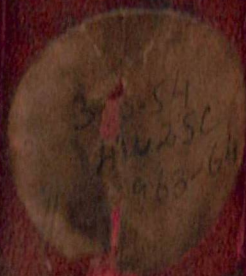


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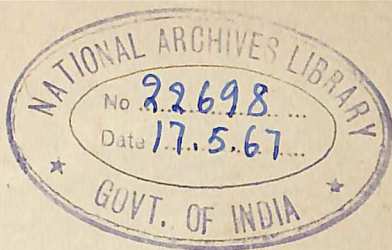


TABLE OF CONTENTS
 AUDIT REPORT (CIVIL), 1963

		Reference to	
		Paragraph	Page
<i>Prefatory Remarks</i>			(iii)
CHAPTER	I General	1—23	1
CHAPTER	II Appropriation Audit and Control over Expenditure	24—28	21
CHAPTER	III Expenditure—Civil Departments—		
	Ministry of Commerce and Industry	29—31	30
	Ministry of External Affairs	32—42	34
	Ministry of Finance	43—45	44
	Ministry of Food and Agriculture	46—47	46
	Ministry of Health	48	47
	Ministry of Home Affairs	49	50
	Ministry of Scientific Research and Cultural Affairs	50	50
	Ministry of Works, Housing and Rehabilitation	51—62	50
CHAPTER	IV Expenditure on Works	63—75	65
CHAPTER	V Purchase of Foodgrains	76—78	76
CHAPTER	VI Stores Purchases and Iron and Steel Control Organisation	79—88	80
CHAPTER	VII Grants-in-aid—		
	Ministry of Finance	89	90
	Ministry of Education	90	91
	Ministry of Health	91—92	93
	Ministry of Information and Broadcasting	93	96
	Ministry of Scientific Research and Cultural Affairs	94—96	99
CHAPTER	VIII Loans and Advances	97—100	105
CHAPTER	IX Autonomous Bodies—		
	Khadi and Village Industries Commission	101—104	110
	Tea Board	105	116
	University Grants Commission	106	116
	Central Universities	107	117
	Indian Central Oil Seeds Committee	108	120
	Delhi Development Authority	109	120
	All India Institute of Medical Sciences	110	125
	Employees' Provident Funds Scheme		127
CHAPTER	X Outstanding Inspection Reports and Audit Objections	112	128
CHAPTER	XI Other Topics of Interest	113—116	131

APPENDICES

APPENDIX	I	Statement showing minor irregularities, losses, etc.	135
APPENDIX	II	Account of Foreign Aid received	140
APPENDIX	III	Statement showing the extent of utilisation of supplementary grants/appropriations	142
APPENDIX	IV	Statement showing savings under voted grants	145
APPENDIX	V	Statement showing the financial results of State Trading in foodgrains	149
APPENDIX	VI	Iron and Steel Equalisation Fund	153

PREFATORY REMARKS

This volume mainly relates to matters arising from the Appropriation Accounts of the Central Government for 1961-62 (which have been published as a separate volume) and other points arising from audit of expenditure incurred by Civil Departments. It also includes:

- (i) certain points of interest arising from the Finance Accounts for the year 1961-62, and
- (ii) matters relating to certain statutory and autonomous bodies the accounts of which are audited by the Indian Audit Department.

The Audit Reports relating to (i) Revenue Receipts and (ii) Government commercial activities have been presented in separate volumes.

The financial irregularities, losses, etc., commented upon in the Report relate to cases which came to the notice of audit during the year 1961-62; as well as those which had come to notice in earlier years but could not be dealt with in previous Audit Reports; matters relating to the period subsequent to 1961-62 have also been included wherever considered necessary for the purpose of this Report.

AUDIT REPORT, 1963

CHAPTER I

I—GENERAL

The Budget estimates and actuals for 1961-62 under Revenue and Capital Accounts, as compared with the corresponding figures for 1956-57 and 1960-61, are given below:—

		Receipts			Expenditure		
		Budget	Actuals	Variations	Budget	Actuals	Variations
							(In crores of rupees)
Revenue Account	1956-57	527.39	591.15	+63.76	545.43	497.89	—47.54
	1960-61	919.65	971.77	+52.12	980.35	921.93	—58.42
	1961-62	1017.95	1136.74	+118.79	1023.52	1011.88	—11.64
Capital Account	1956-57				316.75	275.87	—40.88
	1960-61				444.41	406.43	—37.98
	1961-62				528.87	436.33	—92.54

It will be seen that the excess of actuals over the budget estimates under 'Revenue Receipt' and the shortfall in 'Expenditure on Capital Account' as compared with the budget provision have been greater in 1961-62 than during the two earlier years shown above.

Taking receipts and expenditure on Revenue Account together, a deficit of Rs. 5.57 crores was converted into a surplus of Rs. 124.86 crores in 1961-62, showing a total variation from the budget, of Rs. 130 crores. The corresponding variation in 1960-61 was Rs. 111 crores. If the additional provision made during the year by taking supplementary grants is also taken into account, the variation between anticipations and actuals amounted to Rs. 177 crores in 1961-62 as against Rs. 116 crores in 1960-61.

Further details are given in the following paragraphs.

II—REVENUE POSITION

2. The variations in the revenue receipts during the year 1961-62 as compared with the previous years have been dealt with in a separate volume of this Report relating to Revenue Receipts.

3. The expenditure on revenue account during the year 1961-62 showed an increase of about 10 per cent over that in 1960-61 and 103 per cent over that in 1956-57. The increase is analysed below:—

	1956-57	1960-61	1961-62	Increase during the six years ending 1961-62
(In crores of rupees)				
(i) Collection of Taxes, Duties and other Principal Revenues	18·10	31·57	28·76	10·66
(ii) Administrative Services	38·02	58·66	59·18	21·16
(iii) Social and Developmental Services	93·22	214·63	155·92	62·70
(iv) Public Works	14·39	21·46	20·23	5·84
(v) Defence Services	192·14	247·55	289·54	97·40
(vi) Debt Services	31·74	72·09	77·85	46·11
(vii) Other heads	110·28	275·97	380·40	270·12
TOTAL	497·89	921·93	1011·88	513·99

4. A broad analysis of the increase in expenditure under some of the heads mentioned in the preceding paragraph is given below:—

(a) Collection of Taxes, Duties and other Principal Revenues (paragraph 3, item i):—

	1956-57	1960-61	1961-62	Increase during the six years ending 1961-62	
				Amount	Percentage
(In crores of rupees)					
Customs	2·86	3·61	3·57	0·71	25
Union Excise Duties	5·04	7·11	7·45	2·41	48
Corporation Tax	1·05	0·46	0·69	—0·36	—34
Taxes on Income	3·16	5·14	5·03	1·87	59
Forests	2·14	4·56	3·86	1·72	80
Stamps	1·54	2·29	2·53	0·99	64
Other heads	2·31	8·40	5·63	3·32	144
TOTAL	18·10	31·57	28·76	10·66	59

(b) Administrative Services (paragraph 3, item ii):—

	1956-57	1960-61	1961-62	Increase during the six years ending 1961-62	
				Amount	Percentage
				(In crores of rupees)	
General Administration	14.07	16.61	19.23	5.16	37
Police	6.42	11.74	18.76	12.34	192
External Affairs	7.01	9.77	11.92	4.91	70
Other heads	10.52	20.54	9.27	-1.25	-12
TOTAL	38.02	58.66	59.18	21.16	56

The increase of expenditure under General Administration and Police during the year 1961-62 over that during 1960-61 was mainly, due to the inclusion in these items, of expenditure for NEFA, and Naga Hills and Tuensang Area which was being accounted for under "Tribal Areas" upto 1960-61.

(c) Social and Developmental Services (paragraph 3, item iii) :—

	1956-57	1960-61	1961-62	Increase during the six years ending 1961-62	
				Amount	Percentage
				(In crores of rupees)	
Scientific Departments	11.05	21.36	23.00	11.95	108
Education	19.44	43.79	26.01	6.57	34
Medical	2.87	8.57	6.10	3.23	113
Public Health	3.35	5.11	3.81	0.46	14
Agriculture	7.46	13.60	7.57	0.11	1
Co-operation	0.74	3.27	2.26	1.52	205
Industries and Supplies	20.83	63.21	48.73	27.90	134
Community Development	9.35	23.34	2.00	-7.35	-79
Others	18.13	32.38	36.44	18.31	101
TOTAL	93.22	214.63	155.92	62.70	67

The figures for 1956-57 and 1960-61 mentioned above include grants-in-aid paid for development purposes (i) to State Governments and (ii) to non-Government institutions. On the other hand, the figures for 1961-62, include only the grants paid to non-Government institutions. Grants-in-aid paid to State Governments from 1961-62 onwards are being booked separately under a new Major

Head; the amount so booked during 1961-62 was Rs. 194.98 crores consisting of Rs. 81.79 crores for Social and Developmental Services, Rs. 43.41 crores paid as annual grants-in-aid under Article 275 of the Constitution and Rs. 69.78 crores for miscellaneous purposes. The details for the grants of Rs. 81.79 crores relating to Social and Developmental Services are given below. [Grants under the other two categories are dealt with in sub-para (d) below].

	Rs. (crores)
Scientific Departments	3.22
Education	25.31
Medical	1.67
Public Health	11.01
Agriculture	9.43
Co-operation	0.57
Industries and Supplies	3.80
Community Development	19.85
Others	6.93
TOTAL	81.79

Taking into account the expenditure of Rs. 81.79 crores detailed above, the actual increase under "Social and Developmental Services" in 1961-62 as compared to 1956-57 amounted to Rs. 144.49 crores.

(d) Other Heads (paragraph 3, item vii) :—

	1956-57	1960-61	1961-62	Increase during the six years ending 1961-62	
				Amount	Percent- age
	(In crores of rupees)				
Currency and Mint	4.85	10.15	11.69	6.84	141
Privy Purses and allowances of Indian Rulers	5.37	5.39	5.28	-0.09	-2
Superannuation allowances and pensions	3.29	4.42	4.73	1.44	44
Stationery and Printing	1.27	3.47	3.73	2.46	194
Grants-in-aid to State Govern- ments :—					
(i) Under Articles 273 and 275 of the Constitution	28.14	49.85	43.41	15.27	54
(ii) Other Grants-in-aid . . . . .	..	..	151.57	151.57	..
Other Grants-in-aid, Contribu- tions, etc.	2.06	29.50	25.37	23.31	1132
Expenditure on displaced per- sons	19.92	17.66	11.76	-8.16	-41

	1956-57	1960-61	1961-62	Increase during the six years ending 1961-62	
				Amount	Percentage
Trading loss on purchase of foodgrains	3.49	8.99	9.99	6.50	186
Miscellaneous and Unforeseen Charges	12.04	26.01	3.52	-8.52	-71
States' share of Union Excise Duties	18.22	75.10	80.65	62.43	343
Others	11.63	45.43	28.70	17.07	147
TOTAL	110.28	275.97	380.40	270.12	245

The increase in expenditure under Currency and Mint was mainly due to the withdrawal of old coins as a result of introduction of decimal coins. The debits on this account during 1961-62 amounted to Rs. 4.54 crores (Rs. 4.26 crores in 1960-61).

The details of the expenditure of Rs. 151.57 crores under "Other grants-in-aid to State Governments" during 1961-62 are given below:—

	Rs. (Crores)
(i) Grants for Social and Developmental Services mentioned in sub-para (c) above	81.79
(ii) Grants for miscellaneous purposes	
Grants in lieu of tax on Railway fares	12.50
Grants to cover reduction in States share of Income Tax	20.23
Assistance towards natural calamities	7.15
Payment to Mysore Government to compensate them for the loss incurred on the sale of gold to Central Government	3.16
Grants for rehabilitation of displaced persons	3.03
Grants for the Welfare of Backward Classes	3.83
Other Miscellaneous grants	19.88
Total (ii)	69.78
TOTAL	151.57

The share of Union Excise Duties payable to State Governments is based on the recommendations of the Finance Commissions appointed under Article 280 of the Constitution. As a result of the implementation of the recommendations of the Second Finance Commission, which took effect from 1957-58, 25 per cent of the net proceeds of the basic excise duties on matches, tobacco, sugar,

vegetable products, coffee, tea, paper and vegetable non-essential oils are payable to States. The additional excise duties levied on sugar, tobacco and textiles, reduced by the cost of collection accrue entirely to States.

III—EXPENDITURE OUTSIDE THE REVENUE ACCOUNT

5. The savings of Rs. 92.54 crores on Capital Account during 1961-62 (*vide* paragraph 1 above) occurred under the following heads:—

(In crores of rupees)

Schemes of Government Trading	24.82	Mainly, less purchase of foodgrains and fertilizers.
Railways	15.09	
Delhi Capital Outlay	7.37	The savings mainly related to the scheme of "Large Scale Acquisition, Development and Disposal of Land in Delhi" for which a provision of Rs. 5 crores was made for drawing in lump and keeping in a personal ledger account ; but later it was decided to draw the money as and when required and this resulted in a surrender of Rs. 3.95 crores. The rest of the savings was due partly to less expenditure on works in progress (about Rs. 50 lakhs) and partly to larger recoveries than anticipated from the Delhi Development Authority, the Land and Development Office, the Delhi Municipal Corporation, etc. (Rs. 3 crores).
Defence Capital Outlay.	9.06	Less expenditure than anticipated on Capital Works, Plant and Machinery for ordnance factories, construction of Naval Vessels and investment in Defence Undertakings.
Transfer of Development Assistance from U.S.A. (See last sub-para under para 6).	15.84	Loan assistance drawn under United States Public Law 480 was Rs. 54.71 crores only as against Rs. 70 crores estimated in the Budget.
Public Works	3.17	Includes expenditure on National Highways, Border Roads, etc.
Broadcasting	2.18	Saving mainly due to slower progress of work and delay in receipt of equipment for the implementation of Medium Wave Expansion Scheme.
Agricultural Improvement and Research.	2.49	Mainly, provision for contribution to the share capital of the Central Warehousing Corporation not utilised.
Other Miscellaneous heads	12.52	

92.54

6. The following table indicates (i) the amount of expenditure on capital account during 1961-62, (ii) expenditure during the six years from 1956-57, and (iii) progressive capital outlay upto the end of 1961-62 :—

	During 1961-62	During 1956-57 to 1961-62	Progressive total upto 1961-62
	(In crores of rupees)		
Railways	144·91	714·81	1674·68
Posts and Telegraphs	11·25	62·00	151·26
Multipurpose River Schemes	1·99	16·21	39·30
Ports	1·47	12·29	26·36
Defence Capital Outlay	22·95	162·86	477·29
Industrial Development	110·68	662·02	725·29*
Public Works	36·70	133·89	217·08
Delhi Capital Outlay	4·93	31·54	67·33
Civil Aviation	3·01	17·60	31·64
Schemes of Government Trading	2·24	118·81	124·33
Grants for Development	10·99	57·45	149·25
Agricultural Improvement and Research	5·23	22·07	23·29
Dandakaranya Development Scheme	4·47	11·70	11·70
Currency and Coinage	6·67	114·47	372·23
Broadcasting	1·12	5·01	8·32
Transfer of Development Assistance from U.S.A.	58·86	188·69	188·69
Other Miscellaneous items	8·86	1·59	287·07
TOTAL	436·33	2333·01	4575·11

The expenditure on 'Industrial Development' represents investments in Government Undertakings, Commercial Concerns etc. The amount adjusted by way of dividends from these investments during the year 1961-62 was Rs. 0·80 crores as against Rs. 3·20 crores during 1960-61.

*Includes Rs. 307 crores relating to Hindustan Steel.

The figure of Rs. 372.23 crores under 'Currency and Coinage' includes

	Rs. (crores)
(i) India's subscription to the International Monetary Fund	296.28
(ii) Purchase of Shares in the International Bank for Reconstruction and Development	36.93
(iii) Subscription to the International Development Association	8.12
(iv) (a) Payment (1935) to the Reserve Bank of India under Section 46 of the R.B.I. Act, in the shape of rupee securities to be allocated by the Bank to its Reserve Fund	5.19
(b) Purchase of Reserve Bank of India shares (1948) and	5.93
(v) Balance of the amount paid to the Reserve Bank of India against Hyderabad Currency Note liability taken over by the Bank	8.96

The figures shown under "Transfer of Development Assistance from United States of America" represent the amounts transferred to 'Special Development Fund' in respect of loans received from the Government of United States of America under P.L. 480 and Development Assistance Programme. The amounts received are initially credited to "Public Debt" and are simultaneously transferred to "Special Development Fund" by Debit to the capital head "Transfer of Development Assistance from the United States of America". The amounts credited to Special Development Fund are ultimately utilised on approved development projects. The amount standing at the credit on the "Special Development Fund" representing the unutilised balance on that date out of the U.S. Loan assistance was Rs. 168.63 crores.

7. In addition to the expenditure of Rs. 436.33 crores on capital items referred to above, the amounts disbursed by Government as 'Loans and Advances' also fall under the category of 'Expenditure outside the Revenue Account'. During 1961-62, the net disbursements under 'Loans and Advances' amounted to Rs. 387.38 crores. The total expenditure outside the Revenue Account during 1961-62 thus amounted to Rs. 823.71 crores. The expenditure during the six year period ending 1961-62 was Rs. 4312 crores.

The sources from which the total expenditure outside the Revenue Account including that on "Loans and Advances" during 1961-62 and during the six year period ending 1961-62 was met are indicated below:—

	During 1961-62	During 1956-57 to 1961-62
	(In crores of rupees)	
(i) Revenue Surplus	125	352
(ii) Net addition to Public Debt—		
(a) Market loans	118	1192
(b) Floating Debt	72	645
(c) Loans from foreign sources	248	897
(iii) Net addition to Unfunded Debt—		
(a) Small Savings	88	485
(b) Provident Funds, etc.	40	167
(c) Deposits of Counterpart Funds by U.S. Government	54	295
(iv) Net accrual of funds under "Deposits" etc.	83	333
(v) Cash Balance (increase)	—4	—54
TOTAL	824	4312

IV—DEBT POSITION

8. (a) The total debt outstanding at the end of each of the six years ending 1961-62 was as shown below.

	(in crores of rupees)					
	31-3-57	31-3-58	31-3-59	31-3-60	31-3-61	31-3-62
(i) Market Loans*	1648	1717	2197	2460	2598	2716
(ii) Floating Debt	1048	1503	1430	1570	1380	1453
(iii) Loans from foreign sources	120	145	336	513	761	1009**
(iv) Unfunded Debt—						
(a) Small Savings collections	633	702	781	870	971	1059
(b) Provident Fund, etc.	202	223	243	265	310	350
(c) Deposits by U.S. Government of their Counterpart Funds created under P.L. 480, etc.	..	..	..	..	241	295
TOTAL	3651	4290	4987	5678	6261	6882

(b) Details of the debt transactions of the year 1961-62 are given below.

	Receipts during the year	Repayments during the year	Net increase during the year
	(in crores of rupees)		
(i) Market Loans	256·52	137·88	118·64
(ii) Floating Debt	(A)4,405·26	(A)4,333·13	72·13
(iii) Loans from foreign sources	314·33	65·62	248·71
(iv) Unfunded Debt—			
(a) Small Savings collections	351·38	263·93	87·45
(b) Provident Fund, etc. . .	76·68	36·48	40·20
(c) Deposits by U.S. Government of their Counterpart Funds created under P.L. 480, etc.	127·18	73·05	54·13
TOTAL	5,531·35	4,910·09	621·26

*Excludes a sum of Rs. 20·62 crores representing unexpired liabilities for British Government 5% War Loan, 1929-47, the liability for which remains suspended.

**The loans drawn during 1961-62 included a sum of Rs. 34·20 crores representing value of Indian Currency Notes and Coins withdrawn from Kuwait area and treated as a loan from the Government of Kuwait. The amount is repayable in sterling in 11 annual instalments with interest at 4½% with effect from 1-7-1961. The amount of the loan outstanding on 31-3-1962 was Rs. 31·56 crores.

(A) The outstanding *ad hoc* Treasury Bills amounted to Rs. 1077·16 crores at the beginning of the year 1961-62 and Rs. 1146·19 crores at the end of the year. As they have a currency of 91 days only, they are repaid and renewed three or four times during the year. Thus, although the amount of Treasury Bills outstanding at any time during the year was of the order of about Rs. 1100 crores, the total receipts and repayments exceeded Rs. 4,000 crores.

9. (a) Market loans (paragraph 8(a), item i).—During the year 1961-62, the following three market loans were floated :—

	Amount realised (In crores of rupees)
3½% National Plan Bonds (III Series), 1967 (Reissue) .	93·59
3½% Bonds, 1969 (Reissue)	42·94
4% Loan, 1981]	65·97
TOTAL .	202·50

In addition, *ad hoc* treasury bills held by the Reserve Bank of India to the extent of Rs. 50 crores were converted into further issues of 4 per cent Loan, 1972 and 4 per cent Loan, 1973 for Rs. 25 crores each. The collections during the year by the sale of Prize Bonds and 15 Year Annuity Certificates amounted to Rs. 3·47 crores and Rs. 50 lakhs respectively.

(b) The amounts realised by issue of fresh market loans during the six years ending 1961-62 are indicated below:—

Year	Amount of Loans from Market	By conver- sion of <i>ad hoc</i> Treasury Bills	Total	Rate of interest
	(In crores of rupees)			
1956-57	157·73	..	157·73	3½ to 3¾%
1957-58	136·16	..	136·16	3½ to 4%
1958-59	201·91	300·00	501·91	3½ to 4%
1959-60	228·97	150·00	378·97	3½ to 4%
1960-61	180·70	50·00	230·70	3½ to 4%
1961-62	202·50	50·00	252·50	3½ to 4%

10. Floating Debt [paragraph 8(a), item ii].—The figures of floating debt mentioned above include—

- (a) *ad hoc* treasury bills issued to the Reserve Bank of India/ State Governments, etc. (Rs. 1146·19 crores on 31st March, 1962);
- (b) Other treasury bills issued to public (Rs. 28·79 crores on the 31st March, 1962); and
- (c) non-negotiable non-interest bearing securities issued to the International Bank for Reconstruction and Development, International Monetary Fund and International Development Association (Rs. 277·63 crores).

The value of the *ad hoc* treasury bills outstanding on the last day of each of the last six years ending 1961-62 is given below :—

Year	Amount outstanding at the end of the year (In crores of rupees)
1956-57	835.69
1957-58	1295.12
1958-59	1199.82
1959-60	1271.37
1960-61	1077.16
1961-62	1146.19

These outstanding balances exclude the *ad hoc* treasury bills of the value of Rs. 550 crores which were converted into regular loans, as stated in paragraph 9 (b) above.

11. Interest payments on account of debt are analysed below.

	1956-57	1960-61	1961-62
	(In crores of rupees)		
(i) Interest paid by the Government of India (A)	99.48	188.48	209.44
(ii) (a) Interest received on loans to State Governments	30.40	57.63	(B)68.75
(b) Interest received from Railways and other Commercial Departments, etc.	37.34	58.76	62.84
(c) Interest received on other loans, return from Government investments in companies, etc.	5.65	14.82	12.22
(iii) Net burden of interest on Revenue [(i) minus (ii)]	26.09	57.27	65.63
(iv) Net interest as a percentage of total revenue	4.3	5.9	5.8

As in the previous years a sum of Rs. 5 crores was charged to revenue for the purpose of amortisation of debt. The amount is not invested separately but is merged in the general cash balance of Government.

(A) The figures of interest paid by the Government of India shown above do not include the retention charges paid to the International Monetary Fund on drawings from the Fund. The expenditure on this account during 1961-62 amounted to Rs. 1.63 crores. The drawings from the International Monetary Fund, however, accrue to the Reserve Bank of India and are not treated as loans incurred by Government.

(B) Includes Rs. 15.14 crores representing interest not received in cash but covered by fresh loans given by the Central Government to the State Governments for the purpose *vide* paragraph 19.

V—GRANTS AND LOANS FROM FOREIGN SOURCES

12. The amount received up to March, 1962 in the form of grants, loans and technical assistance from foreign countries, International Bank for Reconstruction and Development, etc. amounted to Rs. 1342·39 crores (Rs. 258·12 crores as grants and Rs. 1084·27 crores as loans). Certain specialised agencies of the United Nations such as U.N.T.A.O., U.N.E.S.C.O., etc., and certain International Philanthropic Organisations like Rockefeller Foundation have also made contributions in the shape of equipment, technical services, etc., which are not reflected in Government Accounts.

13. *Grants.*—The amounts received as grants are shown below in crores of rupees. They were received mainly from the United States of America (54 per cent) and Commonwealth countries (42 per cent).

Programme	Source from which grants were received	Grants received		Remarks
		During the year 1961-62	Upto end of 1961-62	
1	2	3	4	5
(i) Indo-U.S. Technical operation Aid Programme.	U.S.A.	7·61	123·83	Some amount was received in the form of technical services also but it is not reflected in Government accounts.
(ii) Public Law 480	U.S.A.	13·08	16·76	
(iii) Colombo Plan	Canada	10·54	92·18	
(iv) Do.	Australia	0·77	12·67	
(v) Do.	New Zealand	0·09	3·12	Mainly for the All India Institute of Medical Sciences.
(vi) Do.	U. K.	0·02	0·51	Mainly in the form of technical books.
(vii) Indo-Norwegian Project for Fisheries Development	Norway	0·19	1·13	In the shape of fishery equipment.
(viii)	Ford Foundation	1·17	7·92	In cash.
TOTAL		33·47	258·12	

14. *Loans*.—The amounts of loans received from foreign sources are detailed below.

Country from which loan was received	Loans received		Loans repaid		Loans outstanding at the end of 1961-62	Rate of interest
	During 1961-62	Upto end of 1961-62	During 1961-62	Upto end of 1961-62		
(In crores of rupees)						
U.S.A.	122.48	443.55	4.56	11.50	432.05	2½ to 5¼%
U.S.S.R.	20.89	95.10	6.40	23.13	71.97	2½%
West Germany	77.91	186.73	42.72	48.35	138.38	6.3 to 6.5%
Canada	..	15.71	2.25	3.89	11.82	4¼%
Japan	6.54	16.48	..	..	16.48	5¼ to 6¼%
U. K.	22.98	144.95	2.01	2.01	142.94	4¼ to 6¼%
International Bank for Reconstruction and Development	29.33	181.75	5.04	17.27	164.48	4 to 6%
TOTAL*	280.13	1084.27	62.98	106.15	978.12	

The loans received from the United States of America include the "American Wheat Loan" amounting to Rs. 90.31 crores taken in 1951 which was repayable in 60 semi-annual instalments beginning from June, 1957 with interest at 2½ per cent per annum. The Government of United States of America have in respect of this loan agreed to the postponement of the repayment of principal and payment of interest from December, 1958 to June, 1967, no interest being charged for this period. The balance of this loan outstanding at the end of 1961-62 was Rs. 88.69 crores.

Out of the repayments due upto 31-3-1961 in respect of loans from West Germany, a sum of Rs. 5.86 crores was paid in cash. For the balance of Rs. 11.71 crores, fresh promissory notes were issued and the amount was treated as a fresh loan from the Government of West Germany. Out of the repayments due in 1961-62, a sum of Rs. 27.38 crores was similarly repaid by delivery of fresh promissory notes.

In all other cases all the instalments of principal and interest which fell due during and upto 1961-62 were paid on due dates.

*Does not include loan of Rs. 34.20 crores from Kuwait [*vide* foot-note under paragraph 8 (a)].

The amounts of interest paid during 1961-62 on the loans received from foreign sources are indicated below.

	Amount of loan outstanding on 1-4-1961	Amount of interest paid	Percentage
(In crores of rupees)			
U.S.A.	225.44	7.40	3.3
U.S.A.	88.69*	..	..
U.S.S.R.	57.48	1.22	2.1
West Germany	103.19	7.51	7.3
Canada	14.07	0.57	4.0
Japan	9.94	0.30	3.0
U. K.	121.97	7.50	6.1
I.B.R.D.	140.19	8.53	6.1

15. An account of the transactions in respect of loans received from foreign sources during the year 1961-62 is given in Appendix II which also gives the details of the transactions of the "Special Development Fund" to which are credited:—

- (i) The amounts received as grants (with the exception of cash grants received from Ford Foundation), and
- (ii) Certain loans received from U.S. Government, namely, (a) Wheat Loan received in 1951, (b) Development Assistance Loans, 1955, 1956 and 1957 and (c) Loans under Public Law 480.

The amounts thus credited to the Fund are subsequently made available to State Governments as grants or short and medium term loans for financing their development projects and to some extent are utilised on Central Government projects also.

16. Government of India have been rendering assistance to neighbouring countries, under the Colombo Plan. The aid so rendered amounted to Rs. 2.90 crores during the year 1961-62 and Rs. 6.15 crores upto end of 1961-62 of which Rs. 5.69 crores was to Nepal (for Hydro Electric Projects, Minor Irrigation Works, Village Development Programme, etc. and for training of technical personnel). The aid given to other countries was exclusively for training of technical personnel.

VI—LOANS AND ADVANCES BY THE CENTRAL GOVERNMENT

17. Details are given below of the loans and advances outstanding against State Governments, Foreign Governments, etc., at the

*Represents American Wheat Loan on which interest payments have been postponed until June, 1967.

end of 1955-56, 1960-61 and 1961-62. The statement does not include the amount due from the Government of Pakistan on account of their share of pre-partition debt.

Name of loanee	Amount outstanding on			Net increase during the six years
	31-3-1956	31-3-1961	31-3-1962	
State Governments	832.75	1909.58	2219.14	1386.39
Foreign Governments	0.11	29.17	22.75	22.64
Local Funds, Municipalities, etc.	26.72	52.62	61.02	34.30
Railway Development Fund . . . . .	..	29.40	..*	..
Government Corporations, etc.	36.83	419.29	415.01	378.18
Non-Government Institutions, etc.	41.16	83.60	189.89	148.73
Government Servants	4.18	5.32	8.05	3.87
Cultivators	1.54	5.47	5.97	4.43
TOTAL	943.29	2534.45	2921.83	1978.54

An analysis of the transactions under 'Loans and Advances' during the year 1961-62 is given below.

	Loans paid during the year	Loans repaid during the year	Net out goings during the year
	(In crores of rupees)		
(i) State Governments	443.47	133.91	309.56
(ii) Foreign Governments	6.18	12.60	—6.42
(iii) Local Funds, Municipalities, etc.	9.83	1.43	8.40
(iv) Railway Development Fund . . . . .	..	29.40	—29.40
(v) Government Corporations and non-Government institutions	122.03	20.02	102.01
(vi) Government Servants	6.10	3.37	2.73
(vii) Cultivators	0.60	0.10	0.50
TOTAL	588.21	200.83	387.38

18. Even though the terms and conditions of the repayment of loans were revised at the instance of the State Governments concerned

*The loans to the Railway Development Fund were completely repaid in the year 1961-62.

and the dates of repayment were extended in a number of cases some of the State Governments have not been regular in making repayments of the loans advanced to them by the Central Government. The amounts of principal and interest which remained overdue from the State Governments at the end of 1961-62 are given below:—

Name of the State Government	Amount of principal outstanding on 31-3-1962	Amount of interest outstanding on 31-3-1962	Earliest period to which the arrears relate
	(In crores of rupees)		
Kerala	0.01	0.01	1956-57
	Arrears recovered during 1962-63		
Punjab	0.01	..	1957-58
West Bengal	2.17	0.33	1956-57
	Rs. 1.09 crores towards principal and Rs. 25 lakhs towards interest were paid during 1962-63.		
Rajasthan . . . . .	..	0.90	1961-62
Jammu and Kashmir	12.22	3.84	1956-57
Orissa . . . . .	..	0.22	1957-58
Madhya Pradesh	1.90	3.13	1954-55
Bihar	0.08	1.96	1961-62
Maharashtra . . . . .	..	0.02	1959-60
Gujarat	0.09	0.03	1959-60
	Rs. 7 lakhs towards principal and Rs. 1 lakh towards interest paid in 1962-63.		

The above figures do not include the arrears in respect of loans granted to State Governments for the rehabilitation of displaced persons. According to the revised terms prescribed by the Government of India in 1958 on the recommendation of the Finance Commission, rehabilitation loans were to be grouped into two categories, namely (i) Loans for re-ending and (ii) Loans for constructions. In respect of the former category, the State Governments have to pay the amounts actually realised from displaced persons from time to time plus 10 per cent of the shortfall between the equated instalments which fell due for payment up to the 31st March, 1957 and the amount actually collected from displaced persons and paid to the Central Government upto that date. The latter category of loans have to be repaid in accordance with the original terms. Some of the States *viz.* Gujarat, Maharashtra, Madhya Pradesh, Rajasthan, Mysore, Assam, West Bengal, Orissa and Jammu and Kashmir have not accepted the revised terms and have been paying only the amounts actually realised from displaced persons. Government have stated that the matter is under consideration.

19. In the following cases, fresh loans were given to the State Governments during 1961-62 to pay back the principal or interest or both in respect of earlier loans.

