended that it could be taken as representative of the whole industry. They recommended cash assistance at 5 *per cent* for refined guar gum and 15 *per cent* for pulverised and treated guar gum.

This time, firm 'A' worked out a total disadvantage of 10.25 *per cent* on refined guar gum and 20.11 *per cent* on pulverised and treated guar gum. In addition, Rs. 40 to 50 lakhs annually was estimated as expenditure for development of new markets.

The Ministry of Commerce, again without verifying the correctness of the data independently, worked out (September 1979) disadvantage of 19.90 *per cent* on refined guar gum and 39.61 *per cent* on pulverised and treated guar gum and recommended cash assistance at 5 *per cent* for refined guar gum and 15 *per cent* for treated and pulverised guar gum.

In September 1979, the CARC considering the recommendations of the Commodity Division decided to allow cash assistance at 2.5 *per cent* on export of refined guar gum and 12.5 *per cent* on pulverised and treated guar gum. On 5th November 1979, the Ministry of Commerce issued the sanction.

Firm 'A' exported 5070 and 5670 tonnes of guar gum against India's total exports of 74621 and 54053 tonnes during the years 1978-79 and 1979-80 respectively. The f.o.b. realisation of the firm for the year 1979-80 was Rs. 6344 per tonne (refined guar gum) and Rs. 7219 per tonne (pulverised and treated guar gum).

It would be seen that with about 10 *per cent* of total export, the Ministry of Commerce treated the firm as representative for the industry as a whole and did not verify the correctness of the data furnished by the firm in November 1978 and August 1979. The data furnished by firm 'A' in August 1979 was apparently inflated. While the processing cost and f.o.b. realisation were kept at the November 1978 level, the cost of raw material was enhanced, thereby increasing the gap between f.o.b. cost and f.o.b. realisation.

On an independent computation of the cost of production on the basis of average market rates of guar seed, f.o.b. realisation reported by firm 'A', local sales rates of guar meal, and adding to it the conversion charges estimated by firm 'A', the position in respect of refined guar gum would appear to be as shown below:

Year	Average market rate of guar seed	Average local rate of guar meal	Cost of raw material (3.50 tonnes) less cost of by-product (2.38 tonnes)	Processing cost	Total cost	F.o.b. realisation reported by the firm	Net surplus
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
				(Rs. per tonne)			
1978-79	1430	864	2949	657	3606	4800	1194
1979-80	1830	1101	3785	657	4442	4800	358

A test-check of shipping bills available in the office of the DGCIS, Calcutta showed that average f.o.b. realisation for refined guar gum was Rs. 6505 per tonne (in 1979-80) against Rs. 4800 indicated by firm 'A'. Thus, the margin of profit during 1979-80 after deducting the production cost would work out to Rs. 2063 per tonne.

From 1979 onwards, the unit value of guar gum continued to rise, the exports became very profitable and there was a need to review the cash assistance requirements of the commodity. In July 1980, the Ministry of Commerce conducted a review of all export items which were enjoying cash assistance at 12½ *per cent* and above. The cash assistance on guar gum as a whole came under the purview of the review as refined guar gum was an intermediate product for the production of pulverised and treated variety enjoying cash assistance at 12½ *per cent*, but the Ministry of Commerce did not utilise this opportunity to review the need for cash assistance on this item.

As per published figures of the DGCIS, Calcutta, the average f.o.b. realisation for refined guar gum was Rs. 8907 per tonne in 1980-81. On the basis of average prices of guar seed (Rs. 2660 per tonne) and guar meal (Rs. 1209 per tonne), the profit on exports during 1980-81 worked out to Rs. 1817 per tonne.

It would be seen that the incidence of unrefunded taxes was about 1 *per cent* on f.o.b. realisation. India, being the world's principal producer of guar gum, was well established in foreign markets. The cash assistance for the export of guar gum was, therefore, not covered under the criteria laid down by the Alexander Committee. Had the cost of material, recovery from the by-product and the f.o.b. realisation been verified independently, there would have been no case for any cash assistance.

During 1979-80 and 1980-81, guar gum worth Rs. 8,810.5 lakhs was exported which attracted cash assistance of Rs. 294.99 lakhs.

The Ministry of Commerce stated (November 1982) that the cost study was not one of the factors for grant of cash assistance. The grant of cash assistance for treated and pulverised guar gum was also stated to be fully covered by the criteria laid down by the Alexander Committee as it was a non-traditional item. The fact, however, remains that guar gum is a traditional item of export which is exported since 1956 and that the pulverised and treated variety is made by processing refined guar gum.

Value addition on pulverised and treated guar gum.—Cash assistance at higher rates for the pulverised and treated guar gum than for refined guar gum was stated to have been sanctioned on account of the value addition in the pulverised and treated guar gum. An analysis of the unit value realisation of pulverised and treated guar gum and of refined guar gum for the year 1980-81 showed the following position of the 'value added' *vis-a-vis* cash assistance:—

Month	F.o.b. unit value per tonne of pulverised and treated guar gum	F.o.b. unit value per tonne of refined guar gum	Net value added per tonne	Cash assistance per tonne of pulverised and treated guar gum	Cash assistance per tonne of refined guar gum	Additional cash assistance per tonne of pulverised and treated guar gum	Percentage of additional cash assistance to net value added
				(In rupees)			
June 1980	11061	9670	1391	1383	242	1141	82
July 1980	11006	10258	748	1376	256	1120	150
August 1980	10890	9744	1146	1361	244	1117	98
September 1980	9887	9553	334	1236	239	997	299
October 1980	9938	9425	513	1242	236	1006	196
November 1980	8400	8175	225	1050	204	846	376
December 1980	8705	6988	1717	1088	175	913	53
January 1981	9203	9114	89	1150	228	922	1036
February 1981	8393	7134	1259	1049	178	871	69
March 1981	9286	8625	661	1161	216	945	143

It would be seen that, though the cash assistance had been sanctioned at 12.5 *per cent* of the f.o.b. realisation, the incidence of cash assistance varied from 53 to 1036 *per cent* of the net value added. Thus, the higher rate of cash assistance for pulverised and treated guar gum was not justified on the plea of higher value realisation.

Export of guar meal.—Indian exporters of guar gum had been representing to Government for permitting unrestricted exports of guar meal as the same fetched good prices in foreign markets. They maintained that for every 100 tonnes of guar seed processed, there is 68 tonnes of meal, and that the operational economics of the guar gum industry was linked with the realisations from the meal. The Ministry of Agriculture was, however, not in favour of unrestricted exports of guar meal. In March 1977, the Ministry of Commerce proposed to link the export of guar meal with the export of guar gum in the ratio of 1.5 : 1. The Ministry of Agriculture while examining the case, observed that on the basis of price of raw material, processing cost, f.o.b. realisation from guar gum and realisation from the sale of the by-product (guar meal), there was a fair margin of profit in the production of guar gum. However, on the basis of projected surplus, export quota of 10,000 tonnes and 20,000 tonnes of guar meal was released for 1977-78 and 1978-79 respectively. From the year 1979-80, export of guar meal was linked with the export of guar gum. During 1979-80 it was at the rate of one tonne for every one tonne of guar gum exported limited to 20,000 tonnes. For the year 1980-81 it was one tonne for every one tonne of guar gum exported, limited to 10,000 tonnes, and for 1981-82 it was limited to 20,180 tonnes.

It would, thus, be seen that the Ministry of Commerce permitted export of guar meal, though on a restricted basis, just to make the exports of guar gum economically viable; yet the cash assistance on the export of guar gum continued.

Compulsory quality control and pre-shipment inspection of guar gum.—Guar gum was being exported for the last 26 years. The country is the largest producer of guar seeds as well as of guar gum. The annual export was in the range of Rs. 35 to Rs. 52 crores. Government extended all facilities for the promotion of its export, yet its production and export had not been brought under the purview of compulsory quality control and pre-shipment inspection scheme. There have been many complaints from the importing countries regarding poor quality of guar gum exported by India.

The sales-cum-study team headed by the Secretary, PFEPC, which visited Europe and USA in 1979 reported that importers in USA had complained that the Indian product contained impurities and the consignments were short in weight. In March 1981, an importer complained to the Secretary, PFEPC about the poor quality of guar gum supplied by a number of leading Indian exporters. He reported that the final consignment did not conform to the quality of the samples originally forwarded. India's principal competitor in export of guar gum was stated to be reputed for consistency in quality and realised higher f.o.b. unit value realisation for its guar gum than that for Indian guar gum.

In March 1980, the Export Inspection Council of India, Calcutta proposed to bring guar gum under the purview of compulsory quality control and pre-shipment inspection scheme. In April 1980, the Ministry of Commerce sought the views of the PFEPC and it reported (May 1980) that it was not in favour of compulsory quality control and pre-shipment inspection as there had been no complaint from over-seas buyers about the quality.

In December 1980, the Agricultural Marketing Adviser to the Government of India proposed to the Ministry of Commerce to bring guar gum under compulsory quality control. It was reported that the decline in unit value realisation between 1976-77 to 1978-79 was due to non-adherence to quality standards.

In March 1981, the Ministry of Commerce again invited the views of the PFEPC on the introduction of quality control on the export of guar gum, but the comments of the Council were not received till May 1982.

Ministry of Commerce stated (November 1982) that pulverised and treated guar gum has to be made to meet specific requirements of the importers and therefore no provision for pre-shipment inspection and quality control or minimum floor price was made.

Quantum of cash assistance.—Exports of 3.03 lakh tonnes (value: Rs. 158.09 crores) of guar gum had been made during 1975-76 to 1980-81 on which cash assistance would work out to Rs. 8.15 crores.

Despite cash assistance, the industry had not taken any serious steps for evolving technology of processing refined guar gum into powder form. The exports of pulverised and treated guar gum remained almost static at 10 *per cent* for the last seven years.

The industry suffers from a structural handicap because most of the processing units are small and major portion of export was handled by merchant-exporters and 5-6 leading processors. It is doubtful whether full benefit of cash assistance goes to the small units.

Indian guar gum fetched comparatively lower prices in the export markets. The price differential was attributed to poor quality and to competition amongst exporters in the absence of minimum floor prices for exports.

In terms of the instructions issued (May 1979) by the Ministry of Industry, the manufacturers were required to submit to the DGTD monthly production returns in the prescribed proforma showing the production of each of their major products and the exfactory value thereof. However, it was observed that, out of 8 units registered with the DGTD, only two units had submitted a few incomplete returns.

There are seventeen export promotion councils in the country and PFEPC is one of them. The councils have been constituted to secure the active association of growers, processors and exporters in the country's export effort. They perform both advisory and executive functions for market development etc. Government give grants to Export Promotion Councils, the PFEPC was sanctioned grants of Rs. 25.58 lakhs during 1975-76 to 1981-82. However, it did not discharge its duty adequately in providing Government with representative and verified cost data on exports of guar gum.

Summing up.—The following are the main points that emerge:—

- The Ministry of Commerce sanctioned cash assistance from October 1975 without cost study and without the approval of the MMDF Committee. Exports amounting to Rs. 158.09 crores during October 1975 to March 1981 attracted cash assistance of Rs. 8.15 crores which was not justified *in view of substantial profitability in exports.*
- The Ministry of Commerce did not verify independently the cost data furnished by firm 'A'. The cost data were not based on the records, but only on assumed figures, which when analysed independently established no loss, but on the other hand indicated profitability of exports. The data were collected from one firm only against more than 40 firms involved in the export business of the commodity.
- Guar gum being traditional item of India's export was well established in world markets; sanction of cash assistance was not covered under the criteria laid down by the Alexander Committee.
- Export of pulverised and treated quality could not be encouraged even by paying higher rate of cash assistance. There was not much difference in unit value

realisation of refined guar gum and treated and pulverised guar gum justifying higher rate of cash assistance for the latter; the incidence of cash assistance on net value added was higher than $12\frac{1}{2}$ *per cent*.

— Despite the recommendations of the Export Inspection Council of India and the Agricultural Marketing Adviser to the Government of India for introducing quality control and pre-shipment inspection, the Ministry had not introduced this scheme, in the absence of which the goods supplied were sometimes found substandard by foreign buyers which affected the goodwill and unit value realisation.

— No minimum floor prices for the exports had been fixed which resulted in competition amongst the exporters who under-cut each other.

28. Cash assistance for export of ivory products.—Cash assistance at the rate of 10 *per cent* of the f.o.b. value on the export of ivory products (alongwith other handicrafts items) was introduced from 1st October 1975, by an *ad hoc* decision of the Cabinet Committee on exports. These products were also enjoying air freight subsidy at 5 *per cent* of f.o.b. value from 8th December 1972. In addition, exports of ivory products were entitled to import replenishment at the rate of 50 *per cent* of f.o.b. value.

On 19th March 1976, the inter-ministerial committee on cash assistance, under the chairmanship of the Commerce Secretary, decided to restrict the cash assistance at cut-off point on value added basis from 1st April 1976. Accordingly, the cash assistance was not to exceed 25 *per cent* of the value added (f.o.b. value minus import content). The Committee also decided to increase the rate of cash assistance on handicrafts items (including ivory products) to 15 *per cent* and to reduce the import replenishment rate from 50 *per cent* to 40 *per cent* from 1st April 1976 so as to restrict the cash assistance to the 25 *per cent* cut-off point. Copies of the approved minutes of the meeting were forwarded on 24th March 1976 to all the concerned offices, including the Chief Controller of Imports and Exports (CCIE), for implementing the decision

The Committee, while reviewing the case of leather goods, decided (June 1976) that air freight subsidy should also be taken as cash assistance for the purpose of application of the principle of cut-off point of 25 *per cent* of value added. Sanction for cash assistance on handicrafts items (including ivory products) at 15 *per cent* as well as for air freight subsidy at the rate of 5 *per cent* was, however, issued on 27th March 1976.

Until June 1976, no action was taken by the Ministry of Commerce/CCIE either to reduce the import replenishment or to restrict the cash assistance on handicrafts. The cash assistance was paid at 20 *per cent* (including air freight subsidy) in addition to import replenishment at 50 *per cent* . Thus, the cut-off point was exceeded by 7.5 *per cent*. The omission came to notice of the Ministry in June 1976, and it was then decided to withdraw air freight subsidy from 1st July 1976, at which time the CCIE was also directed to reduce the rate of import replenishment to 40 *per cent* retrospectively from 1st April 1976. That office was also asked to intimate action taken to the Ministry of Commerce. This resulted in an overpayment of Rs. 1.51 lakhs during April-June 1976.

The Ministry of Finance, while concurring with the withdrawal of air freight subsidy from 1st July 1976, noted that cut-off point of 25 *per cent* had been exceeded during the period 1st April to 30th June 1976 and wanted to examine the case again after the notification for withdrawal of air freight subsidy was issued, but the file was not resubmitted to them.

During 1976-77 to 1979-80, cash assistance at the rate of 15 *per cent* and import replenishment at 50 *per cent* continued for the export of ivory products. The cut-off point thus continued to be exceeded up to 31st March 1980.

In November 1979, the omission came to the notice of the CCIE who referred the matter to the Ministry of Commerce for clarification as to whether it was the intention of the Ministry to grant cash assistance at 15 *per cent* on ivory products in addition to import replenishment at 50 *per cent* thereby exceeding the cut-off point of 25 *per cent* of value added.

The matter was examined by the Ministry of Commerce and the CCIE and it was felt that cash assistance for ivory products should not have been more than 12.5 *per cent* from 1st April 1976 onwards, but that, in view of the specific announcement of cash assistance at 15 *per cent*, it might become difficult to enforce any recovery as it was legally questionable and administratively difficult. In view of payment having been made in excess of the formula approved by the Cabinet Committee, it was decided to approach the Cash Assistance Review Committee (CARC) for regularisation of the overpaid amount.

In August 1980, the CARC considered the proposal and noted that as the payment of cash assistance was made in accordance with the rate decided and announced by Government, it would not be correct to treat it as a case of overpayment or irregular payment requiring recovery or waiver. Thus, neither the recovery of overpaid amount was effected nor was the matter further referred to the competent authority for regularisation of the overpayment.

During 1976-80, ivory products worth Rs. 701.70 lakhs were exported on which cash assistance amounting to Rs. 106.26 lakhs was paid; out of this an amount of Rs. 18.55 lakhs was overpaid by ignoring the cut-off point formula as detailed above.

The CARC (under the Chairmanship of Additional Secretary, Ministry of Commerce) was constituted to review, periodically, the rates of cash assistance on export items with reference to the latest f.o.b. realisation *vis-a-vis* cost of production etc. It was to be guided by the principles laid down by Government from time to time. It would, thus, be seen that the CARC had gone beyond its jurisdiction in ignoring the principle of the 25 *per cent* cut-off formula laid down by the Cabinet Committee on exports. Its action was also not in accordance with the decision of the inter-ministerial committee on cash assistance (March 1976) to impose the cut-off point formula strictly on all export items. The overpayment (Rs. 18.55 lakhs) occurred due to lapse on the part of the CCIE in not reducing the rate of import replenishment from 1st April 1976 as well as on the part of the Ministry of Commerce who failed to review the cash assistance rate *vis-a-vis* the rate of import replenishment during the years 1977-78 to 1979-80. No responsibility for the overpayment had, however, been fixed so far (July 1982).

Summing up.—The following are the main points that emerge:—

— The inter-ministerial committee on cash assistance, while raising the rate of cash assistance (from 10 to 15 *per cent*) on ivory products, had reduced the import replenishment rate from 50 to 40 *per cent*, but the CCIE failed to notify the reduction in April 1976. In June 1976, the CCIE was again asked to notify the reduction retrospectively from 1st April 1976 but that was also not done, resulting in overpayment of cash assistance.

— The CCIE ignored the cut-off point formula while making the payment of cash assistance; payment should have been made at reduced rate by applying the cut-off point formula.

— The Ministry of Commerce did not review the rate of cash assistance *vis-a-vis* the import replenishment rates on ivory products during 1977-80, which led to further overpayment during these years. Failure on the part of the CCIE/ Ministry of Commerce led to an overpayment of Rs. 18.55 lakhs.

— The CARC was not empowered to relax the Cabinet Committee's directive for restricting the cash assistance by applying the cut-off point formula of 25 *per cent* of value added; the CARC also violated the inter-ministerial committee's decision (March 1976) to strictly enforce the cut-off point formula.

— The overpayment (during 1976—80) period was possible due to the lapse on the part of the CCIE/Ministry, but no responsibility was fixed nor was recovery effected from the exporters (July 1982).

The matter was reported to the Ministry in August 1982; their comments were awaited (November 1982) despite two reminders issued in October 1982.

29. Cash assistance for export of iron castings.—Iron castings cover public works and sanitary castings, *viz.* sand cast iron (C. I) pipes, cast iron pipe fittings, man-hole covers, iron flushing cisterns, cast iron municipal wares, industrial castings and a number of components for industrial machinery. The raw materials required for fabrication of iron castings are pig iron, steel scrap and hard coke. Pig iron is made available to the exporters from the steel plants at prices fixed by the Joint Plant Committee. Whenever domestic prices go above the international prices, the difference is reimbursed to the exporters to enable them to compete in international markets. In 1979, there were 126 units in the organised sector, with an installed capacity of 997.9 thousand tonnes. Besides, there were a number of foundries producing iron castings in the small scale sector.

Apart from meeting domestic demand, the iron casting industry has been selling its products in overseas markets. The principal countries importing iron castings from India are USA, Kuwait, Saudi Arabia, UAE and Canada. The exports of iron castings during 1977-78 to 1980-81 were as shown in Annexure.

The exports of iron castings qualified for import replenishment at 5 *per cent* and cash assistance at 25 *per cent* of f.o.b. realisation from 1966 to 31st March 1975. The position from April 1975 onwards is discussed in the succeeding paragraphs.

Payment of cash assistance without cost study.—Till March 1976, the rates of cash assistance were to be fixed to bridge the gap between cost of production and f.o.b. realisation. Since the cash assistance rates were continuing without any proper cost analysis for nine years from 1966-67, the commodity officer in the Ministry of Commerce was asked (January 1975) to review the existing level of cash assistance on certain steel intensive export products.

In January 1975, the Engineering Export Promotion Council (EEPC) was directed to furnish cost data from representative units producing iron castings so that a cost study could be conducted by the Cost Accounts Branch of the Ministry of Finance. Without waiting for the data, the commodity officer, considering the f.o.b. realisation, recommended (February 1975) reduction of cash assistance on iron castings from 25 to 10 *per cent* from 1st April 1975. Orders to that effect were, however, not passed, though the commodity officer again (March 1975) recommended the reduction of cash assistance on iron castings.

The Cabinet Committee on Exports had recommended (1966) a cut-off point of 25 *per cent* of f.o.b. value after deducting the import content. Accordingly, the cash assistance was not to exceed 25 *per cent* of the value addition which was to be arrived at by deducting the import content from the f.o.b. value of the product. Since no review of cash assistance was conducted till March 1975, the cash assistance was continued to be paid beyond the cut-off point during 1966-75. In April 1975, the rate of cash assistance on iron castings was reduced to 24 *per cent* by applying 'cut-off point' formula.

Between June 1966 and March 1975 ungalvanised iron castings worth Rs. 2,734 lakhs were exported which attracted cash assistance of Rs. 683.55 lakhs at the rate of 25 *per cent*. Thus, cash assistance amounting to Rs. 27.34 lakhs (at the rate of 1 *per cent*) was paid in excess of the cut-off point.

In April 1975, the Cash Assistance Review Committee (CARC) felt that the f.o.b. realisation on iron castings had gone up and, therefore, it was difficult to continue cash assistance without further justification. Nevertheless, pending examination of cost data by the Cost Accounts Branch, the Committee extended the existing rates of cash assistance upto 30th June 1975.

While the Cost Accounts Branch had to abandon (July 1975) the cost study due to non-cooperation of the cast iron manufacturing units, the Ministry of Commerce (June 1975) analysed the incomplete cost data of all the 10 units and arrived at an *ad hoc* shortfall of 15 *per cent* for sanitary castings. They proposed to bifurcate iron castings into two categories and recommended cash assistance as under:

(i) Iron casting galvanised	20 *per cent*
(ii) (a) Sanitary castings ungalvanised, manhole covers, c.i.pipes, etc.	15 *per cent*
(*b*) Industrial castings ungalvanised.	24 *per cent*

The CARC considered the proposal and in the absence of a proper cost study took an *ad hoc* decision to extend the cash assistance at the rate of 15 *per cent* till December 1975, both for sanitary and industrial castings (galvanised or ungalvanised).

During the period 1st April 1975 to 30th June 1975, cash assistance was paid at 24 *per cent* for ungalvanised iron castings instead of 10 *per cent* recommended (February 1975) by the commodity officer which resulted in undue payment of cash assistance amounting to Rs. 25.81 lakhs.

In June 1975, the EEPC was again directed to furnish reliable cost data in the prescribed forms, showing both total cost and marginal cost, duly certified by the Council. It was stressed that the cash assistance would be discontinued if the data were not received by 31st July 1975. However, cash assistance at

15 *per cent* was further extended up to 31st March 1976 on the basis of a general decision taken by the CARC in September 1975.

In January 1976, new guidelines for deciding the quantum of cash assistance were issued. The CARC, however, decided to continue the existing rates of cash assistance up to 30th June 1976 only, pending detailed review and later (June 1976) extended the cash assistance at 15 *per cent* till 31st March 1977.

In October 1976, by a general sanction, the existing rates of cash assistance on the export of a number of products including iron castings, were extended up to 31st March 1979.

During 1975-76 to 1978-79, exports valued at Rs. 9231.57 lakhs were effected which attracted cash assistance of Rs.1401.33 lakhs, the payment of which was not justified in the absence of proper cost study.

Unjustified payment of cash assistance.—On the recommendations (January 1978) of the Alexander Committee, the pattern of cash assistance was to be revised. The Committee, while recognising the promotional role of cash assistance in the country's export efforts, recommended that it should be given for a limited period only.

The EEPC, who was asked in October 1978 to furnish information under the new pattern, noted (December 1978) that basic raw material needed for production was available indigenously and forwarded the requisite data in respect of 6 units (3 located at Calcutta, 2 at Agra and 1 at Hyderabad).

The Ministry, while analysing the data, adopted an *ad hoc* percentage of different incidences and worked out a total disadvantage of 7.51 *per cent* on the f.o.b. realisation.

In December 1978, the CARC decided to grant cash assistance at 7.5 *per cent* for 1979-80 and 5 *per cent* for 1980—82. Sanction for cash assistance was issued accordingly.

As soon as the new rates were announced, a number of representations from the exporters of iron castings were received through the EEPC. The exporters requested a separate higher rate of cash assistance for industrial iron castings. It was alleged that sanitary and public works castings did not call for rigid specifications, and these were being made in the country for many years and no sophisticated technology was needed and development cost was practically negligible but industrial castings were manufactured to the desired specifications of the buyer involving intricate castings. The EEPC, while forwarding the case of a Calcutta based firm, whose data had earlier been considered by the Ministry of Commerce requested a separate product group only for industrial iron castings and recommended cash assistance at 20 *per cent*. It was argued that in December 1978 the cost data and details were submitted for sanitary castings only.

The Ministry of Commerce, apprehended practical difficulties in adopting a separate classification for industrial castings but sought a review of CARC's earlier decision and worked out revised percentages of disadvantage; 13.50 *per cent* for American continent and 10 *per cent* for other destinations against the disadvantage of 7.51 *per cent* worked out earlier, and recommended cash assistance at 12.50 *per cent* for exports of iron castings of all types to the American continent and 10 *per cent* to other destinations.

The CARC accepted the recommendation of the Ministry of Commerce. Revised sanction granting cash assistance at 12.5 *per cent* for the American continent and 10 *per cent* for other destinations was issued in March 1979.

Thus, against the request of the exporters and the recommendation of the EEPC for an enhancement in the rate of cash assistance only for the export of industrial castings, which was only about 10 *per cent* of the total export of castings, the Ministry of Commerce, sanctioned a higher rate for sanitary castings also, on the plea of impracticability of bifurcation of the head 'iron castings' into two separate heads (i) sanitary castings and (ii) industrial castings. The argument of the Ministry for not bifurcating iron castings into two separate items on the ground of impracticability was not tenable as they had in June 1975 proposed to the CARC to bifurcate the items which was not implemented then. This involved an extra payment of cash assistance of 5 *per cent* and $2\frac{1}{2}$ *per cent* during 1979-80 and $7\frac{1}{2}$ *per cent* and 5 *per cent* during 1980-81 for exports to the American continent and other destinations respectively.

However, Government ultimately (December 1980) classified iron castings into two separate heads (i) sanitary castings and (ii) industrial castings and had to reduce the cash assistance to 5 *per cent* on sanitary castings from 29th January 1981 as it could not justify cash assistance above 5 *per cent* of f.o.b. value of exports.

Thus, an amount of Rs. 224.45 lakhs had to be paid as unjustified cash assistance on sanitary castings during the period 1st April 1979 to 28th January 1981, due to non-acceptance by the Ministry of Commerce of the suggestion for bifurcation of the head iron castings from 1st April 1979.

Imposition of countervailing duty on iron castings.—Exports of certain iron castings (manhole covers and frames, clean-out covers and frames and catch basin grates and frames, etc.) to USA increased from Rs. 194.85 lakhs in 1976-77 to Rs. 1030.42 lakhs in 1979-80. The rising Indian exports to USA caused provocation for a contemplated action by US foundry units alleging dumping practices and a countervailing duty investigation by the U.S. Government. The EEPC were aware (August 1978) that the average price of Indian manhole covers exported to USA worked out to be the lowest (11 cents per pound) and these could easily fetch 10 to 15 *per cent* higher prices. The EEPC also knew that the cash assistance on iron castings could be treated as subsidy for determining imposition of countervailing duty by the U.S. Government. In October 1978, in a meeting held in the Indian Embassy, Washington, it was observed that the cash assistance on exports provided by the Government of India could be treated as export subsidy and countervailing duty could be imposed. The Indian Embassy felt that it was essential to withdraw cash assistance on the export of manhole covers to avoid imposition of countervailing duty. Even so, the EEPC recommended (December 1978) continuance of cash assistance beyond 31st March 1979.

In February 1980, a petition was filed by the US casting industry with the United States Department of Commerce, International Trade Administration, Washington, alleging that the Government of India were providing subsidies on the exports of certain iron castings to USA. During investigation, it was found that imports of these products to USA from India had significantly lower unit values than imports from other foreign sources, and were considerably lower than the U.S. products.

In the final determination of countervailing duty by the U.S. International Trade Administration (August 1980), the cash assistance (12.5 *per cent*) provided by the Government of India was treated as subsidy and not a refund of indirect taxes levied on exports which were not countervailable under Article VI (4) of the General Agreement on Tariffs and Trade (GATT). In addition, pre-shipment credit allowed to the exporters under the interest subsidy scheme was found to be a subsidy of 0.4 *per cent*. Thus, a basic subsidy of 12.9 *per cent* to 16.8 *per cent* was imposed by the US Government on the Indian exporters after adding some percentage on account of certain other benefits available to them.

The Ministry of Commerce, while considering the future course of action, observed that the crucial weakness of the case was that at the time of sanctioning cash assistance, the calculation of incidence of indirect taxes was not accurately made. If a fresh aggregate analysis of the incidence of indirect taxes on the production of castings was made on the basis of reliable documentation, the US Department of Commerce could be requested for a review of the order. In November 1980, the exporters of iron castings suggested to Government either to reduce or to withdraw cash assistance on sanitary castings as they could suitably increase their prices and still remain competitive in the US market. They unanimously agreed that cash assistance could be reduced to 5 *per cent*. The Ministry of Commerce, while proposing to reduce the rate of cash assistance on sanitary castings to 5 *per cent* of f.o.b. value admitted that, in December 1978, the cash assistance rates had been fixed (7.5 *per cent* for 1979-80 and 5 *per cent* for 1980—82) mainly on the basis of data relating to the exports of sanitary and public works castings and that, while reviewing the rates of cash assistance on the representation of producers of industrial castings, no distinction was made between sanitary castings and industrial castings and equal rates (12.5 *per cent*) were sanctioned for both the items. It was held that 'competitive needs' of the exporters justified a reduction in the cash assistance rates.

The Ministry of Commerce (Finance Division), while examining the proposal (November 1980) advised complete withdrawal of cash assistance on iron castings for all destinations.

The Ministry of Commerce, however, felt that it was not an opportune time to withdraw the cash assistance. This view was ultimately accepted by the Finance Division, but they suggested a review of the position after six months to decide the continuance of cash assistance. Cash assistance on sanitary castings was accordingly reduced to 5 *per cent* from 29th January 1981, but protection was given to the old contracts for shipments upto 31st March 1981. Cash assistance for industrial castings was maintained at the rates sanctioned in March 1979.

In view of reduction in the cash assistance rates USA also reduced the countervailing duty on Indian iron castings by 7.5 *per cent* from 1st April 1981.

It would be seen that there was no case for sanctioning cash assistance for sanitary castings in March 1979. The Ministry of Commerce were aware of the profitability in the exports and the proposed move to impose countervailing duty as early as in October 1978. Instead of instructing the EEPC to increase the floor prices and taking other remedial measures to avoid levy of countervailing duty, they extended the cash assistance for another three years from 1st April 1979. The Ministry of Commerce did not conduct the review suggested by the Finance Division in January 1981 and cash assistance at the rate of 5 *per cent* on the export of sanitary castings was continuing (July 1982). Continuance of cash assistance on sanitary castings beyond January 1981, in effect, meant transfer of resources, as whatever assistance was given by way of cash assistance would be collected by way of countervailing duty by the foreign Government.

During 1979-80 and 1980-81 (January 1981), sanitary castings worth Rs. 5254.50 lakhs were exported attracting payment of cash assistance of Rs. 568.76 lakhs, which was not justified in view of profitability in exports.

Functioning of floor price system.—Indian prices of iron castings imported in USA remained lower than all other countries exporting to that country throughout 1977—79. Since one of the main objectives of the floor price system was to ensure maximum possible realisations, the floor prices could have been fixed at higher levels. The omission to do so indicated that the floor prices were not always related to the existing market conditions abroad, but were fixed at unrealistically low levels. During the period 1977-80, 63 to 94 *per cent* of the total exports of sanitary castings to USA were made by the 12 leading exporters, 6 of whom were members of the Task Force sub-committee fixing the floor prices of iron castings. The Government had no representation in this committee nor had it issued any guidelines for fixation of floor prices. The possibility of fixation of floor prices at much lower levels, than could be obtained in foreign markets, was thus very much there.

Quantum of cash assistance.—Exports of iron castings amounting to Rs. 1722.0 crores had been made during 1966-67 to 1980-81 (January 1981) on which cash assistance worked out to Rs. 26.54 crores.

It was noticed that out of 126 units in the organised sector and a number of units in the small scale sector, the major share of exports (63 to 94 *per cent*) to USA went to 12 leading exporters during 1977-78 to 1979-80.

Cash assistance on the exports of iron castings continuing since 1966-67 was contrary to the recommendations of the Cabinet Committee on Exports (1966) and the recommendations of the Alexander Committee (1978) in asmuch as the commodity exported was apparently competitive in the export market even without the benefit of cash assistance.

Summing up.—The following are the main points that emerge:—

— Due to delay in implementing the decision of the Cabinet Committee on Exports (1966) there was excess payment of Rs. 27.34 lakhs for not restricting the cash assistance to the cut-off point.

— Review of cash assistance rates in March 1975 justified cash assistance on iron castings at 10 *per cent* only, against 25 *per cent* then existing. But the rate was not reduced, which resulted in unjustified payment of cash assistance amounting to Rs. 25.81 lakhs during April-June 1975.

— Cash assistance beyond 1st April 1975 was to be sanctioned on the basis of cost study conducted by the Cost Accounts Branch (Ministry of Finance) which was not completed; nevertheless, cash assistance was continued at the existing rate till March 1979 which resulted in irregular payment of Rs. 1401.33 lakhs.

— Though the Ministry of Commerce had proposed in June 1975 to bifurcate iron castings into sanitary castings, and industrial castings, they did not accede (March 1979) to the demand of the trade for bifurcation of this item; this resulted in unjustified payment of cash assistance amounting to Rs. 224.45 lakhs on export of sanitary castings.

— Cash assistance for 1979—82 was sanctioned on the basis of unreliable cost data which showed a loss in exports, whereas there was a substantial margin of profit; the Indian castings were sold to an importing country (USA) at very low rates.

— Though Government were aware (October 1978) of the underselling by the Indian exporters of castings in USA and also the contemplated move for imposition of countervailing duty by US Government, yet no remedial measures were taken; instead cash assistance was extended in March 1979, which resulted in unjustified payment of Rs. 568.76 lakhs during 1979—81 on sanitary castings.

— There were no guidelines from Government for fixing floor prices, which were fixed by the sub-committee of the Casting Panel in which the leading exporters dominated and there was no representative of Government.

— Continued payment of cash assistance for the last 16 years inspite of substantial margin of profit to the trade was contrary to the recommendations of the Alexander Committee.

The matter was reported to Government in August 1982 and their comments ware awaited (October 1982) despite two reminders issued (September-October 1982).

Annexure

Qty : (Tonnes)
Value : (Rs. in lakhs)

Item	1977-78		1978-79		1979-80		1980-81 (January 1981)	
	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value
C.I. rain water pipes								
U.S.A.	59	0.79	139	3.59	81	2.84	4	0.17
Others	2899	66.58	2576	50.58	3666	102.46	449	12.16
Manhole covers								
U.S.A.	20399	394.47	37496	713.87	46333	1030.42	13970	336.25
Others	19915	380.86	25053	470.80	38921	524.11	16622	494.90
C.I. Pipe fittings								
U.S.A.	1940	46.47	3103	99.30	14528	94.79	3754	131.63
Others	38737	969.23	19549	541.92	57378	602.94	15143	743.21
C.I. Products								
U.S.A.	169	3.81	1310	26.79	343	8.76	63	1.42
Others	15570	348.84	9383	205.61	13426	545.47	5226	188.68
C.I. soil pipe								
U.S.A.	283	5.53	451	9.90	151	3.15	40	0.91
Others	27918	518.44	16327	355.40	10152	231.85	1931	52.92
C.I. spun pipes and fittings								
U.S.A.	579	13.71	501	10.06	..	..	..	..
Others	19230	534.13	10034	228.87	5239	116.57	1142	28.88
Industrial castings	8695	351.97	10070	370.68	N.A.	262.71	NA	NA
TOTAL .		3,634.83		3,087.37		3,526.07		1,991.13

MINISTRY OF EXTERNAL AFFAIRS

30. Loss of remittance of funds to an Embassy.—Government decided (September 1979) that the remittance of funds to the Embassy of India Abidjan would be arranged through the Reserve Bank of India, New Delhi, instead of by the High Commission of India, London. The Reserve Bank of India, New Delhi was requested (October 1979) to arrange to remit monthly upto March 1980 Rupees one lakh to cover the mission's establishment charges.

The Ministry of External Affairs directed the High Commission of India, London on 22nd November 1979 by telex "to remit French Francs equivalent to £ eight lakhs for credit to Embassy of India Abidjan." The abbreviation "£" was not repeated in words *i.e.* 'pounds' as required in all payment authorisations. The High Commission requested the State Bank of India, London on 30th November 1979, to remit a sum of French Francs equivalent to Pounds Eight hundred thousands(£800,000)to the authorised Bank at Abidjan for credit to the account of the Embassy of India. The State Bank of India, London issued a draft for French Francs 7,117,600 on 4th December 1979, (conversion rate FF 8.897 per Pound) drawn on the Banque De L'Union Europeene, Paris in favour of the authorised Bank, which was forwarded to that Bank on 7th December 1979.

The High Commission received a telex dated 5th December 1979 from the Embassy of India, Abidjan stating that the Embassy had not yet received the equivalent of Rupees Eight lakhs to be remitted by the High Commission as per Ministry's Telex authorisation of 22nd November. The High Commission thus became aware of the error that occurred because the telex machine key for Rupees in India had £ Sterlings on telex machine in the High Commission of India, which resulted in issue of payment instructions for pounds Eight lakhs. The High Commission issued (7th December 1979) an amendment letter to the State Bank of India London asking them to modify the remittance to Franch Frencs equivalent to Indian Rupees 800,000. On the same day the State

Bank of India, London cabled to the authorised Bank at Abidjan (through its London Office) to return the French Francs draft for cancellation without encashment and also arrange for another remittance of French Francs equivalent to Rupees 800,000 to the Embassy of India Abidjan.

About two months later, on 5th February 1980 on receipt of a confirmation from the Bank at Abidjan, that the draft issued for French Francs 7117,600 would be returned, the State Bank of India London credited to the account of the High Commission of India London a sum of pounds 766,157.16 representing the Sterling equivalent of the earlier remittance in French Francs, converting the same at the prevailing rate (FF 9.29 per pound) as against the sum of Pounds 800,000 debited when the draft was initially issued in Decebmer 1979, resulting in a loss of Pounds 33,842.84 (equivalent to Rs. 6.09 lakhs at the official rate of £ 1 = Rupees 18).

The High Commission took up issue of short credit with the State Bank of India, London in June 1980 after a lapse of four months. The State Bank pointed out that it had acted promptly in calling back the draft sent for an incorrect amount by sending a cable to the Bank at Abidjan on 7th December 1979 itself and maintained that no blame could be attributed to them. The High Commission again requested State Bank of India, London (July 1980) to recover the loss suffered by them, from the bank at Abidjan as they took a long time to confirm that the draft would be returned to the State Bank of India, uncashed. The Abidjan bank declined to assume any liability in the matter. The High Commission received a favourable legal advice for preferring a claim against Abidjan bank (August 1980) but no action was taken (July 1982). The Ministry stated (July 1982) that the copy of telex of 22nd November 1979 sent in confirmation was received by the High Commission only on 6th of December 1979 and as such no action could have been taken to correct the amount to be remitted before that date. The High Commission had also received on 4th of December 1979 a copy of the telex dated 16th November 1979 sent by the Embassy of India at Abidjan to the

Ministry, wherein the amount required to be remitted was mentioned as Rs. 800,000. Had the High Commission acted promptly to advise the State Bank of India London of the correct amount to be remitted, it could have stopped the actual despatch of the draft for a higher amount by the bank on 6th of December 1979.

Pounds 33,842.84 (Rs. 6.09 lakhs) has neither been realised nor has any action been taken to fix responsibility for the lapse so far (July 1982). Action has also not been taken to enquire into the circumstances in which the Ministry of External Affairs failed to indicate in the telex transfer advice of 22nd November 1979, the amount to be remitted as well as the currency involved fully in words, as was invariably done in advices for monetary transfers and how the error had crept in the operation of the telex machine in the High Commission at London and its failure to check the correctness of the heavy remittance adviced before acting on the telex of 22nd November 1979.

31. Short accountal of stationery stores—.Test check (January 1981) of the stationery accounts/records of the Ministry for the period March 1976 to December 1979 conducted by Audit revealed short accountal of stationery stores worth Rs. 14.04 lakhs.

The modus operandi adopted *was* :

(a) Excessive charging off to the accounts by manipulating indents/inflating issues (Rs. 10.36 lakhs).

(b) Reduction from the stock register by striking incorrect balances, while closing monthly accounts (Rs. 2.50 lakhs).

(c) Manipulation of unit of accounting adopted for receipts of duplicating paper (double scrap as single scrap (Rs. 0.71 lakh).

(d) Non-accountal of receipts of stationery stores (Rs. 0.34 lakh).

(e) Short accountal of receipts of stencil paper (Rs. 0.13 lakh).

The indents for the issue of stores for certain periods (April 1977, 15-21 September 1977, March 1978, 1—15 June 1978, July 1978, October 1978, January 1979 and 14-15 November 1979) were not made available for audit. The stores issued from January 1980 onwards were not posted in the issue register (January 1981) and the stores accounts for the period January 1980 onwards were incomplete. The extent to which the value of unaccounted/short accounted stores has been affected by these discrepancies could not be ascertained in Audit.

The following deficiencies, which were not detected by the Ministry in time, caused the shortages in stationery stores.

- The stores accounts/records had not been kept upto-date from April 1977 onwards in as much as the issues of stores in April 1977 onwards were not posted in issue register till August 1978.
- There were numerous over-writings and erasures in the records of receipts and issues of stores.
- Physical verification of stores had not been conducted.
- Proper records of handing over/taking over of stores had not been maintained.
- Stores were issued without proper authority.
- Stores were handled by a junior most official without any check.
- The lists, inventories or accounts were not subjected to internal check in accordance with the provisions of the General Financial Rules.

The Ministry stated (January 1982) that on receipt of audit comments, a departmental investigation was ordered and on the basis of such investigation, there were grounds to believe that a fraud had been committed by certain individuals and that the case had been referred to the CBI for further investigation; further developments were awaited (August 1982).

32. Non-recovery of overpayment of foreign allowance.—On the reopening of a mission abroad, 8 India-based officers and 50 members of staff posted in this mission between July and December 1976 were provisionally paid foreign allowance at the rate of 75 *per cent* of cash allowance in lieu of foreign allowance subject to final adjustment when the rates of foreign allowance were fixed by the mission. Mission did not obtain orders of the Government nor was any written undertaking taken from concerned officers and staff that the provisional payments were subject to recovery if excess payments occurred eventually. The Government directed (August 1976) the mission to pay the foreign allowance at rates fixed for another mission. The Government stated (October 1976) that the course of action adopted by the mission was financially inappropriate and to avoid recoveries later on it was suggested that subject to adjustments later certain categories of staff should be paid not more than 45 *per cent* of cash allowance while others (including second Secretary) be paid 60 *per cent* of cash allowance and the representational officers (other than second Secretary) might be allowed to draw 75 *per cent* of cash allowance as they were not drawing representational grant. These officers, however, did draw representational grant as well as 75 *per cent* of cash allowance. Provisional payments of foreign allowance at 75 *per cent* of cash allowance were also continued to be made to the others till December 1976. The rates of foreign allowance (applicable from July 1976) were finally fixed in January 1977. Consequently, the provisional payments made to the officers and staff upto December 1976 exceeded their entitlements of foreign allowance by Rs 2.41 lakhs. The amounts overpaid became due for recovery from their pay for February 1977.

It was decided (November 1980) to recover the overpaid amounts in instalments not exceeding one-fourth of basic pay from the pay of November 1980 but the decision had not been acted upon. The Ministry stated (December 1981) that since a large number of staff members represented against recovery, the matter had been referred to Ministry of Law for advice. Meanwhile recoveries had been frozen. Final views of the Ministry of Law were yet to be communicated (November 1982).

MINISTRY OF FINANCE

(Department of Economic Affairs)

33. Delay in remittance of collections by Public sector banks

1. The schemes for the receipt of Government dues on account of direct taxes (including income tax) and indirect taxes by nominated public sector banks, in addition to Reserve Bank of India/State Bank of India, were introduced by the Government of India with effect from 1st April 1976 and 1st April 1977 respectively. A similar scheme for the receipt of sales tax dues by the branches of all public sector banks functioning at Delhi/New Delhi was introduced by the Delhi Administration with effect from 1st July 1979.

In accordance with the Memorandum of Instructions issued by the Reserve Bank of India the branches of the nominated public sector banks receiving such dues are required to transfer their daily collections on this account (through the usual inter-branch account procedure of the bank) to their designated link branches positively at the beginning of the next working day. After scrutiny, the designated link branch has, in turn, to immediately transmit to the focal point bank (*i.e.*, Reserve Bank or the branches of State Bank conducting Government treasury business, as the case may be), the daily scrolls and the challans, including its own, together with a cheque/draft for the total amount collected as indicated in the relevant scrolls for crediting Government account within the prescribed time limit of 3 to 7 days. The Reserve Bank emphasised (June 1981) that the days' collections at the receiving branches must reach the focal point bank through the respective designated link branches with in a maximum of 7 days from the date of collection.

2. Test check conducted (September to December 1981 and April to August 1982) by Audit at 594 designated link branches of nominated public sector banks revealed delays ranging from one to three months and above in remittance of collected amounts of Government dues of considerable magnitude to the focal

point banks, as detailed below, thus depriving Government of their dues for long periods, affecting, *inter alia*, their ways and means position:

Sl. No.	Period of delay	Number of link branches involved	Number of cases	Year and amount involved	Regions/States in which delay occurred
1	2	3	4	5	6
	(Months)			(Rupees in lakhs)	
				1978-79	
1.	1—2	33	1,236	336.79	Andhra Pradesh, Assam, Delhi/New Delhi, Gujarat, Himachal Pradesh, Kerala, Madhya Pradesh, Meghalaya, Rajasthan and Tamil Nadu and Pondicherry.
2.	2—3	14	563	108.11	
3.	3—4	8	82	9.20	
4.	Above 4	8	65	17.75	
	TOTAL	63	1,946	471.85	
				1979-80	
5.	1—2	46	1,227	283.36	Andhra Pradesh, Arunachal Pradesh, Bombay, Delhi/New Delhi, Gujarat, Himachal Pradesh, Karnataka, Kerala, Madhya Pradesh, Meghalaya, Punjab, Rajasthan, Tamil Nadu and Pondicherrà and Uttar Pradesh.
6.	2—3	19	226	49.50	
7.	3—4	9	67	64.23	
8.	Above 4	13	104	167.16	
	TOTAL	87	1,624	564.25	

1	2	3	4	5	6
				(Rupees in lakhs)	
				1980-81	
9.	1 to 2	105	6,994	4007.95	Andhra Pradesh, Assam, Bombay, Gujarat, Himachal Pradesh and Chandigarh, Karnataka, Kerala, Madhaya Pradesh, Meghalaya, Punjab, Rajasthan, Tamil Nadu and Pondicherry and Uttar Pradesh.
10.	2 to 3	63	1,578	1706.92	
11.	3 to 4	29	875	434.79	
12.	Above 4	36	925	136.40	
	TOTAL	233	10,372	6286.06	
				1981-82	
13.	1 to 2	94	7,365	4040.06	Andhra Pradesh, Assam, Bombay, Delhi/New Delhi, Gujarat, Karnataka, Kerala, Madhya Pradesh, Meghalaya, Mizoram, Punjab, Rajasthan, Tamil Nadu and Pondicherry and Uttar Pradesh.
14.	2 to 3	50	1,471	425.59	
15.	3 to 4	36	597	383.34	
16.	Above 4	31	969	116.72	
	TOTAL	211	10,402	4965.71	
	TOTAL	594	24,344	12287.87	

Region-wise analysis of such delays in the case of some regions showed that the prescribed time limit of 3 to 7 days had not been generally adhered to by the designated link branches of the banks. Cases of delays upto 30 days numbering 39,532 involving amounts aggregating Rs.245.39 crores, as detailed below, were noticed as a result of test check of the records of 504 banks relating to the period 1978-79 to 1981-82:—

Region	Total number of link branches involved	Total number of cases	Amount
			(Rupees in lakhs)
1. Andhra Pradesh	24	7,170	4023.45
2. Arunachal Pradesh	44	273	46.36
3. Assam	22	271	498.16
4. Bombay	4	15	22.16
5. Chandigarh	9	109	40.27
6. Delhi/New Delhi	59	19,387	13002.03
7. Gujarat	53	1,110	1867.65
8. Himachal Pradesh	5	51	49.20
9. Karnataka	25	66	68.81
10. Kerala	2	40	4.49
11. Madhya Pradesh	47	410	82.49
12. Meghalaya	32	527	27.51
13. Mizoram	5	29	0.49
14. Punjab	29	1,762	1063.48
15. Rajasthan	121	2,215	2686.63
16. Tamil Nadu and Pondicherry	13	5,822	954.73
17. Uttar Pradesh	10	275	101.16
Total	504	39,532	24539.07

3. *Non-introduction of special messenger system.*—For prompt credit to Government account of heavy receipts of the Government dues generally taking place in the last fortnight of the financial year, the designated link branches of the nominated public sector banks were required to introduce a special messenger arrangement during the period 17 to 31st March each year so that the scrolls etc. were passed on along with the collections to the focal point banks on the very day of receipts from the public for being accounted for in the same financial year.

3.1 Test check of the records of 371 designated link branches of the banks located in various states including Delhi/New Delhi region revealed that the relevant instructions were not strictly followed by the designated link branches. This resulted in the credits for collections in 12,644 cases involving Rs. 68.24 crores being afforded to the Government account in the next financial year as shown below:—

Number of States involved	Months and year of collection	Month and year of remittance	Amount
			(Rupees in crores)
5	March 1978	April 1978	2.15
9	March 1979	April 1979	9.20
11	March 1980	April 1980	15.03
1	March 1980 January 1981 February 1981	April 1980 May 1981 September 1981	0.02
12	March 1981	April 1981	18.56
8	March 1982	April 1982	23.28
		Total	68.24

4. *Non-remittance/delays in remittance of collections to the Reserve Bank*

(a) The designated link branches of the banks have to scrutinise the scrolls/challans received from the collecting branch and to ascertain whether the amount of the remittance sent by the collecting branch and to the link branches tallies with the deposits made by the assessees as per challans/scrolls. The discrepancies/deficiencies, if any, are required to be settled expeditiously with the collecting branches. Test check of the records of ten designated link branches covering 25 collecting branches located in Andhra Pradesh, Delhi/New Delhi, Karnataka, Rajasthan and Tamil Nadu regions showed that no action was taken to settle the discrepancies/deficiencies that came to light. Failure to take action resulted in collections totalling Rs. 7.27 lakhs arising during the period April 1976 to March 1982 remaining unremitted to the Reserve Bank.

(b) Test check of the consolidated scrolls/registers for 1981-82 of three link branches of the banks located in New Delhi revealed that credits aggregating Rs. 10.16 lakhs received from 30 collecting branches in Delhi/New Delhi were written back/deleted for want of supporting receipt scrolls/schedules/challans etc. No further information/particulars as to when these credits were again received back from the collecting branches and deposited with the Reserve Bank could be furnished to Audit (June 1982).

5. *Delays in preparation of consolidated scrolls.*—Test check covering the period upto March 1982 in respect of 39 link branches of the banks in the Punjab and Uttar Pradesh regions disclosed that in the cases of 11 link branches, delays ranging from 1 to 2, 2 to 3 and above 4 months (involving amounts of Rs. 20.26 lakhs , Rs. 0.24 lakh and Rs. 0.33 lakh respectively) occurred in the preparation of consolidated scrolls by the link branches for submission to the focal point banks resulting in corresponding delay in crediting the receipt to the Government account. In the case of one link branch in the Karnataka region, the scrolls for the whole of each month (during December 1979 to April 1981) were being consolidated and sent to the focal bank in the subsequent month resulting in corresponding delay of 1 to 2 months in crediting receipts aggregating Rs. 40.83 lakhs to the Government account.

6. *Non-observance of prescribed procedure regarding allotment of running serial numbers on the scrolls.*—In terms of the Memorandum of Instructions regarding acceptance of the Government dues and their remittance to the focal point banks, the receiving branches authorised to receive the Government dues from the public, are required to give a running serial number extending to a financial year on each scroll with separate running numbers being given for every type of receipt. The link branches of the banks are also required to follow a similar procedure.

Scrutiny of records of 357 banks in Delhi/New Delhi, Andhra Pradesh, Chandigarh, Gujarat, Punjab, Meghalaya, Rajasthan and Tamil Nadu showed that the procedure for giving running serial number on each scroll was not adopted by most of the receiving and link branches with the result that the designated link branches could not trace out the missing scrolls, if any, along with the amount of the draft so collected. There was generally no system of reconciliation between the figures of the Government dues as collected by the receiving branches and those received and remitted by the link branches to the Reserve Bank. The banks could not, therefore, ensure that collections made by their receiving branches were actually received by them and remitted to the Reserve Bank in all the cases.

MINISTRY OF HOME AFFAIRS

34. Schemes for Welfare of Scheduled Castes and Scheduled Tribes and other backward classes

1. *Introductory*

1.1 The directive principles embodied in the Constitution enjoin the State to promote with special care the educational and economic interests of the weaker sections of the people particularly the Scheduled castes and tribes and to protect them from social injustice and all forms of exploitation. Special efforts have been made through the successive five-year and annual plans to narrow down the existing disparities in the socio-economic conditions of the Scheduled castes/tribes and the rest of the population. Various welfare programmes/schemes have been undertaken by the Government of India for meeting the special needs of these communities for the implementation of which Rs. 1,01,184.85 lakhs were released (upto 31st March 1982) by the Central Government to various State Governments. The details are given in the annexure.

1.2 The Central Government had undertaken 14 welfare schemes (both centrally operated and centrally sponsored) during the period from 1951-52 to 1981-82. The State Governments had also undertaken programmes under education, economic development and health. Housing and other centrally operated and sponsored schemes were operated with reference to the assistance released by the Central Government particularly from the Fifth Five Year Plan (1974). Central assistance in respect of schemes for "Denotified tribes" and "Improvement in the working and living conditions of Sweepers" and scheme for "Co-operation" were discontinued from 1974-75 and 1977-78 respectively and were continued as State sector programmes.

1.3 *Scope of review.*—The records of 11 schemes, generally relating to the period 1974-75 to 1981-82, were test checked in some of the States and the important points noticed are given in the succeeding paragraphs.

2. *Pre-matriculation scholarships*

2.1 Under this scheme introduced in 1977-78 to provide education to the children of those engaged in unclean occupations, in school classes VI to X, scholarships are awarded to students, residing in hostels at Rs. 100 per month per student to cover the expenses on account of tuition fee, boarding and lodging, books etc. and a special allowance of Rs. 45 per month per student to cover the expenditure on school uniform, clothing etc.

2.2 The Governments of Karnataka, Madhya Pradesh, Maharashtra implemented the scheme from 1979-80. The Government of Assam had not taken it up to so far (March 1982) with the result that grant of Rs. 0.50 lakh received by it during 1977-78 remained unutilised. The performance in four States *vis-a-vis* the targets fixed are given below:

State	Period	Number of scholarships contemplated	Number of scholarships awarded	Percentage of column (4) to (3)
1	2	3	4	5
1. Karnataka	1979-80 to 1981-82	150	51	34
2. Madhya Pradesh	1979-80 to 1981-82	330	99	30
3. Maharashtra	1979-80 to 1981-82	300	163	54.33
4. Tamil Nadu	1977-78 to 1981-82	300	49	16.33
	TOTAL	1,080	362	34

2.3 The Andhra Pradesh Government placed (March 1981) Rs. 12 lakhs (out of which Rs. 5 lakhs were released by the Central Government in 1981-82) at the disposal of the Andhra Pradesh Backward Classes Corporation for implementation of the scheme, who could spend Rs. 0.43 lakh only on purchase of kitchen utensils, plates, tumblers, bedding materials and steel trunks for hostels and retained the balance amount of Rs. 11.57 lakhs (June 1982).

2.4 Under the scheme, no scholarship was admissible to those who were getting assistance under other state schemes. During 1980-81 and 1981-82, 55 hostels in Gujarat were paid boarding and lodging charges in respect of 397 inmates, who were receiving maintenance grant under a state scheme. This resulted in allowing unintended benefits to the students besides irregular payment of Rs. 2.96 lakhs which otherwise could have been given to others eligible for the scholarship.

2.5 The Government of Himachal Pradesh did not award the scholarships in accordance with the approved pattern of the scheme. Out of Rs. 0.32 lakh received, Rs. 0.25 lakh were distributed to 167 students at the lower rates (Rs. 180, Rs. 144 and Rs. 96 per annum per student of Higher Secondary, Middle and Primary classes respectively, adopted for the State sector Scheme) which reduced the scope of assistance to the beneficiaries.

2.6 In accordance with the instructions issued (February 1977) by the Government, pre-matriculation scholarships to backward classes students were required to be verified to the extent of 5 *pet cent* of the fresh cases (reduced to 3 *per cent* from 1981-82). This verification was not conducted in Tamil Nadu.

3. *Post-matriculation Scholarships*

3.1 The scheme sponsored by the Government of India as early as 1944 for Scheduled Castes was extended to the Scheduled Tribes in 1948. From 1974-75, the Scheme was to provide financial assistance to scheduled caste/tribes students whose parents' income did not exceed Rs. 750 p.m. to enable them to pursue approved post-matriculation or post-secondary courses of study in recognised institutions.

3.2 During the fifth plan (1974-79) and the sixth plan periods the Central Government re-imbursed each year to the State Governments the expenditure incurred by them on the implementation of the scheme over and above the committed level of expenditure in 1973-74 and 1978-79 respectively. During 1974-75 to 1981-82 expenditure of Rs. 92.15 lakhs was re-imbursable to the Government of Haryana against which Rs. 140.88

lakhs, were re-imbursed by the Central Government. Although the expenditure of Rs. 111.85 lakhs incurred by the Government of Assam during 1979-81 was within the annual committed level of expenditure of Rs. 113.63 lakhs grant of Rs. 10.60 lakhs was released to the State Government during 1980-81. Thus, excess grants of Rs. 29.33 lakhs were paid to these Governments.

3.3 Grants aggregating Rs. 74.30 lakhs were lying undisbursed with the following States for the reasons noted against each:—

State	Amount lying undisbursed (Rupees in lakhs)	Remarks
Gujarat	2.26	Advances paid to 31 higher secondary schools in August 1981 were not disbursed but were kept with the schools.
Chandigarh	1.31	Out of Rs. 4.20 lakhs, only Rs. 2.89 lakhs were disbursed as publicity of the scheme was inadequate.
West Bengal	70.73	Out of the funds allotted during 1977-78 and 1981-82 Rs. 30.88 lakhs and Rs. 39.85 lakhs respectively remained unutilised (July 1982) in five districts.

3.4 Amounts equivalent to 3/6 months' requirements worked out on the basis of last years' average, were to be advanced to the institutions for making advance payments to the students in July/August so that they might not be put to any financial difficulty. However, the amounts of scholarships were actually disbursed to the students much after the due date in some States resulting in delay ranging from 3 to 21 months (as shown below) causing hardhship to the recipients.

State	Period for which scholarship due	Disbursed in	Period of delay (Months)	Remarks
(1)	(2)	(3)	(4)	(5)
1. Andhra Pradesh	1981-82	January 1982 to March 1982	6	In 168 out of 275 cases
2. Haryana	1974-75 to 1980-81	After close of academic session every year	12	Amount of scholarships involved was Rs. 10.89 lakhs.
3. Madhya Pradesh	July	October-November	3—4	Thereafter scholarships were sanctioned piece—meal upto March or even later.
4. Manipur	September 1979 to June 1980	June 1981 to September 1981	15—21	Amount of stipend involved in these cases was Rs. 2.14 lakhs covering 361 students.
5. Nagaland	July to December	October to December	3	
	January to May	February to May	1	
6. Punjab	1977-78 to 1980-81	At the time of final payment.	9	In 681 cases.
		After the expiry of the term.	12	In 178 cases.
		2—12 months after receipt of amounts by the institutions.		In 2,224 cases.
7. Uttar Pradesh	1974-75 to 1981-82	Last quarter (January to March).	6—8	Rs. 1,818.28 lakhs (64 *per cent*).
		Subsequent year.	9—11	Rs. 246.94 lakhs
		After completion of studies	12	Rs. 0.36 lakh to 42 students.

3.5 The scholarship under the scheme is awarded to a student on production of caste certificate from the recognised authority and other particulars in support of his eligibility of scholarship. A random and limited local verification of these certificates and other particulars carried out by the respective State Governments revealed cases where the caste certificates were either forged or issued by the officers other than those authorised or the particulars mentioned by the students in their application forms were not correct. A few such cases of irregular awards of scholarships are mentioned below:—

State (1)	Period (2)	Remarks (3)
1. Karnataka (Bidar district)	1980-81	In 74 cases the certificates were forged and in 24 cases the students did not belong to Scheduled castes/tribes.
2. Nagaland	1981-82	Out of 105 applications for fresh scholarships, 20 were accepted with their caste certificates signed by officers other than those authorised.
3. Tamil Nadu	1974-75 to 1980-81	(i) Out of 62,151 cases selected for verification only 48,285 cases were verified (January 1982). As against 5,420 cases recommended for recovery, the department ordered recovery of Rs. 9.85 lakhs in 3,091 cases. Final action in the remaining 2,329 cases was yet to be taken (June 1982).
		(ii) In 36 cases, scholarships amounting to Rs. 0.30 lakh already granted, wer e found inadmissible.
		(iii) Students of the Government Law College, Madura who were not lodging in the hostels were certified as hostellers to claim stipend at the higher rate.

1	2	3
4. Uttar Pradesh	1974-75 to 1981-82	In 708 cases, scholarships totalling Rs. 5.56 lakhs were awarded without production of caste/income certificates. Payments to 75 students in three districts were made without the sanction of District Harijan and Social Welfare Officers and without ensuring other eligibility factors.

Scholarships aggregating Rs. 47.10 lakhs (Punjab: Rs. 44.99 lakhs during 1974-75 to 1981-82; Uttar Pradesh: Rs. 1.34 lakhs during 1974-75 to 1980-81; and Karnataka Rs. 0.77 lakh during November 1977 to April 1978) were awarded to the students who did not belong to the Scheduled castes/tribes resulting in mis-utilisation of grants.

3.6 Scholarships totalling Rs. 3.54 lakhs (Punjab : Rs. 2.71 lakhs during 1974-75 to 1980-81; Haryana: Rs. 0.42 lakh and Rajasthan: Rs. 0.41 lakh during 1974-75 to 1980-81)were paid to the students for courses like commercial practice and stenography, arts and crafts, diploma in secretarial practice, Industrial training, D. Pharma, certificate in Library Science etc. though these courses were not covered under the scheme.

3.7 In the following cases, scholarships aggregating Rs. 8.36 lakhs were paid at the rates higher than that admissible under the scheme:—

State	Period	Number of scholars	Amount paid in excess
		(Rupees in lakhs)	
1. Andhra Pradesh	1979-80	1,088	5.44
2. Karnataka	1979-80	N.A.	1.61
3. Rajasthan	1974-75 to 1980-81	45	0.17
4. Uttar Pradesh	1974-75 to 1981-82	45	0.24
5. Gujarat	1978-79 to 1981-82	1,847	0.90

4. *Book banks for engineering and medical Colleges*

4.1 The Central Government sanctioned a scheme (November 1978) to create a 'book bank' in each of the engineering and medical colleges in various States for making the prescribed text books available to the Scheduled caste/tribes students. The scheme provided for purchase of one set of books for every seven students at a cost not exceeding Rs. 2,300. Assistance of Rs. 1,000 for purchase of steel almirah for storing books and Rs. 100 for other contingent charges like transportation is also given. The scheme was fully financed by the Central Government during 1978-79 and the expenditure was to be shared equally by the Central and State Governments in subsequent years.

4.2 The Madhya Pradesh Government did not operate the scheme but availed of the Central Government assistance of Rs. 3.27 lakhs during 1978-79 and 1979-80 which remained unutilised (March 1982).

4.3 In the following cases, grants aggregating Rs. 9.89 lakhs were released in excess of the permissible limit:—

State	Number of colleges	Students on roll	Permissible expenditure	Actual expenditure	Excess grant
				(Rupees	in lakhs)
1. Assam	3 medical 2 engineering	435	0.95	7.53	6.58
2. Bihar	3 medical	196	0.98	3.94	2.96
3. Tamil Nadu	1 medical	N.A.	0.46	0.81	0.35

The extent of utilisation of books by the Scheduled castes/ tribes students noticed in few states is given below:—

State	Number of colleges	Period	Extent of utilisation
1. Bihar	4 medical 2 engineering	1978-79 to 1981-82	74 *per cent* of 13,164 books purchased (cost : Rs. 10.39 lakhs).
2. Karnataka	8 engineering	1978-79	Between 14 and 34 *per cent*.
		1979-80 to 1980-81	Between 0 and 100 *per cent*.
	1 medical	1978-79 to 1980-81	Between 8 and 27 *per cent*.
3. Tamil Nadu	4 medical	1979-80 to 1981-82	Between 14 and 27 *per cent*.

5. *Coaching and allied Schemes*

5.1 The Government of India sanctioned the scheme in 1958-59 to facilitate stepping up of the intake of Scheduled castes/ tribes young persons in the I.A.S/I.P.S., Central services etc. Eight intensive pre-examination coaching centres have been set up at Allahabad, Delhi, Hyderabad, Jaipur, Madras, Patiala, Raipur and Shillong. In addition, 12 pre-examination training centres have been opened in the States under the scheme, "Career planning and allied scheme for free examination training for persons appearing in the State Civil Service and other competitive examinations," introduced by the Central Government in 1967-68. The candidates are given stipend of Rs. 125 per month in addition to free hostel and other ancillary facilities.

The entire expenditure on the schemes upto 1973-74 was reimbursed by the Central Government. Thereafter, expenditure on the administrative, teaching, hostel and library staff above the committed level of 1973-74 was borne by the Central Government. From 1979-80, expenditure to the extent of 50 *per cent* of the level of 1978-79 is being borne by the Central Government.

5.2 In the following cases grants released by the Central Government were not fully utilised and the unspent balances had not been refunded to the Central Government so far (March 1982):—

Centre	Period	Amount of grant received	Amount of grant spent	Balance of unutilised grant.	Remarks
			(Rupees in lakhs)		
1. Assam	1979-80	0.75	Nil	0.75	Centre not yet started (March 1982).
2. Nasik (Maharashtra)	1981-82	5.78	Nil	5.78	Centre not yet started (July 1982).
3. Patiala (Punjab)	1967-68 to 1973-74	8.05	5.68	2.37	
4. Raipur (Madhya Pradesh)	1979-80	1.47	0.41	1.06	

5.3 The results achieved in respect of the two schemes are given in the table below:—

Central services pre-examination coaching centres

States	Centres	Period	Intake capacity	Number of candidates admitted	Number of candidates appeared in examination	Number of candidates finally selected
1. Andhra Pradesh	Hyderabad	1978-79 to 1980-81	150	147	N.A.	14
2. Madhya Pradesh	Raipur (started in 1979-80).	—do—	400	29	N.A.	Nil
3. Punjab	Patiala	—do—	150	148	135	14
4. Rajasthan	Jaipur	—do—	N.A.	106	102	Nil
5. Tamil Nadu	—	—do—	N.A.	205	57	4

State level pre-examination training centres

Centre	Period	Expenditure	Number of candidates						
			Intake capacity	Admitted	Drop outs	Appeared	Passed	Finally selected
1. Allahabad.	1969–70 to 1980–81	14.40	150	143 (1978–81)	58 (1974–81)	N.A.	N.A.	46 (1969–81)
2. Bangalore	1973–74 to 1981–82	9.73	1,000	496	27	469*	N.A.	35
3. Bhopal .	1969–70 to 1980–81	N.A.	625	523	93	430	N.A.	153
4. Lucknow .	1974–75	8.70	90	85 (1978–81)	N.A.	N.A.	N.A.	Nil (1974–81)
5. Ranchi .	1974–75 to 1981–82	4.31	680	657	366	291	15	9 (Results for 1981–82 not yet published).

*Results of 101 candidates awaited upto May 1982.

The percentage of drop-outs amongst the trainees ranged between 6 and 60 *per cent* whereas that of the trainees finally selected for appointment ranged between 4 and 36 *per cent* in the States of Bihar, Karnataka and Madhya Pradesh. Since the inception of the Lucknow centre in 1974-75, not a single candidate has been selected for P.C.S. examinations.

The Tamil Nadu Government constituted (June 1968) an assessment committee with the Director of Collegiate Education as its Chairman to assess the performance of the trainees. The Committee had not met so far (July 1982).

6. *Girls hostels.*—The Central Government sanctioned the scheme in 1965-66 for providing financial asistance to the State Governments for constructing hostel buildings to provide lodging facilities for Scheduled castes/tribes girl students of urban and remote areas. The scope of Central assistance was enlarged from 1974-75 to provide for furnishing of hostels and initial grant for equipment for crafts like sewing and embroidery, cultural activities and rotating capital for attached agricultural plots also. From 1979-80, the Central assistance was limited to 50 *per cent* of expenditure over and above the committed level expenditure of 1978-79.

6.1 *Physical performance.*—Against the target of building 494 girls hostel buildings in 10 states, only 150 buildings were constructed upto March 1982 by ten States, as detailed below:—

State	Period	Number of hostel buildings scheduled to be completed	Number of buildings completed	Short fall	Percentage of short fall
1	2	3	4	5	6
1. Andhra Pradesh	1974—81	178	93	85	47.7
2. Bihar	1974—82	24	8	16	66.6
3. Himachal Pradesh	1974—79	10	7	3	33.3
4. Maharashtra	1980-81	12	5	7	58.3
5. Madhya Pradesh	1965—81	79	19	60	76.0
6. Punjab	1967—82	25	10	15	60.0
7. Rajasthan	1977—80	4	2	2	50.0
8. Tamil Nadu	1979—81	100	—	100	100.0
9. Uttar Pradesh	1974—81	29	6	23	79.0
10. West Bengal	1976—81	33	—	33	100.00
	Total	494	150	344	69.6

The reasons for shortfall were attributed to non-selection or availability of sites in time, non-availability of building material, short release of funds and slow progress of work by constructing agencies.

6.2 *Non-utilisation of grants.*—Out of the assistance of Rs. 707.49 lakhs received by seven States during 1971-72 to 1981-82 for purchase of land/construction of hostels, Rs. 454.77 lakhs remained unutilised as shown below:—

State	Period	Amount of grant received/paid	Amount of grant spent upto March 1982	Unutilised amount of grant
1	2	3	4	5
		(Rupees in lakhs)		
1. Assam	1972—81	37.10	10.56	26.54
2. Rajasthan	1977—82	9.20	..	9.20
3. Madhya Pradesh	1980-81	357.92	220.00	137.92
4. Maharashtra	1971—82	25.57	17.96	7.61
5. Tripura	1972—81	12.70	4.20	8.50
6. Uttar Pradesh	1979-80	2.70	..	2.70
7. West Bengal	1976—81	262.30	..	262.30
	Total	707.49	252.72	454.77

6.3 *Delays in construction.*—Grants aggregating Rs. 245.10 lakhs were spent on the construction of hostel buildings which were still in progress though the period of two years during which the buildings were required to be completed had expired, as shown below: —

State	Number of hostel buildings in progress	Amount spent	Period during which spent	Remarks
	(Rupees in lakhs)			
1. Gujarat	5 (May 1982)	5.07	February 1978 to July 1979	—
2. Himachal Pradesh	1	0.68	1978-79	—
3. Madhya Pradesh	1	5.61 220.00	1979-80 1980-81	Progress of work not known.
4. Maharashtra	7	2.87 (estimated)	1980-81	In five cases second instalment was released after one to five years of the stipulated date of completion.
5. Tamil Nadu	29	5.61 (June 1982)	1979-80 to 1980-81	Out of 100 hostel buildings required to be completed, land for 19 hostel buildings had not been handed over while construction of 52 hostel buildings not yet commenced (July 1982)
6. Uttar Pradesh	16	5.26	1968-69 to 1974-75	—

Apart from blocking of funds (Rs. 245.10 lakhs), the facility of providing hostel building to the students had not been realised so far in these states.