Name of State Government	Amount of fresh loans	Remarks
(In crores of rupees)		
Punjab	3.95	Interest on 57 loans.
Rajasthan	7.84	Rs. 6.51 crores in respect of principal and Rs. 1.33 crores towards interest.
Orissa	5.40	To pay back interest charges of Hirakud Dam Project loans.
West Bengal	3.30	The Central Government has been giving loans to the Bihar and West Bengal Governments to enable them to contribute their share of the capital funds to the D.V.C. The amounts required for payment of interest thereon have also been advanced by the Government of India to these State Governments.
Bihar	1.16	

20. The terms and conditions of repayment in respect of some of the loans advanced to State Governments have not yet been settled. No repayment has been made in respect of these loans either towards principal or interest. The total amounts of such loans outstanding against the State Governments are indicated below:—

Name of State Government	Number of loans	Total amount of loans	Earliest period to which the amounts relate
(In crores of rupees)			
Bihar	10	0.24	1958-59
Gujarat	13	0.74	1954-55
Andhra Pradesh	10	0.10	1958-59
Kerala	24	1.60	1956-57
Madras	22	1.82	1958-59
Maharashtra	8	0.60	1954-55
Punjab	22	2.77	1953-54
West Bengal	15	2.31	1958-59

Name of State Government	Number of loans	Total amount of loans	Earliest period to which the amounts relate
(In crores of rupees)			
Uttar Pradesh	10	0.37	1958-59
Rajasthan	37	25.46	1954-55
Jammu and Kashmir	19	0.99	1957-58
Mysore	22	0.97	1957-58
Assam	24	1.16	1959-60
Orissa	20	9.97	1955-56
Madhya Pradesh	40	2.54	1954-55

21. In the case of loans and advances granted to Government owned Corporations, private institutions, etc., the amounts of principal and interest which remained in arrears at the end of 1961-62 are shown below.

Name of the loanee	Amount of principal outstanding on 31-3-1962	Amount of interest outstanding on 31-3-1962	Earliest period to which the arrears relate
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(Figures in lakhs of rupees)

(a) Government Companies—

Loans to Hindustan Machine Tools, Ltd.	8.01	1959-60
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(b) Private Companies and Institutions—

Loans to educational institutions	1.26	0.12	1958-59
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[Rs. 50,685 (Principal) paid in 1962-63]

Loans to Municipalities in Assam	0.68	0.16	1958-59
Loans to the Kamaran quarantine Station Fund	1.97	..	1945-46
Loans to settlers in Andamans	0.13	0.05	1955-56

Name of the loanee	Amount of principal outstanding on 31-3-1962	Amount of interest outstanding on 31-3-1962	Earliest period to which the arrears relate
(Figures in lakhs of rupees)			
Loans to Co-operative Craft Schools in Delhi	3.43	1.12	1953-54
Criminal Tribes Welfare Board	0.25	..	1954-55
Loans to Tibbia College	1.70	..	1955-56
Thakkar Bapa Multi-purpose Co-operative Society	0.09	0.06	1958-59
Delhi Municipal Corporation	0.12	0.05	1954-55
Loans for rehabilitation schemes for industrial institutions	1.48	1.10	1958-59
Loans for development of small scale industries	4.17	0.50	1954-55
Cantonment Board, Almora	0.14	..	1955-56
Postal Co-operative Housing Society Ltd., Bombay . . . .	..	0.30	1960-61
United Council for relief and rehabilitation welfare	0.10	..	1954-55
Salwan Education Trust	0.30	0.03	1951-52
Harijan Sewak Sangh	0.52	0.31	1949-50

VIII—GUARANTEES GIVEN BY THE CENTRAL GOVERNMENT

22. A detailed statement of guarantees given by Central Government is given in statement No. 5 of the Central Finance Accounts for 1961-62. During the year 1961-62, the Government of India issued fresh guarantees in 39 cases involving a total sum of Rs. 84 crores. The sums guaranteed by Government outstanding at the end of 1961-62 amounted to Rs. 215 crores (including Dollar, Sterling, West German, Italian and Japanese currencies, etc.) in respect of loans raised by 9 Joint Stock Companies, 21 Government Companies, 4 Statutory Corporations, 2 Ports, 3 Co-operative Banks, 34* Co-operative Societies, 5 State Corporations and 2 State Financial Corporations.

23. In the following cases Government was called upon to make payments under the terms of the respective guarantees :—

- (i) Branch Line Railway Companies.—The guarantee was invoked during 1961-62 in the case of four companies and a total amount of Rs. 12 lakhs was paid by Government. The guarantee of the Government in these cases is limited to making up the net receipts of the companies up to 3½% per annum on the paid up share capital.

*Refer paragraph 113 also.

- (ii) Punjab State Financial Corporation.—Up to 1961-62 the share of the Central Government towards payment of dividend at the minimum rate amounted to Rs. 66,828.
- (iii) Industrial Finance Corporation.—In this case the guarantee was invoked to the extent of Rs. 53 lakhs upto 1956-57 for the payment of the annual dividend. This amount was, however, being repaid to Government from the profits earned by the Corporation in subsequent years. The repayment has been completed in 1962-63.

CHAPTER II

Appropriation Audit and Control Over Expenditure

I—RESULTS OF APPROPRIATION AUDIT

24. (a) *Total of Voted Grants and Charged Appropriations and Expenditure.*—The table given below shows the amount of original and supplementary grants and appropriations, the actual expenditure during the year 1961-62 and the savings:—

	Total Grants/ Appropriations	Actual Expenditure	Savings	Percentage (3 to 1)
	1	2	3	4
(In crores of rupees)				
Voted Grants				
Original	1,405·81			
Supplementary	49·48	1,455·29	1,271·16	184·13
				12·7
Charged Appropriations				
Original	5,976·35			
Supplementary	64·64	6,040·99	5,336·76	704·23
				11·6
TOTAL	7,496·28	6,607·92	888·36	11·9

(b) *Total Savings.*—The percentage of savings in the total grants and appropriations for the 5 years ending 1961-62 is given below:—

Year	Total of Voted Grants and Charged Appropriations	Amount of Saving	Percentage
(In crores of rupees)			
1957-58	5499	221	4·0
1958-59	6892	443	6·4
1959-60	7308	255	3·5
1960-61	7416	500	6·7
1961-62	7496	888	11·9

The main reasons for the larger percentage of savings in 1961-62 are analysed in paragraph 27.

25. *Supplementary Grants/Appropriations.*—During the year, 50 Supplementary grants totalling Rs. 49·48 crores were voted by

Parliament. 14 Supplementary appropriations aggregating Rs. 64.64 crores were also obtained for charged expenditure.

In 4* cases the supplementary provision totalling Rs. 0.03 crores proved entirely unnecessary as the expenditure did not even come up to the original grant or appropriation. In all these cases, the supplementary provision was obtained at the end of the year in March, 1962. In 22* grants or appropriations, the supplementary provision proved excessive; while the additional funds provided in these cases totalled Rs. 109.24 crores (of which Rs. 84.61 crores were provided in the last month of the year), the amount utilised was only Rs. 73.76 crores.

26. (a) *Excess over Grants*.—There were excesses under 12 grants aggregating Rs. 1.58 crores or 0.10 per cent of the total amount of the grants concerned; these excesses, details of which are given below, require regularisation under Article 115 of the Constitution :—

Item No.	Particulars of Grant	Total Grant	Expenditure	Excess	
				Amount	Percentage
1	2	3	4	5	6
		Rs.	Rs.	Rs.	
<i>Ministry of Finance</i>					
(i)	Grant No. 24.—Taxes on Income, etc.	5,92,62,000	6,03,81,304	11,19,304	1.9
		The excess occurred under the head 'Collection of Income Tax'. It is stated to be mainly due to the payment of more pay and allowances to a number of officers and staff who were brought on to the revised scales following the Pay Commission's recommendations.			
		In the previous year also, there was an excess over the Grant of 0.2 per cent.			
(ii)	Grant No. 32.—Miscellaneous Departments and Other Expenditure under the Ministry of Finance	17,56,88,000	17,71,01,760	14,13,760	0.8
		The excess occurred mainly under the head 'Net loss by Exchange on remittance transactions' under which an expenditure of Rs. 11.43 lakhs has been adjusted against 'Nil' provision.			
		The Supplementary grant of Rs. 3.13 crores taken mainly in March, 1962 proved inadequate.			
<i>Ministry of Commerce and Industry</i>					
(iii)	Grant No. 1.—Ministry of Commerce and Industry	79,71,000	80,47,776	76,776	1.0
		The excess occurred under the heads 'Secretariat' and 'Company Law Administration'.			
		The Ministry have stated that the excess was mainly due to :			
		(i) adjustment of unanticipated debits on account of pay and telephone bills (Rs. 54,341) and			
		(ii) more expenditure on tours, allowances and publications, etc.			

*Details of these cases are given in Appendix III.

1	2	3	4	5	6
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Rs. Rs. Rs.

Ministry of Education

(iv) Grant No. 13.—Ministry of Education	44,13,000	44,33,497	20,497	0·5
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The excess occurred mainly under the head 'Secretariat'.

The Supplementary grant of Rs. 1·82 lakhs taken in March, 1962 proved inadequate.

The excess has been explained as mainly due to payment of certain unforeseen claims from Telephone authorities (Rs. 0·19 lakhs) out of which Rs. 0·13 lakhs was of the nature of advance payment relating to 1962-63.

The department has stated that the excess over the grant was not foreseen at the time of the revised estimates.

Ministry of External Affairs

(v) Grant No. 16.—Tribal Areas	10,77,09,000	11,08,66,964	31,57,964	3·0
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The Ministry have explained the excess as mainly due to unanticipated arrear debits relating to supply dropping equipment and relief measures (Rs. 20·00 lakhs) and adjustment of unanticipated debits under the head 'Frontier Constabulary and Militia' (Rs. 9·74 lakhs).

The Ministry, however, anticipated a saving in March, 1962 and surrendered a sum of Rs. 1·45 lakhs.

Ministry of Home Affairs

(vi) Grant No. 47.—Cabinet	38,70,000	39,57,278	87,278	2·0
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The excess occurred mainly under the head 'Tour Expenses'.

The supplementary grant of Rs. 1·46 lakhs taken in March, 1962 proved inadequate.

The Ministry, however, surrendered a sum of Rs. 21,490 from this grant in March, 1962.

In 1960-61, there was an excess over the grant of 5·4 per cent which was explained as due to more expenditure on touring towards the close of the year than anticipated.

(vii) Grant No. 50.—Police	7,09,85,000	7,19,11,817	9,26,817	1·3
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The excess has been explained as mainly due to—

(i) debits raised on behalf of Ministry of Defence for supplies made and services rendered by them in excess of provision made by the Ministry, and

(ii) adjustment of the expenditure incurred by the Uttar Pradesh and West Bengal Governments on behalf of the Central Government in excess of provision made therefor.

1	2	3	4	5	6
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	Rs.	Rs.	Rs.		
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Ministry of Labour and Employment

(viii) Grant No. 69.—Labour and Employment	5,80,53,000	6,40,73,047	60,20,047	10.4	
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The excess occurred mainly under the head 'Transfer to the Coal Mines Labour Housing and General Welfare Fund' due to more collection of cess on the despatch of coal and coke than anticipated.

Ministry of Transport and Communications

(ix) Grant No. 86.—Ministry of Transport and Communications	71,50,000	72,57,235	1,07,235	1.5	
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The excess occurred mainly under the head 'Secretariat' and is stated to be due to the non-payment of the share of contribution by certain Departments, on whose behalf necessary expenditure was incurred by the Transport Department in connection with the holding of 'The Indian Industries Fair, 1961-62'.

The supplementary grant of Rs. 1.55 lakhs taken in March, 1962 proved inadequate.

(x) Grant No. 90.—Lighthouses and Lightships	2,04,55,000	2,11,18,496	6,63,496	3.3	
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The excess occurred mainly under the heads (i) General Reserve Fund (Rs. 6.54 lakhs) and (ii) The Capital Account of 'Lighthouses'. The Ministry have explained that the excess was mainly due to—

- (i) realisation of more light dues Receipts and consequently transfer of more surplus to the General Reserve Fund, and
- (ii) unanticipated adjustment of Customs duty on the Stores imported from abroad in previous years.

The supplementary grant of Rs. 54 lakhs taken in November, 1961 proved inadequate.

Though the grant has been exceeded by Rs. 6.63 lakhs a sum of Rs. 3.52 lakhs was anticipated as saving and surrendered in March, 1962.

In 1960-61 also the grant was exceeded by 5.1 per cent of the provision made; the excess mainly related to Capital Account of 'Lighthouses' and was stated to be due to unanticipated adjustment of debits for purchase of equipment from abroad and more customs duty on equipment.

(xi) Grant No. 95.—Communications (including National Highways)	6,96,54,000	7,12,15,541	15,61,541	2.2	
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The excess occurred mainly under the heads 'Maintenance of National Highways' and 'Other Communications'. The reasons for the excess are still awaited (January, 1963).

The supplementary grant of Rs. 44.54 lakhs taken in March, 1962 proved inadequate.

The grant was exceeded in 1960-61 also by Rs. 10.73 lakhs (1.4% of the provision); the excess occurred under the heads 'Maintenance of National Highways' (Rs. 16.29 lakhs) and 'Other Communications' (Rs. 5.94 lakhs). The excess under the former was stated to be mainly due to unforeseen emergent repairs in Gujarat, Andhra and Maharashtra to keep the National Highways fit for traffic.

1	2	3	4	5	6
		Rs.	Rs.	Rs.	
<i>Department of Atomic Energy</i>					
(xii) Grant No. 103.—Atomic Energy Research		5,85,60,000	5,91,96,244	6,36,244	1·1

The excess is stated to be due to adjustment of arrear debits in respect of material imported in previous years. As the amount of such debits could not be estimated with accuracy, no additional provision was made by the Supplementary Grant.

(b) *Excess over charged Appropriations.*—There were also excesses in the following 2 Appropriations aggregating Rs. 14,28,696 out of which Rs. 58,897 was against 'nil' provision. These also require regularisation:—

(i) Grant No. 128.—Other Capital Outlay of the Ministry of Irrigation and Power	58,897	58,897	100·0
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The excess occurred under the head 'Works'. It has been explained as due to payment on account of an Arbitration award for which necessary funds were not obtained.

In the year 1960-61 also, there was an excess of Rs. 4,002 under the head 'Works' against 'nil' provision. The expenditure represented the payment in satisfaction of an arbitral award.

(ii) Grant No. 139.—Capital Outlay on Buildings	1,00,000	14,69,799	13,69,799	1,369·8
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(Ministry of Works, Housing and Supply.) The excess occurred mainly under the head 'Original-Works—Other Buildings'. The reasons are still awaited from the Department (January, 1963).

27. *Savings in Voted Grants and Charged Appropriations.*—(i) The overall saving of Rs. 888·36 crores was the net result of excesses and savings as shown below:—

	Savings	Excesses	Net savings
			(In crores of rupees)
Voted Grants	185·71 (In 123 Grants)	1·58 (In 12 Grants)	184·13
Charged Appropriations	704·37 (In 31 Appropriations)	0·14 (In 2 Appropriations)	704·23

The analysis of the savings by grants given in Appendix IV shows that in 56 grants the savings exceeded 10 per cent of the funds provided and that in 32 of these cases the savings exceeded 20 per cent.

(ii) It is also noticed that out of the total saving of Rs. 184.13 crores under voted grants, the savings in Grant No. 122.—Purchase of Food Grains (Rs. 48.84 crores), and in Grant No. 120 relating to Loans and Advances by the Central Government (Rs. 20.76 crores) alone amounted to Rs. 69.60 crores as indicated below :—

(1) 25 per cent of the original provision of Rs. 204.86 crores for the purchase of foodgrains remained unutilised due to less import of wheat and rice from U.S.A. under P.L. 480 and less import of rice from Burma.

(2) Loans and Advances by Central Government :

Name of sub-head	Original Provision	Actual Expenditure	Savings
Advances to Foreign Governments .	11.97	6.17	5.80
Loans to Railway Development Fund .	14.77	..	14.77
Others	143.86	143.67	0.19
TOTAL	170.60	149.84	20.76

(iii) The rest of the savings under the voted grants (Rs. 114.53 crores) largely occurred in the following Ministries:—

No. and Name of the Grants	Total Provision	Savings	Details of Group-heads under which savings mainly occurred		
			Name of Group-head	Original Provision	Saving
<i>Finance</i>					
25.—Opium	5.41	1.67	Payments to Cultivators.	4.88	1.71
34.—Grants-in-aid to States	175.84	15.42	Other Grants under		
			(i) Scientific Departments	5.30	2.09
			(ii) Industries and Supplies	5.54	1.74
			(iii) Labour and Employment	5.98	1.96
			(iv) Miscellaneous	62.26	7.44
118.—Other Capital Outlay of the Ministry of Finance	81.46	12.84	Transfer to Special Development Fund of Loans received from U.S.A. under P.L. 480	70.00	15.29

No. and Name of the Grants	Total Provision	Savings	Details of Group-heads under which savings mainly occurred		
			Name of Group-head	Original Provision	Saving
(In crores of rupees)					
<i>Commerce and Industry</i>					
2.—Industries .	19.75	3.07	(i) Grants for Development of Khadi Industries	7.51	1.50
			(ii) Payment to Indian Tea Board against collection of cess on Tea	1.93	1.08
109.—Capital Outlay of the Ministry of Commerce and Industry	26.66	5.65	Purchase of shares of Heavy Engineering Corporation .	20.00	5.00
<i>Education</i>					
14.—Education .	16.79	2.34	Grants-in-aid to University Grants Commission	12.40	1.18
<i>Food and Agriculture</i>					
123.—Other Capital Outlay of the Ministry of Food and Agriculture .	53.39	7.58	Scheme for purchase of Fertilizers	40.00	4.55
<i>Health</i>					
44.—Medical and Public Health	10.80	2.76	Expenditure on Family Planning	1.30	1.14
<i>Information and Broadcasting</i>					
126.—Capital Outlay of the Ministry of Information and Broadcasting.	4.94	3.03	(i) Works	1.76	1.20
			(ii) Equipment	1.58	1.01
<i>Irrigation and Power</i>					
127.—Capital Outlay on Multipurpose River Schemes .	3.35	1.35	Damodar Valley Corporation .	3.05	1.22
<i>Rehabilitation</i>					
130.—Capital Outlay of the Ministry of Rehabilitation.	16.90	4.85	(i) Works	4.00	1.20
			(ii) Other payments	3.25	2.7

No. and Name of the Grants	Total Provision	Savings	Details of Group-heads under which savings mainly occurred		
			Name of Group-head	Original Provision	Saving
(In crores of rupees)					
<i>Scientific Research and Cultural Affairs</i>					
81.—Scientific Research and Cultural Affairs .	20.06	4.04	Grants to Scientific Societies and Institutes .	6.24	2.30
<i>Steel, Mines and Fuel</i>					
84.—Geological Survey	3.17	1.24	Directorate .	3.16	1.24
132.—Capital Outlay of the Ministry of Steel, Mines and Fuel .	97.20	12.90	(i) Investment in Share Capital of Oil India Private Ltd. .	6.00	2.00
			(ii) Purchase of shares of National Coal Development Corporation Private Ltd. .	9.00	3.59
			(iii) Oil and Natural Gas Commission	21.50	8.50
			(iv) Material and Equipment under Development Loan Assistance Programme .	18.17	5.62
			(v) Import of Iron and Steel .	4.20	4.20
<i>Transport and Communications</i>					
93.—Aviation .	6.59	1.13	Suspense .	2.69	0.99
136.—Capital Outlay on Roads .	35.44	2.51	Construction of National Highways	12.00	2.28
<i>Works, Housing and Supply</i>					
138.—Delhi Capital Outlay	12.21	3.74	Other Civil Buildings	9.64	2.56
139.—Capital Outlay on Buildings	9.69	1.98	Original Works—Other Buildings	8.50	1.42
140.—Other Capital Outlay of the Ministry of Works, Housing and Supply	2.37	1.77	Grants to Municipal Bodies in Union Territories for Slum Clearance Scheme	2.18	1.90
<i>Atomic Energy</i>					
141.—Capital Outlay of the Department of Atomic Energy	5.46	2.29	Atomic Energy Establishment .	4.13	2.07

(iv) *Savings in charged appropriations*

Of the total saving of Rs. 7,04.23 crores in charged appropriations, an amount of Rs. 6,97.89 crores is accounted for by savings under 'Repayment of Debt' (Rs. 6,81.59 crores) and under 'Loans and Advances by the Central Government' (Rs. 16.30 crores). As the opening balance of the outstanding Treasury Bills on 1st April, 1961 was less than that assumed while framing the budget, less floatation of Treasury Bills became necessary, thus resulting in a saving on this account of Rs. 717.28 crores.

The savings under 'Loans and Advances' were mainly due to non-utilisation in full of the provision made for various schemes, etc., under the head 'Advances to State Governments'.

II—CONTROL OVER EXPENDITURE

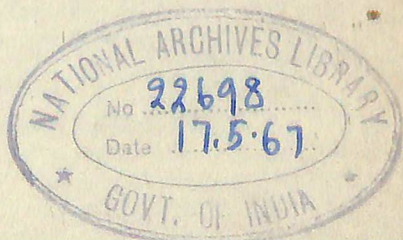
28. Control over expenditure is exercised through a continuous and concurrent review of expenditure incurred against the allotments made out of the sanctioned grants. If the control is effective, the actual expenditure would approximate closely to the final modified grant; that is, the original grants as modified by supplementary grants, re-appropriations and surrenders.

Unnecessary/Excessive Supplementary Provision.—Cases where funds obtained by Supplementary Grants/Appropriations which proved either wholly unnecessary or largely in excess of requirements have been dealt with in paragraph 25.

Surrender of Savings.—Under the rules, savings occurring within a Grant/Appropriation are required to be surrendered as soon as the possibility of such savings is envisaged without waiting till the end of the year.

During the year, out of the total savings in all grants and appropriations amounting to Rs. 888.36 crores, a sum of Rs. 855.37 crores was surrendered. Of this, a sum of Rs. 854.35 crores was surrendered in March, 1962. Individual cases where there was an omission to surrender funds during the year have been indicated in the detailed comments included in the Appropriation Accounts.

Reappropriation of funds between units within a grant.—A close watch over the progress of expenditure should enable the controlling officers to locate savings under the various units of appropriations and reappropriate them to the units where excesses are foreseen. Cases, where reappropriations proved unnecessary or excessive and where there was an omission to make reappropriations under units resulting in excesses have been indicated in the comments under the respective group-heads in the Appropriation Accounts.



CHAPTER III

Expenditure—Civil Departments

Ministry of Commerce and Industry

29. *Overpayment of Rent.*—The Government of Kenya allotted a plot of land in December, 1944 to an Indian Merchant on a lease of 99 years at an annual rent of Rs. 667 for the specific purpose of building a house thereon for the residence of the Indian Trade Commissioner.

The Agreement which was entered into in December, 1945 by the Trade Commissioner with the Indian merchant for the lease of the house built on the land, stipulated that the rent of the house would be sh. 350 (Rs. 233) per month "for all time" and that the landlord would be responsible for major structural repairs. The terms of the agreement were, however, amended on 30th December, 1945 by exchange of letters between the landlord and the Trade Commissioner, entitling the landlord to increase the monthly rent at any time after 8th December, 1948 provided that such increased rent was not higher than the standard rent as assessed by the local authorities. The rent was increased to the standard rent of sh. 625 (Rs. 417) per month with effect from 1st July, 1949.

In October, 1952, a further increase of 10 per cent. with effect from June, 1952 was sanctioned by Government on the recommendation of the Trade Commissioner in terms of an Ordinance issued by the Kenya Government. Another increase of 20 per cent. was sanctioned by Government from 1st July, 1953 following an amendment of this Ordinance. The rent was again refixed at a higher figure of sh. 1,100 (Rs. 733) from 1st November, 1959 from which date the Ordinance was repealed; the sanction was accorded by Government in October, 1960 on the ground that the landlord had undertaken to carry out major structural repairs to the building and that the rent already fixed was low in comparison with the market rate.

At the instance of Audit, the following points are under examination in consultation with the Ministry of Law :—

- (i) The validity of the amendment permitting an increase in rent which was agreed to by the Trade Commissioner in spite of the provision in the original Agreement that the monthly rent of sh. 350 will be the basic rent "for all time".
- (ii) The applicability of the local Rent Control Ordinance to this particular agreement between the landlord and the Trade Commissioner.

The Ordinance in question stipulated that "nothing in this Ordinance shall be taken to authorise an increase of rent except in respect of a period during which, but for the provisions of the Ordinance, the landlord would be entitled to obtain possession". The landlord in this case was precluded from obtaining possession of the building at any time in view of the special provision in the agreement.

The increase of rent sanctioned in October, 1960 on the ground that the landlord had undertaken to carry out major structural repairs to the building also lacks justification in view of the provision in the original agreement according to which repairs of a major structural nature were the liability of the landlord.

The relaxation of the terms of the agreement from time to time to the advantage of the landlord entailed an overpayment of Rs. 47,000 upto 30th September, 1962. The additional payment at the rate of Rs. 500 per month is still being continued.

EXHIBITIONS/FAIRS/SHOW-ROOMS ABROAD

EXHIBITIONS/FAIRS

30. A total expenditure of Rs. 61.10 lakhs was incurred during the four years ending with 1961-62 in connection with the participation in exhibitions and fairs in foreign countries on 70 occasions in all. The value of exhibits taken from India on these occasions totalled Rs. 29 lakhs (Rs. 24 lakhs through the trade and Rs. 5 lakhs on Government account), but goods of the value of Rs. 19 lakhs had to be brought back to India. The sales effected amounted only to Rs. 2.66 lakhs (involving a loss of Rs. 0.18 lakhs as compared with the book value) and the value of goods damaged or lost in transit was Rs. 0.64 lakhs. The remaining goods were left with the local agents or with the Missions (Rs. 5.67 lakhs) or presented to different parties (Rs. 0.81 lakhs).

(A) *Delay in disposal of exhibits.*—In spite of instructions from Government, instances of delay in the disposal of the exhibits left with the missions came to notice as indicated below:—

Name of the Fair/Show-room/ Mission	Period of Exhibition	Value of goods still lying with the Missions	Remarks
		Rs.	
Leipzig Autumn Fair, 1958.	1958	25,000 (April '62)	In December, 1961, it was stated that in some cases damages already sustained warranted reduction in price of the goods by 60 to 75%.
Consulate General, Hamburg.	..	12,000 (April '62)	

(B) *Maintenance of stock registers in the Directorate of Exhibitions, New Delhi.*—During a local audit of the Directorate conducted in June, 1962, it was noticed that the defects in stock registers, commented upon in Paragraph 18 of Audit Report, 1962, continued to persist. The entries were incomplete and in several cases unauthenticated. It was not possible to ascertain readily how many articles of the same description and specification were lying in stock. In many instances, transfers from the central stock register to the exhibition/fair stock registers maintained for each exhibition and *vice versa* could not be linked. In many cases, the source of receipt of the articles was not mentioned in the registers. A physical verification conducted in 1961 disclosed damages amounting to Rs. 64,104 but no action had been taken to investigate these.

(C) *Defective Planning.*—(i) In Paragraph 18 of the Audit Report, 1962 instances of amounts far in excess of actual requirements sanctioned by the Ministry were mentioned. During the local audit of the Embassy of India, Rabat in June, 1962, it was noticed that Government had sanctioned an amount of Rs. 1,27,800 against the actual expenditure of Rs. 93,300, and the Mission's estimate of Rs. 71,800. In respect of the Indian Exhibition in Accra, 1961 and Leipzig Fair, 1961, the unspent balances left over after the closure of the Exhibitions amounted to Rs. 1.15 lakhs and Rs. 47,610 respectively.

(ii) In regard to the Somalia International Fair, 1961 (28th September to 12th October, 1961) the question of participation was taken up in January, 1961. But an architect was sent from India only in August, 1961. An expenditure of Rs. 1.20 lakhs was incurred on the construction of the pavilion against the Somalian International Fair Committee's estimate of Rs. 37 to 40 thousands. The Director who was deputed from India subsequently had stated that "It is not only extremely defective from the modern architectural point of view but it in itself is one of the most expensive ways of setting up a pavilion". There was no record of detailed estimates or measurements for the various items of work done. The expenditure on this Fair was the highest for any of the Fairs (twelve), except one, in which the Ministry participated during 1961-62.

(D) *Hundling Charges.*—An annual expenditure of about Rs. 2.8 lakhs is incurred in India on forwarding and clearing charges of goods. This work has been entrusted to a firm of forwarding and clearing agents in Bombay since 1953, without calling for any tenders. After the desirability of calling competitive tenders was repeatedly pointed out in Audit, tenders were invited in March-April, 1961. As only one tender was received, it was decided in August, 1961 to call for tenders afresh but no further action had been taken and the existing firm continues to do the work.

Show-rooms.—The number of show-rooms maintained in foreign countries under the supervision of local Missions and the expenditure incurred on them are shown below:

Year	No. of Show-rooms	Expenditure for purchases, etc., in India	Expenditure incurred abroad	Total
(In lakhs of rupees)				
1958-59	13	0.39	7.91	8.30
1959-60	14	1.09	9.60	10.69
1960-61	15	1.46	9.86	11.32
1961-62	15	1.39	12.95	14.34
TOTAL		4.33	40.32	44.65

(i) In Nairobi, premises intended for a show-room were taken from 1st July, 1961 on a monthly rent of Rs. 3,976 but the show-room was opened more than 6 months later on 15th January, 1962. Although the decision to open the show-room had been taken in March, 1960 and lists of exhibits had been finalised by December, 1960, the exhibits were actually received in August, 1961. On opening the cases, however, it was found that these were inadequate and unsuitable to inaugurate the show-room. A supplementary supply was arranged in December, 1961. It was reported even after the inauguration on 15th January, 1962 that the range of exhibits was poor and inadequate. The expenditure on the rent of premises and cost of staff employed upto December, 1961 worked out to Rs. 43,712. The work of renovation and decoration of premises in this case was entrusted to a contractor whose quotation was higher by Rs. 5,200 than that quoted by another contractor. The latter was not considered precise or accurate, but this defect was, however, not substantiated by the actual record of the quotation examined by Audit.

In Baghdad, the show-room at Bahrain was opened in December 1961, although the premises had been taken earlier from the 11th February, 1961 at an annual rental of Rs. 32,400.

(ii) In the Show-room at Colombo, it was noticed that out of the 4 rotational displays planned for the year 1960-61, 3 were held during the year, but exhibits were not displayed as planned due to delay in receipt of exhibits. There were also indications that valuable display area was not being fully utilised. Stores valued at over Rs. 19,000 were lying in stock for over 3 years (September, 1962).

31. *Loss due to fire.*—A fire occurred on 26th April, 1959 in the building of the Export Promotion Exhibition, due to electrical short circuiting. The damage to goods and structure was estimated at Rs. 4.17 lakhs approximately.

An enquiry conducted by the Additional District Magistrate, Delhi, in May, 1959 indicated that some defects in the electric installation had not been set right by the Electrical Department, that the fire prevention equipment was wholly inadequate in the Exhibition hall and that the negligence shown by the Security Assistant on duty in remaining outside the Pavilion prevented timely detection of the fire. The Ministry have, however, stated that in the course of a departmental enquiry conducted after the receipt of the Additional District Magistrate's report, it was established that the electrical installations had been reported to be in good condition after due inspection by a technical officer of the Central Public Works Department. The file containing the report of the departmental enquiry is stated to be missing (January, 1963).

Ministry of External Affairs

INDIAN MISSIONS ABROAD

32. The number of Indian Missions and posts abroad (excluding Trade Missions under the Ministry of Commerce and Industry) stood at 114 at the end of 1961-62; the expenditure on these Missions during that year amounted to about Rs. 557 lakhs out of which Rs. 351 lakhs represented pay and allowances, Rs. 88 lakhs rent of building and maintenance of Government owned buildings, Rs. 14 lakhs purchase and maintenance of furniture and Rs. 10 lakhs purchase and maintenance of cars.

About one third of the total expenditure incurred on the Missions is accounted for by four Missions and the Permanent Mission of India at the Headquarters of the U.N.O., as indicated below:—

	1957-58	1958-59	1959-60	1960-61	1961-62
	(In lakhs of rupees)				
London	63	64	77	72	71
Washington	30	32	34	38	37
Karachi	15	20	20	20	21
Dacca	17	17	19	10	18
U.N.O.	16	18	17	18	18
TOTAL	141	151	167	158	165

The expenditure incurred on 10 other Missions was over Rs. 10 lakhs each and that on 24 Missions, ranged between Rs. 5 to 10 lakhs each per annum. The expenditure on the Missions increased by about 21 per cent. during the last 5 years, from Rs. 462.50 lakhs in 1957-58 to Rs. 557 lakhs in 1961-62.

33. *Cash Balances.*—Government laid down in March, 1950 that as a working rule the Missions abroad should not, at any time, hold cash

balances in excess of their requirements for six weeks. A local audit of some of the Missions in 1960, however, showed that this rule had not been observed in the following Missions as indicated below:

Name of the Mission	Monthly average cash holding	Average expenditure for 6 weeks
	Period	Rs.
Djakarta	5/59 to 4/60	1,97,000
Hong Kong	10/59 to 9/60	57,000
Shanghai	3/60 to 8/60	26,000
Kobe	4/60 to 8/60	23,000
Medan	6/60 to 8/60	21,000

Government stated in July, 1961 that the cash balances in the Missions had been reviewed *de novo* and that the remittances for the next quarter had been suitably curtailed. Nevertheless, instances of excessive holdings of cash balances for long periods were noticed as indicated below:—

Name of the Mission	Monthly average cash holding	Average expenditure for 6 weeks.
	(Amount in lakhs of rupees)	
Cairo	4.84	1.50
Rajshahi	0.30	0.17

In Cairo, the loss of interest on funds unnecessarily blocked during the years 1960-61 and 1961-62 worked out to over Rs. 20,000.

34. *Accommodation.*—The total expenditure incurred by the Missions on rent and maintenance of buildings amounted to Rs. 88 lakhs during 1961-62.

(i) Defective arrangements for the hiring of accommodation were noticed in the Missions in Kathmandu, Tananarive (Madagascar) and Dacca.

(a) In Kathmandu, two buildings were hired for residential purposes for five years from 15th October, 1956 on monthly rent of Rs. 1,850. The Mission did not execute any lease deed. For one of the buildings alone, on demand by the landlord, a rent of Rs. 2,200 p.m. had to be paid from 1st July, 1960. For the other building, a rent of Rs. 1,100 p.m. plus taxes etc. was claimed and a lease deed providing for the rent at that rate was signed on 1st March, 1962; Government have stated that an *ex-gratia* payment is also contemplated for the earlier period for which the rent had not been enhanced.

Against a sanctioned amount of Rs. 40,000 for carrying out additions and alterations in these buildings, the actual expenditure incurred during the period October, 1956 to December, 1957 came to Rs. 64,960. When the excess was reported to Government in July, 1958 they enquired of the reasons for the excess and desired the actual work done at the site to be checked-up again. The excess has not been regularised so far (October, 1962).

(b) In Tananarive, the rent of the residence of the Head of the Mission was raised from Rs. 1,158 p.m. to Rs. 1,930 p.m. from 1st May, 1961. It was stated by the Mission that legally, the landlord had no case for any increase in rent and that on grounds of equity, an increase of only about 11 per cent. corresponding to the rise in cost of living could be justified as against 66 per cent. finally agreed to.

(c) In Dacca, a proposal to hire a building for an office on a rent of Rs. 3,600 per month was dropped in September, 1959 on the ground that the building had an area of only 11,000 sq. ft. against the requirement of 16,000 sq. ft. The requirements had, however, been incorrectly assessed and in September, 1960, the office was shifted to a building with an area of only 9,762 sq. ft. The building was hired on a monthly rent of Rs. 5,000 p.m. for five years which entailed Government an extra expenditure of Rs. 16,800 per annum.

An additional built up area of 1,500 sq. ft. was obtained in the same building from 1st October, 1961 at a rent of Rs. 300 p.m. upto the time of local audit in April, 1962 and the Mission had not found any use for this area.

(ii) Government have laid down scales for office as well as residential accommodation. In the following instances, residential accommodation hired for officers and staff and office accommodation were in excess of the prescribed scales:—

(a) *Residential accommodation for officers and staff*

Mission	No. of instances	Percentage of excess
Tokyo	8	25 to 67
Baghdad	17	25 to 150
Jedda	9	20 to 100
Dacca	7	20 to 40

(b) *Office Accommodation*

	Requirements according to the scale laid down by Government	Accommodation actually taken on rent
Chancery Building at Geneva.	2,832 Sq. ft.	3,927 Sq. ft for 10 years from June, 1956 at the rate of Rs. 21,757 per annum.

		Requirements according to the scale laid down by Government	Accommodation actually taken on rent.	
Chancery Building at Jedda.	at	2,996 sq. ft.	5,494 sq. ft. from 9th July, 1960 at the rate of Rs. 29,473 per annum.	In addition, a separate building at a rent of Rs. 10,526 p.a. was hired from 9-7-1960 for the residence of First Secretary who had been previously accommodated in the Chancery building itself.
Building for staff and dispensary of a medical unit at Mecca.		18 rooms	24 roomed building @ Rs. 26,315 p.a. from 18-7-1961.	

(iii) Government issued instructions in December, 1956 that under no circumstances, hotel charges should be incurred for any diplomatic officer so long as a house meant for another diplomatic officer of whatever rank, was lying vacant. In the following cases, the officers were accommodated in hotels when hired residential accommodation was lying vacant:—

Mission	Particulars of the accommodation	Avoidable Expenditure	
Khartoum	Hotel accommodation for 4 months and 4 days for an officer who joined in October, 1958 when the Ambassador's residence had been lying vacant.	Over Rs. 2,500 on hotel rent.	The officer was shifted to a residence in February, 1959.
Addis Ababa	2 months and 28 days in a hotel for an officer who joined in January, 1960 when the Ambassador's residence remained vacant from 4-2-1960 to October, 1960.	Rs. 4,560 on hotel charges.	The officer was moved to a residence hired for him from 1-4-1960. An expenditure of Rs. 5,140 was incurred upto 30-9-1960 on house rent.

(iv) In Cairo, special repairs costing over Rs. 15,600 in the residence of the Head of the Mission were executed in 1960 without obtaining any quotations. Detailed particulars and measurements of various items of work done were not obtained and verified even at the time of payment. In Rangoon, similarly, a special work costing Rs. 7,210 in the residence of the Head of the Mission was executed in 1961 without obtaining any quotations. No written order was placed with the contractor and no rates were settled in advance.

35. *Delay in construction of a Chancery Building by an Indian Mission abroad.*—A delay of about 4 years in construction of a Chancery Building on a leased plot of land, resulted in an expenditure of Rs. 2.21 lakhs, the bulk of which proved to be infructuous as the plot of land was subsequently resumed by the foreign Government.

The plot of land was taken on lease in October, 1956 on an annual ground rent of Rs. 2,200. According to the Agreement, the construction had to start within one year and was to be completed within two years from August, 1956. Tenders for the construction of the building were opened in September, 1957 and were sent to Government in November, 1957. More than a year thereafter (December, 1958), Government decided to depute an engineer from India to supervise the work. The Engineer was actually sent only in September, 1959 after a lapse of 9 months. On his advice, fresh tenders were called for and opened in February, 1960 but the decision thereon was taken only in June, 1960. Before the Agreement was entered into with the contractors, it was gathered that the Foreign Government was considering the resumption of the plot of land for their own purposes. The decision was informally conveyed to the Mission in September, 1960. No claim for the compensation could be sustained, as the Mission had failed to comply with the target date for the construction of the building according to the agreement. In the meantime, Government had to pay a ground rent of Rs. 8,800 for the plot and incur an expenditure of Rs. 1.23 lakhs on the Engineer despatched from India, fees of architects and surveyors, etc. In addition, an expenditure of Rs. 90,000 on rent for the chancery building from 1-8-1958 (the date by which the building was to be completed) to 31-12-1962 was incurred and this liability at the rate of Rs. 2,000 per month continues.

36. *Extra expenditure on renting of residential accommodation through intermediaries.*—In renting premises for residential accommodation, an Indian Mission abroad incurred an extra expenditure of about Rs. 1.58 lakhs over and above the controlled rent of the premises as fixed under the local Rules and also paid a sum of Rs. 40,000 to an intermediary.

In 1956, the Mission took on rent two furnished houses for a period of ten years on a monthly rental of Rs. 1,500 and Rs. 650 respectively. The rents for the houses were far in excess of the controlled rents which were Rs. 150 and Rs. 65 respectively. The extra payment on this account for these houses amounted to Rs. 1.14 lakhs upto March, 1962.

The same Mission rented in 1956 through an intermediary three other residential houses, particulars of which are given below:

	Date of occupation	Date of vacation	Controlled monthly rent	Agreed total monthly rent
			Rs.	Rs.
House 'A'	23-1-1956	still occupied	50	1,000
House 'B'	7-8-1956	still occupied.	16.50 (Subsequently reduced to Rs. 10.40).	400
House 'C' (2 units)	7-9-1956	30-1-1957	54.20	950

The intermediary undertook to obtain residence permits from the Housing Authority for all the houses, to renovate house 'C' which was in a dilapidated condition and to convert it into two furnished family residential units. He persuaded the Mission to occupy a part of the House 'C' on 7th September, 1956 without obtaining the necessary permits. In spite of the efforts of the Mission, the local authorities refused to issue permits but provided alternative accommodation for one family at controlled rent of Rs. 62.50 per month from 31st January, 1957 in lieu of the portion of House 'C' already occupied by the Mission. The Mission was, however, able to obtain permits in respect of Houses 'A' and 'B' subsequently and only controlled rents are being paid direct to the landlords since 1st January, 1959. In the meantime, a sum of Rs. 43,627 had been paid to the intermediary in respect of these 3 houses over and above the controlled rent.

The intermediary claimed that he had invested nearly Rs. 70,000 on the houses in buying out the previous tenants, in paying key money, in carrying out repairs and alterations and in providing furniture and equipment. He also stated that he had been guided by an assurance that the houses would be rented by the Mission on a long term basis and that as these arrangements had been terminated, he should be compensated.

Government sanctioned on 3rd March, 1962 the payment of a sum of Rs. 40,000 to him on the recommendation of the Ambassador that the intermediary should be protected against undue loss.

There was, however, no evidence on record to show that any assurance had been given to him by the Embassy. The Law Ministry also had advised that there was no legal case for payment of compensation.

37. *Purchase and maintenance of furniture.*—An expenditure of Rs. 14 lakhs was incurred on purchase and maintenance of furniture during 1961-62. Defects in the maintenance of the accounts of the furniture, etc. in the Indian Missions abroad were mentioned in paragraph 71 of the Audit Report (Civil), 1961. The following types of defects were noticed during audit conducted in 1961 and 1962.

(i) In the Missions in Rio de Janeiro, Karachi, Ankara, Baghdad, Beirut, Saigon, Jeddah, Gangtok, and Rangoon stock registers were not properly maintained and it could not be verified if the items of furniture purchased/acquired had been brought to account.

(ii) An annual physical verification of furniture and other stores, as required under the rules had never been conducted in the Missions at Rio de Janeiro, Karachi, Baghdad, Khormshahr, Pnom Penh, Vientiane, Jeddah, Khartoum, Accra, Colombo, Kandy and Rangoon. The Ministry have stated in February, 1963 that the physical verification has since been completed except in Karachi. In Dacca, a total shortage of furniture valued at about Rs. 10,000 was noticed during physical verification conducted in November-December, 1961 but has not yet (December, 1962) been investigated and responsibility fixed. A proportion of this shortage (Rs. 5,750 approximately) was noticed in 1957 and later years.

(iii) All articles of furniture are required to be distinguished with a distinctive mark which should be recorded in the stock register and that for costly items like carpets, radios, silverware etc., detailed particulars are to be recorded. Failure to comply with this important rule was noticed in the Missions in Karachi, Oslo, Vientiane, Berne, Jeddah, Gangtok, Cairo, Khartoum, Bucharest, Colombo, Kandy, Rangoon and Bangkok.

(iv) It was noticed that furniture in excess of the prescribed scales were issued for the residences of the officers and staff in the Missions in Karachi, Khoramshahr, Beirut, Jeddah, Gangtok, Khartoum, Colombo and Rangoon without charging rent therefor.

In Jeddah, sanction to purchase furniture worth Rs. 4,770 was accorded on 27th March, 1961, orders were placed without obtaining any quotations by 31st March, 1961 and payments were made along with the orders before the actual supply was made in order to avoid lapse of budget provision.

In Rangoon, furniture costing over Rs. 4,000 was purchased in July, 1960 by a senior officer direct without inviting quotations, without placing any written orders and without even informing the Chancery. This involved an avoidable expenditure of Rs. 2,440 on account of higher rates and purchase of inadmissible items.

38. *Purchase and maintenance of cars.*—Generally, a car is supplied to every Head of Mission/Post for his exclusive use and a separate car or cars are provided for staff duties to the extent considered necessary. The total expenditure under this head during 1961-62 was Rs. 10 lakhs. The defects, generally, noticed in connection with the supply and maintenance of Government vehicles are mentioned below:—

(i) In Cairo, it was noticed in May, 1962 that a car rendered surplus in February, 1957 was not sold till August, 1961 on the ground that an additional staff car was required in the Mission though Government had consistently rejected the proposal since August, 1958. This involved an avoidable expenditure of Rs. 16,850 (apart from depreciation of the car) on repairs and maintenance of the car after September, 1958.

In Nairobi, it was noticed in March, 1962 that a cinema van purchased at a cost of Rs. 30,000 in November, 1956 had done only 3,600 miles till January, 1962 and that too mostly on account of periodical checking. The van had been used only on 24 occasions during all these years for showing documentaries. The cost of repairs and maintenance including depreciation and interest charges came to over Rs. 35,000 upto December, 1961. The reason given for the poor utilisation of the van was that the driver had been retrenched on grounds of economy.

It was noticed in Dacca in April, 1962 that a trailer purchased in July, 1957 for Rs. 3,531 to carry film equipment and generator had been lying idle ever since.

(ii) Instances of irregular purchase of cars were noticed in the Missions in Jeddah, Khartoum and Gangtok.

In Jeddah, a car of European make was purchased locally for Rs. 14,374 in April, 1961. Had the car been ordered from the manufacturers as required under the rules, the Mission could have obtained a discount of 15 to 20 per cent. Similarly, in Khartoum a car of American make was purchased through the local agents who allowed a discount of only 7-1/2 per cent. In this case the payment was made in advance in U.S. dollars. The car was received in December, 1961, 4 months after payment and 2-1/2 months after the expiry of the agreed delivery period. The delay in supply resulted in an expenditure of Rs. 2,050 on the hire of a car.

In Gangtok, a car fitted with automatic transmission and released from another Mission was obtained in Calcutta in March, 1959 without considering its suitability for hilly roads. It had to be sent back to Calcutta in less than a year. The expenditure on freight and incidental charges to and fro amounted to Rs. 1,463 and another Rs. 4,660 had to be spent on hire charges during March, 1960 to November, 1960 pending the supply of a new car.

(iii) In the Missions in Mexico City, Salisbury, Rajshahi and Accra, it was noticed that sufficient attention was not given to the proper maintenance of Government vehicles. In Mexico, heavy repair charges of a car (Rs. 3,827 for one year) were attributed to several factors e.g., that the car was not run on proper petrol and that it was not regularly serviced or driven by the driver alone. In Salisbury, the premature replacement of a car purchased in May, 1956 was proposed in December, 1959 due to its bad condition. In Rajshahi, where there are no servicing facilities, no alternative arrangements were made for regular servicing and a car was never serviced in its life of six years.

In Accra, no action was taken against a driver who was held responsible by the police for an accident in December, 1959 and was reported careless by the Service Agents in September, 1960. He was dismissed from service only after he took away a car from the Mission, used it in the night and left it all broken up in a ditch on 10th May, 1962. The cost of repairs was estimated at Rs. 2,667 and the Mission proposed replacement of the car.

39. *External Publicity*.—On 31st March, 1962 there were 50 information Units in the Missions abroad to deal with External Publicity and the expenditure thereon during the year 1961-62 was Rs. 83.48 lakhs.

The main functions of the Information Offices attached to Missions are the organisation of film shows, the running of libraries and the publication of periodical bulletins and special brochures.

(i) In Accra, the cinema van went out of commission in April, 1957 when it met with an accident and the publication of the periodical bulletin entitled "India News" was also suspended in December, 1961 when there was a sudden rise in printing costs. The activities of the post, thus, stood considerably curtailed. The printing of the bulletins has been resumed from July, 1962.

(ii) In some posts, it was noticed that the cinema vans provided for extensive film publicity were being used mostly on staff duties,

private journeys and other jobs not connected with film publicity. This was pointed out to Government and in January, 1960, they issued specific instructions reiterating the imperative necessity of their being used properly. Nevertheless, instances of misuse were noticed in the Posts in Dacca (40 instances during the period from January, 1962 to March 1962), Colombo (45 instances during May, 1960 to February, 1961) and Gangtok (19 instances during September, 1960 to February 1961) during inspections conducted after January, 1960.

(iii) In Istanbul, Damascus and Vientiane, it was noticed that the stock registers of Library books were not properly kept and it was not possible to ascertain if all the books received had been entered in the Registers. In Beirut, Damascus, Addis Ababa, Khartoum and Cairo, it was seen that many books given out on loan had been outstanding for years (since 1957) and no action had been taken to recover or write them off.

In San Francisco, Istanbul, Damascus, Beirut, Saigon, Vientiane, Addis Ababa, Khartoum, The Hague, and the India House Library, London, it was noticed that a proper stock taking of Library books had never been done, and that the extent of losses, if any, could not be ascertained.

In Kathmandu, it was noticed that a physical verification conducted for the first time in May-June, 1961 on the resignation of the Librarian indicated a loss of books (valued at over Rs. 14,000) i.e., about 40% of the total stock of books in the library. The exact loss could not be ascertained as the stock register had not been properly kept. In September, 1962, it was stated by Government that lists of books were being compiled and that it would take considerable time to ascertain the exact amount of loss.

(iv) In Tehran and Nairobi, it was noticed that the printing work connected with the periodical bulletins had been entrusted to some presses for the last several years without inviting any quotations. In Bonn, it was noticed in April, 1962 that similar work costing over Rs. 20,000 per annum had been entrusted to a firm on the basis of some estimates submitted by them in 1956.

40. *Drawal of funds on fictitious bills.*—In May, 1959, the Havildar Accountant of a Battalion of the Assam Rifles got a fictitious bill for Rs. 1,06,159 signed by the Commandant and embezzled the entire amount. He then deserted service. In July, 1960, the Naik Accountant also similarly got a fictitious bill for Rs. 2,890 signed by the Commandant and deserted service after misappropriating the money. The non-accountal of the amounts was taken up during the local audit conducted in March-April, 1961 and the nature of the fraud was established during the subsequent Departmental Enquiry in May, 1961.

The person responsible for the defalcation of Rs. 1,06,159 is still absconding and a warrant of arrest and proclamation and attachment of his property has been issued. The other accountant was tried by the Commandant of the Battalion for charge of desertion and was sentenced to undergo one month's rigorous imprisonment and was also dismissed from service. He deposited the entire

amount of Rs. 2,890 in the criminal court which discharged him without any further punishment. The Board of Enquiry held the Commandants guilty of gross negligence.

The Ministry have stated (November, 1962) that necessary action against one of the supervisory officers is being initiated by the Army authorities and that no action against the other officer is possible under the Army Act as he had already retired from the Army.

41. *Delay in submission of adjustment T.A. Bills.*—Advances of Travelling Allowance drawn on tour or on transfer are required to be adjusted by submission of bills of actual journeys immediately on the completion of the tour and within 6 months of assumption of the new post on transfer. It is, however, noticed that adjustment of advances aggregating Rs. 2,63,114 was overdue on 31st December, 1962 against 24 gazetted officers and 316 non-gazetted officers of the Missions and the Ministry. The yearwise break up of the outstanding advances is given below:

Year of Advance drawn	No. of cases	Amount Rs.
1951-58	118	74,355
1958-59	40	21,373
1959-60	75	71,350
1960-61	107	96,036

A few typical cases of long delays in submitting bills in connection with the actual journeys performed are given below:—

(a) An officer of the Indian Foreign Service drew in May, 1960 an advance of Rs. 14,297 on his transfer from Washington to Rangoon. He reached Rangoon in June, 1960 and was again transferred to Madagascar in August, 1961. A further advance of Rs. 800 was drawn by him in July, 1961 without adjusting the previous advance. The adjustment T.A. Bill for the original advance has not been submitted by him as yet (December, 1962).

(b) Another officer drew the following advances:—

	Rs.
(i) Advance of T.A. on transfer (In March, 1958)	26,667
(ii) Advance of T.A. on Transfer (In August, 1960)	29,058
(iii) Advance of T.A. on tour (In August, 1960)	1,775

The officer's final travelling allowance bill against the first advance was submitted only in March, 1962 which showed that a sum of Rs. 7,246 was drawn in excess by him; out of this, an amount of Rs. 6,950 was refunded in September, 1961 i.e. after 3 years, Rs. 181 in March, 1962 and Rs. 115 in July, 1962.

The travelling adjustment bill for Rs. 23,428 against the second advance of Rs. 29,058 drawn in August, 1960 was submitted to audit in November, 1961; and the amount drawn in excess (Rs. 5,630) was refunded in January, 1962.

The third item of tour advance of Rs. 1,775 was drawn on the eve of his transfer to another country. The adjustment bill was not

submitted on completing the tour and before proceeding on transfer. The adjustment bill against this tour advance is still awaited (January, 1963).

42. *Inadmissible Medical Claims.*—During a local audit of the accounts of the Embassy of India, Washington, a large number of irregular payments on account of reimbursement of medical expenses totalling Rs. 7,419 were noticed. The Ministry to whom the irregular payments were reported in October, 1952 instructed the Embassy in January, 1953 to submit a report after examining all the cases in detail. A review completed by the Mission two years later in June, 1955 showed that the total irregular payments amounted to Rs. 9,726 out of which the particulars for Rs. 7,783 were not forthcoming and that an amount of Rs. 1,943 was clearly recoverable.

Government decided in October, 1955 that recoveries should be effected in clear cases of overpayment; and that the missing particulars should be obtained in the other cases from the officers concerned. A sum of Rs. 73 only has been recovered so far and another sum of Rs. 186 written off. The Ministry have now stated that the details in respect of the doubtful claims are not available at this distance of time. The present situation has arisen as a result of inadequate attention to the maintenance of important initial records and undue delay in taking action on audit objections.

Ministry of Finance

43. *Rehabilitation Finance Administration.*—A review of the working of the Rehabilitation Finance Administration upto 31st December, 1960 appeared in Paragraph 97 of the Central (Civil) Audit Report, 1962. The Administration was dissolved on 31st December, 1960 and thereafter its assets vested in the Central Government and the Ministry have been exercising the powers of the Administration in effecting recovery of unpaid loans.

On the 31st December, 1960 (the date on which the Administration was dissolved), the amounts outstanding from the borrowers were Rs. 5.95 crores in respect of principal and Rs. 1.35 crores in respect of interest. The interest accrued during the subsequent period (January, 1961 to December, 1961) amounted to Rs. 26.75 lakhs. The position of recovery of loans and interest on 31st March, 1962 was as follows:—

Region	Recoveries effected	Recoveries waived	Balance Outstanding as on 31-3-62.
Eastern	12.52	9.00	428.67
Western	87.77*	0.37	219.13

(In lakhs of rupees)

*In addition a sum of Rs. 56.58 representing compensation is lying unadjusted on 31-3-1962 for want of full details.

It has been stated by the Ministry that the recovery of loans was waived as the Collectors were not able to process the recovery for long periods and that departmental officers (inspecting staff) who

maintain close liaison with the Collectors and the Certificate Officers were satisfied that the Revenue Officers were unable to effect recovery.

The expenditure incurred by the Ministry in administering the functions of the Administration during the period January, 1961 to March, 1962 amounted to Rs. 7.82 lakhs, i.e. about 41% of the recovery in cash (Rs. 19.37 lakhs out of Rs. 100.29 lakhs).

44. *Loss of confiscated currency notes and other securities from a Post Office.*—In December, 1960, some files containing confiscated currency notes/cheques were reported missing from the steel cabinet of the Principal Postal Appraiser in the Foreign Post Office, New Delhi. A complete inventory of unaccounted for currency notes/drafts, cheques, etc. which was made subsequently from the records pertaining to the period 1955 to the end of 1960, indicated a shortage of Indian currency, cheques and drafts amounting to Rs. 11,570 and foreign currency and foreign cheques for Rs. 12,506. The amount of loss was reduced to Rs. 10,656, as a result of subsequent locating of some cheques and drafts lying in a sealed cover inside the steel cabinet.

A special audit conducted in June, 1962 showed the following irregularities:—

- (i) The currency and cheques confiscated were kept in the Foreign Post Office in disregard of the prescribed procedure requiring all valuables confiscated to be stored in the strong treasure chest secured by double locks in the C.B.R. Building, New Delhi, or in the strong room of the Chief Accounts Officer, Customs and Central Excise.
- (ii) No systematic record of the confiscated currency had been kept.
- (iii) There was no record of any physical verification of valuables kept in the steel cabinet having been carried out by any officer at any time.

The misappropriation was facilitated by continuous failures on the part of the Supervisory Officer to observe the prescribed procedure. No responsibility for the loss has yet been fixed (December, 1962). It is, however, reported that two officers were charge-sheeted in this connection in April, 1962.

45. *Delay in disposal of surplus buildings and resultant avoidable expenditure on watch and ward.*—Consequent on the abolition of inland customs cordon around the former French settlements of Pondicherry and Karaikkal from January, 1955, 367 buildings (including 28 non-residential buildings) of the book value of Rs. 11.15 lakhs, were declared surplus. In February, 1955, it was decided to dispose of the buildings; 119 buildings were transferred to the Ministry of Health in October, 1961, but the other buildings have not been disposed of although more than seven years have elapsed since the decision was taken.

It had been reported even as early as June, 1958 that almost all the buildings had developed cracks and were in a state of disrepair. A sum of about Rs. 1.60 lakhs is estimated to have been spent on the watch and ward of these vacant buildings upto the end of July, 1962 and thereafter, an expenditure of about Rs. 1,350 p.m. is being incurred on this account.

Ministry of Food and Agriculture

46. *Uneconomic working of a scheme.*—In May, 1957, the Tripura Administration purchased for Rs. 14,765 five bone digesters, each of annual capacity of 400 maunds, which started operation between April and July, 1958. Five more such digesters were purchased for Rs. 18,223 in January, 1958 and transported from Calcutta after one year, during January and February, 1959.

Up to the end of 1961-62, a total expenditure of Rs. 86,699 was incurred on the scheme. Against the total capacity of 4,000 maunds per year, only 2,032 maunds of bone meal in all, valued at Rs. 21,539 (approximately) were produced during 1958-59 to 1961-62, of which only 1,197 maunds were distributed upto March, 1962. It has been stated that the output has increased to about 80 maunds per month in 1962. The Administration decided in January, 1962 to retain only six of the digesters and to dispose of four, two of which have been lying unutilised from the beginning.

The surplus digesters had not been disposed of till December, 1962. The Administration has stated that the people of the territory are not prepared to collect bones on religious grounds.

47. *Avoidable payments to a firm.*—(i) An agreement with a firm of clearing agents at Calcutta for the clearing and stocking of Government timber expired on the 31st December, 1953 but a quantity of 2573 tons was left with the firm for a further period of about ten months without an agreement about the rate for storage, even though timely notice had been received from the firm that fresh terms would have to be settled for any service rendered by them after the termination of their contract. Ultimately, in March, 1955, the firm put forward in court a claim for Rs. 4.70 lakhs which was compromised by Government by paying in February, 1960 a sum of Rs. 56,722. This included (i) Rs. 32,434 towards ground rent and establishment charges for timber stored by the firm, and (ii) Rs. 15,004 towards refund of amounts withheld on account of shortages of timber.

The following explanation has been given in support of these payments:—

(a) The timber was allowed to be retained by the firm as no land was available with the Government depot, and the land available with the new stockists was not sufficient for the purpose.

(b) The refund of Rs. 15,004 was made as the loss on account of shortage of timber was to be recovered from the shipping company.

The recovery could not, however, be made from the shipping company as the firm had not obtained a short landing certificate from the shipping company.

(ii) The Agreement provided that the firm would be entitled to receive a sum calculated at the rate of Rs. 15 As. 6 per ton for all timbers shipped from Andamans and handled by them inclusive of all standard charges, viz., Port Trust dues, Harbour dues, etc. Although the firm were paid at this rate for all timbers shipped during the period 6th October, 1950 to 15th December, 1953, they failed to pay a sum of Rs. 1,38,775 representing Port Trust dues to the Port Trust Authorities. The claims of the Port Trust have since become time barred. No legal action has been taken by Government against the firm to realise the amount with the result that the firm received an unauthorised aid amounting to Rs. 1,38,775.

Ministry of Health

CONTRIBUTORY HEALTH SERVICE SCHEME

48. The Contributory Health Service Scheme was introduced in 1954 to provide medical facilities to the Central Government employees residing in Delhi and New Delhi. Employees are required to make contributions according to the scale prescribed by Government. The Scheme is being gradually extended to employees of Semi-Government Organisations which are required to make contributions at the rates fixed on the basis of per capita expenditure. There are, at present, 46 dispensaries including two mobile dispensaries.

The expenditure on the scheme and the contributions received from the beneficiaries are given below:—

	Upto 1958-59	1959-60	1960-61	1961-62
	(In lakhs of rupees)			
Expenditure	158.00	63.03	64.90	88.03
Contributions received	87.62	35.15	32.86	43.02

The above figures do not include a sum of about Rs. 3 lakhs per year incurred on pay and allowances, etc. of the staff working at the Headquarters of the C.H.S.S. and the rent of the buildings occupied by the dispensaries.

A. Purchase of medicines and their custody

(i) Medicines (Non-Vocubulary) costing more than Rs. 10,000 per item have to be purchased by placing indents sufficiently in advance on the D.G.S.&D. It is, however, noticed that heavy expenditure is being incurred on local purchase of medicines to the

extent of about 50 per cent. of the total purchases as indicated below:—

Year	Total purchases during the year	Expenditure on local purchases		Total	Percentage of local purchase to total purchase
		From authorised chemists	By inviting limited tenders for replenishment of stocks		
(In lakhs of rupees)					
1959-60	40.02	5.62	9.32	14.94	37%
1960-61	37.78	4.20	20.22	24.42	65%
1961-62	47.21	8.06	16.69	24.75	52%

The rates paid for local purchases are generally higher than those paid by the D.G.S.&D. A test check of certain medicines costing in all Rs. 99,405 purchased partly from authorised chemists and partly on the basis of limited tenders in 1961-62 showed that a saving of the order of Rs. 24,000 might have been effected if the purchases had been made through the D.G.S.&D. Purchases from the authorised chemists involve the payment to them of a commission of about 8 per cent. over the "Trade Rates" for the medicines. The Department has stated that the local purchase of medicines was due to delays on the part of the Director General, Supplies and Disposals in planning the contracts and consequential delay in supplies.

(ii) The large volume of local purchases may be partly attributed to the following defects in the procedure in the preparation of annual indents:—

- (a) The indents were not placed on the Director General, Supplies and Disposals sufficiently in advance to enable the latter to procure the supplies in time.
- (b) The forecasts of requirements as sent to the D.G.S.&D. or Medical Stores Depot do not take into account the large quantities purchased locally from different chemists in the previous year. An *ad hoc* provision of 25 per cent. is made for anticipated increase in consumption in cases of frequently prescribed medicines; but no such addition is made for other medicines although the Scheme itself is being extended gradually.
- (c) Due to lack of co-ordination, 14 instances were noticed between 24th August, 1961 to 25th October, 1961, where medicines were purchased locally when these were available in the Central Stores.

- (d) The purchase of medicines, much in excess of requirements, was also noticed. A few instances are given below:—

Name of medicine	Balance as on 1-4-1961	Purchases during the year 1961-62	Issued during 1961-62	Balance as on 31-3-1962
Tablets Belladonel Retard	2,70,780	3,00,000	1,74,015	3,96,765
Tablets Calcium Gluconate	8,28,400	5,30,000	8,31,950	5,26,450
Tablets Pthalyl Sulphathiozole	7,43,700	2,00,000	4,11,350	5,32,350

(iii) According to the standing instructions, medicines should not be accepted in the Depots, where more than 1/6th of the life of medicines had already expired. A test check of the medicines purchased during April, 1961 to August, 1962 showed that in 12 cases, costing Rs. 30,555, medicines were accepted with less than 5/6th of their life.

(iv) Maintenance of store accounts is defective. The store accounts are being maintained in Stock Record Cards by persons handling the stores instead of by an independent Stores Accountant.

Certain cases of alleged pilferage of medicines are stated to be under police investigation but details of these have not been intimated to audit.

(v) The department has no satisfactory arrangement for storage of medicines at the required temperature.

(vi) No security has been obtained from persons handling stores.

B. Miscellaneous

A review of the cash book showed substantial undisbursed balances almost in every month. The amounts held on this account at the end of March, 1961 and March, 1962 were Rs. 21,584 and Rs. 28,703 respectively. No action was taken to refund amounts remaining undisbursed for more than 3 months as required under the rules. In some cases, undisbursed amounts were not refunded for periods varying from 8 to 12 months.

The Director General has stated that the procedure laid down in the rules would have entailed delay and hardship to the staff, apart from extra labour and expenditure on overtime allowance to the staff.

A review of the imprest account for the period April, 1960 to March, 1962 showed that the account closed with minus balances in 10 months. This indicates that undisbursed pay and allowances, etc. were being utilised to meet day to day contingent expenditure, a procedure which is against the rules.

Ministry of Home Affairs

49. *Alleged defalcation in a Sub-Treasury.*—A physical verification of cash balance on 10th March, 1961 at a sub-Treasury in Tripura showed a shortage of cash amounting to Rs. 83,996 and a loss of a bag containing Rs. 14,570 deposited for safe custody by one Circle Officer.

A special audit of the accounts conducted in June/July, 1961 showed that amounts in excess of the requirements were being withdrawn from the Currency Chest to the double-lock in the custody of the Treasury Officer and the cashier, and then transferred to single-lock under the custody of the cashier, though this was shown in the daily balance sheets as having been transferred to the double-lock.

The matter was reported to the Police on 10th March, 1961. The Potdar of the sub-treasury fled to a foreign country and could not be repatriated as he was declared to be a national of that country. The Sub-Treasury Officer and the Sub-Treasurer were suspended in March, 1961 and subsequently placed under arrest. The action to be taken against them has not yet been finalised.