6.4 *Under-utilisation of hostel accommodation.*—In the states of Himachal Pradesh, Punjab and Uttar Pradesh the hostel buildings constructed (cost : Rs. 13.09 lakhs) during 1974-75 to 1981-82 under the scheme could not be fully utilised by the State Governments or used for other purposes.

Subsidies of Rs. 16.17 lakhs given by the two State Governments (Gujarat : Rs. 15.92 lakhs and Maharashtra: Rs. 0.25 lakh) were utilised for construction of new hostel buildings, not covered under the scheme.

7. *Research training and special projects.*—The scheme was introduced in 1952-53 for research in tribal life and culture, training personnel to work in tribal areas, evaluation of various welfare programmes and building data bank at national and State levels. Central assistance under this scheme was given in the form of doctoral fellowships/scholarships ranging from Rs. 400 to Rs. 600 per month per scholar upto 1979-80 and thereafter at 50 *per cent* of the expenditure. At present 11 tribal research institutes and 5 tribal research cells are functioning in various states.

7.1 *Research advisory committees.*—Though the scheme was introduced in 1952-53, the tribal research centres in Madhya Pradesh, Maharashtra, Tripura and Assam were set up in 1954, 1962, 1970 and 1975 respectively. Each tribal research institute was to constitute a research advisory committee to review the research work done by the institute and suggest topics for research, but no such committee has been constituted by the Tripura Government whereas the Government of Madhya Pradesh formed the committee in 1974. These committees were required to meet at least twice a year but the Committee had only 7 meetings during 1974 to 1981 in Madhya Pradesh and 3 meetings between July 1974 and May 1982 in Maharashtra.

7.2 *Training.*—No training programme had been undertaken in Assam whereas the Government of Tripura did not impart any training to the personnel working in tribal areas as envisaged under the scheme. In Tripura, there was no progress against the target of completion of two basic and two applied research projects during 1980-81 and 1981-82 and only six batches were trained against the target of 13 batches during 1979-80 to 1981-82. In Madhya Pradesh, the average number of officials trained was 25 per year against the capacity of 200 and no official was trained during 1973-74, 1975-76, 1977-78 and 1979-80 to 1980-81. The lowest number of intake was 3 (1.6 *per cent*) in 1978-79 and highest intake 85 (42.5 per cent) in 1966-67 and the number of trainees has been thus declining.

7.3 *Verification of certificates.*—To verify the special status claims of persons admitted in various professional colleges in Andhra Pradesh against the quota reserved for Scheduled tribes, 1,082 cases were referred to the Tribal Cultural Research and Training Institute of which 500 cases were taken up for detailed investigation. Enquiries completed in 325 cases revealed 235 cases of false certificate holders.

7.4 *Evaluation studies.*—The Maharashtra advisory committee (governing council) has not drawn up any plan for evaluation studies or research work whereas the Government of Tripura had not undertaken any study of the impact of large number of schemes being implemented for welfare of Scheduled tribes in and outside the sub-plan areas. The Government of Madhya Pradesh, however, evaluated six schemes during 1975 to 1978 but none thereafter.

7.5 *Data bank.*—Data bank covering all aspects of the tribal life in the region including the level of development, total number of tribal families, their earnings, pattern of family expenditure etc., on the basis of which the tribal sub-plans were to be drawn up had not been built by the States (Madhya Pradesh, Maharashtra and Tripura).

8. *Schemes to aid State scheduled castes development corporations*

8.1 Central assistance under the scheme started in 1978-79 is given to the State Governments for investments to the extent of 49 *per cent* of equity capital in the State scheduled castes development corporations established with the object of formulating family oriented schemes, organising institutional finance and assisting the poor amongst the scheduled castes in acquiring income generating assets.

8.2 Out of the Central/State assistance of Rs. 2,556.08 lakhs to Andhra Pradesh (Rs. 2,118.08 lakhs) and Bihar (Rs. 438 lakhs) upto 1980-81, Rs. 1651.97 lakhs and Rs. 161.65 lakhs (upto 1979-80) respectively were paid by them to the registered corporations towards their equity capital and the unspent balance of Rs. 742.46 lakhs was left with them. The Punjab Government did not pay any amount to the corporation towards equity capital out of the Central assistance of Rs. 447 lakhs received during 1980-81 and 1981-82. Central/State assistance of Rs. 1189.46 lakhs thus remained unutilised.

Though the Central assistance of Rs. 9.08 lakhs received by the Tripura Government was paid to the Tripura Scheduled Castes Development Corporation in 1979-80 to purchase land from tribals, who were constrained to sell it, for reselling it later on to landless tribals on easy instalments, to take up settlement of Scheduled castes/tribes on sound economic footing and to provide opportunities to them for establishing themselves for various vocational trades, yet the corporation did not perform any development activities.

8.3 The amount of marginal and other loans paid to the scheduled castes for setting up vocational trades, production units in agriculture, industry and tertiary sectors in some of the states is given below:—

State	Period	Targets: Number of beneficiaries	Targets: Amount of loan	Actuals: Number bene-ficiaries	Actuals: Amount of loan
			(Rupees in lakhs)		(Rupees in lakhs)
1. Andhra Pradesh	1980-81 to 1981-82	2,36,206	3,286.41	1,60,437	1,057.98
2. Bihar	1980-81 to 1981-82	60,657	494.94	4,277	19.97
3. Karnataka	1978-79 to 1980-81	37,100	271.67	12,016	59.34
4. Punjab	1979-80 to 1981-82	9,041	443.72	6,692	335.97
5. Tripura	March to June 1982	50 *per cent* of the scheduled castes/ tribes population by March 1982	—	3,687	6.14

In Tripura, the scheme was started only in March 1982.

8.4 As a result of verification of utilisation of loans conducted in 1979-80 and 1980-81 by the Punjab Government, 143 cases of misutilisation involving an amount of Rs. 6.57 lakhs were detected. No action was taken to recover the entire amount of loan with penal interest as per agreement with the beneficiaries.

8.5 As against accrued amount of loans of Rs. 1,152 lakhs due for recovery in Andhra Pradesh (Rs. 386.92 lakhs) and Punjab (Rs. 765.08 lakhs), a sum of Rs. 524.51 lakhs (Andhra Pradesh : Rs. 41.16 lakhs and Punjab : Rs. 483.35 lakhs) only had been recovered up to March 1982. Further, the Punjab Corporation decided in June 1979 to recover the cost of land measuring 734 acres (Rs. 23.50 lakhs) and development charges (Rs. 5.84 lakhs) from the Scheduled castes beneficiaries to whom land measuring upto 5 acres each was allotted, in eight years in half-yearly instalments of Rs. 2,000 each. No recovery was, however, effected (June 1982).

8.6 A spot inquiry by the Tripura Legislature Committee on welfare of Scheduled castes/tribes constituted in March 1978 disclosed (March 1979) that land measuring 19 acres, on the reclamation of which Rs. 0.49 lakh were spent, had not been reclaimed. Further, out of 21 ring wells sunk at Jagbandpura (Tripura), only 14 ring wells were found on physical verification.

9. *Co-operation*

9.1 The scheme was introduced in 1951-52. Besides financial assistance by the Central Government upto 1976-77 (from 1977-78 the scheme was included in the State plan) as grants/loans to various types of co-operative societies organised by the Scheduled castes/tribes, other concessions like interest free loans, exemption from payment of registration and audit fee, free training facilities etc. were granted to these societies.

9.2 The paid-up capital of the Madhya Pradesh State Tribal Co-operative Development Federation Limited, as on 30th June 1980, amounted to Rs. 20.43 lakhs out of which Rs. 16.50 lakhs were contributed by the Central Government. An outright grant of Rs. 141.85 lakhs and loans aggregating Rs. 144.62 lakhs were also given by the Central Government to the Federation during the period 1961-62 to 1976-77.

The number of primary co-operative societies affiliated to it as on 30th June 1980 was 309 (Forest Labour Co-operative Societies (F L C S): 115 and Multipurpose Co-operative Societies (M P C S): 194). Each co-operative society was given financial assistance of Rs. 0.10 lakh as reserve fund and Rs. 0.075 lakh as godown subsidy. It was reported (July 1982) that subsidy aggregating Rs. 164.32 lakhs was paid to 939 primary co-operative societies (F L C S: 604: M P C S: 335) and that all these societies had gone into liquidation. The Federation had also accumulated losses of Rs. 236.93 lakhs by March 1980. As against loans totalling Rs. 144.62 lakhs, the Federation repaid an amount of Rs. 7 lakhs only up to 1973-74. The Ministry stated (November 1982) that the Federation had since been liquidated. The impact of the activities of Federation on the living standard of the tribals was not discernible.

10. *Special Central assistance for special component plan for Scheduled castes*

10.1 A scheme of special assistance to the States was sponsored in 1979-80 for ensuring rapid alround development of at least 50 *per cent* of the scheduled castes families so that they could cross the poverty line in the sixth plan period. The extent of utilisation of special central assistance is indicated below:—

State/Union territory	Period of assistance	Assistance released	Unutilised assistance
(1)	(2)	(3)	(4)
		(Rupees in	lakhs)
1. Uttar Pradesh	1979-80 to 1981-82	5,090.66	2,418.97
2. Bihar	1979-80 to 1981-82	2,015.32	1,589.71
3. Maharashtra	1980-81 to 1981-82	1,213.43	801.42
4. Tamil Nadu	1980-81	955.96	259.34
5. Madhya Pradesh	1979-81	332.00	265.67
6. Pondicherry	1980-81 to 1981-82	15.00	14.91
	Total	9,622.37	5,350.02

10.2 A complete survey of 188 selected blocks carried out (January 1982) by the Government of Uttar Pradesh to identify the Scheduled castes families living below the poverty line and to formulate economic development schemes for them revealed that out of 8.64 lakhs families in these blocks, 4.87 lakhs families were living below the poverty line. The results of surveys were, however, not made available to Audit in any of the 11 districts covered by test check.

(i) In Uttar Pradesh, the scheme "Purchase of agricultural land for landless labourers" provides for allotment of one acre of agricultural land upto the limit of Rs. 5,000 to a Scheduled caste agricultural landless labourer living below the poverty line. No person had so far been benefitted under this scheme in the Dehradun, Faizabad, Hardoi, Mirzapur and Sitapur districts covered by test check, though Rs. 15.05 lakhs were spent upto March 1982. In Faizabad and Sitapur districts and also in Dehradun and Hardoi districts the land purchased had not been distributed (June 1982). No information was available with the Additional District Development Officer, Mirzapur about the purchase of land by the block development officers.

(ii) In Uttar Pradesh, the scheme "Construction of works-cum-sale shops" provides for construction of work-cum-sale shops (on gram sabha lands) by February 1982 at maximum cost of Rs. 10,000 for such families of Scheduled castes artisans (living below the porverty line) who did not have any place of work and for sale of manufactured goods. The shops were to be given to the beneficiaries on hire-purchase basis. Half the cost of construction was to be adjusted against subsidy and the remaining half was to be recovered in ten years in equal monthly instalments. However, against Rs. 113.86 lakhs released between December 1981 and March 1982 for construction of 1,298 shops in six districts, only 5 shops were completed upto March 1982.

(iii) Community irrigation projects in Uttar Pradesh were to be provided in the areas where majority of small land holders are scheduled castes who cannot afford to have their own sources of irrigation such as pumping sets, masonry/blast wells etc. Against 10 projects sanctioned in 6 districts at an estimated cost of Rs. 104.34 lakhs, only 2 projects estimated to cost Rs. 6.67 lakhs were completed upto March 1982. In Faizabad district, the work of installation of 15 tube wells sanctioned in February 1982 remained incomplete (June 1982) though an expenditure of Rs. 3.54 lakhs was incurred thereon.

10.3 Out of the 188 selected blocks, evaluation was done (July 1982) by the Research Evaluation, Survey and Monitoring Organisation of the Directorate of Harijan and Social Welfare, Uttar Pradesh, in 19 such blocks (covering only three villages in each block) to find out the extent of benefits accruing to the Scheduled castes under the different development schemes, but the impact, if any, that the scheme had on the conditions of the beneficiaries' lives was not intimated to Audit.

10.4 Rupees 4.72 lakhs were paid to 11 Panchayat Samities in West Bengal between January and March 1982 for construction of 123 shallow tubewells and 50 dugwells respectively, but no shallow tubewell or dugwell was constructed (August 1982). In 24—Parganas district, Rs. 10.43 lakhs were paid to seven block development officers between July 1981 and March 1982 for construction of 677 shallow tubewells and 78 dugwells against which 341 shallow tubewells and 10 dug wells (cost : Rs. 4.81 lakhs) were sunk/dug in two blocks (upto June 1982). The five block development officers spent Rs. 6.11 lakhs(upto June 1982) for purchase of pump sets, agricultural implements, insecticides, urea and sinking of shallow tubewells out of Rs. 45.96 lakhs allotted during 1980-81 and 1981-82.

10.5 The following schemes in West Bengal were not implemented (August 1982) though subsidies as shown against each were drawn by the concerned departments:—

Schemes	Amount of subsidies drawn	Date of drawal
	(Rupees in lakhs)	
1. Establishment of two seed multiplication farms, two animal husbandry training centres and one goat multiplication centre	32.40	March 1981
2. Provision of 50 mechanised fishing boats to benefit 300 to 500 fishermen . .	13.25	July 1981
3. Forestry schemes	11.00	1980-81
4. Promotion of cooperative activities among the Scheduled castes	40.00	June 1981
Total	96.65	

11. *Special Central assistance for tribal sub-plan*.—The scheme of tribal development block constituted the single largest centrally sponsored scheme for the development of Scheduled tribes until the fourth five-year plan (1969—74). The tribal sub-plan approach was introduced in the fifth five-year plan (1974—79) which aimed at bringing about rapid improvement in the economic and social standards of the tribal people by selecting compact areas of tribal concentration for integrated development. Financial resources for implementation of tribal sub-plan programmes come from (a) State plan outlays; (b) special Central assistance controlled by the Ministry of Home Affairs; (c) Sectoral flows from Central ministries/departments; and (d) institutional finance.

The following points were noticed during test-check.—

(a) *Agricultural Schemes*

Crop-husbandry.—The tribal sub-plans in the fifth plan (1974—79) provided for promotion of proven methods of cultivation through training of tribal farmers and providing subsidies and local manures, improved seeds, fertilisers, soil conservation, minor irrigation, etc.

(i) In Maharashtra, against budget provision of Rs. 6.20 crores made during 1976-77 to 1981-82, expenditure of Rs. 3.19 crores only was incurred; the utilisation of funds being 12 *per cent* only in case of minor irrigation works and 40 *per cent* in respect of area development. The low utilisation was attributed to installation of gobar gas plants in only three out of thirteen districts, coverage of 0.33 lakh hectares only against the total cultivable area of 22.70 lakhs hectares involving 0.60 lakh cultivators against target of 11.34 lakhs cultivators and provision of plant protection appliances subsidy and subsidy for pesticides and raticides to 781 tribals (upto 31st March 1982) against proposed 5,500 tribals.

The State Government stated (June 1982) that the response from the cultivators was inadequate due to insufficient subsidy (50 *per cent*). As against the targetted area for terracing (1,21,426 hectares) and contour bunding (5,09,907 hectares), the achievement was 32,787 hectares and 3,09,288 hectares respectively.

Against the provision of Rs. 1.46 crores made during 1977-78 to 1981-82 for employment of staff for the purpose, expenditure of Rs. 0.58 crore only was incurred.

(ii) In Karnataka, Rs. 35.33 lakhs were spent during 1976-77 to 1980-81 against provison of Rs. 60 lakhs on plantation of forests on Government land. Rupees 14.37 lakhs were spent during 1978-79 to 1980-81 on training of 962 tribals. The intended benefits had not reached the tribal population due to non-supply of inputs and the trees not reaching fruit-bearing stage.

(iii) In Uttar Pradesh, the programmes proposed for execution during 1981-82 viz., training of farmers in the use of high yielding varieties of seeds, chemicals and fertilizers, testing of soil samples for evolving suitable cropping pattern and assessing land capabilities, and construction of 20 compost pits (pucca) on basis of 50 *per cent* subsidy, were not implemented.

(iv) In Rajasthan, no records were maintained to indicate the number of tribal beneficiaries although Rs. 12.34 crores had been spent during 1974—82.

(v) In West Bengal, soil conservation works in 5,104 hectares of waste land in Jalpaiguri and Midnapore districts were undertaken during 1977-78 to 1980-81 at cost of Rs. 29.70 lakhs, but the improved land was not handed over to the Land Revenue Department for distribution to landless tribals.

Further, out of Rs. 20.53 lakhs and Rs. 14.40 lakhs sanctioned in 1980-81 and 1981-82 respectively for implementation of agricultural schemes in Midnapore district, Rs. 6.98 lakhs were sub-allotted to the Zila Parishad, Midnapore for purchase of 138 pump sets for hiring to tribal farmers. Reports of expenditure incurred on purchase of these sets and their utilisation were, however, not available at the local office.

Out of Rs. 12.75 lakhs sub-allotted (November 1980) to 19 block development officers for supply of agricultural implements to 762 beneficiaries (Rs. 8 lakhs), soil conservation works in 600 hectares of land (Rs. 3.75 lakhs) and gully plugging in 200 hectares (Rs. 1 lakh), a sum of Rs. 12.03 lakhs were reported to have remained unutilised (August 1981) at the block level, due to non-co-operation of Panchayat Samities. Report of utilisation of the unspent balance of Rs. 12.03 lakhs was awaited (August 1982).

Funds to the extent of Rs. 9.40 lakhs were sub-allotted on *ad hoc* basis to the Principal Agricultural Officer, Midnapore East and 26 block development officers of the district without approval of any specific agricultural scheme by the district welfare committee.

(vi) In Tamil Nadu, shortfalls in soil conservation works executed in five districts during 1976-77 to 1981-82 is shown below:—

District	Year	Target		Allotment		Percentage of shortfall (financial)
		Physical	Financial	Physical	Financial	
		(acres)	(Rupees in lakhs)	(acres)	(Rupees in lakhs)	
1. South Arcot	1979-80	1,270	3.70	202	1.21	67
	1980-81	699	4.70	145	1.30	72
2. Dharampuri	1980-81	100	1.00	Nil	Nil	100
3. All five districts	1981-82	50	1.50	Nil	Nil	100

The non-achievement of the targets in Cuddalore and Dharampuri districts was attributed to inadequacy of staff.

Against Rs. 11.13 lakhs sanctioned for 33 *per cent* subsidy for sinking of tube wells and installation of pipe lines and pump sets for implementing sericulture schemes in North Arcot, South Arcot and Salem districts during 1980—82, Rs. 0.29 lakh only were utilised upto March 1982.

(b) *Animal husbandary.*—The basic strategy of the animal husbandry programmes is to create potential for generating subsidiary employment among the tribals and to increase the production of animal proteins to meet the nutritional needs of the tribal population.

(i) *Cattle, sheep, goat and poultry development.*—In Maharashtra, against the total provision of Rs. 161.53 lakhs during 1976-77 to 1981-82, Rs. 119.65 lakhs only were spent. The shortfall was stated to be due to non-availability of institutional finance and inadequate response from the tribal people. The department did not maintain any records to indicate whether the cows/buffalows supplied were being maintained or sold by the beneficiaries during dry season. The scheme of supply of cows/buffalows at subsidised rates had to be discontinued in 1981-82 due to inadequate response and the scheme being less favourable than similar schemes under Small Farmers Development Agency. The scheme of breeding cows through artificial insemination did not make much headway.

In Ambadi/Trimbak centres, against the targetted artificial insemination of 33,193 cows, 2,182 cows only were artificially inseminated during 1976-77 to 1981-82. The shortfall was stated to be due to posts of veterinary officers remaining vacant. Scheme of cross breeding native cows with exotic dairy breed bulls did not make any progress for the same reasons and out of 713 animals artificially inseminated during 1977-78 to 1980-81, only 185 cross breed calves were born. The entire provision of Rs. 5.60 lakhs made in 1980-81 for establishing an artificial insemination centre through the Bhartiya Agro-Industries Foundation remained unutilised.

(ii) *Sheep and goat.*—The budget provisions of Rs. 8.80 lakhs made during 1976-77 to 1981-82 for supply of sheep and goat remained largely unutilised due to late receipt of sanction of the Government of Maharashtra.

(iii) *Poultry.*—Though Rs. 11.27 lakhs were spent on the scheme of supply of land to the adivasis during 1976-77 to 1981-82 yet the scheme did not make any progress. Out of 497 cockerals distributed in September 1979 in Buldhana and Yeotmal districts of Maharashtra, 371 birds died.

In West Bengal, out of Rs. 41.82 lakhs sub-allotted to various districts for implementation of animal husbandry schemes during 1976-77 to 1979-80, Rs. 15.64 lakhs remained unutilised as on 31st March 1982.

(c) *Dairy development programmes.*—In Maharashtra, the dairy development department was established to provide subsidiary occupation to agriculturists and also to supply whole-some milk to the consumers at reasonable rates through the farmers cooperative societies.

Out of total provision of Rs. 18.09 lakhs made during 1977-78 to 1981-82 for organisation of milk producers cooperative societies, unions/federations, expenditure of Rs. 3.46 lakhs only was incurred (19 *per cent*).

The State Government stated that till 1979-80 new dairy cooperative societies could not be organised within the jurisdiction of Adivasi Cooperative Societies.

Rearing of pregnant buffaloes in rural areas being considered economical, scheme of supplying dry pregnant buffaloes at subsidised rate of Rs. 1,200 or 50 *per cent* of the actual cost whichever was less was introduced from 1979-80. Upto 31st March 1982, subsidy of Rs. 2.69 lakhs only was disbursed against provision of Rs. 10.68 lakhs. The department stated that the quantum of subsidy was low (July 1982).

(d) *Veterinary Services.*—In Uttar Pradesh, fodder development programme (on 45 hectares of land) envisaged in 1976-77 under Lakhimpur Kheri project and Insemination Centre/sub-centres and two stock centres proposed to be set up under the

Tharu development project were not taken up reportedly due to non-provision of funds.

In Rajasthan, during 1979-80, 1980-81 and 1981-82 the mobile Veterinary Unit, Kherwara, could not achieve the targets set for castration and vaccination of the cattle; the shortfall ranging from 33 to 80 *per cent* which was attributed to posts remaining vacant to the extent of 50 *per cent* and short supply of vaccine.

In West Bengal, an amount of Rs. 10.92 lakhs drawn (Rs. 7.40 lakhs, Rs. 3.28 lakhs and Rs. 0.24 lakh in March 1979, March 1980 and November 1980 respectively) by the Director of Veterinary Services for purchase of 4 jeeps and 1 speed boat for ambulatory clinic could not be utilised (August 1982). 6 veterinary hospitals, 6 disease investigation-cum-control units and 19 veterinary aid centres sanctioned during 1978-79 to 1980-81 could not start functioning (July 1982) as the requisite staff had not been posted and the sites for 7 veterinary aid centres had not been selected. Medicines and equipments were, however, purchased for Rs. 1.01 lakhs for these centres upto March 1982.

Three ambulatory clinic vans (cost : Rs. 1.85 lakhs) at Bankura (January 1979), Purelia (January 1980) and Midnapore (February 1980) and another van (cost : Rs. 0.70 lakh) at Burdwan (March 1981) remained unutilised (August 1982) for want of staff.

(e) *Rural Electrification.*—Rural electrification programme envisages electrification of all villages with population of 1,000 and above and to provide power for surface water lift irrigation, wells and tubewells and to extend electricity to industrially potential areas.

In Udaipur (Rajasthan), 6 schemes for electrification of 403 villages were taken up. One scheme was completed in March 1976, two in March 1980, one in March 1981, and two were still in progress (June 1982). In the area covered by the scheme completed upto March 1982, 138 villages did not have any consumer (August 1982) despite extension of 100 *per cent* subsidy in April 1978 to enable tribal farmers to cover expenses on taking power connections.

Against the target of 3,425 wells to be energised, only 1,277 agricultural wells spread over 269 villages were completed.

In West Bengal, out of the provision of Rs. 65 crores for electrification of villages and energisation of shallow tube-wells, a sum of Rs. 27 crores was earmarked under "Minimum Needs Programme" in the fifth five-year plan (1974—79) on the recommendation of the working group of the Planning Commission. 967 villages were only electrified upto March 1982 as against 3,800 villages to be electrified under the programme.

(f) *Irrigation and electrification.*—In Marahashtra, the following irrigation projects were taken up during the period mentioned against each :—

Category of projects	Number of projects	Period during which taken up	Estimated cost	Irrigable command area
			(Rupees in lakhs)	(hectares)
Major	3	July 1966 to January 1974	29,426.00	25,593
	1	May 1981	914.52	N.A.
Medium	8	June 1968 to July 1974	6,255.00	27,310
	14	October 1976 to December 1979	3,008.00	31,104

None of these projects had been completed; physical progress of works ranged between 2.60 and 98 *per cent*.

Under the programmes for well construction and piped water supply, 8,044 simple measure schemes and 104 special measure schemes respectively were completed by March 1982 covering 1,303 villages, 924 villages with 6.09 lakhs population were yet to be covered.

In November 1973, the Maharashtra Government introduced a scheme providing for 100 *per cent* subsidy for purchase of electric motor pumps. In January 1977, another scheme for supply of oil engines with pump sets on basis of 100 *per cent* subsidy was introduced. The performance of the schemes was reported as follows :—

Scheme	Period	Expenditure	Pumps sanctioned	Pumps installed
		(Rupees in lakhs)		
1. Electric motor pumps	1973-74 to 1981-82	291.18	7,018	5,586
2. Oil engines with pump sets	1976-77 to 1981-82	33.43	883	528 (upto November 1980)

In 7 districts, 3,937 electric motor pumps were energised till October 1981. However, only 2,966 pumps were in working condition and the remaining 971 were not in use for want of supply of energy (612), want of repairs (99), inadequate source of water (31), beneficiaries not interested (25) and for other reasons (204). Further, out of 716 pumps sanctioned upto March 1981, in Amaravati district, the Maharashtra Electricity Board cut off power connections in 231 cases for non-payment of charges.

In Karnataka, 19 lift irrigation works and one tank work were taken up in the tribal area of Dhakshina Kannada and Kodagu districts with a view to helping the tribals to earn higher income by introducing double cropping and new cropping pattern. Up to March 1982, Rs. 36.42 lakhs were spent on these works. 8 works in Atchakal district which had been completed at cost of Rs. 18.41 lakhs did not, however, benefit the tribals as no tribal family owned any land in that district. Work on the tank was stopped after spending Rs. 0.33 lakh as it did not benefit any tribal. One lift irrigation work (cost : Rs. 0.64 lakh) in Naeriya agriculture colony completed in March 1981 had not yet been commissioned (June 1982) for want of power connection.

Against the target of 292, only 79 tribal colonies were electrified during 1976-77 to 1981-82 (cost: Rs. 11.62 lakhs). The shortfall was attributed to non-availability of poles.

In Bihar, out of 131 minor irrigation and 274 lift irrigation schemes, which had spilled over the fifth plan period (1974-79), only 66 minor irrigation and 174 lift irrigation schemes were completed by the end of 1980-81 creating only 0.14 lakh hectares of irrigations potential against the projected 0.35 lakh hectares.

The schemes completed upto March 1974 creating 0.75 lakh hectares of irrigation potential were transferred in 1974-75 to the Gram Panchayats for maintenance. The panchayats failed to maintain them, and a large number of schemes had fallen into disuse and the irrigation potential created had gone waste. The cost of renovation of such schemes was estimated to be Rs. 600 lakhs. Notwithstanding the fact that the Geological Survey of India, after experimental boring in 1966-67, had pointed out that the sub-plan area was not suitable for sinking tubewells, Rs. 20 lakhs were allotted for sinking 460 private tubewells in Palamau Santhal Parganas, and Singhbhum districts.

Funds to the extent of Rs. 158.65 lakhs and Rs. 355 lakhs were provided during 1980-81 and 1981-82 respectively, for construction of big diameter wells in Palamau, Ranchi, Santhal Parganas and Singhbhum districts. In Singhbhum district, targets of 450 wells were fixed for 1981-82 but the achievements were not available. In Santhal Parganas' no wells were constructed against the target of 2,000 fixed for 1981-82. As against target of 90 (1980-81) and 480(1981-82) in Palamau, only 29 wells were constructed in 1980-81. The target for Ranchi district was 661 and 1,500 wells for 1980-81 and 1981-82 respectively but only 177 wells were constructed in 1981-82.

A sum of Rs. 4.88 lakhs was allotted to Ranchi district during 1981-82 for construction of 122 dug wells for Scheduled castes and 1,180 dug wells for Scheduled tribes under the special component plan, but no well was reported to have been constructed (June 1982).

In Singhbhum district, out of Rs. 139.26 lakhs allotted during 1980-81 and 1981-82, only Rs. 55.90 lakhs were sub-allotted among the executive officers, leaving a balance of Rs. 83.36 lakhs with the District Rural Development Authority.

In Palamau district, the entire amount of Rs. 53.99 lakhs provided for the scheme was drawn by the district officer and kept in a bank account.

In West Bengal, out of Rs. 56.45 lakhs given to the West Bengal State Minor Irrigation Corporation Limited in 1978-79 for implementation of 15 river lift irrigation schemes and installation of one deep tubewell expenditure of Rs. 19.29 lakhs was incurred upto March 1982 but none of the schemes had been completed. Reasons for delay in execution of the works were awaited (August 1982).

Out of Rs. 83 lakhs drawn for irrigation purposes during 1980-81 and 1981-82 in 4 districts, Rs. 36.92 lakhs remained unutilised (July 1982).

In Tamil Nadu, under the integrated tribal development project, Rs. 42.81 lakhs were paid during 1977—82 to the Tamil Nadu Electricity Board towards 75 *per cent* subsidy for electrification of 141 tribal villages and hamlets in five districts, but only 60 hamlets had been electrified (June 1982). The unutilised subsidy of Rs. 24.28 lakhs remained with the Electricity Board.

(g) *Industries*.—In Rajasthan, small scale industries were given loans amounting to Rs. 1.07 lakhs and subsidy to the extent of Rs. 1 lakh for power consumption during the period 1978—81 and actual disbursement was Rs. 0.50 lakh and Rs. 0.15 lakh respectively.

The Rajasthan Small Industries Corporation ran two industrial training-cum-production centres for training in hand-block printing at Udaipur for 50 trainees and at Dhariawad for 30 trainees. The details of the courses and their duration were not laid down. No follow up action was taken for ensuring that the trainees were suitably employed. While Udaipur centre trained

124 persons during 1978—81 and 21 during 1981-82, Dhariawad centre trained 30 persons during each of the years 1980-81 and 1981-82. The Dhariawad centre was closed down in Marh 1982.

In Uttar Pradesh, against 30 industrial units proposed to be set up during 1976-77 to generate employment for 175 persons, no unit had been established. Out of 29 industrial units planned to be set up during 1979-80 to provide employment to 794 persons, only 1 unit (minirice mill) was established (May 1981), giving employment to 3 persons. An expenditure of Rs. 1.36 lakhs was incurred upto March 1982.

Village Industries Scheme

The West Bengal Government paid in March 1980 Rs. 26.89 lakhs to the West Bengal Mineral Development and Trading Corporation for implementation of five works in connection with Pachmi Hatgacha mining and Jayanti Dolomite projects. Three works estimated to cost Rs. 13.64 lakhs were not undertaken (August 1982). Details of works and completion certificates in respect of two works (cost Rs. 13.25 lakhs) stated to have been completed by the public works (Rs. 10 lakhs) and irrigation (Rs. 3.25 lakhs) departments could not be shown to Audit by the Corporation. The Corporation had paid only Rs. 8 lakhs (March 1981) to the public works department for work done by them, and retained the unutilised balance of Rs. 18.89 lakhs and diverted it for its other purposes.

In Manipur, under the scheme of assistance to trained artissans or their cooperatives for supply of improved tools worth Rs. 1,000 per artisan to improve the quality of their products, expenditure of Rs. 11.21 lakhs was incurred during 1974-75 to 1980-81 to assist 1,511 artisans. The records of the Directorate of Development of Tribals and Backward classes did not show whether the tools were actually received, distributed and utilised for the intended purposes by those to whom they were supplied.

(*h*) *Housing, Communications, drinking water supply, etc.*—Central assistance amounting to Rs. 42.47 lakhs was released during 1978-79 to 1980-81 to enable the Bihar Government to undertake schemes of local importance in the tribal sub-plan areas. In addition, Rs. 94.53 lakhs were provided by the State Government out of the accumulated savings of Central assistance received for other schemes during 1976-78. Out of 1,587 schemes of local importance for which total allocation of Rs. 137 lakhs was made, only 983 were completed.

Further, repair works were carried out in 547 public buildings only as against the projected repairs to 859 buildings for which the State Government had allocated Rs. 77.97 lakhs. Thus, against the total allocations of Rs. 214.97 lakhs for both the schemes, Rs. 80.47 lakhs only were spent. The non-completion of the schemes was attributed to non-availability of building materials and insufficient funds and allotment of funds at the end of the fifth plan (March 1979).

In Karnataka, against the target of constructing 3,751 houses for which Rs. 79.33 lakhs were released during 1976-77 to 1980-81, only 1,762 houses were completed by June 1982.

In Maharashtra, following a decision (1976) of the State Government to formulate the tribal areas sub-plan as a part of fifth five year plan (1974—79) of Maharashtra, a revised road development plan for tribal areas was prepared (September 1976) based on a review of projected developments in 13 districts having tribal population. The revised road plan envisaged increase of about 30 *per cent* in the total length of roads in the tribal areas The physical achievements were reported (November 1982) as follows :—

Road length as per revised 1961—81 plan	Existing road length on 1st June 1976	Missing road length on 1st June 1976	Road length constructed during 1976—81
	(Kilometres)		
20,023	10,710	9,313	2,736

Even though lack of all-weather accessibility was considered to be the single important factor responsible for the isolation of the tribals from the main stream of economic and social development, the expenditure incurred on road development during 1976—81 represented only 12 *per cent* of the estimated outlay of Rs. 250 crores under the revised road plan resulting in formation of 14 *per cent* of the planned road development.

In West Bengal, funds received by the district officers of Bankura and Jalpaiguri under the tribal areas sub-plan were placed at the disposal of Zila parishads of two districts (Rs. 10.46 and Rs. 11.17 lakhs) during 1978-79 to 1981-82 and the amount of utilisation was Rs. 4.65 and Rs. 1.73 lakhs respectively (August 1982).

In Tamil Nadu, out of 14 works for construction of roads in the tribal areas of Dharampuri, North Arcot and Salem districts sanctioned by the State Government during November 1976 to December 1981 at total cost of Rs. 519.56 lakhs, only four works were completed up to March 1982 at a total cost of Rs. 81.22 lakhs.

Drinking water supply.—For providing protected drinking water supply to 175 tribal habitations in 5 districts of Tamil Nadu, Rs. 42.50 lakhs were paid during 1978—82 to the Tamil Nadu Water Supply and Drainage Board (TWAD). 117 works were completed upto the end of April 1982 incurring an expenditure of Rs. 23.96 lakhs only. 58 works are yet to be completed and the annual shortfall in achievement ranged between 11.5 to 75 *per cent* of the targets.

(*i*) *Health and Social Education*:—In Karnataka, delays in supply of text books, extending upto the end of the academic session in all the years, and payments of attendance scholarships to tribal students were noticed.

In the high schools established specially for the tribal students, at a cost of Rs. 2.50 lakhs, none of the students admitted belonged to the tribal communities; in Chickmanglur district, very few tribal students attended primary schools due to dispersion of tribal population. Expenditure of Rs. 7.42 lakhs incurred on construction of additional class rooms in the district during 1978-79 to 1981-82, therefore, proved futile.

Mobile health units and nutrition programme also did not benefit the expected number of tribals due to posts of medical officers not filled in, short supply of drugs and inadequate number of nutrition centres in the tribal areas.

In Tamil Nadu, out of 12 works for construction of dispensary buildings, staff quarters, etc., in Aranuthumalai Kalrayan hills and Pachamloi sanctioned by the State Government during 1976—80 at total cost of Rs. 13.40 lakhs, 10 works (cost : Rs. 11.80 lakhs), had not been completed by May 1982. The cost of seven works had to be revised from Rs. 8.45 lakhs to Rs. 15.96 lakhs due to delay in construction.

(*j*) *Integrated tribal development project.*—The Central Government issued (August 1974) instructions to the Government of Tripura that the entire sub-plan areas would have to be covered by integrated tribal development projects by March 1976. Rupees 0.80 lakh were spent in 1976-77 for preparation of report on the integrated tribal development project for North Tripura district through the Agricultural Finance Corporation, Bombay but the project had not been implemented so far (September 1982). A similar project for South Tripura district, for which the report was prepared departmentally in 1980, was also not implemented. In respect of West Tripura district even the project report had not been completed (September 1982).

In Assam, after the formation of Integrated Tribal Development Project (ITDP) zones, the block oriented central assistance for tribal development ceased from 1st April 1974. However, to prevent a vaccum being created by the stoppage of the earlier type of Central assistance, *ad hoc* Central assistance of Rs. 21 lakhs in 1974-75 and Rs. 12 lakhs in 1975-76 was released to the State Government in addition to the Central assistance of Rs. 120 lakhs for ITDP Zones paid during these two years. Out of this, Rs. 31 lakhs were utilised by the irrigation, soil conservation and cooperation departments. Rupees 88.80 lakhs were paid to the Assam Plains Tribes Development Corporation

(APTDC) which invested the amount in fixed deposit account in a bank for 5 years. Further Central assistance of Rs. 1,524 lakhs was given to the State Government during 1976-77 to 1980-81.

In 1976-77, the number of ITDP zones was increased from 6 to 19, thus covering 71 *per cent* of the Scheduled tribes population in the State. As in April 1982, there were, however, only 15 project officers for development of the zone.

The Central assistance admissible to the State for 1976-77 to 1978-79 worked out to Rs. 358.65 lakhs, against which assistance aggregating Rs. 780 lakhs was released during these years. The unutilised amount of Rs. 121.85 lakhs surrendered in 1978-79 by the irrigation and industries departments and initially paid to the APTDC as share capital contribution was later treated as funds for bankable schemes. Out of this amount, the APTDC after 2 years, paid Rs. 65 lakhs to the Assam Minor Irrigation Corporation which after keeping the money for considerable period deposited it with the public works department for execution of minor irrigation schemes. Upto June 1982, 75 *per cent* of this amount (Rs. 65 lakhs) had remained unutilised as the irrigation schemes had not been completed.

In 1979-80, the Assam Government utilised Rs. 190 lakhs only out of the Central assistance of Rs. 325 lakhs given to it.

The Central Government impressed upon the State Government in November 1976, the need to conduct a bench mark survey for the ITDP areas for understanding their problems and deciding suitable programmes for the sixth five-year plan (originally 1978—83 but revised later to 1980—85). The results of the survey were to be available by March 1978 for formulating the plan programmes. The survey work commenced in December 1977, but the final consolidated report was available only in February 1982 and the survey report has not been sent to the Government of India (March 1982).

12. *Protection of Civil Rights Act, 1955*

12.1 To enforce the provisions of the Protection of Civil Rights Act, 1955, Central assistance is given to the State Governments from 1974-75 to enable them to take measures for providing adequate facilities including legal aid, appointment of officers for initiating or exercising supervision over prosecutions, setting up of special courts, appointments of committees of appropriate levels, periodic surveys and identification of areas in respect of untouchability.

12.2 The Government of Assam has not implemented the scheme and the Central assistance of Rs. 0.50 lakh paid to it in March 1980 remained unutilised (March 1982). The Maharashtra Government spent Rs. 2.88 lakhs out of the Central assistance of Rs. 4.38 lakhs received during 1978-79 to 1981-82 leaving an unspent balance of Rs. 1.50 lakhs (March 1982).

12.3 Out of 5,915 cases registered with the police under the Act during 1976 to 1981 in Andhra Pradesh Karnataka and Madhya Pradesh, the police/courts could dispose of 3,748 cases leaving a balance of 2,167 cases still pending with them of which 1,107 cases pertained to the period upto 1979. The percentage of pending cases during these years ranged between 39 and 93.

12.4 Compensation to victims of atrocitties was payable only when the atrocities were committed on or after 3rd February 1978. However, in Uttar Pradesh, compensation of Rs. 1.64 lakhs was awarded to 110 persons in whose cases, atrocities were committed prior to 3rd February 1978. Besides, compensation of Rs. 1.72 lakhs was awarded to 125 persons in whose cases atrocities committed were not covered under the Act in as much as loss of life and property was not established on the ground of untouchability. This resulted in misutilisation of grant to the extent of Rs. 3.36 lakhs.

12.5 Utilisation certificates for Rs. 7.40 lakhs out of the grants of Rs. 10.43 lakhs released during 1977-78 to 1981-82 to 11 districts offices in Uttar Pradesh for payment of compensation to the victims of atrocities were still awaited (June 1982).

13. *Summing up*.—The following are the main points that emerge :—

— Central assistance for various schemes aggregating Rs. 6810.12 lakhs remained unutilised as on 31st March 1982.

— Central assistance of Rs. 460.57 lakhs for three schemes was released in excess of the prescribed pattern (Post-matriculation scholarships, book bank and tribal sub-plan).

— Number of pre-matriculation scholarships awarded during 1979-80 to 1981-82 ranged between 16 to 54 *per cent* of the number contemplated.

— In 708 cases, scholarships amounting to Rs. 5.56 lakhs were awarded without production of caste/income certificates; scholarships amounting to Rs. 50.64 lakhs were awarded to inmates not belonging to scheduled castes or for courses not covered under the scheme.

— Scholarships at higher rates were awarded to 3,025 inmates of hostels resulting in excess payment of Rs. 8.36 lakhs. The scholarships were awarded late; generally delays ranged from 3 to 21 months after they became due.

— The books purchased under 'Book Bank' were not fully utilised in all colleges.

— Out of 2,539 candidates admitted in training centres (Central services: 635 and State services: 1,904) 275 candidates only were finally selected (Central services: 32 and State services: 243). Percentage of drop outs ranged between 6 and 60.

— Against 494 buildings for girls' hostels to be constructed during 1974-75 to 1981-82, only 150 hostels were completed.

— Rupees 245.10 lakhs were spent during 1968-69 to 1980-81 on construction of 59 girls' hostels buildings which were still in progress.

— In tne States of Himachal Pradesh, Punjab and Uttar Pradesh, girls Hostels constructed between 1974-75 to 1981-82 at a cost of Rs. 13.09 lakhs, could not be fully utilised or used for other purposes.

— Subsidies of Rs. 16.17 lakhs were given by the Governments of Gujarat and Maharashtra for construction of new hostel buildings not covered under the scheme.

— The tribal research centres in Madhya Pradesh and Maharashtra were established in 1954 and 1962 and in Tripura and Assam in 1970 and 1975 respectively, though the scheme was introduced in 1952-53. No training programme had been undertaken in Assam while in Madhya Pradesh the average number of officers trained was 25 per year against the capacity of 200 and no official was trained during 1973-74, 1975-76, 1977-78 and 1979-80 to 1980-81.

— No data banks covering all aspects of tribal life in the region on the basis of which the tribal sub-plans had to be drawn was built up.

- Against the target of Rs. 4,496.74 lakhs to be disbursed to 3,43,004 beneficiaries loans of Rs. 1,473.26 lakhs only were disbursed to 1,83,422 beneficiaries during 1978-79 to 1981-82.

- Against Rs. 1,152 lakhs that became due for recovery in Andhra Pradesh and Punjab, Rs. 524.51 lakhs were recovered up to March 1982.

- 939 primary co-operative societies to which subsidies aggregating Rs. 164.32 lakhs were paid, had gone into liquidation.

- No agricultural land was distributed to landless labourers in Uttar Pradesh though Rs. 15.05 lahhs were spent upto March 1982 on purchase of land, etc.

- Against Rs. 113.86 lakhs released during 1981-82 for construction of 1,298 work-*cum*-sale shops in Uttar Pradesh, only 5 shops were constructed upto March 1982.

- Against 10 irrigation projects sanctioned in Uttar Pradesh at an estimated cost of Rs. 104.34 lakhs, only two projects (cost : Rs. 6.67 lakhs) were completed upto March 1982.

- Against target of 800 shallow tube wells and 128 dug wells (estimated cost : Rs. 15.15 lakhs) to be constructed by March 1982 in West Bengal, only 341 shallow tube wells and 10 dug wells (cost : Rs. 10.92 lakhs) were completed upto June 1982.

- The performance in respect of terracing and contour building programmes in Maharashtra was 27 and 61 *per cent* of the targets.

— Construction of 20 compost pits (pucca) proposed for construction during 1981-82 in Uttar Pradesh had not been started.

— In Tamil Nadu, the completion of soil conservation works fell substantially below the physical target.

— In Maharashtra 2,182 cows only were artificially inseminated during 1976-77 to 1981-82 against target of 33,193.

— castration and vaccination of the cattle in Rajasthan during 1979-80 to 1981-82 ranged between 33 to 80 *per cent* of the targets.

— 4 jeeps, 1 speed boat and 4 ambulatory clinic vans purchased during 1979-80 to 1980-81 at cost of Rs. 13.47 lakhs by West-Bengal Government remained unutilised (August 1982).

— Out of 6 schemes taken up for electrification of 403 villages of Rajasthan, 4 schemes were completed during 1975-76 to 1980-81; of the 4 schemes completed, 138 villages did not have any consumer (August 1982). Further, only 1,277 agricultural wells were completed against target of 3,425 wells.

— Of 3,800 villages to be electrified in West Bengal, 967 villages only were electrified up to March 1982.

— None of the 26 irrigation and electrification projects taken up by the Maharashtra Government between July 1966 and December 1979 had been completed. The physical progress of works ranged between 3 and 98 *per cent*. Out of 7,018 electric motor pumps and 883 oil engines sanctioned during 1973-74 to 1981-82, 5,586 electric pumps and 528 oil engines only were installed. Of these 971 were not in use and in 231 cases, the power connections were disconnected for non-payment of electricity charges.

— 8 irrigation and electrification works completed in one district of Karnataka at a cost of Rs. 18.41 lakhs did not benefit the tribals as no tribal family owned any land in that district. Further, against the target of 292, only 79 tribal colonies were electrified during 1976-77 to 1981-82 at a cost of Rs. 11.62 lakhs.

— In Bihar, out of 405 irrigation schemes spilled over at the end of the fifth five year plan period (1974—79), only 240 schemes were completed by March 1981. Out of 1,302 dug wells to be constructed by March 1982, none was constructed (June 1982).

— Against the target of Rs. 2.07 lakhs towards loans and subsidies, Rs. 0.65 lakh only were disbursed by the Rajasthan Government. Out of 59 industrial units to be set up in Uttar Pradesh during 1976-77 to 1979-80, only 1 industrial unit was established (May 1981) giving employment to 3 persons only against the target of 794 persons.

— Out of 1,587 schemes of local importance taken up by the Bihar Government in the tribal sub-plan areas only 983 were completed; in Karnataka, 1,762 houses only were completed (June 1982) against the target of 3,751 houses to be constructed.

— Protected drinking water was supplied to 117 tribal habitations in 5 districts of Tamil Nadu by the end of April 1982 against the target of 175 tribal habitations.

— In Assam, survey for integrated tribal development project for understanding their problems and deciding suitable programmes for the sixth five year plan was commenced in December 1977, but the survey report due to be submitted to the Government of India by March 1978 had not been sent so far (March 1982).

— Out of 5,915 cases registered with the police in Karnataka and Madhya Pradesh under Protection of Civil Rights Act, 1955, during 1976 to 1981, 2,167 cases were still pending.

— The Central Government had undertaken 14 welfare schemes for meeting the special needs of the Scheduled castes and Scheduled tribes and backward classes involving an aggregate financial assistance of Rs. 1,01,184.85 lakhs during the last 32 years. No evaluation of the results obtained therefrom and their impact on improving the educational, economic and other interests of these communities has been made.

The above observations were communicated to the Ministry in October and November 1982; their reply was awaited (November 1982).

Schemes	First five-year plan (1951—56)	Second five-year plan (1956—61)	Third five-year plan (1961—66)	Annual plans (1966—69)	Fourth five-year plan (1969—74)	Fifth five-year plan (1974—79)	1979-80	1980-81	1981-82	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
										(Rupees in lakhs)
1. Post-matriculation scholarships .	365.92	1,156.06	2,279.57	2,160.47	2,126.84	7,246.20	755.27	1,072.92	2,641.33	19,804.58
2. Welfare of other backward classes	72.74	0.95	391.49	174.20	435.75	..	..	..	..	1,075.13
3. Cooperation	54.00	153.00	306.00	103.00	278.00	122.00	..	..	..	1,016.00
4. Research and training	..	..	39.00	34.41	77.58	107.06	27.10	39.01	39.26	363.42
5. Aid to voluntary organisations	22.65	87.99	175.00	74.18	179.00	245.82	78.35	97.35	116.31	1,076.65
6. Special Central assistance for :										
(a) Tribal Development Block	..	403.00	1,591.00	1,846.00	3,309.00	729.00	..	..	..	7,878.00
(b) Tribal Sub-plan	..	..	..	..	..	18,930.50	6,962.50	6,968.81	8,480.53	41,342.34
7. Improvement in the working and living conditions of sweepers and scavengers .	..	36.42	443.19	62.92	283.65	..	..	..	..	826.18
8. Coaching and allied schemes	..	..	..	17.98	82.65	120.75	21.35	29.20	32.74	304.67
9. Girls' Hostels	..	..	13.00	49.04	189.43	284.42 90.70	187.47	264.05	391.06	1,469.17
10. Protection of Civil rights	..	..	..	..	..	17.91 44.70	35.83	167.97	200.00	466.41
11. Pre-matriculation scholarships	..	..	..	..	..	13.13	6.75	14.31	48.79	82.98
12. Aid to Scheduled Castes Development Corporations	..	..	..	..	..	50.00	1,224.00	1,300.97	1,332.87	3,907.84
13. Book Bank	..	..	..	..	..	48.69	10.18	5.03	7.58	71.48
14. Special Central assistance for Scheduled castes	..	..	..	..	..	..	500.00	10,000.00	11,000.00	21,500.00
TOTAL	515.31	1,837.42	5,238.25	4,522.20	6,961.90	28,050.88	9,808.80	19,959.62	24,290.47	1,01,184.85

MINISTRY OF INDUSTRY

(Department of Industrial Development)

35. District Industries Centres Programme

1. *Introduction:*

1.1 In pursuance of the Industrial policy presented before Parliament on 23rd December 1977, a programme for setting up District Industries Centres (DICs) was launched by the Government of India (Government) in April 1978 to be operational from Ist May 1978. A DIC was to be set up for every district, under a phased programme, in order to make the district head-quarters a focal point for the development of small scale and cottage industries, to shift the emphasis from cities and State capitals to the district headquarters and to provide, under a single roof, all services and support needed by small and village entrepreneurs. The main objectives of the DICs were economic investigation of the potential for development of the district, supply of machinery and equipment, provision of raw materials, arrangement for credit facilities, marketing assistance and quality control and research, extension and entrepreneurial training. They were also to coordinate the activities undertaken by Government and other agencies in the field of industries.

1.2 In 1978-79, Government provided a non-recurring grant of Rs. 5 lakhs per centre [cost of building: Rs. 2 lakhs; cost of capital assets such as office equipment, vehicles (preferably diesel-operated jeeps), furniture and fixtures: Rs 3 lakhs]. The State Governments were to divert funds from the provision for capital assets towards construction of building to meet the excess on account of higher cost of construction. A grant of Rs. 3.75 lakhs *per annum* per centre was provided by Government for recurring expenses, to be matched by a grant of Rs. 1.25 lakhs from the State Government. *Cent per cent* funds were also provided by Government for promotional schemes, incentives and loan assistance to small and cottage units. From 1979-80, the pattern of assistance was revised and funds were to be provided equally by the Central and State Governments for all components of the scheme.

1.3 For effective development of cottage and small industries through the DICs, regional committees were to be set up to provide overall coordination, enable exchange of information between regions and States and all-India bodies, identify marketing outlets and strategies, evolve financial linkages between Central financial institutions and banks, and review the DIC set-up on a regional basis. The Development Commissioner (Small Scale Industries) would function as coordinator of these committees.

2. *Coverage and Funding*

2.1 Upto March 1982, 384 DICs had been sanctioned, covering 394 districts. The financial assistance provided by Government to the State Governments/Union Territories during the period from 1978-79 to 1980-81 was as follows:—

Year	Non-rucurring grants	Recurr-ing grants	Grants for pro-motional schemes	Total grants	Loans	Grand total
				(Rupees in Lakhs)		
1978-79	1,411.20	430.86	58.56	1,900.62	700.00	2,600.62
1979-80	151.50	582.00	141.20	874.70	212.56	1,087.26
1980-81	Nil	300.37	80.18	380.55	159.44	539.97
	1,562.70	1,313.23	279.94	3,155.87	1,072.00	4,227.87

2.2 The expenditure incurred out of the grants released by the Central Government was as follows:—

Year	Non-recurring	Recurring	Promo-tional schemes	Total	Loan	Grand total
				(Rupees in lakhs)		
1978-79	744.18	293.87	47.96	1,086.01	322.46	1,408.47
1979-80	371.52	450.63	47.84	869.99	273.87	1,143.86
1980-81	128.45	616.07	68.54	813.06	294.98	1,108.04
	1,244.15	1,360.57	164.34	2,769.06	891.31	3,660.37

Unspent balances remaining with the States/Union Territories out of the Central releases (recurring and promotional schemes) in the previous years amounted to Rs. 372.32 lakhs, which had been authorised to be spent during 1980-81 in addition to further releases under recurring grant head and at the end of 1980-81, an amount of Rs. 567.50 lakhs remained unspent with the States/Union Territories.

3. *Implementation of the programme in the States/Union Territories*

3.1 The following points were noticed in audit in a test-check (1981-82) of records of the DICs in 19 States and 3 Union Territories:—

3.2 *Construction of buildings.*—Out of 269 DICs sanctioned during 1978-79 to 1981-82, covering 15 States, construction of buildings had been completed in respect of only 112 DICs.

In 7 States (Andhra Pradesh, Assam, Himachal Pradesh, Kerala, Maharashtra, Rajasthan and Uttar Pradesh), Rs. 206.61 lakhs remained unutilised with the construction agencies, resulting in blocking of funds.

In Madhya Pradesh, completed buildings were taken over by the respective General Managers (GMs) of the DICs without getting them technically inspected by authorised agencies. Three DIC buildings which were inspected by the GM after taking over were found to be defective.

In Rajasthan, construction of DIC buildings was entrusted (April 1978) to Rajasthan State Industrial Development and Investment Corporation (corporation), and funds to the extent of Rs. 71.50 lakhs (Rs. 9 lakhs in March 1979, Rs. 39 lakhs in March 1980, Rs. 13.50 lakhs in March 1981, Rs. 10 lakhs in March 1982) were sanctioned for the purpose and the total expenditure incurred up to 31st March 1982 was Rs. 35.40 lakhs, leaving Rs. 36.10 lakhs unutilised with the corporation.

Assigning construction of all the 26 DIC buildings to a single agency, whose normal function was not construction of buildings, contributed to the delay in completion of construction.

The Government of Uttar Pradesh placed Rs. 155.00 lakhs (March 1980) at the disposal of three institutions for the purchase of land (Rs. 43 lakhs) and for construction of 56 DIC buildings (Rs. 112 lakhs), [(i) Uttar Pradesh State Nirman Nigam (17 DIC buildings): Rs. 34.00 lakhs; (ii) Uttar Pradesh Avas and Vikas Parishad (13 DIC buildings): Rs. 26.00 lakhs; and (iii) Uttar Pradesh State Industrial Development Corporation (cost of land: Rs. 43 lakhs) (26 DIC buildings): Rs. 52 lakhs]. The amount of Rs. 60 lakhs placed at the disposal of the two institutions (i) and (ii) was, however, withdrawn and transferred to the personal ledger account of the institution (iii) (November-December 1980). Rupees 12.46 lakhs were withdrawn from this account and placed at the disposal of the Rural Engineering Service Department (Rs. 1.15 lakhs), Kumaon Mandal Vikas Nigam (Rs. 6.50 lakhs) and the General Managers (GMs) of 8 DICs (Rs. 4.81 lakhs) during 1980-81 and 1981-82. Rupees 77.56 lakhs remained unutilised with Uttar Pradesh State Industrial Development Corporation (March 1982).

Although it was envisaged that the land for construction would be provided free of cost by the State Government, in 3 States (Uttar Pradesh, Sikkim, Karnataka), Rs. 6.85 lakhs were advanced to DICs for acquiring land for construction.

In 2 DICs in Kerala the hired buildings were shared by other organisations—Kerala Financial Corporation (May 1979 to April 1981) and Kerala State Small Industries Development and Employment Corporation (SIDECO) for which proportionate share of rent had not been recovered (February 1982).

Thus, despite availability of funds, construction of DIC buildings was delayed or not completed in a number of States and the requirements were met by hiring buildings for the DICs thus incurring avoidable expenditure.

4. *Purchase of Capital Assets:*

4.1 *Vehicles.*—Non-recurring grants for purchase of vehicles (preferably diesel-operated jeeps) for DICs were released to the State Governments. The guidelines issued (June 1978) by the Development Commissioner (Small Scale Industries) envisaged that not more than 2 vehicles were to be provided per DIC and vehicles provided under the Rural Industries Project Programme were to be utilised so as to reduce the purchases and the State Governments were advised to have one vehicle in every DIC until the full complement of staff was in position.

A total expenditure of Rs. 83.02 lakhs was incurred towards purchase of vehicles for DICs by 8 State Governments/Union Territories (Andhra Pradesh, Assam, Haryana, Manipur, Punjab, Rajasthan, Uttar Pradesh and Arunachal Pradesh). Some States (Andhra Pradesh, Haryana, Rajasthan, Uttar Pradesh) purchased Ambassador cars in preference to diesel-operated jeeps. Haryana and Rajasthan purchased 5 and 2 cars respectively, at a total cost of Rs. 3.75 lakhs.

Andhra Pradesh had 22 vehicles for 11 DICs set up during November 1978, although the full complement of staff had not been in position in any of these DICs. 11 Ambassador cars, 3 jeeps and 8 trekkers were procured during 1979-81 at a total cost of Rs. 11.70 lakhs.

In Assam, 5 vehicles were purchased for the DICs at a cost of Rs. 4.09 lakhs. In addition, each GM was provided with a pool car by the State Government and the maintenance cost of the pool cars was met out of the recurring expenditure of the DICs.

The Government of Uttar Pradesh drew Rs. 56.20 lakhs during 1978-79 and 1979-80 and deposited (March 1980) in the personal ledger account of Uttar Pradesh Small Industries Development Corporation, Kanpur. Of this, Rs. 45.82 lakhs were advanced during 1979-80 and 1980-81 to the respective firms for the supply of 63 jeeps and 6 Ambassador cars. The delivery of 5 jeeps was still awaited and Rs. 6.07 lakhs were outstanding against the supplier (March 1982). The Ambassador cars were retained by the Directorate of Industries of the State Government for their own use.

Government issued orders (September 1980) that DICs' vehicles should be used for the workof the DICs, except in case of natural calamities (floods etc.). It was, however, observed in test-check by Audit that vehicles purchased for DICs had been utilised for other purposes in some States/Union Territories (Nagaland, Punjab, Rajasthan, Uttar Pradesh, Arunachal Pradesh), although the cost of their maintenance and repairs was borne by the DICs. For example, in Uttar Pradesh and Arunachal Pradesh, the vehicles were used in the Directorate of Industries and in Nagaland, Punjab and Rajasthan, these were deployed in other branches of the Department of Industries. For want of vehicles, the work of the DICs had sufferred in Nagaland and Arunachal Pradesh.

4.2 *Furniture and fixtures, office equipment.*—It was seen in audit that some States had diverted items procured under this head to offices other than DICs:

(i) In Andhra Pradesh, 22 typewriters worth Rs. 0.69 lakh were either kept in store (19 nos.) or provided to offices other than DICs (3 nos.).

(ii) In Madhya Pradesh, an amount of Rs. 5.50 lakhs, drawn in March 1979 by the Director (Industries) out of non-recurring grant for purchase of office equipment, was lying unutilised under "Civil Deposits". A sum of Rs. 62.30 lakhs was advanced by the State Government (March 1979) to Madhya Pradesh Laghu Udyog Nigam (MPLUN) for supply of office equipment of which details of expenditure were not available with the Industries Department (June 1982).

(iii) The Rajasthan Government purchased furniture worth Rs. 2.07 lakhs, during 1978-79 and 1979-80, out of non-recurring grant, but the same was not supplied to the DICs.

(iv) Inter-com sets were installed in the Directorate of Industries in Uttar Pradesh (Rs. 0.64 lakh) though not directly connected with the DICs programme.

5. *Management*

5.1 *Staffing pattern and recruitment*.—The programme laid emphasis on manning the DICs with personnel of proven ability and adequate experience, having qualities of leadership and organisational ability. The Centres were to be headed by a GM of the rank of Joint Director of Industries (or a Senior Deputy Director if found exceptionally suitable) to be assisted by 4 to 7 Functional Managers (FMs), depending upon the requirements of every DIC.

It was seen in audit that, in most of the States, a number of sanctioned posts, particularly of FMs, remained vacant even as late as 1981-82 as indicated below:

Sl. No. State	No. of DICs	Sanctioned strength	Posts remaining vacant	
		FM	FM	As on
1. Andhra Pradesh	22	66	7	October 1981
2. Assam	10	35	5	March 1982
3. Haryana	12	84	60	March 1982
4. Himachal Pradesh	12	44	7	July 1982
5. Karnataka	13	46	21	March 1982
6. Kerala	11	77	38	January 1982
7. Nagaland	7	35	9	June 1982
8. Punjab	12	44	23	July 1982
9. Rajasthan	26	114	3	March 1982
10. Tamil Nadu	14	56	18	May 1982
11. Uttar Pradesh	56	180	85	October 1981
12. West Bengal	15	105	19	June 1982
13. Chandigarh	1	3	2	June 1982

The programme provided for completion of recruitment procedures and appointment of GMs/FMs to man the DICs before the end of April 1978. In some States/Union Territories (Andhra Pradesh, Assam, Haryana, Himachal Pradesh, Meghalaya, Nagaland, Punjab, Rajasthan, Arunachal Pradesh, Chandigarh) even the recruitment rules had not been framed.

In the Industrial Policy announced in Parliament on 23rd July 1980, it was stated that the DICs programme had not produced benefits commensurate with the expenditure and it was proposed to initiate more effective alternatives. The Ministry of Industry undertook a search for effective alternative through a close scrutiny of the work done in five selected DICs (one from each region) and it was decided (August 1981) to restructure the DICs. The restructured DIC would consist of 1 GM and 4 FMs (3 for economic investigation, credit and village industries, and one for any other area such as raw materials, infrastructure, marketing, training, information, at the discretion of State Government), and upto 3 project managers in disciplines considered relevant to the needs of the district. The State Governments were to complete the reorganisation of the DICs by 31st October 1981 so that the impact of the re-orientation of the DICs, could be felt in the financial year 1981-82 itself. Restructuring of DICs has not been finalised (July 1982) in some States/ Union Territories (Assam, Haryana, Manipur, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh, West Bengal, and Arunachal Pradesh). The Ministry stated (January 1983) that the State/ Union Territory Governments were being persistently requested to complete the restructuring at the earliest.

5.2 *Training of Staff.*—To ensure that FMs in the DICs have a clear perception of their duties and effectively discharge their responsibilities, the programme envisaged training programmes for them. The requisite training was found to be either partial for the FMs in position in various DICs or no training was imparted at all in some States/Union Territories (Himachal Pradesh, Sikkim and Chandigarh).

6. *Work programme : targets and achievements*

6.1 *Delegation of powers*—The "single-window concept" of the programme envisaged delegation of powers to DICs on a wide and reasonable basis. The DICs were to be delegated with administrative and financial powers of the Department of Industry as well as those under Import Trade Control Policy. In 9 States and one Union Territory (Bihar, Himachal Pradesh, Karnataka, Nagaland, Punjab, Rajasthan, Sikkim, Tamil Nadu, Uttar Pradesh and Pondicherry) powers had not been delegated to the DICs by the respective State Governments to enable them to function effectively.

6.2 *Action Plans.*—The first task entrusted to each DIC was the preparation of an action plan, concentrating on demands, skills and surplus resources of the district. The action plan was to indicate the details of industrial development programmes and needs for organisational support, bringing out various requirements of inputs including financial, entrepreneurial and employment, and production potentials separately for artisan-based activities and tiny and small scale units.

Annexure I indicates the number of action plans prepared by the DICs (for which annual reports were sent to Government) in various States/Union Territories from 1978-79 to 1980-81. Out of 382 DICs upto March 1981, 301 had prepared action plans. However, in most of the States/Union Territories (Bihar, Haryana, Himachal Pradesh, Karnataka, Manipur, Nagaland, Rajasthan, Tamil Nadu, West Bengal, Arunachal Pradesh and Chandigarh) action plans had been prepared without proper survey.

6.3 *Project profiles.*—In the States of Karnataka, Manipur and Uttar Pradesh, no State level targets were fixed for the preparation of project profiles. In Andhra Pradesh, only 3,232 project profiles were made out as against 22,946 industries targeted to be set up in 1979-80 and 1980-81, indicating thereby that a large number of entrepreneurs identified were not provided with the details of the project. In Manipur, the project profiles were prepared after identification of entrepreneurs, though these should have been ready in advance to enable selection of feasible projects. These project profiles also lacked information regarding break-even points, list of suppliers of machinery and raw materials, and sale prospects.

6.4 *Industrial accommodation.*—Availability of industrial plots and sheds for the establishment of new units is an important factor for the development of industries in rural areas. The DICs had no control over the selection of sites and allotment of industrial plots which remained with the State Governments. The actual number of plots and sheds made available to industrial units, and their occupancy after the formation of DICs found during audit in 5 States (Himachal Pradesh, Madhya Pradesh, Rajasthan, Sikkim, Tamil Nadu) is given below:

S. No.	State (position as shown under each)	No. of DICs	No. of sheds/ plots developed	Allotment to units	No. of sheds/ plots yet to be allotted
1.	Himachal Pradesh (July 1982)	8	34 sheds 299 plots	26 sheds* 284 plots*	8 sheds 15 plots
2.	Madhya Pradesh (March 1982)	13	239 sheds 1973.86 acres developed land	232 sheds 1563.92 acres developed land	7 sheds 409.94 acres (developed) and 351.23 acres (yet to be developed)
3.	Rajasthan (March 1982)	2	1178 plots	389 plots	789 plots
4.	Sikkim (March 1982)	1	6 sheds	2 sheds	4 sheds
5.	Tamil Nadu (April 1982)	2	199 sheds	119 sheds	80 sheds

*But only 87 units had established their industries of which only 79 units had gone into production.

In Haryana, Manipur and Jammu & Kashmir, no industrial areas/plots/sheds were developed/constructed for allotment to industrial units by the DICs.

6.5 *Arrangement of raw materials for units.*—DICs were required to ascertain the requirements of raw materials for various units, assist them in making purchase economically and to watch proper utilisation. The following were noticed during test-check in audit :—

(i) *Non-setting up of raw material depots.*—Most of the DICs in Nagaland, Manipur, Assam, West Bengal, Bihar, Kerala and Karnataka had either not taken effective steps to establish raw material depots or could not arrange adequate supply of various raw materials required by the units. In some States, (Assam, Kerala, Nagaland) the authority for distribution of scarce materials rests with the State authorities and, as such, no effective action could be taken by the DICs, although provision of raw materials is an objective of the programme.

(ii) *Misutilisation of raw materials.*—In Uttar Pradesh and West Bengal, scarce raw materials worth Rs. 75.39 lahhs were misutilised by 69 units. Some of these units were non-existent; some units were closed down, and others were unable to produce records of utilisation.

(iii) *Non-verification of utilisation.*—The proper utilisation of raw materials by the units was not verified by the DICs in the States of Uttar Pradesh, Madhya Pradesh and Karnataka.

6.6 *Common facility centres.*—Though revitalisation of eight defunct common facility centres for carpenters, weavers, etc. was provided for in the action plan of one DIC in Karnataka, revival of these units could not be taken up by the DICs for want of funds. The common facility centre for woollen weavers at another DIC had remained inoperative due to non-installation of machinery.

In West Bengal, setting up of common facility centres was envisaged in the action plans of the 4 districts test checked, but no such centres at two places were established by the DICs and no information was made available to audit in regard to setting up of such centres at two places.

6.7 *Extension activity*.—The DICs were expected to create industrial awareness among the rural entrepreneurs and artisans and motivate them to start industries by conducting seminars, exhibitions and entrepreneurial development programmes (EDPS).

In Karnataka, the number of EDPs and exhibitions conducted (1978-82) was small (282) compared to the number of growth centres (1189) identified for development, due to constraints of staff and finance.

In Kerala, owing to non-filling of the posts of Industries Extension Officers, linkage of block level industrial activities with the DIC set-up is yet to be achieved in 22 out of 59 blocks in 4 districts.

In Andhra Pradesh, extension activities were not adequate in any of the DICs. In the 6 DICs test checked in audit, there were only 39 Extension Officers for 101 blocks.

6.8 *Bank/institutional finance*.—One of the main functions of the DICs was to assist the artisans and small-scale units in getting financial assistance from banks and financial institutions. For this purpose applications for institutional finance were to be assessed and recommended by the DICs through the Manager (Credit), an officer deputed by the "lead bank" of the district.

Cases recommended by DICs and those sanctioned by financial institutions/banks during 1978-79 to 1981-82 were as follows:—

Sl. No.	State/Union Territory	Cases recommended by DICs		Cases sanctioned by financial institutions/banks	
		No. of cases	Amount (Rs. in lakhs)	No. of cases	Amount (Rs. in lakhs)
1.	Bihar (1 DIC)	398	186.52	180	72.66
2.	Himachal Pradesh (8 DICs)	3154	1,232.36	2332	795.38
3.	Jammu & Kashmir (7 DICs)	5176	2,175.62	2521	748.98
4.	Karnataka (4 to 12 DICs)	3960	1,232.35	2519	909.27
5.	Madhya Pradesh (1979-80 to 1981-82) (32 to 45 DICs)	44165	NA	8642	692.54
6.	Sikkim (1 DIC)	11	0.19	3	0.03
7.	Tamil Nadu (7 DICs)	5689	NA	4341	792.12
8.	Uttar Pradesh (12 DICs)	14454	1,309.05	8107	774.90
9.	West Bengal (4 DICs)	2085	NA	1159	NA
10.	Meghalaya (1 DIC)	46	4.96	26	3.14
11.	Pondicherry (1 DIC)	307	145.65	205	65.45
		79,445		30035	

Out of 79,445 cases recommended by DICs in 11 States/ Union Territories, only 30,035 cases were accorded sanction by the financial institutions/banks. In Maharashtra, out of 38,883 cases recommended by DICs, 12,353 cases were rejected by the banks. In Andhra Pradesh, out of 10,902 cases recommended by the DICs, 4,139 cases were pending (April 1982) with the banks for over 30 days. Out of 185 cases recommended by the DICs in Nagaland, only 33 cases were sanctioned by the banks.

Most of the DICs had not ascertained from the banks the reasons for rejection of a large number of applications recommended by them. Further, most of the DICs did not know the position of the utilisation of loans by the units and actual setting up of industries.

6.9 *Seed money/margin money loans to industrial units.*—The scheme for advancing seed/margin money assistance to the industrial units with a view to increasing employment opportunities, including self-employment, was merged (1979-80) with the DICs programme and the loan component was to be utilised as seed/margin money. The following were noticed during audit.