Ministry of Scientific Research and Cultural Affairs

50. *Delay in utilisation of machinery and equipment.*—Machinery and equipment purchased at a cost of Rs. 57,000 by the Delhi Polytechnic during 1950 to 1957 has not been installed so far (February, 1962). It has been stated by the Department (December, 1962) that since Government have decided to open an integrated course in Engineering in the Polytechnic, many items of equipment considered surplus earlier may have to be retained.

Similarly, electrical, mechanical and other stores valued at Rs. 1,45,644 purchased between 1947 and 1958 have not so far (January, 1963) been put to any use. A substantial portion of these stores was kept in the open yard.

Ministry of Works, Housing and Rehabilitation

51. *Government-owned residences in Delhi and New Delhi.*

(i) *Assessment of rents.*—Standard rents for Government residences are computed in two different ways prescribed in the Fundamental Rules :—

(a) according to Fundamental Rule 45-A, which allows certain concessions to Government servants to whom it applies;

(b) according to Fundamental Rule 45-B, which does not embody the concessions specified in Fundamental Rule 45-A, and is applied if the allottee is not a Government servant eligible for Government accommodation.

The main differences between the two methods of computation are indicated below:—

F. R. 45-A

The 'standard' rent includes the following elements :

- (a) interest at a prescribed rate (now 6%);
- (b) additions for municipal and other taxes, and for ordinary and special maintenance and repairs;
- (c) the total of (a) and (b), is however, limited to 6% per annum of the capital cost ; in view of this, the provision for additions as in (b) above is inoperative in practice;
- (d) further, in calculating the capital cost, the expenditure incurred in acquiring, clearing and preparing the site, including approach roads, paths, etc., within the compound, compound walls, etc., is excluded.

F. R. 45-B

The procedure for calculating the 'standard' rent is the same as under F.R. 45-A, but the concessions shown against (c) and (d) under the Fundamental Rule 45-A are not admissible.

The statement below compares the rent actually assessed for recovery during 1961-62 in respect of the residences constructed by Government in Delhi and New Delhi with the total of the 'standard' rents for those buildings as computed in the manner prescribed:—

Sl. No.	Category of allottees	No. of buildings	Annual rent assessed as payable by the allottees	Annual standard rent	
				Under Fundamental Rule 45-A	Under Fundamental Rule 45-B
1	2	3	4	5	6
(In lakhs of rupees)					
(1)	Government servants	28,946	99.10	1,30.45	2,49.78
(2)	Persons entitled to rent-free accommodation—				
	(a) Ministers and Deputy Ministers*	45	..	1.71	4.16
	(b) Members of Planning Commission	5	..	0.20	0.36
	(c) Judges of the Supreme Court	15	..	0.56	0.89
	(d) Other persons holding Government appointments	7	..	0.17	0.42
(3)	Members of Parliament	569	3.41	5.95	9.78
(4)	Officers of Government Companies and Corporations	801	10.90	5.85	11.00

* Figures relating to the Prime Minister's residence have been excluded.

1	2	3	4	5	6
				(In lakhs of rupees)	
(5) International Organisations		150	4.63	3.48	4.65
(6) Press Representatives		45	0.49	0.46	0.85
(7) Non-Government bodies and individuals, including 5 residences in the University of Delhi		94	2.75	2.06	2.93
(8) Clubs		11	0.06	0.10	0.15
	TOTAL	30,688	1,21.34	1,50.99	2,84.97

The total capital cost of Government residences (excluding those in class H allotted to Government servants within the pay range Rs. 70—Rs. 110 in respect of which figures are not available) amounted to Rs. 21.45 crores at the end of 1958-59. The following remarks explain the reasons for the difference between "assessed" rent shown in column 4 and "standard" rent in column 5 :—

(i) The actual rent payable by individual Government servants in many cases is lower than the "standard" rent of the residences allotted to them, as there is a further concession that the rent charged should not exceed 10 per cent of the emoluments of the Government servant concerned if he draws Rs. 150 p.m. or more and 7½ per cent, if he draws less than Rs. 150 p.m. In addition, about 1000 class IV officers are allotted rent-free houses on the basis of their service conditions which obtained before 1952.

(ii) In regard to Members of Parliament, two factors operate:—

(a) The rent is subject to a ceiling of Rs. 105 p.m. which was fixed in July, 1952 as representing 10 per cent of the daily allowance received per month of 30 days, at the old rate of Rs. 35 per day.

(b) A rebate of 25 per cent is allowed on the rent so fixed and on charges for additional accommodation and services i.e., furniture, electrical equipment, servants quarters, garages, etc.

Category (2) in the statement relates to persons entitled to rent-free furnished accommodation. Ministers, Deputy Ministers and Members of the Planning Commission are, in addition, entitled to free supply of electricity and water. The value of such concessions, evaluated (a) on the basis adopted for assessment of income tax

and (b) on the basis of the charges leviable for Government servants is indicated below:—

Category	On the basis of rents charged for Government servants eligible for the benefits of Fundamental Rule 45-A	For Income Tax purpose
		(In lakhs of rupees)
Ministers and Deputy Ministers (45)	4.33	2.04
Members of Planning Commission (5)	0.35	0.23
Judges of Supreme Court (15)	0.91	0.93

Government companies and corporations have also been allowed to retain some Government residences on payment of rent under Fundamental Rule 45-B which applies to certain classes of Government servants, and not with reference to prevalent market rates, which would have been much higher.

Forty-five Press Representatives, who have been allotted Government accommodation, are allowed to pay the standard rent at the concessional rate fixed for Government servants under Fundamental Rule 45-A, instead of at market rates.

Five residences have been allotted to the University of Delhi at a nominal rent of Re. 1 per annum each, the annual maintenance charges being borne by the University.

While the Constitution Club is charged rent at an *ad hoc* rate of Rs. 100 per month, there seems to be no uniform policy in assessing the rent for accommodation provided to the other ten clubs. These are located in Government residential areas. In respect of three of them, a nominal rent of Re. 1 per month is charged, three are occupied rent-free, and the remaining four pay rents amounting to Rs. 6.75, Rs. 20.37, Rs. 21.31 and Rs. 349.08 respectively per month.

Although private parties should have been charged rent at market rates, it is seen that 89 of them have been allotted accommodation on rent calculated under Fundamental Rule 45-B. The question of applying market rents in future in the case of specified categories of allottees, such as private persons, is stated to be under consideration.

(ii) *Maintenance expenditure and return on capital.*—The permissible annual expenditure on ordinary and special maintenance and repairs is fixed as a percentage of the capital cost and varies according to the type of construction and the period during which the buildings were constructed. The following table shows that the actual expenditure during 1958-59 (the latest year for which

the capital and revenue accounts have been prepared) considerably exceeded the prescribed amounts in the higher categories, while the expenditure was much less than the prescribed amount in the lower categories.

Category of buildings	No. of Buildings	Permissible limit per annum	Actual expenditure on maintenance and repairs (including special repairs) (1958-59)
Four highest categories	731	Rs. 7.53 lakhs.	Rs. 11.97 lakhs.
Five middle categories	2,883	Rs. 16.65 lakhs.	Rs. 12.59 lakhs.
Five lowest categories. (Other than category H which is allotted generally to Class IV staff and for which figures are not available)	14,813	Rs. 36.48 lakhs.	Rs. 16.86 lakhs.
Total	18,427	Rs. 60.66 lakhs.	Rs. 41.42 lakhs.

If the permissible amount of maintenance charges (of the order of Rs. 61 lakhs in 1958-59) were deducted from the total rent assessed as for recovery from the occupants (Rs. 80 lakhs in 1958-59), the balance would represent a net return of about 0.9 per cent on the capital cost of Rs. 21.45 crores.

52. *Arrears in recovery of rent.*—The following table brings out the position in regard to arrears of rent awaiting realisation, according to the registers maintained by the Director of Estates:—

Year	Assessed rent	Realisations upto 30-11-1962	Balances as on 1-12-1962 (arrears for the year)	Remarks
(In lakhs of rupees)				
Up to 1957-58	1155.00	1146.60	8.40	The total arrears up to the end of 1961-62 remaining uncleared by 1st of December, 1962 was Rs. 35.67 lakhs.
1958-59	146.11	142.81	3.30	
1959-60	164.52	159.70	4.82	
1960-61	180.13	174.10	6.03	
1961-62	180.97	167.85	13.12	

It will be seen that the arrears pertaining to 1960-61 and earlier years constituted over 63 per cent of the total at the end of November, 1962. The above figures do not include damages recoverable from

304 unauthorised occupants amounting to Rs. 1.76 lakhs as on 1st April, 1962. Of these, 58 cases were more than 14 years old.

The outstanding figures are stated to be largely due to non-receipt of recovery advices from various Government departments and offices where recoveries are made. It has been stated that, primarily as a result of efforts made by special squads organised by the Estate Office, the arrears were reduced by Rs. 4.59 lakhs during the period August to November, 1962.

In paragraph 39 of the Audit Report (Civil), 1962, it was mentioned that the Government set up a committee of officers in September, 1961 to enquire into the working of the Directorate of Estates and examine the accumulation of large arrears of rent. The enquiry committee did not function at all. The revised rent procedure first proposed in 1957 by the Special Re-organisation Unit in the Ministry of Finance is still under examination, and it has been stated that some of the suggestions are not practicable.

In implementation of one of the recommendations of the Special Re-organisation Unit, the annual allotment registers and waiting lists were replaced by loose 'House Cards' and allotment/change cards from January, 1960. It has been stated that this system is not working satisfactorily and that a proposal to revert to the old system is under consideration. A test check of the 'House Cards' by Audit showed that they were not being maintained properly in regard to the noting of relevant information e.g., dates of allotment, occupation, vacation or cancellation of accommodation, nor had they been compared at regular intervals with the 'rent cards'. It has been stated (January, 1963) that necessary action in this matter is being taken.

53. *Markets.*—The administrative control of five markets constructed by the Ministry of Rehabilitation and allotted by them to displaced persons from Pakistan was transferred to the Director of Estates with effect from 1st April, 1958. The rates of rent had been fixed by the Ministry of Rehabilitation for the allottees prior to that date and these are being continued. The rates are approximately one-third of the standard rents which are being charged by the Ministry of Works, Housing and Rehabilitation for shops allotted by that Ministry after 1st April, 1958.

Arrears of rent outstanding from 1170 tenants of these markets were as under:—

Period up to 1st April, 1958—	(Rs. in lakhs).
(a) from persons dealing direct with the Director of Estates	2.26
(b) from persons from whom the recoveries have to be made through the Settlement Commissioner	2.52
Period from 1st April, 1958 to 31st March, 1962—	
Rent from all lessees/licencees after 1st April, 1958 to be collected direct by the Estate Officer (the total assessed rent for this period was about Rs. 27 lakhs)	3.80
Total	8.58

No regular lease-deeds were got executed by the private tenants nor were any sureties from third parties taken to safeguard Government interests.

In about 80 cases, the closing/opening balances in the rent ledgers were not worked out or brought forward correctly. This omission resulted in short assessment of rent by Rs. 1,603 in 36 cases which came under review by Audit.

54. *Overpayments due to incorrect fixation of rents of leased buildings.*—A local audit of the accounts of the Estate Manager, Calcutta in May, 1959 showed that rent had been paid for certain leased buildings at rates higher than those admissible under the provisions of West Bengal Premises Rent Control (Temporary Provisions) Act, 1950. A review conducted by the Estate Manager in the same month showed that in respect of 3 buildings an overpayment of Rs. 0.98 lakhs had been made to the owners during the period 1st April, 1950 to 31st December, 1959.

The Department has not been able to effect recovery of overpayments or reduce the rents so far (December, 1961) as in two cases the owners have not accepted the rents at reduced rates and have filed suits against the order of requisitioning while in the remaining case the matter is stated to be under correspondence with the landlords.

In respect of buildings which had been released prior to the date of audit in May, 1959, a scrutiny of the records, to see if there had been any overpayment, was suggested by Audit in July, 1961, and the results are awaited. The question of taking disciplinary action against the Estate Manager and the Divisional Accountant is stated to be under consideration (December, 1962).

55 *Land and Development Office.*—In paragraph 38 of the Audit Report, 1962, mention was made of some of the irregularities noticed in the accounts of the Land and Development Office which deals with the allotment of nazul lands in Delhi to different parties on temporary or perpetual lease. The Ministry stated in October, 1962 that positive steps were being taken to evict the squatters under the Jhuggies and Jhonpris scheme and that precautionary measures had already been taken to see that there was no further unauthorised occupation of land in future.

The following further points are mentioned in this connection:—

(i) There is no approved manual or collection of standing orders for the guidance of officers and staff in the organisation of the Land and Development Officer. Irregularities of the type commented upon in paragraph 38 of the Audit Report (Civil), 1962 and those pointed out in the sub-paragraphs below could have been largely avoided if a proper procedure had been laid down.

(ii) There is no consolidated record indicating the total extent of land or plots etc. available for allotment. It is, therefore, not possible

to ascertain how far the total land available had been given on lease or to what extent it has been lying vacant. Three registers of vacant lands were stated to have been prepared during 1959-60 from memory and site checking. In respect of the vacant lands taken from the Notified Area Committee, only 28 items have been noted in the vacant lands register even though more than 40 such vacant lands had been taken over by the Land and Development Officer. In the absence of any register of the total land available, the correctness of the subsidiary registers could not be verified in Audit.

(iii) Although, according to the lease agreements, the ground rents have to be paid in advance, monthly or six monthly, these provisions are not being implemented and there were outstandings amounting to Rs. 10.59 lakhs as on 31st March, 1962. A sum of Rs. 7.84 lakhs relating to premium was also outstanding on the same date. An analysis of these outstandings is given below:—

Arrears of dues relating to	Premium Rs.	Ground Rent. Rs.
1957-58 and earlier years . . . . .	..	1,81,285
1958-59	41,493	1,43,483
1959-60	1,621	1,85,594
1960-61	77,495	2,20,220
1961-62	6,63,817	3,28,760
Total	7,84,426	10,59,342

In addition, a sum of Rs. 10,40,504 was also outstanding on account of damages, due to encroachment, misuse etc. There has been no systematic procedure for watching the payment of ground rents on the due dates and effective steps have not been taken to realise these dues.

(iv) According to Government orders issued in September, 1949, a clause should be included in all agreements that the Government shall have the pre-emptive right to purchase any property built on the site and shall also be entitled to receive 50 per cent of the unearned increase. In 110 agreements entered into during 1951-52 to 1954-55 this clause was not included. No responsibility for the omission has been fixed so far (December, 1962).

(v) In June, 1959, a Government Counsel was appointed for defending the cases @ Rs. 25 per case. The Counsel claimed his fees even in respect of cases which were disposed of without contest and of cases which were withdrawn immediately after serving notices. He also claimed payment for each case separately, where a number of parties were occupying the same premises. In view of the vague

terms of his appointment, payments totalling Rs. 14,600 had to be made to him against Rs. 1,200 calculated by the Department as due to him, after taking into account cases disposed of without contest and adopting a sliding scale of payment in respect of cases pertaining to the same premises.

(vi) A plot of land was occupied by a displaced person on 23rd February, 1948 without permission. Later (on 18th June, 1948) this land was allotted to him temporarily @ Rs. 75 per month on a month-to-month basis, the rent being payable in advance. No payment was actually made by him on this basis and a sum of Rs. 6,326 had fallen into arrears by August, 1952; the lease was, however, extended at Rs. 191 per month from 21st August, 1952. In January, 1957, it was found that his establishment did not exist and that the arrears up to 31st March, 1957 had increased to Rs. 9,572. The whereabouts of the person have not yet been traced and a sum of only Rs. 15 could be recovered from his property.

(vii) According to the terms of agreement with the lessees, the trees, if any, standing on a plot remain the property of the Government. The lessees are liable to be charged Rs. 100 per tree lost or cut, but, in the absence of any, mention in the agreement, of the number of trees in the leased lands, any unauthorised cutting cannot be watched and recoveries made.

(viii) The following printed forms are issued for official use or sold to public parties:—

(a) Conditions of auction with annexure	Rs. 5 each.
(b) Agreement for lease	Rs. 6 each.
(c) Perpetual lease	Rs. 6 each.

These forms are printed as well as cyclostyled, but no account of the number of forms issued for official use or sold to private parties and balance from time to time was maintained. It could not, therefore, be ensured that cost of all the forms issued to private parties had been realised and accounted for. It was also not possible to ensure that these forms were not cyclostyled by any unauthorised person and that there was no leakage of revenue.

Pro forma Accounts of the Compensation Pool

56. On the partition of the country, the properties left in India by the migrants to Pakistan were declared to be evacuee properties and their management, collection of rent and accounting thereof, etc. were entrusted to Custodians appointed under the Administration of Evacuee Property Act, 1950. Most of these properties were later acquired by the Central Government under the Displaced Persons (Compensation and Rehabilitation) Act, 1954 and the rules made thereunder for the purposes of the "Compensation Pool" for the purpose of payment of compensation and rehabilitation grants to displaced persons.

A summarised statement of receipts and payments is given below:

Receipts	In	Progressive	Payments	In	Progressive
	1961-62	to end of 1961-62		1961-62	to end of 1961-62
(In crores of rupees)					
1. Contribution to the Pool from sale proceeds of acquired evacuee property and rent collected from displaced persons	14.33	103.43	1. Compensation payments	12.60	113.26
2. Government contribution to the Pool—			2. Rehabilitation payments	3.96	57.42
(i) Rent, sale, etc. of Government-built properties (net)	3.64	17.68	3. Surplus in the Pool	6.36*	0.98*
(ii) Refunds of loans advanced by Government (net)	4.80	49.89			
3. Other receipts	0.15	0.66			
	<u>22.92</u>	<u>171.66</u>		<u>22.92</u>	<u>171.66</u>

(A) *Receipts*.—(i) A further sum of Rs. 14.50 crores is expected to be realised from—

(a) recoveries on account of instalments due on properties already sold, and

(b) sale of the acquired evacuee properties not yet disposed of.

About 43,000 urban properties and about 35,000 rural properties still remained to be disposed of at the end of March, 1962. A full census of the rural properties has not, however, been carried out.

The net outstanding arrears of rent awaiting collection on the 1st August, 1962 is estimated at Rs. 4.03 crores.

(ii) The total figure of Rs. 103.43 crores includes a sum of Rs. 18.51 crores representing a part of receipts realised by the Custodian of Evacuee Property and transferred to the Compensation Pool. A further sum of Rs. 1 crore is expected to be transferred to the Pool.

*The transactions during 1961-62 showed a surplus of Rs. 6.36 crores which fully wiped out the deficit of Rs. 5.38 crores which had accumulated up to the end of the previous year and left a small balance of Rs. 0.98 crores to be carried forward.

(iii) The amounts shown under "Government contributions to the Pool" consist of—

- (a) receipts on account of sale, etc. of properties constructed by the Central Government for displaced persons during the First Plan period, and
- (b) amounts received (Rs. 44.41 crores) as refunds of loans (other than Rehabilitation Finance Administration loans), granted by Government to displaced persons, either direct or through State Governments, during the same period, and Rs. 5.48 crores representing recoveries of loans advanced by the Rehabilitation Finance Administration.

Further receipts from sale of Government properties are expected to be of the order of Rs. 4 crores. Loans to the extent of Rs. 12 crores (approx.) are still due for recovery; a sum of Rs. 6 crores out of this amount may prove irrecoverable on account of the borrowers being destitute or untraceable.

(B) *Expenditure.*—The position as on 31st March, 1962 in regard to compensation applications filed by displaced persons is shown below:

	Number	Amount
		(in crores of rupees)
Compensation application forms filed	5,03,900	187.00
Compensation application forms settled	4,49,416	170.68
Compensation application forms on which statements of accounts have been issued but final payment or adjustment is pending	49,212	14.37
Compensation application forms yet to be settled	5,272	2.00 (approximate amount of payments expected to be made).

Surplus rural evacuee houses, the reserve price of which was estimated at about Rs. 2 crores, were sold in June, 1961 to the Government of Punjab at 5 per cent. of their reserve price, i.e., for about Rs. 10 lakhs only. A rebate of 6 per cent. was also allowed on the sale price to meet administrative expenses for the disposal of the above properties. Government have stated that the transaction was carried through because (i) according to the sales conducted just before the deal, the price fetched for some houses was about 13-14 per cent. of the reserve price and, in many cases, no bid was received, (ii) the properties were rapidly deteriorating in value and (iii) the cost of their upkeep and disposal would have been greatly disproportionate to the amounts expected to be realised.

The following points came to notice during the local audit of the offices of the Managing Officers-cum-Assistant Custodians of Evacuee Property and of District Rent and Managing Officers:—

(i) *Non-maintenance of records.*—(a) In the office of the Managing Officer-cum-Assistant Custodian of Evacuee Property, Alwar, no

register showing the rent demand and the collections made in respect of rural properties had been maintained. In Bharatpur District, the Rent Demand and Collection Registers for 72 groves had not yet been prepared from December, 1956 to 31st August, 1962.

(b) In the office of the Assistant Settlement Commissioner (Rural), New Delhi, the Rent Demand and Collection Registers were not posted up-to-date; entries in the Registers as at August, 1962 had been made only up to rabi season, 1961 in respect of lands, up to March, 1960 in respect of houses, and up to August, 1961, in respect of gardens.

(c) In the office of the Custodian of Evacuee Property (Urban), New Delhi, entries in the Register of Immovable Properties of Najafgarh were unattested. Certain entries had been scored out without recording any reasons and without authentication, while some of the columns of the Register had not been filled in at all.

(d) The original Acquired Property Register in respect of Bhogal was missing. The entries in the reconstructed register were not attested by any officer. Several columns of the new register were also unfilled.

(ii) *Incomplete Property Registers.*—(a) In the office of the Custodian of Evacuee Property (Urban), New Delhi, certificates as to whether all properties had been correctly entered in the Basic Property Registers of Wards No. XI to XIV and Acquired Property Registers of Wards No. I to XIX had not been recorded in those registers up to 19th February, 1962.

(b) In the Rent Demand and Collection Registers of the Custodian of Evacuee Property (Urban), New Delhi, only 1,954 properties were accounted for against the total number of 3,631 properties allotted up to 31st January, 1962.

(c) In 8 cases, properties entered in the Basic Property Registers had not been entered in the Rent Demand and Collection registers (Rural) maintained by the Managing Officer-cum-Assistant Custodian, Sri Ganganagar.

(iii) *Accounting of sale proceeds.*—(a) In the two zones of Gaya and Monghyr, the verified compensation claims of displaced persons for Rs. 5.47 lakhs have not yet been adjusted against the sale price of evacuee properties purchased by them.

(b) In 508 cases, earnest money totalling Rs. 5.73 lakhs obtained by the Custodian of Evacuee Property (Urban), New Delhi during the period from 1st April, 1956 to 31st December, 1960 from the purchasers of properties had not been adjusted till February, 1962.

(c) A sum of Rs. 4.35 lakhs on account of earnest money received from the highest bidders of evacuee properties outstanding in the books of the District Rent and Managing Officer, Jullundur, up to 31st March, 1962 has not been finally adjusted (January, 1963).

57. *Scheme for the setting up of a Production-cum-Training Centre.*—In February, 1956, the Ministry of Rehabilitation sanctioned a scheme for the setting up of a prototype training-cum-production centre at Kamarhatty, near Calcutta, on an estimated non-recurring expenditure of Rs. 2.32 lakhs and a recurring expenditure of Rs. 3.68 lakhs per annum. The scheme envisaged:

- (i) the training and absorption in the Centre of a total of 140 displaced persons in the manufacture of bamboo products, and
- (ii) the marketing of the products of the Centre, the sale-proceeds of which were estimated at Rs. 4.80 lakhs per annum.

The training centre was set up in October, 1957 and 110 trainees were recruited in July, 1958. 20 of them left during the training period. Out of the remaining 90 trainees, only 59 were absorbed in the Centre after completion of the training.

The total expenditure incurred upto January, 1962 was Rs. 12.55 lakhs, of which the non-recurring expenditure was Rs. 3.02 lakhs and the recurring expenditure, Rs. 9.53 lakhs.

The total sales from the Centre during the period 1958-59 to 1961-62 (upto January, 1962) amounted to Rs. 1.79 lakhs only.

The Centre was handed over to the West Bengal Government with effect from 1st April, 1962.

58. *Infructuous Expenditure.*—In February, 1958, the Ministry of Rehabilitation sanctioned a scheme at a total cost of Rs. 2.23 lakhs for the rehabilitation of 40 displaced agricultural families of East Pakistan at Mahaluxmipur in Orissa. The place had been selected on the basis of a report from the State Government that economic rehabilitation of the families was possible in that area.

The scheme envisaged the acquisition, reclamation and irrigation of land and payment to the displaced families of maintenance expenses at prescribed rates for a period of six months. As the scheme had not made much progress by the end of October, 1958, a decision was taken by the Ministry of Rehabilitation that it should be abandoned. The scheme was, however, revived in December, 1958 at the instance of the State Government who observed that the land had already been acquired on the 6th October, 1958 before the Central Government's decision to abandon the scheme was conveyed to them. The displaced families were moved to the site in the same month.

A joint survey of the site made by the representatives of the Ministry and the State Government more than a year later, in 1960, showed that the land which had been acquired was unsuitable for cultivation. The scheme was finally abandoned in February, 1960 and the displaced families were removed to another site at Bhusandpur. The expenditure incurred on the scheme at Mahaluxmipur amounted to Rs. 1.23 lakhs on the acquisition of land and Rs. 0.26 lakhs on

the maintenance of the displaced families at that place during the period January, 1959 to March, 1960.

The State Government have intimated in August, 1962 that no officers of the State Government are guilty of any *mala-fides*. The matter is under consideration of the Central Government (August, 1962).

59. *Failure of a Scheme*.—In February, 1957, the Ministry of Rehabilitation sanctioned a scheme for rehabilitation of 660 displaced families in Kota district (Rajasthan) at an expenditure of Rs. 33.08 lakhs. The Rehabilitation Commissioner of the West Bengal Government who visited the site in December, 1955 and the officers of the Central Government who visited the place in November, 1956 considered that the land in question was quite suitable for the purpose. Between January, 1958 and May, 1959, 266 families were sent to the selected sites. As, however, cultivable land could not be reclaimed and allotted to them, maintenance assistance had to be sanctioned to them for periods 2 to 16 months beyond the stipulated period of 12 months originally envisaged. 208 displaced families deserted the Centre in 1960.

The scheme was ultimately closed in May, 1962. The total expenditure incurred on the scheme was Rs. 19.37 lakhs as loans and Rs. 3.62 lakhs as grants. It was subsequently decided in April, 1962 by the Ministry that the surplus land and houses should be allotted to local tribal families. The extent of expenditure on the scheme to be borne by the State Government is stated to be under examination.

60. *Loss due to undervaluation*.—A property with a reserve price of Rs. 12,000 was auctioned on 19th October, 1957 for Rs. 18,225. On a petition by the purchaser in April, 1958, the price was reduced to Rs. 9,765 in June, 1958 by the Deputy Chief Settlement Commissioner on the basis of information supplied by the Assistant Valuation Officer regarding the land rates, which subsequently proved to be not applicable to the area in which the property was situated. The mistake came to notice in July, 1958 when the local audit sought to verify the land rate from the Valuation Officer. The sale price of Rs. 18,225 was then reinstated by the Ministry of Rehabilitation in April, 1959.

The purchaser filed a writ petition in the Punjab High Court in May, 1959. The District Rent and Managing Officer, however, entered into an agreement with the purchaser on the 10th June, 1959 transferring the property absolutely to him and, on this ground, the writ petition was quashed by the High Court.

A net loss of about Rs. 8,500 was thus entailed in this transaction as a result of the initial mistake in valuation and the subsequent action of the District Rent and Managing Officer in ignoring the Ministry's orders of April, 1959. The question of disciplinary action against the officers at fault is stated to be under investigation (December, 1962).

DANDAKARANYA PROJECT

61. *Utilisation of Vehicles.*—(a) Seven publicity vans were purchased in 1958-59 at a total cost of Rs. 2.37 lakhs. Only three of these were brought into use immediately and the remaining four vans remained unutilised till July, 1960.

In addition, one coach van was purchased in September, 1958 at a cost of Rs. 30,000. The log book of the vehicle for the period up to 1st September, 1959 could not be produced to Audit (September, 1962). From 2nd September, 1959 to 28th May, 1960, the van was utilised for different purposes only on 38 days. Thereafter, it has been used mainly for carrying children of the project employees to school without recovering any charges therefor (September, 1962).

(b) 53 vehicles of the project were involved in accidents (four of them, twice) during January, 1959 to July, 1962. 38 of these vehicles have been repaired; the cost of these repairs has not been assessed. The remaining vehicles are still lying off the road, 7 of these for over 2 years and 3 for over 1 year (August, 1962). In no case has the responsibility for the accidents been fixed and action taken to recover or write off the losses involved.

62. *Loss due to non-provision of separate electric meters for residential and non-residential buildings.*—In the absence of separate electric meters in the residential and non-residential buildings at Mana, the total cost (Rs. 21,043) of the electricity consumed therein during 3 years from June 1959, was charged to the Project. This sum included an electricity duty of Rs. 2,305 which would not have been payable if the electricity had been consumed entirely for official purposes. Further the amount recoverable from the domestic consumers on the basis of proportionate number of points in their residences was estimated at Rs. 7,941.

Separate meters had not been installed till June, 1962.

CHAPTER IV

Expenditure on Works

Ministry of Transport and Communications

63. *Procurement of Motor Graders for Road Construction Projects.*—In June, 1960, the Government of India sanctioned the purchase of 35 motor graders at a cost of Rs. 35 lakhs approximately for a Road Construction Project. 7 motor graders (type 'A') were obtained from stock in July, 1960, 18 graders (type 'B') through the Director General, Ordnance Factories, and the remaining 10 (type 'C') from a private firm at a cost of Rs. 9·10 lakhs through the Director General, Supplies and Disposals. The unsuitability of type 'C' was pointed out by the users to the Director General, Border Roads on 3rd July, 1960 before the contract was concluded on 4th August, 1960. They also informed the Director General, Border Roads (26th December, 1960) that this type of graders was not required by them. In the meantime, the graders had already been despatched by the suppliers to the Project Depot. Seven of these are still lying in the Depot; the remaining three were issued to units, of which two have not been put to use so far and one met with an accident on its way to the unit, rendering it out of action.

No records have been maintained showing the duration for which the individual machines were employed. All the twenty-eight graders of types 'B' and 'C' were offered by the Director General, Border Roads to the Engineer-in-Chief's Branch in March, 1961, but were not accepted by that Organisation. The Border Roads Development Board have stated recently (January, 1963) that these graders would be required by them owing to the sanctioning of new projects and that the question of their transfer was not, therefore, pursued further.

64. *Avoidable Expenditure.*—Four tenders received in May, 1961 for the transportation by boats across a river, of stores required for the construction of certain border roads, were rejected without recording any reasons. It was stated in 1962 that the rejection was due to certain mistakes, amendments and additions pointed out by the Chief Engineer's Office. The connected papers have not, however, been made available to Audit so far.

Fresh tenders were invited in June, 1961 from five firms, including the four which had previously tendered. The firm whose rates were the lowest in the first instance had again quoted the lowest rates which were, however, very much higher as compared to previous ones except in respect of one item; for example, in two cases, the rates were increased from Rs. 175 and Rs. 500 per trip to Rs. 325 and Rs. 900 per trip respectively. The contract was concluded with this firm on 15th July, 1961. An extra expenditure of over Rs. 51,000 was thus incurred on account of the higher rates.

According to the terms of the contract the stores were to be handed over to the contractor at the depot site. They were actually transported in Government trucks upto the bank of the river and handed

over to the contractor there. This constituted an unintended financial benefit to the contractor and involved Government in an avoidable expenditure of Rs. 9,000 worked out at the prescribed rates of recovery for the use of such vehicles by the contractor.

65. *Machinery lying idle.*—In connection with the construction of certain roads, five 'A' and four 'B' type new tractors costing about Rs. 7 lakhs were put into use in June, 1961 and October, 1961, respectively. Three of the 'A' type tractors went off the road during July to September, 1961 after working for 45,187 and 193 hours respectively and two of the 'B' type tractors also went out of use early in November, 1961, after working for 124 and 167 hours. All these five tractors are still awaiting repairs for want of spares, etc. (September, 1962). An adequate supply of spares required for the repairs and maintenance of these tractors was not apparently arranged at the time of their purchase.

66. *Non-recovery of air-freight.*—Under an agreement with an air transport company arrangements have been made for the transport of personnel and supply articles of the Border Roads Organisation. An examination of the load manifests for the period from March, 1961 to January, 1962 showed that during this period, ration articles belonging to a unit canteen, and not to Government, had been air-lifted free of charge. The amount paid by Government worked out to about Rs. 27,400.

In October, 1962 it was intimated by the Commandant that the question of recovery or waiver of the air-freight charges was being taken up with higher authorities.