(i) *Non-recovery of inadmissible drawals.*—Seed/margin money assistance amounting to Rs. 14.39 lakhs was disbursed to 332 units which had either not gone into production or had closed down within 5 years of commencement or had not executed the agreement deeds, but no follow-up action was taken by the DICs to recover the disbursed amounts. The details are as under:

Name of State	Number of units	Amount involved	Type of irregularities
		(Rs. in lakhs)	
Haryana	42	1.74	Units closed down
	52	3.96	Units not gone into production
	22	1.78	Agreement deed not executed
Punjab	215	6.72	Ineligible units
Rajasthan	1	0.19	Unit closed down
	332	14.39	

(ii) *Undisbursed amounts*.—(a) Out of loans amounting to Rs. 10.44 lakhs drawn by the Directorate of Industries, Nagaland (Rs. 5.44 lakhs) and by erstwhile District Industrial Officers and District Project Officers of 4 districts of West Bengal (Rs. 5 lakhs), Rs. 8.45 lakhs remained unspent as margin money assistance, as detailed below:

Name of State	Amounts drawn		Amounts given to DICs for disbursement		Amounts remained unspent	
	Month	Amount	Month (Rs. in lakhs)	Amount	Month	Amount
Nagaland	March 1981	1.94	July 1981	1.91	May 1982	0.99
	March 1982	3.50	Not remitted to DICs		May 1982	3.50
West Bengal	1977-78	5.00	NA		March 1982	3.96
		10.44				8.45

(b) Seed money amounting to Rs. 10 lakhs was drawn by the Directorate of Industries, Manipur in May 1979 and the amount kept with the Manipur Small Industries Corporation Ltd. from that date. The Corporation, retained with them Rs. 10 lakhs (May 1979-January 1980), Rs. 8 lakhs (February 1980-January 1981) and Rs. 0.37 lakh (February 1981-August 1982) before releasing the amount to the DICs.

(c) Margin money of Rs. 1.28 lakhs deposited between November 1978 and August 1980 was retained by the banks without releasing the loans nor were refunds made to the department in Andhra Pradesh (February 1982).

(iii) *Diversion of seed/margin money*.—Loans of Rs. 147 lakhs, released by Government to the State of Madhya Pradesh for giving soft loans as seed money/margin money to educate unemployed entrepreneurs through DICs, were, instead, utilised as loans to rural artisans, widows and disabled persons through Madhya Pradesh Apex Co-operative Bank. The accounts of these loans were yet to be finalised (March 1982).

(iv) *Utilisation certificate awaited.*—Out of Rs. 664.95 lakhs given to the disbursing agencies in Maharashtra upto March 1982 for disbursement of seed money assistance, utilisation certificates in respect of Rs. 158.19 lakhs loan had not been received by the DICs upto July 1982.

6.10 *Rural Industries Projects/DIC loans.*—The scheme of advancing loans to small-scale units for construction of buildings, purchase of machinery and working capital under the erstwhile Rural Industries Projects was continued as part of the DIC programme. Test-check in audit revealed the followings:

(i) *Outstanding loans.*—In 8 States, loans amounting to Rs. 379.19 lakhs, disbursed under/by 64 DICs, were due for repayment, but were outstanding with the entrepreneurs as detailed below:

Name of State	No. of DICs	Outstanding as on	Amount of loan and interest outstanding	Number of units involved
			(Rupees in lakhs)	
Assam . . .	3	February 1981	5.18	..
Bihar . . .	2	March 1982	20.04	..
Himachal Pradesh	8	-do-	97.23	3801
Madhya Pradesh .	37	December 1981	173.72	21901
Manipur . .	2	March 1982	7.24	556
Sikkim . . .	1	-do-	0.46	..
Tamil Nadu . .	7	March 1981	34.76	NA
West Bengal . .	3	March 1982	32.27 (BSAI Loan)	
	1	March 1980	8.29	
	64		379.19	

In Meghalaya, Rs. 7.25 lakhs were paid as loan to 702 artisan units in 1979-80, to be recovered in 5 equal instalments, but only Rs. 3,840 towards principal and Rs. 981 towards interest could be recovered so far (June 1982). In Assam, two DICs had not assessed the quantum of loan recoverable from loanees against the total loan of Rs. 23.31 lakhs. In Jammu & Kashmir, Rs. 36.26 lakhs were advanced as loans to 1188 units by 7 DICs during 1978-79 to 1981-82, but no action was taken to recover the overdue amounts.

(ii) *Non-verification of utilisation of loans.*—In three States, utilisation of loans disbursed amounting to Rs. 121.75 lakhs was not verified by the DICs, as detailed below:

Name of State	No. of units	Amount of loan not verified (Rs. in lakhs)
Tamil Nadu	539	40.26
Uttar Pradesh	318	37.55
West Bengal (BSAI loan)	NA	43.94
		121.75

In Karnataka, actual utilisation of loans was not forthcoming from the records of some DICs and in 3 DICs, utilisation had been verified in only 44 out of 98 cases. In one DIC in Assam, utilisation certificates had been obtained in only 64 (Rs. 1.21 lakhs) out of 553 (Rs. 10.20 lakhs) cases.

(iii) *Misutilisation of loans.*—In 780 cases in Himachal Pradesh, Rs. 24.30 lakhs (principal : Rs. 12.26 lakhs; interest : Rs. 12.04 lakhs) were recoverable from the parties who had misutilised the loans granted and Rs. 7.15 lakhs (principal : Rs. 3.80 lakhs; interest : Rs. 3.35 lakhs) were recoverable from 175 parties whose units had remained closed.

Loans amounting to Rs. 51.35 lakhs were advanced to 412 units by 12 DICs in Uttar Pradesh during 1978-79 to 1980-81, but none of these units had either started production or furnished the utilisation certificates nor hypothecated their assets. Loans to the extent of Rs. 7.84 lakhs in 62 cases were reported to have been misutilised. Further, loans to the extent of Rs. 23.35 lakhs were sanctioned to 262 units by 6 of these DICs during 1978-79 to 1980-81 without examination of technical viability, marketing and economic feasibility. Out of these, Rs. 6.69 lakhs, involving 53 cases, were reported as misutilised.

(iv) *Miscellaneous.*—There was delay (2-4 months) in remittance of loans (Rs. 15.64 lakhs) to the DICs by the Directorate of Industries in Nagaland and there was also delay (2-15 months) on the part of the DICs in disbursement to the actual loanees.

In Tamil Nadu, out of a total of 835 cases of loans amounting to Rs. 59.43 lakhs disbursed during 1978-79 to 1980-81, in 78 cases (Rs. 5.58 lakhs) the loans had not actually been released to the loanees, but were held in Special Deposit Accounts with the bank (January 1982).

Loans amounting to Rs. 8.83 lakhs were granted as full loans to 133 entrepreneurs in Pondicherry, instead of as seed/margin money loans, and the department had not prepared (April 1982) the demand, collection and balance statements for the loans granted.

In Uttar Pradesh, an amount of Rs. 2.07 lakhs meant for advancing loans was deposited under Small Savings Scheme during 1980-81 for boosting a drive for small savings in the district.

Loans of Rs. 7.69 lakhs were given to 8 units by a DIC in Rajasthan (upto March 1982) without verifying sanction of power connections. As a result, plant and machinery of these units remained idle.

The Government of Karnataka sanctioned (February 1964 to March 1979) loans aggregating Rs. 143.97 lakhs; these were drawn by the State Government and deposited with the Karnataka Industrial Co-operative Bank; of this, Rs. 20.49 lakhs had not been utilised.

6.11 *Marketing assistance.*—In order to assist the small-scale industries, the DICs were required to make provision in their action plans for establishment of rural marketing centres.

While the DICs in Karnataka had made provision in their action plans for opening rural marketing centres, the DICs in Andhra Pradesh, West Bengal and Kerala did not make any such provision in their action plans.

The DICs in Andhra Pradesh, West Bengal, Kerala, Karnataka, Manipur, Sikkim, Nagaland and Rajasthan had not been able to extend any effective marketing assistance to the small-scale units and artisans, *e.g.* market surveys were not conducted, no product assessment was made nor any market development programmes taken up and sales promotion activities did not achieve the expected results.

6.12 *Monitoring of progress.*—The programme envisaged an in-built monitoring system by setting up four types of co-ordination and advisory committees to oversee and guide its implementation at the district, State, regional and national levels. The Development Commissioner (Small Scale Industries), as national coordinator of the programme, was to watch and guide its implementation. State level committees were to meet once in six months to review and report to Government of India the progress, problems encountered and solutions identified to enable Government to review the progress of the programme from time to time. District Advisory Committees were to meet at least once in two months, to arrange for effective coordination between the DICs and other State Government departments/undertakings, local bodies and non-official agencies.

Test-check in audit of DICs of various States revealed that the committees had not met as prescribed. Details of numbers of meetings held are given in Annexure 2.

It was further seen in audit that recommendations of the district/State level committees were not implemented in some States/Union Territories (Assam, Himachal Pradesh, Karnataka, Rajasthan and Pondicherry).

6.13 *Revival of sick units.*—Revival of sick/closed small-scale industrial units was one of the major objectives of the programme. Test-check of 81 DICs covering 13 States revealed that 5203 units were identified as sick; of which, 4618 units remained closed mainly due to shortage of working capital and essential raw materials, inadequate power supply, and absence of marketing facilities. The table below gives the statewise details of sick units within the DICs test checked:

Sl. No. State	No. of DICs	No. of sick units identified	No. of units revived	No. of units closed
1. Andhra Pradesh	NA	483	133	350
2. Assam	3	188	Nil	188
3. Bihar	1	6	Nil	6
4. Kerala (1979-81)	7	370	39	331
5. Karnataka	11	341	62	279
6. Nagaland. (1978-82)	7	457	Nil	457
7. Tamil Nadu (1978-81)	14	1300	198	1102
8. Haryana	2	70	Nil	70
9. Madhya Pradesh	13	262	Nil	262
10. Uttar Pradesh (1979-82)	12	992	130	862
11. Himachal Pradesh	7	159	20	139
12. West Bengal (1978-79)	3	572	Nil	572
13. Manipur	1	3	3	..
	81	5203	585	4618

NA—Not available.

As against the target of 5203 units in 13 States, only 585 units have been revived. In Manipur, the 3 sick units were refinanced at Rs. 5,000 each, but no follow-up action was taken by the DIC to ascertain their present state of affairs.

6.14 *Progress of industrial development.*—The primary objective of the DICs was to help entrepreneurs and artisans to set up small-scale industries and establish their trades. In order to set up a small-scale industrial unit (SSI), each entrepreneur was required to obtain a provisional certificate from the concerned DIC to avail of the financial assistance and other infrastructural facilities provided through the DICs. On commencement of production, each such unit should obtain permanent registration certificates, based on which allotment of scarce raw materials, including import licence for procurement (if necessary), and marketing facilities would be arranged by the DIC. In the case of artisans, the DICs would provide technical advice, training in various crafts, subsidised tools, bank credits, etc. The number of new units established would serve as a yardstick for the success of the programme.

It was seen in audit that out of 1,18,761 provisional registrations granted to entrepreneurs by 91 DICs in six States (Jammu & Kashmir, Karnataka, Maharashtra, Manipur, Rajasthan and Uttar Pradesh), only 39,808 had established SSI units (33.51 *per cent*) as per details in Annexure 3.

6.15 *Objective of all functions under a single roof.*—The objective of the programme was to provide under one roof, as far as possible, all services and facilities required by entrepreneurs for setting up small and village industries at pre-investment, investment and post-investment stages, including identification of suitable schemes, preparation of feasibility reports, arrangements for supply of machinery and equipment, provision of raw materials, arranging credit and inputs for marketing and provision of extension services.

During test-check in audit the objective of single roof system was not found to have been achieved in any State/Union Territory. Number of States (Andhra Pradesh, Haryana, Himachal Pradesh, Karnataka, Kerala, Punjab, Tamil Nadu) specifically reported that this objective had not been achieved, insofar as buildings had not been constructed, staffing was not complete and adequate powers had not been delegated; the DICs had mostly become extensions of the Directorates of Industries, with some additional powers and had not in fact been functioning as nuclei of project activities for which they were originally intended.

6.16 *Generation of additional employment.*—The DICs were set up primarily with an objective of promoting generation of additional employment. Government set out a national average target for employment generation of 2500 persons per year per DIC. It was seen during test-check in audit in some States that generation of additional employment was far below the targets fixed, as shown under:

Name of the State	Period	Target (No. of persons)	Achievement (No. of persons)
Sikkim	1979-81	617	227
Tamil Nadu	1978-81	2,22,941	1,37,395
West Bengal	1979-82	59,112	52,425
Andhra Pradesh	1980-82	1,33,210	1,03,055
Madhya Pradesh	1979-82	2,37,380	1,69,967
Bihar	1979-82	58,609	51,783

In Uttar Pradesh, generation of employment of 4,15,247 persons, against the target of 2,98,200 was reported to the Directorate of Industries by the DICs and to the Government by the Directorate. However, the former figure included employment of existing units; thus the achievement figures were inflated to that extent.

No documentary evidence was made available to audit with regard to generation of additional employment, in the State of Haryana and Union Territory of Pondicherry.

7. *Other topics of Interest* .—Some interesting points noticed by Audit in the course of scrutiny of records of DICs in certain States are mentioned below:

7.1 The DICs were required to submit monthly progress reports to the Commissioner of Industries and the State Government. In three of the six districts test checked in audit (Andhra Pradesh), discrepancies were noticed between the figures shown in the progress reports received in the Directorate of Industries and office copies of the reports maintained at the DICs on the one hand, and between the reports and the initial records maintained at the DICs on the other hand. The discrepancies overstated the figures of progress, the variation ranging between 2 and 295 *per cent*.

Similar discrepancies were noticed during test-check of records of DICs in Kerala.

7.2 On test-check, it was noticed that certain units which had gone into production prior to the formation of the DICs were also reckoned as new units set up under the programme, and consequently the figures shown in the progress reports did not reflect the correct position (Kerala, Rajasthan, Punjab, Himachal Pradesh and Uttar Pradesh).

8. *Summing up* .— The following are the main points that emerge :—

— total number of DICs sanctioned in stages during the last 4 years was 384, covering 394 districts out of a total of 411 districts of the country (March 1982);

— as on 31st March 1980, the amount of Rs. 372.32 lakhs remained unutilised by the States/Union Territories and was allowed by the Central Government to be spent by them during the subsequent years. At the end of 1980-81, a total amount of Rs. 567.50 lakhs remained unspent with the States/Union Territories;

— construction of DIC buildings progressed at a slow pace. In 7 States, large sums of money (Rs. 206.61 lakhs) remained unutilised with the construction agencies, resulting in funds being blocked;

— vehicles/office furniture and fixtures purchased by certain States had been used for purposes other than the DICs;

— several key posts of Functional Managers were not filled up, thus adversely affecting the proper functioning of the DICs. Revised staffing pattern which was to be implemented by October 1981 had not been adopted by any of the States/Union Territories (July 1982);

— the DICs had not been delegated, as envisaged, adequate administrative and financial powers of the Department of Industry, as well as those under Import Trade Control Policy to enable their effective functioning;

— action plans did not lay down specific targets to be achieved from year to year. Most States/Union Territories had prepared their action plans without proper survey ;

— scarce raw material requirements could not be met in full. There was also misutilisation of raw materials by certain units;

— the DICs could not mobilise bank/institutional finance to the extent required by the entrepreneurs;

— the marketing assistance provided by the DICs was totally inadequate to the needs of the industries;

— there was no effective monitoring of the functioning of DICs; and

— the objective of bringing under a single roof all the services and support needed by small/new units had not been achieved by the DICs in most of the States/ Union Territories.

ANNEXURE I

S. No.	State/U.T.	No. of DICs sanctioned	No. of DICs reported			No. of action plans prepared		
			1978-79	1979-80	1980-81	1978-79	1979-80	1980-81
1	2	3	4	5	6	7	8	9
1.	Andhra Pradesh	22	11	14	22	7	14	15
2.	Assam	10	3	5	5	2	5	5
3.	Bihar	31	29	25	31	25	24	31
4.	Gujarat	17	15	17	17	15	17	17
5.	Haryana	12	5	5	12	1	4	12
6.	Himachal Pradesh .	12	12	12	12	10	11	1
7.	Jammu & Kashmir	14	10	5	10	10	5	10
8.	Karnataka	13	7	6	13	3	5	12
9.	Kerala	11	11	11	11	7	11	11
10.	Madhya Pradesh	45	22	41	32	22	41	32
11.	Maharashtra	25	14	25	25	14	18	25
12.	Manipur	6	Nil	6	6	N.R.	4	6
13.	Meghalaya	5	1	1	1	1	1	1
14.	Nagaland	7	4	Nil	7	3	Nil	7
15.	Orissa	13	13	13	13	13	13	13
16.	Punjab	12	7	7	7	6	7	7
17.	Rajasthan	26	9	16	24	6	9	1
18.	Sikkim	1	1	Nil	1	1	Nil	1

1	2	3	4	5	6	7	8	9
	19. Tamil Nadu	14	9	14	14	8	10	14
	20. Tripura	3	3	Nil	3	Nil	Nil	3
	21. Uttar Pradesh .	56	23	30	37	13	29	35
	22. West Bengal .	15	15	15	15	9	15	15
	23. Andaman & Nicobar Islands .	1	1	1	1	1	1	1
	24. Arunachal Pradesh .	5	1	2	3	Nil	2	3
	25. Goa, Daman & Diu .	1	Nil	Nil	Nil	Nil	Nil	Nil
	26. Dadra & Nagar Haveli	1	1	1	Nil	Nil	1	Nil
	27. Mizoram	2	Nil	2	1	Nil	Nil	1
	28. Pondicherry	1	1	1	1	1	1	1
	29. Chandigarh	1	Nil	Nil	Nil	Nil	Nil	Nil
		382	228	275	324	178	248	301

N.R. : Not received.

Note : Delhi, Bombay, Calcutta and Madras, as a policy, have been kept out of the purview of the programme.

ANNEXURE 2

S. No.	Stat /U.T. (position as on)	Period	No. of District level meetings held	No. of State level meetings held	No. of regional level meetings held
1	2	3	4	5	6
1.	Andhra Pradesh (April 1982)	Nov. '78 to Feb. '82	3-8 in 5 DICs	1	4
		March '81 to Feb. '82	1 each in 3 DICs.		
2.	Assam (March 1982)	1978 to 1982	(3 in 1 DIC (6 in 1 DIC (2 each in 3 DICs.	Nil	Nil
3.	Haryana (May 1982)	—	Nil in 2 DICs.		
		Dec. '80 to March '82	8 in 1 DIC	Nil	Nil
4.	Himachal Pradesh (July 1982)	June '78 to May '82	Committee not formed	6	4
5.	Jammu & Kashmir (June 1982)	April '78 to June '82	Nil	DIC records did not reveal whether committee had ever met.	NA
6.	Karnataka (May 1982)	May '78 to May '82	4 each in 4 DICs. 6 in 1 DIC 3 in 1 DIC 2 in 1 DIC	1	2
		1979 to May 1982	2 in 1 DIC Nil in 2 DICs.		
7.	Kerala (January 1982)	Feb. '79 to Dec. '81	1 in 1 DIC 2 each in 3 DICs. 4 each in 2 DICs.	Nil	4

1	2	3	4	5	6
	8. Madhya Pradesh (May 1982)	3 years	Nil in 4 DICs	1	4
		2 years	Nil in 16 DICs.		
	9. Maharashtra (July 1982)	1978 to 1982	11 to 17 in 7 DICs.	1	4
	10. Punjab (July 1982)	1980 to 1982	4 each in 2 DICs. 5 in 1 DIC	Nil	1
	11. Rajasthan	July ,79 to March '82	7 in 1 DIC	Nil	4
		October '80 to June '82	7 in 1 DIC		
	12. Tamil Nadu (April 1982)	October '78 to Nov. '81	3 in 1 DIC 11 in 1 DIC 13 in 1 DIC	Nil	4
	13. Uttar Pradesh (July 1982)	NA	NA	NA	4
	14. West Bengal (May 1982)	Feb. '81 to Feb. '82	10 each in 4 DICs.	2	4 (June 1978-April 1982)
	15. Chandigarh (June 1982)	July '79 to June '82	No Advisory Committee formed.		
	16. Pondicherry (May 1982)	July '78 to April '82	7	6	4

NA—Not available.

ANNEXURE 3

Sl. No.	State	Total No. of DICs.	No. of DICs review-ed	Provisional registration 1978-79	1979 80	1980-81	1981-82	Total	Permanent registration 1978-79	1979-80	1980-81	1981-82	Total	Shortfall
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1.	Jammu & Kashmir	14	7	938	1,746	1,694	2,635	7,013	487	692	816	953	2,948	4,065
2.	Karnataka	13	13	1,349	2,248	4,275	4,591	12,463	529	982	1,785	2,176	5,472	6,991
3.	Maharashtra	25	7	526	1,143	1,227	1,359	4,255	131	228	342	575	1,276	2,979
4.	Manipur	6	6	Nil	234	1,090	2,298	3,622	Nil	105	696	325	11,26	2,496
5.	Rajasthan	26	2	Nil	1,392	5,076	4,093	10,561	Nil	328	716	3,054	4,098	6,463
6.	Uttar Pradesh	56	56	8,077	14,476	22,536	35,758	80,847	4,560	5,007	6,382	8,939	24,888	55,959
		140	91	10,890	21,239	35,898	50,734	1,18,761	5,707	7,342	10,737	16,022	39,808	78,953

N.A.—Not available.

36. Functionining of the salt offices in Maharastra and Gujarat.— The salt offices in Maharashtra and Gujarat are headed by the Assistant Salt Commissioner, Bombay and the Deputy Salt Commissioner, Ahmedabad respectively. These offices function under the overall administrative control of the Salt Commissioner to the Government of India whose main functions include:

- leasing out of Central Government salt land for salt manufacture;
- administration of the Central Excise and Salt Act, 1944 in so far as it relates to salt;
- issue of licences for manufacture of salt;
- levy and collection of cess on salt under the Salt Cess Act, 1953 and the rules made thereunder from the licensed salt works;
- fixation of assignment fees and recovery thereof in respect of Central Government lands leased out for salt manufacture; and
- realisation of ground rent, royalty, lease money, licence fee, etc.

2. A test-check of the accounts and related records maintained by the salt offices, conducted during 1980-81 and 1981-82 disclosed the following:—

(a) *Receipt and expenditure.*—Revenue receipts on account of cess, ground rent, royalty, lease money, etc. and expenses on salaries of staff, development and labour welfare during 1978-79 to 1981-82 in Maharashtra and Gujarat were as under :

Year	Receipts		Expenditure	
	Maharashtra	Gujarat	Maharashtra	Gujarat
	(Rupees in lakhs)			
1978-79	11.89	86.89	12.73	25.59
1979-80	20.73	82.38	14.74	22.88
1980-81	18.02	69.90	14.79	27.75
1981-82	22.87	82.28	15.78	17.20
	73.51	321.45	58.04	93.42

(b) *Production and issue of salt*.—The table below indicates the area licensed, area actually under cultivation and targets, production and issues of salt, according to records maintained by the salt offices during 1978 to 1981 :

Year	Licensed area	Area under cultivation	Target of production	Production	Issues from works
		(In acres)	(In lakh tonnes)		
Maharashtra State:					
1978 . . .	27,417	24,977	5.62	4.66	4.76
1979 . . .	27,529	24,964	5.69	5.20	4.78
1980 . . .	27,600	25,570	6.26	4.88	4.86
1981 . . .	27,471	25,462	6.16	5.62	4.91
Gujarat State:					
1978 . . .	1,79,930	90,675	34.50	35.56	30.56
1979 . . .	1,89,088	88,678	38.75	33.77	34.54
1980 . . .	2,01,943	91,041	43.00	35.88	29.32
1981 . . .	2,20,608	98,186	47.25	53.46	33.67

(i) In Maharashtra, the area under cultivation comprised 91 to 93 *per cent* of the area licensed for manufacture of salt, whereas in Gujarat, the area under cultivation was only 45 to 50 *per cent* of the area licensed.

(ii) The targets of production were not achieved in any year in Maharashtra and during 1979 and 1980 in Gujarat. The shortfall in production ranged between 7 and 22 *per cent*. The Ministry stated (April 1982) that in Maharashtra the targets could not be achieved due to delay on the part of State Government in assigning available vacant lands for salt manufacture, and in Gujarat due to unseasonal rains and cyclones in 1979 and 1980.

(iii) The figures of production are only estimated figures and not based on any returns from the manufacturers although under the Salt Cess Rules, 1964 every manufacturer is required to submit to the factory officers concerned monthly returns in a prescribed form of all stocks of salt manufactured in and issued from the salt works during the previous month. The Assistant

Salt Commissioner, Bombay, informed in July 1981 that "monthly returns in the prescribed form are generally not being furnished by the salt manufacturers....the statistics of production, wastages, etc. are compiled by the factory officers based on their own assessment of production, wastage, etc. by personally visiting the salt works and when it is not possible, by deputing havildar or sepoy for this work".

Cess is recovered on the salt issued by manufacturers from the salt factories under permits issued by the salt offices. While in Maharashtra, the issues of salt by manufacturers were generally being check-weighed by salt inspectors to the extent of 5 *per cent* of the issues, as required under the Salt Cess Rules, 1964, no such check-weighment was being done in Gujarat. It could not, therefore, be verified as to whether the cess was being correctly and completely recovered in Gujarat. In July 1978, the Salt Commissioner had informed that the functions of the department had been under review of a High Power Committee and a Work Study Team whose reports were awaited and that until their reports were received, it was not possible to say definitely whether the statutory provisions of the rules relating to check-weighment of salt issued from salt works could be followed by the department. The decision in this matter had not been intimated by the Salt Commissioner (April 1982).

(c) *Ground rent and assignment fee*.—In addition to recovery of salt cess at the rate of Rs. 3.50 per tonne of salt issued from salt works covering more than 100 acres and at the rate of Rs. 1.75 per tonne from salt works covering between 10 and 100 acres (with cess exemption in respect of certain specified categories of issues), the Government of India (Government) had been recovering ground rent at different rates from time to time both in Maharashtra and Gujarat. During 1897 to 1940, ground rent was charged at the rate of 3 pies per Bengal maund of salt issued. In 1941, ground rent was reduced to 2 pies per maund both in respect of Government salt works and private salt works. In 1956, Government suspended and discontinued this levy in respect of Government salt works and reduced the levy to 1 pie per maund in respect of private salt works. In 1959, ground rent in respect of private salt works was revised to 0.5 paise for 40 kgs. or 12.5 paise per tonne of salt issued; this rate was continued thereafter.

As against this ground rent of 12.5 paise per tonne in Maharashtra and Gujarat, Government had been recovering, with effect from June 1964, ground rent at the rate of Rs. 2 *per* acre *per annum plus* assignment fee at the rate of Re. 1 *per* tonne of salt produced and issued from the Salt Department's lands in Tamil Nadu, Andhra Pradesh and Orissa. These higher rates were not made applicable to the salt produced in Maharashtra and Gujarat on the ground that the ownership of lands in these States was not clear.

The Salt Commissioner recommended (August 1973) that Government should raise the quantum of levy to 8 pies per Bengal Maund *i.e.* Rs. 1.10 per tonne from private and Government salt works in Maharashtra and Gujarat. The Salt Commissioner wrote to the Department of Industrial Development (August 1974) that every State Government was recovering premium on land when the same was given for salt manufacture. Even the Central Government was recovering the same in respect of land in Tamil Nadu, Andhra Pradesh and Orissa. Therefore, there was no reason why the salt works in Maharashtra and Gujarat should be given special concession of recovery at a lower rate than what was being paid by the salt manufacturers of other States. The Department of Industrial Development, however, informed Audit in November 1976 that although opinions of various law officers and other legal luminaries of the Government of India and the Government of Maharashtra in some individual cases of land would go to show that the salt lands belonged to the Central Government, the ownership question was still unsettled in many cases, and that the Government of India were examining the question of introducing a common levy at Rs. 1.10 per tonne of salt produced and issued in the States of Maharashtra and Gujarat in cases where no assignment fee was levied at present and that the levy, when introduced, would cover the ground rent and assignment fee being levied in cases of lands in other States.

More than eight years have elapsed but no decision had been taken by Government so far (April 1982).

(d) *Ownership of lands.*—In Thana Division (Maharashtra), certain private parties had been manufacturing salt on licences issued by the Salt Commissioner over 286 salt works covering an area of 22,300 acres. Although, according to the legal opinion referred to in sub-para 2 (b) above, these lands belonged to the Central Government, the department was not having complete information of the documents to establish the Central Government's title to lands in these cases. A special cell was created by the Department of Industrial Development in June 1973 for tracing the ownership of land under salt manufacture.

In reply to the query of the Public Accounts Committee (1980-81); Seventh Lok Sabha about the completion of investigation on the tenure of land under salt works, Government had stated that out of 286 cases identified for investigating the rights of salt manufacturers, investigation had been completed in respect of 101 cases which were entered in a register and in all these cases, the lands had been found to belong to Central Government. List of such lands was, however, not made available to Audit, nor was any authentic record thereof maintained (August 1981). Government further stated (April 1982) that the special cell had been able to get records to establish ownership rights of Central Government in respect of 113 salt works and to collect partial information in respect of other 114 salt works, and that the documents collected were to be sorted out and information sifted before authenticated entries could be made in the register in course of time as the job was highly onerous.

(e) *Compensation to the Government of Maharashtra and Gujarat.*—The Central Government sanctioned with effect from the financial year 1941-42, payment of Rs. 36,000 annually to the erstwhile Bombay State in consideration of their agreeing not to levy ground rent on the salt works, which were then subject to maundage rate of 2 pies per maund. Accordingly, payments were made by the Salt Department from time to time to the Governments of Maharashtra and Gujarat. The particulars of salt works for which these compensatory payments were made were not available with the department. As the Central Government lands are exempted from the levy of land revenue under section 154 of the Government of India Act, 1935, read with Article 285 of the Constitution of India, the payments (Rs. 12.24 lakhs upto 1974-75) made to these Governments on this account are not in order. The Salt Commissioner informed the Ministry of Industry and Civil Supplies in November 1974 that "........ the Assistant Solicitor General, Government of India has already confirmed the views of the Law Ministry that the ownership of the Government land given to private parties for salt manufacture in 19th and 1st half of 20th Century vests in Central Government only......A wrong notion was created on account of the Government decision while sanctioning payment of Rs. 36,000 to the Maharashtra Government as compensation in lieu of recovery of the ground rent. This does not hold good now in view of the above decision....the Governments of Maharashtra and Gujarat are not entitled to levy land assessment on private salt works constructed on Central Government land, even though the State Government of Tamil Nadu are recovering the land assessment and cess on the Central Government lands leased for salt manufacture to private parties. The reason is that the Government of Bombay was not in receipt of land assessment just before the promulgation of the Government of India Act, 1935. Hence, the payment of Rs. 36,000 to the Government of Bombay is to be treated only as gratuitous payment and not because they were entitled to it."

Government stated (April 1982) that the matter would be examined after Government's title to ownership of land was established.

(f) *Transfer of lands to State Governments and Public Sector Undertakings.*—(i) At the request of Maharashtra Government, 11 pieces of land (about 528 acres) were transferred to that Government in 1965 subject to payment of market value of the lands to the Central Government. Although more than 16 years had elapsed, no recovery of the cost of the lands had been effected by the Central Government from the State Government so far (April 1982).

(ii) More than 20 years back, three pieces of salt lands (about 159 acres) and one piece (about 58 acres) were transferred by the Salt Department to the Fertilizer Corporation of India and the Bharat Petroleum respectively. The purpose for which these transfers were made was not clear from the department's records, nor had any compensation been claimed and received from these undertakings.

(iii) An area of about 24,000 acres in the erstwhile princely States in Gujarat had been leased out by these States before their integration with the Indian Union. The Gujarat Government is administering the lessor's interest in these lands and is also collecting lease money from the lessees. These lands now vest in the Union Government in view of the provisions contained in Article 295(i) of the Constitution of India, read with item 58, Union List, under the Seventh Schedule to the Constitution. The Salt Department had not, however, taken over these lands so far (April 1982), resulting in loss of revenue to the Central Government. Government stated (April 1982) that "the question of ownership of salt works in the erstwhile princely State of Saurashtra was taken up with the Government of Gujarat but they have refuted the claims of Central Government and have contended that the ownership of the lands in question vests in State Government. The points raised by the Government of Gujarat are under examination in consultation with Ministry of Law".

(g) *Unauthorised occupation.*—Mention was made in paragraph 31 of the Report of the Comptroller and Auditor General of India for 1977-78 and paragraph 5 of the Advance

Report of the Comptroller and Auditor General of India for 1978-79, Union Government (Civil) of two cases of unauthorised occupation of salt land. A few more instances noticed subsequently are mentioned below:

(i) In 1968, during the course of a survey carried out by the Salt Department jointly with the Bombay Municipal Corporation, it was noticed by the former that 15,421 sq. yards of land at Raoli Hill, Wadala (Bombay), belonged to the Salt Department although in the departmental records an area of 3,673 sq. yards only had been shown as belonging to the Salt Department. The entire area was found to have been encroached upon by certain hutment dwellers, commercial establishments, dairy farms, dispensaries, clubs, etc. around 1963-64. During 1968 to 1970, enquiries were made from the Central Public Works Department (CPWD), the State Government and the Bombay Municipal Corporation whether they were interested to take over this land, but none of them showed any interest. In July 1971, some of the unauthorised occupants requested the Salt Department to allot the land to them on a rental basis, indicating their willingness to pay the rent from 1962 onwards. The Government of Maharashtra, who were consulted in the matter, however, intimated (January 1972) that the policy of the Government was not to grant the land to the encroachers. On certain eviction proposals being submitted by the Salt Commissioner, the Ministry of Industry observed in October 1973 that the eviction proceedings would cause undue hardship to the families of encroachers and suggested in March 1975 that "the better course would be to give a long lease of land to the society of encroachers on payment of market value of land and a nominal lease money". However, after consulting the Ministry of Law, which was of the opinion that such leases would give additional grounds of defence to the licensees as and when they were sought to be evicted under the Public Premises Eviction Act, 1971, the Ministry of Industry decided (August 1980) not to give licences to the encroachers and directed that the encroachers should be removed early.

Government stated (April 1982) that action to evict the encroachers under the Public Premises (Eviction of Unauthorised Occupants) Act, 1971 was in progress.

(ii) A salt work known as 'Jahangir Mahal Salt Work' covering an area of about 63 acres was closed down in 1962. The Salt Department came to know sometime in 1980 that an area measuring about 42,500 sq. feet. had been encroached upon by certain parties who had constructed 8 semi-pucca 'chawls' thereon, each having 16 rooms. The area covered by the 'chawls' was known as 'Veer Jijamata Nagar'. Government stated (April 1982) that removal of encroachments was delayed on account of difficulties in getting necessary police help.

(iii) The shilotri of the salt work 'Juna Bunder Wadi' (about 47 acres) was permitted by the Salt Department in October 1955, to construct, on the salt work, a permanent structure covering about 900 sq. feet to store the implements used in salt manufacture. Instead of constructing structure for his own use, he gave the land to a private party for constructing a 'panshop' and a tea stall. The encroachment came to the notice of the Salt Department in March 1962. In June 1963, the party was asked to vacate the land within 7 days, but the matter was not pursued by the department thereafter. In course of time, the tea stall developed into a full-fledged hotel named 'Narayan Bhawan' covering an area of about 1500 sq. feet. The unauthorised occupant of the land had not been evicted so far (April 1982).

(iv) Several other salt lands, e.g. Salamati, Arthur, Jenkins, Dadkhudai, etc. in Maharashtra were reported to be partly under unauthorised occupation and the occupants had constructed temporary or permanent structures thereon. Government stated (August 1982) that the Salamati salt land was with the Department of Rehabilitation, who had been requested to get the encroachers evicted, and that the extent of encroachment regarding Dadkhudai Salt works was being determined by proper survey of the area, which was in progress.

(h) *Other points :*

(i) One of the conditions of the licence for manufacture of salt provides that failure to manufacture salt for two consecutive seasons without valid reasons shall render the licensee liable to suspension or shall make the licensee liable to penalty not exceeding Rs. 500 in lieu thereof. Repeated violation of the conditions of the licence or in the event of the licensee having been convicted of criminal offence under the Indian Penal Code will render the licence liable to cancellation. Although 7 salt works (339 acres) in Maharashtra had been lying fallow for the last 9 to 26 years, no action to cancel the licences and or to recover the penalty had been taken against the salt manufacturers (April 1982). Government stated (August 1982) that orders had since been issued for resuming the lands in respect of one salt work and for cancelling the licences of the remaining 6 salt works.

(ii) Another conditions of licence is that the licensee shall in the event of his holdings extending over 200 acres at any time, also make arrangements for recovery of one or more by-products of salt during the course of the manufacture and also pay a royalty on the same at the rate fixed by Government.

In 17 such salt works (5712 acres) in Maharashtra, no by-products were reported to have been produced by the licensees. Government stated (April 1982) that for variety of reasons, *viz.* requirements of proper weather conditions, heavy investments involved for recovery of Bromine and difficulty of finding market for the end product, it was not possible for the manufacturers to produce the by-products. Government further stated that they had also not enforced strictly the condition regarding recovery of by-product of salt by all salt manufacturers.

(iii) The licences for manufacture of salt in 27 salt works had expired during May to September 1978. The licensees, however, continued to manufacture salt. The Assistant Salt Commissioner, Bombay pointed out (January 1981) that necessary applications for renewal of licences were not received from many licensees despite repeated requests as the salt works were being worked by joint licensees. The Ministry of Law, when consulted for taking action against such licensees, opined (March 1981) that "on or after the first day of December ensuing and before commencement of manufacture of salt, the Salt Commissioner should cause all licensees to be summoned to receive new licences, and if any of them fails to attend in person or by authorised agent at the time and place mentioned in the summons and to accept the licences tendered, the Salt Commisioner may declare the existing licences cancelled". The Salt Commissioner stated (September 1982) that "pending examination of certain issues involved and to ensure that no manufacture takes place without a licence, the licences of 23 salt works have been renewed up to May 1983 without insisting on application for renewal and the remaining 4 cases were under examination".

Summing up.—The following are the main points that emerge:—

— The targets of production of salt were not achieved in any year during 1978 to 1981 in Maharashtra and during 1979 and 1980 in Gujarat. The figures of production were only estimated figures and not based on any returns from the manufacturers required under the Salt Cess Rules, 1964;

— In Maharashtra, the issues of salt by manufacturers were generally being check-weighed by salt inspectors to the extent of 5 *per cent* of the issues, as required under the Salt Cess Rules, 1964; no such check weighment was being done in Gujarat;

— In Maharashtra and Gujarat, ground rent on salt produced and issued from Government land was not being recovered at the same rates as was being recovered in Tamil Nadu, Andhra Pradesh and Orissa. Decision on Salt Commissioner's recommendation, made in August 1973 for introducing a common levy of Rs. 1.10 per tonne of salt produced and issued, had not been taken so far (Apirl 1982) although more than 8 years have elapsed;

— Out of 286 salt works covering an area of 22,300 acres in Thana divison (Maharashtra) on which private parties had been manufacturing salt on licences issued by the Salt Commissioner, ownership rights of the Central Government could be established only in 113 cases and partial information collected in respect of 114 cases only;

— The Central Government made a compensatory payment of Rs. 12.24 lakhs to the Governments of Maharasthra and Gujarat up to 1974-75 towards "Non-levy of ground rent" on salt works to which they were not entitled under Section 154 of the Government of India Act, 1935, read with Article 285 of the Constitution;

— No recovery of cost of land transferred to the Government of Maharashtra (11 pieces of about 528 acres), Fertiliser Corporation of India (3 pieces of about 159 acres) and Bharat Petroleum (1 piece of about 58 acres) had been made by the Central Govermnent although more than 16/20 years have elapsed;

— Land measuring about 24,000 acres in the erstwhile princely States of Gujarat leased out by those States had not been taken over by the Central Government so far (April 1982);

— Land measuring 15,421 sq. yds at Raoli-Hill, Wadala (Bombay), 42,500 sq. feet relating to a salt work known as 'Jahangir Mahal Salt Work', closed down in 1962, 47 acres relating to salt work "Juna Bunder Wadi" and several other salt lands in Maharashtra were under un-authorised occupation, but the unauthorised occupants of these lands had not been evicted so far (April 1982), and

— The salt manufacturers had been violating the licensing conditions repeatedly, but no action had been taken to cancel their licences, and in cases where licences had expired, manufacturers continued to manufacture salt without getting their licences renewed.

MINISTRY OF INFORMATION AND BROADCASTING

37. **Employment News.**—To provide information to the educated unemployed in respect of vacancies notified by Government, Union Public Service Commission, Central Employment Exchange, public sector enterprises, etc., Government decided (October-November 1975) to publish a priced weekly titled "Rozgar Samachar"/"Employment News" simultatneously in Hindi and English through the Directorate of Advertising and Visual Publicity (DAVP). It was first brought out in March 1976. Printing was awarded to a private printer. Editions in five regional languages were introduced by November 1976.

Avoidable excess expenditure on printing.—Open tenders for the printing work(in 13 languages—7 languages already in use and 6 more likely to be introduced) for 1977-78 were called by the DAVP in Apirl 1977. The rates quoted by the same printer for printing the Journal in seven languages including Hindi and English were the lowest per thousand copies of 24 pages each. Although the rates offered by the printer were accepted in June, 1977, the letter of intent was issued on 22nd October 1977. However, the printer continued to be paid till October 1977 at the earlier higher rates applicable from January 1977. The agreement was signed with the printer in May 1978 but the new rates were made effective from 5th November 1977. Adoption of the new rates in the agreement from 5th November 1977 instead of the date of acceptance of the tenders (June 1977), resulted in extra expenditure of Rs. 3.75 lakhs on printing charges for Hindi and English copies of the journal issued from 25th June 1977 to 29th October 1977.

The Ministry stated (February 1979) that though the rates offered by the printer were accepted in June 1977, the terms of the agreement had to be decided especially in relation to the consumption/wastage of newsprint about which no provision had been made in the first year's contract.

News print supply.—Newsprint on which "Employment News" was printed was supplied by the DAVP to the printer free of cost. The inter-ministerial Steering Committee set up to go into all aspects of the publications had decided on 22nd March 1976 that the press would be allowed normal wastage of newsprint in printing subject to the maximum limit of 6 *per cent* and that the DAVP would replace the actual wastage and credit to the account of "Employment News" the income from the disposal of the waste. However, the agreement for printing work executed on 27th March 1976 which remained operative till October 1977 contained no provision for dealing with the element of wastage of newsprint and return of cut waste. Till November, 1976, the printer's paper account, on the basis of actual wastage as claimed, was not disputed and printing bills were regularly paid. In November 1976, the DAVP imformed the printer of its intention to allow wastage according to a formula approved by the Registrar of Newspapers of India which allowed a total wastage of 8 *per cent*, a quarter of which was to be returned by the printer as cut waste. Thereafter, the DAVP deducted from bills for printing charges, a percentage for future adjustment against the excess consumption of newsprint by the printer. The printer agreed (January 1978) to application of the revised rates of wastage in the contract for 1977-78 and also to the past period. The printer, however, went back on his eariier acceptance of liability for the excess newsprint of 49.410 tonnes (value:Rs. 1.56 lakhs) consumed for the period 3rd April 1976 to 9th November 1976 as it was not a part of the contract and they had been informed about the cut waste percentage admissible only on 10th November 1976. The Ministry of Law opined (September 1981) that the stand of the printer was valid. Failure to include a clause regarding cut waste by DAVP in the agreement signed with the printer in March 1976 resulted in foregoing of recovery of Rs. 1.56 lakhs from the printer. If the matter had been taken up with the printer promptly, instead of delaying by seven months, the amount of loss would have been less.

MINISTRY OF STEEL AND MINES

(Department of Mines)

38. Geological Survey of India

1. *Introductory*:—The Geological Survey of India (GSI), established in 1851, is a large multi-disciplinary scientific organisation for carrying out geological, geophysical and geochemical mapping, mineral investigations, geotechnical and environmental investigations in the country. It has its headquarters at Calcutta and discharges its functions through nine Regional Offices, including Coal Wing, Off-shore Mineral Exploration and Marine Geology Wing and the Air-borne Mineral Survey Exploration (AMSE) Wing, located at various places in the country. Category-wise staff employed during 1975-76 to 1979-80 was as under:

Category	1975-76	1976-77	1977-78	1978-79	1979-80
Group 'A'	1019	1131	1331	1456	1517
Group 'B'	506	532	596	624	599
Group 'C'	5872	6182	6440	6973	7087
Group 'D'	2527	2612	2536	2673	3140
	9924	10457	10903	11726	12343

A large number of daily rated contingent staff was also employed on regular basis. Details of expenditure incurred from 1976-77 to 1980-81 was as under:

Year	Total expenditure including establishment	Expenditure on establishment	Percentage of col. 3 to 2
(1)	(2)	(3)	(4)
	(Rs. in crores)		
1976-77	25.84	15.24	59
1977-78	25.05	14.86	59
1978-79	26.29	16.18	62
1979-80	26.80	17.25	64
1980-81	31.81	19.06	60

2. *Drilling:*—Drilling operations conducted to explore and assess mineral deposits and for geological investigations constituted a major item of the GSI's work. The deployment of

drills, targets and achievements during the field seasons (October to September) of 1975-76 to 1979-80 was as under:

Year	Total No. of drill months deployed	No. of drill months on double shift	Quantum of drilling recommended (In lakh metres)	Drilling targets fixed (In lakh metres)	Drilling performence (In lakh metres)	Average output per drill per year (In metres)	Percentage of column 6 to 4/5
1	2	3	4	5	6	7	8
1975-76	2436	NA	1.84	1.20	0.95	467.70	52/79
1976-77	2580	NA	1.92	1.30	1.01	513.79	53/78
1977-78	2379	509	1.79	1.41	1.33	670.51	74/94
1978-79	2260	974	1.65	1.27	1.08	605.16	65/85
1979-80	1955	867	1.53	1.47	1.03	612.59	67/70

NA—Not available.

Overall drilling performance of the GSI during 1975-76 to 1979-80 ranged from 52 to 74 *per cent* of the quantum of recommended drilling and from 70 to 94 *per cent* of drilling targets laid down. Although the staff strength of the GSI increased from year to year, the drilling performance decreased during the last two years 1978-79 and 1979-80. The rate of drilling increased during 1977-78, but declined in 1978-79 and 1979-80. Deployment of drills during field seasons also decreased during 1977-78, 1978-79 and 1979-80. Most of the drills deployed were used on a single shift basis, despite the availability of staff for requisite double shift working.

It was observed that a large number of drills out of those available for drilling operations remained unutilised for various reasons including non-assignment of job, delay in site selection, frequent break-down, shifting, fishing, etc. During 1979-80 field season alone, 385 drill months were lost for the above reasons.

2.2 The drilling performance *per drill per year* of the various regions/wings of the GSI during the field seasons 1975-76 to 1979-80 was as under:

Name of the Region/Wing	1975-76	1976-77	1977-78	1978-79	1979-80
	Target/ Achievement	Target/ Achievement	Target/ Achievement	Target/ Achievement	Target/ Achievement
			(In metres)		
Northern Region	500/173	500/213	500/416	500/229	500/190
Central Region	600/453	600/377	750/614	750/663	800/502
Western Region	600/679	600/690	750/787	750/695	800/965
Southern Region	600/440	600/470	750/681	750/639	800/1085
Eastern Region	600/431	600/369	750/383	750/539	800/449
North Eastern Region	500/111	500/256	500/364	500/248	500/265
AMSE Wing	—	600/978	750/899	750/875	800/597
Coal Wing	650/665	700/721	750/945	750/704	1200/596

It would be seen that the performance as compared to the targets fixed was as low as 35 *per cent* (1975-76) in Northern Region, 63 *per cent* (1976-77) in Central Region, 73 *per cent* (1975-76) in Southern Region, 51 *per cent* (1977-78) in Eastern Region, 22 *per cent* (1975-76) in North Eastern Region, 75 *per cent* (1979-80) in AMSE Wing and 50 *per cent* (1979-80) in Coal Wing. It would also be seen that there was a sharp fall in performance in 1978-79 in the Northern Region, in 1979-80 in the Central, Eastern and North Eastern Regions, and deterioration in the performance of AMSE and Coal Wings in 1979-80.

2.3 The results of test-check in audit of the drilling divisions of a few regions of the GSI are as under :

Central Region: The progress of the drilling in this region was found generally very slow; there had been either no drilling or negligible drilling by some units during some months; expenditure of Rs. 40.30 lakhs had been incurred on such drilling units. Instances of non-drilling/negligible drilling for continuous periods ranged from 5 months to 24 months. There was no drilling operation during 1/3rd of the total period of operation from October 1977 to May 1980; in 4 out of 26 units, it ranged from 1/2 to 3/4 period of operation.

The 19th and 20th drilling review meeting held in April 1980 to review the drilling progress for January and February 1980 revealed that there were no proper supervision by the supervisory staff, proper check on the field staff and guidance to them and that in spite of having adequate provision for running two shifts, most of the machines were run either on single shift basis or on double shift basis for part of the month.

Southern Region: 15 units had utilised more time than that required as per the targets fixed and the excess time so availed of by these units ranged from 21 to 71 *per cent* during the period December 1974 to November 1979. 11 units were losing time mostly for non-technical reasons *e.g.* avoidable delay in shifting of camps from one drilling site to another, delay in repairs of drilling rigs, retention of camp at Byrapur despite telegraphic orders to shift the same to Hatti, non-availability of contingent advance amounts, etc. The extra expenditure incurred by these units on idle staff was about Rs. 6.40 lakhs during June 1976 to March 1981. The staff employed in 12 units was in excess of the requirements as compared to the norms fixed. Some of the technical staff meant for working in the units was retained in the head quarters. There were also wide variations in the engagement of the contingent staff from year to year (1979 to 1981) and unit to unit.

The Department of Mines stated (November 1982) that more than 20 *per cent* of GSI fleet was overaged, there was reduction in the operational fleet and that drilling depended on a large number of variable factors like strata conditions, terrain, climatic conditions, etc.

3. *Map printing Press*: To meet the map printing requirements of the GSI, a sophisticated high capacity 2 colour unit type offset printing machine and a cartographic type automatic universal dark room type camera of the highest precision were purchased from two Indian agents of two foreign firms against two separate acceptance of tenders (A/Ts) placed in January 1972 (camera) and May 1972 (printing machine) at a cost of Rs. 19.99 lakhs plus U.S. $7,856.75. Though originally meant for the headquarters office, Calcutta, these were supplied to the Southern Regional Office, Hyderabad. They were received in 1973 but the printing machine was installed in August 1974 and the camera in July 1975. The Indian agent of the firm reported (August 1974) that the delay in installation of the printing machine was due to non-availability of unskilled labour, lifting tackles and other necessary assistance to be provided by the department.

The maximum turn-over capacity of the printing machine is 10,000 double colour prints per hour. The number of the technical and other staff increased from 11 during 1975 to 30 during

1981 and the expenditure thereon increased from Rs. 1.84 lakhs during 1975-76 to Rs. 6.02 lakhs during 1980-81. The total turn-over of the machine during this period was as under:

Year	No. of maps taken	No. of days worked during the year	No. of copies taken
1975-76	18	—	—
1976-77	72	—	—
1977-78	105	41	24,706
1978-79	103	79	32,608
1979-80	33	109	1,45,788
1980-81	34	136	1,22,650

In May 1975, the department had stated that the maximum printing capacity of the machine would be gradually utilised with the increase in work load to be handled by the press with the enhanced activity of the survey and envisaged that nearly 500 maps of 2000 to 5000 copies each would be printed in the following five years. This did not materialise.

In December 1977, the GSI review committee reported adversely upon the working of the press and recommended that the map printing organisation should be placed under a competent professional with both managerial and commercial expertise in the field so as to increase the out put of the press first within the present frame work by taking on additional business from others to cover the capacity of the press. This also did not materialise. The revenue on account of private jobs declined from Rs. 0.30 lakh during 1976-77 to Rs. 0.15 lakh during 1980-81 and that during 1978-79 to mere Rs. 0.06 lakh only.

The department stated (November 1982) that the delay in commissioning of the press was due to delayed recruitment and training of the operating staff and that a Manager had been recruited through the UPSC and a trained geologist put in-charge of the press. At present the machine was reported operating at about half its capacity after taking into account the hours of actual operation and time spent on maintenance and repairs.

4. *Investigation reports.*—As on 31st March 1981, 1166 reports relating to various investigations conducted upto 1979-80 by the circles/divisions etc. of the Central Region, Southern Region and the AMSE Wing were pending finalisation. Their year-wise analysis was as under:

No. of reports pending finalisation

Period	Central Region	Southern Region	AMSE Wing	Total
Upto 1973-74	26	33	4	63
1974-75	21	38	9	68
1975-76	32	54	19	105
1976-77	38	78	10	126
1977-78	62	84	23	169
1978-79	130	127	22	279
1979-80	171	143	42*	356
Total	480	557	129	1166

The Department of Mines stated (November 1982) that except the reports relating from 1978 to 1980 all other reports had been finalised and were in various stages of reprography.

5. *Construction of building.*—Government accepted (January 1965) a proposal of the G.S.I. for acquisition of land for the construction of its own building for special requirements like office, residential, laboratories, workshop, etc. at Calcutta. The GSI proposed to Government (December 1965) for the construction of a multi-storeyed laboratory building on their own land [area: 32430 square feet (sq. ft.)] after demolition of the existing two-storeyed building standing thereon (plinth area: 4790 sq. ft.) which had outlived its life and was beyond economical additions/alterations being in bad shape. The proposed building was to have a floor space of 1.50 lakh sq. ft. at an estimated cost of Rs. 72 lakhs. Government after more than 2 years called for the

*Includes 7 consolidated reports on the work of previous years.

estimates (March 1968) for the work including dismantling the old structure, together with financial implications for the construction of the proposed building. The Central Public Works Department (CPWD)'s estimate involving an outlay of Rs. 1.80 crores for the construction of the multi-storeyed building with 16 storeys (2,18,757 sq. ft.) was communicated to Government in June 1969. The estimate was revised by the CPWD in April 1970 to Rs. 1.92 crores. However, Government sanction of Rs. 0.12 lakh for conducting soil investigation was issued only in April, 1978. The estimate for the building was again revised by the CPWD in May 1979 to Rs. 2.24 crores with provision of only 9 storeys with total plinth area of 9024 square metres (sq. m.) (97136 sq. ft.) Administrative approval and expenditure sanction for Rs. 2.07 crores was issued for construction of the multi-storeyed building by the Government in July 1979 i.e., after the lapse of over 13 years from the date of submission of the proposal. The work was expected to be completed by June 1985. The delay in construction of the multi-storeyed building resulted in huge increase in the cost of building as against the estimated cost of Rs. 1.92 crores in 1970, apart from continued payment of rent of private buildings amounting to Rs. 1.02 crores from April 1971 to March 1982 (on the basis of area of 97,136 sq. ft. available in the building under construction).

The department stated (November 1982) that the delay was beyond the control of GSI and that the building, if constructed earlier, would have eased the congestion as there was shortage of 2.6 lakh sq. ft. of accommodation in Calcutta office in 1975, but it would not have been possible to release the hired accommodation.

6. *Outstanding recoveries for services rendered*

6.1 The GSI conducts detailed geological investigations, geophysical investigations, core drilling operations, surveying, etc. on behalf of Central Government Departments, State Governments, autonomous bodies, Corporations, and private parties and recovers cost on the basis of approved schedule of charges.

Mention was made in paragraph 53 of the Audit Report (Civil) 1964, paragraph 59 of the Audit Report (Civil) 1968 and paragraph 8 of the Advance Audit Report (Civil) 1976-77 of the delays in the recovery of the cost of work done by the GSI on behalf of other agencies.

The Public Accounts Committee (1964-65) in its Thirty-Ninth Report (Third Lok Sabha) had observed that such delays in realisation of Government dues amounted to unauthorised financial assistance to the parties concerned. The Committee had suggested that no survey work should be undertaken on behalf of private parties or Government Corporations without receiving adequate deposit and that no report or result of survey should be made available to the party concerned without recovering from it the full dues. The Public Accounts Committee (1968-69) in its Fifty Fourth Report (Fourth Lok Sabha) suggested that Government might recover a suitable proportion of the charges in advance and levy penal interest on overdues and execute agreements mentioning the terms and conditions of the services to be rendered by the GSI so as to avoid any subsequent controversy. The GSI issued instructions in April 1968 that agreements with the parties concerned should be executed before undertaking jobs on their behalf. It was further directed in October 1969 that if an agreement could not be executed due to unforeseen circumstances, at least a written commitment from the party concerned to re-imburse the charges in toto should invariably be obtained before taking up the work. The Department of Mines stressed (March 1970) that before taking up a job, part payment should be recovered in advance and provision made in the agreement for recovery of penal interest at $6\frac{1}{4}$ *per cent per annum* if the party failed to settle the claim in full within 30 days of the receipt of the bill, till the amount was finally paid. Provision was also made for arbitration in the event of any dispute.

6.2 A test-check conducted by Audit in the Central Regional Office of the GSI, Nagpur revealed that despite the above instructions, the outstanding dues had accumulated to Rs. 116.48 lakhs (31st March 1981):

(i) Details are given below:

Year	Yearwise break-up Amount (In lakhs of rupees)
1962-63 to 1972-73	59.90
1975-76	0.03
1976-77	1.92
1977-78	0.19
1978-79	52.45
1979-80	0.54
1980-81	1.45
Total	116.48

(ii) Rupees 110.02 lakhs were due from autonomous bodies and corporations and Rs. 6.46 lakhs from Governments (Rs. 5.33 lakhs from State Governments and Rs. 1.13 lakhs from departments/Government of India).

(iii) Instances of certain heavy outstandings are given below:

Sl. No.	Name of the Corporation etc.	Period during which work was done	Amount of recovery outstanding (In lakhs of rupees)	Reasons/present state, etc.
1	2	3	4	5
1.	National Mineral Development Corporation Ltd., Hyderabad	December 1960 to June 1962	11.58	The department stated (November 1982) that investigation decision in respect of Bailadila deposit No. 10, 11-C and 11-A had not yet been taken.
2.	-do-	November 1963 to June 1964	6.04	

1	2	3	4	5
	3. National Mineral Development Corporation Ltd., Hyderabad.	November 1965 to June 1968	7.23	-do-
	4. Hindustan Steel Ltd. (HSL) Ranchi	December 1964 to March 1967	32.78	According to the department bill for Rs. 16.62 lakhs had been settled for Rs. 14.13 lakhs.
	5. Manganese Ore India Ltd., (MOIL) Nagpur	Fabruary 1977 to August 1978	52.11	Bill for Rs. 52.11 lakhs had been returned unpaid by the party with the remark that it had not assigned any work to the GSI for such exploration for which the bill was sent to it. The party was also taking up the matter with the Ministry for treating the work done by GSI as on promotion basis without attracting any liability for making payment.

The department stated (November 1982) that out of Rs. 6.74 lakhs (Rs. 116.48 lakhs minus Rs. 109.74 lakhs), a sum of Rs. 2.28 lakhs had been recovered.

6.3 The instructions regarding execution of prescribed agreements by the GSI with the parties concerned before commencement of investigation work were not followed. The GSI was, thus, not in a position to recover in time the cost of work done and the interest on delayed payments. Test-check made by Audit in respect of Central Region, Nagpur and Southern Region, Hyderabad alone disclosed the loss of interest of Rs. 5.33 lakhs.

6.4 Delay in billing was also observed; a few instances of abnormal delay in billing are shown below:

Sl. No.	Name of party	Period of work	Amount of bill (Rs. in lakhs)	Time of decision taken for raising the bill	Date of bill	Extent of delay in billing	
						With reference to period of work done	With reference to decision taken for raising the bill
1.	National Mineral Development Corporation Ltd., Hyderabad	April 1962 to March 1963	7.97	December 1973	3-1-1977	13 years	3 years
2.	-do-	December 1960 to June 1962	11.58	-do-	3-1-1977	14 years	3 years
3.	-do-	November 1965 to June 1968.	7.23	-do-	3-1-1977	8 years	3 years
4.	-do-	November 1963 to June 1964	6.04	-do-	3-1-1977	12 years	3 years
5.	Bharat Aluminium Company Ltd.	November 1968 to April 1969	3.19	July 1970	3-3-1976	7 years	6 years
6.	Hindustan Steel Ltd., Ranchi	December 1964 to March 1967	32.78	June 1972	19/21-10-75	8 years	3 years

The department stated (November 1982) that some delay in preferring the claims was caused by the time taken to collect necessary data from various sources and cross-check them and due to dislocation of record and work consequent on separation and shifting of the exploration wing of the Indian Bureau of Mines from Nagpur to Calcutta.

6.5 The work on Bailadila Iron Ore investigation (Deposit No. 11-B) on behalf of National Mineral Development Corporation (NMDC) was completed by the Central Region in March 1967 but the bill for recovery of charges had not been preferred (May 1981) in spite of the fact that pending submission of the final report on the investigation, the results of the exploration work duly completed and interpreted were handed over to the NMDC in September 1979.

Due to non-finalisation of the reports in respect of work undertaken by the Engineering Geology Division and consequential non-billing, large amounts of revenue due to Government remained to be recovered from the private parties. A test-check of two regions of the GSI revealed that as on 31st March 1981, 381 reports were pending approval/billing of the claim; the yearwise break-up is as under:

Year	No. of reports pending		
	Southern Region	Central Region	Total
1972-73	7	—	7
1973-74	9	—	9
1974-75	22	—	22
1975-76	26	—	26
1976-77	34	—	34
1977-78	30	8	38
1978-79	34	61	95
1979-80	53	97	150
Total	215	166	381

7. *Workshops.*—The GSI have many work-shops mainly for the maintenance and repair works of departmental vehicles and drilling equipment. The records of Central Regional workshop at Nagpur were test checked in audit.

The number of employees deployed in the work-shop in 1977, 1978, 1979 and 1980 was 124, 133, 129 and 134 respectively whereas the number of jobs executed was 443, 416, 380 and 374 respectively. Although the number of employees increased from 124 in 1977 to 134 in 1980, there was decline in the number of jobs from 443 in 1977 to 374 in 1980. The progress report of the work-shop for March 1978 revealed that there were certain categories of trade in which staff was surplus and could not be provided with proper jobs.

8. *Stores*:

8.1 Large quantities of stores remaining unutilised for long periods (in some cases over ten years) resulting in blocking up of capital to the extent of Rs. 79.72 lakhs and avoidable expenditure on storage, as noticed in audit, are given below:

Name of depot	Over 3 years	Over 5 years	Over 10 years	Total
	(In lakhs of rupees)			
Motor Vehicles stores depot at Calcutta	0.94	1.47	1.16	3.57
Drilling stores depot at Calcutta	15.10	40.95	10.33	66.38
Central regional office stores depot at Nagpur	2.15	1.98	2.15	6.28
Southern regional office stores depot at Hyderabad	—	1.37	2.12	3.49
Total	18.19	45.77	15.76	79.72

There was no proper planning on procurement of stores.

Some categories of stores (cost: Rs. 14.99 lakhs) were not issued at all since their procurement and had remained unutilised for over 3 to 20 years. In a number of cases, the organisation procured additional stores for the second time, even though the stock of such stores purchased earlier, had remained unutilised for periods ranging from 8 to 12 years. There were also several instances where the first issue of stores from the depot took place after a lapse of 5/6 years from the date of procurement. During December 1977 and January 1978, 800 imported steel tubes (drilling accessories) costing £ 9936 were transferred to stores depot, Nagpur from the Calcutta depot. These stores remained unutilised at the Nagpur depot and 700 of them were retransferred to the Calcutta depot during the period March 1979 to January 1980 as these needed threading which facility was not available at Nagpur.

The department stated (November 1982) that a committee had been constituted in June 1981 to evolve the system of inventory control including codification and valuation of stores and to examine these stores to find out their alternative use or to declare them as surplus.

8.2 (a) Physical verification of capital equipment lying in stores depot, Nagpur was not carried out since 1974. (b) Scrutiny of the ledgers relating to unserviceable diamond bits revealed that their balance was shown short by 1060 numbers of bits of different specifications valuing about Rs. 5.68 lakhs.

Details of drillings, unit price and diamond content in the bits were also not recorded in the receipt register/unserviceable diamond bit ledgers.

8.3 The following items of capital equipment were purchased and subsequently disposed of without being put to any use:

(a) An unused battery operated locomotive (with accessories), purchased for Rs. 0.94 lakh in June 1961, was disposed of in October 1970 for Rs. 0.26 lakh.

(b) An imported motor grader received in July 1965 for Rs. 1.62 lakhs (including cost of spare parts) could not be used by the department and was sold to the Government of Punjab in 1973. The bill was raised in January 1975 for Rs. 1.64 lakhs but the payment was still awaited (November 1982).

8.4 An electron microscope (cost : Rs. 7.86 lakhs) meant for the Calcutta office was diverted to Regional office, Hyderabad during September 1975. The GSI took nearly 2 years to get certain spares required for the equipment and another one year on receipt of the spares in July 1977, to acquire a site for the installation of the microscope. Though the site was acquired in April 1978, the actual installation process started in March 1979 and was completed in May 1979. The equipment had not worked satisfactorily since its installation in the Mineral Division. There were also no trained personnel in that division for the defraction work for which the equipment was procured.

8.5 The GSI entered into agreements in September 1973 and June 1974 with a foreign firm for supply of 6 drilling rigs complete with accessories at a cost of Rs. 33.75 lakhs against each agreement. The agreements also provided for supply of spare parts and accessories on payment of extra cost limited to 15 *per cent* of the value of all 12 sets *i.e.* for a total sum of Rs. 10.13 lakhs, besides, free supply of spares to the extent of 3 *per cent* of the cost of the equipment (value : Rs. 2.02 lakhs).

In May 1974, the agent of the supplier in India forwarded a list of spares for 2/3 years normal operation. However, the contract for the supply of spare parts for a total value of Rs. 10.13 lakhs against payment and Rs. 2.02 lakhs free supply was concluded in September 1979 i.e. after the lapse of more than 5 years on the basis of the revised lists submitted by the supplier in February 1979 which showed 148 to 266 *per cent* increase in prices as compared to the rates earlier offered by the firm in May 1974. Thus, due to delay in finalisation of the contract, nearly 1/3rd of the total quantum of spares could only be procured by the GSI with the contractual amount.

The department stated (November 1982) that the list of spares received originally was not complete for 2/3 years normal operations and the matter had to be taken up with the agents/principals and that quotations were finally received on 16th February 1979 by which time the prices ruling in 1971-72 had undergone increase.

8.6 An A/T was placed on a fiım by the Director General, Supplies and Disposals (DGSD) for the supply of drill collars, couplings and adopters of various sizes valued at Rs. 15.66 lakhs. The supplies were to commence from 30th April 1976 and completed by 31st October 1977 (extended upto 31st July 1981).

During April 1977 to June 1978, the Central Drilling Store of the GSI, Calcutta received 32 consignments of the stores worth Rs. 15.55 lakhs. The stores were neither checked and verified nor were these taken into stock on receipt.

In January 1978, the Ministry forwarded a complaint (pseudonymous) alleging supply of substandard stores against the A/T. The GSI, however, did not take prompt action to instruct the DGSD to arrange suspension of further supplies with the result that such stores (12 drill collars) worth Rs. 0.65 lakh were received by the consignee in June 1978.

These sub-standard stores lying unutilised since April 1977 were recommended for rejection in December 1978. Later on the DGSD arranged for a joint inspection in June 1979 the report as a result of which recommended rejection of the entire stores. The report was not accepted by the DGSD and a second inspection was carried out in March 1981 on the basis of which the firm was asked (May 1981) to carry out rectifications of the defective stores. Confirmation of the department that defective stores had been rectified by the firm was awaited (November 1982).

8.7 The DGSD placed an A/T on a firm in January 1976 for supply of 5,000 drill rods with couplings valued at Rs. 33.75

lakhs at Rs. 675 each to be consigned to different regions of the GSI, viz. Calcutta (3500 Nos.), Lucknow (500 Nos.), Nagpur (500 Nos.) and Jaipur (500 Nos.). The drill rods with couplings were supplied by the firm between March and November 1976. The Western region of the GSI at Jaipur reported in March 1978 about the unsatisfactory performance of 340 drill rods (subsequently revised to 300) due to various defects. The cost of these defective stores amounted to Rs. 2.03 lakhs.

The defective stores were not replaced by the firm as the defects were not reported within 45 days stipulated in the A/T but after a lapse of 2 years. The department stated (November 1982) that matter had been reported to the DGSD for further action.

Summing up.—The following are the main points that emerge:—

— On the basis of norms recommended for drilling, the overall drilling performance of the GSI during the field seasons 1975-76 to 1979-80 was between 52 and 74 *per cent*. The average output per year per drill declined from 670.51 metres in 1977-78 to 612.59 metres in 1979-80.

— The drilling performance of the various regions as compared to the targets fixed was as low as 35 *per cent* (1975-76) in Northern Region, 51 *per cent* (1977-78) in Eastern Region, 22 *per cent* (1975-76) in North Eastern Region and 50 *per cent* (1979-80) in the Coal Wing.

— A test-check of the costing statements in Central Region showed that the progress of the drilling was generally very negligible and expenditure amounting to Rs. 40.30 lakhs had been incurred on non-drilling/negligible drilling units.

— The map printing press including a camera purchased at a cost of Rs. 19.99 lakhs plus US $ 7856.75 was being operated at half of its capacity.

— As on 31st March 1981, 1166 reports relating to various investigations conducted upto March 1980 by three Regio nal Offices were pending finalisation.

— The delay in construction of multi-storeyed building at Calcutta had resulted in huge increase in the cost of the building and the continued payment of rent amounting to Rs. 1.02 crores from April 1971 to March 1982.

— A test-check of the Central Region, Nagpur, showed that the outstanding recoveries for the services rendered by this region had accumulated to Rs. 116.48 lakhs as on 31st March 1981. One party returned the bill for Rs. 52.11 lakhs with the remark that it had not assigned any work to the GSI for such exploration for which the bill was sent to it.

— Due to non-execution of prescribed agreements, the non-recovery of interest on delayed payments by the parties in respect of two regional offices amounted to Rs. 5.33 lakhs. There were also delays in billing ranging from 7 to 14 years after completion of the works.

— A test-check of Nagpur work shop showed that there was under-utilisation of the staff.

— Stores amounting to Rs. 79.72 lakhs remained unutilised for long periods in four stores depots.

— Stores ledgers revealed shortage of 1060 unserviceable diamond bits (valuing about Rs. 5.68 lakhs); details of drilling, unit price and diamond contents in the bits were also not recorded in the ledgers.

— A battery operated locomotive (with accessories) purchased for Rs. 0.94 lakh was not required by the department and had to be disposed of unused for Rs. 0.26 lakh.

— An electron microscope (cost: Rs. 7.86 lakhs) received in the Mineral Division of Southern Region during September 1975 was installed in May 1979, but it was not working since its installation; there were also no trained personnel knowing the defraction work in that Division.

— Due to delay in finalisation of the contract, only 1/3rd of spare parts required for drilling rigs could be procured by the GSI with the contractual amount.

— Sub-standard/damaged stores worth Rs. 17.58 lakhs (Rs. 15.55 lakhs plus Rs. 2.03 lakhs) were received from two firms against the As/T placed by the DGSD. No timely action in rejecting the stores/lodging the claim, was taken by the department.

39. *Losses and irrecoverable dues written off/waived and ex gratia payments made*

A statement showing losses and irrecoverable revenue, duties, advances, etc. written off/waived and *ex gratia* payments made during 1981-82 is given in Appendix VII to this Report.

CHAPTER IV

WORKS EXPENDITURE

MINISTRY OF CIVIL AVIATION AND CIVIL SUPPLIES

40. **Avoidable expenditure in acquisition and leasing of aircraft and their subsequent under-utilisation.**—According to international standards, flight inspection of international airports is required to be conducted at least once in four months and in respect of other airports once a year. The Director General, Civil Aviation (DGCA), New Delhi had been maintaining and operating two DC-3(Dakota) aircraft (one from October 1950 and the other from April 1952) for carrying out periodic calibration of radio and navigational aids installed at various airports in the country and also for imparting radar training to Air Traffic Control Officers (ATCO). One aircraft was engaged on calibrating equipment like visual approach slope indicators (VASI) and radar training to the ATCO at Bombay. The other aircraft crashed on the 19th May 1978 near Delhi. Mention was made in paragraph 35 of the Report of the Comptroller and Auditor General of India for the year 1977-78: Union Government (Civil) that during 1976 and 1977 the calibration flight programme by the department could not cover 72 and 78 airports in respective years out of 89 airports in the country.