Ministry of Works, Housing and Rehabilitation

CHIEF TECHNICAL EXAMINER'S ORGANISATION

67. (a) The Chief Technical Examiner's Organisation was set up in June, 1957 to provide a system of internal concurrent and continuous administrative and technical audit of works in the C.P.W.D. The number of cases taken up for technical examination and those in which defects were noticed and observation memos issued to the Departmental Officers are given below:—

Period	No. of Bills, Contracts, Muster Rolls and Works		Percentage of cases in which defects were noticed
	Examined	Commented upon	
1957 (June-December)	301	248	82
1958 (January-June)	416	316	76
(July-December)	756	553	73
1959 (January-June)	583	380	65
(July-December)	761	393	52
1960 (January-June)	990	578	58
(July-December)	622	360	58
1961 (January-June)	1130	502	44
(July-December)	762	415	54
	<u>6321</u>	<u>3745</u>	

The number of cases where overpayment was initially assessed and pointed out to the C.P.W.D. upto December, 1961 and which have not been finalised so far (January, 1963) is 74 involving a sum of Rs. 2.52 lakhs.

The amount of overpayment of Rs. 6.71 lakhs accepted by the C.P.W.D. during 1961 covers the following types of irregularities:—

	(in lakhs of rupees)
(i) Sub-standard execution of works	2.81
(ii) Incorrect measurements	3.17
(iii) Less recovery on account of materials supplied to the contractors by the Department.	0.52
(iv) Other miscellaneous irregularities	0.21
	6.71

(b) *Overpayments.*—The position in regard to the recovery of amounts overpaid to contractors is given below :—

<u>As accepted by the C.P.W.D.</u>		<u>Recoveries made</u>		<u>Recoveries pending</u>	
No. of cases	Amount overpaid	No. of cases	Amount	No. of cases	Amount
(Amount in lakhs of rupees)					
1038	25.83	713	9.37	325	16.46

The delay in effecting recoveries has been attributed by the Chief Technical Examiner to :—

- (i) delay in sanctioning the substituted items statements and reduction statements by competent authorities, e.g., Superintending Engineers and Additional Chief Engineers, without which the Executive Engineers cannot finalise the cases and make recoveries from the final bills.
- (ii) delay in preparation of final bills due to pressure of other work on Departmental Officers, delaying tactics on the part of contractors, transfer of officers and sometimes closure or amalgamation of Divisions etc. In certain cases recoveries were held up as there were not sufficient amounts due for payment to the contractors against which recoveries could be adjusted.

(c) *Disciplinary action*—

- (i) During 1961, disciplinary action was initiated against defaulting officers in 10 cases of serious irregularities. This brings the total number of such cases since 1957 to 63, of which 37 cases have been finalised to the end of June, 1962. Out of the 26 pending cases, 8 cases were initiated

before 1960. Penalties have been imposed on 71 officers as under :

Nature of punishment	No. of officers awarded punishment			
	Executive Engineers	Assistant Engineers	Section Officers	Works Assistants
Warning or censure	17	16	11	1
Stoppage of increment	1	12	8	..
Reduction in pay/pension	2	1	1	..
Dismissal . . . . .	..	1	..	..
Total	20	30	20	1

(ii) Action was also taken against some of the contractors responsible for execution of sub-standard works by either black-listing them or suspending business with them for limited periods.

(iii) During the period June, 1957 to December, 1960 the Chief Technical Examiner's half-yearly reports included 98 major cases of overpayment involving about Rs. 10 lakhs in all, due to sub-standard execution of works. In 70 of these cases involving Rs. 6 lakhs, disciplinary action was not considered necessary against the officers responsible even though the overpayments were admitted by the Department as, in the opinion of the Department, no *mala fides* had been established against the officers concerned.

(d) Repair Works—

On the basis of the checks exercised by him, the Chief Technical Examiner has remarked that there has been some improvement in the standard of maintenance works undertaken by departmental labour, but that there is still scope for stepping up the general standard.

The Chief Technical Examiner has also drawn attention to

- (i) the continued neglect of electrical installations which, apart from necessitating quicker replacements and unnecessary expenditure thereon, may also result in accidents;
- (ii) the employment of staff on the electrical side in excess of requirements for the work actually handled;
- (iii) over-staffing in two workshops maintained by a Division for repairing vehicles. A total of 16 mechanics and fitters were employed for attending to repairs which might arise in respect of 30 vehicles in use, in addition to separate mechanical staff engaged on repairs to lawn-mowers. In spite of this excess staff, some vehicles and lawn-mowers remained under repair for 2 to 8 months.

(e) Some important cases of overpayments detected by the Chief Technical Examiner, are noticed below:—

(i) *Overpayment due to sub-standard work, etc.*—Technical examination of a bridge constructed in 1959 near Bombay Airport showed that some of the cement mortar used was of poor strength and that work stipulated in the agreement had not been fully carried out. A recovery of Rs. 32,159 was assessed on account of these defects. Further, the rates for two substituted items sanctioned by the Department were found to be excessive, resulting in an excess payment of Rs. 12,129.

Out of the total overpayment of Rs. 44,288 a sum of Rs. 18,105 has been recovered. The Executive Engineer has been ordered to ensure that recovery of the balance sum of Rs. 26,183 is made from the final bill of the contractor, if not earlier. The Ministry have stated that no *mala fides* were involved in the overpayment.

(ii) *Loss due to inadequate design of culverts.*—An enquiry into the collapse of two culverts in July, 1958, on the Delhi-Mathura Road showed that the failure in the work of widening them was due to inadequate design, including non-removal of obstruction at the down-stream side by regrading the channel, and that it was difficult to hold the contractor responsible for the damage. The loss to Government on this case amounted to Rs. 30,109.

Disciplinary action against the officers responsible for the inadequate design is stated to have been initiated (December, 1962).

(iii) *Overpayment due to inflated measurements.*—Contracts for the construction of approach roads to a bridge at Jangpura provided that the quantity of earth filling was to be computed with reference to the initial levels recorded before commencement and the final levels taken after completion of work. The quantity of earthwork was actually computed on tape measurements which could not be considered accurate. The contractors were thus overpaid Rs. 8,540 on this account. They also received an excess payment of Rs. 18,305 on account of inflated leads for the carriage of the earth. Intimation regarding recovery of total overpayments (Rs. 26,845) and disciplinary action is awaited (September 1962).

(iv) *Irremediable losses on widening and lowering of the Delhi Mathura-Road.*—An inspection of the records for the widening and lowering of the Delhi-Mathura Road showed that the quantity of soling and metal actually salvaged by the contractor was far less than the quantity provided for in the agreement and also the quantity which should have been salvaged as shown by experiments. There was also a considerable time lag (as much as 5 months in some cases) between the dates of dismantling and the dates of completion of the stacking of the salvaged materials. The extra expenditure for supply was assessed at Rs. 19,782.

As this road passed through certain portions where the ground was slushy, it was decided to excavate soft earth below the sub-grade and refill it with hard quarry. Instead of using the hard quarry rubbish available with the Department within a lead of half a mile, the

contractor was asked to arrange for it from his own sources, which resulted in a further extra expenditure of Rs. 4,537. Thus the total loss amounted to Rs. 24,319.

Disciplinary proceedings against the staff responsible for the irregularities were said to be under consideration (September, 1962).

CENTRAL PUBLIC WORKS DEPARTMENT

68. *Unadjusted Balances under Suspense and Remittance Heads.*—
The delay which has occurred in the final settlement or adjustment of a number of transactions involving cash or stores and the implications of such delay are indicated below:—

Head	Year-wise analysis of the outstanding amounts		Remarks
	(Rs. in lakhs.)		
(I) "Miscellaneous P.W. Advances."			
Transactions of the following types where recoveries have to be made from outside parties are initially accounted for under this head	Pertaining to 1958-59 and earlier years	132.79	The accumulation of large number of old outstanding items under this head without effecting recoveries may ultimately entail loss to Government.
(i) Sales on credit	Do. 1959-60	32.43	
(ii) Expenditure incurred on deposit works in excess of deposit.	Do. 1960-61	19.30	
	TOTAL	<u>184.52(a)</u>	
(iii) Certain types of losses, retrenchment and errors pending investigation.			
(iv) Other miscellaneous items including amounts due from contractors on closed accounts.			
The balance under this head gets cleared when recoveries are made and accounted for.			
(2) "Purchases."			
This account head is credited with the value of stores received from the suppliers or other divisions for which payments have not been made. The adjustments are made on payment of the cost in cash or by book transfer.	Pertaining to 1958-59 and earlier years	221.88	Complete information is not available to audit as to how far the large outstanding are due (a) to delayed payments to suppliers, or (b) to failure to carry out adjustments in the divisional accounts after the payments have been made.
	1959-60	73.89	
	1960-61	222.66	
	TOTAL	<u>518.43(b)</u>	

(a) Data from 10 divisions awaited (December, 1962).

(b) Data from 21 divisions awaited (December, 1962).

Head	Year-wise analysis of the outstanding amounts		Remarks
(3) "Transfers between P. W. Officers."	Pertaining to 1958-59 and earlier years.		(3) and (4). Until the large balances are adjusted, it cannot be said that materials transferred from one division to another or the stores supplied or arranged by other Government departments have actually reached the destination and have been accounted for or whether the services said to have been rendered to the other divisions have been duly acknowledged and brought to account.
When a public works division renders supplies and services to other public works divisions the value is debited to this head. The debits are cleared when the transactions are finally adjusted in the accounts of the divisions concerned.	1959-60	170.44	
	1960-61	32.34	
	1960-61	37.11	
	TOTAL	239.89	
(4) "Items adjustable by the Public Works Department".	Pertaining to 1958-59 and earlier years.		
This account head is debited with the value of stores supplied or services rendered to Central Public Works Department divisions by other departments of Government. The final adjustment is to be made by credit to this head when the transactions are verified by the division and booked under the works, etc. to which the charges pertain.	1959-60	94.95	
	1960-61	71.76	
	1960-61	27.98	
	TOTAL	194.69	

69. Delay in recovery of Government dues—

(a) Arrears in recovery of rents :

The following amounts were outstanding at the end of 31st March, 1962 on account of rent of buildings :—

(i) Delhi State Division No. II, Rs. 6.47 lakhs.

(ii) Ajmer Central Division, Rs. 4.38 lakhs.

(iii) 27 Other Divisions, Rs. 4.75 lakhs.

(b) Dues recoverable from local bodies in New Delhi/Delhi for works executed.—The recovery of substantial amounts, as shown below, representing expenditure incurred by the Central Public Works Department on behalf of the New Delhi Municipal Committee and the Delhi Municipal Corporation for providing municipal services (viz., filtered water supply works and sewage installations) was outstanding at the end of 1961-62:

Year	New Delhi Municipal Committee	Delhi Municipal Corporation
Relating to 1957-58 and earlier years	72.86	3.58
1958-59	3.32	5.40
1959-60	11.38	1.44
TOTAL	87.56	10.42

(Rupees in lakhs)

70. *Cases under arbitration and litigation.*—In 1957, a separate wing in charge of a Superintending Engineer was established in the Ministry of Works, Housing and Supply, to deal exclusively with arbitration cases arising out of disputes between contractors and the Central Public Works Department. In March, 1962, one more Superintending Engineer was attached to it. The table below shows that 225 cases relating to 1961 and earlier years are still pending disposal and that in the majority of cases disposed of, the time taken was more than one year.

Year	No. of cases received for arbitration	No. of cases in which awards given			No. of cases returned to department or withdrawn by parties	No. of pending cases
		Within one year	Between 1-2 years	After 2 years		
1	2		3		4	5
1959 . . .	168	53	81	13	6	15
1960 . . .	195	58	69	12	7	49
1961 . . .	245	31	30	..	23	161
1962 . . .	20	..	..	..	..	20
TOTAL . . .	628	142*	180	25	36	245

71. *Overpayments to Contractors.*—In respect of certain works which had been completed as early as January, 1944 and March, 1945, the accounts of two contractors were finalised by 'A' Division of the Central Public Works Department, New Delhi only in October, 1952 and February, 1953. It was then noticed that an overpayment of Rs. 67,053 had been made as a result of short recovery of—

(i) Cost of materials supplied and empty cement bags not returned	Rs. 63,105
(ii) Water charges	Rs. 3,948
TOTAL	Rs. 67,053

A sum of Rs. 15,000 representing the security deposit of one of the contractors was adjusted against the overpayments in August, 1960 (about fifteen years after the execution of the work and seven years after the accounts were finalised). The balance of Rs. 52,053 has remained outstanding under 'Suspense'. Efforts made by the Division in 1960 to recover the amount through the bills of the contractors pending with other Divisions were not successful.

No responsibility has been fixed for the overpayment or the undue delay in effecting recovery (June, 1962).

*Only 20 of these cases were disposed of within six months.

72. *Ex-gratia Payment*.—A payment of Rs. 31,314 was made in October, 1960 to a firm which had executed two works during the last war in Calcutta Central Division No. III, C.P.W.D., Calcutta, without signing agreements. Disputes arose in July, 1947 about the rates for certain items and were referred to an arbitrator in July, 1949. On the transfer of the arbitrator (who was a Superintending Engineer) the Additional Chief Engineer reviewed the claims at the request of the contractor and held that there was no justification for any revision of the orders already passed in November, 1945. Thereupon, the contractor filed an application in the court for permission to sue the Government which was dismissed in March, 1953. The case was then again referred to a Superintending Engineer appointed as arbitrator in 1955, who gave his award in January, 1958 for a sum of Rs. 31,314 payable to the contractors, adding that "the claims are otherwise time-barred and are not payable".

Government did not wish to invoke the technical plea of limitation and in July, 1960 sanctioned the payment of the amount *ex-gratia*.

73. *Avoidable expenditure due to delay in construction of a building*.—The Government of India decided in 1951 to construct a multi-storeyed building at an estimated cost of about Rs. 69 lakhs to accommodate the offices of the Income Tax Department at Calcutta.

After the land had been acquired in November, 1954, administrative approval and sanction to the actual construction of the building was not accorded until January, 1958. The annexes were first completed in December, 1960 but the construction of the main building was completed only in January, 1962. Even after the construction of the main building, only a portion of it upto the 3rd floor could be utilised for office accommodation as lifts were not installed. It has been stated by the Commissioner of Income-tax, West Bengal that the 4th, 5th and 6th floors of the main building were occupied on 10th May 1962 as the lifts in the Annexe building were put into commission on 14th May, 1962.

The contract for the lifts to be installed in the building was entered into by the Director General of Supplies and Disposals only in July, 1961 although the necessary indents had been placed on him in July, 1958. If the building had been constructed within about four years after the land had been acquired, the saving of rent to Government would have been of the order of Rs. 14 lakhs upto the end of 1961. There has been a further loss as a result of the delay in the procurement of lifts which has resulted in the non-utilisation of the accommodation above the 3rd floor in the multi-storeyed building for some months even after its completion in January, 1962.

It has been stated that the main building is now occupied upto the 6th floor and that in the absence of the lifts in the main building, the remaining 2 floors and roof top could not be occupied by vacating the leased buildings whose monthly rents total Rs. 8,600.

74. *Extra expenditure*.—In Agartala Public Works Division, a contract for carriage by road of steel and heavy structural materials from the rail-head to the headquarters for the period ending

31st March, 1958 was awarded to a contractor on 17th December, 1957 by negotiation, at the following rates:

- | | |
|---|----------------------------|
| (i) Steel materials | Re. 1/00 per ton per mile. |
| (ii) Heavy structural materials | Rs. 1/50 do. |

In another division, *viz.*, Assam-Agartala Road Division in the same station, exactly similar work was allotted on 30th December, 1957 to the same contractor at lower rates after calling for tenders. The rates were:

- | | |
|---|----------------------------|
| (i) Steel materials | Re. 0/50 per ton per mile. |
| (ii) Any other materials not specifically mentioned | Re. 1/00 do. |

The failure in the Agartala Division to call for tenders in the first case resulted in the acceptance of higher rates which involved an extra expenditure of about Rs. 50,000 till the end of September, 1958.

Tenders for the corresponding contract for the following year 1958-59 were invited in the Agartala Division on the 24th April, 1958 and the contract was finally awarded only on the 23rd June, 1958; it thus became necessary to extend the earlier contract at higher rates which would have otherwise expired by the end of March, 1958. The extension was sanctioned upto September, 1958 to enable the contractor to carry, at the higher rates, the quantity of 127 tons of which he had taken delivery before the appointment of the second contractor.

The contractor for 1958-59 was requested in August, 1958 to agree to a reduction of the rates on the ground that the condition of the road had been improved but he refused to do so. The Department who were aware that the condition of the road would be improved by the middle of 1958-59 did not apparently take this into account when awarding the contract for the whole of the year 1958-59. If they had restricted the contract to the quantity to be carried upto 30th September, 1958, the Department could have obtained the benefit of the reduced rates which in fact they were able to secure for an additional quantity of 2,000 tons after a fresh call for tenders. The extra expenditure incurred on account of 1,033 tons of materials carried by the contractor between 1st October, 1958 to 21st July, 1959 at the higher rates amounted to Rs. 40,780.

75. *Loss in transit.*—In February, 1957, a Public Works Divisional officer of the Manipur Administration entered into a contract for repacking, in bundles of 2 cwt., about 365 tons of corrugated iron sheets imported from Australia in bundles of about one ton each and for loading them in railway wagons at a rate of Rs. 50 per ton inclusive of insurance charges; in the written agreement with the contractor, however, the fact that the accepted rate was inclusive of insurance charges was omitted through oversight.

On receipt of the materials at the destination, a shortage of 6.75 tons (together with 585 numbers of cover sheets) was noticed.

Besides, one wagon containing 19 tons did not reach the destination. The contractor claimed Rs. 18,278 on account of the work done by him. The Administration, however, preferred a counter-claim of Rs. 23,398 against the contractor on account of transit shortages and compensation for failure to repack the sheets in smaller bundles of 2 cwts. each. The claim of the contractor was ultimately settled by arbitration in July, 1960 for Rs. 10,967 (*i.e.*, at Rs. 30 per ton).

It was held by the Administration in October, 1961 that the contractor could not be held responsible for the shortages as shortage certificates could not be obtained from the Railway/Manipur State Transport in spite of persistent efforts.

Claims for Rs. 17,707 and Rs. 7,841 preferred by the Administration against the Railways and the Manipur State Transport in September, 1957 and May and June, 1958, respectively for the transit loss have not yet been settled.

Departmental action against the staff of the Manipur State Transport is reported to be in process and not yet finalised (October, 1962).

CHAPTER V

Purchase of Foodgrains

Ministry of Food and Agriculture

SCHEME FOR THE PURCHASE OF FOODGRAINS

76. The scheme of state trading of foodgrains introduced in 1943-44 continued during the year 1961-62. The *pro forma* accounts for 1960-61 and 1961-62 prepared by the Ministry are incorporated in Appendix V.

A broad analysis of the transactions during the years 1960-61 and 1961-62 is given below:—

	1960-61		1961-62			1960-61		1961-62	
	Quan- tity	Value	Quan- tity	Value		Quan- tity	Value	Quan- tity	Value
(Quantities in lakh tonnes and value in crores of rupees)									
Opening stock .	10·75	43·49	24·00	93·96	Sales	41·35	162·23	38·15	148·54*
Purchase (in- cluding freight, incidental and direct charges).	55·06	223·52	34·81	148·00	Loss in distri- bution.	0·46	...	0·14	...
					Miscellaneous receipts	...	0·88	...	0·35
<i>Deduct</i> —Cost of short landed quantity charged to Insurance.	(—)0·69		(—)0·53		Closing stock	24·00	93·96	20·52	84·73
					Total loss on the transactions (including value of grains lost in transit and distribution).	...	18·68	...	19·25
Indirect expenses.	...	4·99	...	6·05					
Interest on Capital.	...	4·44	...	5·39					
	<u>65·81</u>	<u>275·75</u>	<u>58·81</u>	<u>252·87</u>		<u>65·81</u>	<u>275·75</u>	<u>58·81</u>	<u>252·87</u>

The following points were noticed during a test check of the *pro forma* accounts for 1960-61 and 1961-62.

(1) *Inter Depot Transfers*.—(a) Registers are required to be maintained by the Pay and Accounts Officers of the Ministry for linking the quantities of food-grains despatched from docks to depots or from one depot to another with the quantity taken on stock by the receiving depot. In respect of the grains transferred upto March, 1962,

*The figures exclude amounts of Rs. 0·64 crores in 1960-61 and Rs. 0·55 crores in 1961-62, creditable to a *pro forma* insurance account maintained by the Ministry.

about 6,200 items involving a quantity of 26 lakh tonnes valued approximately at Rs. 100 crores were still lying unlinked at the end of December, 1962; 3091 of these items were more than one year old. The work of liquidating the arrears is stated to be in progress.

The difficulties generally arise as a result of the late receipt of stock accounts from the depots and the omission to furnish full particulars of despatches etc.

(b) The accounts of the Tripura Administration have so far been received only up to the year 1957-58. Even in respect of these accounts the receipts have not been linked with the despatches to Tripura to ensure that the Administration have correctly accounted for all the quantities of food-grains supplied to them. It was only from November, 1960 that a procedure of despatching transfer advices in respect of issues to Tripura was introduced.

(2) *Closing stocks.*—The closing stock of grains as on 31st March, 1961 and 31st March, 1962 has been worked out at Rs. 93.96 crores and Rs. 84.73 crores respectively with reference to the entire quantity landed at the ports up to the 31st March, without reconciling it with (a) the quantities certified as having been received in the depots during the year, and (b) quantities which were in transit on that date and subsequently certified as received by the depots in the following year. The question of effecting such a reconciliation is stated to be under consideration.

The closing stock has been valued on an *ad hoc* basis at the rate of Rs. 14 for wheat and Rs. 16 for rice per maund. This valuation does not take into account damaged grains which would have to be sold at reduced prices. The Ministry have stated that the quantities of such grains held in the depots will be ascertained and shown separately in the *pro forma* accounts in future. The quantity is estimated to be substantial; in the Calcutta and Bombay depots alone, there were over 10,000 tonnes of such grains (approx. value Rs. 40 lakhs) at the close of March, 1962.

(3) *Transit losses.*—The losses in distribution as shown in the *pro forma* accounts for 1960-61 and 1961-62 include transit losses of 44,630 tonnes and 12,315 tonnes respectively. Out of 44,630 tonnes, about 21,000 tonnes relate to the year 1960-61 and the balance to the previous years. The figure of 12,315 tonnes for the year 1961-62 does not include the transit losses in respect of depots outside Calcutta in the Eastern Region, which have not yet been worked out. In a number of cases these losses are still to be investigated and written off.

(4) *Outstanding recoveries, etc.*—The *pro forma* accounts for 1960-61 and 1961-62 include recoveries made on an *ad hoc* basis to the extent of Rs. 1.10 crores and Rs. 14.07 crores respectively for want of despatch advices and sale accounts, etc. The present position is:

(a) that despatch advices and sale accounts in respect of about 42,700 tonnes of grains for the supplies made upto March, 1962 are

still (December, 1962) awaited. (Quantities of about 6,802 tonnes and 5,562 tonnes pertain to despatches made in 1956-57 and 1957-58);

(b) that advices and sale accounts received in excess in respect of about 31,500 tonnes issued from 1956-57 onwards have not yet been linked with the issues shown in the stock accounts of the depots concerned.

(5) *Other discrepancies.*—(a) From 1st April, 1961 separate stock accounts in respect of storage depots in and around Calcutta are received instead of one consolidated account. The total of the opening balances of the individual depots as on that date has not yet been reconciled with the closing balances of the consolidated account as on 31st March, 1961.

(b) The quantity of wheat issued during 1961-62 according to the stock statements of these depots is 6.84 lakh tonnes but in the *pro forma* accounts it has been taken as 8.27 lakh tonnes. Similarly, in the case of rice, the quantity issued was 71.375 tonnes but the quantity accounted for in the *pro forma* accounts is 1,91,964 tonnes. It has been stated that the Pay and Accounts Officer, New Delhi, received two sets of statements (*viz.* stock accounts and recovery statements) from Calcutta and that wherever there were differences between the two, the higher figures were taken into account in compiling the *pro forma* account. The Pay and Accounts Officer, Calcutta has been asked to reconcile the discrepancies.

(6) *Internal check of storage depots.*—The initial accounts maintained by the various storage depots, Regional Directors, controlled flour mills and supply agents were checked by internal check parties of the Pay and Accounts offices under the Ministry upto 1957-58 when these were disbanded. The internal check has been revived in New Delhi and Bombay from January, 1962, and May, 1962, respectively. It has been stated (January, 1963) that the work at Calcutta will be taken up shortly.

77. *Loss in transporting foodgrains.*—Under a contract entered into by the Tripura Administration in September, 1958, for the transportation of foodgrains from Kalkalighat Railway Station to Government godowns in Tripura, the contractor was required to clear from the railway station the entire quantity of Government foodgrains within 7 days of their receipt. Owing to the inability of the contractor to clear the stocks expeditiously, about 70,000 maunds of rice accumulated, by the middle of December, 1958, in transit depots at the Kalkalighat railway station and at Choraibari. Out of this total quantity, about 40,000 maunds were lying unprotected in the open. Without terminating the contract for failure to implement it, another contractor was engaged at a higher rate from 17th December, 1958 for transporting fresh receipts of foodgrains.

The previous contract was subsequently terminated on 7th January, 1959 when there was still a stock of about 71,900 maunds remaining uncleared in the custody of the first contractor. Before this accumulation could be cleared by engaging additional contractors, a loss of foodgrains valued at about Rs. 2.67 lakhs occurred as a result of damage by rain and pilferage, for which the first contractor has been held responsible. The Ministry have stated in January, 1963 that a

sum of Rs. 70,000 (approx.) in respect of the loss has been adjusted against the pending bills and the security deposit of the contractor and that a civil suit has been filed against him in connection with the loss.

The additional expenditure on the clearance of stocks accumulated by the first contractor amounted to Rs. 38,600.

It was known that the first contractor originally engaged had no experience of the transport business; no enquiry was, however, made by the Department about his financial status and capacity to fulfil the contract before entering into an agreement with him. Further, the loss in this case could have been minimised if timely steps had been taken to appoint alternative contractors as soon as the unsatisfactory performance of the original contractor came to notice. This would have prevented the accumulation of heavy stocks in transit sheds which were not fully protected against loss because of rains or pilferage.

78. *Hiring of Godowns.*—For the purpose of storing foodgrains, godowns were hired at various places in India for different periods and necessary staff appointed for looking after them. 131 such godowns (in regions other than the Eastern Region), however, remained vacant for various periods between July, 1957 and January, 1962, as indicated below:

- (i) 50 of these godowns remained vacant from 3 to 14 months after which they were surrendered;
- (ii) 37 godowns were put to use only after they had remained vacant for 2 to 22 months;
- (iii) there were delays up to 12 months in surrendering 41 godowns after the stocks in them had been cleared;
- (iv) 2 godowns have neither been utilised nor surrendered since they were hired in January, 1961;
- (v) one godown with a capacity of 6,000 bags remained vacant for 33 months, after which 420 bags were stored in it.

A total expenditure of over Rs. 1.50 lakhs was incurred on pay and allowances of the staff and rent of the godowns during the period they remained unutilised.

CHAPTER VI

Stores Purchases and Iron and Steel Control Organisation

Ministry of Economic and Defence Co-ordination

79. *Timber contracts placed by the Director General of Supplies and Disposals.*—Cases of purchase of timber where Government have not been able to enforce the conditions of the respective contracts are mentioned below:—

- (a) Six contracts for the supply of timber were placed between June, 1956 and July, 1957 with a firm who was a lessee of the Jammu and Kashmir Forest Department. The supplies were to be completed by different dates within the period July, 1956 to December, 1957. The firm defaulted in their supplies. The Director General of Supplies and Disposals cancelled the acceptances of tenders in December, 1957 without any financial repercussions on either side and placed purchase orders with the Chief Conservator of Forests, Jammu and Kashmir at the rates concluded with the firm. The Chief Conservator of Forests completed the supplies by August, 1958, in respect of four orders and refused to supply in respect of two of the orders, as the rates of timber covered by these orders had subsequently gone up. In one case, the indenter purchased the materials from another source incurring an extra expenditure of Rs. 18,784 and in respect of the other, no supplies have so far been received against a contract which was placed on the Himachal Pradesh Forest Department in December, 1962. The estimated extra cost involved in this repurchase is Rs. 29,474.
- (b) In respect of six contracts entered into during 1948-1950, a sum of Rs. 1,69,504 is still due to Government from a firm by way of extra expenditure incurred in repurchase of stores at the firm's risk and cost. The firm had deposited security amounting to Rs. 90,000 in the form of two bank guarantees in February and June, 1948 respectively, each valid for one year. The Director General of Supplies and Disposals did not take timely action to invoke or revalidate the guarantees within the said period. No amount could, therefore, be recovered from the firm, which went into liquidation in 1951.
- (c) (i) A firm defaulted in making supplies and committed irregularities in twenty-one contracts entered into between 1955-56, and the disputes were reported in October, 1956 to the Special Police Establishment for investigation and prosecution of the firm. No case was registered against the firm but action for black-listing

them was recommended in May, 1958. The firm was not, however, black-listed on the ground that it was holding a lease from the Ministry of Food and Agriculture for exploitation of forests in the Andamans for 25 years from 1951 and was in a monopolistic position in respect of valuable species of timber. Dealings were only partially suspended with them in 1959 and their registration is stated to have been withdrawn.

- (ii) In 1960, however, three contracts worth Rs. 8.95 lakhs were again entered into with the same firm. The firm defaulted in their supplies and the contracts were cancelled in June, 1962 at the risk and expense of the firm. No risk purchases were, however, made as the consignees in two cases, no longer required the stores, and in the third case, timber of the particular species could not be obtained from any other source.
- (iii) The following sub-paragraphs deal with three cases where recoveries are still pending from this firm against old contracts:
- (1) In two contracts placed in 1950, a sum of Rs. 81,475 became due to Government in December, 1956 by way of general damages. Only a sum of Rs. 1,991 was recovered by the Director General in 1958 and the recovery of the balance amount has remained unsettled (November, 1962).
 - (2) In another contract in 1955, the firm had obtained an overpayment of Rs. 96,650 by despatching less quantity of materials to the consignee. The recovery of the amount is still outstanding (December, 1962).
 - (3) During 1948-50, twenty-three contracts were placed for the supply of Burmah Teak Squares. The firm after placement of the contracts, demanded an increase in price on account of statutory increase imposed by a foreign Government. This demand was rejected in April, 1951 and at the instance of the firm the case was referred to arbitration in March, 1954. The firm's claim amounted to Rs. 12.95 lakhs together with interest on the amount. A settlement was ultimately reached eight years later in March, 1962, outside arbitration, by Government agreeing to pay Rs. 10.75 lakhs to the firm. Government also abandoned their claim for liquidated damages and for shortage in supply of timber to the extent of Rs. 1.44 lakhs.

Some of the indentors reported that they had also suffered losses by having to resort to local purchases on account of delay in supplies by the firm, and the total loss in these cases amounted to Rs. 94,132.

80. *Avoidable expenditure on purchase of "Buffer plungers".*—The Director General of Supplies and Disposals invited tenders on three occasions during the period March to September, 1960 for the supply of "Buffer plungers" for railway wagons. On each occasion the lowest

quotation was submitted by a firm which held the previous running contract for the same type of stores. The lowest offers on each occasion were higher than the last purchase price paid to this firm for similar stores. A period of about three to four months was spent in making attempts (without success) to persuade the firm to accept lower rates. Eventually, in January and May, 1961, the Director General of Supplies and Disposals placed two contracts of the total value of Rs. 3.44 lakhs—one on the same firm at the highest rate (Rs. 120 each) quoted by them, and the other on another firm at a still higher rate—resulting in an extra expenditure of about Rs. 25,000. This might have been avoided if the rising market trend of prices as indicated by the quotations received from different firms from time to time had been given due consideration.

81. *Loss due to delay in rejection of inspected stores.*—In April, 1956, the Director General of Supplies and Disposals entered into a running contract with a firm for the period from April to December, 1956 for the supply of black enamel to various Railways. In August, 1956, the firm offered 1450 gallons (in two lots) for inspection against a total quantity of 4230 gallons for which order had been placed. The inspecting authority, however, intimated after more than three months, in November, 1956, that the samples drawn did not conform to the specification; the grounds of rejection were, however, intimated to the firm only in January, 1957 at the request of the firm. In the meantime, the firm had advised on 3rd November, 1956 that in view of the delay in inspection they would not be responsible for late deliveries and risk purchase.

As the currency of the running contract had expired, the Director General cancelled the supply orders and the running contract at the risk and expense of the firm. The firm protested against the cancellation of the contract and referred the matter to arbitration on the 5th April, 1957.

Acting on the advice of the Ministry of Law, the Director General of Supplies and Disposals finalised in June, 1957 the repurchase at an extra cost of Rs. 17,362 out of which a sum of Rs. 5,747 was recovered from the bills of the defaulting firm.

In their award given in May, 1960, the Arbitrators disallowed the claims of the Government and directed the refund of Rs. 5,747 already deducted from the firm's bills. The award was accepted by the Government in consultation with the Ministries of Law and Finance.

Government was thus put to an avoidable extra expenditure of Rs. 17,362 in this case by the delay in conveying to the firm the result of the inspection of the supplies offered by them.

INDIA SUPPLY MISSION

82. *Non-verification of the financial standing of foodgrain suppliers.*—Claims assessed at about 12,000 dollars (Rs. 57,000 approx.) on account of despatch, demurrage and crane hire against a firm in the U.S.A. with whom five contracts for supply of foodgrains had been entered into by the I.S.M., Washington between February to

July, 1957 and in January, 1958, were referred to the Legal Adviser in November, 1958 and April, 1959. On his advice, suits were filed in a court for an amount of \$ 13,363.