The Ministry of Tourism and Civil Aviation submitted a proposal in June 1973 to the Ministry of Finance to obtain approval of the Public Investment Board for procurement of two HS 748 aircraft and associated avionic equipment to augment the periodic calibration/flight inspection facilities for radio, radar and navigational aids installed at the various airports.

The Ministry of Tourism and Civil Aviation conveyed (30th March 1977) administrative approval and expenditure sanction to the purchase at an estimated cost of Rs. 456 lakhs including foreign exchange content of Rs. 92 lakhs. On the same day, the DGCA placed an order on firm 'A' for the supply of 2 aircrafts which were built in November 1972 and February 1973 for the Indian Airlines Corporation (IAC) and held in storage since then. The department felt that the various components of the aircraft might have already completed 80 *per cent* of their lives and require complete overhauling before they could be issued with certificate of air-worthiness. However the possession of aircraft was taken and they were handed back to firm 'A' for obtaining certificate of air-worthiness within 6 months for the first aircraft and 8 weeks thereafter for the second aircraft. An on-account payment of Rs. 290 lakhs was also made (31st March 1977) to firm 'A'. The first aircraft (VT-EFQ) was taken back on 25th February 1978, i.e. 5 months after the contracted delivery date and the second aircraft (VT-EFR) on 29th September 1978 i.e. 10 months thereafter. The delay in delivery of the aircraft by the firm resulted in availing of undue benefit of Rs. 16.07 lakhs in the form of interest on advance obtained by the firm. The Ministry stated (February 1982) that the various components fitted with the aircraft required overhaul and rejuvenation to make them airworthy and that there was some delay on the part of the firm.

One of the aircraft (VT-EFQ) could not be utilised by the department for calibration purposes due to non-availability of avionic equipment. The department leased it out to the IAC on the day of its taking over (25th February 1978) on a mutually agreed provisional hire charges of Rs. 870 per flying hour of operation based on depreciation and restoration charges of 2 engines and the air frame. Interest charges on the residual capital cost of the aircraft, which is normally reckoned for the hire charges, were excluded.

The departmeut did ot provide for recovery of interest charges on the capital cost of Rs. 157.56 lakhs invested in the purchase of aircraft in the memorandum of understanding with the IAC. When asked (March 1978) to pay the interest charges on the capital cost, the IAC refused on the grounds that there was no such provision in the memorandum of understanding between the IAC and the DGCA and that they had already accommodated the department to the extent of taking a high capital value of Rs. 170 lakhs instead of Rs. 157.56 lakhs. Thus, the failure to provide a clause for recovery of interest in the memorandum of understanding resulted in non-recovery of interest to the tune of Rs. 34.10 lakhs from the IAC for the lease period of 25th February 1978 to 5th September 1980 calculated at 9-1/2 *per cent per annum*. Even after taking into account the excess depreciation of Rs. 2.23 lakhs charged on the higher capital cost of Rs. 170 lakhs, the loss due to short recovery works out to Rs. 31.87 lakhs. The Ministry intimated (February 1982) that it had been decided to present a bill to the IAC for payment of interest charges.

The second aircraft was fitted with the available left over equipment and also some useable salvaged equipment from the ill-fated Dakota aircraft and was used by the DGCA for calibration purposes.

The total flying time needed by the calibration aircraft for checking the aids and equipment available with the DGCA was 3153 hours *per annum*. In addition, 200 hours for Indian Airforce and 600 hours *per annum* for neighbouring countries were also required. Against the total flying hours of 21083 required to be performed the total hours utilised for calibration purposes from January 1976 till April 1981 were only 2782.25 hours. The calibration efforts made were, thus, only 13 *per cent* of the required efforts, resulting in non-fulfilment of the requirement of standard flight in the country. During 1980 and 1981, calibration of aids and equipment was not done up to the required frequency at 77 airports. 16 airports, *e.g.* Baroda, Bhopal, Coimbatore, Gwalior, Port Blair, Rajkot, Tirupati, Kota, etc. were not at all covered.

The utilisation of the various aircraft ranged from 21 to 92 *per cent* as shown below :

Name of aircraft	Period	Expected yearly flying	Expected flying for the period	Actual flying done during the period	Percentage utilisation (Column 5 to 4)
1	2	3	4	5	6
		(In hours)			
VT-DEU	1-1-1976 to 19-5-1978	500	1191	1101	92
VT-CTV	1-1-1976 to 30-4-1981	500	2666	566	21
VT-EFQ	6-9-1980 to April 1981	700	451	162	36
VT-EFR	29-9-1978 to April 1981	700	1811	954	53

Summing up :

The case revealed the following points:—

- — delay in delivery of aircraft by firm 'A' resulted in an undue financial benefit of Rs. 16.07 lakhs to it in the form of interest on Rs. 290 lakhs advanced during March 1977;
- — failure to provide a clause for recovery of interest on the residual capital cost in the memorandum of understanding between the department and the IAC resulted in non-recovery of interest to the tune of Rs. 31.87 lakhs from the IAC in respect of aircraft (VT-EFQ) leased out to it;
- — calibration actually done by the aircrafts during January 1976 to April 1981 was only 13 *per cent* of the required calibration, resulting in non-fulfilment of the requirement of standard flight in the country; and
- — the aircrafts were under-utilised having been flown to the extent of 21 to 92 *per cent* to the expected annual flying.

41. **Non-enforcement of the terms of a contract.**—The Civil Aviation Department awarded a catering contract for Civil Aerodrome, Varanasi, to Contractor 'A' at a negotiated licence fee of Rs. 300 *per mensem* (p.m.) or 10 *per cent* of the gross sales (including inflight catering sales but excluding sales of cigarettes and tobacco on which 50 *per cent* profit was payable), whichever was higher, for 3 years commencing from 22nd July 1969. No action was taken by the department to ascertain the prevailing rate of licence fee before the expiry of the contract (21st July 1972); instead it was proposed (May 1972) to extend the contract at an enhanced licence fee of Rs. 1200 p.m. (based on average sale figures during 12 months) or 10 *per cent* of the gross sales, whichever was higher.

While the matter was under consideration, contractor 'B' offered (November 1972) a minimum licence fee of Rs. 2000 p.m. or 15 *per cent* of the gross sales, whichever was higher, Consequently, tenders were invited and the highest offer of contractor 'C' for Rs. 4221 p.m. as licence fee plus 50 *per cent* profit on sales of cigarettes and tobacco plus electricity and water charges and other local charges, if any, was accepted by the Ministry of Tourism and Civil Aviation (July 1973). Contractor 'C' took possession of the premises on 25th August 1973.

During the period from 22nd July 1972 to 24th August 1973, the premises remained occupied by Contractor 'A' from whom licence fee was recovered at Rs. 1200 p.m. or 10 *per cent* of the gross sales, whichever was higher.

Contractor 'C' was informed before taking possession that contractor 'D' was running a bar counter inside the premises of the aerodrome restaurant and he was to continue till a decision in the matter was received from the Court. Contractor 'C' took possession of the canteen premises on the conditions stipulated by the department in its letter dated 20th August 1973, but no agreement, as such, was executed by him. The Ministry stated (October 1981) that contractor 'C' did not execute the agreement on the plea that full possession of the restaurant premises had not been given to him due to occupation of a portion (bar counter) by contractor'D', but no action was taken to get the agreement executed as per the terms accepted by him. Contractor 'C' paid a security deposit of Rs. 12,663 and licence fee of Rs. 4,221 in advance (August 1973) and also licence fee for the months of September and October 1973, but defaulted in payment of licence fee from November 1973 onwards. He did not pay electric, water charges and electricity duty also from 25th August 1973. The contractor failed in his contractual obligations regarding payment of Government dues, display of tariff rates, as approved by the department, supply of menu cards to air passengers and issue of printed cash memoranda to the customers. While no action to evict contractor 'C' was taken by the department for these failures, contractor 'C', apprehending termination of his contract due to his failures, obtained an interim injunction from the Civil Court on 7th August 1974. The injunction was vacated on 27th July 1976 and the premises were vacated by him on 7th August 1976. A sum of Rs. 2.25 lakhs, on account of licence fee, electricity and water charges, etc. had become due from him in the meantime. Contractor 'C' went in for arbitration on the ground that free possession of the restaurant premises was not given to him and claimed 33 *pet cent* rebate in the monthly licence fee of Rs. 4,221. Arbitrators were appointed by the department in October 1976 and April 1979, but they could not act. Another arbitrator, who was appointed by the Director General, Civil Aviation, New Delhi in August 1979, gave an *ex parte* award in December 1979 for Rs. 1.68 lakhs in favour of the department as against their claim of Rs. 2.25 lakhs. Reduction in the department's claim was made by the arbitrator by allowing 33 *per cent* rebate in licence fee for the period from 1st January to 24th August 1974. The award was filed (March 1980) in the court of law to make it a rule of the court. Contractor 'C' filed (April 1982) a petition against the award in the court. The department also filed (July 1982) an objection to the writ petition filed by contractor 'C'. The case stood adjourned for 6th November 1982. The award had not been made a rule of the court so far (August 1982) with the result that even the recovery of Rs. 1.68 lakhs, awarded by the arbitrator in December 1979, could not be enforced so far (August 1982).

The case revealed that :—

— timely action was not taken to evict contractor 'C' on his failure to fulfil his contractual obligations which resulted in accumulation of Government dues; and

— as against the claim of Rs. 2.25 lakhs, Rs. 1.68 lakhs were only awarded by the arbitrator and even the recovery of Rs. 1.68 lakhs could not be enforced so far (August 1982).

MINISTRY OF WORKS AND HOUSING AND DELHI ADMINISTRATION

42. **Avoidable extra expenditure due to non-acceptance of tender within the validity period.**—Delhi Administration (DA) accorded (October 1980) administrative approval and expenditure sanction for the work "Widening of Grand Trunk Karnal Road from Azadpur to Auchandi Marg junction from 4 to 6 lanes" for Rs. 50.05 lakhs, including departmental charges (DC). Five tenders for a part of this work (sub-head: earthwork and water bound macadam-estimated cost Rs. 12.31 lakhs) were received by an Executive Engineer (EE) Public Works Department (Delhi Administration) (PWD-DA) on 20th November 1980. The tenders were open for acceptance for a period of 60 days from the date of their opening, viz. upto 18th January 1981.

The tender of contractor 'A' for Rs. 12.06 lakhs (2.1 *per cent* below the estimated cost of work put to tender), after taking into account a rebate of 2 *per cent* was the lowest. This was, however, subject to the conditions that the offer was open for 15 days only and permits for diesel, as required for the work, should be procured by the department and given to the tenderer.

While the tenders were under consideration, contractor 'A' gave a letter dated 27th November 1980 demanding higher rates in respect of 5 items of work on the ground that there was a mistake in calculating rates in respect of these items. He also reduced the rebate of 2 *per cent* given in his tender to 0.5 *per cent.* As a result of modification of his tender, his tendered amount worked out to Rs. 13.13 lakhs. The contractor was asked to withdraw his letter dated 27th November 1980 during negotiations with the Superintending Engineer (SE) on 23rd December 1980, but he did not agree.

The second lowest tender for the work was of contractor 'B' for Rs. 13.46 lakhs, after taking into account 1 *per cent* rebate for making regular monthly payments and payment of final bill within a period of 180 days from the date of completion of the work, but excluding rate for item 1(b) of the tender *i. e.* "earth work in excavation over areas, banking excavated earth in layers not exceeding 20 cm in depth, etc. in hard/dense soil". This contractor had also given a condition that part rates in the running bills would be acceptable only up to the limit of 1 *per cent* which implied that the contractor wanted payment up to 99 *per cent* of the agreement rates in respect of items of work executed in part.

Negotiations were held with contractor' B' on 26th December 1980. He agreed to modify the conditions given by him earlier and offered an additional rebate of 2.7 *per cent*. He also agreed to execute item 1(b) of the schedule of quantities for the work at the rate admissible under the terms of the agreement. His tendered amount, as a result of modification of the earlier offer, worked out to Rs. 13.05 lakhs. The SE forwarded the tenders to the Chief Engineer (CE) on 1st January 1981, but it was returned to the SE by the Superintending Surveyor of Works (SSW) on 7th January 1981 on the ground that it was incomplete. The case was re-submitted by the SE on 9th January 1981 and it was received by the SSW on 12th January 1981 (10th and 11th January 1981 being closed days). The offer of contractor 'B' was recommended for acceptance by the SE who stated that lower rates were not expected on recall. The CE advised (22nd January 1981) the SE to get the validity of the tender of contractor 'B' extended at least upto 5th February 1981. The EE requested the contractor on 27th January 1981 to extend the validity of his offer upto 5th February 1981. Meanwhile, the contractor, vide his letter dated 24th January 1981 (received by the EE on 27th January 1981) declined to take up the work after the expiry of the validity period due to steep rise in the prices of materials. The CE conditionally approved (29th January 1981) the acceptance of the negotiated tender of contractor 'B' subject to the validity being extended and the claim for monthly payment was amended and made subject to the value of work executed since previous bill being not less than Rs. 0.25 lakh.

Since Contractor 'B' had not agreed to extend the validity of his tender beyond 18th January 1981, tenders were reinvited (February 1981) after revising departmental issue rate of bitumen 80/100 from Rs. 2,400 per tonne (as stipulated for issue in the tenders invited earlier) to Rs. 2,750 per tonne. Five tenders were received on 11th March 1981 and the lowest tender of contractor 'A' was accepted (April 1981) at negotiated amount of Rs. 15.16 lakhs which was 23.12 *per cent* above the estimated cost of Rs. 12.31 lakhs put to tender.

As a result of not accepting the tender of contractor 'B' within the validity period, the department was put to avoidable extra expenditure of Rs. 1.92 lakhs, based on the estimated quantities of the work as provided in the tender. The work had not been completed so far (August 1982). No responsibility for the loss has been fixed by the department so far (September 1982). The Chief Engineer stated (September 1982) that there was no delay in dealing with the case in his office from Ist January 1981 to 29th January 1981. The SE/EE had taken 50 days in processing the tenders for submission to the CE despite knowing that the tenders' validity extended upto 60 days only. The delay in processing by the department resulted in avoidable extra expenditure of Rs. 1.92 lakhs.

43. **Delay in enforcing recovery.**—On the basis of allocation made by the Billet Re-rolling Committee (BRC), firm 'A' offered (............) to supply to a Central Public Works Department

(CPWD) Division at New Delhi 40 tonnes of steel (ex-works Lucknow) against advance payment of Rs. 0.87 lakh including Central Sales Tax (CST). The firm stipulated in its offer that as the railway booking position was very critical, the Executive Engineer (EE) might make necessary financial arrangements for payment and collect steel from its works through his authorised representative.

The EE sent a cheque for Rs. 0.87 lakh on 16th March 1974 to firm 'A' and requested it to send the steel by rail at Railways' risk, freight to pay. The terms and conditions in respect of sale of re-rollers' products, as approved by the BRC, provided that in case of despatch by rail, Railway Receipt (R/R) alongwith bills would be despatched by the re-roller to the purchaser or to the paying authority to be nominated by the purchaser and the bills must be paid in full within seven days of receipt. As the EE had desired despatch of steel by rail, the payment was required to be made on receipt of despatch documents and not in advance.

The firm informed EE on 30th March 1974 that steel might be lifted by road transport as the railway booking was restricted. The EE, however, asked the firm (April 1974 and June 1974) to send the steel by rail even if there was a little delay in sending it due to difficulty in getting the wagons, as transport by road was costlier. The Ministry stated (November 1981) that carrying of steel by road from Lucknow to Ghaziabad would have resulted in additional outlay of Rs. 1520 for 40 tonnes at Rs. 38 per tonne. According to the EE (April 1976), the proposal to cart the steel by road was not accepted by the Superintending Engineer particularly because the steel was not immediately required. The firm did not make the supply, but requested the EE (November 1974) to depute his representative for verification of weighment and loading of steel as it was not possible for it to obtain clear R/R from the railways and in case it was not possible for him to depute his representative, the steel would be despatched by weighing it at its weigh bridge and a remark to the effect that "sender's weight accepted" would be given in the R/R. The EE neither tried to arrange for booking of wagons, nor did he take delivery of steel and keep it with the CPWD Sub-division at Lucknow till shipment by rail or road to the destination. No efforts were made to obtain the steel till July 1975. The EE wrote to the firm in August 1975, September 1975 and March 1976 and the Joint Plant Committee (JPC) of the Government of India also wrote letters to the firm to expedite supply of steel, but there was no response from the firm.

A representative of the CPWD was deputed to Lucknow in June 1976. The firm informed the EE on 8th June 1976 that the prices of steel and rates of CST had already been revised upwards and requested him to confirm the revised rates so that the steel could be despatched. The EE reported (June 1976) the matter to the JPC for asking the firm to supply steel at the old rates as it had already received advance payment in full in March 1974. The CPWD also took up the matter with the Ministry of Steel and Mines in June 1976, but firm 'A' did not make the supply despite requests made by the JPC in July 1976, February 1977 and April 1977 and by the CPWD in June 1976, August 1976 and February 1977. The CPWD consulted its Senior Counsel who advised (July 1977) the department to file a suit against the defaulting firm for recovery of the amount with interest.

The department filed a suit (October 1981) in a Lucknow Court and the date of hearing was fixed for 5th August 1982. A sum of about Rs. 2.00 lakhs (including interest of Rs. 1.13 lakhs at 18 *per cent per annum* for the period April 1974 to Octob r 1981) was outstanding against the firm.

The CPWD has already spent Rs. 0.17 lakh as legal expenses. The CPWD referred (October 1981) this case to its vigilance unit for taking disciplinary action against the defaulting officer for pursuing the case regarding procurement of the material in a casual manner. Information about action taken by the vigilance unit was awaited (October 1982).

The case revealed that payment of advance without receiving despatch documents, failure to transport steel by road or in storing it with Assistant Engineer, Lucknow Sub-division till final transport to destination and pursuing of the case with the supplier in a routine manner had necessitated going to the court for the recovery of Rs. 0.87 lakh paid in advance along with accrued interest of Rs. 1.13 lakhs due from the firm, besides causing avoidable expenditure of Rs. 0.17 lakh incurred so far as legal expenses.

44. **Embezzlement of Government money.**—During audit of the accounts of a Central Public Works Department (CPWD) Division in March 1976, discrepancies amounting to Rs. 0.04 lakh were noticed in the subsidiary cash book for the month of March 1975. The Divisional Officer stated in May 1976 that check of the main cash book for the period from March 1974 to August 1975 by his Divisional Accountant had revealed that the cashier had mis-appropriated funds to the extent of Rs. 0.19 lakh, including Rs. 0.04 lakh already pointed out by Audit, from October 1974 to June 1975. During further check conducted in May/June 1976, the cash book for the period from April 1972 to April 1976 revealed a total misappropriation of Rs. 0.26 lakh spread over different months from September 1972 to September 1975. The department stated (June 1979) that the total amount embezzled worked out to Rs. 0.23 lakh instead of Rs. 0.26 lakh and that Rs. 0.01 lakh had been recovered from the cashier. A discrepancy of Rs. 0.03 lakh in cash book for August and September 1975 could not be reconciled by the department as the connected record was not released by the police.

The *modus operandi* was that:

- on the first of every month, self cheque was drawn without giving any reference to the establishment bills and the amount was drawn in excess of the amount actually required for disbursing salary of staff;
- when the amount was transferred from the main cash book to the subsidiary cash book, the entry was not attested by the Divisional Officer; and

— at the end of the month, the cashier was preparing one voucher for all the paid bills giving such details as bill no., gross amount, recoveries and net amount payable was not tallied with that shown in the subsidiary cash book, and the Divisional Officer did not tally the amounts of the pay bills shown in the main cash book with those shown in the subsidiary cash book. The monthly accounts were also compiled on the basis of inflated figures which were adjusted in the main cash book.

The Divisional Officer had not compared each entry of payment with the gross amount of the voucher as required under the codal provisions. This lapse on his part facilitated the embezzlement.

The case was reported (December 1976) to the local police, but no suit had been instituted, (August 1982), nor had disciplinary proceedings been initiated against the delinquent officers/officials. The discrepancies of Rs. 0.03 lakh in the cash book for August and September 1975 also remained to be reconciled (August 1982). The Ministry admitted (September 1982) that the misappropriation could have been avoided if the Divisional Accountant had also exercised day to day checks on the cash transactions, the Divisionsal Officer failed to enforce the codal requirement of the Divisional Accountant as financial assistant, internal checker and compiler of accounts and that due to non-observance of rules and non-exercise of prescribed checks, the embezzlement was facilitated.

45. **Irregular Expenditure on Residential Telephone.**—The Directorate of Estates (Directorate), New Delhi paid telephone charges (Rs. 0.70 lakh) for the period September 1977 to November 1979 and February 1980 to May 1980 in respect of the residential telephone of an officer. The amount of excess call charges paid over and above the prescribed limit of 1500 calls per quarter upto 30th September 1979 and 1000 calls per quarter thereafter (excluding free calls allowed by the P & T Department) came to Rs. 0.65 lakh which was charged to office

expenses irregularly. According to the orders of the Ministry of Finance, issued in November 1968 the officer was required to maintain a register in the prescribed form for recording particulars of subscriber trunk dialling (STD) calls made from his residential telephone. The particulars of official STD calls duly certified by the officer were also required to be obtained by the Directorate from the officer regularly for calculating the amount recoverable from him. This was, however, not done and the telephone bills, in toto, continued to be paid by debit to office expenses. The Directorate stated (May 1980) that it had been decided to treat the excess calls as official because the officer had to deal with important work relating to various regional offices outside Delhi. It is interesting to note that the total amount paid by the Directorate for excess calls in respect of the residential telephone of the officer's successor for two quarters (June to September 1980 and December 1980 to March 1981) was only Rs. 328 and Rs. 308 respectively. The Directorate also stated (September 1980) that the officer had intimated that he was maintaining records of calls made in his personal diaries which had been misplaced subsequently. In the absense of proper and requisite certificates and particulars of calls made, the entire expenditure of Rs. 0.65 lakh was irregular. On this being brought to the notice of the Ministry of Works, Housing and Supply, it was stated that in the absence of a register giving particulars of official STD calls, they found it difficult to be convinced that the calls were official. In other words, the Ministry accepted the point raised by Audit that the expenditure was not regular. The Ministry further added that it had been decided to recover 15 *per cent* of the total amount of Rs. 0.65 lakh from the officer.

The basis on which such a small percentage of the amount has been decided to be recovered and whether even this has actually been recovered, has been enquired from the Ministry and their reply was awaited (September 1982).

46. **Loss of Government stores.**—The Executive Engineer (EE) of a Central Public Works Department (CPWD) Division reported (December 1979) to the Superintending Engineer (SE)

that he suspected shortage of stock materials in one of his sub-divisions. The sub-division concerned was not submitting monthly stock accounts regularly to the Divisional office from October 1979 onwards. A physical verification of stores was conducted by the Assistant Surveyor of Works, CPWD, during January 1980, when 0.226 tonne of steel was found short. The SE called for the explanation of the Assistant Engineer (AE) concerned on 9th February 1980 to which no reply was given by him.

The EE visited the site on 13th February 1980 and insisted on physical verification of cement and steel. The AE confessed that there were shortages of materials. He, however, gave a written statement (13th February 1980) that he would make good the shortages by 23rd February 1980. In the meantime, the Central Bureau of Investigation (CBI) raided the sub-divisional store on 20th February 1980 and seized the records (bin cards, indents, stock accounts) on 23rd February 1980. The scrutiny of the indents, confiscated by the CBI, by the EE showed that 361 tonnes of cement (value : Rs. 1.88 lakhs) and 116.939 tonnes of steel (value : Rs. 4.67 lakhs) had been drawn under the signatures of the EE. The EE, however, contended that his signatures on the indents were forged. A quantity of 0.72 tonne of tor steel, which was received (August 1979) from All India Radio Division, had also not been accounted for in the books. The cost of steel was charged to the suspense head 'Miscellaneous Works Advances' pending recovery/write off. A case for the shortage of another 153 tonnes of imported cement (cost : Rs. 0.80 lakh) which was supplied by the Andhra Pradesh State Trading Corporation, Vizag and had not been accounted for, was also under investigation by the CBI. Though required under the general financial rules, no report of the loss was made to Audit. A departmental enquiry to investigate the circumstances leading to the loss had also not been conducted (April 1982). The delay in taking action in this regard had helped to keep the fraud hidden and led to loss of time in taking suitable action.

The case was referred to the department in February 1981. The department stated (October 1981) that the facts brought out were generally in order except that the amount of Rs. 6.55 lakhs was based on the assessment of the EE and that the full loss would be known only after the investigation was completed by the CBI. The department added (October 1981) that the misappropriation of stores could have been avoided if physical verification of stores was done by the AE meticulously, surprise check on one or more items of stores was conducted by the EE, and the balances as per bin cards verified periodically with those shown in the priced stores ledger.

The Ministry, while accepting the facts, stated (November 1982) that the quantum of loss to the extent of Rs. 6.55 lakhs might not be the final figure and the full picture of the loss/misappropriation might emerge on completion of the C.B.I. investigation. The sanction for prosecution of the concerned Junior Engineer, under competent court of jurisdiction, was reported to have been conveyed to the Superintendent of Police, Special Police Establishment, C.B.I., Visakhapatnam and Delhi.

47. **Unauthorised occupation of Government land by a private party.**—The Government of India (Government), under the Kutch merger agreement of 1948, entered into with the ruler of the erstwhile State of Kutch, became the successor to and legal owner of a plot of land measuring 6868 square yards (sq. yds.) situated at Juhu, Bombay. The property was jointly owned in equal shares by party 'A' and Government upto 16th April 1953. The interest of party 'A' was bought over by party 'B' on 17th April 1953. The land was undivided and undemarcated and no action was taken by Government for its demarcation.

The erstwhile Government of Bombay informed (June 1953) Government that party 'B' had offered to buy Government's interest in the property for Rs. 0.28 lakh on certain conditions.

Government agreed to this proposal and asked the Government of Bombay (August 1953) to finalise the matter in consultation with the former's solicitor at Bombay, but nothing concrete was achieved till June 1963 when the solicitor sent a draft agreement of the said proposal to the Ministry of Home Affairs. Government did not pursue the matter and the property appreciated in value in the meantime. Government did not take effective possession of the land during the period when party 'A' was the co-sharer and also thereafter when party 'B' became the co-sharer in 1953. Party 'B' offered (March 1976) to hand over the northern half portion of land to Government. Government, however, did not accept the proposal. Party 'B' took possession of the southern portion which was locationally better This would not have happened had the land been demarcated as soon as Government became co-sharer and equal partner in 1948. Even effective possession of northern portion, which was locationally inferior, was not taken over by Government and party 'B' unauthorisedly leased it out to a hotel for car parking from April 1963 and started realising rent for it. It had also constructed a temporary hut in the middle of the undivided plot which fell in the northern portion.

Party 'B' submitted (February 1978) a compromise formula in respect of this land, but the same was not accepted by Government. The Ministry of Works and Housing finally decided that 3,434 sq. yds. of land on the northern portion should be retained by Government and the licence for car parking should be terminated. Further, party 'B' should pay to Government the rent which it had been realising from the hotel. The decision of Government was based on the consideration that if they insisted on getting the southern portion, which was locationally better, they would get involved in protracted litigation. In pursuance of this decision, party 'B' asked (April 1979) the proprietors of the hotel to vacate the northern portion of the land. Party 'B' paid Rs. 0.17 lakh to Government and agreed to pay a balance of Rs. 0.30 lakh. According to the Central Public Works Department, party 'B' had realised a sum of Rs. 0.70 lakh from the proprietors of the hotel to the end of March 1979.

The Ministry stated (November 1981) that the question of settlement of the above property was under consideration and that the various possibilities were being examined as normal litigation with the party would not bring quick results. The Ministry further stated (May 1982) that it was contemplating auctioning the land in question in case the Government of Maharashtra was not interested in it.

The Ministry of Works and Housing stated (October 1982) that the comments of the Ministry of Home Affairs might be obtained as they came into picture only in 1971-72 and were not aware of the circumstances under which the land in question was not demarcated.

The following are the points that emerge:—

— Although Government became the co-sharer and equal partner in the land measuring 6,868 sq. yds. in 1948, no action was taken either by the Ministry of Home Affairs or Ministry of Works and Housing who came into picture from1971-72 to demarcate it.

— Government did not take effective possession of the land during the period when party 'A' was the co-sharer and also thereafter when party 'B' became the co-sharer in 1953.

— Party 'B' took possession of the southern portion, which was locationally better. This would not have happened had the land been demarcated when Government became co-sharer and equal partner in 1948.

— The co-sharer unauthorisedly leased out northern portion to a hotel for car parking since 1963 and realised Rs. 0.70 lakh upto March 1979. The co-sharer also constructed a hut in the northern portion.

— The lease money realised by party 'B' for the northern portion had not been paid to Government in full. Only a part amount of Rs. 0.17 lakh had been deposited by party 'B', leaving a balance of Rs. 0.53 lakh unrecovered.

— Even after March 1979 the northern portion was not in possession of Government (October 1982) and continues to be in possession of the hotel.

CHAPTER V

STORES PURCHASES

MINISTRY OF SUPPLY AND REHABILITATION

(Department of Supply)

48. **Purchase of dimethyl phthalate (Insect repellent).**—In response to the lender enquiry (7th September 1978) for supply of 10 lakh bottles (60 ml. each) of dimethyl phthalate for use by Defence Organisation, 5 offers (ranging from Rs. 1.52 to 3.70 per bottle) were received and opened by the Director General, Supplies and Disposals (DGSD) on 28th September 1978. Subsequently, the DGSD received (30th September 1978) one late offer (Rs. 1.38 per bottle) from a registered firm 'E'. As the late offer was cheaper it was decided (October 1978) by DGSD to ask all the 6 tenderers (including the late one) to submit revised offers. Fresh offers received (2nd November 1978) from 4 firms were as under :—

Firm	Rate (per bottle)	Rate (per bottle) quoted in September 1978
		(In rupees)
'E'	1.50	1.38
'S'	1.53	1.53
'C'	1.68	1.68
'G'	3.25	3.70

The increase of 12 paise in case of firm 'E' was attributed by the firm to increase in the prices of the basic raw materials. The DGSD did not accept this plea, since firms 'S' and 'C' had requoted the same rates, and decided on 8th November 1978 to call the 3 firms for negotiations. In the meantime, firm 'E' withdrew its offer (17th November 1978) on the plea that its plant was extensively damaged due to unprecedented floods in West Bengal. Firms 'S' and 'C' came to negotiate on 18th November 1978 and expressed their inability to reduce the quoted rates because of the increase in the cost of packing materials. Firm 'S' did not also commit itself to the delivery schedule of 6 to 16 weeks, as given in the original offer, due to the difficulty in getting empty bottles for packing.

On 20th November 1978, firm 'S' informed the DGSD that for supply within 4 to 16 weeks the rate would be Rs. 1.65 whereas the original rate of Rs. 1.53 was to hold good for longer delivery period of 14 to 46 weeks. Since the indentor insisted (6th December 1978) on supply over the period February—April 1979, due to spread of Encephalitis in the country, the DGSD again asked firm 'S' (14th December 1978) if it could commence delivery from February 1979 and complete supply by May/June 1979 at Rs. 1.53 which it did not accept (16th December 1978). However, firm 'S' made a revised offer for delivery of the full quantity between January 1979 and June 1979 at Rs. 1.62 per bottle.

Without ascertaining the validity of earlier offer of firm 'S' in the face of the revised offer (Rs. 1.62) received in December 1978, the DGSD, in consultation with the indentor decided (30th December 1978) to avail of the former offer at Rs. 1.53 and to persuade the firm, after placement of the contract, to ensure delivery of at least a major portion of the quantity before start of monsoon in 1979. The Department of Supply stated (May 1982) that the offer of December 1978 (Rs. 1.62 per bottle) was not considered a revision of the earlier offer (Rs. 1.53

per bottle) received in November 1978 since the latter was not categorically withdrawn by the firm.

The contract (value : Rs. 15.30 lakhs) was placed with firm 'S' on 2nd January 1979 requiring commencement of supply from 15th April 1979 or earlier to be completed by 30th November 1979. The contract also provided tolerance clause enabling DGSD to place order for additional quantity up to 25 *per cent* during the currency of the contract. Firm 'S' was requested (5th January 1979) to deliver at least 80 *per cent* of the quantity (8 lakh bottles) before July 1979. The firm did not acknowledge the A/T and on being reminded by the DGSD (9th March 1979) it asked (16th March 1979) for enhanced rate of Rs. 1.75 due to increase in the price of phthalic anhydride (main constituent) from Rs. 8,677 to 11,993 per tonne in December 1978/January 1979 and for deletion of the provision for additional coverage to the extent of 25 *per cent*. This was not agreed to by the DGSD (26th March 1979/9th April 1979), Firm 'S', however, did not react.

On 21st June 1979, the DGSD referred the matter to the Ministry of Law for ascertaining whether the contract with the price of Rs. 1.53 was a concluded contract and if further order upto 25 *per cent* quantity could be placed. However, in the note to the Ministry of Law no mention was made about firm 'S's revised offer of 16th December 1978 wherein it had *inter alia* asked for increased price of Rs. 1.62.

Ministry of Law advised (27th June 1979) that the contract was a concluded one since firm 'S' had not un-equivocally asked for price revision before placement of the contract. Further, the right to increase the quantity on order by 25 *per cent* could also be exercised as the firm had asked for modification of the contract in this regard after its despatch.

The DGSD raised (July 1979) the quantity on order to 12.50 lakh bottles (value : Rs. 19.13 lakhs) to cover in part another indent of February 1979 from the same indentor which was not accepted by firm 'S' (July 1979).

The stipulated delivery period expired on 30th November 1979 without any supply by firm 'S' and the contract was cancelled (28th December 1979) in consultation with the Ministry of Law (17th October/14th December 1979), at the firm's risk and cost.

Firm 'S' served a legal notice (4th January 1980) on the DGSD requiring withdrawal of the contract as it was not a concluded one being at variance with the final offer, sent by the firm on 16th December 1978, about the price and delivery. The firm's contention was upheld by the Ministry of Law (22nd March 1980/11th April, 21st April 1980) and the DGSD on 25th April 1980 withdrew the contract.

The re-purchase contract for the unsupplied quantity of 12.5 lakh bottles at Rs. 2.60 per bottle (value : Rs. 32.50 lakhs) was also placed with defaulter firm 'S' in May 1980, for supply by January 1981, at an extra cost of Rs. 13.91 lakhs including central sales tax. Besides, there was delay of about 18 months in procurement of the stores.

Due to the DGSD not appreciating the legal implications of the revised offer of Rs. 1.62 per bottle of firm 'S' received in December 1978 and not placing the contract accordingly, an avoidable and extra expenditure of Rs. 12.74 lakhs was incurred.

49. **Repurchase of sheep skin full chrome.**—To cover pending requirements against 3 indents received during 1965 to 1967 from the Director General of Ordnance Factory, Calcutta and General Manager, Ordnance equipment Factory, Kanpur for the procurement of 77,707 numbers of sheep skin full chrome tanned natural chrome colour, the Director General, Supplies and

Disposals (DGSD) placed 6 acceptances of tenders (A/Ts) in February/March 1974 on firms 'A' to 'F' as follows :—

S. No.	Name of the firm	Quantity (Nos.)	Rate per number	Stipulated dates of completion of supply
1.	'A'	10,007	Rs. 17.95	2500 by 15-4-1974 2500 by 15-5-1974 2500 by 15-6-1974 2507 by 15-7-1974
2.	'B'	37,500	Rs. 27.88	15000 ex-stock and balance after 45 days as under : 7000 by 30-4-1974 10700 by 31-5-1974 4800 by 30-6-1974
3.	'C'	3,200	Rs. 22.00	800 by 15-4-1974 800 by 15-5-1974 800 by 15-6-1974 800 by 15-7-1974
4.	'D'	5,000	Rs. 18.10	by 30-6-1974
5.	'E'	17,000	Rs. 20.31 Rs. 22.46 Rs. 26.70	for the first 5000 Nos. for the next 10000 Nos. for the last 2000 Nos. 6000 by 30-4-1974 6000 by 31-5-1974 5000 by 30-6-1974
6.	'F'	5,000	Rs. 17.00	To be completed within one month after approval of advance sample.

Firms 'A', 'C' and 'D'

Firms 'A', 'C' and 'D' could not complete the supplies inspite of repeated extensions, the last extension having been issued on 19th December 1974 (up to 15th January 1975), 29th September 1975 (up to 30th November 1975) and 7th November 1975 (up to 15th December 1975) respectively. The firms did not even acknowledge the extension letters, much less act upon them. The DGSD also failed to get the same acknowledged and did not pursue the matter.

After the expiry of extended delivery period, the contract on firm 'A' was cancelled (30th April 1975) for the un-supplied quantity of 9,788 Nos. at its risk and cost treating 15th January 1975 as the date of breach of contract, although the date of breach mentioned by the Ministry of Law was 15th September 1974. Similarly, the contract on firm 'C' was cancelled (11th August 1976) at its risk and cost for the un-supplied quantity of 1,900 Nos. treating 20th July 1975 as the date of breach of contract on the advice of the Ministry of Law (21st June 1976). Firm 'D' tendered 3,000 numbers of sheep skin on 28th October 1975, but 504.4 Nos. were accepted and the rest rejected. The case was not pursued further during the period from December 1975 to April 1977. On 5th May 1977, the Inspector requested the DGSD to cancel the A/T or extend the delivery period which had expired on 15th December 1975. The DGSD cancelled on 2nd July 1977 the contract on firm 'D' for balance quantity of 4,495.6 Nos. treating 15th December 1975 as the date of breach, as advised by the Ministry of Law (16th May 1977).

Firm 'B'.—Firm 'B' could not complete the supply within the stipulated delivery period of 30th June 1974 and the delivery period was extended several times, the last extension up to 31st May 1976 was granted on 13th April 1976. Since firm 'B' could supply only 2,237 Nos., the A/T was cancelled for the balance quantity (35,263 Nos.) at its risk and cost treating 31st May 1976 as the date of breach, as advised by the Ministry of Law (12th July 1976). As firm 'B' threatened to claim damages (3rd September 1976), the A/T was reinstated (20th September 1976) extending delivery period upto 10th November 1976. The delivery period was again extended (28th July 1977) up to 31st August 1977. Firm 'B' could supply only 11,049 Nos. in all up to 27th July 1977 and the contract for the balance quantity of 26,451 Nos. was cancelled (23rd September 1977) at the risk and cost of firm 'B' treating 5th June 1977 as the date of breach as advised by the Ministry of Law (19th September 1977).

The risk purchase was effected by placing orders (22nd December 1977) on firm 'G' for 20,000 Nos. of sheep skin

@ Rs. 42 each and on firm 'H' for 6,451 Nos. @ Rs. 43.70 each. The supplies were completed by firm 'H' but no supplies were made by firm 'G' although due date for completion was 10th June 1978. The contract was accordingly, cancelled at its risk and cost but no repurchase was made. A demand notice for Rs. 4,03,232 representing extra expenditure on repurchase was issued to firm 'B' on 21st June 1979 but the same was received back unserved as the whereabouts of the firm were not known. The Department stated (26th December 1981) that the proprietor of the firm could not be traced even with the help of police. The extra amount involved in repurchase could not, therefore, be recovered (January 1982).

Firm 'E'.—While placing the A/T, the size of the sheep skin was not indicated in the description of the stores by the DGSD. Indenting Officer in his telegram dated 28th June 1974 pointed out the omission and this clause was amended by the DGSD on 25th July 1974 as "large size" unilaterally without consulting firm 'E'. The firm, however, did not agree (19th August 1974) to this unilateral amendment and stated that only medium size skin would be offered by it. The firm 'E's plea was held correct by the Ministry of Law (11th September 1974). The delivery period was aextended (14th March 1975) up to 30th April 1975.

Meanwhile Firm 'E' had supplied 2,623 Nos. (large size). The balance quantity of 14,377 Nos. was cancelled without financial repercussion (3rd April 1976) although the stores were still required by the indentor. The cancelled quantity was repurchased at higher cost which could not be recovered from the defaulter firm due to unilateral amendment of the A/T.

Firm 'F'.—Firm 'F' tendered full quantity for inspection which was rejected by the inspector; it was allowed (16th November 1974) extension up to 20th December 1974, but the firm could not supply the stores by this date. The contract on firm 'F' was cancelled (10th July 1975) at the risk and the cost of the firm treating 10th September 1974 as the date of breach. By that time the stipulated period of six months for making valid risk purchase had already expired and recovery could not be effected from the defaulting firm.

The Department stated (December 1981) that in the meeting held (17th December 1975) with Officers of Ordnance Factory, Kanpur, it was mentioned that the stores were no longer required by them and as such repurchase action was stopped. It was on their subsequent references to the indentor that the existance of demand was confirmed by the indentor and thereafter repurchase action was initiated by which time, a lot of increase in price had taken place. However, from the minutes of meeting held on 17th December 1975 and indentor's letter dated 16th January 1976 it was observed that the indentor had made no mention of stores not being required and as such the statement of the Department was not correct.

Thus, in the above noted 6 A/Ts, out of 77,707 Nos. ordered, 62,011 Nos. were cancelled and repurchased at higher rates, out of which 42,011 Nos. were only supplied. The extra expenditure incurred amounted to Rs. 10.02 lakhs. This amount could not be recovered from the defaulting firms due to:—

- failure of the DGSD in not effecting the risk purchase within the period of 6 months;
- failure to enforce in time the terms of contract with regard to date of delivery and to make valid risk purchase;
- abnormal delay in even putting up and initiating the case regarding cancellation of A/T after expiry of date of delivery. For example, in case of firms 'D' and 'F' the files remained unattended for more than eighteen months and six months respectively and as such valid risk purchases could not be effected;
- non-mention of the size of sheep skin in the A/T on firm 'E'.

50. Extra expenditure on repurchase of cotton drill.

After inviting tenders for purchase of drill cotton white bleached required by certain departments, the Director General, Supplies and Disposals (DGSD) decided, in March 1979, to place orders on Mill 'A' for 2 lakh metres of 71 cms. width at the rate of Rs. 4.68 per metre, 6.25 lakh metres of 91 cms. width at Rs. 5.78 per metre and 6.25 lakh metres of 91 cms. width at Rs. 5.80 per metre, the rates being exclusive of duties. An advance telegraphic acceptance was sent to the Mill on 28th March 1979. In response to an enquiry from the DGSD regarding the duties intended to be claimed by them, Mill 'A' intimated (12th March 1979) that while the Bombay central Excise charged 100 *per cent* duties, the Central Excise authorities in other regions were charging 50 *per cent*; that the whole matter was under consideration of Government and that the Mill would accept 50 *per cent* duties, retaining their claim for full 100 *per cent* in the event of the Central Board of Taxes eventually deciding that 100 *per cent* duties were correctly chargeable. The DGSD, however, decided on 24th April 1979 that only 50 *per cent* duties would be allowed, without any attached conditions. Two formal A/Ts indicating the duties payable as 50 *per cent* were issued by the Director of Supplies (Textiles) Bombay (DSB) to Mill 'A' on 5th and 8th May 1979. Immediately thereafter, on 16/17th May 1979, Mill 'A' requested the DSB for amendment to be issued to the A.Ts. within 15 days to the effect that any variation in the amount of duties, legally leviable at the time of making the supplies would be paid extra. On 21st May 1979 Mill 'A' also informed the DGSD that the provisions relating to the Central Excise Duties in the two A.Ts. were not in accordance with their offer and as such, no concluded contracts had come into effect. As the DGSD did not amend the A.Ts. to bring them in conformity with Mill 'A's' offer, the Mill returned the A/Ts. in original on 31st May 1979. However, in the meantime, Mill 'A' had already offered some stores for inspection on 18th April 1979 and obtained these inspection notes dated 18th May, 1979 for 1.01 lakh metres of cloth of 91 cms. width. The DGSD referred the matter to the Ministry of Law on 25th June 1979 for advice whether a concluded contract had come into effect as a result of Mill 'A's conduct of making the supplies and whether the purchase orders could be cancelled at the risk and expense of Mill 'A'. The Ministry of Law opined (31st August 1979) that the A/Ts, being not in conformity with Mill 'A's offer, no concluded contract had come into effect and that the supply of 1.01 lakh metres of cloth would be deemed to have been made and accepted *de-hors* the contract and the Mill would be entitled to payment for the same on a *quantum-merit* basis. The Ministry of Law also advised the DGSD to send back the A/Ts. to Mill 'A' enclosing therewith an amendment letter showing the excise duties stipulation in accordance with the terms of the offer. This was not done. By a telegram dated 27th September 1979 the DGSD invited Mill 'A' for negotiations, but it declined (28th September 1979) to come up for any discussions.

Mill 'A' had supplied 1.01 lakh metres of 91 cms. cloth and for this quantity it had claimed and been allowed payment at Rs. 5.78 pe rmetre with 50 *per cent* duties only. As regards the balance requirement of 2 lakh metres of 71 cms. width and 11.49 lakh metres of 91 cms. width, the DGSD, after opening a limited tender enquiry on 29th December 1979 and holding negotiations with the tenderers on 14th March 1980, placed the order on Mill 'B' in April 1980 for 2 lakh metres of 71 cms. width at Rs. 5.05 per metre, 7.26 lakh metres of 91 cms. width at Rs. 6.05 per metre and 4.23 lakh metres of 91 cms. width at Rs. 6.20 per metre, with provision for payment of duties in full. The repurchase involved a total expenditure of Rs. 84.40 lakhs (inclusive of duties).

The matter regarding payment of duties was referred by the DSB to the Ministry of Law, who after considering the statutory notifications issued from time to time regarding the definition of Controlled drill on which 50 *per cent* concession in duties was available, advised in June 1980 and November 1980 that 50 *per* *cent* concession in duties was available upto 4th January 1980, after which they were chargeable in full. As the stipulated date of delivery in the orders placed on Mill 'A' was 31st March 1980, Mill 'A' would have had to pay 100 *per cent* duties to the Central Excise Department for supplies made on or after 5th January 1980. Even if 100 *per cent* duties were chargeable in respect of the entire order placed on Mill 'A', the total cost of the purchase from it would have been Rs. 79.50 lakhs (inclusive of duties) as against Rs. 84.40 lakhs actually paid on repurchase made from Mill 'B'. The Government was, therefore, put to an extra expenditure of Rs. 4.90 lakhs by not agreeing to the terms of Mill 'A' as per its offer and eventually making the repurchase of balance requirement from Mill 'B'.

Department of Supply stated (December 1981) that the position regarding Excise Duty was very confusing till issue of notification by the Textile Commissioner on 5th January 1980 and, therefore, 100 *per cent* duties could not have been allowed. The point, however, remains that Mill 'A' wanted an amendment to the effect that any variation in the amount of duties legally leviable at the time of making supplies would be extra which was not agreed to inspite of specific advice on 31st August 1979 by the Ministry of Law. Had this been done, the extra expenditure would have been avoided.

51. **Fraudulent payment.**—Against a contract purported to have been placed by the Director General Supplies and Disposals (DGSD) on 14th December 1971 firm 'N' was paid Rs. 7.46 lakhs over the period October 1972 to January 1973 through 4 cheques, drawn on the Reserve Bank of India, Kanpur by the Chief Pay and Accounts Officer (CP&AO) (now designated Chief Controller of Accounts (CCA), Department of Supply). The payment represented 95 *per cent* of the cost of 9.53 lakh nos. of 'out-fit water sterilising' tablets reported to have been despatched by firm 'N' against 7 different railway receipts during September 1972 (3 consignments) December 1972 (4 consignments) to the various Defence consignees. According

to the purported payment terms, balance 5 per cent price of the stores was payable on receipt of the consignments, which did not materialise. However, the CCA did not obtain the consignees' confirmation regarding receipt of stores as required in such cases.

In August 1977, the Director of Audit, Defence Services (DADS) informed the Director of Audit, Commerce Works and Miscellaneous (DACW&M) that 4 consignments (5.84 lakh units) despatched in September and December 1972, against which firm 'N' had obtained payment of Rs. 4.57 lakhs and debits passed on to the Controller of Defence Accounts, Patna in January, February and March 1973 were actually not received by the concerned consignees. The investigations conducted by the DACW&M (October 1977) revealed that the DGSD had not placed the particular contract on firm 'N' against which payments were made by the CP&AO for supply of 'outfit water sterilising' tablets. Besides, no copy of the contract was on record. When the matter was brought to the notice of the Department of Supply (October 1977), the Department decided (October 1977) to refer the case to the Central Bureau of Investigation (CBI). In July 1982, the Chief Controller of Accounts, Department of Supply informed that :—

(i) The contract purported to have been placed with firm 'N' did not exist.

(ii) Firm 'N' was non-existent one.

(iii) No amount had been recovered and there was no chance of recovery of Rs. 7.46 lakhs.

(iv) The CBI was to probe the matter further for fixing responsibility for the various acts of commission/omission leading to the fraudulent payment of Rs. 7.46 lakhs.

The payment of bills by CCA without verifying them with the authenticated copy of the Acceptance of tender available with him, contrary to procedure laid down for preventing fraudulent payments, facilitated the fraud.

The Department of Supply stated (November 1982) that the case had been investigated by C.B.I. and was under vigilance examination and that the question whether the procedure needs any streamlining to avoid such contingency in future was also being examined.

52. **Purchase of timber half wrougts.**—An indent was received by the Director General, Supplies & Disposals (DGSD) in May 1980 from General Manager, Rifle Factory, Ishapur for purchase of 3 items of timber half wroughts. The supplies were to be completed as follows :—

Item 1 (28400 Nos.) :	50% by August 1980 and balance by October 1980.
Item 2 (31800 Nos.) :	50% by September 1980 and balance by January 1981.
Item 3 (8400 Nos.) :	Full quantity by September 1980.

To cover this quantity limited tender enquiry was issued on 2-8-1980 and in response 3 offers were received and opened on 26-8-1980. After ignoring the two lowest offers of firm 'X' and firm 'Y', on the presumption that they would not be able to honour delivery within the stipulated delivery period due to Assam agitation, order was placed on firm 'Z' as follows :—

	Quantity	Rate per unit	Total amount
	Nos.	Rs.	Rs.
Item 1	28400	14.25	4,04,700
Item 2	15900	14.25	2,26,575
Item 3	8400	15.00	1,26,000
		TOTAL	7,57,275

It was observed that although the indentor desired 50 *per cent* quantity by August/September 1980 and balance by January 1981, DGS&D invited quotations in August 1980 and placed order in

January 1981 *i.e.* after the expiry of delivery period desired by the indentor. DGSD thus took more than 8 months after the receipt of indent in May 1980 and more than 5 months after the opening of tenders in arriving at the purchase decision (27th January 1981).

In the meantime the validity period of offer of lowest firm 'X', expired on 26-10-1980. This delay on the part of DGSD resulted in an extra expenditure of Rs. 1.94 lakhs to the Government as under :—

Item No.	Quantity	Rate of lowest firm per unit	Rate at which order placed	Difference per unit	Extra expenditure
	Nos.				Rs.
1.	28400	10.25	14.25	4.00	1,13,600
2.	15900	12.20	14.25	2.05	32,595
3.	8400	10.25	15.00	4.75	39,900
				TOTAL	1,86,095
	Add Sales Tax at 4 *per cent*				7,443
					1,93,538
	(or say Rs. 1.94 lakhs)				

Had the DGSD taken prompt action in arriving at the purchase decision and placed order by 26-10-1980 *i.e.* within the validity period of the offer of the lowest firm 'X' which made no mention of the delivery period quoted as linked with Assam agitation, this extra expenditure would have been avoided. The case was referred to the Integrated Finance by the department on 26-12-1980 for obtaining their concurrence to pass over the lowest offers of firms 'X' and 'Y'. Integrated Finance, (26-12-1980) remraked that "there was no valid reason for ignoring the lower offers". It was further observed by them (27-1-1981) that "Since firm 'X' was successful past supplier and had confirmed delivery period without linking it with the Assam Agitation, DGSD should have approached and pursued the firm for getting extension in their validity period instead of passing over their offer and placing order on the highest firm". Integrated Finance also stated that the delay in processing the case had thus increased the procurement cost and after placement of A/T, case study may be conducted to fix responsibility to avoid such lapses in future.

The case revealed that :

— Although the indent was received by the Department in May 1980, quotations were invited only in August 1980 *i.e.* after 3 months from the receipt of the indent ;

— the department took more than 5 months in arriving at the purchase decision after opening of the tenders knowing well that the offer of firm 'X' was valid for 2 months only ;

— the offer of Firm 'X' was passed over inspite of adverse comments of the Integrated Finance ;

— no responsibility for the above lapses has been fixed so far (May 1982) even though asked for by the Integrated Finance in January 1981.

53. **Purchase of electric meters.**—In May 1977, the Director General of Supplies and Disposals (DGSD) placed a supply order (value : Rs. 8.46 lakhs) under a rate contract with firm 'B' for supply of 18,000 electric meters (Rs. 47 each) to the Chief Electrical Engineer, Goa, Daman and Diu by 15th July 1978. The firm had despatched 1500 meters by 25th October 1977 and applied (March 1978) for extension in delivery period up to 31st December 1978 since its committed rate of supply was 1500 meters per month for all orders placed under the rate contract. The indentor agreed (July 1978) to the extension provided the firm maintained the delivery rate of 1500/2000 meters per month. The DGSD's amendment letter (August 1978) extending the delivery period up to 31st December 1978 with denial and liquidated damages clauses was accepted by firm 'B' on

11th August 1978 with a commitment to complete supply within the extended period.

Firm 'B' despatched 8997 meters (raising the total supply to 10497 numbers) during the period July to December 1978 and asked (November/December 1978/January 1979) for extension for the supply of balance 7503 meters up to 31st March 1979 owing to delay in acceptance, of the meters supplied, by the consignee and financial stringency.

The indentor informed (January 1979) the DGSD that only 6997 meters were received (against 10497 despatched by the firm), and 2718 were found unacceptable due to defects in mechanism and 3500 meters were in transit. In effect he had received only 4279 meters against the requirement for 18000 meters, during the period of 18 months from the date of placement of the order. The indentor desired that the firm be penalised for belated supplies by recovering liquidated damages and by arranging risk purchase for the outstanding quantity as the inordinate delay in the supply of meters had prevented release of new service connections causing considerable financial loss.

The DGSD, however, persuaded (March 1979) the indentor to agree to further extension in delivery period since the risk purchase, besides involving extra expenditure due to upward price trend, was not likely to result in earlier delivery due to paucity of suppliers.

In the meantime, the DGSD on being informed (February 1979) by the consignee about the rejection of 3500 meters despatched by the firm in December 1978, advised (April 1979) the Deputy Controller of Accounts, Department of Supply, Bombay (i) not to withhold payment of the firm's bill in respect of 6787 meters, (ii) to continue to withhold payment for 210 unrepaired meters and (iii) not to release payment of 3500 meters despatched in December 1978.

With indentor's consent (June 1979) the DGSD further extended (June 1979) the delivery period up to 30th September

1979 with denial and liquidated damages clauses, which was accepted (June 1979) by the firm subject to the condition that prompt payments would be made against supplies and in case of delay in payment further extension would be sought. Instead of insisting on unqualified acceptance of letter of extension, as required, the DGSD after about 2½ months (14th September 1979) told the firm to bring to his notice specific instances of delay in payments, other than those due to defective supplies, for suitable action. No instructions were, however, issued to the Deputy Controller of Accounts, Department of Supply, Bombay, to ensure that the firm's claims were not unnecessarily held up.

The firm did not make any supply during the extended delivery period (up to 30th September 1979), but on 1st October 1979 it informed the DGSD that payment of its bill for Rs. 1.32 lakhs towards the supply despatched in September 1978 was held up.

On 30th October 1979, the firm pointed out that breach of contract had been committed by the DGSD due to non-payment of its 5 bills amounting to Rs. 1.42 lakhs and threatended to claim interest on the overdue amount. At this stage, the DGSD advised (9th November 1979) the Deputy Controller of Accounts, Department of Supply, Bombay to release forthwith payment for 10497 meters already accepted by the consignee. At the same time (12th November 1979) the firm was told that it had committed breach of contract by not completing supply by 30th September 1979. The firm, however, took the stand (18th November 1979) that there had been a definite breach of contract on the part of the Government on account of inordinate delays in payments and that non-receipt of payments for a long time had depleted its working capital which precluded it from effecting further supplies before 30th September 1979. In December 1979, the DGSD pointed out to the Deputy Controller of Accounts, Department of Supply, Bombay that withholding of the payment did not appear justified.

The Ministry of Law to which the case was referred (November/December 1979) by the DGSD for advice regarding risk purchase, opined that extension in delivery period up to 30th September 1979 could not be regarded as the mutually agreed delivery period since the firm's acceptance therefor was subject to the condition of prompt payments which was not fulfilled by the DGSD. The DGSD felt (January 1980) that the last mutually agreed delivery date having expired on 31st December 1978, valid risk purchase required to be made within 6 months time was no longer possible. With indentor's consent (29th January 1980) it was decided (20th February 1980) to allow limited extension to firm 'B' for completing supply of the balance quantity of 7503 meters.

On a reference (1st March 1980) from the DGSD, the firm offered (6th March 1980/17th May 1980) to complete supply of the outstanding quantity provided it was allowed to charge the rate of Rs. 58 per meter (against the original rate of Rs. 47) as accepted in the case of a rate contract awarded in 1978, and the delay in respect of the quantity already supplied was regularised without liquidated damages.

With the approval (30th June 1980) of the Department of Supply, the DGSD accepted the firm's conditions and placed (22nd July 1980) a fresh acceptance of tender (value : Rs. 4.35 lakhs) for 7503 meters @ Rs. 58 each. The firm completed supply by December 1980 at an extra cost of Rs. 0.95 lakh. Besides, liquidated damages to the extent of Rs. 0.28 lakh recoverable against the belated supply of 6000 meters delivered during September 1978 to February 1979 were also waived.

The indentor suffered a loss of Rs. 1.23 lakhs as firm's qualified acceptance of the extension letter of delivery period was not challenged by the DGSD initially and compliance with the conditional acceptance was not ensured later. Besides, there was also considerable loss of revenue due to non-release of service connections and non-replacement of meters for want of new meters due to belated supply.

The Department of Supply stated (July 1982) that there was no loss to the Government but rather a saving of Rs. 3.57 lakhs because the firm was allowed enhanced rate of Rs. 58 per meter whereas the prevalent rate approved by the Government at that time was Rs. 105.60 per meter. Eerlier in June 1980, the Department while proposing revision in price from Rs. 47 to Rs. 58 per meter admitted that it involved extra payment of Rs. 0.83 lakh (excluding excise duty and sales tax) which in effect meant *ex gratia* payment in terms of contract, in addition to Rs. 0.28 lakh waived.

54. **Purchase of Chassis.**—In March 1979, the Director General, Supplies and Disposals (DGSD) placed a contract (value : Rs. 2.33 crores) with firm 'T' for supply of 240 chassis by 15th March 1980 (maximum No. to be supplied before 31st March 1979) to the Director General, Border Roads (DGBR). The stipulated price was Rs. 96,928.70 per chassis but the price payable was the ruling rate on the date on which the chassis were inspected and accepted.

As the contract for body building on the chassis remained to be awarded (February 1979), the contract with firm 'T' was placed with the stipulation that the interim consignee (body-builder) would be intimated later on. Firm 'T', while acknowledging the contract (March 1979) pointed out that it was incomplete without interim consignee particulars. The implications of firm's acknowledgement were not examined by the DGSD and the position was left obscure/vague contrary to the standing instructions.

Firm 'T' informed the DGSD (July 1979) that the delivery period (12 months) would count from the date of receipt of order complete in all respects viz. intimation about interim consignee details for the entire lot of units which should be expedited to allow sufficient lead-time. The DGSD told firm 'T' (August 1979) that non-indication of interim consignee particulars should not be the reason for delay in supply and question of counting one year delivery period from the date of intimation in this respect should not arise since the purchaser would be ready to accept the chassis as soon as the same were ready for delivery. Firm 'T' did not re-act.

In September 1979, the DGBR conveyed its intention to have the chassis fitted with kittable cab and load bodies in place of all steel bodies, as originally contemplated, in its base workshop at depot 'N' and in October 1979 the DGSD inserted depot 'N' as consignee for 239 chassis and for the remaining one chassis the interim consignee (body-builder) was to be indicated later on.

On 2nd November 1979, firm 'T' informed the DGSD that the supply of chassis had commenced and asked for amendment raising the price per chassis to Rs. 1,15,909 (effective from 6th August 1979). But on 12th November 1979 the firm requested for extension in delivery period upto 16th October 1980 for the reason that the production of chassis was at stand still due to non-availability of fuel-injecion pumps from firm 'M', the single source of supply, which was strike bound.

Regardless of the fact that firm 'T' had earlier questioned the validity of the contract delivery period, the DGSD did not decide speedily on the request for extension and also the price increase during the extended period (March-October 1980) on the ground that the expiry of the due date of delivery (15th March 1980) was sufficiently ahead.

On 29th January 1980, firm 'T' informed the DGSD that the strike in the factory of firm 'M' was over and that it would supply as many chassis as possible before March 1980 but it would not be possible to deliver the entire lot of 240 units. Again, on 4/5th March 1980 firm 'T' intimated that it would arrange to deliver 90 chassis by March 1980 and simultaneously asked for extension in delivery period up to 24th January 1981, based on 12 months from the date (24th January 1980) of the amendment letter issued by the DGSD naming firm 'P' (the contract holder for fabrication of kittable cab and body) as interim consignee for delivery of one chassis for the prototype.

Having again raised the pending issue of the due date of delivery, firm 'T' did not supply even 90 chassis promised for delivery before 31st March 1980.

The DGSD re-opened the case regarding the due date of delivery on 15th March 1980 and with the approval of the Department of Supply (April 1980) discussed the matter with firm 'T' on 2nd May 1980. The firm pointed out that 90 chassis offered in March 1980 were delivered elsewhere since the DGSD had not agreed to extend the delivery period. It, however, agreed to the refixation of the delivery date as 16th October 1980 on the basis of its letter of November 1979. An amendment to this effect was issued by the DGSD in May 1980, authorising the firm to claim payment for all the 240 chassis at the prices applicable for the period March-October 1980.

Firm 'T' completed supply in October 1980 at the total cost of Rs. 3.26 crores as against Rs. 2.42 crores (including sales tax) stipulated in the contract. Against the total difference of Rs. 84 lakhs, increase to the extent of Rs. 19.56 lakhs (approx.) took place after expiry of the contract delivery period which could have been avoided if the DGSD had taken timely action regarding the vague provision in the contract.

The DGSD informed Audit in April 1982 that the delivery period was not refixed for the simple reason that the DGBR's requirements were urgent and it was intended to pressurise firm 'T' to complete supply within the stipulated delivery period though the firm was within its rights to claim refixation of delivery period based on 12 months from the date of A/T technically and commercially complete in all respects.

The case revealed the following :—

— The implications of the stipulation in firm 'T's tender that the delivery period of 12 months would count from the date of receipt of order complete in all respects were not properly appreciated by the DGSD while concluding the contract. The vague provision 'interim consignee would be intimated later on' could have been avoided in view of the ultimate consignees duly mentioned in the contract.

— Though firm 'T' pointed out as early as in March 1979 that in the absence of interim consignee details the contract was not complete, yet no remedial measures were taken to place it beyond doubt. The eventual refixation of the delivery date as 16th October 1980 caused an avoidable extra expenditure of Rs. 19.56 lakhs (approx.).

— At least, extra expenditure to the extent of Rs. 6.24 lakhs (approx.) on 90 chassis promised for delivery in March 1980 could have been avoided if the decision on the issue of extension in delivery period up to 16th October 1980, raised by firm 'T' in November 1979, had been clinched well before the expiry of the due date of delivery (15th March 1980) instead of initiating action on the last day.

— The delay in suuply of chassis affected adversely the construction of a number of important works and also contributed considerably to increase in their cost.

55. **Purchase of fluorescent tubes.**—For awarding rate contracts for supply of fluorescent tubes from 1st June 1978 to 31st May 1979, tenders (10 nos.) were opened by the Directorate General of Supplies and Disposals (DGSD) on 15th March 1978. The quoted rates ranged from Rs. 8.30 to 9 ; Rs. 8.80 to 10 and Rs. 12.50 to 13.10 for 20, 40 and 65/80 watts tubes respectively.

The rates were high by 35.4 *per cent,* 31.7 *per cent* and 28.9 *per cent* respectively as compared to the last purchase prices (Rs. 6.13/6.78/9.70) in the rate contracts expiring on 31st May 1978 for 20, 40 and 65/80 watts tubes respectively.

The DGSD considered the rates to be unreasonable and it was decided with the approval of the Department of Supply to hold negotiations to secure better prices. Out of 10 tenderers, 9 took part in the negotiations held on 16th May 1978 but none showed willingness to reduce the rates in view of the increase in the demand for fluorescent tubes in the market and increase in the cost of production.

For the second round of negotiations with the tenderers, it was decided (19th July 1978) to collect cost data from the cost audit reports of the tenderers. The cost of sales (cost-of production plus all overheads ; excluding profit) as revealed from these reports showed that the rates quoted by firms 'E', 'T' and 'S' for 40 watts, 65 watts and 80 watts tubes compared favourably with their cost of sales, but according to the estimate prepared by the DGSD with the help of firm 'G', which was neither a tenderer nor manufacturer of tubes, the manufacturing cost for 20 and 40 watts tubes came to Rs. 4.71 and Rs. 6.92 respectively. In view of substantial difference, it was decided with the approval of the Department of Supply (September 1978) to issue fresh tender enquiry for awarding running contracts, which were expected to fetch lower prices in view of the firm demand.

On the basis of the demand (4.83 lakh nos.) in 117 regular indents and the requirement of 9.64 lakh nos. (intimated through letters/telexes/telegrams) a fresh tender enquiry for 14.47 lakh tubes (20 watts—3.41 lakhs, 40 watts—10.71 lakhs, 65 watts—0.02 lakh, 80 watts—0.33 lakh) was issued by the DGSD on 14th September 1978. In response, 11 offers were received and opened on 7th October 1978. Offers received at Rs. 8.85 to 9.25 for 20 watts, Rs. 9.50 to 10.10 for 40 watts, Rs. 12.50 to 13.63 for 65/80 watts were higher than those received earlier in March 1978. With the approval (November 1978) of the Department of Supply, the DGSD counter-offered (November 1978) the highest price for the respective wattage in the contracts expired on 31st May 1978, plus 10 *per cent* (Rs. 7.15, Rs. 7.82, Rs. 10.68 and Rs. 10.67 for 20 watts, 40 watts, 65 watts and 80 watts respectively).

By 13th December 1978, the DGSD had received intimation from 10 out of 11 tenderers rejecting the counter offer but further line of action was not decided till 1st January 1979 due to controversy between the purchase authorities and the Integrated Finance as to whether the cost audit report or last purchase price or the estimated cost as worked out by the DGSD be the basis for holding negotiations with the tenderers. Since the offers were expiring on 3rd January 1979, the tenderers were asked by the DGSD on 2nd January 1979 to agree to extend validity up to 3rd February 1979. Simultaneously the matter was referred to the Department of Supply for consideration. The Department advised the DGSD on 20th January 1979 to hold negotiations by associating Integrated Finance to secure best possible terms without further loss of time as the major part of the year 1978-79 had already elapsed.

The negotiations were fixed (24th January 1979) for 5th February 1979, but in the meantime (6th January 1979 to 31st January 1979) 6 out of 11 tenderers conveyed their refusal to extend the offers beyond 3rd January 1979 and 3 others did not send any reply. Only two firms agreed (6/11th January 1979) to extension upto 3rd February 1979. The DGSD sent another routine letter to all the 11 tenderers on 3rd February 1979 asking them to extend the offers upto 3rd March 1979, to which there was no response.

In March 1979, it was decided with the approval of the Department of Supply to issue a fresh tender enquiry for awarding rate contracts thereby reversing the earlier decision that awarding of running contracts was beneficial both from price and delivery angle.

Fresh tenders (6 nos.) were opened on 12th June 1979. On an average, the prices were higher by Rs. 2.52, Rs. 2.35 and Rs. 1.58 respectively for 20 watts, 40 watts and 65/80 watts tube each, as compared to the tenders opened in October 1978. Besides, the tenderers had quoted for specified quantity (13 lakh nos. approximately) which was far short of the annual estimated requirement of 25 lakh nos. To secure reduction in prices and also to persuade the tenderers to increase the quantity offered, negotiations were held on 10th August 1979, 1st September 1979 and 15th September 1979. None of the tenderers agreed to reduce the prices, nor to furnish cost break-up to establish reasonableness of the quoted prices. Finally, 7 parallel rate contracts in all for supply of 21.7 lakh fluorescent tubes (20 watts to 80 watts) over the period September 1979 to December 1980 were awarded.

There were no contracts for supply of flourescent tubes for about 14 months (June 1978 to August 1979) despite the likely demand from indentors for about 25 lakh tubes per annum. The Department stated (April 1981) that the indentors must have used tubes with utmost economy on account of shortage. However, the Railway Board informed the Department of Supply in May 1979 about local purchase of flourescent tubes by the Railways at relatively higher rates due to delay in awarding of fresh rate contracts.

Based on the difference between the highest rates received in October 1978 and the average of the rates at which contracts were subsequently awarded (September 1979 to June 1980), the supply of 14.47 lakh tubes for which there was a confirmed demand in September 1978 involved an extra expenditure of Rs. 30.56 lakhs due to delay in taking a prompt decision.

56. **Extra Expenditure on purchase of oil OF-24.**—To cover an indent of August 1978 from Director of Ordnance Services (DOS) Army Headquarters, for supply of 84,000 litres of oil OF-24 in 5 litres pack and part quantity of 38,200 litres of the

same oil pending against another indent of October 1977 (total quantity 1,22,200 litres), the Director General, Suplies and Disposals (DGSD), New Delhi issued an advertised tender enquiry on 4th November 1978 with tender opening date as 19th December 1978.

Five firms quoted DGSD placed orders on firm 'B' (April 1979) second lowest at Rs. 9.90 per litre of oil in 5 litres pack for 30,000 litres and on firm 'D' (April 1979), fourth lowest at Rs. 11.69 per litre of oil in 5 litres pack for 92,200 litres respectively as firm 'A', who had quoted Rs. 9 per litre, did not offer the stroes in 5 litres pack and banker's report of firm 'C', who had quoted at the rate of Rs. 10.40 per litre, was not satisfactory.

Date of delivery in the contract placed on firm 'D' was 31st December 1979; it supplied only 30,000 litres of oil in 5 litres pack upto August 1979. Though the contract provided for supply of oil in 5 litres pack only, the indentor informed DGSD (November 1979) that they had no objection if supply of balance quantity was made by firm 'D' in 10 litres pack instead of 5 litres pack provided the containers were approved by the Inspection Authority.

Firm 'D' requested for extension in delivery date by two months (December 1979) and the same was extended by DGSD upto 31st March 1980 subject to denial and liquidated damages clauses (January 1980).

Firm 'D' informed DGSD (February 1980) that they were arranging to offer balance quantity of 62,200 litres of oil shortly.

Inspection Authority i.e. Chief Inspectorate of Materials (CIM) Kanpur asked their local Inspector (IGS) New Delhi (6th February 1980) to draw two samples of 10 litres containers from firm 'D'. However, firm 'D' was not informed at all either by DGSD, DOS Army Headquarters, CIM Kanpur or IGS, New Delhi that 'oil' was required in 10 lires containers.

When firm 'D' was contacted by local Inspecting Authority (February 1980) to submit 10 litre containers for approval, firm 'D' stated that they had no information regarding change in packing from 5 litres to 10 litres containers. Inspection authority then addressed a letter to firm 'D' (February 1980) to submit samples of 10 litres containers. Firm 'D' in their letter (10th March 1980) informed DGSD that theye were unable to understand why they were being asked to submit samples of 10 litres containers when the contract provided for only 5 litres packing and that in the circumstances they were treating the balance quantity of 62,200 litres as cancelled and withdrawn. In the meantime, the firm had submitted two containers of 5 litres for test and approval to IGS (February 1980), the report of which was sent (April 1980) after the expiry of the extended delivery date of 31st March 1980.

During the period from November 1979 to March 1980, DGSD did not take any action to sort out the issue of containers though copies of all the correspondence were endorsed to it by the indentor. However, on 19th March 1980, DGSD asked firm 'D' to complete supplies by extended delivery date of 31st March 1980 but did not clarify the packing in which stores were to be supplied though the firm had asked for clarification on 10th March 1980. DGSD clarified to firm 'D' only on 27th March 1980 that the supply was to be made in 5 litres containers. Local Inspecting Authority also sent a telegram to firm 'D' (28th March 1980) to complete supplies by 31st March 1980 in 5 litres containers.

Firm 'D' did not supply the stores by 31st March 1980 and informed DGSD (April 1980) that they were unable to supply till the approval of 5 litres containers, which were submitted on 25th February 1980, was received from the local Inspecting Authority.

DGSD extended (May 1980) the date of delivery upto 30th June 1980 with denial and liquidated damages clauses, but firm 'D' did not accept extension on the plea that DGSD had taken three months to decide about the size of containers and in the meantime prices of all raw materials had gone up. Firm 'D' also requested (July 1980) DGSD to cancel the contract without any financial repercussions on either side.

The case was referred to the Ministry of Law (July 1980) who opined (September 1980 and February 1981) that the contract could not be cancelled at the risk and cost of firm 'D' as firm was prevented from performance of the contract due to controversy of packing in 5 litres containers or 10 litres containers. However, DGSD cancelled the contract at the risk and expense of firm 'D' (April 1981) for unsupplied quantity of 62,200 litres of oil. The stores were re-purchased from firm 'B' after inviting fresh tenders at Rs. 20.60 per litre resulting in extra expenditure of Rs. 5.54 lakhs. Supplies stand completed. Security of firm 'D' amounting to Rs. 10,202 was forfeited (January 1982).

The case revealed that delay in deciding the issue regarding size of containers resulted in an extra expenditure of Rs. 5.54 lakhs.

Government stated (October 1982) that confusion arose because of change in packing suggested by the indentor and the question of recovery of general damages was yet to be settled after obtaining legal opinion.

MINISTRY OF SUPPLY AND REHABILITATION

(Department of Supply)

and

MINISTRY OF TOURISM AND CIVIL AVIATION

57. **Stores damaged in transit.**—The Ministry of Tourism and Civil Aviation accorded (January 1977) administrative approval and expenditure sanction to the purchase of 50 very high frequency (VHF) transmitters and receivers for replacement of old/obsolete

equipment in use in the Civil Aviation Department (CAD) at an estimated cost of Rs. 43.75 lakhs with a foreign exchange component of Rs. 25 lakhs. In May 1978, the aforesaid sanction was modified to 100 VHF transmitters/receivers alongwith spares at an estimated cost of Rs. 87 lakhs (foreign exchange component of Rs. 47.42 lakhs). The purpose of these transmitters and receivers was to provide air-ground communication for ensuring safety and regularity of air traffic. On the basis of an indent from the Director General, Civil Aviation (DGCA) (January 1977), the Director General, Supplies and Disposals (DGSD) placed an order (September 1978) for the purchase of 100 each of transmitters and receivers (cost : Rs. 48.18 lakhs) alongwith accessories and spares on the Indian agent (Firm 'A') of a foreign firm on f.o.b. basis. The contract stipulated that suppliers should forward the shipping documents in original by air mail to the Assistant Director (Shipping), Supplies and Disposals, Bombay (ADS) who would despatch the consignment to the ultimate consignees.

The sets were shipped in March 1979 after inspection by the India Supply Mission (ISM), London and were received at Bombay Port on 14th May 1979. In order to clear the consignment, the AD(S) called for the shipping documents *viz.*, original bill of lading duly endorsed, country of origin certificate, etc., from the DGCA on 30th April 1979. The Ministry/DGCA stated (March 1982) that according to the terms of the contract the original shipping documents were to be forwarded by the suppliers to the port consignee i.e. AD(S), Bombay and as such there was no question of receipt of original documents by the DGCA and their onward transmission to AD(S), Bombay. However, the certificate of country of origin, which should form part of shipping documents, was obtained from suppliers by CAD and was forwarded to the AD(S), Bombay in June 1979.

The consignment was finally cleared from Bombay port on 11th July 1979 on furnishing an indemnity bond by the AD(S) and payment of demurrage charges of Rs. 1.08 lakhs by the clearing agent. The sets were despatched to the ultimate consignees during 28th September 1979 to 2nd November 1979. The consignment was insured for an amount of Rs. 82.85 lakhs for which a premium of Rs. 1.21 lakhs was paid to an Insurance Company on 18th September 1979. The Controller, Central Radio Stores Depot, New Delhi (CRSD) informed the Insurance Company (November 1979) that, on opening the cases, the equipment was found damaged, being soaked in water. The Controller, CRSD, New Delhi who received six sets, lodged a claim (February 1980) for Rs. 5.05 lakhs with the Insurance Company. The other consignees, who received the remaining 94 sets in damaged condition, also lodged their claims with the Insurance Company.

The receipt of the equipment in damaged condition was brought to the notice of the DGSD (December 1979). The firm's representatives visited India (December 1979/January 1980). On inspection of the equipment, the firm withdrew guarantee/warranty clause of the equipment on the plea that the packing was intact and the damage had occured in transit.

The DGSD requested the DGCA (July 1980) to arrange for an independent survey to find out the facts as to how the stores were damaged. DGCA, in turn, pointed out to DGSD in May 1981 that an independent surveyor be appointed by them to determine how and when the stores had been damaged because the consignment, which arrived at Bombay port on 14th May 1979, was moved to bonded warehouse by the AD(S) only on 11th July 1979. The Ministry stated (March 1982) that it was finally intimated by DGSD in May 1981 that no independent surveyor could be arranged by them since the sets had already been received at the consignees' places and these had also gone to Electronics Corporation of India Limited (ECIL) for repairs etc.

In a meeting held by the DGCA (3rd October 1980) it was decided to entrust the work of repairs of equipment to firm 'B' which had entered into collaboration with the foreign firm for progressive manufacture of similar sets within the country. The firm quoted repair charges of Rs. 0.35 lakh per set(approximately) for sets which could be repaired plus Rs. 0.01 lakh for each antenna. The tentative estimated cost of repair of all the units later given by firm 'B', was Rs. 54.41 lakhs. The Insurance Company had, however, admitted liability to the extent of Rs. 40.81 lakhs, being 75 *per cent* of the total loss of Rs. 54.41 lakhs. The Insurance Company did not accept responsibility for the full amount in view of delay in taking delivery of the equipment and possible aggravation of loss that might have taken place beyond the policy period. Out of the total liability of Rs. 40.81 lakhs, accepted by the company, a sum of Rs. 32.64 lakhs had been paid (January 1981) by them as on account payment, leaving a balance of Rs. 8.17 lakhs. The Government stated (November 1981) that further payment would be released by the Insurance Company as and when the sets were repaired. Based on the tentative estimate of repairs (Rs. 54.41 lakhs) given by firm 'B' and the amount (Rs. 40.81 lakhs) for which the Insurance Company had accepted liability, Government had been put to a tentative loss of Rs. 13.60 lakhs. No responsibility for the loss had been fixed so far (December 1981). Firm 'B' had repaired 52 sets by 15th April 1982. The total loss to Government would depend on the number of units that could be repaired satisfactorily and the actual cost of such repairs. Because of the defect in equipment the intended purpose of purchase of the sets was not served.

The Ministry stated (November 1981) that the intended purpose was achieved partially as some of the sets were usable and were put into operation after minor repairs.

The DGSD paid Rs. 0.22 lakh to the clearing agent against demurrage charges of Rs. 1.08 lakhs paid by it. Its claim for the balance of Rs. 0.86 lakh had not been settled so far (August 1981). The Department of Supply stated (December 1981), that the amount of Rs. 0.22 lakh was reimbursed by DGSD in terms of the contract with the clearing agents and the position regarding settlement of claim of Rs. 0.86 lakh was being ascertained from DSD Bombay.

The case revealed that :—

— failure to obtain prompt clearance of the consignment by furnishing an indemnity bond, immediately after the arrival of the equipment, resulted in an estimated loss of Rs. 13.82 lakhs, including demurrage charges (Rs. 0.22 lakh);

— action had not been taken to fix responsibility for loss to Government so far (April 1982); and

— due to the delay in availability of the equipment the intended purpose of purchase of the same had not been achieved fully so far (April 1982).

MINISTRY OF HEALTH AND FAMILY WELFARE

and

MINISTRY OF EXTERNAL AFFAIRS

58. **Import of mobile clinics.**—For importing under U.K. Aid, from the United Kingdom, 318 mobile clinics (190 with four wheel drive chassis and 128 with two wheel drive chassis) with 5 years requirements of spares, for 106 medical colleges in India, an indent was placed by the Ministry of Health and Family Welfare on Supply Wing, High Commission of India, London(SW) in April 1978. SW placed notices inviting tenders in British Newspapers (May-June 1978); twelve offers received were referred (August 1978) to the Ministry for scrutiny from technical and financial points of view. SW also engaged a firm providing business information services to report on the reliability, financial standing and past performance of 8 of these tenderers. After scrutiny of the tenders and the reports, tenders of five firms 'A', 'B', 'C', 'D' and 'E' were considered suitable for negotiations. Five

officers of the Ministry and the High Commission held negotiations (September 1978) with these firms and recommended that mobile clinics should be purchased from firm 'A'. The Government of India accepted this recommendation and, accordingly, contract for 318 mobile clinics and spares were concluded (November 1978) by SW with firm 'A' for £84,52,161 (Rs. 15.21 crores). In terms of the contract, 25 *per cent* advance payment £ 21,13,040 (Rs. 3.80 crores) was made to the contractor in December 1978 and the balance released on delivery of stores which was completed in March 1980.

The following points were noticed :—

(i) The prices offered by firms 'A', 'B' and 'E' were as follows :—

Name of the firm	Price for 190 four wheel drive clinics with spares	Price for 128 two wheel drive clinics with spares	Total price for 318 clinics with spares
@		(Amount in pounds)	
..'A' quoted price . . .	54,67,630	33,36,704	88,04,334
Discount offered :			
(*a*) 2 *per cent* discount offered in quotation . . .	(—)1,09,352	(—)66,734	(—)1,76,086
@@ (*b*) Additional 2 *per cent* discount for order of 318 clinics offered in negotiations			(—)3,52,173
	53,58,278	32,69,970	(a) 86,28,248 (b) 84,52,161
'B' Negotiated price . . .	53,79,916	31,58,535	85,38,451
'E' Quoted price . . .	not quoted	25,63,200	not quoted

@Subject to advance of 20 *per cent* of contract value.

@@Subject to advance of 25 *per cent* of contract value.

(ii) The negotiating team, analysing the offers after negotiations held with the firms in September 1978 had observed that—

— firm 'A' were unwilling to enter into a part contract;

— firm 'B' were agreeable to a part contract and could be retained for consideration in the event of any difficulty in having a contract executed with firm 'A';

— firm 'E' had problems in the recent past relating to production and delivery schedule; and

— split up contract would (a) give rise to the problems of mixture of vehicles at the users end and (b) would not be in the interest of total management, repair facilities, stocking of spares and reasonability of delivery.

For these reasons and because the price offered by firm 'A' was the lowest, the negotiating team recommended that the contract for 318 clinics should be awarded to firm 'A'.

(iii) It was seen in Audit that the reasons adduced by the negotiating team for their recommendation were not tenable because—

— the indentor, at the indent stage, had not stipulated that both types of clinics should be procured from a single supplier for reasons of total management, repair etc;

— the tender specifications did not indicate SW's preference for a single supplier for both types of clinics;

— the tender conditions provided that offers could be accepted in part;

— problem of delivery schedules was specifically raised by the team during negotiations with firm 'E' and the firm clarified that such difficulties were not anticipated. In fact this firm had earlier been held to be too well known to require investigation by the firm providing business information service. Further the advantage with this firm was the existence of its collaborating firm in India which could provide repair and after sales service;

— question of mixture of vehicles at the users end and problems of total management, repair facilities and stocking of spares did not arise as the clinics were to go to 106 different medical colleges in different parts of the country who were to look after the maintenance aspect on their own. Moreover, the clinics were being purchased alongwith five years requirement of spares;

— the records of discussion with firm 'A' did not indicate that the firm was unwilling to enter into a part contract; on the other hand the firm had offered an additional discount of 2 per cent for the total order. Further, even if firm 'A' was unwilling to accept a part contract, it would have been more economical to split the order between firm 'B' and 'E' than to place the entire order with firm 'A'; and

— firms 'B' and 'E' had offered to complete deliveries in 9 months as against 40 weeks required by firm 'A'.

(iv) The most economical rates would have been obtained had the order for 190 four-wheel drive clinics been placed on firm 'A' for £ 53,58,278 and for 128 two-wheel drive clinics on firm 'E' for £25,63,200 making a total expenditure of £79,21,478. By the award of the contract for 318 clinics to Firm 'A' there has been avoidable extra expenditure of—5,30,683, (Rs. 95.52 lakhs)

(v) The second lowest rates could have been obtained if 190 four wheel drive clinics had been procured from Frm 'B' for £ 53,79,916 and 128 two wheel drive clinics from firm 'E' for £ 25,63,200 making a total of £79,43,116 which is less than the price asked by firm 'A' for 318 clinics by £ 5,09,045 (Rs. 91.63 lakhs).

(vi) The conditions of tender did not envisage making of advance payment to the contractor. In its quotation, Firm 'A' had asked for an advance equal to 20 *per cent* of the value of contract; during negotiations the firm was offered an increased advance of 25 *per cent*. Firm 'B' had indicated during negotiations that an advance would be required but no specific figure was asked for by, or offered to, the firm. Firm 'E' indicated during negotiations that no advance would be required.

The granting of an advance at 25 *per cent* of the contract value against deliveries to commence after 6 months and to be completed within 10 months resulted in a financial burden to the Government—reckoning interest at 18 *per cent* per annum the burden would amount to 3 *per cent* of the contract vaule. Firm 'A' was granted an advance of 25 *per cent*, the benefit to the firm amounted to £ 2,53,565 (Rs. 45.64 lakhs). If the order for 128 two wheel drive clinics had been placed on the lowest bidder, firm 'E' there would have been a further saving of £ 98,099 (Rs. 17.65 lakhs) by way of interest on advance payment.

The Government (Ministry of Health and Family Welfare) stated (September 1982) that 'the regular and normal procedure had been followed in the calling of tenders, scrutiny and evaluation of the offers received and in negotiation thereafter by the Ministry of Health and the India Supply Mission acting in consultation with each other'.

MINISTRY OF FINANCE

(Department of Economic Affairs)

and

MINISTRY OF EXTERNAL AFFAIRS

59. **Extra expenditure due to delay in acceptance of quotation.**—Certain aspects of the functioning of Security Paper Mill, Hoshangabad were reviewed in paragraph 38 of the Advance Report of the Comptroller and Auditor General of India for the year 1979-80, Union Government (Civil). The Government of India decided to modernise the Mill so as to uprate its annual production capacity of currency and bank note paper, from about 3,400 tonnes to about 6,000 tonnes. Accordingly an agreement was entered into (May 1978) with a firm of U.K. on whose engineering and technical advice the Mill was proposed to be modernised.

The agreement listed in three schedules, the items of equipment to be supplied by the consultants (Schedule A), 22 items of equipment to be purchased from abroad by open tender and two specific items from suppliers nominated by the consultants (Schedule B) and equipment to be purchased from Indian suppliers (Schedule C). Under the agreement the consultants were to provide, among other things, the characteristics and technical data of schedule B equipment to enable Government to invite tenders, to nominate one or more suppliers for each of the items to be purchased by open tender so that Government could specifically invite their bids and to assist the Government in evaluation of bids and selection of the most suitable offers.

At the instance of the consultants, quotations for the two specific items were furnished to Supply Wing, London (SW) on 28th September 1978 by a West German firm and by a British firm (valid upto 30th September 1978). The Supply Wing did not issue any letter of intent or concluded any contract within the validity period. The firms were also not asked to extend the validity period. Later (February 1979) the request of SW for maintaining the prices was not agreed to by the firms and contracts were subsequently concluded (February-March 1979) on negotiated prices at an extra cost of Rs. 4.22 lakhs as under :

Items	Prices under the original tender	Prices negotiated with the same tenderers	Extra cost	
			(In foreign currency)	(In lakhs of rupees)
Rotary Simplex sheet cutters	DM 14,86,000	DM 15,35,000	DM 49,000	2.21
Precision Slitting machines	£1,97,474	2,08,988	£11,514	2.01
			TOTAL	4.22

The matter was reported to the Department of Economic Affairs stated (August 1982) that they had no comments to offer.

MINISTRY OF SUPPLY AND REHABILITATION

(Department of Supply)

and

MINISTRY OF EXTERNAL AFFAIRS

60. Extra expenditure due to cross-mandation of indent and delay in acceptance of offer.—In August 1976, the Station Engineer, All India Radio, New Delhi placed an indent on the Director General, Supplies and Disposals (DGSD) for the procurement of various quantities of 28 items of spraes for a high power transmitter. While forwarding the indent, the Indentor informed the DGSD that sanction for foreign exchange of Rs. 2 lakhs valid upto March 1977 existed and goods had been cleared for import and were required in January 1977.

The goods were proprietary supplies of a British firm whose Indian agents quoted (October 1976) to the DGSD for 18 items £ 22,529 (Rs. 4.17 lakhs) but no contract was concluded as the Indian agents had asked for a commission of 10 *per cent* and did not either guarantee the delivery period under penalty or accept the standard guarantee/warranty clause. In January 1977 the DGSD cross-mandated the indent to the India Supply Wing, London (ISWL).

ISWL invited quotations from the British firm in February 1977. The firm's quotations of May and July 1977 for 22 items (£ 30,015=Rs. 5.55 lakhs) valid upto August 1977 were forwarded (June-July 1977) by the ISWL to the indentor with the request to get the sanctions for foreign exchange and import revalidated and revised for additional foreign exchange. The indentor informed the ISWL in October and December 1977 of the revalidation of the import clearance and provision of additional oreign exchange. The validity period of the quotations had by then expired and the firm refused to maintain the prices quoted earlier. The ISWL thereupon concluded a contract with the firm in October—December 1978 covering the same 22 items at the higher price of £ 45,918 (Rs. 8.49 lakhs). The following points were noticed :—

(i) The rules framed by the DGSD (November-December 1971) require that indents from civil indentors for goods of proprietary nature should be dealt with by the DGSD itself and shou'd not be cross-mandated to the Missions abroad. The intended purpose of avoiding 10 *per cent* agency charges was not served by cross-mandation inasmuch as the contract concluded by the ISWL in October 1978 with the foreign firm also stipulated agency commission at 10 *per cent* and did not provide for any penalty for late delivery.

ISWL stated (November 1981) that though they were not successful in obtaining reduction in agency commission, yet special discount of 5 *per cent* was obtained. The special discount was conditional upon payment being made to supplier within 21 days of his claim and the total amount of discount obtained was only £ 21.17 (Rs. 392) (March 1982) due to delayed payments, as against a total discount of £ 2309.44 (Rs. 0.43 lakh) that could have been availed of.

(ii) Cross-mandation coupled with delay in acceptance of offer within the validity period resulted in an extra cost of Rs. 2.96 lakhs

(iii) The intendor required delivery of goods in January 1977. The contract stipulated delivery in July 1979, but the firm did not adhere to the schedule and deliveries of various items continued upto May 1981.

CHAPTER VI

FINANCIAL ASSISTANCE GIVEN BY GOVERNMENT

61. (i) *Loans and advances.*—Details of loans and advances outstanding against State Governments, Foreign Governments, etc. at the end of 1980-81 and 1981-82 are given below :—

To whom lent	Amount outstanding on 31 March 1981	Loans paid during 1981-82	Loans repaid during 1981-82	Amount outstanding on 31 March 1982
				(Rupees in crores)
State Governments	*16980.35	3368.51	1248.26	19100.60
Union Territory Governments .	354.27	91.12	15.84	429.55
Foreign Governments	260.97	374.49	270.64	364.82
Government Corporations, Non-Government Institutions, Local Funds, Cultivators etc. . .	*12040.17	2326.76	557.42	13809.51
Government Servants	200.72	87.20	80.84	207.08
TOTAL . .	29836.48	6248.08	2173.00	33911.56

(ii) *Grants.*—During 1981-82, Rs. 3616.07 crores were paid as grants by the Union Government to State and Union Territory Governments, statutory bodies, registered and private institutions, etc., as detailed below :

	(Rupees in lakhs)
(*a*) Grants to State and Union Territory Governments :	
(*i*) Grants to State Governments under proviso to Article 275(i) of the Constitution	1,05,36.47
(*ii*) Other grants to State Governments	26,01,02.64
(*iii*) Grants to Union Territory Governments	1,48,45.75
(*b*) Grants to statutory bodies, non-Government institutions or bodies and individuals (the details of grants Ministry/Department-wise are given in Appendix VIII of the Report)	7,61,21.83

*Differs from the figure shown in the last years' Advance Report due to subsequent corrections.

(iii) *Delay in finalisation of accounts of autonomous bodies*

"The Committee on Paper Laid on the Table of the House" recommended in its First Report (5th Lok Sabha) (1975-76) that after the close of the accounting year every autonomous body should complete its accounts within a period of 3 months and make them available for audit and that the Reports and audited accounts should be laid before Parliament within 9 months of the close of accounting year. For the year 1980-81 audited accounts together with separate audit reports thereon of 139 autonomous bodies (non-commercial) which are under audit by the Comptroller and Auditor General of India, were to be placed before Parliament. Out of these, the accounts of 43 autonomous bodies only were made available for audit within 3 months of the close of the accounting year and those of 96 autonomous bodies were made available late as detailed below :

Delay upto one month	33
Delay of over one month upto 3 months	34
Delay of over 3 months upto 6 months	20
Delay of over 6 months upto 12 months	7
Delay of over one year	1
Accounts still awaited	1
	96

MINISTRY OF AGRICULTURE

(Department of Agriculture and Cooperation)

62. National Cooperative Development Corporation

1. *Introduction*

The National Cooperative Development Corporation was set up on 14th March 1963, under an Act of Parliament to plan and promote programmes for the production, processing, marketing, storage, export and import of agricultural produce and notified commodities through cooperative societies. The role of the corporation, as a promotional and financing institution, consists, *inter alia* of appraisal of proposals for financial assistance, release of financial assistance based on physical programmes, and also monitoring the various programmes with a view to advising the State Governments and the concerned co-operative for effective implementation of these programmes. The corporation advances loans and grants to cooperative societies through State Governments or State cooperative banks on the guarantee of the State Governments. The assistance under the various schemes is sanctioned by the corporation on the basis of proposals of the cooperative societies, recommended or sponsored by the State Governments. The corporation obtains its funds mainly from the Central Government and by market borrowings.

To end of 1980-81 the corporation had released financial assistance of Rs. 399.68 crores—Rs. 361.24 crores as loan, Rs. 35.04 crores as subsidy and Rs. 3.40 crores as investment. A few schemes financed by the corporation were reviewed in audit during June—September 1981 and are discussed below :

2. *Construction of godowns*

2.1 The corporation renders assistance to cooperative societies for construction of godowns in 2 instalments; the first instlment of 50 *per cent* is released after the cooperative society has acquired land and the second instalment of 50 *per cent* when construction work reaches plinth level. The construction work is required to be started within 3 months from the date of release of the first instalment by the State Government and is to be completed within 1½ to 2 years. Assistance to cooperatively under-developed States/Union Territories is given partly in the form of susidy (varying from 25 to 50 *per cent*) and balance in the form of loan and to cooperatively developed States in the form of loan to the extent of 60 *per cent* of the cost of construction. Assistance is released by the corporation as reimbursement to the States with reference to assistance released by the States to the cooperative societies. Between 1972-73 and

1979-80, the corporation had sanctioned assistance of Rs. 41.94 crores (loan : Rs. 37.20 crores and subsidy : Rs. 4.74 crores) for construction of 14,359 rural and 1,554 marketing godowns in different States (excluding the godowns sanctioned under International Development Association and European Economic Community project) without taking into account the extent of utilisation of existing storage capacities created in the States in earlier years.

2.2 A review of progress of construction of godowns sanctioned during 1972-73 to 1979-80 revealed the following :—

— Of the sanctioned assistance of Rs. 41.94 crores (loan : Rs. 37.20 crores and subsidy : Rs. 4.74 crores), Rs. 31.21 crores (loan : Rs. 28.62 crores and subsidy : Rs. 2.59 crores) were released for construction of 15,913 godowns (rural : 14,359 and marketing : 1,554) against which only 8,994 godowns (rural : 8,219 and marketing : 775) were constructed upto March 1982.

— Out of 15,913 godowns for which sanction had been accorded, it had not been operated upon for 655 godowns.

— Whereas the first instalment had been released for 13,836 rural and 1,422 marketing godowns, second instalment had been released only for 9,633 rural and 848 marketing godowns, which indicated delay in commencement of construction of godowns in large number of cases. Funds released for 4,203 rural and 574 marketing godowns, amounting to Rs. 580.76 lakhs as loan and Rs. 142.30 lakhs as subsidy, remained blocked with the cooperative societies over a period of 1 to 7 years without realising the objective. The corporation stated (August 1982) that 703 rural and 129 marketing godowns were completed without release of second instalments.

— The construction of 1,096 godowns 948 rural and 148 marketing) was dropped subsequent to the release of first or both instalments, but the recovery of assistance amounting to Rs. 25.96 lakhs (loan : Rs. 22.50 lakhs; subsidy : Rs. 3.46 lakhs) for 687 such godowns had not been made (October 1982).

— Out of 9,633 rural and 848 marketing godowns, for which full assistance amounting to Rs. 2,444.09 lakhs had been released, the construction of 2,818 rural and 260 marketing godowns (of which 1,738 rural and 185 marketing godowns were sanctioned prior to 1977-78) had not been completed so far (March 1982).

— Neither the unutilised loans were refunded to the corporation within the prescribed period (6 months from the date of expiry of the period of utilisation) nor were the amounts alongwith interest at enhanced rates recovered by adjustments from future releases, as laid down in the terms and conditions governing loans from 1st April 1975.

— The periodical progress reports requi ed to be sent by the States on progress of construction were niether-received regularly nor did they indicate the amount spent on each godown, amount remaining unspent, etc. and consequently the actual subsidy admissible in each case could not be ascertained nor could the corporation take action to adjust any excess amount paid for each godown.

2.3 The internal auditor of the corporation reported (June 1980 and January 1981) that there were numerous cases wherein the number of godowns for which assistance was given did not tally with the number of godowns shown in progress reports of State Governments; also cases wherein the second instalment of assistance had been released through the construction work had not been taken up at all or had been dropped.

The corporation stated (January 1982) that it had initiated (February 1980) a sample study of utilisation of storage capacities in selected districts in different States through its Regional Offices and the overall findings and conclusions were likely to be available by the end of 1982.

3. *Processing industries—rice mills*

3.1 The corporation introduced a scheme in 1964-65 for installation of rice mills in cooperative sector in different States by providing liberal financial assistance outside State Plan ceiling to facilitate development of cooperative marketing business and also provide cultivators a reasonable margin in profits earned upon processing the agricultural commodities. The States were required to take steps to develop area-wise plans for development of cooperative rice mills after taking into account availability of paddy, need felt for rice mill by growers, financial resources, technical know-how, management expertise, facilities for disposal of finished products and economies of the particular rice mill.

Upto 31st March 1980, 747 cooperative rice mills (58 modern rice mills and 689 conventional rice mills) were organised with milling capacity of about 2.1 million tonnes of paddy *per annum* based on seasonal milling charactetistics of the industry. The corporation had provided assistance of Rs. 1,173.74 lakhs to different States under the scheme and 729 cooperative rice mills had been installed (March 1982). Of the remaining 18,14 units had since been cancelled and 4 were under installation since 1971-72 and 1978-79 to which loan to the extent of Rs. 18.40 lakhs had been given by the corporation. The corporation stated (January 1982) that these units were in an advanced stage of completion and that 89 huller rice mills and some sheller rice mills installed long back had become defunct/dormant.

Though the scheme had been in operation for over 17 years, its overall evaluation had not been conducted by the corporation. The corporation stated (January 1982) that capacity utilisation of cooperative rice mills in various States was reviewed and sick rice mills in Andhra Pradesh, Bihar, West Bengal, Orissa, Punjab and Tamil Nadu States, which could be taken up for rehabilitation/revival, were indentified.

An in-depth study of the functioning of the cooperative rice mills in West Bengal was undertaken by the Cooperative Department of that State in 1978-79. According to its report, the original idea for setting up of these mills in the interest of farmers, who had no facilities of processing their own produce, no longer existed as, in the rice and paddy market, the trend had completely reversed and the prices of paddy and rice had always been much above the price fixed by Government under Paddy and Rice Control Order. Further, as a large number of husking machines were being operated by private traders, the problem of processing the stock had not been felt by the farmers. As a result, the cooperative system of pooling, grading and carrying out processing activities, as envisaged, did not become operative.

3.2 *Margin Money*

To make the societies viable units, the corporation started (1971-72) providing margin money as a short-term objective, to enable them to make outright purchases of paddy on an increasing scale and draw funds according to requirements from Central Cooperative Banks. As on 31st March 1981, the corporation had provided Rs. 270.51 lakhs as margin money to 204 cooperative rice mills. Though this assistance was intended as a short-term objective, the position had not changed in this regard over the years and the cooperative societies continued to procure paddy in the open market for processing.

Further, the scheme of providing margin money did not enable the societies to draw funds according to requirements from Central Cooperative Banks except by some which could obtain cash credit accommodation from the district central cooperative banks, as reported by the expert committee of West

Bengal. As a result, most of the cooperative rice mills did not have sufficient working capital for paddy purchases and operations. According to the committee's report, there were cases where the mills had diverted the assistance for construction work and used the sanctioned amount as working capital. The corporation stated (January 1982) that the "requirements of margin money are estimated on the basis of raw material and other requirements to run the unit upto break-even point, presuming two rotations. But of late, it has been observed that in many States, entire stock of paddy is required to be procured in the months of November and December".

An expert committee appointed in August 1978 by the Government of West Bengal had observed that only 16 mills could be run out of 28 mills set up in the State. The remaining mills had been recommended for liquidation by the committee. Out of 14 rice mills examined by the committee, 41 *per cent* did not operate during 1974-75 to 1976-77 and the capacity utilisation of the working mills was 17 *per cent* in 1974-75, 25 *per cent* in 1975-76 and 14 *per cent* in 1976-77. Working results for 1978-79 received by the corporation from 18 units revealed that 12 units were idle and only 2 units milled above 1,000 tonnes, the production of the remaining 4 units being less than 1,000 tonnes.

The corporation initiated, in 1980 an investment evaluation of the cooperative rice mills in Madhya Pradesh. 18 out of 46 mills owned by the State Cooperative Marketing Federation were sick or closed down and 3 out of 53 owned by primary cooperative marketing societies had been closed down mainly due to their locational disadvantages. The study covered the performance in relation to the volume of paddy milled by 60 mills during 1976-77 and 63 mills during 1977-78 and 1978-79 and net margins in milling paddy. The study disclosed that 37 *per cent* of the cooperative mills were milling less than 1,000 tonnes, 30 *per cent* milling between 1,000 and 2,000 tonnes and 33 *per cent* milling above 2,000 tonnes *per annum*. The net margin per quintal of paddy milled after providing depreciation and interest on capital in respect of primary societies mills and federation mills respectively was Rs. (—) 12.37 and Rs. (—) 4.03 for units milling below 1,000 tonnes *per annum* Rs. (—) 1.27 and Re (—) 0.88 for units milling 1,000—2,000 tonnes per annum and Rs. (+) 3.41 and Rs. (+) 1.81 for units milling above 2,000 tonnes *per annum*. Thus, 67 *per cent* of the cooperative mills in Madhya Pradesh, working at below 2,000 tonnes *per annum* were incurring heavy losses and only a few mills (33 *per cent*) milling above 2,000 tonnes *per annum* were showing a little profit.

The corporation stated (January 1982) that due to large number of constraints such as seasonal availability of paddy, State Government's policy, unfavourable attitude of the Food Corporation of India and State Food Departments, the cooperatives were ot able to utilise 10 *per cent* of their installed capacity and the State Governments were being suitably advised for taking up the matter with their concerned Government agencies for improving their performance.

3.3 The following points were noticed in audit :—

(i) The corporation, as on 31st March 1981, took up modernisation of 270 out of 689 co-operative conventional rice mills with an assistance of Rs. 39.29 lakhs and Rs. 22.75 lakhs were released (March 1981). Only 205 mills had been modernised (March 1982). Modernisation of 10 rice mills had been dropped.

(ii) The corporation did not maintain a permanent and continuous record of progressive working of the mills from the prescribed reports to be received from them from time to time. Out of 721, 711, 711, 714 and 720 installed units during the last 5 years, the corporation received reports from 440 (1975-76), 527 (1976-77), 554 (1977-78), 448 (1978-79) and 406 (1979-80) units only. Working results of the remaining units set up with the corporation's assistance were not known.

(iii) The capacity utilisation of the cooperative mills in different States varied from 1 to 30 *per cent* for all mills during 1975-76, from 2 to 60 *per cent* in respect of primary societies rice mills and from 44 to 98 *per cent* in respect of federation mills, during 1978-79. Out of the reporting units mentioned in sub-para (ii) above, 111 (1975-76), 88 (1976-77), 123 (1977-78), 105 (1978-79) and 96 (1979-80) units were idle during the respective years.

(iv) The cooperative mills had failed to repatriate share capital assistance to State Governments/members and invariably failed to pay dividend on share capital.

The objectives of setting up of the cooperative rice mills with corporation's assistance in giving the benefit of processing to the farmer members did not thus materialise nor did the rice mills come up as viable processing units.

4. *Cooperative dairy processing units*

4.1 With a view to providing marketing and processing facilities to cooperative milk producers by establishing milk processing units, *viz.* milk chilling centres and milk processing plants in the area of milk potential, the corporation started providing financial assistance and technical guidance from 1970. To end of 1979-80, the corporation had sanctioned financial assistance of Rs. 691.30 lakhs for the establishment of 39 cooperative units in 10 States and Rs. 636.08 lakhs had been released (March 1981). Two units which were assisted to the extent of Rs. 14.30 lakhs were cancelled and funds withdrawn; sanctions for 4 units to which no assistance was released, were cancelled because the cooperative societies/State Governments were not interested in 2 units, in one case the unit being located in a tribal area, the society insisted on being paid subsidy, which was not agreed to, and in the other case the assistance was released by the cooperative bank. Twenty-four units had gone into operation and the remaining units were in various stages of installation (August 1982). Out of these 24 units, sanctions for 10 units in Uttar Pradesh were cancelled (January 1982) as the units were not working satisfactorily and were incurring losses.

4.2 No evaluation of the results of the assistance had been conducted by the corporation. A test-check of records in audit, however, revealed :

(i) The Uttar Pradesh Government submitted in 1972 a scheme for the establishment of 10 fluid milk plants each having a capacity of 10,000 litres per day. The corporation concluded in 1974 that chilling units with a capacity of 4,000 litres per day only would be viable. The investment was estimated at Rs. 8.60 lakhs each, which included the cost of equipment for 150 village collecting societies. The corporation sanctioned during 1973-74 and 1974-75 assistance of Rs. 60.20 lakhs being 70 *per cent* of the block cost of 10 chilling centres. The installation of machinery was delayed by more than 2 years, thereby escalating the block cost of each of the centres by Rs. 1.7 lakhs and Rs. 1 lakh for additional machinery. Additional assistance of Rs. 19.25 lakhs was given in March 1975 bringing the total assistance to Rs. 79.45 lakhs for 10 chilling centres, out of which Rs. 70.37 lakhs were released. Out of these 10 centres, capacity utilisation of 3 centres was only 10 *per cent* each and of the other 7 was even lower. Low utilisation was attributed to weak organisational structure of dairy cooperative in the area. Sanctions for the units had been cancelled and the loans recalled by the corporation (January 1982).

(ii) In Andhra Pradesh, out of 2 units installed, 1 unit to which the corporation had sanctioned and released

Rs. 10.25 lakhs was working at capacity utilisation of 23 *per cent* (November 1979) to 2 *per cent* (May 1980).

(iii) One unit in Himachal Pradesh was sanctioned assistance of Rs. 3.40 lakhs (loan : Rs. 2.55 lakhs; subsidy : Re 0.85 lakh) in October 1977 and Re. 0.85 lakh (loan : Re. 0.21 lakh and subsidy : Re. 0.64 lakh) was released in October 1978. The installation of the unit scheduled to be completed in December 1978 was delayed by more than 3 years. Additional assistance of Rs. 2.84 lakhs (loan : Rs. 2.13 lakhs and subsidy : Re 0.71 lakh) was sanctioned in 1980-81 and Rs. 2.50 lakhs (loan : Rs. 2.30 lakhs, subsidy : Re 0.20 lakh) were released in February 1981. The corporation stated (January 1982) that the society could not start installation because it had taken up the installation of two other chilling centres nearer to the place of marketing and hence it was considered expedient to complete those units first. The unit had since been commissioned (November 1981).

(iv) A unit in Karnataka which was sanctioned loan assistance in 1971-72 of Rs. 7.30 lakhs repayable in 14 years, was commissioned in September 1973. The unit was closed in March 1976 due to inadequate supply of milk. The sanction was cancelled and the loan recalled by the corporation in January 1978.

(v) A unit in Rajasthan, sanctioned in August 1972 with the corporation assistance of Rs. 28 lakhs, was released Rs. 7 lakhs as ways and means advance in March 1973. No progress towards the establishment of the dairy unit was made by the society and the unit was cancelled and loan recalled by the corporation in May 1975. The funds (Rs. 7 lakhs) remained blocked for over 2 years.

5. Processing of fruits and vegetables

5.1 Upto 1979-80, 24 fruit and vegetable processing units were sanctioned assistance of Rs. 261.10 lakhs by the corporation, out of which Rs. 212.99 lakhs were released, and 5 other units which were provided assistance of Rs. 37.80 lakhs by the corporation were liquidated/dropped. Of the 24 units assisted by the corporation, working reports of 7 units were not received. Of these 7 units, 4 units in Bihar and 1 unit in Kerala assisted to the extent of Rs. 23.06 lakhs had been closed down; a unit in Manipur started trial production by the end of 1979-80 and its working results were not known; and a unit in Andhra Pradesh was sanctioned assistance (Re. 0.30 lakh) for expansion of its plant in the year 1979-80 which was yet to be completed. Of the remaining 17 units, the working reports of which were received by the corporation, 10 units were running in losses and, as on 30th June 1980, their accumulated losses ranged from Rs. 1.87 lakhs to Rs. 233.14 lakhs. The capacity utilisation of the 10 units in relation to their rated capacity during 1977-78 to 1979-80 ranged from 0.25 to 53 *per cent*. The losses were mainly due to under-utilisation of capacity. The corporation stated (January 1982) that "it is regularly advising cooperative societies/State Governments regarding performance of these units and the corrective measures which need to be taken for improvement" and that, among the various problems confronting the cooperative fruit processing industry, the major ones were marketing and management.

5.2 The position in respect of 5 societies, in particular, was as under :

(i) A processing unit, set up in Punjab in February 1971 with an imported continuous dehydration line, was provided with added facilities of canning and bottling in 1974. Out of the total block cost of Rs. 96.85 lakhs, an assistance of Rs. 32.64 lakhs was provided by the corporation in 1975. The unit, since its inception had been incurring continuous losses which amounted to Rs. 233.14 lakhs on 30th June 1980. The losses were mainly due to under-utilisation of its rated capacity and deficit in trading activities. The corporation stated (January 1982) that the position had improved in 1980-81, as value-wise the unit had produced and marketed products worth Rs. 90 lakhs and Rs. 70.29 lakhs as compared to Rs. 39.49 lakhs and Rs. 22.78 lakhs respectively during 1979-80.

(ii) Another marketing and processing unit in Himachal Pradesh was provided assistance of Rs. 64.15 lakhs including a subsidy of Rs. 11.61 lakhs (Rs. 32.35 lakhs for processing unit, Rs. 22.25 lakhs as margin money and Rs. 9.55 lakhs for construction of a transit-*cum*-warehouse godown) during 1974-75 to 1977-78. The utilisation of loan and grant given for the construction of transit godown was not watched by the corporation. The transit godown was completed by the end of 1978. The corporation observed (December 1981) that the cost of the godown was only Rs. 10.16 lakhs (against estimated cost of Rs. 12.74 lakhs), and the inadmissible assistance of Rs. 1.82 lakhs was recovered in March 1982. The processing unit did not work well and had incurred heavy losses. A team appointed by the corporation in February 1980 to look into the problems and shortcomings of the units observed that the society was paying high prices for cull apples, the establishment and overhead expenses were also high, no serious efforts were made for marketing the end-products and that the society was under selling its products. As on 30th June 1980, the society had incurred accumulated losses of Rs. 83.89 lakhs. The Board of Management of the Society was suspended and a Managing Director was appointed by the State Government in May 1981.

(iii) In Karnataka, a cooperative society was sanctioned assistance of Rs. 17.77 lakhs for setting up of a manufacturing unit for wine and brandy. The unit did not function well from the beginning, faced serious problems in marketing the grape wine and affairs of the society were not managed properly. The State Government suspended the Board of Management in September 1979 and liquidated the unit in December 1979. The unit had suffered accumulated losses of Rs. 15.15 lakhs upto 1976-77.

(iv) An onion dehydration factory in Maharashtra with an estimated block cost of Rs. 38.92 lakhs was assisted by the corporation to the extent of Rs. 14.74 lakhs in March 1971. The society started construction and also imported machinery worth Rs. 11.63 lakhs on deferred payment. The factory was not completed on account of rise in prices and for want of additional funds. The cost of the project was revised in March 1974 to Rs. 59 lakhs. The State Government, however, stopped giving guarantee to the Maharashtra State Cooperative Bank, through which the society was financed by the corporation, as the management of the society was found unsatisfactory. The Society had made certain commitments with regard to import/purchase of machinery without proper appraisal or prior approval of the State Government and there were doubts about the economic viability of the unit in view of the escalation in the cost of the project. The society went into liquidation in March 1977. Though the amount given by the corporation *viz.* Rs. 14.74 lakhs was recovered by March 1980, *i.e.* after nine years, yet the purpose for which the assistance was given was not served.

(v) Installation of a fruit processing unit in Assam, sanctioned in March 1976 with an estimated block cost of Rs. 6 lakhs, was scheduled to be completed by December 1978. It was delayed for more than 3 years and had resulted in escalation in the cost of project from Rs. 6 lakhs to Rs. 12.40 lakhs. The corporation's assistance also increased in September 1980, from Rs. 3.60 lakhs to Rs. 7.44 lakhs as loan and from Rs. 1.20 lakhs to Rs. 2.48 lakhs as subsidy. The delay in construction was attributed to delay in the release of funds by the State Government and delay in supply of a boiler by the supplier. The installation of the unit had not been completed so far (August 1982).

Summing up :

The following are the main points that emerge :—

- between 1972-73 and 1979-80, the corporation sanctioned assistance of Rs. 41.94 crores for construction of 14,359 rural and 1,554 marketing godowns in different States;

- out of 15,913 godowns sanctioned, funds for 655 godowns were not released. First instalment was released for 13,836 rural and 1,422 marketing godowns; the second instalment was released only for 9,633 rural and 848 marketing godowns. In all, funds released for 4,203 rural and 574 marketing godowns (Rs. 580.76 lakhs as loan and Rs. 142.30 lakhs as subsidy) remained blocked over a period of 1 to 7 years with the societies without serving the purpose. The corporation did not ascertain the amounts of loan and subsidy actually utilised by the cooperative societies on the construction of godowns;

- the corporation had provided assistance of Rs. 1,173.74 lakhs to various States for setting up of 747 cooperative rice mills (November 1981) and 729 had only been installed. No overall evaluation of the scheme in operation for over 15 years had been conducted by the corporation. A study of cooperative rice mills in West Bengal undertaken during 1978-79 disclosed that out of 28 mills, only 16 mills could be run and out of 14 mills studied, 41 *per cent* of the mills did not operate and the capacity utilisation of the working mills varied from 14 to 25 *per cent*. A study conducted (1980) in Madhya Pradesh indicated that out of 99 mills set up, 21 mills had been closed and 67 *per cent* of 60 mills studied were running in losses;

— assistance by way of margin money provided to the societies amounting to Rs. 270.51 lakhs to enable the societies to raise required funds from the cooperative banks to make outright purchases of paddy from the market did not yield the desired result of making them viable units;

— the corporation released Rs. 636.08 lakhs for setting up of 39 cooperative dairy units in 10 States. Twenty-four units were established; of these, 10 chilling centres set up in Uttar Pradesh with corporation assistance of Rs. 70.37 lakhs were running in losses, their capacity utilisation being less than 10 *per cent*. The sanction for these units had since been cancelled and the assistance withdrawn. One unit in Andhra Pradesh, established with assistance of Rs. 10.25 lakhs was also running in loss; and

— an assistance of Rs. 212.99 lakhs was provided by the corporation for establishment of 24 fruit and vegetable processing units. Out of these, 5 units (4 in Bihar and 1 in Kerala) were closed down and 10 units were running in loss. As on 30th June 1980, their accumulated losses ranged from Rs. 1.87 lakhs to Rs. 233.14 lakhs. The capacity utilisation of these units during the period 1977-78 to 1979-80 ranged from 0.25 to 53 *per cent*.

MINISTRY OF COMMERCE

63. Working of the Trade Development Authority

1. *Introduction*

1.1 *Origin and organisation*

The Trade Development Authority (Authority), an autonomous organisation, was created in July 1970. It was registered as a Society under the Societies Registration Act, 1860 and is managed by a Steering Committee, which includes the Secretary, Ministry of Commerce as Chairman, an Executive Director and not more than 14 members to be nominated by Government of India (Government) including representatives of the Departments of Expenditure and Economic Affairs of the Ministry of Finance. The Authority is organised in three functional Divisions, namely (1) Merchandising Division, (ii) Research and Analysis Division and (iii) Trade Information and Statistics Division. In addition, an Administrative Division deals with general administration, accounts, etc. The Authority has its head office in New Delhi and three Regional Offices at Bombay, Calcutta and Bangalore. It also has three foreign branch offices in Frankfurt, New York and Tokyo.

1.2 *Objects*

The Authority is a non-profit making, non-commercial organisation created to provide a comprehensive package of services to exporters under one roof. Its primary object is to induce and organise entrepreneurs, largely in the medium and small scale sector, to develop their individual export capabilities. While the Authority can take advantage of the existing export promotion services being renedered by the Export Promotion Councils and other institutions, it is required to provide the package assistance in a personalised form to individual exporters carrying them from the stage of intention to export.

1.3 *Audit arrangements*

The accounts of the Authority are audited annually by auditors appointed for the purpose by the Steering Committee in consultation with Government.

1.4 *Source of revenues*

1.4.1 *Grants-in-aid from Government*

The Authority has been receiving grants-in-aid from Government through the Marketing Development Assistance (MDA) on (a) Non-code activities (*i.e.* administrative expenditure): 100 *per cent* reimbursement till 1974-75; 90 *per cent* of expenditure from 1975-76 to 1977-78; 75 *per cent* of expenditure from 1978-79 onwards; (b) Code activities (i.e. developmental activities): as per percentages laid down in the MDA Code of grants-in-aid, the quantum applicable to the Authority from 1978-79 onwards varied from 25 to 60 *per cent* of expenditure depending on the nature of activity undertaken.

1.4.2 *Other sources*

The other sources of revenues of the Authority are advances made through Government, income from endowment of funds by Government, donations and contributions from other sources, fees and other charges paid for the services of the Authority and other income and receipts of the Authority.

The Authority has been receiving aid from foreign agencies like United Nations Development Programme, International Trade Centre, Swedish International Development Agency, United Nations Industrial Development Organisation, etc. for arranging/participating in exhibitions, fairs, buyer-seller meets and other export developmental activities.

1.4.3 The revenues of the Authority from all sources from 1970-71 to 1980-81 were Rs. 1047.98 lakhs (Central Government : Rs. 501.05 lakhs; State Government : Rs. 5 lakhs; Foreign agencies : Rs. 399.20 lakhs; and other sources : Rs. 142.73 lakhs).

2. *Shortfalls in export performance*

By way of its integrated strategy and action, the Authority was required to draw up a blue-print detailing, *inter alia,* the specific markets to which the exports would be made and also the quantum of exports to be organised from year to year. Accordingly, the Authority drew up a "Five Year Plan" for exports during 1974-75 to 1978-79.

Originally, the Authority directed its efforts at the developed markets like the USA, Canada, Western Europe, Japan, Australia and New Zealand. The target markets were enlarged in August 1978 by including ASEAN (Malayasia, Indonesia, Thailand, the Phillipines and Singapore), Hongkong, South Korea and four Middle East countries, viz. Saudi Arabia, Iran, Kuwait and Iraq.

An examination of the quantum of actual export performance by the clients of the Authority, in the case of 16 product groups (detailed in Annexure), however, revealed the following position :—

(i) there had been persistent shortfails in a majority of them, throughout the entire plan period in the export performance as compared to the targets laid. Such cases are given in Annexure. In 54 out of 65 cases, the shortfall varied from 25 to 99 *per cent*;

(ii) the level of export performance of the previous year had not been maintained in the case of several product groups. On the contrary, the rate of growth of the exports over the previous year's performance was found to be negative in 25 cases. These cases are indicated against symbol 'NGR' in Annexure. The negative growth rate varied from 4.64 to 97.34 *per cent;* and

(iii) the products appearing at serial Nos. 2, 4, 6, 9, 13 and 16 of Annexure were among those seven products which were reported (July 1970) by the then Ministry of Foreign Trade to have a vast market and a production base in India and for which the annual world trade was assessed to be over Rs. 1000 crores. In the case of Authority's clients, these products had not only registered shortfalls as compared to targets, but also had a negative growth rate.

2.1 *Export performance of Authority's clients.*—A review of the export performance of Authority's clients *vis-a-vis* the country's global exports as well as exports to Authority's target markets (only TDA select products in all cases) revealed that while in the case of the latter two categories there had been steady increase in the performance as compared to past year(s), the performance in case of Authority's clients had generally fallen behind as illustrated below :

S. No.	Name of Product group	Symbol	1974-75	1975-76	1976-77	1977-78	1978-79
			(Value of exports : Rs. in lakhs)				
1.	Auto ancillaries	G	2311.84	2953.23	3388.63	4301.27	4502.96
		M	1436.71	1586.89	2005.37	2592.27	N.A.
		CM	1014.87	1236.64	1698.73	520.06	423.73
2.	Industrial fasteners	G	554.15	685.45	1883.85	1913.53	1963.64
		M	456.11	451.45	989.45	1163.77	N.A.
		CM	346.72	185.02	636.66	316.84	200.17
3.	Leather goods	G	423.41	676.93	832.17	1521.65	2377.96
		M	351.12	615.09	731.29	1366.47	N.A.
		CM	17.05	89.38	264.40	108.01	172.39
4.	Select scientific instruments	G	139.97	161.31	165.82	174.40	235.45
		M	68.88	74.40	86.41	80.75	N.A.
		CM	4.66	13.71	32.29	39.67	24.39
5.	Sports goods	G	1006.72	1105.89	1621.75	1810.79	2347.07
		M	876.44	981.37	1399.64	1414.35	N.A.
		CM	237.64	318.46	408.68	415.44	261.63
6.	Toys and dolls	G	47.15	49.88	80.85	81.23	104.56
		M	21.29	27.60	36.69	49.62	N.A.
		CM	0.54	1.45	0.57	25.20	0.67
7.	Wooden furniture	G	50.89	36.32	81.19	133.10	142.00
		M	44.73	14.32	30.64	45.16	N.A.
		CM	5.68	29.55	70.47	81.10	24.51

NOTE :—Symbol G stands for "Global exports of Authority's selected products".

Symbol M stands for "India's export to Authority's target markets".

Symbol CM stands for "Export performance of Authority's clients to target markets".

Symbol NA stands for "Not available".

2.2 *Quanta of exports not fixed for the subsequent five year period* 1979-80 *to* 1983-84

Though the Authority was required to draw up a blue-print detailing, *inter alia,* the quanta of exports to be organised from year to year, a study of the "Five Year Development Programme, 1979-80 to 1983-84" prepared by the Authority revealed that it had not laid any quanta of exports to be organised during the said five year period, but it had concentrated solely on overseas activities, like India Garment Promotion Meets, Market Surveys, Buyer-Seller Meets, Departmental Stores Promotion Meets, Contract Promotion Programme for readymade garments, participation in International furniture show, Integrated Market Programme in wooden furniture and participation in various fairs to be undertaken from time to time during the course of the said programme. These activities were, however, not new ones and had formed part of the export promotion programme of the Authority in the past also.

Government stated (October 1982) that the export targets fixed were based on certain assumptions and were contingent on measures being taken to vest the Authority with more powers and since these assumptions had not materialised, it was considered appropriate not to fix the targets.

3. ***Product adaptation/development and achievements***

3.1 *Product adaptation/development*

The Authority has been procuring various samples of exportworthy items to facilitate their adaptation and/or development by the Indian manufacturers. The samples are imported free of customs duty. Sometimes, these are also brought by officers of the Authority while returning from foreign countries after participating in various meets/fairs etc.

An examination of monthly monitoring reports of the Authority for the period from January 1979 to December 1980 revealed that 190 items (which also include E.C.G. Recorders and I.C. Radios) had been procured.

Enquiries by Audit, as to whether any of these samples had been adapted/developed and, where adapted, whether any export orders could be secured for them, did not elicit any information from the Authority. However, it came to notice from the monitoring reports of the Authority that certain firms had been able to develop some samples, but whether the adaptation/development proved successful and exports generated thereby had not been indicated. To a specific enquiry in respect of ten out of 72 such items selected at random, the Authority showed its inability to state the final outcome, on the plea that the information was not being revealed by the clients except in one case.

3.2 *Non-maintenance of records of overseas samples*

The Authority has not been maintaining proper records of the samples procured from time to time, their issues to various Indian firms and their ultimate return to the Authority.

In September 1978, the Authority prepared two lists of the samples lying with various officers. Two hundred-thirty six items of toys and dolls and 227 items of engineering goods were found to be available. The Authority's files revealed that all samples of toys and dolls were imported ones (from Hong Kong, Japan, U.K. and West Germany), while out of 227 items of engineering goods, 150 items were imported ones.

The Authority sold 65 items of toys and dolls to three manufacturers, and 106 items to its own staff members through a restricted auction by issuance of an internal circular. The auction was held on 24th February 1979, though the date stipulated in the circular was 26th February 1979. The general public/manufacturers were, however, not notified. Also, final decision of the Sports Goods Export Promotion Council, New Delhi and All India Handicrafts Board, New Delhi, who had earlier been approached for ascertaining the requirements of their members, was still awaited. As per the Authority's records, the requirement of these two units was for 41 items, but the details of those items could not be produced to Audit.

4. *Holding of fairs/exhibitions by the Authority-doubtful impact on foreign markets*

Arranging and participating in exhibitions, trade fairs and buyer-seller meets abroad are the main activities undertaken by the Authority for promoting Indian merchandise. For such developmental activities, the Authority has been receiving grants from Government as well as from foreign agencies. During 1973-74 to 1980-81, the Authority received developmental grant of Rs. 599 lakhs (Government : Rs. 210.68 lakhs ; foreign agencies : Rs. 388.32 lakhs).

The Authority claimed generation of the following business as a result of 36 fairs/meets held during 1973-74 to 1980-81 :

	Exhibitions/ fairs	Buyer-seller meets
		(Rs. in lakhs)
(*a*) Spot orders booked	2629.45	3290.43
(*b*) Trade enquiries	2700.18	3633.50

The Authority did not report value of the export orders actually executed. It was also not able to provide to Audit the final outcome of the trade enquiries. Therefore, it could not be ascertained to what extent the holding of exhibitions/ fairs had been beneficial and whether the results achieved were commensurate with the efforts put in and financial aid given. The shortfalls mentioned in para 2 preceding also indicate that the benefits in export promotion had not been significant.

Government stated (October 1982) that efforts were made to evaluate the results of the fairs through questionnaire. It, however, became difficult for the Authority to monitor completely the execution position of the orders booked at those events since the Authority's clients directly contacted the buyers.

A review in audit (August 1981) of the performance of seven fairs/meets organised from January 1976 to December 1979, based on reports/observations of some of the concerned functionaries on the conduct/result of these fairs/meets revealed that the exhibits displayed were of poor quality, outdated and not adequate to match the space allotted. Due to inadequate planning, lack of interest by the participants, unsuitable time and places selected for exclusive shows, the results obtained were not commensurate with the efforts and investment involved.

5. *Summing up* —The following are the main points that emerge :—

— the targets set out for exports in the Authority's Five Year Plan (1974-75 to 1978-79) were not achieved in most of the cases. The level of performance of the previous year(s) was not maintained. Even where the items selected by the Authority had a vast market abroad and a production base in India, export performance of the Authority's clients rtgistered a decline, despite the steady increase maintained by the country's global exports, particularly exports to target markets ;

— contrary to the decision of Government requiring the Authority to draw-up a blue-print detailing, *inter alia,* the specific markets to which the exports would be made, as also the quantum of exports to be organised from year to year, the Authority had done away with the fixation of quantum of exports in its subsequent plan (1979-80 to 1983-84). As such, the approach was not result-oriented ;

— the Authority was not able to provide information as to whether any of the samples imported by it for adaptation/development by Indian manufacturers had been successfully adapted and any dependable lines of export generated thereby ;

— the Authority did not maintain proper records of the samples of export-worthy items procured by it for adaptation/development by Indian manufacturers. Also the Authority had disposed of the imported samples of toys and dolls amongst members of its staff without inviting quotations from general public, especially manufacturers ; and

— though the Authority had claimed substantial generation of business as a result of holding various exhibitions/trade fairs/buyer-seller meets abroad, it was unable to report the value of export orders actually executed and the final outcome of trade enquiries. The impact of such activities, from grants amounting to Rs. 599 lakhs, could not be known.

ANNEXURE

S. No.	Name of product group	Symbol	1974-75	1975-76	1976-77	1977-78	1978-79
1	2	3	4	5	6	7	8
			(Export value : Rs. in lakhs)				
1.	Agarbaties	T	71.50	77.00	91.00	105.00	154.00
		P	19.31	28.89	27.55	186.92	84.71
		S	73.00	62.50	69.73	..	45.00
		NGR	..	..	4.64	..	54.68
2.	Auto ancillaries	T	279.00	369.00	452.00	543.00	886.00
		P	1014.87	1236.64	1698.73	520.06	423.73
		S	..	..	..	4.23	52.17
		NGR	..	..	..	69.33	18.52
3.	Bicycle and bicycle components.	T	179.00	261.00	348.00	421.00	681.00
		P	152.19	182.19	230.69	312.97	439.89
		S	15.00	30.20	33.71	25.66	35.41
4.	Castings and forgings	T	256.00	337.00	396.00	456.00	671.00
		P	431.19	430.35	291.42	381.75	530.26
		S	..	..	26.40	16.27	20.98
		NGR	..	..	32.28	..	..
5.	Stainless steel cutlery	T	105.00	110.00	127.00	155.00	219.00
		P	20.94	78.87	12.74	1.05	18.46
		S	80.06	28.30	90.00	99.32	91.57
		NGR	..	..	83.35	91.76	..
6.	Electronics	T	710.00	1127.00	1495.50	1902.00	3524.00
		P	546.99	381.67	1029.33	1551.48	625.50
		S	22.96	66.13	31.18	18.43	82.25
		NGR	..	30.22	..	..	59.68
7.	Hand small and cutting tools	T	464.00	572.00	706.00	752.00	1306.00
		P	388.38	732.44	340.06	1679.52	1267.13
		S	16.30	..	51.83	..	2.98
		NGR	..	..	53.57	..	24.56
8.	Select handicrafts	T	1212.00	1372.00	1670.00	1975.00	2880.00
		P	374.25	543.13	498.50	579.09	860.58
		S	69.12	60.41	70.15	70.68	70.12
		NGR	..	..	8.22	..	..
9.	Industrial fasteners	T	207.00	248.00	353.00	425.00	672.00
		P	346.72	185.02	636.66	316.84	200.17
		S	..	25.39	..	25.45	70.21
		NGR	..	46.64	..	50.23	36.82

1	2	3	4	5	6	7	8
10.	Leather goods	T	425.00	435.00	468.00	511.00	753.00
		P	17.05	89.38	264.40	108.01	172.39
		S	96.00	79.45	43.50	78.86	77.11
		NGR	..	..	..	59.15	..
11.	Plastics	T	38.00	82.00	119.00	158.00	276.00
		P	21.82	14.50	5.89	34.06	50.95
		S	42.58	82.32	95.05	78.44	81.54
		NGR	..	33.55	59.38	..	..
12.	Select scientific instru-ments.	T	26.00	73.50	110.00	163.50	322.00
		P	4.66	13.71	32.29	39.67	24.39
		S	82.08	81.35	70.65	75.74	92.42
		NGR	..	..	..	..	38.52
13.	Sports goods	T	272.50	309.50	379.00	429.00	633.00
		P	237.64	318.46	408.68	415.44	261.63
		S	12.80	..	..	3.16	58.67
		NGR	..	..	..	..	37.02
14.	Toys and dolls	T	7.00	10.00	16.00	32.00	75.00
		P	0.54	1.45	0.57	25.20	0.67
		S	92.30	85.50	96.44	21.26	99.10
		NGR	..	..	60.69	..	97.34
15.	Wooden furniture	T	30.00	44.00	57.00	74.00	127.00
		P	5.68	29.55	70.47	81.10	24.51
		S	81.06	32.84	..	..	80.70
		NGR	..	..	..	..	69.78
16.	Processed food/fruits and juices	T	35.00	40.00	52.00	69.00	118.00
		P	36.24	16.91	5.41	27.97	39.63
		S	..	57.72	89.60	59.46	66.41
		NGR	..	53.34	68.01	..	..

NOTE :—Symbol T stands for "Export targets of the Authority".

Symbol P stands for "Export performance of Authority's clients to target markets".

Symbol S stands for "Shortfall in performance with reference to the fixed targets, expressed in percentage."

Symbol NGR stands for "Negative Growth Rate over the preceding year, expressed in percentage.

64. *Activities of Tea Board Abroad*

(a) *Defective management of funds by the Director Tea Promotion, Brussels.*—The office of the Director Tea Promotion (DTP) Brussels was set up in 1963 to publicise and to promote Indian tea in Western Europe.

For meeting the expenditure on promotional activities and running of the office, the DTP is provided funds by the Tea Board Calcutta, through bi-monthly remittances in foreign exchange. The funds so, received are deposited in a current account (for meeting day-to-day expenditure) and a deposit account (for investment of surplus funds) in a local bank at Brussels. The DTP is responsible for proper and prudent management of funds made available to him.

A review in audit, conducted in July 1979 and October 1981 revealed that during 1977-78, the expenditure exceeded the budget allocation as well as funds allotted and was met by raising bank overdrafts and paying interest charges. During 1980-81, available surplus funds were not invested resulting in loss of interest. The following irregularities were noticed :

(i) *Avoidable expenditure on interest charges on Bank overdrafts.*—The DTP was required to restrict the expenditure to available funds in accordance with the Financial and Accounting procedure for the overseas offices issued by the Tea Board. During the year 1977-78, the sanctioned budget for the Director was Rs. 26.24 lakhs (as against proposed requirement of Rs. 41.87 lakhs). The Tea Board directed the DTP in August 1977 to restrict expenditure to funds released and to follow the economy instructions of Government. The DTP Brussels, did not observe the instructions and continued to incur expenditure during 1977-78 without restricting it to available funds or the budget allotment. This resulted in heavy shortfall in funds. Delayed remittances of funds by periods ranging from one month to four months by the Tea Board, Calcutta further affected the liquidity position. The DTP resorted to overdraft arrangements from May 1977 to September 1978 (17 months) when a special remittance of Rs. 10 lakhs was made by the Tea Board, Calcutta. The overdrawn amount which was Belgian Francs (BF) 258,285 (Rs. 63,995) in May 1977, rose to BF 3,819,591 (Rs. 10,05,155) in May 1978. Interest charges paid to the local bank on the overdraft amounted to BF 307,444 (Rs. 77,907).

The DTP merely pressed the Tea Board, Calcutta for restoring the budgetary cuts imposed and for additional remittance for wiping out the debit balance with the bank instead of taking specific steps for liquidating the overdraft with the bank by prudent resource management. The Tea Board observed (May 1978) that availing of overdraft in foreign exchange from the bank could have been avoided by recourse to more vigorous and timely control over expenditure. Against a remittance of BF 12,144,140 credited to his account between 29th April 1977 and 8th May 1978 the DTP actually spent a sum of BF 15,245,329 during the year 1977-78 (as compared to BF 11,946,050 spent in 1976-77 and BF 12,484,441 he was required to spend in 1978-79).

The Tea Board did not analyse the monthly accounts sent by the DTP and take specific measures to enforce financial discipline on their overseas office. Although they were aware as early as in May 1977 that the DTP was resorting to overdraft arrangements with the Bank, no steps were initiated for expeditious liquidation of the debit balance. It was only in May 1978 (12 months later) that the DTP was informed that he "did not make all-out attempts to restrict the expenditure specially, on uncommitted items like P. R. work T.A. etc.......". The Board took another 3 months to make a special remittance to liquidate the debit balance.

(ii) *Loss of interest on account of non-investment of surplus funds.*—The financial procedure relating to overseas offices of Tea Board provide that the DTPs should not draw funds in excess of actual requirements. During the period October 1980 to October 1981 remittances by the Tea Board, Calcutta to the DTP Brussels far exceeded the latters' cash requirements, resulting in sizeable cash balances at the end of each remittance period. The DTP neither proposed reduction in remittances in subsequent periods to keep his cash balance to minimum requirements, nor invested the surplus available funds in interest bearing deposit account. The balance held by the DTP in current account during the above period on an average worked out to BF 2,901,488 (Rs. 7,35,243) as against the normal monthly cash requirement of BF 1,000,000 (Rs. 2,53,402). Had the surplus funds been invested in interest bearing Deposit Accounts, interest of more than BF 150,000 (Rs. 0.38 lakh) on a conservative estimate would have accrued in this one year period.

Thus an amount of Rs. 0.78 lakh was paid as interest charges which could be avoided and Rs. 0.38 lakh was lost as potential interest due to mismanagement of funds by the DTP, Brussels.

This para was issued to the Ministry of Commerce, and Tea Board in April 1982 but no reply has been received so far (September 1982) despite reminders.

(b) *Joint Promotion Scheme for Indian tea in Canada*

1.1 With a view to securing a larger share for Indian tea in Canadian market, the Tea Board approached Government (January 1977) for approval of a joint promotion scheme in collaboration with a Canadian company. The salient features of the scheme were that the company :

(i) would purchase 335,000, 500,000 and 10,00,000 lbs. of Indian tea during the years 1976-77, 1977-78 and 1978-79 respectively for blending in the

'Flowerdale' brand tea marketed by them and would also increase the proportion of Indian tea in their brand to more than 55,60,65 and 70 *per cent* in 1976-77, 1977-78, 1978-79 and 1979-80 respectively.

(ii) would prominently display on their packed cartons the Tea Board's marketing symbol and the words 'Rich Indian Tea'.

(iii) would spend Canadian $ 160,000 on TV advertising and Canadian $ 260,000 on Radio and other advertising activities.

(iv) would receive US $15,200 as the Tea Board's contribution for the year 1976-77. This consisted of US $ 7,200 as promotional assistance at the rate of 4 cents per lb. of tea over and above the imports in 1975 and US $ 8.000 for assistance for the promotion of 'Flowerdale India Teas' on TV. For the years 1977-78 and 1978-79 the company was to be paid US $ 17,500 and US $ 20,000 respectively. During the year 1979-80, the Tea Board's assistances was to be at the rate of 3 US cents per ib. for quantities above 10,00,000 lbs.

(v) would endeavour to import tea directly from India in 100 *per cent* pure India tea form or in blends preferably from the Tea Trading Corporation of India (TTCI).

1.2 The Tea Board proposed that the need for scaling down the amount of promotional assistance on a *pro-rata* basis in the event of actual purchase/usage being less than the agreed quantity would be kept in view by Director, Tea Promotion (DTP), New York. They reported to Government (August

1977)that the company had gone ahead with their programme for promotion of Indian tea from winter of 1976. Government approved the scheme (September 1977) for the years 1976-77 and 1977-78 at a total cost of US $ 32,700.

1.3 The company did not sign the draft agreement proposed by the Tea Board in December 1976 and put forward (July 1977) alternative suggestions reducing the percentages of India tea in the blends and the quantities to be purchased and increasing the Tea Board's share of promotional assistance. Contrary to the assurance given to Government, the draft agreement did not have a 'disincentive clause' for shortfall in purchase of Indian tea by the company. Efforts to persuade the company to agree to the disincentive clause were made for the first time only in January 1980. No agreement has been signed so far (July 1982).

2.1 The auditor's certificate for 1976-77 furnished by the company in January 1978 did not contain (i) the amount of promotional expenditure incurred by the company, (ii) the percentages of Indian tea used in the tea packets marketed by it and (iii) the quantities of Indian tea purchased by them. The auditors categorically stated that they "make no examination of the company's production records". The company did not produce any other evidence such as bill of lading for purchase of Indian tea. The company was informed (March 1977) by the DTP, New York that the display of Indian tea symbol on the tea packets was unsatisfactory and that it would be difficult for anyone to know at a glance that the packet contained quality Indian teas and that there was too much, 'connotation with Chinese tea'. The Chairman, Tea Board also expressed his dis-appointment about the "inconspicuous manner in which these especially our marketing symbol, have been incorporated in the quite big-sized carton". He recommnded (January 1980) that the reference to quality Indan tea and the Tea Board's symbol should be incorporated in one of the principal panels of the carton in a much bigger and bolder size. The TV film produced by the company did not mention anything on Indian tea or Indian tea symbol and this was taken up (August 1977) with the company by the DTP, New York. There was, however, no response from the company for improved publicity efforts on their part.

Import of pure Indian tea directly by the company or in blends preferably from the TTCI as envisaged in the draft agreement never made any headway and the DTP, New York recommended to the Tea Board (January 1980) that direct import from India should not be insisted upon.

2.2 Notwithstanding the fact that unsatisfactory publicity efforts on the part of the company and that the TV film did not contain any reference to Indian tea and despite the company's failure to produce documentary evidence for purchase of Indian tea, its usage etc. the DTP, New York made the payment of US \$ 15,200 for the year 1976-77. For the year 1977-78, the company claimed (June 1978) promotional assistance based on usage of 454,637 lbs. of Indian tea and 58.4 *per cent* content thereof in their tea packets as against the 500,000 lbs. and 60 *per cent* envisaged in the draft agreement. The auditor's certificate did not include any verification of the figures reported by the company nor did it mention whether the company's promotional expenditure related to "Flowerdale India Teas" as envisaged in the draft agreement. Efforts made (August 1979) to obtain information regarding purchase of Indian tea by the company were rebuffed by the company (September 1979) with statements such as 'the questions that your auditors bring up I find quite irritating' the records for 1976 and 1977 have been destroyed' and so on.

While considering the claim for 1977-78 the Chairman, Tea Board instructed the DTP, New York (January 1980) that a disincentive at the rate of one cent per pound of shortfall from the level of agreed usage of India tea and US\$ 250 for every

0.5 *per cent* shortfall from agreed proportion of tea should be levied. This was agreed to by the company (January 1980) for the year 1977-78 and thereafter. The Chairman, Tea Board, also wanted the company to be persuaded to import Indian tea directly from India as purchase of Indian tea by the company from a third country would not result in additional export from India and world defeat the whole object of the collaboration arrangement. As the company was not agreeable to do so, this was not insisted upon by the Tea Board. The Board also approached Government to accord approval to the collaboration scheme with some modifications for the years 1976-77, 1977-78, 1978-79 and 1979-80. Government sanctioned (March 1981) the scheme for 1977-78 subject to the scheme being terminated from April 1978. The Company agreed to the arrangement (January 1981) and payment of US $ 16,246.37 was made (March 1982) for the years 1977-78 in full and final settlement of the claim (as against US $ 13,678.22 correctly due as per Annexure).

3. It would be seen from the above that the scheme launched with the laudable objective of promoting exports of Indian tea to Canada failed to produce the desired results, despite incurring the expenditure of US $ 31,446, due to the hasty manner in which the arrangement was entered into and non-execution of a proper agreement with the foreign company enabling them to dictate their terms. The Tea Board/Government were placed in a situation where they had to accept the terms of the company as a 'fait accompli' while the objective behind the scheme remained unrealised.