The Mission had information in April, 1959 that the firm had ceased to be in grain business towards the close of 1957. They were also advised by the Legal Adviser in December, 1959 that the firm was "hopelessly insolvent". A settlement out of Court was ultimately made by the Legal Adviser more than a year later in March, 1961, providing for the payment by the firm of \$ 2,500 in four instalments. In reaching this settlement, account was taken of a counter-claim preferred by the firm in April, 1958 against which the legal liability of Government was assessed by the Legal Adviser at \$ 4,014.

The Mission could not, however, recover more than \$ 1,000. The loss as compared with the amount for which suits were filed amounted to \$ 12,363 (about Rs. 59,000). Orders of Government regarding the write off of the loss and the responsibility of the Mission for not checking up the financial status of the firm before orders were placed and for not effecting prompt recoveries of the amounts claimed are awaited.

83. *Non-verification of the financial standing of Vessel-owners.—*

(i) Between 3rd March, 1958 and 14th August, 1958, the I.S.M. Washington, preferred "Despatch" claims aggregating \$ 29,217 (which was revised on 14th November, 1960 to \$ 24,298) and cargo damage claims aggregating \$ 1,145 on a Shipping Company in respect of 5 contracts entered into with them during August, 1957 to February, 1958. There was also a "General Average" claim aggregating \$ 16,250 due to the vessel owners. As the Company did not settle the claims despite repeated requests, the Mission initiated legal proceedings on 17th November, 1958 for the recovery of "Despatch" and "Cargo damage" claims amounting to \$ 25,443. In the meantime, the financial condition of the Company deteriorated. The Legal Adviser to the Mission, therefore, negotiated a settlement with the attorneys of the Company for \$ 1,297 against the Despatch claim of \$ 8,048 (after setting off the General Average claim of \$ 16,250) and \$ 600 against the Cargo damage claim for \$ 1,145. This resulted in a net loss of \$ 7,296 (i.e. Rs. 34,744) to Government.

(ii) A steam ship sailed from U.S.A. on 14th January, 1960 for India with 9842 long tons of wheat valued at Rs. 29.26 lakhs received under the P.L. 480 Scheme. It was held up at Port Said and could not complete the voyage to India owing to the inability of the owners of the ship to meet current expenses and to pay wages to the crews, etc. The wheat carried by the vessel had to be sold to the Government of United Arab Republic as it was not considered economical to transport it to India in another vessel.

On 2nd April, 1960, Government filed a claim against the owners of the ship for damages amounting to £ E35,942 (Rs. 4,92,360 approx.) comprising loss in sale of wheat, shortage of 85 tons, 90 per cent. freight already paid reduced by amount received from the Government of U.A.R., and other expenses incurred by them. As, however,

the only asset of the owners was the ship, which was too small to satisfy even the other claims which enjoyed priority, an out of court settlement was reached by the Government with the owners of the ship for £ E8,000 plus £ E1,600 on account of lawyer's honorarium and judicial fees, resulting in a loss to Government to the extent of £ E27,942 (Rs. 3,82,525 approx.).

The unstable financial position of the shipping Company and its agents was known to the Mission as early as February, 1959, long before the ship was chartered. The loss could have been avoided had the financial position of the shipowners been verified before entering into the contract.

No responsibility has been fixed so far (June, 1962).

Ministry of Steel and Heavy Industries

IRON AND STEEL CONTROLLER'S ORGANISATION

84. *Delay in execution of contracts.*—As against 65 contracts placed on a certain firm during November, 1954 to April, 1962 involving the import of 1.60 lakh tons of steel valued at Rs. 10.91 crores, the firm completed shipments by the stipulated date in respect of 29 contracts only. In other cases the supply was delayed for varying periods as shown below and a quantity of 6,049 tons is still outstanding:

Total quantity contracted for.*	77,091 tons.
Quantity supplied within the stipulated delivery period	42,959 "
Shipments delayed for less than 3 months	12,201 "
Shipments delayed for more than 3 months	15,882 "
Balance still to be supplied (November, 1962)	6,049 "

These contracts are subject to the condition that in the event of failure to adhere to the stipulated shipment period the Iron and Steel Controller would be entitled to recover from the firm, liquidated damages at the rate of 2 per cent per month or part of a month in respect of the quantity outstanding for shipments. No liquidated damages have been levied in respect of delayed shipment except in two cases, where claims for Rs. 87,000 approximately were preferred in January and April, 1960, but even in these two cases no amount has been recovered so far.

85. *Non-maintenance of records*—

(a) Although the Iron and Steel Controller, on an average, handles annually contracts valued at about Rs. 15 crores no progress register is maintained contract-wise to watch progress of performance against each contract, except in respect of supplies financed from the Development Loan Fund. The fulfilment of the

*NOTE.—Bulk contracts with foreign suppliers in which the firms act only as handling agents have been excluded.

Ex-stock deliveries have also been excluded.

terms and conditions of the respective contracts has thus to be verified only by a reference to the individual files, bills and invoices. The Iron and Steel Controller has not, however, been able to make available for audit purposes during the period July to December, 1962, about 200 subsidy bills, etc. out of a total of 735 in respect of contracts placed with an importer. In respect of contracts placed with another importer, only 433 out of 1,866 subsidy bills were made available during the same period. The Ministry have stated that the Iron and Steel Controller is being asked to maintain proper registers in future.

(b) The Iron and Steel Controller places contracts for import of steel under the Development Loan Fund Agreement with the U.S.A. The cost of this steel is met from the Loan Fund in the U.S.A. and recovered from the allottees of the steel in India. Steel valued at about 55 million dollars was imported upto June, 1962.

The Steel Controller has not been maintaining any stock accounts showing the receipt and distribution of these materials and of recoveries effected from consignees. In the absence of this information it has not been possible to verify in audit that all imported steel has been distributed and that all recoverable amounts have been recovered. The Iron and Steel Controller has agreed in April, 1962 to build up records from the available particulars.

86. *Handling contracts.*—In certain cases, the Iron and Steel Controller appoints handling agents to handle the steel at ports, deliver it to consignees, realise the cost of the steel from them, and credit the amounts recovered to Government. Handling agreements executed during December, 1959 to March, 1962 involved payments estimated at Rs. 50 lakhs but the selection of the handling agents has not been made after calling for competitive tenders. It has been stated that the handling of material worth millions of dollars requires adequate experience and that this cannot be ensured merely on the basis of competitive tenders.

87. *Undue benefit to controlled stockists of steel.*—Since early in 1956, the Iron and Steel Controller has been placing orders on Indian firms for imported steel sheets with the stipulation that payment for the cost of sheets was to be made on a "gross for net" weight basis, that is, on the gross weight inclusive of the packing material. This method of payment was justified on the ground that the sheets were to be securely packed to withstand the rigours of sea voyage and that payment on the basis of actual net weight of the material would have led to higher prices having to be paid to the suppliers. The consignees in India to whom the steel was allotted were also required to make payment on the same basis.

In April, 1957, however, the Ministry issued orders that controlled stockists need pay only for the net weight of the material actually received by them, the difference between the contractual price on the gross weight and the controlled selling price on the net weight being paid to the importers from the Iron and Steel Equalisation Fund. The grant of this concession to the controlled stockists was justified mainly on the ground that they would have to open the bundles and

sell the sheets loose on the basis of the net weight. The net weight was to be determined as indicated on the packages; where there was no such indication, an allowance was to be made equal to 2½ to 6 per cent. of the gross weight, according to the category of steel sheets and the nature of the packing.

The controlled stockists were allowed, however, to retain the packing material free of cost. The Steel Controller has contended that this course was decided upon as the scrap value was negligible and that the collection and sale of this material and maintenance of proper accounts for it would not be remunerative. It is not, however, clear why an *ad-hoc* reduction at the rates realised for such material in auctions (about Rs. 100 per ton) could not have been made at the time of making payments from the Equalisation Fund.

No records have been maintained by the Iron and Steel Controller from which the total quantity of steel sheets imported under this arrangement could be readily ascertained. The total loss to Government on this account cannot, therefore, be worked out but taking the figures of 5,371 tons representing the quantity imported through one port (Calcutta) for one year (1960-61) the weight of the packing material, allowing a tare of 4 per cent, would be of the order of 200 tons costing about Rs. 20,000 on a scrap value basis. There was no apparent justification for foregoing the recovery of this amount.

Iron and Steel Equalisation Fund

88. The Receipts and Payments Account of the Fund for the year 1961-62 and its Balance Sheet as on 31st March, 1962 are reproduced in Appendix VI, of this Report. A summary of the transactions for the four years ending 31st March, 1962 is shown below:—

Year	Receipts	Payments	Cash balance at the end of the year
(In crores of rupees)			
1958-59	23·70	16·23	7·47
1959-60	25·74	7·60	25·61
1960-61	31·81	17·29	40·13
1961-62	25·45	12·69	52·89

In Para 62 of the Central (Civil) Audit Report, 1962, a reference was made to the steadily increasing credit balance in the Fund and it was suggested that a review of the basis for the recovery of the surcharge and the purposes for which the accumulations in the Fund could be utilised was called for. The question is now under consideration of the Government.

(a) Receipts

(i) Surcharge from the Main Producers.

The amounts which accrued to the Fund on account of surcharge payable by the main producers and the amounts realised were as follows:—

	Amount due	Amount realised
	(In crores of rupees)	
(a) Private Sector :		
Prior to 1961-62	149.50	137.33
In 1961-62	15.02	18.42
TOTAL	164.52	155.75
Net amount outstanding at the end of 1961-62		8.77
(b) Public Sector :		
Prior to 1961-62	6.29	4.92
In 1961-62	7.37	5.86
TOTAL	13.66	10.78
Net amount outstanding at the end of 1961-62		2.88

The amounts outstanding from the main producers as worked out by the Iron and Steel Controller are still under reconciliation with the figures as worked out by the main producers. In the case of Tatas the work of reconciliation is stated to have almost been completed except for some minor discrepancies which the Ministry expects will be reconciled and settled soon. The reconciliation conducted in respect of the Indian Iron and Steel Company has brought out a discrepancy of about Rs. 1.30 crores, the Iron and Steel Controller's accounts showing Rs. 1.08 crores as being due to Government from the firm, while the firm claims that an amount of Rs. 0.22 crores is due to it from Government. The firm has not furnished a statement showing the details of debits and credits appearing in its books in respect of the Fund, nor has it made available its books of accounts representing the full details of transactions with the Fund. The Ministry have stated (January, 1963), that an officer is being deputed shortly to visit Burnpur to finalise the reconciliation. Pending a reconciliation of the accounts according to the main producers with the accounts maintained by the Iron and Steel Controller in regard to the amounts of surcharge payable to Government the main producers have been allowed to pay the amounts which they themselves admit are due from them to the Steel Equalisation Fund.

(ii) Amounts due from Controlled Stockists:

According to the provisions of the agreement entered into by the Iron and Steel Controller with controlled stockists, payments become due to the Fund in cases of statutory revision in the price of steel; in such cases provisional payments are required to be made by the controlled stock-holders, with reference to the stocks held by them on the date of revision, within 14 days from the date of receipt of the Iron and Steel Controller's bills in respect of price changes brought into effect from 11th June, 1956 and 16th May, 1957 respectively and within 14 days from the date of the price revision in respect of price changes introduced after May, 1957. A test check of some cases involving payments of about Rs. 15 lakhs has showed that there has been, on an average, a delay of nearly four months in making payments to the Fund.

(b) Balance Sheet:

(i) Sundry Debtors:

The year-wise analysis of the outstandings totalling Rs. 1373.15 lakhs against Sundry Debtors as on 31st March, 1962 is shown below:—

Year to which the outstandings pertain	Amount (in lakhs of rupees)
Prior to 1958-59	25.45
1958-59	8.64
1959-60	43.24
1960-61	82.90
1961-62	1212.92

Against these outstandings, recoveries have since been effected to the extent of Rs. 913.72 lakhs, leaving a balance of Rs. 459.43 lakhs (approx.) as on 31st December, 1962, the bulk of this amount being due from the main producers. It has been stated by the Iron and Steel Controller that the outstandings are covered by the amounts due to the main producers on account of increase in retention prices allowed by Government in their orders issued in September, 1962.

The amount of Rs. 1.16 crores outstanding against the re-rollers relates to recoveries due on account of surcharge and revaluation of stock on different dates due to increase in the statutory selling prices. It has been stated that such outstandings are normally adjusted against the counter-claims of re-rollers for freight transport charges etc. The amount has since been reduced to about Rs. 31 lakhs (December, 1962).

The outstanding amount of Rs. 76 lakhs due from sundry parties on account of subsidy on imported steel has been brought down to Rs. 54.90 lakhs (approx.) on 31st December, 1962.

(ii) Special Advances:

Special advances of Rs. 20.18 crores were given from the Equalisation Fund to TISCO and IISCO during the period from 1954-55 to 1957-58. These loans were interest-free upto 30th June, 1958. From 1st July, 1958, interest at the rate of 5 per cent per annum was chargeable on these advances but the recovery of the interest has been postponed till a decision had been taken on the retention prices to be allowed to all main producers in Private and Public Sectors. Though the revised retention prices were fixed in September, 1962, no recovery of interest has so far been made, and the mode of payment of the interest and repayment of Special advances is still under consideration of Government (January, 1963).

CHAPTER VII

Grants-in-Aid

Ministry of Finance

89. *Outstanding utilisation certificates.*—In respect of grants-in-aid sanctioned by Government to any public body or institution, the rules stipulate that the sanctioning authority should, before payment of grant-in-aid, insist, as far as possible, on obtaining an audited statement of accounts of the body or institution concerned in order to ensure that any previous grant was spent fully for the purpose for which it was intended. A certificate of utilisation of the grant is required to be furnished by the sanctioning authority to the Accountant General in every case of grant specifying that the grant has been utilised on the objects for which it was sanctioned; and where the grant was conditional, the conditions have been fulfilled.

The delays which have occurred in the receipt of such certificates are indicated below:

Name of the Ministry	Period to which the grants relate	No. of utilisation certificates outstanding at the end of Sept., 1962	Amount
			(In lakhs of rupees)
Commerce and Industry	1956-62	186	177
Community Development, Panchayati Raj and Co-operation	1956-62	65	30
Education	1953-62	967	20,05
Finance	1960-62	19	6
Food and Agriculture	1954-62	142	104
Health	1954-62	1,051	389
Home Affairs	1958-62	468	327
Works, Housing and Supply	1958-59	23	5
Works, Housing and Supply (Department of Rehabilitation)	1955-62	212	68
Scientific Research and Cultural Affairs	1953-62	1,009	23,96
Transport and Communications	1960-62	21	16
Cabinet Secretariat	1961-62	16	85
External Affairs	1957-61	14	2
TOTAL		4,193	56,10

Of the cases included in the above table, 666 cases covering an amount of Rs. 400 lakhs relate to grants paid before April, 1959.

Ministry of Education

CENTRAL SOCIAL WELFARE BOARD

90. The Central Social Welfare Board was set up by a resolution of the Government of India with effect from 12th August, 1953 and functions under the administrative control of the Ministry of Education. As stated in Paragraph 17 of the Audit Report (Civil), 1962, the Board has no separate legal existence as a Statutory Body or Registered Society.

The functions of the Board are to survey and meet the financial needs of Social Welfare Organisations, evaluate their programmes, objects, etc. The schemes of the Board mainly relate to welfare of women and children and handicapped persons and are executed through the State Social Welfare Advisory Boards which were set up in all the States by August, 1954.

Funds sanctioned by the Central Government are first withdrawn from the Treasury by the Board and credited to their own account in the State Bank of India. The expenditure of the Board (including the grants given by them) is met by withdrawing funds by cheques from that account.

During the period August, 1953 to March, 1962, funds made available to the Board by the Central Government and the expenditure met therefrom were as follows:—

	Grants-in-aid by Ministry of			Expenditure				
	Education	Comm- erce & Industry	Home and External Affairs	Admin- istra- tion	Purchase of Jeeps	Grants paid by the Board to		
						State Boards	*Institu- tions	
	(In lakhs of rupees)							
August '53 to March '59	5,33.13	1.32	0.76	33.82	62.25	17.25	415.86	
1959-60	1,90.00	6.95	..	8.93	18.51	5.62	165.48	
1960-61	2,27.25	1.47	0.17	9.96	0.49	7.08	211.96	
1961-62	1,82.19	2.43	0.77	11.56	0.01	7.83	165.01	
	11,32.57	12.17	1.70	64.27	81.26	37.78	958.31	

(A) *Utilisation of Grants.*—In respect of applications for "one year grants" which constitute about 80 to 85 per cent. of the total

(*) Includes the amount given direct by the Central Social Welfare Board and through the State Boards.

number, State Boards have been made responsible, with effect from 1st April, 1961, for release of funds to the institutions concerned and for final acceptance of the accounts submitted by them.

In regard to grants-in-aid made before April, 1961, the information regarding receipt of utilisation certificates so far collected by the Board from their files and records shows that the position as on 15th November, 1962 was as follows. (No consolidated record which can be verified by audit is maintained in the office of the Board to ascertain the extent to which the receipt of utilisation certificates and audited accounts is in arrear).

	No. of Institutions/projects for which grants were given	Total amount of grants given by the Board	Unspent balance lying with the Projects/institutions on the basis of accounts received	No. of Projects/institutions from which accounts are still due	Remarks
(In lakhs of rupees)					
Second Plan Period Grants	840	107.28	1.37	62	
Other Grants (1958-59 to 1960-61)	6,284	154.30	2.44	1,225	The information relating to grants given prior to 1958-59 has not been collected by the Board.
Welfare Extension Projects (1958-59 to 1960-61)	762	215.57	8.83	59	

(B) *Expenditure on Jeeps.*—A sum of Rs. 81.26 lakhs was spent upto 31st March, 1962 on the purchase of 588 jeeps, 18 station wagons, one car and 219 trailers and accessories. They were obtained for use in Welfare Extension Projects—the intention being to supply one jeep to every 2 projects by the end of March, 1959. As the Board had already purchased 300 jeeps during the first Plan Period, indent for 332 jeeps was placed in December, 1956 on the D.G.S. & D. with the intention of taking delivery of these vehicles as and when each additional project was opened. It was, however, decided in 1958 to abolish after the Second Plan period the projects as originally patterned and to strengthen voluntary organisations to take up the activities with the help of grants from Central Social Welfare Board. 248 jeeps were rendered surplus when the Projects were closed down on the 1st April, 1961. Out of these, 159 were transferred to the voluntary organisations on the basis of a decision to provide one jeep to each voluntary organisation which took up welfare work at four

centres or more, and 3 jeeps were transferred to other Government organisations. The remaining 86 jeeps are still lying unused with different State Boards. The number of surplus trailers is not known.

During the local audit, conducted for the years 1960-61 and 1961-62, it was noticed that the log books were not being maintained properly. In many cases, purpose of the journey was not given while in other cases sufficient details were not mentioned to know whether the journey was official or not. In one case, a journey of 945 miles during the period 15th January to 25th January, 1961 was not entered in the log book, while another Project was not maintaining any log book at all.

(C) *Training schemes of the Board.*—(i) The Board spent upto 31st March, 1962, a sum of Rs. 45.73 lakhs on the training of 359 Mukhya Sevikas, 3,793 Gram Sevikas, 221 Midwives and 256 Dais. After the successful completion of the training, the trainees are required to serve for a period of at least 3 years in any of the Extension Projects failing which they are liable to refund the expenditure incurred on their training. Similarly, if a trainee leaves after 6 weeks of the commencement of the training, she is liable to refund the stipend received by her. The number of trainees who did not fulfil the conditions and the amount recoverable from them were not available with the Board. The information received from 12 out of 20 State Boards showed that the number of defaulters in these States was 310 out of 2561 trained in those States and the amount recoverable was Rs. 1.21 lakhs. Out of this, Rs. 9,382 was recovered, and a recovery of Rs. 84,910 was waived by the Government of India in November, 1961.

On the closure of about 400 originally patterned projects with effect from 1st April, 1961, 865 trained persons could not be absorbed by the Voluntary Organisations and they had to be discharged before the completion of 3 years service. 153 Gram Savikas could not be offered any appointment after the completion of the training.

(ii) Under the Scheme started in 1958, 405 Craft Instructors were trained in Ambar Charkha Vidyalayas of the Khadi and Village Industries Commission at a cost of Rs. 2.75 lakhs (including Rs. 1.94 lakhs borne by Khadi and Village Industries Commission but excluding the salary of the Craft Instructors) the object being that they would organise training in spinning for women in Parishramalayas to be opened in the Project Centres by the State Boards. Only 103 out of these 405 Instructors, so trained, were given employment in Parishramalayas opened by the Project Centres and they became surplus in March, 1961 when the Board found it necessary to discontinue the Scheme.

Ministry of Health

91. *Review on the working of Indian Council of Medical Research.*—The Indian Council of Medical Research was formed in 1950 and took over the assets and liabilities of the former Indian Research Fund

Association. The Council is registered under the Societies Registration Act, 1860. It functions under the control and management of a Governing Body.

The Council is financed mainly through grants paid by the Central Government. The receipt and expenditure during 1961-62 and preceding two years are indicated below:—

	Receipts			Expenditure	
	From Government	From Foreign aid	Miscellaneous	On Enquiries	On fellowship and Research programme
	(In lakhs of rupees)				
1959-60	37.93*	1.68	0.47	48.89	..
1960-61	50.00	0.87	0.76	47.1	1.88
1961-62	50.00	1.49	0.60	(A)	(A)

(A) *Delay in receipt of accounts and Utilisation Certificates.*—The Council's programme of research is carried out in three research centres directly run by the Council, and several research units and 'enquiries' at various Medical Colleges and Institutions. In addition, the Council gives grants-in-aid to the Director of Health Services of the various States and a few other bodies for medical research.

The Council has got a centralised system of accounts and audit. The Officers-in-charge of the various centres, units and 'enquiries' are provided with advance to meet expenditure on approved items of work. A sum of Rs. 37.36 lakhs as detailed below, is stated to be outstanding in August, 1962 in the books of the Council for final adjustment of the expenditure:—

Particulars	1959-60 and earlier years	1960-61	1961-62	Total
	(In lakhs of rupees)			
For want of audited statement and utilisation certificates in respect of grants given to Directors of Health Services, of various States and other bodies	4.46	0.61	5.52	10.59
For want of adjustment bills on account of advances for construction of Buildings.	10.31	7.30		17.61
For want of adjustment bills.	0.25	0.38	0.84	1.47
For want of stamped receipts	2.47	1.04	4.18	7.69
TOTAL	17.49	9.33	10.54	37.36

(*) Includes Rs. 3.93 lakhs given directly to other organisations from the provision made in the Central Budget for Indian Council of Medical Research.

(A) Information not available as the accounts of the Council are awaiting finalisation.

With the passage of time, the clearance of old outstandings may become more and more difficult as a number of 'enquiries' are terminated every year.

(B) *Store Accounts.*—(i) No accounts of non-expendable articles of stores purchased by the Research Centres/Units and 'enquiries' are maintained centrally by the Council. The value of such non-expendable stores as on 1st April, 1962 with 159 'enquiries' was Rs. 12.79 lakhs.

The check exercised by the Council over the stores accounts maintained by the Research 'enquiries' is not effective. The property registers of non-expendable articles are obtained in the Headquarters office once in a year for test check. During local audit, instances were noticed of stores not accounted for, non-attestation of the entries, non-inclusion of the cost of articles, etc., in the Stock Registers of the Units, Centres, etc.

(ii) In February, 1962, the Ministry of Finance issued instructions stating that a condition should be incorporated in the sanctions to grants-in-aid that the assets acquired out of Government grants should not, without the prior sanction of the Government, be disposed of/encumbered or utilised for the purposes other than those for which the grants were sanctioned. The condition is not included in the sanction authorising the release of grants to the Council.

92. *Irregular retention of unspent amount of grant-in-aid.*—In February, 1960, Government sanctioned a grant-in-aid of one lakh of rupees to the Port Blair Municipal Board for the construction of its office building and town hall without specifying any condition. A condition was imposed in April, 1960 that the grant should be utilised within a specific period of time (which was fixed by the Administration as 31st March, 1963). Under the rules, only so much of the grant should be paid during a financial year as is likely to be expended during that year. Nevertheless, the entire amount was paid in March, 1960 though the plans and the estimates for the building were not prepared till even November, 1961.

In June, 1962, Government sanctioned an *ad-hoc* grant of Rs. 22,200 to meet the rent of the Municipal Office building for the period from 11th January, 1959 to 31st March, 1962. In August, 1962, Government informed audit that similar grants would continue to be given to the Board till the construction of its own building is completed.

The delay in the utilisation of the grant-in-aid has not only meant a locking up of Government money, but has also involved Government in avoidable recurring expenditure.

Ministry of Information and Broadcasting

CHILDREN'S FILM SOCIETY

93. The Children's Film Society was set up in May, 1955 as a registered body mainly with a view to promoting the production of films for children and adolescents, their distribution and exhibition in India and abroad.

Government agreed to pay grants to the Society on the following pattern :—

(a) First Year.	100 % of the cost of a feature film to be produced in that year.
(b) Second Year	75 % of the cost of a feature film and two short films ; the grant was to be reduced to the extent that the income from the distribution of the first film exceeded 25% of the cost of the second year's programme.
(c) Third Year	50% of the cost of a feature film and two short films ; the grant was to be reduced to the extent that the income from the distribution of the second year's films exceeded 50% of the cost of third year's programme.

It was expected that 30 per cent. of the production cost would be realised by the sale of tickets; and the remaining gap of 20% as well as the cost of release prints and the administrative expenses of the Society would be met from the capital subscribed by its members and donations (about Rs. 5 lakhs).

A broad analysis of the receipt and expenditure of the Society is given below:—

Year	Receipt			Expenditure	
	Grants received from Govern- ment	Subscrip- tion received from Members (States)	Other receipts (including sale of tickets)	Film cost, production cost and prints	Other Expendi- ture
(In lakhs of rupees)					
1955-56 to 1958-59	13.73	0.06	2.24	12.38	3.59
1959-60	6.01	0.70	1.08	7.18	1.43
1960-61	9.25	0.55	1.27	8.71	2.60
1961-62	10.34	0.60	1.17	9.73	2.45

The Society has not been able to realise sufficient revenue from the exhibition of its films and from the subscribers. Government have, therefore, been giving grants on an increasing scale from year to year. In 1961-62, grants from Government constituted 90 per cent. of the total expenditure of the Society.

The Society's accounts are being audited by a Chartered Accountant. A test check of the accounts by Audit conducted in October, 1962 has brought out the following points:—

(A) *Production.*—(i) The Society had produced upto the end of 31st March, 1962, 36 feature films of the total length of about 1,30,000 feet. An examination of their production costs indicates that the cost of production per running foot of the films has ranged between Rs. 25 to Rs. 50 per foot as against the maximum rate of Rs. 25 normally paid by the Films Division for documentary films produced by private producers. One of the causes for these high costs appears to be the excessive consumption of raw stock. A few instances are given below in which raw stock consumed appears to be excessive as compared to the length of final print.

Name of the Film	Length of Final print	Length of raw stock consumed		Proportion of raw stock consumed to length of Final print	
		Picture Negative	Sound Negative	Picture Negative	Sound Negative
	ft.	ft.	ft.		
Hero	895	12,344	11,295	13.8	12.6
Chetak	2,252	22,669	20,550	10.1	9.0
Gulab Ka Phool	1,532	12,056	18,881	8.0	12.2
Id Mubarak	1,849	14,725	14,210	8.0	7.9
Haria	4,894	35,874	52,411	7.3	10.7

(ii) The raw stock purchased by the Society is stored with the Bombay Films Laboratory who were required to send monthly statements showing receipt and issue of various types of raw stocks. The Society is, however, not maintaining any regular stock accounts to check the accuracy of the stock returns received from the Laboratory nor any physical stock verification of the stocks held by the Laboratory is conducted by the Society.

(iii) The Society is not maintaining any stock registers in respect of final prints to show the number printed, distributed, disposed of, balance, etc. A comparison of the balance as worked out by Audit from some of their initial records and compared with the balances which are stated to be with them shows a shortage of 72 prints (35 m.m.) and 46 prints (16 m.m.) as on 20th August, 1962, the value of which exceeds a lakh of rupees.

(iv) Before the prints are actually taken, it is customary to prepare a Master positive from the original negative and one Dupe negative from the Master positive. Instances have come to notice where two or more Master positives or Dupe negatives were prepared, resulting in an excessive use of about 51,000 feet of the raw stock; the cost of raw stock alone being about Rs. 8,000.

(v) Payment to the extent of Rs. 7,000 was made to some artists, who were associated in the production of a film without any contract. In respect of another film, a sum of Rs. 17,000 was paid *ex-gratia* to different persons, after the production accounts had been closed. Payee's receipts for about Rs. 1,800 were not forthcoming in respect of another production.

(vi) The Society undertook the production of 8 documentary films and incurred expenditure from time to time but the documentaries have not been completed. No papers could be shown to audit to indicate the expenditure incurred so far and the stage at which the production stands at present and whether the idea is to continue or to stop further work thereon.

(vii) The Society does not prepare any detailed estimates of cost of production, indicating scene number, location of shooting, approximate length of the shot, etc.

(B) *Distribution and Sale.*—(i) The Society arranges for the exhibition of films at an auditorium hired on an annual rent of Rs. 7,000. The entrance to the auditorium is by tickets. No stock registers of ticket books are maintained and the ticket books used are not serially numbered. Audit could not, therefore, verify whether all the monies realised by sale of tickets were credited in the Society's accounts.

(ii) The Society also arranges for distribution of films through distributors but there is no standard form of contract for leasing out films and the contracts are not executed on stamped paper. The Society has no proper system to check the actual collections in respect of various films and to correlate them with the amount remitted by the distributors.

(iii) The price at which the prints are sold to non-members is fixed on *ad hoc* basis and there is no proper system to correlate the sale price with the cost of production.

(iv) The Society prepared 14 prints for University Film Council during 1960-61 and 1961-62 at a cost of about Rs. 22,000. A sum of Rs. 15,000 has to be recovered from the University Film Council (November, 1962).

(v) The Society arranges for exhibition of films through Punjab and Madras Sub-Committees; but their relation to the Society is not known. A sum of Rs. 33,000 is due from the Punjab Sub-Committee in respect of films supplied to it from time to time.

(C) *Miscellaneous.*—(i) No Log Book was maintained by the Society's Branch at Bombay in respect of their car till it completed 20,100 miles.

(ii) The Secretary of the Society was paid Rs. 750 to Rs. 1,300 per month as salary, plus a car allowance of Rs. 150 per month and an entertainment allowance of Rs. 350 per month. No certificate was furnished by the Secretary that the expenditure incurred on entertainment by him was not less than Rs. 350 per month.

It was also noticed that a sum of Rs. 10,000 per annum was drawn by way of travelling allowance by the Secretary.

(iii) The Society was awarded a cash prize of Rs. 10,000 on their production of 'Id-Mubarak' by Government in 1960-61. At the meeting of the Standing Committee held on 5th May, 1961, it was decided that the cash prize be distributed among workers, technicians and artists who helped the Society in making the Children's film. The list of persons to whom the money was paid was not produced to Audit.

(iv) The Constitution of the Society framed in 1955 was amended by the Society in 1961 without following the provisions of the Registration of Societies Act, 1860. The new Constitution has, *inter alia*, dispensed with 'The General Body' and effected drastic reduction in membership fee from Rs. 25,000 to Rs. 10,000 from State-members. It is not clear whether these changes are legally permissible under the Societies Act.

(v) A sum of \$1,000 was sanctioned by the International Centre of Film for Children, Brussels, in March, 1960 as grant to the Society but the credit for the amount is not traceable.

Ministry of Scientific Research and Cultural Affairs

94. *Grants-in-aid given by the Ministry of Scientific Research and Cultural Affairs.*—The following points came to notice during a test-check of the accounts of the Technical Education and External Relations Divisions of the Ministry of Scientific Research and Cultural Affairs which paid grants-in-aid aggregating Rs. 11.95 crores during 1961-62 for technical education and external relations.

(1) *Utilisation Certificates.*—The Ministry is not maintaining any consolidated record to keep a watch over the receipt of periodical progressive reports, audited statements of accounts and utilisation certificates duly certified by the auditors, from the Institutions to whom grants for technical education, etc., have been given. It was not, therefore, possible for audit to verify in how many cases utilisation certificates and audited statements of accounts were overdue. The information as collected by the Ministry from their files indicates that utilisation certificates in 56 cases involving a sum of Rs. 96.48 lakhs relating to grants paid during 1959-60 and 1960-61 had not been received upto July, 1962.

(2) *Creation of Assets.*—According to the instructions issued by the Ministry of Finance in February, 1960, the authorities sanctioning the grants should specify in the sanction letter that the assets created out of Government grants should not, without the prior approval of the Government, be disposed of/encumbered or utilised for purposes other than those for which grants have been sanctioned. The Ministry is also required to maintain block accounts of permanent and quasi-permanent assets, acquired wholly or mainly out of Government grants by various non-Government or Quasi-Government bodies on the basis of returns received from these bodies. It was noticed that the condition referred to above had not been specified in a number of

cases and that the block accounts of permanent or quasi-permanent assets were not maintained in the Ministry.