The matter was reported to the Ministry (May 1982) and despite reminding them, reply was awaited (October 1982).

ANNEXURE

CALCULATION FOR THE PAYMENT TO THE COMPANY FOR THE YEAR 1977-78

Amount payable to the Company :—

(*i*) Indian tea used in flowerdale blend by the company	454,637 lbs.
(*ii*) Minus original level in 1975-76	155,000 lbs.
	2,99,637 lbs.
(*iii*) Balance for which assistance is to be paid at 5 Cents per lb.	299,637 lbs. ($ 14,981.85)
(*iv*) Deductions to be made as *per* the disincentive clause :—	
(*a*) Deduction of 1 Cent *per* pound for the shortfall from the agreed usage viz. on (350,000—299,637=50,363 lbs.)	$ 503.63
(*b*) $ 250 deduction for every 0.5 *per cent* shortfall from the agreed proportion of tea viz. on (60.00—58.40 = 1.6% = $ 800 @ 0.5%)	$ 800.00
TOTAL US $	1303.63

Net amount payable $ 14,981.85 — $ 1303.63 = US $ 13,678.22

(c) *Promotion of Indian tea in USA and Canada*

1. The office of the Director of Tea Promotion (DTP), New York established by the Tea Board, in 1960, is responsible for publicity, public relations and promotional work for Indian tea in USA and Canada.

2. *Export of Indian tea to USA and Canada*

2.1 The imports of tea from India by the USA compared to the total tea imports during the years 1976 to 1981 together with the value of exports from India are given below :—

Year	Total US imports of tea (in million lbs.)	Total export of tea from India to USA (in million lbs.)	Percentage of Column 3 to Column 2	Value of exports from India in US $ (in millions)
1	2	3	4	5
1976.	181.30	17.54	9.67	12.30
1977.	203.01	27.15	13.37	28.59
1978.	151.75	3.70	2.44	5.68
1979.	174.69	12.97	7.42	11.86
1980.	184.78	9.17	4.96	10.21
1981.	178.00	9.10	5.11	11.4

(Source : United States Internal Trade Commission, Publication 841, February 1982)

The exports declined sharply in 1978 and picked up a little in 1979 before declining again next year. The unit value of exports fluctuated between $ 0.70 in 1976 to $ 1.11 in 1980 with the peak unit value of $ 1.53 realised in 1978. The volume of imports of tea into USA from other principal competitors and unit value of their exports for the years 1976 to 1980 are given in Annexure I. While Indian tea fetched comparatively higher unit values *vis-a-vis* other exporting countries, major gains in exports of tea to USA have been achieved by Argentina (from 5 million to 23 million lbs.), Netherlands (from 3 million to 13 million lbs.) and China (from 7 million to 18 million lbs.) during the year 1976-80.

2.2 The exports from India to Canada *vis-a-vis* the total tea imported by Canada during the years from 1976 to 1981 are given below :—

Year	Total Canadian tea imports (in million lbs.)	Imports from India (in million lbs.)	Percentage of Column 3 to Column 2
1	2	3	4
1976	53.21	7.07	13.29
1977	53.57	6.11	11.40
1978	48.22	2.41	4.99
1979	47.25	4.15	8.78
1980	50.42	4.87	9.66
1981	45.41	4.44	9.77

(*Source :* Tea Council of Canada.)

3. *Contributions to the Tea Councils of USA and Canada and specific promotion of Indian Tea.*—Tea Councils of USA and Canada were set up in the early fifties with the specific objective of generic promotion of tea in these countries. India, Sri Lanka, Indonesia, Kenya, Malawi and Tanzania are the tea producing members of Tea Council of USA while India, Sri Lanka and Kenya are the tea producing members of Tea Council of Canada.

One half of the US Tea Council's budget is shared by the United States Tea Trade and the other half by the producing member countries. In the case of Tea Council of Canada the budget is shared by producer members and local tea trade in the ratio of 3 : 1. Amongst the producing members, the share of contribution is based on average total imports into these countries during the preceding three years. Contributions by India to both these tea councils during the last 6 years have been as under :

Year	USA (in US $)	Canada (in Canadian $)
1977	66,885	50,955
1978	58,373	55,726
1979	57,583	61,687
1980	53,922	39,323
1981	44,032	27,135
1982	45,182	30,788

The DTP, New York at the instance of Ministry of Commerce, conducted an evaluation of the activities of Tea Councils of USA and Canada (June 1980) and informed the Tea Board that the Tea Councils were effectively helping in the promotion of tea and India should continue its membership in these bodies. Though China, Argentina and Netherlands are not members of the Tea Councils they had achieved considerable growth in the export of tea to these countries. Despite the generic promotion of tea by the Tea Councils of USA and Canada over a number of years imports of tea by these countries have not been increasing.

The following table shows the details of expenditure on specific promotion of Indian tea in USA and Canada during the five years 1977-78 to 1981-82 :—

Objects of expenditure	1977-78	1978-79	1979-80	1980-81	1981-82
			(in US Dollars)		
1. Pay and allowances etc. of staff and Office contingencies	68,756	64,953	1,05,492	1,22,941	1,29,414
2. Media Publicity	4,903	6,910	8,836	17,127	12,555
3. Field Publicity, participation in Fairs etc.	19,403	11,987	34,229	81,811	85,826
4. Public relation work	3,466	771	5,195	7,519	7,366
5. Promotion Schemes	35,200	..	..	..	16,246
6. Total expenditure	1,31,728	84,621	1,53,752	2,29,398	2,51,407
Percentage of 1 to 6	52.10	76.75	68.61	53.59	51.47

Thus, during the last five years more than one half of the expenditure was on staff salaries and office contingencies.

The Public Accounts Committee, 1969-70 (Fourth Lok Sabha) in its 115th Report had observed *vide* paragraph 2.26 that between one fourth to one sixth of the outlay on promotion campaigns was on account of staff salaries. The Committee after examining replies of Government recommended (Para 1.8, 15th Report of PAC-Fifth Lok Sabha) that Government should reduce the expenditure on staff without detriment to the effectiveness of the campaigns. Not only has the expenditure on establishment and office contingencies not come down, it has actually increased. As regards promotional campaigns, the Public Accounts Committee, 1971-72 (Fifth Lok Sabha) in Para 1.11 of its 15th Report had recommended that Government should examine how far the Indian tea trade was interested in export promotion campaigns and try to associate them progressively with the measures taken by the Tea Board. No promotion campaign was undertaken by the Director Tea Promotion, New York in association with the Indian tea trade.

4. *Fairs, exhibitions, stores demonstrations*

The DTP, New York participates in fairs/exhibitions, cultural functions and arranges stores demonstrations for sampling Indian tea with a view to creating awareness of Indian tea and generating interest amongst potential buyers.

It was, however, noticed in Audit that no guidelines have been laid down by the Tea Board regarding such participation in fairs and exhibitions. The impact of participation on the market for Indian tea had also not been evaluated (July 1982).

5. *Infructuous expenditure on retention of a vacant apartment and furniture*

5.1 By a lease agreement executed in April 1976, an apartment in Manhattan was rented for the DTP, New York for a period of three years from 1st May, 1976 to 30th April 1979 at a monthly rent of \$ 693 in the first year, \$ 713 in the second year and \$ 733 in the third year. Simultaneously, furniture for the apartment was also leased separately from a furniture leasing company at a monthly rent of \$ 105. Though the tenure of the officer was for two years, the lease for the apartment was made for 3 years, without incorporating a clause in the lease agreement for its earlier termination in the event of the officer's transfer.

5.2 The Officer, for whom the accommodation was intended, occupied the apartment on 1st May 1976 and vacated it on 30th June 1978 on his transfer back to India. Although no intimation of the arrival of his successor was given, the vacant apartment including furniture was continued to be rented, and in January 1979 the lease was renewed for a further period of three years with effect from 1st May 1979 on an increased monthly rental of \$ 795.31. The new DTP occupied the apartment on 10th June 1979. An infructuous expenditure of Rs. 77,852 (\$ 9,550) was thus incurred on the rent of the apartment and furniture during the period 1st July 1978 to 9th June 1979 when the apartment remained vacant.

5.3 The Ministry stated (October 1979) that retention of the apartment was necessary as otherwise it would have been very difficult to arrange for an apartment with the same rental or even a substantially higher rent in the area. The Ministry had, however, instructed the Tea Board in November 1974 to find cheaper accommodation in areas other than Manhattan area of New York but the accommodation continued to be retained in this area (September 1982).

The matter was reported to Government/Tea Board (September 1982). Their reply is awaited (October 1982).

ANNEXURE

Tea, crude or Prepared : US imports for consnmption, by principal sources, 1976—80

Source	1976	1977	1978	1979	1980
			Quantity (1,000 pounds)		
Sri Lanka	46,495	36,676	30,874	32,308	26,931
Indonesia	25,480	32,406	23,688	24,703	30,672
Kenya	23,561	20,877	18,144	20,807	14,908
India	17,545	27,154	3,707	12,976	9,170
China M	6,716	9,295	6,352	14,245	17,553
Canada	5,820	5,541	4,785	5,367	5,686
Argentina	4,674	10,782	14,834	15,452	22,806
Netherlands	2,920	6,619	8,994	10,426	13,086
All others	48,093	53,662	40,371	38,406	43,974
TOTAL	181,304	203,012	151,749	174,690	184,786
			Value (1,000 dollars)		
Sri Lanka	24,744	38,654	26,754	27,052	23,030
Indonesia	12,527	27,765	18,205	17,483	20,545
Kenya	13,828	22,605	17,213	19,114	14,678
India	12,306	28,592	5,679	11,860	10,215
China M	2,874	5,186	4,750	7,660	9,922
Canada	6,624	8,659	7,850	8,376	8,834
Argentina	1,429	5,829	6,242	5,416	8,711
Netherlands	1,410	4,322	4,544	5,651	7,337
All others	19,603	33,630	23,184	22,644	26,599
TOTAL	95,345	175,242	114,421	125,256	129,871
			Unit value (per pound)		
Sri Lanka	$ 0.53	$ 1.05	$ 0.87	$ 0.84	$ 0.86
Indonesia	0.49	0.86	0.77	0.71	0.67
Kenya	0.59	1.03	0.95	0.92	0.98
India	0.70	1.05	1.53	0.91	1.11
China M	0.43	0.56	0.75	0.54	0.57
Canada	1.14	1.56	1.64	1.56	1.55
Argentina	0.31	0.54	0.42	0.35	0.38
Netherlands	0.48	0.65	0.51	0.54	0.56
All others	0.41	0.63	0.57	0.59	0.60
Average	0.56	0.89	0.89	0.77	0.81

Source : Compiled from official statistics of the US Department of Commerce.

65. Indian Institute of Foreign Trade, New Delhi

1. *Introductory.*—The Indian Institute of Foreign Trade (Institute) was registered (May 1963) as a society under the Societies Registration Act, 1860 and started functioning from February 1964. It is an autonomous organisation and has a Governing Body consisting of, besides the Chairman, a Director General and 19 members. The Director General is the principal executive officer of the Institute. The Government of India, public sector units, private trade and industry, universities and various other educational and research institutions participate and collaborate in the functioning of the Institute. The Institute has four categories of members, permanent, ordinary, associate and fellow members depending on payment of prescribed lump sum or annual fee, as the case may be.

1.1 *Objects.*—The objects of the Institute, *inter alia,* include undertaking and promoting study and research in problems of export and import trade, studying prospects of export and suggesting measures for accelerated export; studying conditions of demand and supply in different areas of export products, marking survey of foreign markets, providing training for specialised personnel, reviewing trade policies/regulations and trade agreements in major industrial countries and their impact on India's exports and suggesting measures to further national interest, etc.

1.2 *Budget and finance.*—The activities of the Institute are financed by grants from Government and supplemented by its own funds/assistance from foreign agencies approved by Government. Its sources of funds are :

(a) grants made by or through the Central or State Governments;

(b) donations and contributions from other sources; and

(c) other income and receipts of the Institute.

The Institute has been receiving grant-in-aid from the Marketing Development Assistance (MDA)—a fund created by the Government of India, Ministry of Commerce, for export promotion activities. In its 83rd meeting (January 1977), the Main Committee of the MDA decided on a new pattern of grant for the Institute from 1977-78 onwards which prescribed various percentages of expenditure on different activities (both administrative and developmental) in place of the earlier pattern of covering the net deficit.

The income of the Institute from MDA grants and other sources of revenue from 1976-77 onwards was as shown below :

Year	MDA grant	Donation/ contribution	Other sources		Total
			Fee	Other receipts	
		(Rs. in lakhs)			
1976–77. . .	33.30	Nil	11.37	3.42	48.09
1977–78. . .	32.14	Nil	11.45	3.56	47.15
1978–79. . .	34.53	Nil	14.83	4.49	53.85
1979–80. . .	39.94	Nil	17.14	4.88	61.96
1980–81. . .	43.35	Nil	10.94	3.41	57.70
	183.26	Nil	65.73	19.76	268.75

In addition to the above, the Institute was also given MDA grants for requirements of house building advances to its employees and for purchase of land for office building/campus as shown below :

Year	Grant for house building advance	Grant for purchase of land for office building/ campus	Total
		(Rs. in lakhs)	
1977–78	1.75	..	1.75
1978–79	2.31	..	2.31
1979–80	4.50	3.00	7.50
1980–81	15.50	6.00	21.50
	24.06	9.00	33.06

2. *Decline in research activities*

Among the core functions of the Institute are elimination of basic deficiencies in the field of market research and area research in foreign countries, commodity studies within the country and research in problems having a bearing on various aspects of international trade.These functions are looked after by the Marketing Research Division of the Institute.

A test-check of the programme of activities of this Division from 1975-76 to 1980-81 revealed that, whereas the cost on these activities had been constantly increasing during these years, the number of programmes for these activities had fallen progressively as shown below :

Year	Amount of MDA grant	Amount of fee and over-heads charged from the parties concerned	Total of col. 2 and 3	No. of research acitvities carried out
1	2	3	4	5
		(Rs. in lakhs)		
1975–76	6.95	4.34	11.29	27
1976–77	7.91	3.24	11.15	25
1977–78	7.70	3.61	11.31	16
1978–79	7.67	5.24	12.91	12
1979–80	8.05	8.67	16.72	13
1980–81	14.38	0.56	14.94	13

Government stated (October 1982) that the number of activities had declined due to the fact that the studies undertaken had been relatively of larger size and that it might not be possible to assess the efficiency of the Institute merely by the number of studies undertaken by it.

It was noticed that the research undertaken by the Institute had been concentrated basically in the areas of exports and imports and that other related areas like import management and Government procurement had been neglected. Government stated (October 1982) that work in these areas had escalated with two studies already undertaken during 1979-80 and 1981-82 and two more studies were envisaged for 1982-83 and that the Institute had also undertaken a training programme/seminar on import management.

Further, even in the area of marketing research, the Institute had not taken up any fundamental research apart from commodity and market surveys. Government stated (October 1982) that "though the Institute has not undertaken research on the theoretical aspects of marketing, the IIFT have been undertaking a larger number of studies in respect of fundamental marketing function". Government further stated that "the Institute is diversifying the marketing research activities to include studies on newer items like industrial garments, crude and drugs, least developed countries and marketing functional areas like distribution and buying houses".

In a meeting held on 18th December 1980, the MDA Sub-committe had observed that there were no major activities in the work programme of the Training Division of the Institute in 1980-81 and decided that a detailed review should be made within 2 to 3 months so as to justify the expenditure on salaries relating to functional research in that Division. This review had not been undertaken (October 1982).

3. *Payment of excess grant of Rs.* 4.52 *lakhs.*—The quantum of grant in aid payable from the MDA in the case of surveys carried out by the Institute on behalf of a State Government for export potential of the State was 50 *per cent* of the cost of service, the remaining 50 *per cent* being met by the sponsoring State Government. In the case of other paid assignments, including individual training programmes, where 100 *per cent* cost or more

had been recovered by the Institute, no grant was payable by the MDA. In the case of functional research and training programme of its own, the Institute was entitled to get MDA grant at 75 *per cent* of the cost of the activity irrespective of whether the income from the activity was equal to or more than the contribution of 25 *per cent* to be borne by the Institute. The earlier pattern of assistance of straightaway covering the deficit was modified to a percentage pattern from 1977-78 under which 50 to 100 *per cent* of expenditure on different activities was to be sanctioned as grant-in-aid.

A test-check in audit of the case of grants finalised by the Ministry of Commerce (Ministry) in 1981 under the new pattern effective from 1977-78, however, revealed that the norms applicable thereunder had been repeatedly violated and where the Institute was entitled to a quantum of 50 *per cent* grant, it was able to secure 75 *per cent* and where it was not entitled to any grant, it was still able to obtain the same 75 *per cent* of the expenditure. This was done by including in its claims, the salary component of the staff deployed on 100 *per cent* recovery jobs, as if they were its own activities in spite of the fact that, under the cost-based formula adopted for such assignments, the recovery of the entire cost of such assignments, including salaries and allowances, was being effected from the sponsoring agencies.

During May to November 1981, the Ministry, while finalising the grants for the year 1977-78, 1978-79 and 1979-80, had thus given an excess grant of Rs. 4.52 lakhs as detailed below :

	Rs. in lakhs	No. of cases
Market survey	2.49	14
Training programmes	0.98	19
State export potential surveys	1.05	4
	4.52*	37

*This amount includes similar claims for 1980-81, the grant for which is yet to be finalised by the Ministry (May 1982).

Had the Ministry prescribed submission of complete details of all the paid projects/programmes not qualifying for MDA grants before finalisation of the grants-in-aid, the excess payment of Rs. 4.52 lakhs could have been avoided.

Government stated (October 1982) that the amount of excess grant paid was being assessed.

4. *Non-review of the performance of the grantee institutions by the Ministry*.—The rules require the sanctioning authorities to undertake a review of the performance of the grantee institutions (in respect of grants-in-aid exceeding Rs. 1 lakh *per annum*) at least once in three to five years. No such review had been conducted by the Ministry on the performance of the Institute (February 1982), even though this was pointed out by Audit as early as in 1971-72. Government stated (October 1982) that a committee had been constituted for undertaking a review of the performance of the Institute.

5. *Summing up*.—The following are the main points that emerge :

— there was decline in the research activities of the Marketing Research Division, one of the core Divisions of the Institute, and there were also no major activities in the work programme of the Training Division during 1980-81 to justify the expenditure on salaries in that division;

— there were violations of the norms of grant by the Institute resulting in excess payment of grant of Rs. 4.52 lakhs. The salaries of the staff deployed on *cent per cent* recovery projects had been secured twice over; and

— the review of performance of the Institute, as required to be done by the Ministry once in 3 to 5 years, was not undertaken.

MINISTRY OF EDUCATION AND CULTURE

(Department of Education)

66. University of Delhi

1. *Introduction.*—The University of Delhi (University) was established in May 1922 mainly to provide for instruction and research in several branches of learning, to award degrees and to establish and maintain colleges for that purpose.

2. *Finance, accounts and audit*

2.1 The University is financed mainly by grants from the University Grants Commission (UGC). A summary of its receipts and payments for five years ended March 1981 is given below :—

Serial Number (1)	1976-77 (2)	1977-78 (3)	1978-79 (4)	1979-80 (5)	1980-81 (6)
			(Rupees in lakhs)		
Receipts					
1. Opening balance	133.93	155.15*	190.36	47.73	47.99
2. Block grants .	352.85	389.15	370.10	512.08	596.52
3. Specific purpose grants . .	118.87	41.65	76.13	80.73	105.17
4. Departmental receipts . .	94.83	100.00	83.18	89.41	90.27
5. Realisation of short-term investments . .	283.00	175.00	Nil	Nil	Nil
6. Miscellaneous receipts, funds, etc.	112.01	86.13	233.71	275.30	318.24
7. Provident fund .	195.44	163.83	162.33	232.07	278.77
8. Scholarships, fellowships and research schemes	64.18	86.61	61.37	59.74	130.80
9. University Press	13.10	14.73	16.06	19.73	25.94
TOTAL . .	1,368.21	1,212.25	1,193.24	1,316.79	1,593.70

*Rs. 13.69 lakhs was transferred to University College of Medical Sciences on separation.

(1)	(2)	(3)	(4)	(5)	(6)
Payments				(Rupees in lakhs)	
1. Expenditure on revenue account	436.30	461.87	498.90	593.27	714.67
2. Expenditure on buildings and other capital works . .	4.55	34.72	63.76	49.20	41.73
3. Expenditure met out of specific purpose grants .	79.23	78.70	94.22	56.00	10.95
4. Short-term investments . .	315.00	100.00	Nil	Nil	Nil
5. Miscellaneous payments . .	109.37	84.03	210.82	260.65	325.07
6. Provident Fund .	193.63	159.83	168.57	222.04	271.90
7. Scholarships, fellowships and research schemes	62.18	74.52	91.25	69.07	102.15
8. University Press	12.80	14.53	17.99	18.57	24.86
9. Closing balance .	155.15	204.05	47.73	47.99	102.37
TOTAL . .	1,368.21	1,212.25	1,193.24	1,316.79	1,593.70

2.2 The accounts of the University are audited by the Comptroller and Auditor General of India under Section 19(2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 and the audited accounts together with the reports thereon are placed before Parliament.

3. *Plan programmes.*—The requirements of the University for its programmes during the fifth plan period (1974—79) were assessed by a visiting committee constituted by the UGC for the purpose. The table below indicates its assessment, funds

released and actuals upto 1979-80. the year upto which the plan was allowed to be operated by the University :—

Objective of grant	Amount requested by the University	Amount recommended by visiting Committee	Amount actually allocated by the UGC	Actual release by the UGC	Actual expenditure incurred
			(Rupees in lakhs)		
Construction . .	107.34	108.80	288.80	147.66	151.20
Equipment . .	64.30	31.60	44.20	40.61	43.22
Library . .	68.00	33.40	38.40	32.40	33.43
Staff . . .	64.47	36.86	29.24	27.24	29.24
Others . . .	71.18	14.63	14.93	7.78	6.35
TOTAL . .	375.29	225.29	415.57	255.69	263.44

Additional allocation of Rs. 180 lakhs under construction programmes was made by the UGC on subsequent proposals received from the University during the fifth plan period (1974—79) without these being vetted by any visiting committee.

4. *Utilisation of grants*

4.1 Regular maintenance and capital expenditure of the University was met from the block grants received from the UGC. The progressive net balances of block grants at the end of each of the five years 1977-78 to 1981-82 amounted to Rs. 87.10 lakhs, Rs. 39.81 lakhs, Rs. 46.20 lakhs, Rs. 26.84 lakhs and Rs. 19.29 lakhs respectively.

4.2 Grants are received by the University for specified purposes from the UGC, Central Government and other sources like Indian Council of Social Science Research, Council of Scientific and Industrial Research, etc. The progressive net balance of specific purpose grants at the end of each of the 5 years 1977-78 to 1981-82 amounted to Rs. 37.72 lakhs,

(—) Rs. 53.89 lakhs, (—) Rs. 82.85 lakhs, (—) Rs. 20.56 lakhs and Rs. 20.73 lakhs respectively (For 1981-82, figures of South Delhi campus are not included).

4.3 Test check of the records in audit showed that the University had incurred expenditure of Rs. 3.96 lakhs, Rs. 8.24 lakhs, Rs. 22.69 lakhs, Rs. 2.82 lakhs and Rs. 3.41 lakhs in anticipation of the grants received during each of the years 1977-78 to 1981-82 respectively and in several cases, expenditure incurred was in excess of the grants received. The amount overspent including expenditure incurred in anticipation of grants awaiting reimbursement from the UGC as on 31st March 1982 aggregated to Rs. 41.12 lakhs under plan development account. The excess expenditure was met by diversion of unutilised grants under certain programmes and block grants.

5. *Development of South Delhi Campus*

5.1 With a view to reducing the pressure on the main campus the University started its campus in South Delhi with the approval (1973) of the UGC. Administrative control of 24 colleges in South Delhi area has been transferred to the South campus. Land measuring 66 acres (cost : Rs. 27.23 lakhs) was allotted for the South Delhi campus by Government in 1977. The total number of seats available in the various courses was 660 (1982). In the South Delhi campus, the department of Modern European languages of the University has been conducting certificate and diploma course in Russian language from 1974 and in German and French languges from 1981, though the UGC did not approve those courses on the ground that similar courses were available in the Jawahar Lal Nehru University which was functioning in the vicinity of the South Delhi campus.

While justifying the establishment of South Delhi campus, the University had envisaged substantial increase in student enrolment at under/post-graduate level during 1974-75 to 1978-79. A comparative study of the projected and actual number of students, however, revealed that the actual strength of students had fallen from 1.35 lakhs in 1974-75 to 1.01 lakhs (0.84 lakh under-graduates and 0.17 lakh post-graduates) in 1980-81. Against the total strength of 15,948 students at post-graduate level, the number of students in the South Delhi campus was only 706 in 1979-80. The visiting committee (Committee) of the UGC while screening the fifth plan proposals of the University had observed (July 1976) that enrolment of students for M.A. (both previous and final) in English, Hindi and Sanskrit had shown a declining trend and came to the conclusion that the courses at the South Delhi campus were not attracting adequate number of students. The Committee had further observed that Mathematics was not popular with students as there were only 9 students in M.A. (Final) and that there was nil enrolment in History and Philosophy. Keeping in view the academic performance, the Committee had agreed with the conclusion of another Committee appointed by the University in March 1975 that the departments of Mathematics, Philosophy and History should be wound up gradually in view of the dwindling enrolment and lack of demand for these courses. These courses were, however, not wound up but were continued year after year. These courses in South Delhi campus had still not attracted sufficient number of students.

5.2 Revised fifth plan proposals of the University envisaging an expenditure of Rs. 100 lakhs for the South Delhi campus were accepted by the UGC in August 1977 except for staff asked for the department of Russian language. Out of Rs. 89.15 lakhs earmarked for non-recurring items (Land and buildings, furniture and equipment, books and journals and teacher's training programme), expenditure at the end of the fifth plan (March 1979) was Rs. 45.81 lakhs only and the shortfall was mainly on land and buildings (Rs. 33.17 lakhs against Rs. 76 lakhs proposed) which was attributed to non-release of funds by the UGC. It was noticed in audit that the University initially hired some buildings at a monthly rent of Rs. 0.20 lakh in New Delhi South Extension area. While seeking approval (July 1973) of the Lieutenant Governor, Delhi for hiring of residential buildings for office use, University authorities assessed that in the next two years, the University would construct its own building on the land allotted to it in Dhaula Kuan area and so the Vice-Chancellor accorded (July 1973) special sanction for Rs. 6 lakhs for payment of rent for two years only. However, the South Delhi campus is continuing in rented buildings even after 9 years after its setting up. In addition to yearly rent of Rs. 3.04 lakhs met out of its block grant, the University was paying annual ground rent of Rs. 1 lakh for the land allotted to it at Dhaula Kuan.

6. *Academic programmes*

6.1 The University departments conduct mainly post—graduate courses and under-graduate teaching is done mostly in the colleges affiliated to the University. The University also provides guidance for Ph.D. courses involving all disciplines in which it awards master's degree.

The University had a teacher strength of 558, 581, 564, 626 and 616 in each of the years 1977 to 1981 as on 1st January against student strength of 12,670, 12,257, 13,520, 13,279 and 15,247 respectively in each of these years. The average teacher—student ratio of the University teaching departments for 1977 to 1981 under the broad academic disciplines (Humanities, Sciences, Law and Music) ranged between 1 : 21 to 1 : 26. Further analysis of the position in the various departments of Humanities showed that though the average student-teacher ratio ranged between 1 : 23 to 1 : 28 during 1977 to 1981 in the Humanities discipline as a whole, this ratio was far too low/high (1 : 3 to 1 : 157) in its various departments.

The following points were noticed in audit :—

- In the department of Modern Indian Languages, there were no students in Assamese, Sindhi (till 1977-78) and Kannada (till 1974-75) whereas teachers of these languages were on the rolls of the

University from 1970-71. In case of Tamil, the number of students ranged between nil and 5 during 1970-71 to 1978-79 but during this period 4 teachers were in position. In the years in which there were no students in a particular course, the teachers were reported to have been employed on research jobs. The visiting committee of the UGC while screening the fifth plan (1974—79) proposals of the University in August 1975 had observed that the number of students offering various courses under Modern Indian Languages was very small and it was time for the University to review its policy in respect of teaching these languages as some members of the staff had little teaching work. No such review was, however, conducted. The University stated (May 1981) that number of seats for each course from 1970 to 1980 was not determined and that only from 1980-81 session, the number had been fixed as 15 for each certificate/diploma course. However, no course was discontinued on the basis of this criterion (June 1982).

— The visiting committee of the UGC further observed that the out-turn of Ph.D. students in Economics, Political Science, English and Linguistics departments was not commensurate with the facilities available with these departments and that it should be possible for a department having 100—120 students on its rolls to aim at an annual turn round of 15—20 Ph.Ds. However, it was noticed that in the departments of Economics, Political Science, History, Linguistic and African Studies, which had student strength of 1,332 during 1976-77 to 1980-81 (5 years), only 48 (about 4 *per cent*) were awarded Ph.D. degrees.

— In August 1975, there were 1,330 research scholars in Humanities and thereafter 1,031 scholars were admitted during 1976-77 to 1980-81. Out of these

2,361 scholars, only 491 were awarded degrees upto 1980-81. Against 1,870 who did not get degrees there were only 1,294 scholars during 1980-81 indicating that the remaining 576 had left midway. The University had not examined the reasons behind the large number of drop outs.

6.2 Under clause 4 of Ordinance XI, normal age of retirement of a University teacher is 60 years but the Executive Council may, on the recommendation of the Vice-Chancellor, re-employ any distinguished teacher for a period not exceeding 5 years on the whole but not beyond his completing the age of 65 years. It was, however, noticed in audit that all the 65 teachers (40 in Humanities alone) who attained the age of 60 years during the period August 1968 to June 1982, were re-employed.

6.3 The scheme of development of Area Studies Programme relating to Pakistan was taken up by the University in 1967 under the departments of Economics and Sociology. For implementation of this scheme, the UGC had sanctioned posts of 2 Professors, 1 research associate, 1 documentation officer, 1 senior assistant and 1 steno-typist and had granted financial assistance of Rs. 5.01 lakhs upto 1976 whereafter the scheme was merged in the block grant of the University against which expenditure of Rs. 4.74 lakhs (upto March 1976) was incurred. All the posts except that of professor were filled during the fourth plan period (1969—74).

In May 1981, the UGC on the basis of the progress report submitted by the University, concluded that no work appeared to have been done in this area and hence decided to withdraw the scheme for the purpose of financial assistance to the University. Thus, expenditure on the scheme proved infructuous.

7. *Directorate of Hindi Medium Implementations*

7.1 The Directorate of Translation was originally established in 1963 in the Ministry of Education under the administrative control of the University, for translation, preparation and production of University level books (in Hindi) in Mathematics and Political Science and Zoology. Literary criticism was added subsequently in 1966. In April 1978, at the instance of the Government, the Directorate was taken over by the University as its own department and was renamed as Directorate of Hindi Medium Implementation (Directorate). However, Government continued to provide assistance to the Directorate to the extent of meeting the cost of preparation of manuscripts and publication of manuscripts and released till March 1982 grant of Rs. 32.28 lakhs, against which expenditure of Rs. 28.30 lakhs was incurred by the Directorate. In addition, the University incurred maintenance expenses of Rs. 6.76 lakhs during 1978-79 to 1981-82. A test check of the records of the Directorate disclosed that out of 66 titles translated by it till March 1978, only 23 had been published and the remaining 43 containing 20,814 standard pages translated between 1967 to 1973 had remained unpublished till September 1978, when these were reported to have been damaged in the floods.

The University stated (June 1982) that as the University students got education in Sciences through the English medium, there was no market for them and it was, therefore, thought proper to postpone their printing till there was need. The cost of translation of these titles was not intimated by the University on the plea that translation was done by the regular staff of the Directorate. In terms of cost, the University fixed in 1966 the rate of Rs. 8 per page for getting this work done on casual basis from persons other than regular staff and on this basis, the cost works out to Rs. 1.67 lakhs.

7.2 Till December 1981, total value of books and journals published by the Directorate was Rs. 11.88 lakhs against which books worth Rs. 0.87 lakh only were sold. Books worth Rs. 2.32 lakhs were reported to have been damaged in the floods, books worth Rs. 3.76 lakhs were either sent to the other Hindi Akademies on exchange basis or given as complimentary copies to other organisations, and value of closing stock was Rs. 4.93 lakhs. Though the University stated (June 1982) that it was uneconomical to develop its own sales unit as the number of books published by the Directorate was very small, two salesmen were appointed on an *ad hoc* basis in January 1982 for improving the sales.

7.3 The Directorate submitted proposals to Government for preparation of 8 books during 1979-80 and 12 books and 30 monographs during 1981-82 at an estimated cost of Rs. 1.75 lakhs and Rs. 4.17 lakhs respectively. The Government approved (March 1980 and January 1982 respectively) the proposals and released Rs. 5.92 lakhs. Till May 1982, the Directorate could, however, produce only 7 books. The Directorate stated (June 1982) that the targets could not be achieved due to lengthy process of production of literature and inadequate staff.

8. *University Press*

8.1 The University Press was acquired from a private party in April 1961 with assets worth Rs. 1.62 lakhs out of grants received from the UGC. The operation of the Press resulted in a deficit of Rs. 8.68 lakhs for the period April 1961 to March 1971 which was met out of the maintenance grant. Based on the recommendation of the Estimates Committee's 54th Report (4th Lok Sabha : 1967-68), the Press started maintaining accounts on commercial lines from April 1971 and loans were advanced by the University from time to time.

The total accumulated loss of the Press as on 31st March 1981 was Rs. 3.50 lakhs excluding loss of Rs. 1.85 lakhs sustained upto 1970-71 and written off (March 1981) by the Executive Council. Reasons for heavy losses were attributed to strikes, go-slow by the press karamcharis, indecision and lack of proper actions and non-revision of schedule of rates.

8.2 No records were kept by the Press on the utilisation of its 6 machines except for a brief period of 4 months (April to June 1979 and April 1981). The University stated (June 1982) that the records could not be maintained due to paucity of requisite technical staff. Analysis of the data for these 4 months indicated that the actual utilisation of the various machines ranged from 14 to 24 *per cent* only of the optimum utilisation capacity.

8.3 The Executive Council decided that no printing work should be got done from outside presses unless the Press Manager certified that the job could not be executed in the Press. However, printing work costing Rs. 1.23 lakhs was got done from outside presses during 1977-78 to 1980-81 (Directorate : Rs. 0.99 lakh and Department of Education : Rs. 0.24 lakh). According to the Directorate, printing work was assigned to private presses with a view to reducing the cost of books and to expedite the printing work.

8.4 The dues (outstanding from 1 to 15 years) of the Press recoverable from the University departments, colleges, outside private parties etc., as on 31st March 1982, amounted to Rs. 7.32 lakhs. Confirmation of the outstanding balances had been responded only by 5 debtors, as stated by the University (June 1982). An outstanding amount of Rs. 2.20 lakhs relating to the period 1961-62 to 1966-67 was written off in November 1976 by the Executive Council on the ground that no authenticated record/papers to support the claims were available.

9. *Equipment and stores*

9.1 During the fifth plan period (1974—79), the UGC had sanctioned grants amounting to Rs. 32 lakhs for procurement of equipment for the departments of Astro-Physics, Physics, Botany, Chemistry, Geology and Zoology in addition to the basic grant of Rs. 7.5 lakhs already approved. A further grant of Rs. 35.40 lakhs was also approved (February 1977) by the

UGC for equipment for 4 centres of studies in the departments of Botany, Chemistry, Physics and Zoology. An expenditure of Rs. 54.90 lakhs was incurred upto end of the fifth plan period (March 1979) and a further expenditure of Rs. 19.90 lakhs was incurred during the extended period *i.e.,* in 1979-80. An additional grant of Rs. 3 lakhs each for the departments of Botany, Chemistry and Zoology was approved by the UGC in March 1978 but was utilised for purchase of equipment other than those for which the additional grant was sanctioned.

9.2 A test check of records disclosed that equipments (cost : Rs. 22.26 lakhs) received during 1965-66 to 1975-76 as gift/ purchased from the UNESCO/UNDP/Ford Foundation funds, were lying idle (June 1982) and bulk of the equipments had not been put to use since their acquisition.

The University attributed the non-utilisation of equipment to lack of power, spare parts and technical staff, shortage of space, etc. and added (June 1982) that in the Chemistry department, 2 items (cost : Rs. 0.59 lakh) had since been put to use and in the Graphic Arts Centre, 4 items (cost : Rs. 1.08 lakhs) had also been commissioned.

9.3 In 30 departments, stores worth Rs. 3.83 lakhs declared unserviceable due to normal wear and tear and written off during 1975-76 to 1981-82, were lying undisposed of (June 1982).

10. *Construction activities*

10.1 During January 1977 to February 1981, the University took up 19 major construction works each costing more than Rs. 5 lakhs at total tendered cost of Rs. 184.94 lakhs. These works were scheduled to be completed between November 1977 and November 1981. Test check (July 1982) of the records of these works revealed that 9 works (tendered cost : Rs. 112.02 lakhs) which were scheduled to be completed during September 1978 to November 1981 were still in progress (June 1982) involving delays ranging from 8 to 46 months. The remaining 8 works (tendered cost : Rs. 55.56 lakhs) were completed after delays ranging from 4 to 24 months.

10.2 The plans and estimates for vertical extensions to second floor of new administrative block were approved by the UGC in October 1978 for Rs. 8.65 lakhs. The civil work was awarded to a contractor in February 1979 at the tendered amount of Rs. 6.18 lakhs. After executing part of work (about Rs. 0.60 lakh), the contractor abandoned the balance work on the ground that drawings etc., were not coming forth from the architect. The University rescinded the contract in May 1980. The remaining work was awarded to another contractor in March 1981 at a tendered amount of Rs. 8.27 lakhs. The architect again failed to supply the sanctioned plans. The University rescinded contract of the architect and the work of professional services and getting sanctions from the Municipal Corporation of Delhi (MCD) was entrusted to a second architect in July 1981. At this stage the MCD pointed out that the construction of the building should not be taken up without getting the plans sanctioned and obtaining completion certificate for the existing building. Approval of the MCD was yet to be received (November 1981) and so the work could not be taken up for execution by the second contractor (June 1982). The second contractor demanded 10 *per cent* enhancement (Rs. 0.83 lakh) over the tendered amount due to increase in rates during this period, but the University had (June 1982) agreed to pay 6 *per cent* enhance-ment (Rs. 0.49 lakh). Thus, due to delay in getting the plans sanctioned from the MCD, the University had been put to an unnecessary expenditure of Rs. 2.69 lakhs.

10.3 Preliminary estimates for the construction of "Laboratory for Chemistry and Physics (Honours Class) Miranda House", amounting to Rs. 8.62 lakhs were first approved by the UGC in January 1975. The work could not be taken up as no decision about its execution and supervision was taken. Revised estimates for Rs. 10.55 lakhs were then approved by the UGC in November 1978. Civil portion of the work with an estimated cost of Rs. 6.49 lakhs (based on Delhi Schedule of Rates 1974), was awarded in March 1979 to a contractor at the tendered rate of Rs. 8.35 lakhs with date of completion as April 1980. There was nothing on record to indicate whether the University had verified the capability of the contractor in handling the job before awarding the contract. The contractor could execute about 20 *per cent* of the job by the stipulated date of completion, and thereafter abandoned (January 1980) the work after receiving payment of Rs. 2.42 lakhs including secured advance of Rs. 0.77 lakh. Action to complete the work (estimated cost : Rs. 5.69 lakhs) was yet to be taken (June 1982).

Notwithstanding the fact that the performance of this contractor was unsatisfactory, another work "Construction of 8 'D' type quarters in Reids Line" was again awarded to him in March 1980 at the tendered amount of Rs. 2.45 lakhs.

10.4 Tenders for construction of "4 Readers and 8 Lecturers flats at 7 Cavalry line" at an estimated cost of Rs. 5.35 lakhs were invited in April 1978. Lowest tender of a contractor for Rs. 6.32 lakhs was accepted and the work was awarded to him in September 1978. The contractor refused to start the work on the ground that the tender validity period of 90 days had already expired. Tenders were re-invited and on third call, the work was finally awarded (September 1979) to the same contractor at a tendered amount of Rs. 8.06 lakhs. Owing to delay in accepting the tenders within the validity period, an additional expenditure of Rs. 1.74 lakhs was caused.

The University stated (December 1981) that the work could not be awarded within 90 days as the site of the work was in occupation of the two professors. Suitable accommodation to shift them was not available and that tenders were invited only to impress upon the professors the urgency of the construction work.

10.5 Three buildings, construction of which was completed long back, had not been put to use so far (June 1982) as detailed below :—

Building	Scheduled date of completion	Date of completion	Reasons for non-utilisation
1. Central Science Facility Workshop (Rs. 6.54 lakhs).	July 1978	April 1980	Non-availability of fixtures and furniture.
2. Central Science Library.	June 1978	July 1979	Incomplete sanitary work and non-availability of furniture.
3. Animal House (Rs. 6.35 lakhs)	January 1979	December 1979	For want of electric connections, air-conditioning, furnishings, etc.

10.6 Under clause I of the agreements drawn up with the contractors, the University had been accepting guarantee bonds of any scheduled bank or State Bank of India towards security deposit. However, the following guarantee bonds amounting to Rs. 0.72 lakh though lapsed since long, were not got renewed :—

Bank guarantee	Last date of renewal	Amount
		(Rupees)
1. New Bank of India against 28 type-I flats . .	2-11-1978	20,000
2. Laxmi Commercial Bank against stadium building	20-3-1979	22,000
3. New Bank of India against Central Science facility workshop	15-6-1979	30,400
	TOTAL	72,400

Whereas in the first case arbitration award of Rs. 0.50 lakh was recoverable from the contractor, in the second and third cases, the final bills worked out to Rs. (—) 0.32 lakh and Rs. (—) 0.25 lakh respectively. Failure on the part of the University to get the bank guarantees renewed resulted in non-recovery of Rs. 1.07 lakhs from these contractors and the banks (June 1982).

10.7 In June 1982, the University had 493 residential quarters of various categories (216—one room, 112—two room, 98—three room and 67—four and five room). Of these, 211 quarters were taken up for construction during 1977 to June 1982. It was noticed in audit that after completion, 133 quarters were handed over to the estate branch for allotment (August 1978 to August 1981) out of which 7 quarters (5 and 4—room) which were handed over in July 1981 had not been allotted to eligible persons (June 1982) as rules for allotment had not been finalised. 32 (2—room) and 16 (3—room) quarters were allotted after delays ranging from 15 to 21 months and 10 to 18 months respectively from the dates of their actual completion. The delays were stated to be due mainly to delay in holding the meeting of allotment advisory committee. The failure to allot the quarters in time resulted in loss of rent of Rs. 1.58 lakhs.

11. *Other points of interest*

11.1 *Advances.*—The University made advances to staff, suppliers and others towards purchase of stores, equipment, construction works, research schemes, seminars etc. These were charged as final expenditure against the respective accounts and their adjustments were being watched through registers maintained for the purpose. These advances were required to be recovered/adjusted promptly but on 31st March 1982, an amount of Rs. 106.21 lakhs was outstanding of which Rs. 7.08 lakhs related to advances paid more than 2 to 4 years back. Reply of the University was awaited (November 1982).

11.2 *Bank reconciliation.*—The University operates 189 bank accounts (excluding one account which was closed in September 1979) for its cash transactions Monthly reconciliation of balances as per pass book and cash book is necessary to ensure that all receipts and payments are duly accounted for both by the bank and the University. The accounts had been reconciled upto March 1982 except for 18 accounts which had been reconciled upto periods ranging from July 1979 to February 1982.

The position (July 1982) of the difference in the balances as per pass book and cash book for the transactions of 187 accounts upto March 1981 and 3 accounts upto July 1979, May and September 1980 was as follows :—

Serial Number Particulars	Transactions upto 31st March 1978	Transactions during April 1978 to March 1980	Transactions during April 1980 to March 1981	Total
1. Credits in pass book but not appearing in cash book .	85,905	13,06,748	13,29,748	27,22,401
2. Credit in cash book but not appearing in pass book .	3,98,444	1,67,86,189	6,19,009	1,78,03,642
3. Debits in cash book but not appearing in pass book .	61,722	7,80,363	8,86,259	17,28,344
4. Debits in pass book but not appearing in cash book .	26,659	1,98,080	5,85,982	8,10,721

Further delay in clearance of differences, particularly of transactions in respect of items 2 and 3 above could result in non-detection of misappropriation and loss of funds due to lack of adequate financial control.

11.3 *Increase in non-teaching staff.*—The total students enrolment in 1977-78 was 1,49,016 which declined during 1978-79, 1979-80 and 1980-81 by 16, 29 and 33 *per cent* respectively;

but the administrative and technical staff of the University registered an increase of 10, 25 and 33 *per cent* respectively over the staff strength of 1,791 as on 1st April 1978.

11.4 *Library books*.—Physical verification of the entire collection of books in the library is required to be conducted at intervals of not more than three years, at least one third of the library being checked every year. The University Library System comprising Central Library and 13 constituent units had a collection of 8,56,072 books and periodicals as on 31st December 1981. The first complete physical verification of the library was conducted in 1941 and the second and latest verification in 1971. Shortages of 25,012 books (value : Rs. 2.63 lakhs) found in 1971 were written off by the Executive Council in October 1979. The stock verification Committee of the library decided in November 1976 that the first round of stock verification of about 6 lakhs volumes as on 31st March 1977 should be completed by 31st December, 1982. The University could complete physical verification of only 2.80 lakhs volumes upto March 1982. The University stated (June 1981) that the Librarian, being the executive head of the Library, was empowered to take decision regarding periodicity of physical verification at his own level or to constitute a Committee to advise him.

12.Summing up.—The following are the main points that emerge :

— additional allocation of Rs. 180 lakhs on construction works was made by the UGC during the fifth plan period without vetting of the proposals by the visiting committee ;

— over spent amount including expenditure incurred in anticipation of grants awaiting reimbursement aggregates Rs. 41.12 lakhs under plan development ;

— South Delhi Campus established in 1973 to cater to the needs of post-graduates studies in 9 subjects did not achieve the intended objectives. Against total strength of 15,948 students at post-graduate level, the number was only 706 in 1979-80 ;

— development of South Delhi campus at the site allotted at Dhaula Kuan could not be completed even after 9 years against initial expectancy of two years ;

— though visiting committee had recmmended in July 1976 winding up of Departments of Mathematics, Philosophy and History, the courses were still continuing ;

— though there were no students in certain language courses upto 1974-75, teachers were on strength from 1970-71 :

— Ph.D. out-turn in case of 5 courses in Humanities during 1976-77 to 1980-81 was about 4 *per cent* only of the total strength of the students in these courses :

— all the 65 teachers who attained the age of 60 years during past 14 years were re-employed to the maximum age of 65 years though the rules provided for re-employment only of distinguished teachers ;

— out of 66 titles prepared for publication in the Directorate of Hindi Medium Implementation upto March 1978, 23 were published;

— against the Directorate's publication valuing Rs. 11.88 lakhs, sale was only to the tune of Rs. 0.87 lakh (March 1982) ;

— no records were kept by the University press established in 1961 about the utilisation of the printing machines except for a period of 4 months; analysis of data for these months brought out that actual utilisation of these machines ranged from 14 to 24 *per cent* of the optimum utilisation capacity;

— equipments worth Rs. 22.26 lakhs were lying idle in 4 departments of the University since 1965;

— out of 19 major works (costing more than Rs. 5 lakhs each) taken up for execution since 1976 and scheduled for completion upto November 1981, only 8 works were completed after delays ranging from 4 to 24 months; the remaining 9 works in which delays of 8 to 46 months had already occurred were still in progress (June 1982);

— bank guarantees of Rs. 0.72 lakh furnished by 3 contractors, were not renewed after their expiry dates resulting in non-recovery of Rs. 1.07 lakhs from the contractors;

— large differences between bank balances as per bank account and cash book were pending clearance for long periods;

— administrative and technical staff showed an increase of 33 *per cent* during the period April 1978 to March 1981 whereas students strength declined by 33 per cent during the same period; and

— no periodical physical verification of library books was undertaken.

The matter was reported to the Ministry in August 1982; their reply was awaited (November 1982).

MINISTRY OF SOCIAL WELFARE

67. Indian Council for Child Welfare

1. *Introductory.*—The Indian Council for Child Welfare (Council) was registered in 1952 under the Societies Registration Act, 1860, as a national voluntary organisation working for the promotion and welfare of the economically backward children in the country. Its main objects, *inter alia,* are to :

— organise and maintain institutions for the training of child welfare workers and to encourage their employment for child welfare work ;

— promote establishment/formation of State/Union Territory Councils with similar aims and objectives, to provide for their affiliation to the Council ; and

— to administer schemes and funds for furtherance of child welfare.

2. *Organisation.*—The general control of the affairs of the Council vests in the Executive Committee. The Executive Committee appoints a Standing Committee for a period of 3 years to look after the day to day work of the Council.

The Council has 22 affiliated State/Union Territory Councils through which the programmes financed by Government are implemented.

3. *Finance, accounts and audit.*—The Council is financed mainly by grants from Government/Central Social Welfare Board, grants and donations given by non-Government organisations, affiliation fees paid by the State/Union territory Councils and memberships fees received from corporate members, etc.

During 1961-62 to 1980-81, the Council received from the Government/Central Social Welfare Board grants of Rs. 604.26 lakhs and disbursed grants aggregating Rs. 581.41

lakhs to the State/Union Territory Councils and spent Rs. 3.43 lakhs on library and maintenance leaving the balance of Rs. 19.42 lakhs unspent. The State/Union Territory Councils spent Rs. 561.38 lakhs on various programmes retaining the balance of Rs. 20.03 lakhs with them (31st March 1981). The total unspent balance out of Government grants retained by the Council and State/Union Territory Councils as on 31st March 1981 amounted to Rs. 39.45 lakhs.

The accounts of the Council are audited by chartered accountants appointed by the Council. The accounts up to 1980-81 were audited by the Comptroller and Auditor General of India under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

4. *Programmes financed by the Government.*—The following programmes administered by the Council are wholly/ substantially financed by the Government.

41 *Balsewika training programme.*—The programme was started by the Council during 1961-62 with the objectives of equipping the field level workers with skills to handle various needs of children upto the age of 12 years with special emphasis on those upto the age of 6 years. The programme visualised family and community training covering pre-school education, health nutrition and also working effectively for the welfare of the children in rural community and urban slums. In March 1981, the Council had 36 Balsevika training (BST) centres. During 1961-62 to 1980-81, the BST centres held 287 courses and trained 14,153 balsewikas. Upto 1974-75, Government's financial assistance was limited to 90 *per cent* of the expenditure subject to a maximum of Rs. 0.50 lakh per course of 11 months' duration ; the balance expenditure of 10 *per cent* was borne by the trainees themselves or the State/Union Territory Council. From September 1975 onwards, assistance was raised to 100 *per cent* subject to a maximum of Rs. 0.96 lakh (recurring) per year per centre and Rs. 0.22 lakh (non-recurring) per centre

for initial expenditure. Assistance is also given to the Council for technical staff at headquarters to supervise the programme. The following points were noticed in audit :—

— Trainees sponsored by the Central/State Governments or by voluntary agencies/institutions only were eligible for a stipend of Rs. 75 per month (Rs. 50 per month up to 31st August 1975) during the period of their training. No records to watch that the stipend had been paid only to sponsored candidates had been maintained by the Council. The stipend paid to non-sponsored candidates by one balsevika training centre alone during 1961-62 to 1980-81 amounted to Rs. 3.57 lakhs. The Ministry stated (September 1982) that from April 1982 onwards, the Council was strictly taking sponsored candidates.

— There should be a minimum of 35 sponsored candidates before the course can start. 23 courses at 9 training centres were started during 1961-62 to 1980-81, although the sponsored candidates were less than 35. The expenditure incurred on these courses met out of the Government grant amounted to Rs. 9.58 lakhs. The Ministry stated (September 1982) that non-sponsored candidates were taken, as sponsored candidates with requisite qualification were not available.

— A trainee who did not complete the training or after completing the training did not serve the field of child welfare for a minimum of 3 years, was required to refund the amount of stipend received by her alongwith the expenditure on training. The Council had, however, not maintained any consolidated records of such trainees/trained balsevikas and the amount recoverable from them due to their failure to complete the training or to serve the field of child welfare after having completed the training.

Records of regular follow-up of the employment position of the trained balsevikas were not maintained. The information available with the Council, revealed that 48 trainees left in the middle of 17 courses held during 1974-75 to 1980-81 at 9 training centres. The amount recoverable from them on account of stipend etc. could not be worked out for want of requisite particulars. Further, out of 9,394 balsevikas trained during 1961-62 to 1980-81 at 24 centres, 1,916 balsevikas did not serve the field of child welfare. Information in respect of the remaining 12 centres was not available with the Council. Expenditure incurred on the training of 1,916 balsevikas amounted to Rs. 31.70 lakhs. The Ministry stated (September 1982) that the Council was being requested to initiate necessary action to recover the amounts due from the trainees who failed to observe the conditions of training.

— The Council decided (August 1979) that the balsevika training centre in which the employment position of trained balsevikas had not improved should be closed down. In case of 8 training centres, percentage of unemployed trained balsevikas ranged from 14.8 to 59.6 *per cent* in 1979-80 and from 46.6 to 100 *per cent* in 1980-81. The Council did not review these cases in the light of the decision before releasing further grants for 1981-82 (Rs. 3.98 lakhs upto February 1982). The Ministry stated (September 1982) that from 1982-83, only sponsored candidates would be taken by Balsevika training centres and that the sponsored agencies would be responsible for the employment of trained balsevikas.

— The Government directed (July 1977)) that 10 *per cent* of the seats in each course should be reserved for scheduled castes/tribes candidates and that 60 *per cent* of the girls admitted in each course should be from rural areas. Complete records to watch compliance of these directions by the training centres had not been maintained. It was seen from the information available with the Council that the percentage of scheduled castes/tribes admitted in 24 course held during 1978-79 to 1980-81 at 16 training centres ranged from 2 to 8 *per cent* while that of girls from rural areas admitted in 19 courses held during 1978-79 to 1980-81 at 14 training centres it ranged from 15 to 56 *per cent*. The Ministry stated (September 1982) that as sufficient number of suitable candidates from scheduled castes and scheduled tribes and from rural areas were not available, other candidates having requisite qualifications were enrolled for training.

— Despite the directions issued by the Central Government in February 1963 to recognise BST courses, the Governments of Himachal Pradesh, Jammu and Kashmir, Orissa, Rajasthan, Tamil Nadu, Uttar Pradesh, Delhi and Pondicherry had not so far (April 1982) recognised the courses conducted by the Council and the certificate awarded by it to the successful trainees for the purpose of the appointment as balsevikas for integrated services for child welfare demonstration projects, teachers in pre-school education centres, balwadies, foundling homes, creches and similar child welfare institutions. The impact of non-recognition of BST courses for employment purposes for 19 years by 6 States out of 22 and 2 Union Territories out of 9 on one of the important objectives of the Council has not been evaluated so far.

— Out of the savings of Rs. 14.78 lakhs in holding 119 courses made during 1976-77 to 1980-81, the

Council diverted Rs. 3.57 lakhs to meet the expenditure in excess of the prescribed ceilings in 109 courses without the approval of Government. In 14 courses, the total expenditure exceeded the overall ceiling by Rs. 0.65 lakh.

— The Government entrusted (July 1977) evaluation of the balsevika training programme in the training centres in the 4 zones to one selected organisation in each zone. One of these 4 organisations was to co-ordinate the work and submit the report by May-June 1978. The report had not been received so far (April 1982). Individual evaluation reports in respect of the training centres in the western and southern zones only were received in August 1979 and September 1981 respectively. Evaluation of the programme in 10 centres of the southern zone done during July 1977 to June 1978 showed that the trained balsevikas lacked fundamental knowledge of organising and providing suitable activities for children of all age groups, which was attributed by the evaluating institution to less qualified teaching staff. As these evaluation reports highlighted lacunae in the administrative and organizational set up only, the Council decided (March 1981) to set up a study team in collaboration with the National Institute of Public Co-operation and Child Development for internal evaluation to assess the performance of the balsevika training programme. The Ministry stated (September 1982) that the course content and syllabus of balsevika training programme was under review and that the Council had also constituted a Committee comprising of experts in the field of child development and training programme to review the existing syllabus *vis-a-vis* the job requirements of the functionaries.

4.2 *Anganwadi training programme*.—Anganwadi workers are village level functionaries for 'Integrated Child Development Services' to pre-school children below the age of 6 years and pregnant and nursing women of 15-44 years' age. The trainees are selected by Block Development Officer/Child Development Project Officer and are given 3 months' course which was increased to 4 months from January 1976 at the various training centres run by the State Governments/Union territories/ voluntary organisations. In March 1981, the Council had 30 anganwadi training centres. The entire expenditure on the training of anganwadi workers is borne by the Central Government subject to a maximum of Rs. 0.35 lakh for one training course. Initial grant of Rs. 0.22 lakh (non-recurring) per training centre is also given by the Central Government for equipment, literature, periodicals, etc. The following points were noticed in audit :

— Against 171 training courses sanctioned by the Government upto 31 March 1981, the Council held 122 (21 *per cent*) courses only. The Ministry stated (September 1982) that the remaining courses could not be undertaken mainly because the State Governments could not recommend suitable candidates for these courses. The information about the number of workers trained, was not available with the Council.

— Out of the savings of Rs. 3.02 lakhs in 61 courses made during 1975-76 to 1980-81, the Council diverted Rs. 1.53 lakhs to meet the expenditure in excess of the prescribed ceiling in 69 courses without the approval of Government. In 14 courses, the total expenditure exceeded the overall ceiling by Rs. 0.41 lakh.

— The Council decided (March 1981) to conduct a study of anganwadi workers trained by it to get a feed back for future training courses but no study was conducted due to shortage of staff.

4.3 *Balwadi-nutrition programme.*—Supplementary nutrition is provided through balwadis to children of 3 to 5 years' age group belonging to the lower economic groups of families. Hundred *per cent* assistance is given by Government subject to a maximum of Rs. 4,620 per year per balwadi. In addition, an initial grant (non-recurring) of Rs. 1,000 per balwadi is also given for purchase of equipment etc. 803 balwadis were functioning from 1971-72 to 1980-81, (their number ranging from 1 to 174) in different States/Union territories).

It was noticed in audit that Government grants of Rs. 8.99 lakhs paid to 2 State Councils for 248 balwadis during 1976-77 to 1978-79, were admitted by the Council on the basis of the financial pattern and it was not correlated to the actual expenditure. Even detailed accounts were not insisted upon from the State Councils.

5. *Other points of interest*

5.1 *Assets acquired out of the Government grants.*—As per conditions of the grant, the grantee institutions were required to maintain a register, in the prescribed form, of permanent and semi-permanent assets acquired wholly or mainly out of the Government grants and the assets so acquired could not, without the prior sanction of Government, be disposed of, encumbered or utilised for purposes other than those for which the grants were sanctioned. The accounts of the assets acquired were found incomplete. 7 training centres which were closed during 1975-76 to 1978-79 acquired assets valuing Rs. 1 lakh out of Government grants, but the Council did not initiate any action (April 1982) to get these assets back or dispose them off after obtaining the orders of Government.

5.2 *Audited statements of accounts.*—The audited statements of accounts of grants totalling Rs. 11.33 lakhs for 1973-74 (one balsevika training centre); 1978-79 (8 creches); 1979-80 (16 creches) and 1980-81 (8 balsevikas training centres;

6 anganwadi training centres and 31 creches) which were required to be received by 15th April of the following financial year were yet to be received from the state councils and/or accepted by the Council (April 1982).

6. *Summing up.*—The following are the main points that emerge :

— From 1961-62 to March 1981, the Council received total grants of Rs. 604.26 lakhs from Government/Central Social Welfare Board, out of which there was an unspent balance of Rs. 19.42 lakhs with the Council and Rs. 20.03 lakhs had been retained by State/Union Territory Councils as on 31st March 1981. Government had not so far undertaken evaluation of the various programmes (April 1982) to have a feed back about achievement of the objectives of the Council.

— The stipend paid during 1961-62 to 1980-81 to the non-sponsored candidates in one Balsevika training centre alone amounted to Rs. 3.57 lakhs.

— At 9 training centres, 23 balsevika courses were started during 1961-62 to 1980-81 even though the number of sponsored candidates was less than the minimum of 35. Total expenditure incurred on these courses amounted to Rs. 9.58 lakhs.

— 1916 balsevikas did not serve the field of child welfare after training resulting in infructuous expenditure of Rs. 31.70 lakhs on their training.

— Balsevika Training Certificates awarded by the Council has not been recognised by 6 States and 2 Union territories for the purpose of employment since 1963. Its impact on one of the important objectives of the Council has not been evaluated.

— Against 171 anganwadi training courses sanctioned upto 31st March 1981, the Council held 122 courses (71 *per cent* only).

— Out of savings of Rs. 17.80 lakhs made in 180 courses, the Council diverted Rs. 5.10 lakhs to meet the expenditure in excess of the prescribed ceiling in 178 courses. In 28 courses, the total expenditure exceeded the over all ceiling by Rs. 1.06 lakhs.

— Grants of Rs. 8.99 lakhs paid for 248 balwadis to the two State Councils during 1976-77 to 1978-79 were admitted inspite of the fact that neither separate accounts thereof were maintained nor audited accounts were rendered by the State Councils.

— Proper records of permanent and semi-permanent assets acquired out of the Government grants were not maintained.

— Audited statements of accounts of grants aggregating Rs. 11.33 lakhs paid during 1973-74 and 1978-79 to 1980-81 to 9 balsevikas, 6 anganwadi training centres and 55 creches were awaited (April 1982) from the State Councils.

MINISTRY OF WORKS AND HOUSING

68. DELHI DEVELOPMENT AUTHORITY

1. *Introductory.*—Mention was made in paragraph 29 of the Advance Report of the Comptroller and Auditor General of India—Union Government (Civil)—for the year 1976-77 of certain aspects of functioning of Delhi Development Authority (DDA) and the recommendations of the PAC are contained in their 138th Report (1978-79) and 18th Report (1980-81). The construction and disposal of houses under its group housing

schemes is one of the main objectives of DDA. The housing programmes of DDA and its revenue receipts by way of ground rent, water charges and sale of commercial plots by auction etc. were reviewed during 1981-82 and 1982-83 and the results are summarised below :

2. *HOUSING PROGRAMMES OF DDA*

2.1 *Targets for construction and achievements.*—From 1971-72 to 1980-81, DDA approved layout plans for construction of 1,05,797 dwelling units and constructed 66,035 units leaving a backlog of 39,762 units (31st March 1981) as detailed below :

Scheme	Units approved	Units constructed	Backlog	Percentag of 4 to 2
1	2	3	4	5
1. Middle income group (MIG)	30,072	18,484	11,588	39
2. Low income group (LIG)	35,951	20,796	15,155	42
3. Janata/community Services personnel (CSP) . .	23,286	18,039	5,247	23
4. Economically weaker sections (EWS) and others .	2,888	7,996	—5,108	Nil
5. Self Financing Schemes .	13,600	720	12,880	95
TOTAL	1,05,797	66,035	39,762	38

It would be seen that achievements *vis-a-vis* targets of construction of dwelling units during the period 1971-72 to 1980-81 were low and the backlog in various housing schemes ranged from 23 *per cent* to 95 *per cent*. The targets of construction could not be achieved by DDA due to :

(a) non-availability of sites due to encroachments/delays in acquisition of land on account of litigation or disputes about its ownership;

(b) delays in provision of trunk services for water supply, sewage etc.,

(c) inadequate supply of bricks; and

(d) shortage of construction materials like cement, steel, etc.

2.2 *Financial outlay.*—DDA obtains funds for its housing programmes by raising loans from the Government, Life Insurance Corporation of India (LIC), Housing and Urban Development Corporation (HUDCO), General Insurance Corporation (GIC), issue of bonds and debentures and deposits from intending purchasers. The total funds raised by DDA upto 31st March 1981 were Rs. 13,313.10 lakhs and the aggregate liability outstanding at the end of March 1981 was Rs. 9,595.63 lakhs. The details are given in annexure I.

2.3 *Budget estimates and actuals.*—Budget estimates and actuals of receipts and expenditure on housing programmes during five years 1976-77 to 1980-81 are given below :—

Year	Budget Estimates		Actuals		Variations	
	Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure
			(Rupees in lakhs)			
1976-77	905.15	1,713.26	1,242.84	1,692.87	+337.69	—20.39
1977-78	800.00	2,036.25	396.97	1,424.39	—403.03	—611.86
1978-79	1,784.95	2,533.65	2,113.28	1,857.18	+328.33	—676.47
1979-80	1,600.00	8,703.37	4,540.43	2,734.97	+2,940.43	—5,968.40
1980-81	200.00	4,751.69	1,602.54	5,637.70	+1,402.54	+886.01

The large variations reflected on the planning, care and realistic nature of the preparation of budget estimates.

2.4 *Construction and disposal of dwelling units.*—Out of the various housing schemes undertaken by DDA for construction of dwelling units during 1976-77 to 1980-81, 12 schemes (estimated cost : Rs. 4,139.25 lakhs) were test-checked in audit. The details of the schemes are given in annexure II. The following points were noticed :

(a) In 9 schemes, tenders were invited and works awarded in anticipation of issue of administrative approvals and expenditure sanctions. Expenditure on each scheme (excluding cost of land and departmental charges) exceeded the amount of administrative approval and expenditure sanction. Revised administartive approvals had not been obtained even after completion of works (November 1982).

(b) None of the works were completed within the stipulated period, the delays ranged from 12 to 60 months. Such inordinate delays in the execution of works, caused blocking of funds, increase in expenditure on works arising from escalation in the prices of materials, wages of labour etc; delay in allotments of dwelling units to the intending purchasers thus failing to relieve pressure on housing and causing loss of revenue to DDA.

(c) Estimates for works had not been framed realistically and large number of extra/substituted items had to be got executed immediately after the commencement of works, resulting in avoidable disputes with the contractors regarding determination of rates for these extra/substituted items.

Expenditure on extra/substituted items on various works was Rs. 279.85 lakhs, which worked out to 9 *per cent* of the total cost of Rs. 3,109.61 lakhs on these works.

(d) In respect of three housing schemes *viz*. 512 MIG units Rajouri Garden, 696/749 MIG units Lawrence Road and 402 MIG, 238 LIG units Shalimar Bagh, Quality Control wing of DDA had found the execution below specifications and the defects persisted even after the allotment of houses.

(e) Construction works were required to be inspected by the Superintending Engineer and Architect of DDA and completion certificates were required to be countersigned by them. This requirement had not been complied with and consequently, the purpose for which they were provided was not served.

2.5 In the following three schemes, claims of DDA agregating Rs. 29.90 lakhs against the contractors were under disputes mainly due to delays/lapses on the part of DDA :—

(a) *Construction of* 1,440 *LIG units, Rajouri Garden.*— While considering tenders for the award of Civil Work (Part I) of 720 units in February 1976, the Chief Engineer DDA had recommended division of the work into two groups of 360 units each to be awarded to two contractors on the ground that the working capacity of the lowest contractor was considered to be doubtful. The Works Advisory Board, however, decided to award the entire work of 720 units to the lowest contractor. As the progress of work was slow, the Chief Engineer, DDA decided (January 1979) to rescind the contract and to get the balance work done at the risk and cost of the contractor. The Executive Engineer, however, did not take timely action and rescinded the contract in December 1980 only. Departmental investigations conducted in September 1979 revealed that over-payment totalling Rs. 5.18 lakhs had been made to the contractor (Rs. 2.59 lakhs on account of work paid for but not executed and Rs. 2.59 lakhs for steel and other materials pilfered by the contractor). On rescission of contract, the net amount of recoveries/over-payments due from the contractor stood at Rs. 9.32 lakhs. The balance work was got done through other contractors at an extra expenditure of Rs. 11.58 lakhs. Total amount due from the contractor was thus Rs. 20.90 lakhs. The matter has been (November 1982) under arbitration since June 1981.

(b) *Construction of* 1,066 *LIG units, Kalkaji.*—The work of Group II awarded to a contractor was scheduled to be completed in July 1973. Owing to slow progress of work, the contract was rescinded by the DDA in May 1976 and the balance work was awarded to another contractor, at the former's risk and cost. The defaulting contractor went in for arbitration claiming Rs. 9.86 lakhs. Since the contractor was not appearing before the arbitrator, DDA on legal advice, requested the arbitrator for consigining of the contractor's claim and granting liberty to it for appointment of a new arbitrator in connection with its claims against the contractor. The arbitrator did not accede to the request of DDA and advised that it could move an application for appointment of a new arbitrator. Despite legal advice (May 1977), DDA did not take any action in this regard. The defaulting contractor has since gone into liquidation and the amount of Rs. 6 lakhs was pending for recovery (November 1982) from the contractor. Two trucks, steel almirah, steel/wooden chairs and other materials of the contractor were confiscated by DDA in 1975 but no action to dispose of these materials had been taken so far (November 1982).

(c) *Construction of* 696/741 *MIG units, Lawrance Road.*—The work of internal electrification (4 groups) awarded to two contractors (2 groups each) in October 1975, was stipulated to be completed by by October 1976. The progress of work of contractor for groups I and II was very slow. The contractor suspended the work in April 1977 and the balance work was got done from other agencies at the risk and cost of the contractor without rescission of contract. An amount of Rs. 3 lakhs was assessed (November 1982) as recoverable from the contractor. The matter has been (November 1982) under arbitration since January 1980.

2.6 In the following four schemes, excess payments/less recoveries from contractors (Rs. 4.20 lakhs) and extra avoidable expenditure (Rs. 23.68 lakhs) were noticed :—

(a) Construction of 512 *MIG units, Rajouri Garden* :

(i) The civil work in three groups was awarded (July 1976) to three contractors (contract value : Rs. 157.54 lakhs). There was no stipulation in the agreements for provision of glazed tiles. During the execution of works it was decided (December 1976) by DDA to provide 5 mm thick white glazed tiles and the work was got done from the contractors as an extra item. The contractors were paid at Rs. 96 per square metre in anticipation of sanction of rate of the extra item by the Superintending Engineer. The rate recommended [not approved so far (November 1982)] for this extra item was, however, Rs. 76.87 per square metre. An amount of Rs. 1.60 lakhs had been paid to the contractors in excess.

(ii) Agreements provided that the contractors would engage a graduate engineer on the site failing which they were liable to pay Rs. 2,000 per month of default. Contractors of groups No. I and II did not employ the graduate engineer, and the amount due from them on this account *viz*. Rs. 1.54 lakhs was not recovered.

(iii) As per agreements, the contractors were required to return 90 *per cent* of empty cement bags to the authorised agents failing which they were liable to pay a penalty of Re. 1 per bag. This requirement was not fulfilled by the contractors for Group No. II and recovery of Rs. 0.82 lakh was due from him on this account.

(iv) In July 1975, the Chief Engineer issued instructions that standard size of shutters should be adopted in all new works even if architect's drawings indicated otherwise. These instructions were not followed, DDA incurred an extra expenditure of Rs. 1.38 lakhs on account of procurement of non-standard size shutters at higher cost.

(b) *Construction of 612 MIG units, vikas puri (Bodella) pocket GG-I.*—The work (estimated cost : Rs. 128.34 lakhs) was divided into two groups of 306 units each. Tenders for civil portions of both the groups were received in April 1979. The Additional Chief Engineer, DDA recommended the award of works at uniform negotiated rate of 35.60 *per cent* above the estimated cost, on the ground that lower rates were not expected if tenders were recalled. The Works Advisory Board, however, decided (August 1979) to recall the tenders, without recording any reasons.

The scheme was divided into four groups and tenders for civil portion of each group were re-invited in November 1979. Works for groups II, III and IV, were awarded, to contractors (February 1980), with the approval of Works Advisory Board, at uniform negotiated rate of 49.80 *per cent* above the estimated cost. For group I, single tender received at 58.35 *per cent* above the estimated cost, was considered to be high and was rejected. On recall (April 1980), no tender was received. This work was finally allotted (September 1980) to the Contractors for group II and III in equal share, at the negotiated rate of 49.80 *per cent* above the estimated cost.

Thus rejection of tenders received in April 1979, by the Works Advisory Board, without recording any reasons, despite the recommendations of the Additional Chief Engineer to award the same and subsequent award of these works at higher rates, not only involved delay in allotment of these units, but also resulted in an extra expenditure to DDA of Rs. 18.22 lakhs, computed at 14.20 *per cent* (49.80 minus 35.60) of the estimated cost of Rs. 128.34 lakhs.

(c) *Construction of* 1,392 *MIG and* 696 *LIG units, Trilok Puri.*—8 works for construction of 2,088 units (1,392 MIG and 696 LIG) were awarded to contractors at a uniform negotiated rate of 21 *per cent* above the estimated cost. In the agreements for 7 works it was stipulated that cement and steel would be issued to the contractors by DDA from its stores at Shahdara, though it held no such store there either at that time or later. The agreement for the remaining one work stipulated that cement and steel would be issued to the contractor by DDA from any of its stores. Materials for seven works had to be issued to contractors from other stores and an avoidable expenditure of Rs. 0.97 lakh was incurred by DDA by way of extra charges for their carriage to work sites.

(d) *Construction of* 1,440 *LIG units, Rajouri Garden.*—Electrical portion of work awarded in August 1976 was scheduled for completion by March 1977. Since there was delay in the execution of civil work by the contractor and DDA took about 2 years in rescinding the contract for civil work, agreement for electrical portion had to be closed by DDA. The balance electrical work was got done at an extra cost of Rs. 3.11 lakhs.

2.7 *Disposal cost of dwelling units*

2.7.1 In paragraph 3.70 of its 18th Report (1980-81 : Seventh Lok Sabha), the Public Accounts Committee had expressed deep concern over the DDA's policy of charging from the allottees, higher rates over and above the rates worked out as per the approved pricing formula in respect of certain housing schemes. The Committee was earlier informed (1980) by DDA that a new system of pricing had been worked out, which specifically laid down in-built impost and the in-built subsidy by way of reduction in supervision charges, administrative charges, rate of interest, cost of land, cost of development, etc.

The disposal price of dwelling units is worked out by the DDA on the basis of a standard formula which takes into account the cost of land and cost of construction (including internal development of the group housing area and departmental, administrative and interest charges at certain prescribed rates). After determining the prices under this method, certain inter-floor adjustments are made to arrive at the price of each dwelling unit.

It was noticed in Audit that disposal cost of dwelling units in the following three housing schemes had not been correctly worked out as per the prescribed formula, resulting in either extra financial burden on the allottees, or less realisation from them :

(a) 512 *MIG units, Rajouri Garden*

S. No.	Item of work	Cost as taken by DDA	Actual cost of construction	Extra cost charged
1	2	3	4	5
		(Rupees in lakhs)		
1.	Civil works	232.17	215.96	16.21
2.	External electrification and installation of pumps	24.83	18.84	5.99
3.	Horticulture	3.58	1.12	2.46
4.	Unforeseen expenditure . . .	10.80	Nil	10.80
5.	Maintenance during construction. .	2.66	Nil	2.66
6.	Underground water tank . . .	0.78	Nil	0.78
7.	Addition towards cost of overheads .	6.56	Nil	6.56
8.	Aggregate extra cost charged to the allottees			45.76
9.	Extra cost per unit			0.089

In addition, cost of construction of scooter sheds was also charged (Rs. 1,200 each) from allottees of ground floor units even though the facility of scooter sheds was not provided to them.

Disposal cost of ground floor units was further raised by 7.5 *per cent* on an *ad hoc* basis, resulting in extra charge of Rs. 5,000 per unit.

(b) 741 *MIG units, Lawrence Road*

(i) To the cost of construction, one per cent of cost of building was added on an *ad hoc* basis towards water supply, sanitary and sewage work although no expenditure on this account had been incurred. After adding cost of overheads, disposal cost of these flats had been inflated by Rs. 3.14 lakhs.

(ii) cost of scooter sheds was also charged from ground floor allottees even though the facility of scooter sheds was not provided to them.

(iii) Surcharge ranging from Rs. 2,500 to Rs. 6,100 per unit was added to the cost.

(c) 654 *MIG units, Rajouri Garden*

(i) For 522 MIG units completed in April 1977, disposal cost of each unit was increased by Rs. 8,300 to Rs. 14,200. This increase was not made in respect of remaining 132 units completed subsequently in April 1978.

(ii) Disposal cost of 22 ground floor units type-C was charged less by Rs. 0.57 lakh as compared to the disposal cost worked out as per the prescribed formula.

2.7.2 1,440 *LIG units Rajouri Garden.*—In May 1978, disposal cost of these units was approved as Rs. 37,300 (ground floor), Rs. 35,700 (first floor) and Rs. 36,600 (second floor). On completion, 720 units were allotted in March 1979 at these approved rates. Out of the remaining 720 units, 360 were allotted to Delhi Administration during October 1980 to June 1981 on 'on account basis' at rates ranging from Rs. 40,300 to Rs. 50,700 each (ground floor units), Rs. 38,700 to Rs. 48,800 each (first floor units) and Rs. 39,600 to Rs. 49,600 each (second floor units). The remaining 360 units were allotted in Februbary 1981 at Rs. 50,700 (ground floor units), Rs. 48,800 (first floor units) and Rs. 49,600 (second floor units).

Execution of civil work of 720 units, for which higher disposal cost was charged, was unduly slow by the contractor, but there was an avoidable delay of about 2 years in rescinding the contract by DDA, and awarding the balance work to another contractor, at the risk and cost of defaulting contractor. This resulted in pushing up the cost of construction due to escalation in the prices of materials and wages as a result of which allottees of these 720 units were put to an additional burden of Rs. 94.80 lakhs.

2.8 *Delay in allotment of completed dwelling units.*—Delays ranging from 1 to 6 years in the allotment of certain completed dwelling units as detailed in Annexure III were noticed in audit. This delay not only resulted in blocking of funds (Rs. 22.26 lakhs) involving loss of interest charges (Rs. 8.34 lakhs), but also deprived DDA of revenue by way of ground rent which it would have got for the period of delay. Further, an avoidable expenditure of Rs. 0.90 lakh (Rs. 0.70 lakh on LIG units, Kalkaji; Rs. 0.20 lakh on MIG units, Rajouri Garden) had to be incurred by DDA for re-doing certain items of work during the period when these units were vacant.

3. *REVENUE RECEIPTS*

3.1 *General.*—The main sources of revenue of DDA relate to sale proceeds of land, houses and shops, ground rent, premium on sale of land, recovery of damages, interest on investments and hire purchase instalments, rent from offices and tenements, licence fee of shops and sale of lottery tickets and it maintains accounts under six heads, (i) General Development, (ii) Nazul-I, (iii) Nazul-II, (iv) Nazul-III (JJ scheme), (v) Inter-state bus terminus and (vi) Lottery.

Receipts relating to various activities of DDA as disclosed in its annual accounts were Rs. 14,605.98 lakhs (1978-79), Rs. 25,573.58 lakhs (1979-80) and Rs. 42,044.63 lakhs (1980-81) as given in annexure IV.

3.2 *Arrears of revenue.*—Revenue aggregating Rs. 6,922.85 lakhs were pending realisation as detailed below :—

(a) *General Development Account.*—As on 1st April, 1981, revenues aggregating Rs. 6,531.65 lakhs relating to the following categories and pertaining to periods prior to 1975-76 to 1980-81 were pending realisation :

	Amount (Rupees in lakhs)
1. Houses	4,166.02
2. Premium	2,074.94
3. Disposal of shops	183.73
4. Ground rent	77.54
5. Damages	29.42
TOTAL	6,531.56

(b) *Inter-state bus terminus account.*—As on 1st April 1981, Rs. 62.96 lakhs were outstanding, out of which Rs. 61.94 lakhs were recoverable as rent of offices, licence fee of shops let out to various parties.

(c) *Outstanding recoveries of premium of land.*—As on 1 July 1982, demands aggregating Rs. 288.56 lakhs, as detailed below, were outstanding for recovery. In some cases, demands were outstanding since 1960.

	Amount (Rupees in lakhs)
1. Delhi Administration	250 83
2. Delhi Electricity Supply Undertaking	29.85
3. Municipal Corporation of Delhi	7.88
TOTAL	288.56

(d) *Outstanding recoveries of water charges.*—DDA had made arrangements for supply of water to 1026 dwelling units in Kalkaji colony till November 1980 when the colony was handed over to Municipal Corporation of Delhi. A sum of Rs. 0.85 lakh was pending recovery (May 1982) from allottees. In some cases arrears pertained to 1975 to 1977.

3.3 *Sale of commercial plots by auction.*—In the following three cases, DDA had been deprived of revenue of Rs. 124.91 lakhs due to various commissions :—

(a) *Hotel plot in Nehru Place.*—In March 1976, a plot measuring 20,233.85 square metres specially intended for constructing a hotel thereon, was advertised for sale by public auction. The reserve price of the plot was fixed at Rs. 1.50 crores. The highest bid offered by a party *viz.* rupees one crore, was accepted by the DDA in May 1976. This worked out to Rs. 247 per square metre, based on permissible covered space, whereas on the same date another plot meant for sale of commercial space sold in the same area fetched Rs. 1,087 per square metre of permissible covered space.

Though the plot in question was described in the sale documents as a plot for hotel site, yet the terms and conditions included therein and announced at the time of auction were those applicable in respect of commercial plots in Nehru Place District Centre. Further, an agreement embodying the terms and conditions of sale meant for commercial plots instead of those meant for hotel plots was got signed from the party. In the case of commercial plots, the allottees can sublet the whole or part of the building to be erected on such plots and with DDA's prior consent can also sell or transfer the floor space provided thereon whereas the same is not permissible in the case of hotel plots.

The party took advantage of this lapse on the part of the DDA and advertised (September 1976) for selling commercial space, on ownership basis, in the proposed building to be constructed on the hotel plot and thereby collected Rs. 89.67 lakhs. DDA tried (August 1977) to get the terms and conditions already signed by the party changed, but the Chief Legal Adviser DDA, Ministry of Works and Housing and Ministry of Law held (October 1977) that it was not possible to do so at that stage.

DDA subsequently (August 1980) passed a resolution permitting the party to utilise 17 *per cent* of the total built-up space (about 6,880 square metres) for commercial use. Thus the lapse of DDA in getting the proper agreement signed from the party, resulted in short realisation of Rs. 57.79 lakhs (based on rates at which a commercial plot was sold in auction on the same date).

(b) *Commercial plot in Bhikaji Cama Place.*—Policy guide lines of DDA framed in June 1978 stipulated recovery of Rupee

1 per square metre as restoration charges besides levy of penalty as per schedule here under :—

Period within which request made for restoration	Percentage of penalty on the amount of premium
(Days)	
Upto 30	10
Beyond 30 upto 60	20
Beyond 60 upto 90	30
Beyond 90 upto 180	50

In an auction held in February 1981, the highest bid of a party for Rs. 6.56 crores was accepted for a commercial plot in Bhikaji Cama Place on deposit of Rs. 1.66 crores as earnest money. Before the stipulated date (25th June 1981) for deposit of balance amount of Rs. 4.90 crores, the party requested for grant of extension by six months. DDA, agreed for deposit by the party, of 25 *per cent* of the unpaid amount by 30th September 1981 and balance by 31st October 1981 on payment of interest at 18 *per cent* per annum for the period of default. As against the first instalment of Rs. 1.22 crores, the party deposited only Rs. 0.50 crore on 21st September 1981. Final notice was served on the party to deposit the balance amount of Rs. 4.40 crores by 15th March 1982. The party failed to deposit the amount and accordingly allotment of plot was cancelled by DDA on 18th March 1982. The party deposited the amount on 19th March 1982. The cancellation was revoked (April 1982) by DDA without recovery of restoration charges of rupee 1 per square metre and levy of penalty amounting to Rs. 65.60 lakhs.

The Ministry stated (January 1983) that the Vice-Chairman was enpowered to waive/reduce the penalty on interest.

(c) *Commercial plot in Rajindra Place.*—In the case of a plot in Rajindra Place auctioned in June 1976 for Rs. 40.60 lakhs, terms and conditions of sale were not got signed on the spot by

DDA, from the successful bidder, as required, and the word "one month" provided therein for deposit of balance amount of Rs. 30.45 lakhs (Rs. 10.15 lakhs already deposited as earnest money by the party) was changed to "six months" without any attestation. The party was thus allowed to deposit the balance amount of Rs. 30.45 lakhs within six months from the date of issue (3rd July 1976) of demand letter while in similar other cases of auction of plots (numbers 75-76 and 62-63) at Nehru Place held in March 1976, time allowed for deposit of the balance amount was one month only. Apart from extending unauthorised financial aid to the party, DDA lost interest charges of Rs. 1.52 lakhs on delayed payments.

(d) *Other irregularities*.—(i) DDA developed. among others, three district shopping-cum-office complexes at Nehru Place, Rajindra Place and Bhikaji Cama Place. The commercial plots meant for sale of commercial space were disposed of by public auction. The highest bidder was required to deposit earnest money equal to 25 *per cent* of the bid on the fall of the hammer and the balance amount was payable within the stipulated period failing which the earnest money was to be forfeited. No consolidated records showing the number of plots developed in each district complex, number put to auction, amount of premium realised, date of realisation and the balance amount recoverable, amount of earnest money forfeited, if any, for non-payment of the balance amount were made available to audit.

Test check (June 1982) of records of auction sales of 17 plots, disclosed that there was no uniformity in regard to the date by which balance of 75 *per cent* of the bid amount was payable by the bidders. The period allowed (during 1972 to 1980) ranged from 30 to 180 days from the date of issue of demand letters. In 12 out of 17 cases test checked, payments of balance amount after the acceptance of bids were not made by the bidders by the stipulated dates but the earnest money (Rs. 376.25 lakhs) in these cases was not forfeited.

(ii) Successful auction bidders were to pay ground rent at the rate of Re. one for the first 2/3 years and 2.5 *per cent* per annum on premium of plot thereafter. While plots were handed over from 1973 onwards, ground rent had not been recovered so far (November 1982). No demand notices for recovery of ground rent were issued on the plea that the lease deeds had not been transferred to the section dealing with recovery of ground rent. The outstanding amount of recoveries pertaining to the period 1973 to 1978 in the case of 14 plots which had already been handed over, worked out to Rs. 32.23 lakhs.

(iii) DDA was required to issue demand letters to the bidders for the payment of balance amount of 75 *per cent* of the bid within 30 days of the acceptance of the bid. It was noticed that in the case of 4 plots in Nehru Place (numbers 77, 86, 75—78 and 62-63) and one plot in Rajindra Place (number 26), demand notices were issued after 30 days which resulted in loss of Rs. 1.56 lakhs on account of interest.

(iv) A plot of land measuring 21,305 square yards in Bagh Amba was transferred to the Municipal Corporation of Delhi in 1962. In 1967, DDA issued notice to the Corporation to deposit Rs. 7.88 lakhs as premium for the plot, based on the then prevailing market rate of Rs. 37 per square yard. The amount had not been recovered so far (November 1982).

3.4 *Ground rent.*—The plots/flats are allotted by DDA on lease-hold basis, terms and conditions of which, *inter alia,* provide payment of ground rent on the premium of land at prescribed rates.

According to the annual accounts of DDA for 1980-81, Rs. 77.54 lakhs was due for recovery on account of ground rent from allottees of plots and flats as on 1st April 1981. No proper procedure for realisation and accounting of dues of ground rent had been adopted. Test check of 4 registers relating to East of Kailash colony maintained by DDA revealed the following :

(i) Posting of receipts of ground rent on a number of pages allotted for 20 plots in two registers had not been done although leases in respect of these plots had been executed. The amount recoverable in 16 cases in respect of one register only worked out to Rs. 0.37 lakh; and

(ii) In another 30 cases, ground rent which was payable six months in advance by the allottees was not paid although the leases were executed long back. The amount recoverable in these 30 cases upto 15th January 1982 worked out to Rs. 1.12 lakhs. In some cases, the allottees had not paid the ground rent since 1973.

4. *General.*—In 1968, 920 plots of different sizes were allotted to Masha Khores against payment. The work of construction of sheds thereon was taken up by DDA as a deposit work. The construction cost of each shed was assessed at Rs. 5,000 plus Rs. 3,000 for basement. On demand, the allottees deposited two instalments of Rs. 2,500 each in November 1971 and April 1975. A demand for the third instalment of Rs. 8,400 (including Rs. 200 as electrification charges) was made in October 1975. The allottees did not deposit the third instalment. Notice through the press for depositing the third instalment latest by February 1976 did not evoke any response. DDA, therefore, ordered cancellation of allotment, but restored the same subsequently on payment of Re. 1 per square feet as restoration charges together with interest at 9 *per cent* per annum from November 1975 to April 1977 and at 16 *per cent* from May 1977 onwards. The final cost of construction of sheds was worked out at Rs. 14,600 to Rs. 17,500

depending on the size of the plots. The additional demand ranging from Rs. 1,200 to Rs. 4,100 was raised in 1980 but the amounts had not been deposited by the allottees so far (November 1982). Test check of records further revealed the following :

(i) Plots allotted in 1968 and 1969 were handed over to the allottees only in 1976 and thereafter. This delay resulted in loss of revenue on account of ground rent.

(ii) 4 plots in block 'A' were not handedover till date (July 1982). The position of plots in other blocks which could not be handed over to the allottees, was not known.

(iii) No consolidated records were maintained showing the number of allottees from whom the demands were outstanding on date. Test check of records pertaining to Block 'A' showed that amount outstanding for recovery in respect of 28 plots was Rs. 1.26 lakhs.

5. *Summing up*.—The following are the main points that emerge :

— From 1971-72 to 1980-81, DDA constructed 66,035 dwelling units only under its various housing schemes as against 1,05,797 for which lay out plans had been approved; backlog ranged from 23 *per cent* to 95 *per cent* in the housing schemes.

— Wide variations were noticed between budget estimates of receipts and expenditure on housing programmes, *vis-a-vis* actuals during 5 years, 1976-77 to 1980-81. Against the budget estimates of receipts of Rs. 5290.10 lakhs, actual funds received were Rs. 9896.06 lakhs; against the budget estimates of expenditure of Rs. 19,738.22 lakhs, the actual expenditure incurred was Rs. 13,347.11 lakhs.

— In respect of 12 housing schemes checked in Audit, various irregularities were noticed, award of works in anticipation of administrative approvals and expenditure sanctions, incurring of expenditure on works beyond even the estimated cost which remained to be regularised, non-completion of works within the stipulated periods, delays ranging from 12 to 60 months, unrealistic estimation of works necessitating execution of extra/substituted items execution of works of three housing schemes below prescribed specifications and lack of inspection by the Superintending Engineer and Architect of DDA.

— In respect of three housing schemes, the claims of DDA aggregating Rs. 29.90 lakhs against the contractors were under disputes mainly due to delays/lapses on the part of DDA.

— Excess payments/less recoveries from contractors (Rs. 4.20 lakhs) and extra avoidable expenditure (Rs. 23.68 lakhs) were noticed in respect of four housing schemes.

— Disposal cost of units had not been computed correctly in three housing schemes as per the prescribed formula resulting in either additional burden on the allottees or less realisation from them.

— Delays ranging from 1 to 6 years in the allotment of completed dwelling units in regard to three housing schemes were noticed. Funds to the extent of Rs. 22.26 lakhs were blocked involving loss of interest charges (Rs. 8.34 lakhs), and also avoidable expenditure of Rs. 0.90 lakh for re-doing certain items of work.

— Revenues aggregating Rs. 6,884.02 lakhs were pending realisation.

— In 3 cases of sale of commercial plots by auction, there was loss of revenue aggregating Rs. 124.91 lakhs due to lapses on the part of DDA.

— Earnest money aggregating Rs. 376.25 lakhs, was not forfeited by DDA, in cases of delay in deposit of balance 75 *per cent* of bid amounts by the bidders.

— Delay in issue of demand notices to parties for depositing the amount due on account of 75 *per cent* of the bids during auction of plots, resulted in loss of interest charges (Rs. 1.56 lakhs).

— Ground rent had not been recovered in respect of plots handed over by DDA to the allottees from 1973 onwards; in respect of 14 plots recovery worked out to Rs. 32.23 lakhs.

— Plots allotted to Masha Khores in 1968 and 1969, were handed over to the allottees only in 1976 and thereafter, resulting in loss of revenue on account of ground rent. No consolidated records were maintained, showing the number of allottees from whom the dues were outstanding; in respect of one block of 28 plots, recovery outstanding worked out to Rs. 1.26 lakhs.

The matter was reported to Ministry in August 1982; their reply in respect of some paras was awaited (January 1983).

ANNEXURE I

(*Vide* sub para 2.2)

Serial Number	Source	T[illegible]d [illegible] 1975-[illegible]	1976-77	1977-78	1978-79	1979-80	1980-81	Total	Liability outstanding as on 31st March 1981
1	2	3	4	5	6	7	8	9	10
					(Rupees in lakhs)				
1.	Loans from the Government.	325.42	..	..	167.00	900.00	433.00	1,825.42	1,219.21
2.	Loans from the LIC . .	800.00	412.00	..	..	..	..	1,212.00	767.13
3.	Loans from the HUDCO .	799.00	60.00	..	14.64	..	53.72	927.36	168.24
4.	Loans from the GIC . .	..	..	200.00	400.00	..	..	600.00	507.25
5.	Issue of bonds . . .	100.01	..	..	..	..	..	100.01	100.01
6.	Issue of debentures . .	19.89	..	..	1,000.00	..	..	1,019.89	1,000.00
7.	Deposits from intending purchasers	1,534.68	770.84	196.97	531.64	3,478.47	1,115.82	7,628.42	5,833.79
	TOTAL	3,579.00	1,242.84	396.97	2,113.28	4,378.47	1,602.54	13,313.10	9,595.63

ANNEXURE II

(*Vide* sub para 2.4)

Serial number	Housing Scheme	Month of issue of Administrative approval and expenditure sanction	Date of commencement of work	Scheduled date of completion	Actual date of completion	Date of allotment	Total estimated cost on the scheme (excluding departmental charges)	Total expenditure incurred on construction (as intimated by the Divisions to the DDA)
1	2	3	4	5	6	7	8	9
							(Rupees in lakhs)	
1.	1,066 LIG units, Kalkaji	August 1972	Group I July 1972 Group II July 1972 Group III February 1973	July 1973 July 1973 February 1974	March 1976 August 1978 May 1976	October 1975 to April 1978	168.91	203.11
2.	500/654 MIG units, Rajouri Garden.	January 1973	Group I February 1975 Group II July 1976 Group III April 1975 Group IV April 1975	March 1977 July 1977 April 1976 (114 units) April 1976 (108 units)	March 1977 April 1978 August 1976 April 1977	August 1976 to December 1979	170.64	220.24
3.	1,440 LIG units, Rajouri Garden.	March 1976	Group I March 1976 Group II March 1976	March 1977 March 1977	1980-81 October 1978	November 1980 to February 1981 March 1979	319.53	403.11
4.	512 MIG units, Rajouri Garden.	October 1976	Group I September 1976 Group II September 1976 Group III September 1976	September 1977 September 1977 September 1977	October 1979 February 1980 September 1979	1979 to 1981	261.22	297.94
5.	402 MIG and 230 LIG units, Shalimar Bagh.	January 1977	Group I & III February 1977 Group II April 1979	March 1978 April 1980	June 1981 June 1981	April 1981	303.74	342.28
6.	1,392 MIG and 696 LIG units, Trilok Puri.	January 1977 January 1979	January 1977	March to July 1978	June to July 1981	June 1979 to June 1981	888.52	
7.	1,264 LIG/Janta units, Sheikh Sarai.	February 1977	Group I & II February 1977 Group III & IV March 1977 Group V March 1979	February 1978 April 1978 March 1980	November 1979 November 1979 July 1980	December 1980 to October 1982	353.30	383.18
8.	784 MIG, 784 LIG and 392 Janta units, Dilshad Garden.	February 1977	Group I March 1977 Group II November 1976 Group III April 1977 Group IV June 1980 Group V March 1977 Group VI April 1977	August 1978 March 1978 August 1978 June 1981 August 1978 August 1978	Work in progress (June 1982)		766.34	..
9.	696/741 MIG units, Lawrence Road.	March 1977	May 1975	April 1976	March 1977	March 1977 to September 1981	277.68	274.98
10.	2,142/2,202 Janta units, Nand Nagri, Zone E-16.	April 1980		August 1980 to March 1981	Work in progess (Apri 1982)		256.33	303.32
11.	612 MIG units, Vikaspuri (Bodella), Pocket GG-I.	May 1980		March 1981	Work in progress (June 1982)	—	196.76	291.03
12.	288 MIG units, Lawrence Road, Pocket B-2.	October 1980		January 1981	Work in progress (June 1982)	—	176.28	237.80

ANNEXURE III

(*Vide* sub para 2.8)

S. No.	Name of scheme	No. of flats	Cost of construction	Date of completion	Date of allotment	Period of delay	Amount of interest charges @16% P.A.
			(In lakhs of rupees)				(In lakhs of rupees)
1.	Construction of 500/654 MIG units at Rajouri Garden.	31 flats	10.4377	August 1976	After July 1978	2 years (24 months)	3.34
2.	Construction of 1,264 LIG/Janata Units at Sheikh Sarai.	17 flats	5.1527	November 1979	Not allotted June 1982	2 years and 8 months (32 months)	2.20
3.	Construction of 1,066 LIG units at Kalkaji.	6 flats	1.1430	(a) June 1976	Not allotted (6/82)	6 years and 1 month (73 months)	1.11
		29 flats	5.5245	(b) June 1976	April 1978 (29 flats)	1 year and 11 months (23 months)	1.69
			22.2579 say Rs. 22.26 lakhs			TOTAL	8.34

ANNEXURE IV

(*Vide* sub para 3.1)

Heads	1978-79	1979-80	1980-81
		(In lakhs of rupees)	
1. Opening cash and bank balances	254.38	263.44	820.45
2. Capital receipts . . .	..	..	0.23
3. Revenue from Works and development schemes . .	331.05	236.27	2,900.66
4. Damages	4.44	14.44	12.31
5. Other revenues . . .	244.00	305.56	206.53
6. Receipts from disposal of houses	1,356.92	2,267.41	2,574.51
7. Receipts from disposal of land	971.29	1,423.96	2,254.58
8. Delhi Master Plan . . .	11.56	17.33	1.35
9. Receipts from Inter-State Bus Terminus	20.11	41.18	46.57
10. Interest from Investments/hire purchase instalments . .	187.36	289.65	518.17
11. Miscellaneous receipts . .	40.36	70.37	99.54
12. Debt receipts	1,581.64	1,065.87	486.72
13. General Provident Fund . .	31.91	41.93	60.43
14. Net receipts from lottery . .	95.00	215.77	218.94
15. Deposits and advances including suspense account, reserve funds, cash balance investment account, etc.	9,468.59	19,309.60	29,355.00
16. Life Insurance Corporation premium on group housing scheme	7.37	10.80	12.37
17. Sports complex fund . .	..	..	1,085.67
18. Receipts from Implementation of Jhuggi-Jhompri removal scheme		..	1,390.60
TOTAL	14,605.98	25,573.58	42,044.63

CHAPTER VII

DEPARTMENTALLY MANAGED GOVERNMENT UNDERTAKINGS

69. *General.*—On 31st March 1982, there were 29 departmentally managed Government Undertakings of Commercial and quasi-Commercial nature.

The financial results of these Undertakings are ascertained annually by preparing *Pro forma* accounts outside the general accounts of Government. Trading and Profit and Loss Accounts and Balance Sheets are not prepared by two Undertakings, *viz.* Department of Publications, Delhi and Government of India Presses; instead stores accounts are prepared. In pursuance of the recommendations of the Public Accounts Committee, Government have agreed to prepare the Manufacturing, Profit and Loss Account and Balance Sheet in respect of Government of India Presses and the format of Accounts for this purpose is still under finalisation.

Pro forma accounts for the year 1981-82 have been received so far (January 1983) for audit from five Undertakings (Sl. Nos. 1, 9, 19, 32, 39, of Annexure 'A') A synoptic statement showing the summarised financial results of all the departmental Undertakings, on the basis of their latest available accounts is given in Annexure 'A'. It will be seen therefrom that, in a number of cases, *pro-forma* accounts are in arrears for a number of years. The delays in the compilation of accounts have been brought to the notice of the administrative Ministries concerned.

ANNEXURE 'A'

Summarised Financial Results of Departmentally managed Government Undertakings

(Figures in thousands of rupees)

Sl. No.	Name of the Undertakings	Period of Accounts	Government Capital	Block Assets (Net)	Depreciation to date	Profit (+)/ Loss (—)	Interest on Govt. 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.	1981–82	8,01,56	6,20,36	2,56,92	(+)4,89,89	2,19,99	(+)7,09,89	20.33	
2.	Currency Note Press, Nasik Road.	1980–81	7,88,15	6,24,40	2,17,67	(+)2,49,75	89,29	(+)3,39,04	23.16	
3.	Government Opium Factory, Ghazipur.	1980–81	34,16	18,16	12,37	(+)1,32,95	1,75,02	(+)3,07,97	10.73	Figures are based on unaudited accounts.
4.	Government Opium Factory, Neemuch.	1980–81	53,46	47,73	3,19	(+)64,52	94,16	(+)1,58,68	10.27	—do—
5.	Government Alkaloid Works, Neemuch.	1980–81	2,96,00	2,49,50	35,48	(+)6,29	24,82	(+)81,11	7.65	—do—
6.	Government Alkaloid Works, Ghazipur.	1980–81	17,40	8,31	6,35	(—)31,80	12,79	(—)19,01	..	
7.	India Government Mint, Bombay.	1980–81	14,85,09	4,43,30	*22,11	(+)1,26,01	1,78,93	(+)3,04,94	10.40	—do—
8.	India Government Mint, Calcutta.	1978–79	1,62,33	1,23,27	2,05,89	(+)1,40,67	1,20,79	(+)2,61,46	12.29	
9.	India Government Mint, Hyderabad.	1981–82	1,53,61	1,29,35	68,13	(—)81,64	24,87	(—)56,77	..	
10.	Assay Department, Bombay.	1979–80	8,58	8,67	*32	(+)8,84	10	(+)8,94	513.87	
11.	Assay Department, Calcutta.	1978–79	74	57	*3	(+)67	..	(+)67	..	
12.	Silver Refinery, Calcutta.	1978–79	59,49	34,62	78,76	(+)1,26,17	1,52,00	(+)2,78,17	10.39	

*Depreciation for the year only.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
13.	Bank Note Press, Dewas	1979–80	21,41,59	18,92,27	3,10,85	(+)2,36,53	1,51,40	(+)3,87,93	15.04	
14.	Security Paper Mill, Hoshangabad@	1973–74	10,72,07	6,85,80	3,86,31	(—)86,29	38,42	(—)47,87	..	
	MINISTRY OF INFORMATION & BROADCASTING									
				Capital Assets						
15.	All India Radio .	1975–76	62,90,08	42,97,94	19,27,70	(—)6,64,63	3,13,75	(—)4,50,88	..	
				Revenue Assets 64,44	*11,72					
16.	Radio Publication, All India Radio	1976–77	1,88,38	46	*6	(—)31,35	11	(—)31,24	..	
17.	Films Division . .	1980–81	2,26,93	1,27,62	1,61,42	(+)6,73**	18,99	(+)25,72**	8.40	**Before adjustment of notional revenue (Rs. 12,98,667) for free distribution of prints and adjustments [Rs. 12,14,688 (Rs. 21,51,792—Rs. 9,37,104)] relating to previous years.
				Capital Assets						
18.	Commercial Broadcasting Service, All India Radio	1976–77	1,14,54	83,35	23,76	(+)4,11,24	..	(+)4,11,24	..	
				Revenue Assets 7,43	*1,34					
	MINISTRY OF COMMUNICATIONS									
19.	Overseas Communications Service, Bombay.	1981–82	89,63,65	43,38,09	15,49,06	(+)46,03,30	5,66,63	(+)51,69,93	58.15	Figures are based on unaudited accounts.
	MINISTRY OF SHIPPING AND TRANSPORT									
20.	Lighthouses and Lightships Department.	1979–80	£23,30,48	20,63,72	3,17,02	(+)2,38,72	@@66,00	(+)3,04,72	13.80	£This consists of balance of Govt. Capital account and Accumulated Surplus. @@Interest in accordance with the Instructions contained in the Ministry of Finance O.M. No. F.1(35)–B/71 dt. 23-1-74 has not been charged.
21.	Shipping Department, Andaman.	1972–73	43,58	56,80	*7,89	(—)80,15	4,47	(—)75,68	..	
22.	Ferry Service, Andaman	1977–78	84,43	67,85	16,58	(—)42,49	44	(—)42,05	..	

@Proforma accounts have not been prepared according to the revised procedure vide Ministry of Finance O.M. No. F.1(35)–B/71 dt. 23-1-1974.

*Depreciation for the year only.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
23.	Marine Department (Dockyard), Andaman.	1977–78	4,72	3,92	80	(—)7,68	5,85	(—)1,83	..	
24.	Chandigarh Transport Undertaking, Chandigarh.	1980–81	2,75,25	2,35,26	39,98	(—)41,08	15,45	(—)25,63	..	
25.	State Transport Service, Andaman and Nicobar Islands@.	1976–77	35,87	26,83	39,30	(—)15,86	1,77	(—)14,09	..	
	MINISTRY OF AGRICULTURE									
26.	Central Fertilizer Pool	1969–70	58,31,29	..	..	(+)3,87,78	1,62,89	(+)5,50,67	15.63	
27.	Delhi Milk Scheme .	1979–80	7,05,83	2,92,46	5,40,51	(—)2,29,12	39,72	(—)1,89,40	..	
28.	Forest Department, Andaman and Nicobar Islands.	1978–79	1,91,20	1,06,98	*12,97	(+)85,22	13,26	(+)98,48	33.82	
29.	Ice-cum-Freezing Plant, Ernakulam.	1979–80	34,39	9,27	21,00	(—)4,52	92	(—)3,60	..	
	MINISTRY OF HEALTH & FAMILY WELFARE									
30.	Central Research Institute, Kasauli.	1980–81	42,91	10,55	£17,06	(—)7,98	6,10	(—)1,88	..	£Depreciation includes, consumption of Live Stock for the year 1980-81 only.
31.	Medical Store Depots	1976–77	59,97	43,73	19,74	(+)77,75	**53,71	(+)1,31,46	13,21	**This represents interest on Govt. Capital accounted for in the consolidated profit & loss Accounts of Medical Stores Depots, Profit and Loss Accounts of Factory attached to the M.S.Ds. & Workshop Accounts.
32.	Bakery and Vegetable Garden of the Central Institute of Psychiatry, Kanke, Ranchi.	1981–82	31	29	*0.6	(—)0.1	1	+1	6.59	Figures include Financial results of the Bakery for the year.
	MINISTRY OF WORKS & HOUSING									
33.	Department of Publications, Delhi.	**1978–79								**Trading, P&L Accounts and Balance Sheet are not prepared; instead only Stores accounts are prepared.
34.	Government of India Presses.	**1975–76								

@Pro forma accounts have not been prepared according to revised procedure *vide* Ministry of Finance O.M. No. F.1(35)–B/71 dated 23-1-1974.

*Depreciation for the year only.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	MINISTRY OF ENERGY									
35.	Electricity Department, Andamans.@	1974-75	1,04,96	1,02,53	*3,65	(—)49,92	4,99	(—)44,93	..	
36.	Electricity Department, Lakshadweep.	1980-81	1,03,97	80,49	23,48	(—)27,15	6,07	(—)21,08	..	
	DEPARTMENT OF ATOMIC ENERGY									
37.	Atomic Power Authority.	1977-78	1,59,03,52	48,27,65	20,07,56	(+)7,59,88	6,86,88	(+)14,46,76	9.92	
38.	Rajasthan Atomic Power Station I.	1980-81	66,66,81	46,63,48	15,32,29	(+)75,04	4,92,92	(+)5,67,96	5.90	Figures are based on unaudited accounts.
	MINISTRY OF DEFENCE									
39.	Canteen Stores Department.@	1981-82	48,00	1,25,71	1,20,21	(+)11,04,81	..	(+)11,04,71	55.63	(1) From 1-4-1977, the funds of the Deptt. have been merged with the Consolidated Fund of India and the transactions are routed through the Civil estimates in the grant relating to Ministry of Defence. The Accounts have been prepared in the old forms and the revision of the format of the Accounts is under consideration. (2) The instructions contained in the Ministry of Finance O.M. No. F-1(35)-B/71 dt. 23-1-1974 have not been followed and neither the mean capital has been shown on the face of the Accounts, nor interest on the same charged in the Accounts. For the purpose of return on mean capital, the mean of opening balances of (a) Capital (b) Funds and Specific Reserves and (c) Board of Control's General Purposes Fund has, therefore, been adopted.

*Depreciation for the year only.

@Pro forma accounts have not been prepared according to revised procedure *vide* Ministry of Finance O.M. No. F.1(35)-B/71 dated 23-1-1974.

MINISTRY OF FINANCE

(Department of Economic Affairs)

70. BANK NOTE PRESS, DEWAS

1. *Introduction*

The Bank Note Press, Dewas, was set up in 1974 to manufacture bank notes by a sophisticated process which affords maximum security against counterfeiting. The Press is printing notes in denominations of Rs. 10, 20, 50 and 100. In addition, it has an Ink Factory which manufactures ink for the use of the Press as well as for supply to the Currency Note Press and India Security Press, Nasik Road.

2. *Schedule of Commissioning*

2.01 Orders for supply of machinery and equipment were placed by Government with a foreign firm in December 1969 even before taking a decision about the location of the Press in February 1970. According to the detailed phased programme drawn up in July 1971, the Press was to be commissioned in April 1973. Though the machinery and equipment were received in December 1972 as per schedule, the civil works were completed by the Central Public Works Department (CPWD) between April 1973 and May 1973 as against the scheduled date of September 1972. After trial runs in November 1974, the Press went into commercial production in February 1975. The delay in completion of civil works was due to delay by CPWD in sanctioning the estimates, dislocation of works for considerable period owing to heavy rains in 1973 and shortage of cement and steel.

2.02 *Project Estimates*

According to the agreement for supply of machinery and equipment, 5 per cent of the total cost was to be paid in advance, 10 per cent was payable against shipping documents and the remaining 85 per cent was to be paid in 20 half yearly instalments alongwith interest at 7½ per cent per annum on the outstanding balances. The project cost (including the instalments to be paid in respect of machinery) sanctioned in December 1971 amounted to Rs. 15.94 crores; this was revised to Rs. 18.95 crores in January 1974 and to Rs. 20.72 crores in November 1978. Increase in the estimates of 1978 over those of 1971 was due to:

		(Rs. in lakhs)
Exchange variations and variation in rates of customs duty		334.76
Delay in completion/commissioning of :		
Civil works	69.71	
Erection charges, etc.	14.21	
Administration cost	25.45	
Interest on foreign credit	33.90	143.27
		478.03

On the basis of actual expenditure (upto June 1982) and the deferred payments yet to be made etc., the total project cost works out to Rs. 20.75 crores.

3. *Performance Appraisal*

Capacity and Utilisation

(1) *Determination of capacity (Bank Note Press)*

The Press was established to have a capacity for printing 1,000 million pieces of notes per annum in single shift with provision for doubling the capacity in course of time. It has two main sections : Operating (Printing) Section and Control Section. The Operating Section is responsible for planning and scheduling of the entire spectrum of printing process which includes dry off-set, intaglio, numbering, cutting, plate making etc. The Control Section is responsible for processing of notes after printing/numbering by the Printing Section. The Control Section is the sole custodian of the printed as well as blank papers and is also responsible for accounting of papers from the point they are drawn, till they are delivered to the Reserve Bank of India.

As the work in the Control Section is necessitated by security considerations, the capacity of the Press is mainly determined with reference to the output potential of the Control Section. The capacities determined for these two Sections from time to time are indicated below :

(a) *Control Section*

According to the initial anticipations, the annual capacity of 1,000 million pieces of notes was to be achieved in 8 hours working with a strength of 680 workers. The Section started functioning in a shift of 8 hours working in February 1975. No norms for production and denomination mix were, however, laid down. With effect from May 1975, the working hours were increased to 9. Subsequently, from September 1975, an *ad hoc* incentive scheme was introduced to achieve a target of 2.5 million pieces per day which was raised to 3.1 million pieces per day with effect from January 1977. Thereafter the regular group incentive scheme with an annual production target of 1305 million pieces was implemented from 1st January 1978.

(b) *Printing Section*

The Printing Section started in January 1975 with one shift of 8 hours per day with only one machine in each of the Dry Off-set (Simultan), Intaglio and Numerota Sections.

Subsequently, additional machines were installed, one by one and the number of machines in May 1975 was five each in Dry-Off-set and Intaglio Sections and four in Numerota Section. The target was fixed from September 1975 at 3.5 million pieces per day. One more machine was added in Intaglio Section from July 1976 and in Numerota Section from September 1978. With the implementation of regular incentive scheme with effect from 1st January 1978, the target was fixed at 4.4 million pieces or 60 reams of paper per machine, whichever is less, per day at Numerota irrespective of denominations, the annual target being 1305 million pieces, *i.e.* the same as in Control Section. The target was, however, reduced from 1st April 1979 to 1195.57 million pieces per annum (the reduction being in notes of Rs. 100 and Rs. 50 denominations). The Management attributed (March 1980) this downward revision to practical difficulties such as adoption of short runs for smooth working in finishing areas.

(2) *Utilisation of Capacity*

(a) *Bank Note Press*

Based on the capacity of the Press, indents for the production of notes of various denominations are placed on the Press by the Ministry of Finance for despatch of notes to the Reserve Bank of India. The following table indicates the achievable production worked out with reference to actual strength of employees, actual production and supplies made to the Reserve Bank for the seven years ending 1981-82 :

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82
Printing Section :							
Capacity :							
(*a*) In number of reams of paper .	56880	65320	60910	76570	71370	75140	75809
(*b*) In million pieces of notes . .	858	980	914	1149	1071	1127	1137
Actual Production							
(*a*) Number of reams printed . .	54570	71160	63990	70100	66320	74510	59961
(*b*) In millon pieces of notes . .	858	1087	982	1120	1003	1134	902
Percentage of Utilisation of capacity :							
(*a*) With reference to reams . .	96	109	105	92	93	99	79
(*b*) With reference to pieces . .	100	111	107	97	94	101	79
Control Section :							
Achievable production . . . (million pieces of notes)	770	763	908	1351	1276	1301	1305
Actual Production . . . . (million pieces of notes)	681	941	991	1235	996	1107	1018
Percentage of actual production to achievable production	88	123	109	91	78	85	78
Indented Quantity	670	980	980	1270	1100	1200	1150
Actual supplies	638	966	948	1243	989	1061	1118
Percentage of actual supplies to notes indented	95	98	97	98	90	88	97

It will be seen from the above that during 1975-76 and 1978-79 to 1981-82 there was a shortfall in production as compared to achievable capacity in the Control Section and in the Printing Section (with reference to reams). There was also a shortfall in actual supply of notes as compared to the quantity of notes indented during 1975-76 to 1981-82.

The shortfall in these years in the Control Section was attributed (March 1980/August 1981/August 1982) by the Management to the following main factors :

(a) Uncertainty of availability of machine for actual printing during 1975-76 with the result that there was no fixed target for achievable production.

(b) Increased production of higher denomination notes of Rs. 50 and Rs. 100 as well as to absenteeism during 1978-79 to 1981-82.

The shortfall in the actual supply of notes to the quantity indented by the Reserve Bank of India during 1979-80 and 1980-81 was attributed to cancellation of consignment by the Reserve Bank of India due to their workers' agitation and the non-availability of Police escort.

Regarding absenteeism, it was noticed that, as against the standard leave and absentee reserve fixed at 15 per cent, the average absenteeism during the years 1978-79, 1979-80, 1980-81 and 1981-82 was 17 per cent, 17 per cent, 16 per cent and 17 per cent respectively. In other words, the actual absenteeism in excess of the standard leave and absentee reserve was marginal whereas the shortfall in attainment of the achievable target ranged from 9 per cent to 22 per cent

(b) *Ink Factory*

Installed capacity of the Ink Factory is 240 tonnes per annum. In the report submitted in November 1975 by Messers IBCON Private Limited, Industrial and Business Consultants, engaged to carry out a time and motion study and to formulate an incentive scheme to boost production in the Press, the level recommended for commencement of incentives in the Ink Factory was 65 per cent of the installed capacity. Based on the level recommended for commencement of incentives, the Management have fixed the achievable capacity of the Ink Factory at 156 tonnes *i.e.* 65 per cent of the installed capacity. In fact, the Report of the Consultants mentions the standard production of Ink Factory as 23.8 tonnes per month, which works out to 285.6 tonnes per annum. The report also states that the production of the Ink Factory could be increased to 325 tonnes per year by adopting the following measures :

(i) Preparing final Intaglio inks directly from pigments, instead of making base ink first and then making final inks ;

(ii) Reducing the roll pressure from 20 Kgs. per sq. cm. to 15 Kgs. per sq. cm. during canning of the ink; and

(iii) Increasing the batch weight of Intaglio ink to about 500 Kgs. instead of present 400 Kgs.

The Management stated (August 1981) that the suggestion at (i) above had been implemented from 1977-78, that at (ii) could not be fully implemented as the efficiency of the machines was not the same as in the beginning and that the suggestion at (iii) had been tried in 1977-78 but given up because homogenous mixing could not be carried out.

As against the installed capacity of 240 tonnes, actual production during 1975-76 to 1981-82 was as follows :

(In tonnes)

1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82
160	183	196	167	191	209	219

4. *Machine Utilisation*

(a) *Bank Note Press*

There are four main sections in the Bank Note Press, *viz.* (i) Simultan, (ii) Intaglio, (iii) Numerota and (iv) Guillotine.

The Consultants, M/s. IBCON, in their report submitted in November 1975, had calculated the available running time in respect of Simultan, Intaglio, Numerota and Guillotine Sections after making allowance for various stoppages due to preparation time, clearing time, changing of plates and blankets, technical troubles like, feeder, wrong numbering, etc. at 7 per cent to 10 per cent of available time, and for machine break-down time (mechanical and electrical) at 3 per cent of available time. On this basis, the Management have calculated the permissible idle hours as 39.3 per cent, 45.3 per cent, 43 per cent and 28 per cent of the total available hours in Simultan, Intaglio, Numerota and Guillotine Sections respectively.

These percentages were exceeded in the Simultan Section in 1977-78 to 1980-81, in Intaglio Section in 1977-78, 1979-80 to 1981-82, in the Numerota Section in 1976-77 to 1979-80 and 1981-82 and in Guillotine Section in all the years 1976-77 to 1980-81, as per details of actual percentages of idle time given below :

Year	Sections			
	Simultan	Intaglio	Numerota	Guillotine
	(Percentages of idle hours to available hours)			
1976-77	23.2	41.3	52.8	64.6
1977-78	41.7	47.5	52.7	58.2
1978-79	49.0	43.0	48.4	53.7
1979-80	40.8	50.2	46.9	60.3
1980-81	40.3	52.0	42.6	59.4
1981-82	38.7	53.6	52.5	N.A.

The reasons attributed by the Management (March 1980) for higher percentages were as under :

Simultan	—Repairs and absenteeism.
Intaglio	— (*i*) Absenteeism and repairs.
	(*ii*) Teething problem for printing of Rs. 100 notes as per new design (1979-80).
Numerota	—Absenteeism and repairs.
Guillotine	—Absenteeism at the finishing end.

The Management's reason of absenteeism does not appear to be convincing because as compared to the built-in provision of 15 per cent on account of leave and absenteeism in the sanctioned strength, the actual average percentage of absenteeism of 17 during 1978-79, 1979-80 and 1981-82 and 16 during 1980-81 was only marginally in excess of the built-in provision therefor.

(b) *Ink Factory*

The Ink Factory has two sections; Mixing Section and Grinding Section. Both the sections did not maintain any records in respect of machine utilisation till 1977-78. The information available for the financial years 1978-79 to 1981-82 indicated that the percentages of idle hours to available hours ranged from 83 to 90 in Mixing Section and from 54 to 67 in Grinding Section.

According to the Management,Mixer was not to be utilised for whole time and that idle hours in Grinding Section would be negligible if idle time attributed to the various processes such as change over of the batch, cleaning of machines, testing of product and their modifications, machine break-down, absenteeism etc., were excluded.

As mntioned in para 3.2(b), the actual production of ink ranged from 160 to 219 tonnes as against the capacity of 240 tonnes per year. This shows that higher incidence of idle time also contributed to non-attainment of the rated capacity.

5. Costing System and fixation of selling prices of notes and ink

5.01 The costing cell which was set up on 1st June 1973, is responsible for cost ascertainment, cost analysis, cost control and fixation of selling prices of bank notes and inks and other capital items like pallets, wooden racks, stools, tables, etc. manufactured in the workshop. It has also been entrusted with the work of maintenance of the value store ledgers, preparation of annual financial accounts for the Bank Note Press, Dewas and other matters relating thereto. A detailed note suggesting the costing system to be adopted by the Press was sent (March 1976) by it to the Cost Accounts Branch of the Ministry of Finance for examination and approval. A report laying down a costing system aimed at collecting the actual cost with adequate accuracy and presenting the cost of production of the final product with sufficient break up of the various expenses was forwarded by the Ministry to the Press in October 1980. The costing system envisages collection and allocation of expenses to department/cost centres with a view to :

(i) Working out the cost of production of notes and ink at periodical intervals;

(ii) Comparing periodically the departmentwise/cost centre-wise expenditure with budgetted costs and analysing the variations; and

(iii) Preparing periodical management information reports regarding machine utilisation, material usage, scrap and wastage, labour utilisation, etc.

Although the Press has implemented the costing system laid down in October 1980 to the extent of ascertaining the cost of notes and ink on annual basis and preparation of machine utilisation statements on quarterly basis, the other objectives of the system as an instrument of cost control and management information reporting are yet to be implemented. The Management stated (August 1982) that the costing system could not be implemented *in toto* because :

- Work relating to compilation of *Proforma* Accounts was in arrears and the costing section had been fully engaged in overtaking the arrears.
- Shortage of staff.

5.02 Denomination-wise estimated cost of production of notes was compared with actuals for the year 1975-76 in November 1976 and thereafter the denomination-wise estimated cost was not worked out and compared with the actuals for each year. It was stated by the Management (March 1982) that this could not be done as the preparation of financial accounts was in arrears

5.03 Selling prices of notes were fixed by the Press in 1975 on the basis of estimated cost of production worked out with reference to cost of imported papers, inks, and other materials. A proposal for authorising the General Manager of the Press to fix the selling prices of bank notes and inks on the basis of the cost of production including a sum sufficient to cover interest on capital as determined by Government from time to time together with a profit margin of 10 per cent was referred to the Ministry of Finance in March 1976. It was contemplated therein that the revision of the prices should ordinarily be done annually. After four years, the Ministry, in May 1980, authorised the General Manager to fix the selling price of products of the Press after taking into account a return of 12 per cent on the capital employed.

5.04 Although it was contemplated by the Press that the revision of selling prices should ordinarily be done annually, the selling prices of the notes fixed in 1975 were first revised with effect from 1st April 1981 and again with effect from 1st October 1981 to ensure a return of 12 per cent on the capital employed. The selling prices fixed from time to time were as under :

(Selling rate per 1000 pieces)

Denomination	From 1975 to 31-3-1981	From 1-4-1981 to 30-9-1981	From 1-10-1981
	Rs.	Rs.	Rs.
Rs. 10	95	120	145
Rs. 20	104	125	150
Rs. 50	110	135	160
Rs. 100	135	145	170

The upward revision of selling prices with effect from 1st April 1981 was attributed by the Press to the increased overheads, higher cost of maintenance of the machines and the increased cost of raw materials. The revision of prices with effect from 1st October 1981 was attributed by the Press to the extra expenditure on account of import of bank note paper and consequent increase in the cost of production.

5.05 There were delays in compliation of *Pro forma* Accounts as per details given below :

Year of accounts	Month in which accounts prepared
1975–76 . . .	September 1977
1976–77 . . .	December 1978
1977–78 . . .	July 1981
1978–79 . . .	November 1981
1979–80 . . .	April 1982
1980–81 . . .	Not prepared so far (July 1982)
1981–82 . . .	Not prepared so far (July 1982)

The delays in compilation of the proforma accounts were attributed by the Management to non-availability of qualified and trained staff. The delays in compilation of the proforma accounts have, however, rendered managerial control including cost control ineffective.

5.06 As stated in para 5.03 above selling prices of notes were fixed in 1975 on the basis of estimated cost of production. At that time, the production capacity was also taken at only 750 million pieces per annum. After indigenisation of most of the raw materials, spare parts, etc., the actual cost of production had come down. Again, because of the increase in production in subsequent years, the rate of incidence of overheads on production had also come down during the period prior to 1979-80. Despite these factors the Press did not revise the selling prices on the basis of the actual cost of raw materials and labour, fair estimation of overheads and by including 10 per cent profit on the cost of production as already proposed to the Ministry. The table below indicates the net profit on sale of notes and the profit in excess of 10 per cent profit margin during the last five years :

(Rupees in lakhs)

	1975-76	1976-77	1977-78	1978-79	1979-80
(*a*) Sale of notes	637.53	1004.25	990.80	1308.62	1059.55
(*b*) Net profit on sale of notes	83.74	324.29	356.24	401.82	232.41
(*c*) Profit margin at 10 per cent on cost of production (i.e., 1/11th on sales) .	57.96	91.29	90.07	118.96	96.32
(*d*) Profit in excess of the limit of 10 per cent on cost of production .	25.78	233.00	266.17	282.86	136.09

7.03 *Ink Factory*

The manufacturing cost per tonne of security ink in the Ink Factory, based on the data given in the Proforma Accounts, was as under :

Year	Cost of production per tonne
	Rs.
1975-76.	77,501
1976-77.	36,178
1977-78.	35,469
1978-79.	30,477
1979-80.	34,145

The higher cost in 1975-76, which was the first year of production for the Ink Factory, was attributed by the Management (March 1980) to the necessity of using some imported raw materials, which was progressively substituted by indigenous raw materials as and when proper substitute could be located.

7.04 *Rejections*

Based on the recommendations of the study team of M/s. IBCON the overall rejections varying from 6 per cent to 8 per cent of total printing up to colour examination stage were for the first time prescribed by Government in September 1977 for the purpose of group incentive scheme. Neither any norms of rejections denomination-wise or overall, were fixed by the Management till September 1977, nor were records of rejections maintained till December 1977. The Press has been maintaining the records regarding spoilages which represent quantity of notes/ sheets totally scrapped. The rejections, on the other hand, imply printed sheets, which contain spoiled notes as under :

Denominations	No. of notes contained on one sheet	Percentage of spoiled notes beyond which the sheet is treated as rejected
Rs. 10 } Rs. 20 } . .	32 Notes	50 per cent and above.
Rs. 50 } Rs. 100 } . .	28 Notes	—do—

As against the norms of 6 to 8 per cent, actual average rejections were 7.60 per cent in 1978-79, 10.25 per cent in 1979-80, 9.56 per cent in 1980-81 and 10.73 per cent in 1981-82.

No norm for "spoilages" was fixed upto 1977-78. It was fixed at 1.6 per cent from 1978-79. The actual percentages of spoilages were 2.91 in 1978-79, 2.06 in 1979-80, 2.97 in 1980-81 and 4.15 per cent in 1981-82.

The Management stated (March 1980 and August 1981), that increased rejections/spoilages were due to :

(a) defects that had occurred in the course of printing itself such as scum spreading of ink, set-off, uneven colours, etc. and

(b) the inherent defects in the paper itself such as gelatine scum black spots and loose fibrous particles, etc.

8. *Raw Materials and Stores*

8.01 *Raw Materials*

The main raw materials required for the Press are paper and ink. While the former is received from the Security Paper Mill, Hoshangabad, the latter is obtained from the Ink Factory. Though the Management stated (February 1980) that they were gradually substituting a number of imported raw materials by indigenous materials, details of imported ingredients of ink *vis-a-vis* indigenous materials used in any of the years were not available (July 1982).

Norms for consumption of inks have not been fixed so far (July 1982).

8.02 *Loss due to short recovery in respect of foreign base inks*

In 1974, the Ink Factory purchased 13,387 Kgs. of foreign base ink valuing Rs. 18.01 lakhs and used it for formulation of inks for selling to the Currency Note Press, Nasik Road during 1976-77. As Currency Note Press, Nasik Road was not agreeable to purchase such costly inks, its price was reduced to Rs. 13.43 lakhs, *i.e.* equivalent to selling price of indigenous inks, resulting in a loss of Rs. 4.58 lakhs to the Press. The Management stated (July 1980) as under :

> "These foreign inks were purchased in the initial stages as per the provisions in our agreement with the foreign collaborators on the basis of their recommendations. There was no question of applying our own judgement in making this purchase. In the absence of any basic data available with us, we had necessarily to go by the advice and recommendations of the foreign collaborator in this regard."

The ink sold to the Currency Note Press consisted of certain shades of dry-off set ink, whose consumption at the Bank Note Press was hardly 5 to 15 kgs. per month. It would have, therefore, taken 8 to 10 years for the Bank Note Press to use the stock. Considering this fact as well as the fact that printing inks have short shelf life of 24—30 months only due to the presence of drier compound therein, greater care was necessary in ordering the particular shade of inks, as the agreement with the collaborator referred only to the minimum quantity of 10 tonnes of dry off-set ink required to be purchased and not to the shades in which ink was to be purchased.

9. *Failure to place the order within the validity period*

In July 1976, the Press invited quotations for the purchase of 500 cu. metres of well-seasoned firewood planks for packing purposes. The lowest tenderer quoted Rs. 637.61 per cu. metre, f.o.r. Dewas plus 4 per cent Central Sales Tax with validity period upto 16th December, 1976 and 75 per cent advance payment through bank against R.R. documents. Although the tenders were opened on 15th September, 1976, the sanction of the Ministry of Finance regarding terms of payment was sought for by the Press only on 19th October, 1976. Even after the sanction from the Ministry was received on 4th December, 1976, the supply order was not placed beore the validity period. The firm withdrew its offer on 17th December, 1976.

Subsequently, the Press called for fresh quotations and placed two supply orders, one in March 1977 for 150 cubic metres at Rs. 723.95 per cubic metre f.o.r. Dewas plus 4 per cent Central Sales Tax and the other in June 1977 for the supply of 500 cubic metres at Rs. 751 per cubic metre (less 2 per cent discount) f.o.r. Dewas plus 4 per cent Central Sales Tax separately on two parties of Yamunanagar, on lowest tender basis. Thus, due to the delay in placing the supply order within the validity period, the Press, incurred an extra expenditure of Rs. 47,381.

The Ministry finally accorded approval (October 1980) to the regularisation of the excess expenditure of Rs. 47,381 incurred by the Press due to delay in accepting tenders.

10. *Departmental/Accounts Manual*

Although the Bank Note Press started functioning from November 1974, a Departmental Manual outlining procedure for financial and accounting arrangements and compilation of accounts has not been prepared so far (July 1982).

11. *Summing Up*

The following are the main points that emerge :

— Delay of 2 years in commissioning the Press resulting in cost over run of Rs. 1.43 crores (Para 2.02).

— Non-fixation of denomination-wise product-mix in the Bank Note Press and shortfall in production with reference to achievable production in 1975-76 and 1978-79 to 1981-82 [Paras 3.1 and 3.2(a)].

- Non-attainment of capacity production in the Ink Factory [Para 3.2(b)].
- Under-utilisation of machines in the Bank Note Press with reference to parameters recommended by the consultants in November 1975 as well as high incidence of idle hours in respect of Ink Factory machines (Para 4).
- Delay in laying down costing system for the Press (Para 5.01).
- Delay in determining the basis for inclusion of profit element in selling prices (Paras 5.03 and 5.04).
- Delay in compilation of Proforma Accounts (Para 5.05).
- Higher percentages of rejections and spoilages (Para 7.04).
- Procurement of imported ink much in excess of requirement and failure to place order within the validity period (Paras 8.02 and 9).
- Non-preparation of departmental manual (Para 10).

MINISTRY OF FINANCE

71. INDIA GOVERNMENT MINT, HYDERABAD

Purchase of a Roll Grinding Machine

In April 1969, the India Government Mint, Hyderabad placed an urgent indent on the Director General of Supplies and Disposals (D.G.S.D.) for the purchase of a Roll Grinding Machine, which was required to be delivered by the end of March 1970. The DGSD invited (June 1969) open tenders and out of the five quotations forwarded by the DGSD, the Mint recommended (October 1969) the tender of Heavy Engineering Corporation Limited (HEC) for acceptance on the ground that it was technically suitable as compared to the specifications of the indent. The relative capabilities of the tenderers as also their import requirements do not seem to have been gone into at this stage. An order was placed (April 1970) through DGSD on the HEC for supply of the machine along with accessories at a cost of Rs. 6.72 lakhs f.o.r. Ranchi as per terms and conditions of "Acceptance of Tender" which provided, *inter alia,* that :

(i) The machine was to be delivered within 24 months *i.e.,* by 29th February, 1972;

(ii) The contract price was subject to variations to be allowed on the certificate from the Internal Auditor of the supplier with regard to the manufacturing cost of the machine plus supplier's margin of profit.

In May 1971, the supplier approached the DGSD for extension of delivery period of the machine upto March 1973 on the ground that there would be delay in the import of components from their West German collaborators. The DGSD granted (July 1971) extension subject to the following conditions :—

— Liquidated damages for the extended delivery period would be recovered.

— No increase in price on account of statutory increase or fresh imposition of customs duty, excise duty etc., levied after 29th February, 1972 would be admissible.

— In the event of the supplier declining to accept the extension on the above conditions or failure to deliver the machine within the extended delivery period the outstanding quantity of the requirements would be purchased at supplier's risk and cost.

The HEC, however, did not accept the above conditions and stated (July 1971) that since the order was on actual cost of production plus margin of profit basis, the question of increase or decrease of price did not arise. Even then further extensions were given from time to time and the machine was ultimately received in the Mint in April 1976.

Against the original contract price of Rs. 6.72 lakhs the Mint has paid (July 1976) Rs. 6.31 lakhs to HEC. The HEC has, however, claimed (August 1976) a revised price of Rs. 21.14 lakhs for the machine. The Ministry of Law to whom the matter was referred by the DGSD, opined that in view of the specific provision in the "Acceptance of Tender" the supplier "is entitled to the variation in prices on a true Auditor's certificate with regard to the manufacturing cost of the machine and margin of profit". The claim of the supplier has not yet (September 1982) been settled. Thus, due to initial failure to examine the full implications of the tender and having committed itself to a cost plus agreement by accepting price variation related to manufacturing cost plus margin of profit, the Mint has not been able to obtain the benefit of a competitive price as the result of open tenders.

Although the machine was received in the Mint in April 1976, the foundation drawings were received from HEC in August 1976 and the foundation block was got completed by the Mint through CPWD at a cost of Rs. 0.47 lakh in April 1978 and the machine was installed in June 1979 only. The machine, however, could not be commissioned till 8th September, 1981 due to defects in the machine. During the trial run (October 1980), the HEC's team noticed defects in the lead screw and two timers. While the defect in the timers was rectified by the Mint in October 1980, the lead screw had to be replaced in July 1981 at a cost of Rs. 0.34 lakh and the machine was commissioned on 8th September, 1981. The supplier was paid (March 1982) a sum of Rs. 0.65 lakh towards commissioning charges. The machine was utilised only for five days upto 12th September, 1981 and has been lying idle since then. Meanwhile, the work of regrinding had to be got done from outside parties at a cost of Rs. 0.24 lakh which have been claimed

(September 1980) as liquidated damages. The claim has, however, not yet (September 1982) been settled.

The Roll Grinding Machine for which an urgent indent was placed in April 1969 was received in April 1976, commissioned in September 1981 and has been lying idle (except for its utilisation for five days) since then with no possible prospects of its use in the near future in view of the decision (November 1980) of the Government of India to close down coinage operations in the Mint. The final cost of the machine has also not yet (September 1982) been settled.

The Ministry of Finance, *inter alia,* stated (June 1981) that :

- In case the minting operations at Hyderabad were closed down the machine could be utilised in one of the other Mints, and;
- The claim of the Mint for liquidated damages was being pursued and the basis of price variation was under further negotiations.

MINISTRY OF HEALTH AND FAMILY WELFARE

72. MEDICAL STORE DEPOTS

1. *Introduction.*—The Medical Stores Organisation is a subordinate office of the Ministry of Health and Family Welfare and is administered through the Directorate General of Health Services. The Organisation comprises six depots—one each at Bombay, Calcutta, Madras, Karnal, Hyderabad and Gauhati. One pharmaceutical factory each is attached to the depots at Bombay and Madras, which can manufacture about 100 items of common drug formulations, ointments and materials like bandages. Besides, there is a Repair Workshop at Madras.

The main functions of the Medical Store Depots (MSD) are :

— To procure and supply medicines, surgical instruments and other medical stores required by hospitals and dispensaries run by the Central and State Governments and local bodies.

— Receipt, storage and distribution of drugs and allied stores received from foreign organisations, (WHO, UNICEF, USAID, Colombo Plan etc.) under various agreements.

— Storage and issue of stores required under the various National Health and Family Welfare Programmes.

— Meeting the emergency requirements of life-saving drugs and other allied items in the country, arising out of natural calamities like floods, cyclones, draughts, etc.

The working of the MSD was last reviewed in paragraph 114 of the Central Government Audit Report (Civil), 1969. The recommendations of the Public Accounts Committee on this paragraph are contained in their Hundred and Third Report (4th Lok Sabha—February 1970) and in their Eighteenth Report—Action Taken Report (5th Lok Sabha—August 1971).

The results of review of the operations for the period subsequent to 1972-73 in respect of the Organisation as a whole and its depots except Gauhati Depot whose operations could not be reviewed are given in the following paragraphs.

2. *Future of the Organisation.*—While noting the facts that hospitals were becoming less and less dependent on Medical Store Depots as a supplying agency and that the Depots themselves could at best meet 50 to 60 per cent of the demands raised by the indentors, the Public Accounts Committee in their 103rd Report (4th Lok Sabha—1970) recommended a speedy examination of the whole question "of the future of the Depot and the

form in which it should continue, if at all it has to be continued", which was already under consideration of the Government. The Ministry informed (February 1971) the Committee that after critical examination it had been decided to continue the Organisation as it was advantageous to the large number of small consumers to purchase their requirements from a single source.

In response to the recommendation contained in 49th Report of the Public Accounts Committee (6th Lok Sabha—December 1977) for a thorough examination of the question of conversion of MSD into a Company, the Ministry informed (July 1978) the Committee that the proposal to restructure the Medical Stores Organisation into a Company was still under consideration.

The Ministry further informed the Public Accounts Committee (September 1981) that :

— The Bureau of Public Enterprises and the Ministry of Finance were not in favour of the proposal to convert the MSD into a Company.

— The working group set up by the Commission on Public Expenditure had recommended (February 1980) that MSD should be wound up gradually.

— The observatons of the working group in support of gradual winding up of the Organisation were still under consideration.

The final decision of Government in regard to the form and future of the Organisation was still awaited (October 1982).

3. *Demand and actual supply.*—The Ministry in their reply dated 17th February, 1971 informed the PAC that the range of items to be stocked by MSDs was being re-examined in consultation with the State Governments in order to ensure that the demands of common indentors were met to the extent of 90 to 100

per cent; The table below indicates that none of the depots was able to meet 90 to 100 per cent requirements of its indentors during 1977-78 to 1979-80.

	No. of indents	Items indented	Items supplied	Percentage of supply
Karnal Depot				
1977–78 .	3,191	110,545	76,491	69.2
1978–79 .	4,186	94,363	68,868	72.9
1979–80 .	3,604	87,460	60,649	69.3
Hyderabad Depot				
1977–78 .	1,734	107,564	54,920	51.1
1978–79 .	2,881	65,656	40,054	61.0
1979–80 .	1,915	44,481	31,723	71.3
Madras Depot				
1977–78 .	5,841	129,301	74,512	57.6
1978–79 .	4,628	93,758	63,194	67.4
1979–80 .	4,546	85,570	53,448	62.4
Calcutta Depot				
1977–78 .	1,091	46,063	28,953	62.9
1978–79 .	1,165	41,467	26,841	64.7
1979–80 .	961	47,072	27,419	58.2
Bombay Depot				
1977–78 .	4,249	131,743	79,675	60.5
1978–79 .	3,854	112,597	80,968	71.9
1979–80 .	2,545	98,411	54,045	65.1

4. *Working Results*

4.01 There have been long delays in compilation of Proforma Accounts and Proforma Accounts for the year 1978-79 onwards have not been prepared so far (October 1982). The dates on which the Proforma Accounts for the year 1973-74 onwards were compiled are indicated below :

Year of Accounts	Date on which prepared
1973–74	2nd March 1978 (Revised)
1974–75	11th January 1980 (Revised)
1975–76	31st December 1980 (Revised)
1976–77	7th April 1981
1977–78	7th October 1982
1978–79 to 1981–82	Not yet prepared.

Long delays in compilation of *Pro forma* Accounts have rendered managerial control ineffective.

4.02 The working results of the MSD for the five years from 1973-74 to 1977-78 for which *Pro forma* Accounts were available are tabulated below :—

(Rs. in lakhs)

	1973-74	1974-75	1975-76	1976-77	1977-78
(*a*) Mean Capital	886.79	870.42	867.37	995.30	1707.77
(*b*) Sales . .	1197.72	1225.18	1713.82	1820.05	1975.37
(*c*) Less cost of Sales .	1166.38	1214.21	1674.17	1742.30	1931.92
(*d*) Net Profit .	31.34	10.97	39.65	77.75	43.45
(*e*) Percentage of cost of sales to sales [(c) to (b)] .	97.38	99.14	97.68	95.73	97.80
(*f*) Percentage of net profit to sales [(d) to (b)] . .	2.61	0.89	2.31	4.27	2.20
(*g*) Percentage of net profit to Mean Capital [(d) to (*a*)] . .	3.53	1.14	4.57	7.81	2.54

NOTE: 1 Summarised *Pro forma* Accounts for 1977-78 are given in Appendix X.

2 These figures are based on unaudited *Pro forma* accounts.

4.03 *Excess recovery of punching charges.*—The factory attached to Bombay depot was entrusted with the work of punching Chloroquine tablets under the National Malaria Eradication Programme (NMEP). The powder for the manufacture of tablets was supplied to the factory by the NMEP free of charge. According to the formula prescribed by the Ministry in April 1971 for fixing the rate of recovery in espect of manufactured stores only punching charges and 10 per cent department charges on punching charges are recoverable.

While raising debits against the NMEP, the depot charged 10 per cent departmental charges not only on the punching charges but also on the cost of powder received free, thereby recovering an excess amount of Rs. 26.82 lakhs during 1976-77 to 1980-81. The profit of the depots has, therefore, to be viewed in the light of this extra recovery.

5. *Sundry Debtors.*—The indentors of the MSD mainly consist of Central/State Government Departments, non-Government institutions etc.

The table below compares the position of outstanding dues and sales at the end of the four years upto 1977-78 :

(Rs. in lakhs)

Year	Sales	Outstanding dues from			Total
		Government Departments	Non-Government Institutions	Others	
1973-74 .	1197.72	577.22	71.24	15.57	644.03
1974-75 .	1225.18	665.10	68.35	34.92	768.37
1975-76 .	1713.82	516.42	46.35	43.18	605.95
1976-77 .	1820.05	1094.26	70.19	66.46	1230.91
1977-78 .	1975.37	2011.53	40.04	121.26	2172.83

Sundry debtors represented 6.65 months' sales in 1973-74, 7.5 months' sales in 1974-75, 4.2 months' sales in 1975-76, 8.1 months' sales in 1976-77 and 13.2 months' sales in 1977-78.

As on 31st March 1977, the dues outstanding from Government departments stood at Rs. 1094.26 lakhs which rose to Rs. 1955.67 lakhs at the end of 1978-79. The sharp increase in Government dues has resulted from the change in procedure from payment by adjustment by the Accountant General to payment in cash or by cheques introduced from October 1976 onwards. The Ministry stated (May 1981) as under:

> "Effective measures have been taken to liquidate the old outstandings but the outcome had not been encouraging. However, the old procedure of payment by adjustment by the Accountant General has been reintroduced from 1-4-1981 as already agreed to by the Controller General of Civil Accounts in consultation with the Comptroller and Auditor General of India. It is hoped that with the reintroduction of the old procedure the amount of outstandings will be reduced".