(3) *Release of grants-in-aid to Regional Colleges in advance of requirements.*—The scheme for the establishment of 8 Regional Engineering Colleges and 7 other technical colleges was approved by Government on 20th January, 1959 and 4th April, 1961 respectively. During the period 1960-61 to 1961-62, grants amounting to Rs. 185·20 lakhs were released to ten such colleges. At the end of March, 1962 grants amounting to Rs. 129·92 lakhs were reported to have been utilised by the colleges, leaving unspent balances to the extent of Rs. 55·28 lakhs in all. Audited statements of accounts have not been received from any of the 10 colleges.

Certain points relating to the accounts of some of the individual colleges are mentioned below :—

(a) *Regional College of Engineering, Jamshedpur.*—(i) A sum of Rs. 34,100 received from the students towards examination/admission fees during 1960-61 was kept out of the Institution's accounts till the date of audit. The amount was stated to have been kept with the State Bank in the personal account of the Principal.

(ii) The closing cash balance of Rs. 14,769 on 1st July, 1961 was not brought forward as the opening balance on 3rd July, 1961. (There was no transaction on 2nd July, 1961).

The physical verification, conducted by the Principal on 31st October, 1962 at the instance of Audit, revealed a further shortage of Rs. 738.

(b) *Regional Colleges of Engineering, Kozhikode.*—Architects at a cost of Rs. 60,000 had been appointed for the preparation of detailed estimates, tender forms, reinforcement calculations for the buildings which were estimated to cost Rs. 23 lakhs. It is not clear why the work could not be got done by the technically qualified P.W.D. staff consisting of a Superintending Engineer, Assistant Engineers and Junior Engineers, engaged on the project.

(c) *Maulana Azad Engineering College, Bhopal.*—A contract for the construction of college at an estimated cost of Rs. 53·14 lakhs was awarded in March, 1962 after negotiation, to a contractor whose rates were higher by Rs. 1·05 lakhs than the lowest tenderer on the ground that the lowest tenderer did not come up for negotiations. An unusual clause providing for extra payment for any increase in the price of cement, steel or in the royalty payable or labour charges was also included in the contract.

(d) *Regional College of Engineering, Nagpur.*—One steam turbine with dynamo and condenser purchased in September, 1961, at a cost of Rs. 45,000 was lying idle as the College had not purchased any boiler for it and did not have the building facilities for erecting the plant.

(4) *Excessive provision of funds for Grants-in-aid.*—A scheme was formulated in March, 1959 for the standardisation of the scales of pay of different grades of teachers in different technical institutions and the entire expenditure involved in the adoption of the revised scales of pay by the State Governments and non-Government institutions was to be borne by the Government of India for a period of 5 years

in the first instance. Uptil July 1961, only 4 States had accepted the scheme but the Ministry continued to provide large amounts of money in their budget estimates for successive years much in excess of requirements. Provision for grants amounting to Rs. 15 lakhs, Rs. 40 lakhs and Rs. 117.20 lakhs were made in the successive years 1959-60, 1960-61 and 1961-62, but only a sum of Rs. 19.64 lakhs was released in 1961-62. Out of this sum, grants amounting to Rs. 15 lakhs were released to State Governments even when they had not asked for any funds.

(5) *Undisbursed Scholarships not recovered.*—During the years 1960-61 and 1961-62, the stipends amounting to Rs. 41.38 lakhs and Rs. 61.83 lakhs respectively were paid under the Practical Training Stipends Scheme, Research Training Scholarships Scheme, Merit-cum-means Scholarships Scheme and Technical Teachers Training Programme. An examination of the accounts of stipends paid showed the following defects :—

- (i) No cash book is maintained by the Ministry to record the receipt of cheques obtained from the Treasury or from the private institutions/establishments on account of unspent balances refunded by them. Three instances were noticed where cheques amounting to Rs. 5,137 had remained on the relevant files for a period of 2 to 3 years.
- (ii) The ledger accounts of the stipendiaries are not being reviewed by the Ministry with the result that there is a large number of items (some of them dating back to 1951-52) in regard to which action to effect recoveries has not been taken for several years. The review by audit of some of the files/ledgers relating to these schemes showed that recoveries amounting to Rs. 1.95 lakhs had been outstanding for a long period. A complete review of the accounts is necessary to work out the total outstandings and to take steps for their recovery as the outstandings are likely to run into several lakhs.

An examination of the records of regional offices to whom the detailed working of the Practical Training Stipend Scheme was transferred in 1958-59 shows that a sum of about Rs. 25,000 was outstanding for recovery out of stipends paid during 1960-61.

(6) *Grants to Administrative Staff College, Hyderabad.*—The College was paid a non-recurring grant of Rs. 7 lakhs at its start in 1957. A recurring annual grant of Rs. 3 lakhs was also paid from 1957-58 to 1959-60.

The grants-in-aid to the college were originally approved on the understanding that the assistance was required by the college in the initial stages, and that it would be able, later on, to obtain necessary funds from the industrial and commercial organisations, tuition fees and other sources.

Although the annual accounts of the College for 1959-60 (published in June, 1960) showed a surplus of income over expenditure to the extent of Rs. 2.04 lakhs, in addition to a sum of Rs. 6.4 lakhs which

had been transferred by the College to their Building Fund, Government decided in September, 1960 to give an annual block grant of Rs. 2.5 lakhs for 3 years from 1960-61 without any reservation about the review of the position after the accounts of each year were finalised. The accounts of the College for the years 1960-61 and 1961-62 closed with surpluses of Rs. 56,896 and Rs. 61,170 respectively which were transferred to a "General Fund". In addition, the College had accumulated on 31st March, 1962 a balance of Rs. 12.31 lakhs in the Building Fund (to which subscriptions and donations from patrons were transferred), Rs. 3.29 lakhs in the Depreciation Fund (as depreciation on land, buildings and other assets), and a sum of Rs. 1.17 lakhs in an Endowment Fund.

The grants paid to the College thus proved to be in excess of the requirements for meeting the remaining expenditure and substantial amounts have been kept in hand as Capital Reserves.

(7) *Grants-in-aid for construction of International Students House, Delhi.*—A grant-in-aid of Rs. 5,500 was paid in March, 1955 to Delhi International Students House Society to establish and manage a house for International Students. No account of this grant-in-aid was asked for till 7th July, 1962 when the Society informed Government that they had spent only seven rupees on purchase of cash books, etc. and that the balance of Rs. 5,493 was lying with them in the Bank. No steps had been taken till September, 1962 to obtain a refund of this amount.

Though the first preliminary estimate for the House amounting to Rs. 5.7 lakhs was prepared in July, 1956, and a provision of Rs. 3.24 lakhs was made in the budget estimates for 1955-56, the concurrence of the Ministry of Finance was obtained only in November, 1958. The plans were subsequently revised twice and a grant-in-aid of Rs. 8,21,500 was paid to the Society in March, 1962 for the construction of the House instead of in instalments as and when required. In June, 1962 the amount was deposited by the Society with the C.P.W.D. who were to complete the first phase in a period of 18 months.

VIJNAN MANDIRS

95. The Scheme of setting up of Vijnan Mandirs in rural areas was initiated by the Council of Scientific and Industrial Research in 1953 and its administrative control was transferred to the Government of India in 1955. The object of the Scheme was to set up Vijnan Mandirs in the rural area with a view to stimulate science consciousness among the people and make them familiar with scientific principles involved in their day-to-day problems of agriculture, crop protection, village sanitation, etc. Suitable accommodation with electricity, etc. to house the offices of Vijnan Mandirs was to be provided by the State Governments. It was planned to set up 92 Vijnan Mandirs at a cost of Rs. 50 lakhs during the Second Plan period, but actually 38 Vijnan Mandirs were set up at a cost of Rs. 15 lakhs by the end of March, 1961, against the provision of Rs. 41.41 lakhs in the budgets during 1956-57 to 1960-61.

13 Vijnan Mandirs which were set up during the period 1957 to 1959 have not been supplied electric connection so far (December, 1962).

In about 20 out of 38 Vijnan Mandirs either the post of Vijnan Mandir Officer or that of the Assistant Vijnan Mandir Officer was vacant for a period ranging from two to three years.

Quarterly reports submitted by the Vijnan Mandir Officers and inspection report of the Special Officer of the Ministry showed that the Scheme has not so far achieved the real objectives as envisaged. The Assessment Committee appointed by Government in September, 1959 to evaluate the working of the Mandirs have also stated that no systematic attempt had been made to familiarise the people with the working of the Vijnan Mandirs and in the absence of active efforts to mobilise local support, it was not surprising, that many Vijnan Mandirs had not evoked any popular enthusiasm.

The Ministry have stated (December, 1962) that "It is, rather premature to judge the results now, when the Scheme has functioned only for a few years. Regarding the Report of the Assessment Committee, it may be mentioned that we approached the State Governments to take over the Vijnan Mandirs so that this Scheme may be co-ordinated with other Rural Development Schemes of the States. But, in spite of the Centre promising very liberal grants, the State Governments have not yet expressed their firm intention to take over the Vijnan Mandirs. Attempts are, however, still being made to persuade the State Governments to take over the Vijnan Mandirs."

96. *Sangeet Natak Akademi*.—The Sangeet Natak Akademi was established in 1953 by a Resolution of the Government. The Akademi, which is mainly financed by Government of India's grants, was paid grants totalling Rs. 48 lakhs during 1955-56 to 1960-61 and Rs. 12 lakhs during 1961-62.

The irregular retention of heavy cash balances in hand, and serious defects in the maintenance of the cash book, and in the procedure for making payments were brought to the notice of the Ministry by Audit as early as 1957. The non-rectification of the defects was also pointed out in subsequent reports.

An investigation undertaken on the 21st March, 1960 disclosed a suspected defalcation of Rs. 1.89 lakhs and a temporary misappropriation of Akademi's funds to the extent of Rs. 55,600. The Secretary of the Akademi, during whose tenure of office the alleged defalcation and temporary misappropriation took place, had resigned from the Akademi on the 12th March, 1960. The case was handed over to the police in July, 1960 and is stated to be now *sub judice*.

The Akademi was reconstituted and registered as a society under the Registration of Societies Act on 11th September, 1961.

Other points brought out during a local audit conducted in February/March, 1962 are mentioned below:—

(i) *Outstanding utilisation certificates.*—The institutions to whom grants are given by the Akademi are to submit audited statement of accounts along with a utilisation certificate of the amount received duly countersigned by a Chartered Accountant. It is noticed that the utilisation certificates for the grants paid during 1960-61 were awaited in March, 1962 from 20 institutions involving a total sum of Rs. 1.48 lakhs. The position of the utilisation certificates relating to earlier years could not be verified as the records are stated to be with the police.

(ii) In respect of an application from an Institution for a grant of Rs. 12,000 for the production of a drama in a regional language, although the State Akademi through whom the application was routed had recommended payment of a grant of Rs. 4,000, the Akademi paid the full amount of Rs. 12,000 without recording any reasons.

The statement of expenditure submitted by the institution showed the purchase of a tape-recorder at a cost of Rs. 2,000 but no action was taken by the Akademi to take over the tape-recorder after the production of the Play.

(iii) *Infructuous expenditure.*—An Officer on Special Duty was appointed on the 8th January, 1959 on a fixed honorarium of Rs. 400 per month for compilation of the technical terms and texts in Urdu, Persian and Hindi. His services were terminated on 31st August, 1960 and he was paid Rs. 400 in lieu of one month's notice. During the period of about 18 months the officer was not actually engaged on the work for which he was appointed. The Akademi also decided in August, 1960 not to proceed further with the work. The expenditure incurred on this account amounting to Rs. 7,200 has proved to be infructuous.

CHAPTER VIII

Loans and Advances

Ministry of Community Development, Panchayati Raj and Co-operation

97. *Non-recovery of dues from a Society.*—For the purpose of establishing a “Dead Cattle Disposal Centre” on a co-operative basis and for training villagers in flaying and tanning, Delhi Administration entered into an agreement with a Co-operative Industrial Society in New Delhi in February, 1956. The Agreement, *inter-alia*, stipulated that:—

- (i) Government would grant a loan of Rs. 15,000 to the Society for meeting the expenditure on the construction of a suitable building for the Centre. The loan was to be repaid by the Society with interest @ 4½ per cent. per annum in five annual instalments commencing from the expiry of one year after the payment of the last instalment of the loan.
- (ii) Government would place at the disposal of the Society, a jeep and a trailer costing Rs. 15,500 and certain equipment costing Rs. 3,300. The Society would be responsible for the maintenance and repairs of the jeep and trailer and would pay to the Government hire charges at a rate to be worked out on the basis of depreciation charges. They were also required to pay a hire of Rs. 10 per month for use of equipment.

The loan of Rs. 15,000 was paid to the Society in two instalments of Rs. 10,000 and Rs. 5,000 on 17th April, 1956 and 31st March, 1957 respectively. The jeep and the trailer were handed over to the Society on 28th October, 1955 and 25th November, 1955 respectively even before the formal execution of the agreement. Other equipments were transferred on 16th July, 1956.

The Society is reported to have paid an amount of only Rs. 213 so far on account of interest. An amount of Rs. 19,311 is overdue towards repayment of loan and interest (December, 1962). The question of fixing of suitable hire-charges for jeep and trailer was not, however, considered by the Administration till June, 1959. In February, 1960, a report was received that the jeep had outlived its life and required extensive repairs. The rate of hire has not yet been fixed and intimated to the Society (December, 1962). The nominal hire-charges of Rs. 10 per month for use of other equipment have not been paid by the Society from the very beginning.

Ministry of Law

98. *Grant of Loans to an Institute.*—In August, 1962, Government entered into an Agreement with the Indian Law Institute in which

it was stipulated that the Government of India would give a loan of Rs. 9.15 lakhs to the Institute for the construction of three-storeys over the ground-floor on their existing building at New Delhi. It was also provided that the additional carpet area of 24,000 sq. feet made available by new construction would be leased to Government for a period of 10 years at a monthly rental of Rs. 45 per 100 sq. ft., the rent payable being set off against the loan and interest (4½%) thereon. The grant of loan contains the following unusual features:

(i) The Institute is not obviously in immediate need of additional space in the near future. The terms allowed to the Institute, enable it to own the additional accommodation (24,000 sq. ft.) after a period of 9 years free from all liabilities and without having to incur any capital expenditure from its own sources.

(ii) Under the Delhi Rent Control Act, the reasonable rent, chargeable for such accommodation, after the initial period of exemption for 5 years, is 8½% per annum of the cost of construction and the market price of land. The Ministry of Works, Housing and Supply has, however, worked out the reasonable rent as Rs. 27 per 100 sq. ft. per mensem which gives a return of 4½% after allowing for depreciation, maintenance, repairs, municipal taxes, etc. The payment by Government at Rs. 45 per 100 sq. ft. per mensem to the Institute thus involves an additional annual expenditure of Rs. 51,840.

(iii) The land for the building of the Institute was given at a concessional rate as the building was to be used by the Institute for its own use. The Ministry of Works, Housing and Supply, who were consulted, observed that if the Institute demands recovery of rent at the market rate of Rs. 45 per 100 sq. ft., Government would be justified in demanding nearly Rs. 57,000 per annum as additional rent for the land. This additional rent was, however, not levied by Government.

The Ministry of Law have stated (December, 1962) that the rent payable to the Institute is very much less than the market rent.

Ministry of Works, Housing and Rehabilitation

SUBSIDIZED INDUSTRIAL HOUSING SCHEME.

99. Under the Housing Scheme for industrial workers introduced in September, 1952, financial assistance is given by the Government of India to State Governments for the construction of houses for industrial workers whose income does not exceed Rs. 350 per mensem. One half of the ceiling costs prescribed for construction of various types of building units is given by the Central Government as an outright subsidy and the balance as a loan repayable by the State Governments in 30 equal annual instalments.

A total amount of Rs. 17.21 crores as subsidy and Rs. 21.06 crores as loan had been drawn by State Governments up to 31st March, 1962. Data compiled by the Ministry in September, 1962 showed that out of 91,256 houses which were built under the scheme and were ready for occupation in all respects, as many as 14,660 houses (representing 16% of the total) had been temporarily

diverted for use by ineligible persons (*i.e.* persons other than industrial workers with an income of Rs. 350 or below per month). Besides another 11,459 houses (over 12% of the total) were lying vacant. The details for each State are shown below :—

Sl. No.	State	Financial assistance drawn from Central Govt. (In crores of rupees)		No. of houses constructed	No. of houses ready for occupation	No. of houses allotted to ineligible persons	No. of houses lying vacant
		Subsidy	Loan				
1.	Andhra Pradesh	0.62	0.79	4286	3604	1083	137
2.	Assam	0.04	0.08	303	303	177	53
3.	Bihar	0.72	1.94	6203	6203	400	2232
4.	Gujarat	1.59	2.06	14858	14858	1349	1498
5.	Kerala	0.08	0.06	250	250	2	105
6.	Madhya Pradesh	0.92	1.05	6101	4963	840	618
7.	Madras	0.55	0.68	2382	2114	110	255
8.	Maharashtra	5.50	6.65	23601	23601	2248	3101
9.	Mysore	0.69	0.79	5260	4688	1015	165
10.	Orissa	0.23	0.22	620	374	35	37
11.	Punjab	0.44	0.50	2448	2448	173	147
12.	Rajasthan	0.34	0.33	1422	1322	41	289
13.	Uttar Pradesh	3.91	4.22	25056	20876	7172	727
14.	West Bengal	1.58	1.69	6812	5652	15	2095
		17.21	21.06	99602	91256	14660	11459

The percentage of houses not utilised for allotment to the eligible persons was particularly high in Bihar (42%), Uttar Pradesh (38%), West Bengal (37%) and Andhra Pradesh (34%). The fact that in spite of the concessional rents fixed for the eligible industrial workers the percentage of non-allotment to such persons is high seems to indicate that the demand for such accommodation in the areas selected for construction had not been correctly assessed.

It has also been reported that the economic rent was not recovered from the ineligible persons in certain States. In Uttar Pradesh, the economic rent was not recovered from ineligible occupants till November, 1959 when orders were issued for recovery at the enhanced rates. Even thereafter, more than 4,000 allottees paid subsidized rents instead of the enhanced rents over the period 1959 to 1961. In Assam, rent amounting to Rs. 92,000 approximately

in respect of the period upto June, 1962 has not been recovered from ineligible occupants.

In Andhra Pradesh, the majority of the quarters remained vacant for periods ranging from 1½ to 5 years. 50 tenements in each of two areas in Kerala could not be allotted even after 4½ and 6 years respectively. The estimated loss of rent in some States due to the quarters remaining vacant is given below:—

	(In lakhs of rupees)
Andhra Pradesh	7·20
Gujarat	2·10
Madhya Pradesh	1·01
Maharashtra	4·22
Uttar Pradesh	4·76
West Bengal	4·55

The Government of India have requested the National Building Organisation to investigate into the reasons as to why a large number of tenements built under the scheme are lying vacant.

The scheme did not contemplate the allotment of houses built under it to ineligible persons and State Governments were made liable to pay to the Government of India the difference between the economic and subsidized rent for houses which might be temporarily so diverted. In Uttar Pradesh a sum of Rs. 7·12 lakhs, being the difference between the enhanced and subsidized rents, became due from the State Government for the period from January, 1960 to June, 1962 while in respect of the period March, 1957 to December, 1959 the amount due could not be furnished by the concerned department of that Government.

The Government of India reviewed the position and issued orders in February, 1962 laying down that in respect of houses temporarily allotted to ineligible persons, State Governments need only pay to the Government of India additional charges equivalent to the interest on the subsidy portion of the assistance given by the Centre. In these orders it was also laid down that they would be applicable to past cases also where the State Governments had not already credited to the Government of India the difference between the economic and subsidized rent in respect of subsidized houses temporarily diverted.

The Government of India further advised the State Governments in July, 1962, that such of the houses as could not be allotted to industrial workers by the 30th November, 1962 should be taken out of the industrial housing pool and the entire amount of financial assistance obtained in respect of them (including interest thereon) should be refunded to the Government of India.

100. *Delay in recovery of overdue instalments of loan and interest.*—A multi-purpose co-operative society in Delhi which had

taken a loan of Rs. 41,855 for the construction of 38 two-roomed tenements for the society's member-workers in January, 1957 had defaulted in repayment of the loan after the payment of first instalment of Rs. 2,105 and an amount of Rs. 39,750 together with interest thereon is overdue for recovery. Consequent on the default to repay the loan a subsidy of Rs. 20,927 paid to the Society also became recoverable in accordance with the terms of agreement and Mortgage Deed.

The loan was repayable in 15 annual equated instalments of principal and interest (@ 4½% p.a.). In August, 1960 it was reported that the Society was brought under orders for winding up on 23rd May, 1960. Notices were served after a lapse of six months on 20th March, 1961 to the Society by Delhi Administration for payment of the outstanding amount of loan of Rs. 39,750 and the subsidy. In October, 1961, it was reported that the liquidation of the Society had been set aside and the Society had offered to repay the overdue instalments of loans with interest. Although a period of over a year has since passed, the Administration has not been able to recover the amount or to take legal action against the Society (November, 1962).

CHAPTER IX

Autonomous Bodies

Ministry of Commerce and Industry

KHADI AND VILLAGE INDUSTRIES COMMISSION

101. (i) The Khadi and Village Industries Commission continued in 1961-62 its work on the implementation of the developmental programme specified in the Khadi and Village Industries Act, 1956. A summary of the Commission's receipts and payments during 1961-62 is given below:—

RECEIPTS	(In crores of rupees)		PAYMENTS		
Opening Balance	0.49		Amounts refunded to Government against advances received for Trading operations	1.00	
From Government :					
Loans	6.22				
Grants	8.51	14.73			
			Payments to : institutions etc:—		
Receipts from institutions etc:—			Loans	17.51	
Repayments of Loans	11.25		Trading operations	4.42	
Refunds of amounts invested in trading operations	5.96		Grants	7.79	29.72
			Administrative Expenses	—	1.31
Refunds of unutilised Grants, etc.	0.56	17.77	Closing balance	1.56	
Miscellaneous Receipts	0.60				
TOTAL .	33.59		TOTAL .	33.59	

(ii) The progressive total of sums given as loans by Government upto 1961-62 was Rs. 49.16 crores. Out of this amount, loans to the extent of Rs. 19.55 crores which had fallen due for repayment to Government in October, 1962 have not yet been repaid by the Commission. The Commission have stated that the loans are to be renewed so long as the programme is to be continued and that Government have been approached for the renewal of the loans repayable in October, 1962.

(iii) The table below sets out the grants and loans disbursed by the erstwhile Khadi and Village Industries Board between 1953 and 1957 and by the Commission from 1st April, 1957 to 31st March, 1962,

and the amounts for which utilisation certificates are awaited:—

Year	Amount disbursed (Total of grants and loans)	Amount for which utilisation certificates are awaited	Amounts which according to the utilisation certificates have to be re- funded or regula- rised	Refunds received/ balance regularised	Balance for which regularisa- tion and/ or refunds are due
1	2	3	4	5	6
(Figures in crores of rupees)					
<i>Khadi & Village Industries Board—</i>					
1953-57					
Registered Institutions . . .	15.64	..	1.88	1.14	0.74
State Boards . . .	3.81	2.26	0.56	..	0.56
State Governments . . .					
TOTAL	19.45	2.26	2.44	1.14	1.30
<i>Khadi & Village Industries Commission—</i>					
1957-60					
Registered Institutions . . .	36.86	4.56	3.95	0.29	3.66
State Boards . . .	11.05	11.01	..	..	..
State Governments . . .	4.08	4.08	..	..	..
TOTAL	51.99	19.65	3.95	0.29	3.66
1960-61					
Registered Institutions . . .	11.72	3.90	..	..	..
State Boards . . .	8.73	8.70	..	..	..
State Governments . . .	0.53	0.53	..	..	..
TOTAL	20.98	13.13	..	..	..

The amounts shown in column (4) have either not been utilised at all, in which case they have to be refunded, or have been utilised in excess of the permitted amounts on authorised schemes, in which case they have to be regularised. In a few instances, they have been incurred on unauthorised schemes, in which case the Commission has to decide whether they should be refunded or the schemes authorised.

Government had permitted extension of time up to 31st March, 1960 for utilisation of funds disbursed as grants to institutions till 31st

March, 1958. Unutilised amounts totalling Rs. 2.37 crores had not, however, been recovered from these institutions till October, 1962, of which Rs. 1.30 crores related to the period 1953—57 and Rs. 1.07 crores to the year 1957-58.

Repayment of loans advanced by the Commission to the extent of Rs. 4.75 crores (inclusive of Rs. 2.42 crores due from State Boards) was overdue on 30th September, 1962 (as against Rs. 2.77 crores as on 30th June, 1961). Taking into account further recoveries made upto 15th December, 1962 the overdue amount still outstanding was Rs. 3.89 crores. In respect of loans totalling Rs. 7.38 lakhs, legal proceedings for recovery have been or are proposed to be instituted by the Commission against 50 institutions, some of which have gone into liquidation.

(iv) The Commission have made provision, in their Third Five Year Plan, for the organisation of 3,000 "Gram Ekais" (integrated development centres), each with a population of 5,000. As against the budget provision of Rs. 6 lakhs made during 1961-62, expenditure of Rs. 5.65 lakhs has been incurred by the Commission on the pay and allowances and training of the organisers, gram sahayaks and inauguration of "Ekais". The Estimates Committee have observed in their 167th Report that this scheme is not covered by the objects of the Commission set out in the Khadi and Village Industries Commission Act, 1956, and is, therefore, *ultra-vires* of the said Act. The question of amending the Act to bring this scheme within its purview was stated (August, 1962) to be under the consideration of the Government, in the meantime, the Commission have continued to incur expenditure on this scheme during 1962-63.

(v) Balance Sheets of eight trading units of the Commission as on 31st March, 1962 depicted accumulated stock deficits to the extent of Rs. 11.65 lakhs and excesses to the extent of Rs. 9.66 lakhs. The deficits in stock and the discrepancies await regularisation. The Commission have stated that the question of prescribing tolerance limits for deficits occurring in the process of manufacture is under consideration.

(vi) During the period 1955 to 1962, 77 cases of defalcation of cash and stores involving an amount of Rs. 1.43 lakhs through pilferage, manipulation of account books, etc. occurred at centres of the Commission in the Andhra Zone. A tabular summary of these cases is given below:—

	Number of cases	Amount involved Rs.
Thefts	11	24,161
Defalcation/Misappropriation	16	25,156
Stock deficits	48	85,691
Miscellaneous	2	8,302
	<hr/> 77	<hr/> 1,43,310

Out of these, 27 cases involving Rs. 33,477 have been finalised by recovery of Rs. 29,309 and write off of Rs. 4,168. In the remaining cases, Rs. 18,172 have been recovered and Rs. 265 written off. The regularisation of the balance of Rs. 91,396 is awaited (November, 1962). The Commission have observed in this connection that the "amounts involved are not considerable in proportion to the large turn over (about a crore) in the trading operations in that zone" and that the defalcations were "deliberate and wilful acts of a criminal nature committed by some employees".

(vii) There were 29 trading units under Khadi Industry and 18 units under Village Industries on 31st March, 1962. Their working results for the year 1961-62 (with the exclusion of figures of 2 Village Industries Units which are not available) are summarised below:—

Sl. No.	Particulars	Capital at charge	Block Assets	Depreciation	Profit(+) Loss(-)	Percentage of return on Capital employed
(Figures in lakhs of rupees)						
<i>I. Units working at profit.</i>						
	(i) Khadi (14 Units)	190.85	4.91	0.77	(+)10.06	5%
	(ii) Village Industries (8 Units)	5.64	0.15	0.02	(+)0.27	5%
<i>II. Unit working at loss :</i>						
	(i) Khadi (13 Units)	266.20	8.48	1.15	(-)10.44	
	(ii) Village Industries (6 Units)	5.82	0.08	0.01	(-)0.26	
<i>III. Units which do not show any profit or loss :</i>						
	(i) Khadi (2 Units)	3.56	Nil	Nil	..	
	(ii) Village Industries (2 Units)	0.33	Nil	Nil	..	
	Grand Total (Khadi & Village Industries)	472.40	13.62	1.95	(-)0.37	

The bulk of the profit earned by the Khadi units was accounted for by the profit of Rs. 8 lakhs in the Department which supplies Khadi for Government requirements against contracts placed by the Director General, Supplies and Disposals. The question of refunding the profit earned by this Department to the consignees through the D.G.S. & D., as originally envisaged by the erstwhile Khadi Board and subsequently pointed out in para 11 of Audit Report 1961, is still under the consideration of Government.

These working results have been arrived at after taking into account subsidies aggregating Rs. 4,19,402 on the sale and production

of Khadi, etc. paid as grants by the Commission, and without taking into account the interest on capital. If interest on capital at $4\frac{1}{2}$ per cent. (the rate charged on loans taken by the Commission from Government) is also taken into account, the total loss of Rs. 0.37 lakhs shown in 1961-62 will be increased to Rs. 30 lakhs. A comparison with the total profit/loss shown in the four preceding years is shown below :—

Year	Capital (average of opening balance and closing balance over the year)	Profit (+) Loss (—) (without allowing interest on Capital)	Return on Capital (%)	Profit (+) Loss (—) (after allowing interest on Capital)
(Figures in lakhs of rupees)				
1957-58	283.88	(+)6.00	(+)2.11%	(—)6.77
1958-59	347.10	(+)6.15	(+)1.77%	(—)9.47
1959-60	391.69	(+)4.42	(+)1.13%	(—)13.21
1960-61	568.58	(+)7.19	(+)1.26%	(—)18.40
1961-62	658.54	(—)0.37	..	(—)30.00

(viii) Out of 367 bone digesters purchased (mostly during the period 1954-55 to 1959-60) for utilisation in the bone crushing units started with the Commission's funds, 139 units valued approximately at Rs. 1.5 lakhs were found to be not functioning by January, 1962, due to defects in the machinery or non-availability of raw material, the social customs of the people also acting as an impediment. A sum of Rs. 55,000 was sanctioned in November, 1962 for repairing them and 28 bone digesters have been shifted to new places.

102. *Irregularities in disbursement of grants/loans to an institution.*—During a period of about two and a half years from December, 1955 to May, 1958 the All India Khadi and Village Industries Board/Commission disbursed, on various occasions, loans and grants aggregating Rs. 1,56,050 and Rs. 98,122 respectively to the Bhopal Rajya Khadi and Gramodyog Sangh, Bhopal, without ascertaining whether the funds already released had been fully utilised.

An inspection of the accounts of the institution in February, 1960 by the Commission's internal auditors showed that the liabilities as on 31st January, 1960 exceeded the assets on that date by about Rs. 1.42 lakhs and that only a small cash balance of Rs. 2,000 was available with this institution. The unsatisfactory state of affairs continued till January, 1961 when assets with a book value of Rs. 95,124 were taken over by the Zonal Office of the Commission.

A subsequent inspection by the Commission's internal auditors in April, 1962 showed the following position:—

- (a) the accounts of the institution had been audited only up to 1956-57; no proper accounts had been maintained for subsequent period;
- (b) the accounts books and the connected records were not traceable;
- (c) of the loans and grants referred to above, amounts of Rs. 1,23,772 and Rs. 58,218 respectively had remained unspent and were repayable on 31st March, 1960.

The Ministry have stated (January, 1963) that after setting off the assets with a book value of Rs. 95,124 and some further adjustments, only a sum of Rs. 54,004 is outstanding from the Sangh. The figures are under audit scrutiny.

The institution is reported to have ceased functioning in 1960-61.

103. *Subsidized sales of sub-standard Khadi.*—With a view to enabling the clearance of accumulated stocks with Khadi producing institutions, the Government of India advanced a loan of Rs. 2.70 crores in March, 1961 to the Commission for the purchase of Khadi from the aided institutions or for the grant of loans to these institutions to meet the loss arising from the disposal of the accumulated stocks at reduced rates. The Commission acquired sub-standard stocks worth about Rs. 2.82 crores in all, but the goods continued to remain in the godowns of the respective institutions, who bore the storage charges. The Commission met the insurance charges amounting to Rs. 43,000.

Subsequently, in September, 1961, loans to the extent of Rs. 188.68 lakhs were advanced by the Commission to the aided bodies with the approval of the Government to enable them to take back the stock of sub-standard Khadi and dispose of them by allowing an additional rebate. 50 per cent. of this additional rebate, subject to an over-all ceiling amount of Rs. 25 lakhs fixed by Government, was to be borne by the Commission. In spite of these concessions, the institutions could dispose of stocks worth about Rs. 73.58 lakhs only (October, 1962). The Commission have not yet worked out their share of the loss on account of additional discounts allowed by the institutions on these sales, but the amount is expected to be of the order of Rs. 7 lakhs.

In view of the slow pace of disposal and the inability of the institutions to liquidate the accumulated stocks, the Commission was again authorised by the Government in June, 1962, to procure sub-standard goods still lying with the institutions and to sell them after processing or converting them into ready-made garments, subject to the condition that the total loss to the Commission under the scheme including any additional rebates allowed should not exceed Rs. 37 lakhs. Clearance of the remaining stock of sub-standard Khadi valued at Rs. 1.15 crores has not materialised (October, 1962).