6. *Purchases*

6.01 Stores are procured in any one of the following ways:

(i) Centralised purchases through the Director General, Supplies and Disposals;

(ii) Local purchases; and

(iii) Manufacture in MSD's factories located in Bombay and Madras.

The MSD follow the system of forward provisioning of stores. The provisioning period includes the particular financial year and the financial year following that with stock margins mentioned below :

Stable items or Items having a life of 3 years or more.	Six months safety margin.
Drugs with life upto 3 years .	Three months safety margin with suitable staggered delivery of drugs.
Drugs with life below 1 year . .	No stock margins with suitable staggered delivery.

In April each year, the depots send to the Director General, Health Services (DGHS) annual indents showing their requirements of stores.

6.02 *Local Purchases.*—The depots are empowered to make local purchase of each drug up to a limit of Rs. 10,000 and with the prior approval of the DGHS upto Rs. 50,000 at a time. No annual ceiling for local purchase of individual items or on total local purchases by a depot has been prescribed. According to the prescribed purchase procedure, local purchases should be resorted to meet emergent demand on account of natural calamities, for building up 2 months' stock level and to procure items not covered under centrally placed orders. 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, the Public Accounts Committee in paragraph 1.25 of its 103rd Report (Fourth Lok Sabha—February 1970) had recommended that efforts should be made to scale down local purchases to the minimum. The table below indicates the year-wise break-up of purchases from various sources :

(Rs. in lakhs)

	Year	Total purchases	Through DGSD	Local purchases	Percentages of local purchase to total purchases
Bombay .	1975–76	374.97	262.16	112.81	30.09
	1976–77	385.60	282.07	103.53	26.84
	1977–78	519.32	424.46	94.86	18.27
	1978–79	456.62	392.37	64.25	14.07
	1979–80	286.39	225.17	61.22	21.38
	1980–81	270.08	201.76	68.32	25.30
Karnal .	1975–76	279.38	211.87	67.51	24.16
	1976–77	357.78	232.62	125.16	34.96
	1977–78	492.38	346.03	146.35	29.72
	1978–79	437.85	352.22	85.63	19.56
Calcutta .	1975–76	283.38	195.87	87.51	30.88
	1976–77	300.75	204.17	96.58	32.11
	1977–78	240.57	151.20	89.37	37.15
	1978–79	231.64	157.15	74.49	32.15
Madras .	1975–76	379.06	343.45	35.61	9.39
	1976–77	555.29	475.96	79.33	14.29
	1977–78	576.26	477.03	99.23	17.22
	1978–79	458.05	420.07	37.98	8.29
Hyderabad .	1975–76	140.70	105.43	35.26	25.06
	1976–77	137.41	103.85	33.56	24.42
	1977–78	195.89	141.03	54.86	28.01
	1978–79	174.29	127.15	47.14	27.05

It would be seen from the above table that local purchases of all the depots except Madras continue to be heavy.

The Ministry stated (May 1981) as under:

"Local purchases are made according to the procedure prescribed in the MSD Manual and are restricted to items which are not covered under Vocabulary of Medical Stores/Rate Contract/Accepted Tenders. As local purchase is resorted to meet urgent/firm demand no ceiling on the purchase of an item at a time was considered necessary".

6.03 Some instances of avoidable local purchase of drugs are mentioned below :

(i) *Purchase of Deripnyllin Tablets*

On 17th November 1977 the stock of the above noted tablets at Karnal depot was 1,51,250. On this date, an order was placed on a firm for supply of 1,00,000 tablets. Repeat orders were also placed on the same manufacturer on 5th December 1977 and 22nd December 1977. (Supply against repeat orders was 99,750 tablets per order). None of the ordered quantities were required to meet immediate needs of indentors.

(ii) *Purchase of Ampicillin injections*

While a DGSD's rate contract for the above item at the rate of Rs. 4.10 per vial was valid upto 15th February 1979, the Karnal depot floated enquiries five times during February 1978 to February 1979 for its local purchase to meet urgent requirements. Lowest rate of Rs. 5.30 per vial was accepted. No enquiry was, however, made by the depot from the firm on rate contract with the DGSD though this fact was known to the depot. 15,100 vials were purchased at the higher rate of Rs. 5.30 per vial as against the DGSD's rate of Rs. 4.10 and IDPL rate of Rs. 3.35 per vial respectively. Thus, the depot has incurred an extra expenditure of Rs. 18,664 on the purchase of 15,100 vials at a rate higher than the DGSD's rate contract rate. The depot stated (August 1980) that DGSD's approved manufacturer was not on the approved list of Karnal depot.

6.04 Some of the main reasons which contributed to heavy local purchases are as under :

(a) *Incorrect reporting of stock*

Cases of incorrect reporting of the stock position of drugs with a view to obtaining sanction for making local purchases were noticed in Bombay depot. In one case, a proposal to purchase 7,000 Kgs. of light Kaolin I.P. valuing Rs. 0.63 lakh was submitted on 24th November 1977 to the DGHS by indicating the stock balance as 5591 Kgs. (value Rs. 0.43 lakh) whereas the actual stock balance was 15,401 Kgs. (value Rs. 1.18 lakhs). In another case, proposal to purchase 4.75 lakh analgin tablets was submitted to the DGHS on 21st March 1978 by showing stock as nil though there was already a stock of 27.59 lakh tablets. The supply of 4.75 lakh tablets at a cost of Rs. 46,787 was received in September 1977.

The Ministry stated (May 1981) as under :

"Cases of misreporting of stock position of drugs with a view to obtaining sanction for making local purchases. . . .will be investigated and appropriate action taken to fix responsibility".

(b) *Delays in finalisation of contracts by DGSD*

The DGHS consolidates the requirements of the depots item-wise and places indents on the DGSD indicating requirements of each depot. The DGSD's contracts generally stipulate that supplies will be made in two to four instalments, the intention being to keep the stocking of drugs at the depots to the minimum and, at the same time to minimise the need for local purchases by the depots. However, there were abnormal delays in finalisation of contracts by the DGSD with the result that the suppliers made supplies against individual contracts in one or two instalments towards the close of the year at Karnal, Hyderabad and Madras depots. This necessitated substantial local purchases being made by the depots before receipt of supplies against these contracts. The Ministry stated (January 1982) that the comments of the Ministry of Supply had been called for and the same were still awaited.

(c) *Splitting of orders*

A number of cases of splitting the orders so as to avoid making central purchase by keeping each order within the ceiling of local purchases were noticed in Karnal and Madras Depots.

6.05 *Non-enforcement of 'Fall Clause'*

6.05 *Non-enforcement of 'Fall Clause'*.—The standard forms for the contract and order for local purchase incorporate a 'fall clause" which stipulates that if the manufacturer or his authorised distributor/agent reduces the sale price of stores after acceptance of their quotations, they are required to notify forthwith such reduction to the officer-in-charge of the MSD, and the price payable for the stores supplied or to be supplied after the date of such reduction taking effect shall stand correspondingly reduced. Half-yearly certificates regarding non-reduction of prices are also required to be furnished by the supplies. Under this clause, the manufacturer also undertakes to refund the amount over-charged on the stocks actually held in MSD on the date of reduction. Although the depots have been obtaining acceptance of the 'fall cause' before placing supply orders, the provisions of this clause were often not followed by the suppliers nor enforced by the depots.

During test check in audit 189 cases of reduction in prices during the period from 1976-77 to 1978-79 pertaining to local purchases in Hyderabad depot were noticed. The depot claimed a sum of Rs. 16,520 in respect of 55 cases. Out of this, a sum of Rs. 16,330 was recovered in respect of 49 cases. For the remaining 134 cases the depot requested the manufacturers/

suppliers in September 1981 to intimate the effective date(s) of price reduction. Their replies are still awaited (October 1982).

A test check in audit at the Karnal depot also revealed that in 37 cases there had been fall in prices as seen from the rates at which subsequent contracts were placed/local purchases were made during the pendency of the earlier orders. The depot, however, failed to lodge claims amounting Rs. 1.10 lakhs resulting in loss to Government.

Bombay, Madras and Calcutta depots have neither maintained records to ascertain whether prices of drugs registered a fall nor did they obtain half-yearly certificates from the suppliers regarding non-reduction of prices of drugs.

The Ministry stated (May 1981) that :

"Appropriate action will be taken to fix responsibility".

6.06 *Life-expired drugs*

(a) A review of stocks as on 31st December 1979 revealed that drugs were procured in quantities in excess of requirements with the result that entire stocks of drugs could not be issued within their life span. This led to accumulation of stocks of life expired drugs of the value of Rs. 15.29 lakhs as detailed below :

	Rupees in lakhs
Karnal depot	8.20
Bombay depot	5.13
Madras depot	1.96
	15.29

As regards the life expired drugs at Karnal the depot stated in August 1980 that they had since got the stocks of 29 items valuing Rs. 3.85 lakhs either replaced by or returned to the manufacturers. On verification of the reply in December 1980 it was noticed that drugs worth Rs. 39,587 only were actually replaced and refund of Rs. 112 only had been made by the manufacturers till then.

The latest position of the stocks of the life expired drugs at various depots is as under :

Depot	Date	Stock (Rs. in lakhs)
Karnal	30-9-1981	21.27
Bombay	31-3-1981	9.65
Madras	31-10-1981	0.63

No action to write off the life expired drugs has been initiated so far (April 1982).

(b) Drugs having a definite life span are required to be purchased in such a manner that the stock at any time is not in excess of the estimated requirements for six months. The prescribed procedure requires that (i) life expired drugs should neither be supplied to the indentors nor disposed of by public auction, etc. but should be destroyed after obtaining approval of DGHS, and (ii) that indentors should receive drugs with an effective life of at least six months.

As the above procedure was not being enforced properly, the DGHS issued instructions in May 1979, that depots should ascertain from the manufacturers whether the validity period of the stores having a residual life of less than 9 months could be extended beyond the period indicated on their labels, and if so the period by which it could be so extended provided their potency remained intact. Later on, in December 1979, the DGHS also directed that the feasibility of reconditioning such stores should be ascertained from the manufacturers. While Madras depot stated (March 1980) that such a course of action would invite objection from the Drugs Controller of Tamil

Nadu State, the Karnal depot got the expiry date extended in respect of drugs valued at Rs. 1.94 lakhs as detailed below:

	Quantity	Value
Neurobion forte tablets . . .	1,98,930	Rs. 1,32,587
Dextrose injections (Schedule 'P' Drug)	11,925	Rs. 11,328
Locula eye drops 20 per cent . .	18,540	Rs. 50,068
		Rs. 1,93,983

In response to an enquiry by audit, the Drugs Controller of the Directorate General of Health Services clarified in August/December 1980 as follows:

(i) There is no specific provision in the Drugs and Cosmetics Rules permitting manufacturers to amend the expiry date given on the labels of their products after these are marketed;

(ii) In special cases, however, the State Drug Controllers may permit the extension of life period of products other than those included in Schedule 'P' to the Act (Thermolabile drugs) after satisfying themselves that the product would retain its potency for the extended period; and

(iii) The Directorate had not accorded permission to manufacturers to assign any extended life period to any drug, date expired or otherwise, which had been supplied to MSD.

It would be clear from the above that revalidation of marketed drugs is not permissible.

The Ministry stated (January 1982) as follows:

(a) *Neurobion Forte tablets*

The manufacturer firm had communicated that as per their Quality Control Department the control samples of this tablet indicated that it had a validity period of 30 months. Based on this the Depot was informed that the validity date of these tablets might be got suitably extended by the firm by taking into account the other proviso prescribed under Rule 96 of the Drugs and Cosmetics Act and Rules.

(b) Dextrose injections

The samples from stocks held at Depot were got tested from an approved laboratory in Delhi which pointed out that the drug was valid for use for a further period of three months. Simultaneously, the matter regarding replacement of stocks was taken up with manufacturers who offered to replace the entire quantity.

(c) *Locula Eye drops* 20 *per cent*

This item contains Salt Sulphacetamide which is a stable item and the item sold in the market is not labelled with a shelf life of 2 years. The shelf life of 2 years is marked only in respect of supplies made to the depots. Since, it is a stable item the revalidation of expiry date does not hold good.

On verification of the Ministry's reply it was noticed that :

(a) As far as Neurobion forte tablets are concerned, no clearance from the Drugs Controller was available on record to show the revalidation in terms of the instruction issued by the DGHS which by itself is violation of the Act and the Rules made thereunder ;

(b) A large quantity of Dextrose injections were still in stock though stated to be under replacement by the manufacturers. Codal instructions provide for the destruction of such drugs after approval of the DGHS and prohibits issue in any form ; and

(c) Locula eye drops supplied to the depot in the past six years carry the expiry date on its labels. As per the clarification of the Drugs Controller (India) revalidating expiry date of a drug once marketed is not permissible.

6.07 *Non-replacement of life expired drugs*

(a) After obtaining an undertaking from the supplier that quantities of the drugs remaining unutilised on the date of their expiry would be replaced free of charge, the Karnal depot purchased during May—October 1977, 1.95 lakh vials of injection Vitamin B Complex and between October 1976 and March 1977, 1.13 lakh vials of injection Adrenaline both having a shelf life of one year.

It was noticed in audit that these supplies were received after 3 to 7 months from the dates of manufacture. 1,25,594 injections of Vitamin B Complex and 66,279 injections of Adrenaline forming 64 per cent and 58 per cent respectively of total supplies remained unconsumed on the dates of expiry of their shelf life. The unconsumed injections worth Rs. 1.76 lakhs were returned to the manufacturers in February 1978 for replacement. During a period of more than four years only 43,011 vials of 'B' Complex have been replaced and no refund of value (Rs. 1.05 lakhs) for the remaining 82,583 vials has been received from the manufacturers so far (November 1982).

As regards Adrenaline injections valuing Rs. 0.18 lakh returned for replacement the depot has approached the DGSD with whom the firm has a running rate contract to recover the cost of the stores.

(b) In respect of 25 drugs valued at Rs. 7.06 lakhs purchased by Calcutta, Bombay and Karnal depots during June 1977 to January 1980, a considerable period of their valid life had already expired by the time the drugs were received by the respective depots. On expiry of their valid life these drugs have been returned to the suppliers for replacement. The manufacturers had not replaced these medicines, though periods ranging from 28 to 44 months had elapsed (April 1982) after the expiry of their shelf life.

The Ministry stated (May 1981) that :

> "Facts brought out in the Review are being investigated and appropriate action will be taken in the near future to fix responsibility."

6.08 *Extra expenditure due to rejection of lowest offers*

Enquiries were floated five time between January 1976 and October 1976 by Karnal depot for supply of 'Gloves operation, rough' of four different sizes. Orders on each occasion were placed on a firm of Panipat even though its quotations were not the lowest.

The higher offers of the firm were accepted on the grounds that the particular brand of gloves offered by the firm was preferred by the indentors and its delivery period was more favourable.

In this connection, the following observations are made :

— "Gloves Operation, rough" are general applicances in the Vocabulary of Medical Stores (VMS) and the only restriction is that hand gloves should conform to IS : 4148-1967 specifications. This is not a branded or proprietary item.

— Purchase of these gloves during 1972-73 and 1973-74 through the DGSD were for brands other than the particular brand purchased from the Panipat firm.

— In the first enquiry, the lowest offer of another firm was rejected on the grounds that 3 weeks time for delivery was considered too long and the

> Panipat firm offered gloves from ready stock . The actual supply was, however, received from the Panipat firm after a lapse of 4 weeks.

The local Management stated (August 1980) that :

> "Satisfaction of the indentors in respect of quality has to be kept in mind while effecting purchases. As experienced, the indentors generally preferred.... brand gloves operation of all sizes."

The above contention of the Management is not tenable because :

— The VMS specifically prescribes that stores shall conform to ISI specifications which take care of quality—Only 1 indentor out of 202 in 1975-76, 5 out of 442 in 1976-77 and 6 out of 389 in 1977-78 had indented for the particular brand of gloves.

Purchase of gloves against a higher offer has, thus, resulted in extra expenditure of Rs. 0.65 lakh.

6.09 *Purchase of sub-standard bandage cloth*

Against orders placed through the DGSD on a Calcutta firm in October 1970 and December 1970, the Bombay depot received 1,74,720 metres of 'Plaster of Paris' bandage cloth in four lots during the period from August 1972 to September 1973. In September 1973, while preparing gauzes of various sizes on the rolling and bandage cutting machines, one lot of bandage cloth measuring 34,000 metres and another lot measuring 39,600 metres were found to be sub-standard as the cloth was tearing off very easily on the machines. Subsequently, material of all the four lots having not been found useful for plaster of paris bandages, the matter was reported in September 1973 and January 1974 to the Director of Inspection, DGSD, who had inspected the material in Calcutta before despatch to the Depot for arranging replacement of cloth with cloth of standard quality by the firm. The DGSD rejected (April 1974/November 1976) the complaints on the ground that these were made after a period of three months to one year whereas according to the conditions of contract, defects in quality of cloth should have been reported within seven days of receipt of cloth in the depot. The defective bandage cloth purchased at a cost of Rs. 1.34 lakhs has been lying unused for the past nine years as it could not be utilised for the plaster of paris bandages or for any other purpose.

The Ministry stated (January 1981) as under:

> "....the only plausible explanation for tearing off cloth appears to be some left over bleaching material in the cloth which over a certain time reduced the tearing strength of the cloth. The test reports received from the Director of Inspection do not show that any test was applied to ensure that the cloth were free from bleaching agents as required in the specifications."

In this connection, the Director of Inspection (DGSD) contended that there was no stipulation in the governing specifications with regard to breaking strength of the cloth.

7. *Sales and distribution*

Pricing and issue of stores

According to the instructions issued in April 1971 prices of drugs and medicines have to be refixed on average basis as and when fresh purchases are made. The depots, however, generally take about two months in revising the issue rates after fresh receipts. These delays result in under/over billing to customers in the first instance, necessitating raising of supplementary bills later on. Test check in audit revealed as under:

(a) In Bombay depot, issue rates of 17 items had not been fixed on receipt of fresh supplies during the year 1974-75 and the depot continued to charge issues at old rates resulting in under-recovery of Rs. 67,642. In respect of Catosteryl Alcohol and Chloroform I.P. the rates were revised but issues were charged for at the old rates resulting in a further under recovery of Rs. 14,340.

(b) In Hyderabad depot, the under recovery during 1977-78 and 1978-79 due to non-revision of issue rates after fresh receipts amounted to Rs. 26,377 and Rs. 16,848 respectively.

(c) Over-pricing and under-pricing during January 1978 to March 1979 due to non-revision of issue rates at Madras depot was to the extent of Rs. 3.99 lakhs and Rs. 2.74 lakhs respectively.

The Ministry stated (May 1981) that :

"Refixation of prices is delayed generally in case of receipt from other depots where from the vouchers are received late. In other cases the rate is fixed on receipt of 'receipt voucher' in Accounts Section."

8. *Factories*

8.01 *Capacity Utilisation*

The two pharmaceutical factories at Bombay and Madras together produce 73 items of medicines, ointments, etc.

The installed capacities of the various sections of both the factories (except steam, ointment and powder sections of Bombay and tablets section of Madras) were revised from time to time on the basis of productive labour minutes employed without matching with the machine capacities except in tablets section.

The table below indicates installed capacity fixed from time to time, actual production and percentage of actual production to installed capacity of the factories at Madras and Bombay for the last five years ending 1980-81 :—

(Figures in lakhs)

	Tinctures Repacking of liquid (Lits.)		Steam (Lits.)		Tablets (Nos.)		Ointments (Kgs.)		Powders (Kgs.)		Bandages (Nos.)	
	Madras	Bombay	Madras	Bombay	Madras	Bombay	Madras	Bombay	Madras	Bombay	Madras	Bombay
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
1976-77												
Installed Capacity .	1.80	1.44	1.50	0.60	720.00	960.00	0.48	0.48	0.18	0.48	21.60	27.60
Actual production	1.14	0.65	1.35	0.17	397.47	733.61	0.49	0.07	0.20	0.01	14.82	26.12
Percentage .	63.33	45.14	90.00	28.33	55.20	76.42	102.08	14.58	111.11	2.08	68.61	94.64
1977-78												
Installed Capacity .	1.80	1.44	1.50	0.60	720.00	1130.00	0.48	0.48	0.18	0.48	21.60	27.60
Actual production	0.94	0.68	0.99	0.18	706.41	1040.34	0.49	..	0.27	0.01	6.13	5.98
Percentage .	52.22	47.22	66.00	30.00	98.11	92.07	102.08	..	150.00	2.08	28.38	21.66

1978-79												
Installed Capacity .	1.32	1.44	1.33	0.60	720.00	3000.00	0.42	0.48	0.12	0.48	8.04	27.60
Actual production	0.50	0.39	1.10	0.03	401.95	1921.18	0.38	..	0.13	0.03	8.27	9.02
Percentage .	37.87	27.08	82.70	5.00	55.83	64.04	90.50	..	108.33	6.25	102.86	32.31
1979-80												
Installed Capacity .	1.32	0.96	1.33	0.60	720.00	3000.00	0.42	0.48	0.12	0.48	8.04	27.60
Actual production	0.38	0.56	0.85	0.20	691.87	1232.83	0.25	..	0.12	0.05	9.27	1.52
Percentage .	28.78	58.33	63.91	33.33	96.09	41.09	59.52	..	101.66	10.41	115.30	5.49
1980-81												
Installed Capacity .	1.32	0.96	1.33	0.60	720.00	3000.00	0.48	0.48	0.12	0.48	9.36	21.60
Actual production	0.23	0.41	0.76	0.25	732.12	1926.10	0.36	..	0.33	0.02	5.99	7.02
Percentage .	17.35	42.70	57.14	41.66	100.43	64.20	75.00	..	275.00	4.16	63.99	32.50

It would be seen from the above table that the actual production in all the sections of both the factories was less than the installed capacity except in the case of the following sections of the Madras factory :

Tablets Section	1980–81
Ointment Section	1976–77 and 1977–78
Powder Section	1976–77 to 1980–81
Bandage Section	1978–79 and 1979–80

The under-utilisation of the installed capacity at the two factories was attributed (May/June 1981) by the Management to the following reasons :

Madras	Bombay
Discontinuance of uneconomic and obsolete items.	Re-modelling of factory from May 1976.
Worn out and obsolete plant and machinery.	Installed capacity was based on 390 minutes shift which was not possible.
Uncertainty regarding receipt of essential raw materials in time through DGSD and other sources.	Non-availability of raw materials from 1978–79 onwards.
Age factor of employees and their leave entitlement.	Break-down of machines from 1978–79 onwards.
Frequent break-down of power supply/load shedding.	Non-functioning of boiler (1978–79).
	In 1979–80 two machines were kept for manufacture of combined tablets (INH & TZN) to avoid contamination and also non-availability of tins to pack tablets.
	Civil works done during 1980-81.
	Procurement of new machines for ointments and steam sections during 1980-81.

The Ministry stated (May 1981) as under :

"Powder Section is being used as a feeder section and powder is manufactured as and when required in Tincture Section. Moreover, SIU has recommended the staff for tablets and Powder Section together. Due to increase in the production of tablets, staff could not be utilised for powder section separately.

Ointment Section : During the remodelling of the factory steam connections were disconnected. Moreover, the old machinery in this section were disposed of. Hence the production was low."

The factories have not kept day to day record to indicate the reasons for under-utilisation of capacities.

8.02 *Labour Utilisation*

The two factories do not maintain any record to indicate time actually utilised in production and idle time with reference to the labour hours available on the basis of actual attendance of workers on a particular day. Hence no information could be compiled on idle time and avoidable idle time and the reasons therefore.

The Ministry stated (January 1982) as under :

"The DGHS had issued instructions to both the depots to maintain a register showing separately man hours not utilised due to avoidable/unavoidable reasons".

8.03 *Non-utilisation of a boiler*

In pursuance of an order placed in October 1965 an oil fired 'garnish boiler' was purchased at a cost of Rs. 89,076 in September 1966 for use in a new medical factory planned to be set up at Madras in 1960. Although the project of establishing a new medical factory had already been given up in 1964-65 action was initiated (March 1967) to erect the new boiler in place of the two old steam boiler which had run out their lives. Expenditure sanction amounting to Rs. 30,837 was accorded by Government in May 1967 for effecting suitable additions and alterations (Rs. 19,454) and the civil portion of work for the erection of the boiler (Rs. 11,373). The earth work was taken up but the information about expenditure incurred on it against the original estimate of Rs. 11,373 was not available. The erection of the new boiler was, however, give up in 1974 for the following reasons :

(i) Drugs manufactured in the factory utilising steam had become outmoded and were no longer required by the Tamil Nadu Government hospitals ;

(ii) The range of products manufactured having come down drastically the requirement of steam had become considerably low; and

(iii) The steam produced with the help of the existing boilers was considered adequate by the depot to meet the existing range of manufacture.

A decision was taken in January 1978 to transfer the boiler to Safdarjung Hospital, New Delhi. However, the shifting was postponed pending receipt of the findings of the 'Committee of Experts' which was constituted in August 1978 to go into the technical feasibility and economic viability of undertaking a new line of manufacturing parenteral preparations (*i.e.* transfusion fluids which can be prepared by using steam) in the Madras factory for which the surplus boiler could be used. The Madras depot intimated (August 1980) that Indian Drugs and Pharmaceuticals Limited, Hyderabad who were detailed to prepare a Project Report for the manufacture of parenteral preparations had submitted a report to the Directorate and the same was under consideration.

No benefit from the boiler purchased at a cost of Rs. 89,076 in 1966 and the amount subsequently spent on works connected with the additions, alterations and installation has been derived and the expenditure incurred so far (April 1982) has proved unproductive.

The Ministry stated (May 1981) that :

"The Project Report submitted is under consideration of Government."

9. *Repair Workshop, Madras*

(a) The repair workshop attached to the Madras depot is required to be run on 'no profit, no loss' basis. However, it has been incurring losses from the date of its take over in 1943-44 from the Ministry of Defence. During the years 1973-74 to 1977-78 the workshop suffered losses aggregating Rs. 1.13 lakhs on a total out-turn of Rs. 2.38 lakhs. The main reason for the losses is the poor out-turn of the workshop. Out of 19,685 instruments received for repairs during 1972-73 to 1982-83 only 16,569 were repaired, 2384 returned as beyond repairs and 732 were still lying un-repaired (January 1983).

The depot Management ascribed (August 1980) the following reasons to the low out-turn :

(i) Delay in procurement of spares;

(ii) Inadequate facilities in the factory *viz.*, absence of latest equipment, big size tubes, suitable tanks and inadequate space; and

(iii) Post of tinsmith being vacant

(b) *Labour Utilisation*

The table below indicates the available labour hours (representing actual attendance) and labour hours charged to work :

Year	Labour hours available	Labour hours charged to work	Percentage of Column 3 to 2
1976–77	9,581	7,777	81.17
1977–78	8,957	4,358	48.65
1978–79	9,142	3,837	41.97
1979–80	7,592	2,331	30.70
1980–81	8,687	3,952	45.49

The depot did not maintain separate records for idle time but the difference between time actually utilised and charged to work is treated as idle time. It will be seen from the above table that the percentage of labour charged to works is on the decrease thereby showing an increasing trend in the incidence of idle time.

10. *Internal Audit*.—In pursuance of the orders issued by the DGHS in June 1973 internal audit parties were to be formed in all the depots of the medical stores organisation. The instructions enjoined that the Accountant-in-charge of the internal audit party would issue objection statements to the Deputy Assistant Director General (Medical Stores) in-charge of the depot for rectification of defects and all important objections and other objections not attended to for more than a month would be brought to the notice of the Deputy Director General, Health Services (Stores) in the Directorate.

The Hyderabad depot did not make available the details and extent of records checked by internal audit to the end of 1977-78, and at Bombay depot the internal audit did not exercise the prescribed checks owing to inadequacy of staff. Internal Audit was started in Calcutta depot only in April 1979. The objection statements issued by Internal Audit of Karnal Depot to the DAG (MS) were not made available.

The Ministry stated (May 1981) as under :

> "Though the work of internal audit in the depots is in existence from 1973, the effectiveness thereof could be felt from April 1979 when SAS Accountants were posted in depots as in-charge of the IAP."

11. *Other Topics of Interest*

11.01 *Fraudulent drawal of stores*.—An indent from the Border Security Force for medical supplies was brought on 26th March 1979 to the MSD Karnal by a person claiming to be the Pharmacist of the indenting unit. He also brought an authority letter to take personal delivery of the stores. The indent was executed promptly and personal delivery of stores worth Rs. 46,678 was made to the bearer of the authority letter on 27th March 1979 against his acknowldegement. The advance copy as well as the priced copy of issue voucher were also handed over to him. As neither the payment nor advance copy of issue voucher in token of receipt of stores was received for a considerable time, the Depot requested the Commandant of the battalion on 16th August 1979 to expedite payment. The Commandant disowned receipt of the stores and stated (October 1979) that no such indent was issued by the battalion. The matter was reported on 6th November 1979 to the City police, Karnal who registered an FIR on 16th November 1979.

The following deviations from the normal procedure were noticed in this case :

(a) The forwarding letter brought by the bearer was neither initialled by any officer of the dopot nor was it date-stamped. Instead, it was straightaway diarised without the normal office procedure having been observed.

(b) Normally, indents requiring immediate compliance are endorsed by the concerned Section Officer of the depot. In this case there was no such endorsement and the remarks "Today, 26th March 1979" only were found recorded on the indent.

(c) The identity of the bearer was not established. Approval of a responsible officer for delivery of stores to the bearer was also not obtained.

(d) Counterfoil and cancelled part of the 'outgate' pass do not indicate any particulars of carrier vehicle by which the packed stores were taken out of the depot. In cases where a vehicle is not brought by the indenting party and the consignment is either heavy or of considerable value, the goods are sent directly by the depot and only railway receipt/goods receipt is handed over to the bearer of the indent. This precaution was ignored in this case.

(e) The return of the advance copy of the issue voucher in acknowledgement of the stores was not pursued.

The Management stated (May 1980) that the police had not found any clue in this case and that efforts were afoot to trace the culprit. The depot has neither conducted a formal enquiry in this case so far (April 1982) nor fixed responsibility for deviations from established procedure. The Ministry stated (May 1981) that "the matter was under investigation by the C.I.D., Haryana".

11.02 *Purchase in excess of requirements.*—As a Direct Demanding Officer, the DADG (Stores), Hyderabad depot issued an order in June 1975 for supply of 71,000 packets of blades of various sizes valued at Rs. 3.26 lakhs on a Kanpur firm which had a rate contract with the DGSD. After a few days, the DGHS, New Delhi, also a Direct Demanding Officer, placed a consolidated order (including the requirements of Hyderabad depot intimated earlier) on the same firm. Hyderabad depot first concelled the order but on a protest from the firm and anticipating some legal complications, withdrew the cancellation later. On receipt of supplies against both the orders in August 1976 the excess quantity with the Hyderabad depot was transferred to other depots in the same month. At the time of assessing the requirements for the years 1977-78 and 1978-79 the Hyderabad depot failed to exclude the excess supplies of 1975 for working out its requirements, with the result that the requirements of the Hyderabad depot included in the consolidated order covering all the depots issued by the DGSD in September 1977 were inflated. The supplies valued at Rs. 4.36 lakhs which were in excess of requirements were received in Hyderabad in January 1978. Consequently blades of various sizes worth Rs. 2.69 lakhs were still in stock in September 1981.

12. *Summing up*.—The following are the main points that emerge :

- Though the Public Accounts Committee in their Hundered and Third Report (4th Lok Sabha—February 1970) recommended that "the whole question of the future of the Depot and the form in which it should continue, if at all it has to be continued should be examined by Government, speedily and a quick decision taken", a decision on the form and future of the organisation is yet to be taken.
- Failure to supply all the items indented. The percentage of supply ranged between 51.10 and 72.90 during 1977-78 to 1979-80.
- Delay in compilation of *pro forma* accounts thereby rendering the managerial control ineffective.
- Excessive recovery of departmental charges thereby inflating the profit of the MSD.
- Heavy outstanding dues (109.09 per cent in 1977-78) in relation to sales.
- Excessive local purchases due to various reasons.
- The 'Fall Clause' incorporated in the contracts and orders was not enforced with the result that the depots failed to lodge claims for fall in prices of the medicines supplied by the manufacturers/firms.
- Revalidation of expiry date of life expired drugs in contravention of the Rules.
- Accumulation of life expired drugs due to excess procurement and non-replacement of life expired drugs by the manufacturers.

- Loss due to rejection of lowest tender.
- Purchase of sub-standard bandage cloth worth Rs. 1.34 lakhs.
- Delay in refixation of prices of drugs and medicines resulting in over and under recovery.
- Non-achievement of installed capacity of Madras and Bombay factories.
- Avoidable expenditure on the purchase of a boiler which is lying idle for the last 16 years.
- Poor out-turn and low labour utilisation in Repair Workshop, Madras resulting in losses.
- Inadequate internal audit.
- Fraudulent drawal of stores and purchase of blades in excess of requirements.

M. Mehta

(M. M. MEHTA)
Director of Audit, Central Revenues.

New Delhi :
The 23 MARCH 1983.

Countersigned

G. Prakash

(GIAN PRAKASH)
Comptroller and Auditor General of India.

New Delhi :
The 23 MARCH 1983.

APPENDIX I

(*Vide* paragraph 7)

MAIN INVESTMENTS AND DIVIDENDS

Name of Undertaking/Concern	Investment			Dividend/other receipts credited to Government	
	During 1980-81	During 1981-82	Upto 1981-82	During 1980-81	During 1981-82
1	2	3	4	5	6
				(Lakhs of rupees)	
I.—*Statutory Corporations*—					
Air India Corporation . .	4856	1268	*7036	..	..
Indian Airlines Corporation . .	2050	1340	**5004	..	..
Oil and Natural Gas Commission .	550	..	34285	..	2196
Life Insurance Corporation . .	..	..	500	(a)24	..
Central Warehousing Corporation .	224	509	3201	95	98
Food Corporation of India . .	1257	1079	26124	..	..
State Road Transport Corporations	***2179	1758	***14442	(b)770	(b)712
Others . . .	482	334	1932	..	..
TOTAL—Statutory Corporations .	***11598	6288	92524	889	3006

*Excludes debentures capital of Rs. 5769 lakhs transferred to loan section and decreased by Rs one lakh due to rounding.

**Excludes debentures capital of Rs. 3664 lakhs transferred to loan section.

***Differs from the last year's Report due to subsequent correction.

(*a*) Credited a part of profits to Government.

(*b*) Interest received by Railways and credited to Government.

1	2	3	4	5	6
II.—Joint Stock Companies—				(Lakhs of rupees)	
(a) Government Companies—					
Indian Oil Corporation Ltd.	..	..	8208	985	1149
Neyveli Lignite Corporation Ltd.	6015	6878	37000	..	..
Bharat Heavy Electricals Ltd.	2000	2321	17321	780	900
Heavy Engineering Corporation Ltd..	..	178	16357	..	..
Hindustan Antibiotics Ltd.	350	220	2155	..	..
Hindustan Cables Ltd.	383	..	*1884	..	128
National Newsprint and Paper Mills Ltd.	75	428	825	..	..
State Trading Corporation of India.	..	..	1500	300	300
Minerals and Metals Trading Corporation	..	..	2100	420	420
Fertilizer Corporation of India Ltd.	1080	2000	41561	..	..
Hindustan Machine Tools Ltd.	..	..	3731	223	224
Hindustan Shipyard Ltd.	100	195	2361	139	..
Indian Telephone Industries Ltd.	..	600	2291	103	15
Mogul Lines Ltd.	..	1	314	..	..
National Instruments Ltd.	2	..	461	..	..
Hindustan Insecticides Ltd.	365	205	**1814	15	..
National Mineral Development Corporation Ltd.	200	373	***8000	..	..
Fertilizers and Chemicals, Travancore	225	..	12200	..	..
Shipping Corporation of India	..	..	2795	..	..

*Differs from the last year's Report due to rounding.

**Includes effect of rounding.

***Includes investment pertaining to Mandovi Pellets Ltd. (Rs. 225 lakhs).

1	2	3	4	5	6
				(Lakhs of rupees)	
Singareni Colleries Company Ltd. .	400	500	1453	..	..
National Building Construction Corporation Ltd.	55	100	900	..	..
Indian Drugs and Pharmaceuticals Ltd. . . .	422	900	8766	..	..
Mazagaon Dock Ltd.	500	1250	2600	80	94
Hindustan Aeronautics Ltd. . .	..	..	6004	120	120
Garden Reach Ship-Builders and Engineers Ltd. . .	190	250	2765	..	..
Indian Rare Earths Ltd. . . .	1400	196	4271	10	..
Praga Tools Ltd. .	..	..	633	..	..
Hindustan Organic Chemicals Ltd. .	..	80	1050	77	77
Hindustan Photo Films Manufacturing Co. Ltd. .	..	..	1632	..	..
National Small Industries Corporation Ltd. .	50	250	1050	..	..
Cement Corporation of India Ltd. .	1386	1419	11101	..	..
Indian Tourism Development Corporation Ltd. .	350	695	3195	64	36
Mining and Allied Machinery Corporation Ltd. .	..	105	4485	..	..
Hindustan Zinc Ltd.	1800	4003	13223	..	..
Bharat Aluminium Company . .	1125	939	16926	..	..
State Agro-Industries Corporation.	..	..	*3156	13	..
Central Inland Water and Transport Corporation .	310	436	1862	..	..
Rural Electrification Corporation Ltd. . . .	1300	1000	11000	87	100
Housing and Urban Development Corporation . .	800	900	4200	..	..

* Differs from last year's figure due to subsequent correction.

1	2	3	4	5	6
				(Lakhs of rupees)	
Jute Corporation of India . .	..	..	300	..	..
Cotton Corporation of India Ltd. .	400	..	800	26	..
Mineral Exploration Corporation Ltd..	..	330	2129	..	..
Steel Authority of India Ltd. . .	30746	41893	322116	..	..
Bharat Ophthalmic Glass Ltd. . .	..	..	310	..	..
Indian Petro-Chemicals Ltd. . .	..	..	18600	..	..
Coal India Ltd. .	18272	30125	129587	..	..
National Textile Corporation Ltd..	2200	1800	*20895	..	..
Dredging Corporation of India Ltd.	..	..	2800	112	112
Braithwaite and Company Ltd. .	..	80	1084	..	..
Burn Standard Company . . .	..	220	1720	..	..
Bongaigaon Refinery and Petro-Chemicals Ltd. . .	..	..	9850	..	..
(*b*) *Other Companies*—					
Indian Explosives Ltd. . . .	..	..	290	19	..
National Fertilizers Ltd. . . .	500	..	27428	..	..
Oil India Ltd. .	..	..	1400	..	..
British India Corporation . .	2	..	111	..	..
Others . . .	**18509	20079	**130199	1978	2321
TOTAL—Joint Stock Companies in operation(A) . .	**91512	120949	**932769	5551	5996
Enterprises under Construction/expansion					
National Hydro-Electric Power Corporation of India Ltd. . .	1461	483	10282	..	..
National Thermal Power Corporation of India .	20358	32197	78470	..	..

*Includes effect of rounding.

**Differs from the last year's Report due to subsequent correction.

1	2	3	4	5	6
				(Lakhs of rupees)	
Hindustan Paper Corporation Ltd., New Delhi . .	4099	5170	24418	..	..
Kudremukh Iron Ore Company Ltd., Bangalore .	..	6147	26147	..	..
Others . . .	6844	6965	24453	..	..
TOTAL—Joint Stock Companies under construction / expansion (B) .	32762	50962	163770	..	..
TOTAL—II—Joint Stock Companies (A + B) . .	*124274	171911	1096539	5551	5996
III. International Bodies—					
International Finance Corporation .	242	276	1225	..	..
Others . . .	*684	9147	26935	..	..
TOTAL—III—International Bodies .	926	9423	28160	..	..
IV.—State Co-operative Banks/Other Banks—					
Reserve Bank of India . . .	..	..	582	(a)21000	(a)21000
Nationalised Banks.	1850	2500	13090	(a)364	(a)473
Industrial Development Bank of of India . .	2000	6000	17500	(a)618	(a)731
Others . . .	*471	215	*1680	..	..
TOTAL—State Co-operative Banks/ Other Banks .	4321	8715	32852	21982	22204
V. Co-operative Institutions . .	*3083	112	9507	..	..
GRAND TOTAL .	*144202	196449	1259582	28422	31206

*Differs from last year's Report due to subsequent correction.

(*a*) Profit credited to the Government.

APPENDIX II

[*Vide* paragraph 12(b)]

Statement showing grants received from various Countries/International Organisations

Programme	Source	Grants received		Earliest period from which grants have been received	Remarks
		During 1981-82	Upto the end of 1981-82		
1	2	3	4	5	6
		(Crores of rupees)			
Indo-US Technical Co-operation aid programme.	U.S.A.	..	136.25	1952–53	Assistance received in the form of technical services is not reflected in Government Accounts.
Grants under P.L. 480 and other funds, 1974.	U.S.A.	..	2071.37	1960–61	
Colombo Plan	Australia	..	19.01	1951–52	
	Canada	..	347.09	1952–53	
	Newzealand	..	3.51	1951–52	
	United Kingdom	0.02	2.84	1954–55	

Debt relief	Denmark	..	1.00	1975–76	
	Netherlands	5.30	26.15	1975–76	
	Sweden	..	1.02	1975–76	
	United Kingdom	..	20.43	1975–76	
	Japan	9.91	24.51	1979–80	
	Norway	..	0.17	1980–81	
Assistance for imports	E.E.C.	..	45.79	1975–76	
	Netherlands	10.93	42.96	1975–76	
	Sweden	..	127.70	1975–76	
	United Kingdom	7.87	80.80	1975–76	
	Japan	..	27.51	1979–80	
	Australia	..	1.48	1979–80	
Assistance for development of coal mining capacity.	United Kingdom	..	4.56	1975–76	
Assistance for mixed projects . . .	United Kingdom	94.37	231.57	1975–76	
Development of Fisheries . . .	Norway	0.75	8.53	1953–54	In the form of fishing equipment.
	Netherlands	..	8.12	1977–78	
	Denmark	..	7.62	1979–80	
	Japan	..	0.51	1979–80	
Assistance for purchase of foodgrains under the emergency operation programme of United Nations.	U.N.O.	..	38.45	1975–76	
Assistance under United Nations Fund for population activities.	U.N.O.	2.20	26.69	1975–76	
Assistance towards cost of D.T. vaccine .	U.N.O.	..	0.13	1975–76	

1	2	3	4	5	6
		(Crores of rupees)			
Assistance for special service programme .	Netherlands	..	7.91	1975-76	
Assistance under Indo-Swedish Development credit.	Sweden	33.62	96.12	1975-76	
Assistance for family planning programme	Sweden	..	11.10	1974-75	
	UNICEF	0.81	3.34	1976-77	
	U.N. Fund	0.03	7.57	1976-77	
	Denmark	1.80	2.57	1976-77	
	Germany	..	0.29	1976-77	
	United Kingdom	0.01	5.14	1977-78	
	Norway	..	2.43	1977-78	
	U.S.A.	..	0.22	1980-81	
Value of paper received as gift . . .	Sweden	..	0.56	1974-75	
	Norway	2.00	9.49	1974-75	
Food aid under International grain arrangement programme.	Australia	..	23.13	1975-76	
	Belgium	..	4.37	1975-76	
	Canada	..	168.98	1975-76	
	E.E.C.	..	43.84	1975-76	
	Netherlands	..	2.12	1975-76	
	Sweden	..	6.25	1975-76	
	United Kingdom	..	10.05	1975-76	
	France	..	3.75	1976-77	
Grants for computers	Netherlands	..	1.22	1975-76	
Assistance for equipment for Bombay-Poona T.V. Centre.	Federal Republic of Germany	..	1.58	1975-76	

Value of gift fertilizers	Denmark	..	0.72	1975–76
	F.A.O.	..	7.00	1975–76
	Norway	5.60	44.90	1975–76
	Sweden	..	6.38	1975–76
	U.N.O.	..	2.11	1975–76
	Federal Republic of Germany	..	3.76	1976–77
	Netherlands	..	5.42	1977–78
	E.E.C.	22.56	46.74	1980–81
	United Kingdom	..	0.12	1980–81
	Nepal	(c)	(c)	1981–82
Assistance for postpartum programme .	Norway	6.39	21.74	1976–77
Multi-purpose workers scheme . . .	UNICEF	1.97	7.26	1976–77
	W.H.O.	0.07	0.22	1977–78
	UNDP	..	0.04	1980–81
Strengthening of health administration .	W.H.O.	..	0.20	1976–77
Assistance for advance training Institute for Electronics and Process Instrumentation, Hyderabad.	Sweden/ILO	..	0.70	1976–77
Assistance for Foreman Training Institute, Bangalore.	Federal Republic of Germany.	..	0.03	1976–77
Equipment of Doordarshan Kendra, Delhi.	Federal Republic of Germany	..	2.54	1976–77
T.B. Control programme	UNICEF	0.01	1.00	1976–77
	Sweden/SIDA	0.91	3.03	1979–80
Development of agriculture sub-system and nutrition aspect of food policy.	Ford Foundation	..	0.02	1976–77

1	2	3	4	5	6
		(Crores of rupees)			
Salt fortification project	UNICEF	..	0.06	1976–77	
Tool Room Project	Denmark	0.14	2.47	1976–77	
	Federal Republic of Germany	0.05	1.41	1979–80	
Special Social Services Programme of the Calcutta Metropolitan Development Authority.	Netherlands	1.77	5.75	1976–77	
Maintenance grant	United Kingdom	..	425.07	1976–77	
Sectrol Grant	United Kingdom	10.23	120.66	1976–77	
Subsidy towards 1975 oil facility . .	IMF	..	27.55	1976–77	
Assistance for development of certain projects	United Kingdom	..	59.00	1976–77	
Assistance for financing foreign exchange cost of goods and services for power and coal sectors.	United Kingdom	..	21.81	1976–77	
Debt refinancing grant	United Kingdom	..	24.85	1976–77	
	Sweden	..	2.68	1976–77	
	Netherlands	..	19.22	1976–77	
	Denmark	..	3.13	1976–77	
Population grant	Sweden	..	3.64	1976–77	
Integrated Child Development Scheme .	UNICEF	0.29	0.79	1976–77	
Hindi translation for publication of articles in India.	UNESCO	..	0.01	1977–78	
Evaluation of audience comprehension of site programme.	UNESCO	..	0.01	1976–77	

Setting up of Central Marine Design and Research Organisation in India.	Norway	0.36	0.54	1977–78
Communicable Diseases Research Institute, Lucknow.	Denmark	..	0.06	1977–78
Re-imbursement of money spent as stipendiary training/different type of material for construction and improvement of indigenous storage structure.	UNICEF	0.02	0.04	1977–78
Aid materials for intensive cross breeding of cattle with frozen semen under Danish aid.	Denmark	0.80	2.44	1977–78
Drought prone area project . . .	E.E.C.	0.03	6.33	1977–78
Procurement of equipment and Foreign consultancies.	I.B.R.D.	..	0.04	1977–78
Obra Sultanpur Lucknow Power Station.	Switzerland	1.27	4.87	1977–78
Community health workers/services . .	UNICEF	..	0.19	1977–78
	W.H.O.	..	0.04	1977–78
National Malaria Eradication Programme .	UNICEF	..	2.38	1977–78
	W.H.O.	..	0.70	1977–78
	Sweden/SIDA	..	0.52	1978–79
	United Kingdom	0.07	0.30	1980–81
Advanced vocational training . . .	Sweden/ILO	0.24	0.52	1978–79
	UNDP/ILO	..	0.32	1977–78
Local costs of Project	United Kingdom	90.38	141.47	1978–79
Assistance to Command Area Development Project, TAWA.	Federal Republic of Germany	0.72	7.49	1978–79
Assistance for exports	UNDP	..	3.22	1978–79

1	2	3	4	5	6
		(Crores of rupees)			
Assistance for control and prevention of blindness.	Denmark	0.97	4.59	1978–79	
National Remote Sensing Agency . .	Federal Republic of Germany.	0.16	1.25	1978–79	
Population education	F.A.O. (Rome)	..	0.02	1978–79	
Taking over of functions of UNICEF .	UNICEF	0.33	1.54	1977–78	
Leprosy control	UNICEF	0.11	0.33	1978–79	
	W.H.O.	0.12	0.43	1978–79	
	Sweden/SIDA	0.40	0.76	1980–81	
Survey on child mortality	UNICEF	..	0.07	1978–79	
Assistance for intensive grain storage modernisation project	E.E.C.	2.94	10.72	1979–80	
	UNICEF	0.01	0.49	1978–79	
Value of gift material of skimmed milk powder and butter oil.	E.E.C.	45.00	125.93	1978–79	
Assistance towards cost of construction of building—NIHFW (National Institute of Health and Family Welfare).	Denmark	0.02	1.90	1979–80	
Assistance for Indian cultural heritage .	Japan	..	0.49	1979–80	
Re-imbursement claims in respect of in-service training.	UNICEF	0.01	0.04	1979–80	
Assistance for promotion of fertilizer intensive agricultural production in selected districts in West Bengal.	Federal Republic of Germany	..	2.78	1979–80	

S/1 AGCR/82.—32.

Assistance for dry land farming fertilizer educational project—Madhya Pradesh.	United Kingdom	..	0.20	1979–80
Assistance for Luch Equipment	U.S.S.R.	..	0.06	1979–80
Technical assistance.	United Kingdom	0.73	0.85	1979–80
National Services and Technology Information system.	UNEP	..	(a)	1979–80
Prototype development and training centre, Madras.	Denmark	..	0.84	1979–80
Text books presses	Federal Republic of Germany	..	0.27	1979–80
Assistance for Gram Vikas project of Mangalore Chemicals and Fertilizers Ltd.	United Kingdom	..	0.35	1980–81
Assistance to augment the Indian Rural Water Supply Programme.	Sweden	..	2.79	1980–81
Freedom from Hunger Campaign Programme.	F.A.O.	..	0.02	1980–81
Goitre Control Programme . . .	UNICEF	..	0.04	1980–81
Pasteur Institute, Coonoor . . .	UNICEF	..	0.13	1980–81
Construction of Indoor Stadium Asiad—82	Kuwait	5.00	12.03	1980–81
Assistance for Training of Women of Farming family.	UNICEF	..	0.01	1980–81
Assistance for study for co-operation for Development in South Asia.	UNDP	..	0.01	1980–81
Assistance for ARDC Third Project (Rural Development Operation).	Switzerland	5.22	16.88	1980–81
Cooperative Storage Project by NCDC .	E.E.C.	2.80	6.15	1980–81

1	2	3	4	5	6
		(Crores of rupees)			
Cyclone Protection Shelters	E.E.C.	0.57	1.66	1980–81	
Non-Formal Education Project . .	Sweden	2.28	4.44	1980–81	
Operational expenditure for the India Trade Centre, Brussels.	E.E.C.	..	0.17	1980–81	
Quality Improvement of Electronic Products	Federal Republic of Germany	0.21	0.21	1981–82	
Advanced training Institute, Madras . .	UNDP/ILO	0.27	0.27	1981–82	
Cancer Research	United Kingdom	0.67	0.67	1981–82	
	Netherland	0.03	0.03	1981–82	
Value of T.V. materials received as gift .	Federal Republic of Germany	0.06	0.06	1981–82	
Value of machinery as gift for the Suratgarh Farm.	U.S.S.R	0.60	0.60	1981–82	
Value of material and equipment for development of cattle in Kerala.	Switzerland	1.44	1.44	1981–82	
Value of gift for Soil Testing of Fertilizer Control Laboratories.	United Kingdom	0.70	0.70	1981–82	
Conversion into Hindi of features for publicity purposes.	UNESCO	(b)	(b)	1981–82	
Other programme/purposes . . .	Ford Foundation	..	*12.68	1951–52	
TOTAL		384.15	4976.21		

*Information about programme for which assistance was received, is not readily available.

(a) Actual amount is Rs. 27,646.

(b) Actual amount is Rs. 17,700.

(c) Actual amount is Rs. 4,813.

APPENDIX III

(*Vide* paragraph 13)

Statement showing Foreign Loans

Source	Amount*** Autho-rised	Received		Repaid		Outstanding at the end of 1981-82**	Rate of interest
		During 1981-82	Upto the end of 1981-82*	During 1981-82	Upto the end of 1981-82*		
1	2	3	4	5	6	7	8
			(Crores of rupees)				
U.S.A.	4363.50	79.93	4448.96	95.22	2714.57	2356.22	¾ *per cent* to 8 *per cent*.
U.S.S.R.	1589.58	23.76	(A)1015.90	20.52	993.39	(A)180.11	2½ *per cent*.
Federal Republic of Germany	1209.42	108.85	1576.16	64.79	896.64	810.81	¾ *per cent* to 6¾ *per cent*.
Canada	609.52	34.70	475.43	11.68	98.05	388.39	4½ *per cent* to 6 *per cent*.
Japan	907.92	25.69	1000.10	44.62	459.79	594.59	2¾ *per cent* to 6¼ *per cent*.
United Kingdom	1193.48	..	1253.94	57.44	536.45	837.74	(B)
International Bank for Reconstruction and Development.	1598.60	286.30	906.72	24.33	429.76	576.96	4 *per cent* to 11 3/5 *per cent*.
International Development Association.	7617.47	710.22	4508.58	18.39	80.61	4548.86	No interest is charged. A service charge of ¾ *per cent* is payable on the amount outstanding.
Iraq	217.59	..	155.77	31.45	75.11	80.66	(C)

1	2	3	4	5	6	7	8
				(Crores of rupees)			
European Economic Community (Special Action Credit).	39.48	..	22.65	..	..	22.65	¾ *per cent.*
International Fund for Agricultural Development.	91.88	12.12	20.87	..	..	20.87	No interest. 1 *per cent* service charges.
Netherlands	354.64	86.94	523.66	8.11	44.90	484.56	¾ *per cent* to 5½ *per cent.*
Czechoslovakia	166.10	0.48	96.67	4.50	85.23	19.16	2½ *per cent.*
France	636.18	37.31	518.76	23.02	168.32	350.46	3 *per cent* to 8.15 *per cent.*
Trust Fund administered by IMF as trustee.	518.01	..	537.51	..	..	537.51	½ *per cent* per annum.
Others (including Austria, Belgium, Poland, Sweden, Switzerland, Yugoslavia, Denmark, Norway, Italy, Hungary, Baharain and other Trucial States in connection with retirement of Indian Currency etc.)	725.54	44.89	729.03	17.71	242.45	518.19	Interest rate varies from country to country
TOTAL.	21838.91	1451.19	17790.71	421.78	6825.27	12327.74	

*Figures up to 5th June 1966 are at pre-devaluation rates and after 5th June 1966 at post-devaluation rates.

**The closing balances (except relating to 'Iraq' and 'France') do not work out to the difference of figures shown under columns 4 and 6 due to inclusion of the effect of devaluation and *pro forma* corrections in the previous years.

***Rupee value calculated at the IMF parity rates prevalent on the date of signing of the loan agreement. Pre-December 1971—IMF parity rates have been applied in respect of loans authorised after December, 1971.

(A) Includes effect of *pro forma* corrections.

(B) Credit from Lazard Bros. and Company, carried interest at 1 *per cent* per annum above U.K. rate (with a minimum of 4 *per cent* per annum).

(C) The Government of Sweden and Swiss confederation have dropped/converted into grant their outstanding debts; the adjustment thereof is under consideration.

APPENDIX IV

(*Vide* paragraph 21)

MINISTRY/DEPARTMENT-WISE DETAILS OF SUBSIDIES PAID BY UNION GOVERNMENT DURING 1979-80 TO 1981-82

Ministry/Department	1979-80	1980-81	1981-82
		(Crores of rupees)	
1. Agriculture	625.56	651.92	700.11
2. Civil Supplies	*	2.45	..
3. Commerce	427.23	479.98	605.85
4. Communications	0.36	0.03	0.04
5. Defence	0.29	0.36	..
6. Education and Culture	0.06	0.01	0.01
7. Energy	49.41	95.61	59.68
8. External Affairs	..	0.02	0.02
9. Finance	57.54	71.12	80.81
10. Health and Family Welfare	0.95	1.68	2.62
11. Home Affairs	2.57	0.36	0.40
12. Industry	12.32	31.76	20.04
13. Irrigation	**	**	**
14. Labour	6.30	0.02	0.02
15. Law, Justice and Company Affairs	0.01	0.01	0.02
16. Petroleum, Chemicals and Fertilizers	302.40	176.03	281.57
17. Rural Reconstruction	93.60	89.21	147.87
18. Shipping and Transport	42.44	69.23	48.89
19. Steel and Mines	6.36	15.67	3.01
20. Supply and Rehabilitation	..	0.01	0.01
21. Tourism and Civil Aviation	0.03	0.11	0.16
22. Works and Housing	4.30	5.25	8.20
23. Atomic Energy	..	0.18	0.22
24. Space	..	0.07	0.06
25. Electronics	..	..	0.01
26. Science and Technology	..	..	0.07
TOTAL	1631.73	1691.09	1959.69

*Actual figure is Rs. 30,674.

**Actual figures are Rs. 31,000 (1979—80), Rs. 38,000 (1980—81) and Rs. 39,000 (1981-82).

APPENDIX V

(*Vide* paragraph 23)

EXTENT OF UTILISATION OF
SUPPLEMENTARY GRANTS/APPROPRIATIONS

Sl. No.	Grant/Appropriation	Amount of Grant/ Appropriation		Actual expenditure	Saving (Col. 3+4—5)
		Original	Supplementary		
1	2	3	4	5	6
	Cases where supplementary grants/appropriations proved unnecessary Revenue — Voted				
					(Lakhs of rupees)
	Ministry of Civil Supplies				
1.	10—Ministry of Civil Supplies	600.77	0.69	315.95	285.51
	Ministry of Communications				
2.	14—Ministry of Communications	316.20	5.50	244.79	76.91
	Ministry of Education and Culture				
3.	25—Department of Education	215.37	6.60	214.56	7.41
	Ministry of Finance				
4.	34—Union Excise Duties	5905.51	238.53	5859.77	284.27
	Ministry of Health and Family Welfare				
5.	44—Ministry of Health and Family Welfare	115.07	1.80	113.70	3.17
	Ministry of Home Affairs				
6.	52—Other Expenditure of Ministry of Home Affairs	36351.10	286.76	35956.04	681.82
	Ministry of Works and Housing				
7.	90—Ministry of Works and Housing	147.64	5.38	142.32	10.70
	Department of Electronics				
8.	98—Department of Electronics	1418.06	105.48	1220.52	303.02

1	2	3	4	5
	Revenue — Charged			
	Ministry of Finance			
9. 39—Pensions	*50.00*	*20.00*	*47.09*	*22.91*
	Ministry of Home Affairs			
10. 50—Police	*1.30*	*0.62*	*1.11*	*0.81*
	Ministry of Shipping and Transport			
11. 77—Roads	*0.30*	*1.68*	..	*1.98*
	Capital — Voted			
	Ministry of Civil Supplies			
12. 10—Ministry of Civil Supplies	838.75	2.53	438.47	402.81
	Ministry of Energy			
13. 30—Department of Power	74382.21	1499.01	59569.61	16311.61
	Ministry of Finance			
14. 43—Loans to Government Servants etc.	8800.00	1300.00	8721.26	1378.74
	Ministry of Industry			
15. 59—Industries	34626.57	1602.05	32963.48	3265.14
	Capital — Charged			
	Ministry of Home Affairs			
16. 52—Other Expenditure of Ministry of Home Affairs	*128.22*	*49.53*	*117.41*	*60.34*

APPENDIX VI

(*Vide* paragraph 25)

SAVING 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.	79—Road and Inland Water Transport	211.64	91.26	120.38	56.9
2.	10—Ministry of Supplies	601.46	315.95	285.51	47 5
3.	68—Administration of Justice	112.98	63.55	49.43	43.7
4.	14—Ministry of Communications	321.70	244.79	76.91	23.9
5.	74—Planning Commission	557.42	427.10	130.32	23.4
6.	2—Agriculture	7583.28	5878.09	1705.19	22.5
7.	59—Industries	3939.34	3059.67	879.67	22.3
8.	51—Census	4105.09	3216.65	888.44	21.6
9.	73—Statistics	1788.69	1418.94	369.75	20.7
10.	64—Ministry of Irrigation	8110.63	6470.31	1640.32	20.2
		Capital			
				(Lakhs of rupees)	
11.	101—Survey of India	5.77	..	5.77	100
12.	66—Labour and Employment	12.75	1.09	11.66	91.4
13.	4—Animal Husbandry and Dairy Development	1581.50	535.66	1045.84	66.1
14.	3—Fisheries	1740.30	603.52	1136.78	65.3
15.	40—Opium and Alkaloid Factories	113.73	47.87	65.86	57.9

1	2	3	4	5	6
16.	10—Ministry of Supplies	841.28	438.47	402.81	47.9
17.	38—Currency, Coinage and Mint	2157.59	1229.23	928.36	43
18.	5—Forest	81.00	47.00	34.00	42
19.	100—Department of Science and Technology	192.00	115.00	77.00	40.1
20.	71—Chemicals & Fertilizers Industries	28488.12	17943.96	10544.16	37
21.	31—Ministry of External Affairs	2871.07	1926.65	944.42	32.9
22.	62—Information & Publicity	148.21	113.65	34.56	23.3
23.	87—Meteorology	757.25	586.06	171.19	22.6
24.	78—Ports, Lighthouses and Shipping	18057.74	14003.60	4054.14	22.4
25.	15—Overseas Communication Services	2224.60	1729.36	495.24	22.3
26.	30—Department of Power	75881.22	59569.61	16311.51	21.5

APPENDIX VII

(*Vide* paragraph 39)

Statement showing losses, irrecoverable revenue, duties, advances, etc. written off/waived and ex gratia *payments made during the year*

In 356 cases, Rs. 69.74 lakhs representing mainly losses due to theft, fire, etc. and irrecoverable revenue, duties, advances, etc. were written off/waived and in 2 cases *ex gratia* payments aggregating Rs. 6.13 lakhs were made during 1981-82, as detailed below :

Ministry/ Department	Write off of losses, irrecoverable revenue, duties, advances, etc.									
	Due to failure of system		Due to neglect, fraud, etc. on the part of the individual Government officials		Due to other reasons		Waiver of recovery		*Ex gratia* payment	
	Number of cases	Amount (Rs.)	Number of cases	Amount (Rs.)	Number of cases	Amount (Rs.)	Number of cases	Amount (Rs.)	Number of cases	Amount (Rs.)
1	2	3	4	5	6	7	8	9	10	11
External Affairs	..	..	..	..	..	..	4	28,400	..	..
Home .	..	..	..	..	4	72,682	1	8,310	..	..
Supply and Rehabilitation	..	..	1	2,800	19	3,60,753	3	1,05,530	1	5,46,000
Energy .	16	1,10,638	..	..	..	..	1	2,345	..	..
Shipping and Transport	..	..	27	2,32,455	111	16,95,064	..	..	..	..

Steel and Mines	..	..	..	..	125	11,27,865	..	..	..	..
Tourism and Civil Aviation	..	..	1	3,500	11	9,02,891	..	..	..	..
Agriculture	..	..	..	..	20	17,96,522	..	..	..	..
Works and Housing	..	..	..	..	4	4,82,236	..	..	..	..
Industry	..	..	..	..	..	..	..	..	1	66,735
Atomic Energy	..	..	..	..	6	28,784	..	..	..	..
Space .	..	..	..	..	2	13,396	..	..	..	..
TOTAL	16	1,10,638	29	2,38,755	302	64,80,193	9	1,44,585	2	6,12,735

APPENDIX VIII

(*Vide* paragraph 61)

Grants-in-aid to Statutory Bodies, Non-Government Institutions or Bodies and Individuals

Ministry/Department	Amount
	(Lakhs of rupees)
Agriculture	1,08,96.11
Civil Supplies	1,99.77
Commerce	24,33.59
Defence	18.76
Education and Culture	2,19,64.35
Energy	7,46.98
External Affairs	2,31.35
Finance	7,14.53
Health and Family Welfare	45,72.56
Home Affairs	67,47.06
Industry	8,06.20
Information and Broadcasting	3,36.75
Irrigation	60.59
Labour	2,27.00
Law, Justice and Company Affairs	74.50
Petroleum, Chemicals and Fertilizers	3,98.33
Planning	4,51.83
Rural Development	37,57.85
Shipping and Transport	39,54.72
Social Welfare	20,02.38
Steel and Mines	7,80.99
Supply and Rehabilitation	4.02
Tourism and Civil Aviation	2,86.13
Works and Housing	1,25.26
Atomic Energy	15,60.98
Electronics	6,34.03
Environment	68.02
Science and Technology.	1,14,43.34
Space	6,23.85
TOTAL	7,61,21.83

APPENDIX IX

(*Vide* paragraph 70—(6)

BANK NOTE PRESS, DEWAS

Summarised Balance Sheet as at 31*st March* 1980

Liabilities	1979-80	Assets	1979-80
	(Rs.)		(Rs.)
Government Capital Account	21,41,59,093	Fixed Assets	22,20,56,465
		Government Current Account	6,83,93,341
		Current Assets :	
		Security Paper in stock	1,32,19,479
Deferred Payment Due	61,53,680	Security in Ink Factory	..
		Miscellaneous stores in stock	1,31,69,029
		Imported spares in stock	72,48,149
Profit & Loss Account	13,35,64,291	Miscellaneous items in shop floor	14,12,258
Depreciation Reserve Fund	3,10,85,464	Deposit with customs	37,875
		Advance to supplier	5,87,154
Current Liabilities	66,68,541	Work-in-progress (Main Factory)	2,47,64,130
Deposits from Staff & Suppliers	1,37,858	Work in progress (Ink Factory)	4,57,233
		Sundry Debtors	2,68,78,352
		Cash in Hand	27,320
		Packing materials, Medicines, Postage stamps, Canteen items goods in transit & Deposits with suppliers etc.	1,25,913
		Deferred Revenue Expenses	15,00,000
		Prepaid Expenses	35,424
		Loans & Advances	..
		Advances to Staff	4,819
		Unabsorbed Expenses as per last Accounts	1,00,00,475
		Finished ink in Stock, Finished ink Shop Floor, Plates in stock	18,51,511
	39,17,68,927		39,17,68,927

BANK NOTE PRESS, DEWAS

Main Factory Trading and Profit & Loss Accounts for the year ending 31st March, 1980

Dr.			Cr.
Particulars	1979-80	Particulars	1979-80
	(Rs.)		(Rs.)
To Cost Transferred from Manufacturing Accounts .	6,31,28,983	By Sales of Bank Notes	10,59,54,998
To Opening Stock of packing material, packing charges and service department charges .	5,69,195	By Packing Material in stock	..
To Escort Charges .	2,50,691	By Receipt from Reserve Bank of India (Escort & T.A. Charges)	1,15,849
To Gross Profit carried down . .	4,21,21,978		
	10,60,70,847		10,60,70,847
To Admn. Salaries & Wages Pensionary charges .	11,77,354	By Gross profit brought down	4,21,21,978
To Miscellaneous Stores, electricity postages, telegram & telephone charges, casual labour & travelling expenses etc. . .	3,08,515	By Miscellaneous Sales	3,25,484
		Transfer Miscellaneous stores to Nasik	3,68,009
To Depreciation .	1,62,169	By Miscellaneous recoveries (electricity, water charges vehicles)	5,10,544
To Printing & Stationary . .	3,37,794		
To Rates & Tax, Books and periodical, Water Charges, Miscellaneous expenses . .	50,057	By Telephone, Licence fee, house rent, guest house tender fee and hire charges	..
To Transferred Miscellaneous stores to Nasik . .	3,68,009		

Dr.			Cr.
Particulars	1979-80	Particulars	1979-80
	(Rs.)		(Rs.)
To Maintenance & Repairs, Maintenance of vehicles and Advertisement expenses .	2,37,990		
To Uniform and Liveries . .	23,309	By transfer of general charges to Ink Factory & Manufacturing accounts .	
Labour Office (Rs. 88739)	74,466		32,68,032
To Maintenance of Dispensary & Medical Expenditure colony, canteen and welfare expenses and DA for technicians .	26,64,639	By Service Department . . .	16,847
To C.I.S.F. Charges	17,83,490		
To Audit Fees .	5,000		
To Interest on Deferred payment .	15,25,056		
To Interest on Government Capital . . .	1,46,51,251		
To Net profit transferred to Appropriation Accounts	2,32,41,795		
	4,66,10,894		4,66,10,894

Profit and Loss Appropriation Account for the year ending 31*st March* 1980

Particulars	1979-80	Particulars	1979-80
	(Rs.)		(Rs.)
To Balance Net Profit transferred to Government		By Net Profit transferred from main accounts . .	2,32,41,795
Current Account	2,36,52,442	Net profit transferred (Ink Factory) Profit on sale of Ink to CNP on Adjustment	4,10,647
	2,36,52,442		2,36,52,442

APPENDIX X

(*Vide* paragraph 72—4.02)

MEDICAL STORE DEPOTS

Summarised Balance Sheet as at 31st March 1978

Liabilities	31-3-1977	31-3-1978	Assets	31-3-1977	31-3-1978
	(Rs.)	(Rs.)		(Rs.)	(Rs.)
Govt. Capital Account .	59,96,506	64,54,026	*Fixed Assets*		
Govt. Current Account .	10,92,95,277	20,38,02,371	Land, Building, Electric installation	38,13,991	45,70,694
Profit	1,28,33,328	1,72,35,723	Plant and Machinery and Minor Equipment . .	15,48,465	21,93,550
Depreciation Reserve. .	13,45,283	27,58,195	Furniture and Fittings .	3,56,083	5,34,117
Deposit against Earnest Money	2,466	4,456	Stores and Stocks . .	7,26,37,582	9,83,22,265
Other Advances . .	29,20,008	31,32,904	Sundry Debtors . . .	12,30,90,636	21,72,83,099
Sundry Creditors . .	7,51,82,616	9,34,08,512	Cash on hand . . .	1,63,07,044	1,60,80,507
Undischarged Liability .	58,62,867	64,62,727	Proforma Adjustments (National Health Programmes)	31,38,793	31,85,534
Contingent Liability . .	1,14,43,085	1,31,18,923	Total deposit but not adjusted by A.G. . . .	34,71,950	36,51,481
Unreconciled Stock . .	598	598	Loss on quinine . . .	2,91,707	3,43,955
			Consultancy charges paid to Admn. Staff College, Hyderabad (Deferred Revenue)	1,54,364	1,54,364
			Postage stamps, Rent for Govt. Quarters Suspense Account	51,419	58,869
			Reserve Fund for Renewal (Per contra) . . .	20,000	..
TOTAL . . .	22,48,82,034	34,63,78,435	TOTAL . . .	22,48,82,034	34,63,78,435

MEDICAL STORE DEPOT

Profit and Loss Account for the year ending 31st March 1978

Dr. Cr.

Expenditure	1976-77	1977-78	Income	1976-77	1977-78
	(Rs.)	(Rs.)		(Rs.)	(Rs.)
Opening Stock . . .	5,66,29,194	7,04,34,566	Sales	18,20,04,871	19,75,37,051
Purchases . . .	18,46,79,684	21,23,81,141	Other Disposal of Stock .	80,87,313	56,62,797
Salaries and Wages . .	89,52,856	90,34,383	Factory Profit and Loss Accounts . . .	10,22,238	23,70,726
General and Overhead Expenses	31,39,426	33,11,227	Rent received in respect of staff quarters . . .	12,723	11,997
Outward freight carriage and cartage . . .	71,206	1,38,221	Proforma recoveries from National Health Programmes	20,42,725	18,91,376
Rent and Taxes . .	4,32,355	4,28,760			
Depreciation . . .	1,54,803	3,10,737	Miscellaneous . . .	34,40,688	50,74,759
Interest on Capital . .	51,63,979	91,75,543	Closing Stock . . .	7,01,74,259	9,70,74,810
Chemist's pay . . .	25,019	22,366	Stores-in-transit . . .	2,63,256	..
Loss by Repair Workshop .	23,305	41,611	Net Loss	..	11,43,224
Net Profit . . .	77,75,246	54,88,185			
TOTAL . . .	26,70,48,073	31,07,66,740	TOTAL . . .	26,70,48,073	31,07,66,740

MGIPRRND—S/1 AGCR/82—TSS I—26-2-83—2150