104. *Assets created by grantees wholly or mainly out of funds given by the Khadi and Village Industries Commission.*—Orders were issued by the Ministry of Finance in February, 1960 that assets created wholly or substantially out of Government grants should not, without their prior sanction, be disposed of or encumbered or utilised for purposes other than those for which the grants were sanctioned. In March, 1961 they further ordered that a register of permanent and semi-permanent assets created by non-Government bodies wholly or mainly out of the grants should be maintained and a copy thereof furnished annually to the sanctioning authorities to enable them to maintain permanent block accounts of such assets. The Khadi Commission have not so far adopted a similar procedure in regard to grants made by them to various bodies. The question is stated to be still under consideration (October, 1962) and in the meantime there are no records with the Commission to indicate the assets acquired by the concerned institutions with the grants made available to them.

TEA BOARD

105. *Infructuous expenditure on rented accommodation due to delay in the construction of a building.*—In November, 1957, the Tea Board entered into a contract for the construction of a building for housing their office and providing residential accommodation for the Chairman, with the stipulation that the building should be completed before April, 1959 (15 months from the date of handing over possession of the site). Although more than 3 years have since elapsed, the building is still incomplete (July, 1962). The installation of 2 lifts and of an air-conditioning plant is in progress. The contract for lifts was, however, placed only in June, 1959 (two months after the stipulated date of completion of the building) and the order for the air-conditioning plant was placed only in April, 1961, even though the Central Public Works Department and the *Ad hoc* Building Committee of the Tea Board had recommended in November, 1957/June, 1957, that the contracts should be placed sufficiently in advance so that the completion of building could synchronise with the installation of these services. The selection of contractors for hardware fittings for doors was made only in June, 1959. Apart from this, certain additions and alterations to the building were proposed as late as in August, 1961 and approved by the Government in December, 1961 and the architects were advised in January, 1962 to place contracts therefor.

Although some portions of the building were occupied in stages between 1959 and 1961 the delay in the completion has resulted in the continued retention of rented accommodation involving extra expenditure amounting nearly to one lakh of rupees from January, 1960 (*i.e.* from a date 8 months beyond the originally stipulated date of completion) up to December, 1961.

Ministry of Education

UNIVERSITY GRANTS COMMISSION

106. *Irregular payment of grants.*—(a) The University Grants Commission, established under the University Grants Commission

Act, 1956, is mainly financed by grants-in-aid from the Central Government. The functions of the Commission are defined in Section 12 of the Act which reads as follows :

“It shall be the general duty of the Commission to take in consultation with the Universities or other bodies concerned, all such steps as it may think fit for the promotion and co-ordination of University education and for the determination and maintenance of standards of teaching, examination in certain universities and for the purpose of performing functions under this Act. The Commission may..... allocate and disburse, out of the funds of the Commission, such grants to other Universities as it may deem necessary for the development of such Universities or any other general or specified purpose”.

In 1959, the Ministry of Law was consulted on the question whether the functions of the Commission, as stated in the Act, would cover the grants by the Commission direct to “India International Centre” which was a Society registered under the Registration of Societies Act and not a University. The Ministry of Law advised that while a direct grant by the Commission to any other body, except the Universities, would not be permissible under the provisions of the Act, the Commission would be free in allocating the grants to Universities to include in their consideration the additional finance which the Universities would require for becoming corporate members of the India International Centre.

The Commission sanctioned grants amounting to Rs. 7.25 lakhs in all, to different Universities during the years 1959-60 to 1961-62, to enable them to make payments to the ‘Centre’ for the construction of its buildings in Delhi. The Ministry of Law have since observed that these grants, were not covered by the advice previously given by them. The Commission has, however, stated that the grants were made since it was not aware of the distinction between subscription for becoming a corporate member of the Centre on which the Ministry of Law advised and contribution towards the cost of the building or other capital expenditure incurred in establishing the Centre.

In view, however, of the opinion expressed by the Ministry of Law, the payments in question can not be considered as falling within the purposes for which the Commission is empowered to make grants under the Act.

(b) In a similar case, University Grants Commission released grants aggregating Rs. 1.50 lakhs to Universities upto March, 1962 with the specific direction that a substantial portion thereof should be paid to the University Film Council. This organisation is also a registered Society and procures films for display through Film Clubs, organised by the Universities.

107. *Central Universities.*—The four Central Universities of Banaras, Aligarh, Delhi and Visva Bharati are given maintenance

and development grants by the University Grants Commission which is placed in funds by Government of India.

The maintenance and development grants paid to these Universities during 1961-62 and preceding two years are indicated below:—

Name of the University	Block (Maintenance)		Grants	Development Grants		
	1959-60	1960-61	1961-62	1959-60	1960-61	1961-62
	(In lakhs of rupees)					
Banaras	55.50	55.50	75.00	37.69	37.33	68.10
Aligarh	37.90	37.90	52.03	21.38	20.22	42.99
Delhi	27.00	27.00	40.55	14.94	18.37	37.44
Visva Bharati	13.75	13.75	21.40	12.15	0.47	8.37

(A) BANARAS HINDU UNIVERSITY

(i) *Outstanding dues*.—The dues against students were not worked out by the University till March, 1961. The dues of the different departments against employees and outsiders upto the end of March, 1961 totalled Rs. 2.19 lakhs as detailed below:—

Particulars	Amount Rs.
(i) Panchang Deptt, Press, other Deptt. etc.	43,435
(ii) Electricity, water supply (Service) Deptt	28,169
(iii) Estate Office (Rent & Income from properties, etc.)	1,47,850
	2,19,454

The dues are increasing from year to year. In most of the cases there is no possibility of recovery as the employees have left the University long ago and the whereabouts of some private parties are not known. Some of the dues against outsiders have become time barred. The landed properties in U.P. and Bihar have in some cases since vested in the Government under the Land Reforms Acts for which claims for compensation or annuities are yet to be preferred. These outstanding dues have neither been certified by proper authorities nor are they exhibited as assets in the annual accounts of the University.

(ii) *Losses on Dairy*.—The dairy maintained by the University as a quasi-commercial concern, had been showing an average working loss of Rs. 22,000 per annum during 1952-53 to 1956-57, (excluding expenses on account of replacement and additional purchase of

cattle and other indirect expenses). In January, 1959, the University stated that steps had been taken to arrest the loss and to make the dairy self-supporting. The losses, however, continued as indicated below :—

Year	Loss Rs.
1958-59	17,134
1959-60	16,308
1960-61	19,067

(B) ALIGARH MUSLIM UNIVERSITY

(i) *Collection of fees and arrears thereof.*—According to the University rules, the students may pay their fees in instalments at their convenience, subject to the condition that the entire dues are cleared before he is permitted to appear at the final examination. This condition was not enforced strictly and it resulted in an accumulation of total dues to Rs. 5.57 lakhs by March, 1960. The major portion of this amount has now become irrecoverable. Year-wise analysis of the above dues is not available.

The desirability of regular collection of dues from the students was impressed on the University through successive Audit Inspection Reports, but no progress has been made in this direction.

(ii) *Engagement of a special engineer against the work-charged establishment.*—The University appointed a special engineer on the work-charged establishment with effect from 2nd December, 1957 @ Rs. 700 p.m. with an annual increment of Rs. 50 plus Dearness Allowance @ Rs. 55 per month. His pay and allowances have been debited in full to the work “Construction of Physics Laboratory” but it is proposed to distribute the expenditure on a *pro rata* basis over the other estimates for the supervision of which he has been appointed. There is also a University Engineer to supervise the work of construction in the University. The University has since approached the University Grants Commission to approve the charging of the expenditure on the pay and allowances of the special engineer as “Establishment Charges”.

(C) DELHI UNIVERSITY

(i) *Delay in preparation of final accounts.*—The accounts for the years 1960-61 and 1961-62 closed on 31st March, 1961 and 31st March, 1962 respectively but the Balance-Sheet and the provident fund statements for the year 1960-61 and the Annual Accounts for the year 1961-62 including all subsidiary accounts remain to be completed (December, 1962).

(ii) *Non-reconciliation of bank balances.*—The University has 52 bank accounts with the State Bank of India. There are large discrepancies between the cash book balances and the bank balances in

various accounts and these are not being reconciled promptly. On 31st March, 1962, there was a net difference of Rs. 3.54 lakhs between these two sets of figures. Some of these discrepancies date back to 1957.

Ministry of Food and Agriculture

INDIAN CENTRAL OIL SEEDS COMMITTEE

108. *Infructuous expenditure on an Oilseed Research Station.*—With the approval of the Indian Central Oilseeds Committee, an oilseed research station was established in Anantapur (Andhra Pradesh) in 1954, with the object of evolving varieties of oilseeds with maximum oil-yielding capacity. In 1955-56, the results of the research were found to be unsatisfactory as the soil in Anantapur was rocky and not suitable for conducting experiments. The station was, however, shifted to another locality only after two years in July, 1958.

The failure to ascertain the suitability of the soil before the establishment of the research station at Anantapur has resulted in an expenditure of Rs. 68,762 incurred on the station during the period 1954-58 becoming largely infructuous. The Ministry have stated in January, 1963 that the question of evolving a suitable procedure for the selection of appropriate sites in consultation with State Governments is under the consideration of the Committee.

Ministry of Health

DELHI DEVELOPMENT AUTHORITY

109. The Delhi Development Authority was constituted on the 30th December, 1957, under the Delhi Development Act, 1957 and has power "to acquire, hold, manage and dispose of land and other property, to carry out building, engineering, mining and other operations, to execute works in connection with supply of water and electricity, disposal of sewage and other services, etc.". All properties, movable and immovable, vested in the former Delhi Improvement Trust or the Delhi Development (Provisional) Authority were vested in the Delhi Development Authority.

(A) *Accumulation of Cash balances in the Nazul Account.*—Under an Agreement entered into by Government in 1937 with the former Delhi Improvement Trust, a total area of about 14,000 acres was placed under its management. Some of the area was retransferred to Government and on 31st March, 1962 the area with the Authority was 8,648 acres. It was stipulated in the Agreement that after the payment of an annual sum to Government (which was fixed at Rs. 2 lakhs representing the net income of the Nazul Estate for the financial year 1935-36), the surplus funds were to be "put at the disposal of Government and shall be applied, until further orders of Government to the further improvement and development of the said Nazul Estate and/or to the repayment of loans made to the Trust, as Government may direct."

In 1953, Government directed the former Delhi Improvement Trust to credit to Government surplus funds beyond their estimated requirement of Rs. 10 lakhs for the following year. Similar action was not, however, taken in subsequent years although the Authority had accumulated surplus funds ranging from Rs. 63.38 lakhs in 1957-58 to Rs. 102.65 lakhs during 1960-61. In 1961-62, a sum of Rs. 49 lakhs was transferred to a separate account without the specific sanction of the Government of India to meet the expenditure on the large-scale acquisition, development and disposal of lands in Delhi—a scheme which was being executed by the Delhi Administration through the agency of the Delhi Development Authority and for which specific provision of funds had been made in the Central Budget. Even after the transfer of this amount, the Authority had accumulated cash balances amounting to Rs. 61.95 lakhs as on 31st March, 1962.

(B) *Non-revision of annual amount payable by the Authority to the Government.*—The instances given below indicate that the amounts which the Authority is realising from the leases in the area under its management are much larger than the realisation during 1935-36 on the basis of which a provision was made in the 1937 Agreement for an annual payment of Rs. 2 lakhs to Government. The question of revising the agreement to provide for a suitable increase in the annual amount payable by the Authority has not so far been considered :

Name of Estate	Khasra No.	Area in Sq. Yds.	In 1935-36	1961-62	Additional lump premium received between 1959 and 1962
			Rate of annual rent (without premium)	Rate of annual rent (without premium)	
			Rs.	Rs.	Rs.
Quadam Sharif. . . .	994/24/2 995/24	305	54.50	229.00	9,150
Paharganj	396/1	140	17.50	140.00	5,600
Quadam Sharif	1006/24- 27	153	27.56	115.00	4,590
Do.	994/24/1	159	28.00	119.00	4,770
Do.	1085/29	134	24.12	100.50	4,020

(C) *Drawal of loan in excess of requirements.*—For the Scheme of "Large Scale Development, acquisition and disposal of land in Delhi" to be executed by the Delhi Administration, Government had provided a revolving capital of Rs. 5 crores in the budget for 1961-62 under Demand No. 138—Delhi Capital Outlay. The Chief Commissioner was to draw the money from time to time and credit it to a Personal Ledger Account from which advances were to be given to the Authority and others for the development of land entrusted to them.

Notwithstanding the prescribed procedure mentioned above, Government sanctioned in January, 1962 a loan of Rs. 280 lakhs to the Authority at $4\frac{1}{2}$ per cent. per annum for the same purpose. The Authority drew this amount in two instalments in January and February, 1962 and paid out of this, Rs. 168 lakhs to the Chief Commissioner as advance during 1961-62 for expenditure on this Scheme. The Authority invested the balance of Rs. 112 lakhs in short term deposits with the State Bank of India at 3 per cent. per annum.

The grant of a loan to the Authority and the action of the Authority in "advancing" funds to the Chief Commissioner lack justification when there was a specific provision in the sanctioned budget to provide the Chief Commissioner with the necessary 'revolving capital'. The loan was drawn by the Authority in the closing months of the year and a substantial part of it which was not passed on to the Chief Commissioner was invested by it as bank deposit carrying a lower rate of interest than that payable for the loan.

(D) *Delay in development of land.*—The Chief Commissioner entrusted about 259 acres of land to the Authority for development. The Authority entrusted the work to the C.P.W.D. and deposited funds with them to the extent of Rs. 39.53 lakhs upto 31st March, 1962. Upto 31st March, 1962, 200 acres of land were to be developed but only 90 acres were actually developed. It has been explained that the progress has been retarded due to high rates in the tenders received by the C.P.W.D. with the result that in most cases tenders had to be invited twice or thrice and that negotiations had to be resorted to in several cases before the work could be allotted.

(E) *Unauthorised occupation of Public lands.*—(i) A survey conducted by Delhi Development Authority in 1959 indicated that there were 18,245 squatters. A demand of Rs. 44.56 lakhs was assessed against 10,474 squatters as damages for the unauthorised occupation (1,245 squatters upto 31st March, 1962 and the rest upto 30th June, 1958). Out of this assessment, an amount of Rs. 10.16 lakhs was recovered upto November, 1962. In a number of cases, the squatters have left the premises making it difficult to effect recoveries of damages; other unauthorised persons have taken their place.

(ii) The Public Premises (Eviction of Unauthorised Occupants) Act, 1958 provides for the eviction of unauthorised occupants from the public premises and the recovery of the damages for the period of such occupation. The Authority have taken action only to levy damages and not for the simultaneous eviction of unauthorised occupants. The renewal of leases or grant of fresh leases on short/long term basis has also not been done. Thus the occupants continue to be in unauthorised possession of public premises even after assessment of damages.

The Ministry have stated that the general problem of unauthorised occupation of land is engaging the attention of Government and that squatters who occupied Government land prior to 15th August, 1950 and those who were enumerated by the Delhi Administration in June/July, 1960 are eligible for allotment of alternate sites and that they cannot be evicted unless they are settled under the Jhuggi and Jhompari scheme which is under the consideration of Government.

(iii) The damages are continued to be assessed at rates fixed in 1954 instead of the prevalent market rates as envisaged in the Rules framed under the Public Premises Act, 1958. The former are very low as compared with the rates adopted by other institutions, *i.e.*, Delhi Municipal Corporation, New Delhi Municipal Committee, Land and Development Office, etc. The revised rates worked out in July, 1961 have not yet been considered by the Authority.

The Ministry have stated (February, 1963) that the question of revising the rate of damages is under the active consideration of the Authority.

(F) *Losses for want of timely renewal/execution of Lease-Deeds, Sale Deeds.*—(i) The former Improvement Trust allotted 278 acres of land in Najafgarh area in June, 1942 to the Delhi Cloth Mills as free-hold on payment @ -/3/9 per square yard plus 10 per cent thereof, for a specific purpose, namely, shifting their Mills in the city to the new site in order to remove congestion. Land measuring 174·84 acres was taken over by the Mills between February, 1943 to February, 1945 (increased to 181·04 acres in December, 1958). The balance land was not released to the Mills as the Company instead of shifting the old mills, put up a new factory on this land. The Sale Deed has not so far been executed (February, 1963).

The Mills leased 5·5 acres of land out of this land in 1955 to Messrs. Hindustan Insecticides Ltd., a Government concern at Rs. 4,000 per annum. The proportionate purchase price paid by the Mills to Government for this land was Rs. 6,863.

In November, 1959, the Mills encroached upon a further area of 6·78 acres of land. Action still remains to be taken to evict the Mills from the unauthorised possession and to levy damages which are estimated to be about Rs. 12 lakhs @ Re. 1 per square yard per month (the average commercial rate).

The Ministry have stated (February, 1963) that the question of execution of a Sale Deed between the Mills and the Authority has been under consideration for a long time and that the Authority have been directed to execute the Sale Deed only in respect of 181·04 acres and to ask the Mills to surrender the excess area of 6·78 acres of land; the Mills have admitted their encroachment on this additional area, but have not yet vacated it and the action to be taken against them is under active consideration.

(ii) A co-operative Society is in occupation of agricultural land measuring 13,344 bighas (2,780 acres), the lease in respect of which has not been extended or resumed since June, 1956. At the rates specified in the lease, the amount recoverable from the Society works to Rs. 1·17 lakhs upto 14th June, 1962.

The Authority has stated that it has not been possible to resume the land from the Society because of the policy of the Government to encourage Agricultural Co-operative Institutions and that resumption of the land would have involved uprooting of large number of Cultivators.

(G) *Omission to note the demands in Revenue Record.*—A few cases where the demands of lease money, increase in ground rent etc. were not noted in the revenue records resulting in their non-recovery are given below:

(i) Demands for Rs. 23,250 per annum in respect of 80 plots in Motia Khan dump given as perpetual lease during the years 1955-56 and 1956-57 were not raised and realised. The total amount recoverable works to Rs. 1.40 lakhs (up to March, 1962). It was stated that the demands for recovery of arrears of ground rent had since been made in respect of 68 plots and that the other 12 cases had been held up on account of Court injunction orders, discrepancies in the area, etc.

(ii) A demand of Rs. 514 per month on account of enhanced ground rent for December, 1959 was not noted in the Fard Bach (Demand Register Lambardar-wise) of the Lambardar, Mauza Shidipura. The recoverable amount works to Rs. 15,934 (upto June, 1962).

(H) *Misuse or change of user of Plots.*—In cases where the lessee uses the land for any purpose other than that for which the lease was granted, the Authority can terminate the lease and restore the same on payment of additional premium/penalty by lessee. In 17 "Change-of-user cases" finalised by the Authority over the period to July, 1962, additional premium amounting to Rs. 1,97,781 was imposed. Out of these, 14 cases of demands involving Rs. 1,05,704 were stated to have been dropped on the advice of Government of India (Ministry of Law) on account of defects in Lease Deeds; one case involving Rs. 6,720 was dropped as the misuse related to a small portion of the premises. In the remaining 2 cases involving Rs. 85,357 action was stated to be under way. There were 1010 cases of misuse or change of user of plots, unauthorised construction, etc. (at the end of September, 1962) in the knowledge of the Authority in which necessary action is stated to have been initiated.

Lambardari Accounts.—The revenues accruing from Nazul and Authority's lands are collected through Lambardars (24 in number). Under the Land Revenue Rules, they are required to collect half-yearly and pay to the Authority in full the entire land revenue (less any amounts remitted or suspended) and not merely the amount actually collected by them and for these services they are allowed Pachotra (Commission) at the rate of 5% of such collections. It was, however, noticed that although the assessed demands had not been deposited in full by the appointed dates, the Authority had allowed them Pachotra amounting to Rs. 1.22 lakhs.

The Ministry are of the view that Pachotra is payable on the sums actually collected irrespective of the question whether the demands were collected in full or not.

A test check of the accounts of 23 Lambardars finalised by the Authority up to 1960-61 (a few of which have been recast up to 1961-62) showed that the Lambardars had collected an amount of Rs. 5.29 lakhs, which could not be recovered by the Authority from them. The details are given below:

(In lakhs of rupees)

Total outstanding against Lambardars		7.52
Less amount recovered in cash	0.36	
Pachotra (Commission) adjusted in accounts	0.27	0.63
		<hr/>
		6.89
		<hr/>
Amounts for which defaulters' lists have been submitted by the Lambardars		1.60
Net balance collected and not recovered from them		5.29

ALL INDIA INSTITUTE OF MEDICAL SCIENCES

110. The All India Institute of Medical Sciences is an autonomous body set up from 15th November, 1956 under an Act of Parliament. The Institute is mainly financed by Government through grants-in-aid. The total grants-in-aid in cash and kind received by the Institute during and upto 1961-62 amounted to Rs. 93.39 lakhs and Rs. 526.51 lakhs respectively.

(a) *Engineering Unit.*—The building works of the Institute were being done by the Central Public Works Department upto December, 1958 when it was taken over by a Building Committee formed by the Institute with the approval of Government.

The Engineering Unit at present comprises one Superintending Engineer, one Executive Engineer, two Assistant Executive Engineers and sixteen Section Officers besides other junior staff. The work load available for this staff appears to be low as compared with the standards adopted in the C.P.W.D. as shown below:—

Year	Major and Minor Works	Mainten- ance	Remarks
(In lakhs of rupees)			
1961-62 (actuals)	10.00	1.55	The work load for a <i>mixed</i> Division under the charge of an Executive Engineer adopted by the C.P.W.D. is Rs. 14 lakhs construction and Rs. 8.3 lakhs maintenance. A Superintending Engineer has five such Divisions under his charge.
1962-63 (Budget)	3.50*	4.47	

It has, however, been explained that the strength of the subordinate staff is less than the C.P.W.D. and that the appointment of a Superintending Engineer was found necessary to furnish advice in

(*) The Institute has proposed a provision of Rs. 20 lakhs in the Revised Budget which is yet (December, 1962) to be approved.

regard to the works executed by the private Architects and for taking independent decisions on engineering matters which in the C.P.W.D. would normally be taken at a higher level.

(b) *Extra expenditure on acceptance of higher tender.*—Tenders for the work “construction of Phase III Hospital (O.P.D. Block)” estimated to cost Rs. 30·24 lakhs were invited so as to reach the Institute on 31st August, 1960. Only two tenders from Class I architects were received as detailed below:

Lower Tender :	Rs. 30·49 lakhs, <i>i.e.</i> , 0·8% above the estimate.
Higher Tender :	Rs. 31·84 lakhs, <i>i.e.</i> , 5·3% above the estimate.
<i>Difference</i>	Rs. 1·35 lakhs.

The Superintending Engineer of the Institute recommended the acceptance of the lowest tender. The Building Committee observed in their meeting held on 11th October, 1960, that the rates quoted by the lowest tenderer were reasonable but they felt that it would be advantageous to award the work to the higher tenderer (as he was already engaged in construction of the Teaching Block of the Institute) if he agreed to reduce his quotation to that of the lowest tenderer. The Committee decided that if he did not agree to the reduction, the work should be awarded to the lowest tenderer. The committee, however, referred the tender papers to a firm of private architects who were subsequently selected as the “Architects” for the work. The advice of the architects was in the following terms:

“We consider that the rates for concrete work quoted by both the contractors are on the low side. While it may be conceded that the rates quoted by the higher tenderer will yield very little or no profit to the contractor, the rates quoted by the lower tenderer are quite unworkable and must result in a loss to the contractors.

We are definitely of the opinion that if the work is awarded to one lower tenderer there is bound to be continuous friction between the supervisory staff and the contractors, as the contractors will attempt all the time to do sub-standard work to reduce their losses to the minimum. The speed of work will be very low and we fear the contractor may not be able to complete the work at all.”

On their advice the Building Committee, in their meeting held on 11th November, 1960 reversed their earlier decision and decided to award the work to the contractors who quoted higher rates. Thus the benefit of competitive tenders to the extent of Rs. 1·35 lakhs was lost to the Institute.

It may be mentioned that the rates quoted by the lowest tenderer for the concrete work for the bulk of the items were higher than the estimated rates based on C.P.W.D. Schedule of Rates.

(c) *Non-recovery of rent for the workshop established by a contractor.*—In 1959, under an agreement entered into with a contractor for the construction of the Teaching Block of the Institute the

contractor was liable to pay rent for the land used for his offices, godown and workshop, etc. The Building Committee, however, decided in April, 1962 not to charge any rent on this account. But subsequently on the advice of the Counsel of the Institute, the Committee decided in May, 1962 to recover the ground rent for the site of workshop only. The matter was, however, further considered on a representation from the contractor, and the question of recovery of rent for the site of workshop was not pursued.

Non-recovery of rent thus resulted in a loss of revenue amounting to Rs. 24,765.

Ministry of Labour and Employment

EMPLOYEES' PROVIDENT FUNDS SCHEME

111. The Employees' Provident Funds Scheme was started in 1952 under the Employees' Provident Funds Act, 1952 and was extended to the whole of India except the State of Jammu and Kashmir. The scope of the Act was enlarged further in 1960 and the scheme is applicable at present to all factories in the notified industries as well as other notified establishments if they employ 20 or more persons (other than those which have not completed 3 years from the date of their establishment in the case of those employing 50 or more persons and five years in the case of those employing between 20 and 49 persons).

The Scheme provides that the Employer should pay to the Commissioner appointed under the scheme the contributions payable both by himself and the employees and subsequently recover the employees' share of contribution from the employees.

There is no provision in the Act for the submission of the Annual Accounts and the Audit Report to Parliament.

It was noticed during local audit that large amounts as shown below were outstanding on account of arrear contributions, administrative and inspection charges recoverable from the employers under the Act:—

Name of the Region	Arrear of current contribution as on 31-3-1962	Outstanding administrative and inspection charges as on 31-3-1962	Penal interest recoverable as on 30-4-1962
(In lakhs of rupees)			
West Bengal . . .	25.66	1.13	1.40
Gujarat . . .	32.52(as on 31-10-62)	0.85(as on 31-10-62)	2.61
Andhra Pradesh . . .	4.95	0.15	0.03
Rajasthan . . .	6.07	0.20	1.73(as on 31-10-62)
Mysore . . .	7.94	0.05	0.78
Kerala . . .	7.02	0.26	0.48
Bihar . . .	8.46	1.06	0.22
Maharashtra . . .	73.43 (as at 31-3-61)	1.97	5.48
Madras . . .	7.65	0.23	0.28
Punjab . . .	1.06	0.04	1.03
Madhya Pradesh . . .	10.37	0.92	1.43

CHAPTER X

Outstanding Inspection Reports and Audit Objections

112. (a) *Outstanding Audit Objections.*—The financial irregularities and defects in accounting procedure noticed in Central audit are brought to the notice of the Departmental authorities through objection statements. Half-yearly reports of Outstanding Audit Objections are also forwarded by Audit to the Administrative Ministries for taking necessary steps to expedite their settlement. The volume of outstanding objections relating to the period ending 1961-62 as indicated below shows that the action taken by the Departmental authorities to settle the objections has not been adequate.

(i) The number of outstanding objections is large in the offices of the Ministries noted below and in their attached and subordinate offices:—

Ministries	Total No. of objections relating to the Ministry and their attached and subordinate offices	Total Amount (Rs. lakhs)	No. of objections raised prior to April, 1959	Amount (Rs. lakhs)
Works, Housing and Supply	85,876	7,260	25,931	2,222
Transport and Communications	11,642	826	1,949	54
External Affairs	14,612	431	3,247	69
Food and Agriculture	5,501	208	868	60
Home Affairs	4,684	125	977	14
Irrigation and Power	1,943	83	556	27
Health	2,652	67	1,017	7
Community Development, Panchayati Raj and Cooperation	2,965	67	292	8
Information and Broadcasting	1,513	62	344	16
Commerce and Industry	3,324	57	479	9
Education	1,347	39	253	5

(ii) The following is a broad analysis of the outstanding objections:—

Nature of objections	Number of Items	Amount Rs. (In lakhs)
(a) Want of sanctioned estimates	32,315	3,407
(b) Excess over sanctioned estimates	9,346	953
(c) Want of detailed contingent bills	5,062	272
(d) Want of stamped acknowledgments, or other documents, etc.	40,551	1,229

The entire expenditure in respect of which the detailed bills and vouchers are not submitted escapes audit scrutiny altogether for an unusually long period.

(b) *Outstanding Inspection Reports.*—The audit done in Central office is supplemented by local inspection. All important financial irregularities and defects in initial accounts noticed during local audit and inspections are included in Inspection Reports and sent to Departmental Officers for necessary action. Besides, copies of the Inspection Reports, half-yearly statement of Outstanding Inspection Reports are also forwarded to the Administrative Ministries.

(i) The names of the Ministries with comparatively large outstandings are shown below:—

Ministries	Year of issue of the earliest outstanding Reports	Number of outstandings	
		Reports	Items in Reports
Rehabilitation	1949-50	774	2,897
Works, Housing and Supply	1947-48	708	4,741
Commerce and Industry	1952-53	622	3,635
Education	1951-52	563	2,585
Food and Agriculture	1947-48	532	2,379
Home Affairs	1949-50	451	2,035
External Affairs	1949-50	419	2,128

(ii) The more important types of irregularities noticed during Inspection and Local Audit are briefly summarized below:—

	No. of offices in which irregularities were noticed ¹
<i>I. Public Works Offices :—</i>	
(i) Wasteful and Infructuous expenditure due to defective plans, designs and abandonment of works	18
(ii) Extra cost to Government due to rejection of lowest tenders or delay in accepting tenders	5
(iii) Excess payments due to non-observance of the conditions of the contracts or non-provision of necessary safeguards in contract agreements	14
(iv) Overpayments due to inflated measurements or longer/extra leads, or rates, allowed in excess of those provided for in agreements	16
(v) Unauthorised financial aid to contractors	16
(vi) Delays in effecting recovery of security deposits from contractors	33
(vii) Arrears in maintenance and/or non-maintenance of initial accounts of road metal, material-at-site, etc.	43
<i>II. Treasuries and Other Civil Offices :</i>	
(i) Retention of cash balance in excess of prescribed limit ; cash securities not obtained from treasurers	24
(ii) Non-observance of rules relating to the custody and handling of cash, posting and maintenance of cash book, physical verification of cash, reconciliation of departmental receipts and remittances with the Treasury records, etc.	260
(iii) Securities from persons handling cash and stores not obtained	315*
(iv) Store accounts not maintained properly and periodical verification not done	167
(v) Defective maintenance of log-books of staff-cars and trucks	72
(vi) Release of grants-in-aid in excess of actual requirements	4
(vii) Delay in depositing moneys collected on Government account	37
(viii) Local Purchase of articles of stationery in excess of a authorised limits without proper sanction	35

*Includes 200 schools.

CHAPTER XI

Other Topics of Interest

Ministry of Community Development, Panchayati Raj and Co-operation

113. *Guarantees given by the Central Government for loans obtained by Sugar Co-operatives.*—In pursuance of the policy of the Government of India to encourage the establishment of Co-operative enterprises, the Central and State Governments have guaranteed on a 50:50 basis a number of loans that were sanctioned by the Industrial Finance Corporation to 34* Co-operative Sugar Mills over the period ended 31st March, 1962. While the Central Government have given suitable guarantees to the Industrial Finance Corporation they have not obtained undertaking from the Co-operatives to safeguard their own interests or secured rights of inspection or intervention in the event of a default.

The six Co-operative Mills mentioned in the table given below have been incurring heavy losses; and if these losses continue, Government may be called upon to make payments under the guarantees:—

Name of the Co-operative Society	Capital				Loans Granted			Deve-lop-ment rebate re-serve creat-ed by the Society	Loss sus-tained by the So-ciety upto 30-6-61
	Amount Con-tributed by the State Govts.	Other sources	Com-pul-sory non-fund-able deposits	Total	By I.F.C. under gua-rantee from Central and State Govts.	By State Coop-erative banks	Total		
1	2	3	4	5	6	7	8	9	10
(In lakhs of rupees)									
Kodinar Khand Udyog Khadut Sahakari Mandli Ltd., Kodinar, Gujarat.	20·00	24·00	6·47	50·47	55·25	63·77	119·02	21·55	36·71
Mortgage deed in favour of the I.F.C. had not been executed till January, 1962.									
Shree Warna Sahakari Sakhar Kar-khana, Ltd., Maha-rashtra	10·00	18·04	8·30	36·34	62·00	42·86	104·86	28·21	25·29

* Refer to paragraph 22 also.

	1	2	3	4	5	6	7	8	9	10
Bazpur Cooperative Sugar Factory, U. P.		20.00	26.60	21.31	67.91	68.86	..	68.86	..	4.14
		Figures taken from unaudited Balance Sheet as on 30-6-1961. The accounts of the Society have been audited upto 1958-59 only.								
Shetkari Sahakari Sakkar Karkhana Ltd., Sangli, Ma- harashtra		10.00	20.35	5.44	35.79	61.75	40.86	102.61	21.76	15.33
Assam Cooperative Sugar Mills, Ltd. Assam		20.00	19.86	..	39.86	54.00	15.96	69.96	..	32.48
		In addition to the investment of Rs. 20 lakhs in the share Capital, the State Government had paid the factory a cash loan of Rs. 17,57,677 and guaranteed the payment of Rs. 21,11,095 being the cost of machinery obtained from a Private Company on credit.								
Haryana Cooperative Sugar Mills, Ltd. Punjab		20.00	30.70	7.00	57.70	44.20	..	44.20	..	28.46
		A loan of Rs. 5,33,333 of the Punjab Government was out- standing on 30th June, 1961.								

Ministry of Economic and Defence Co-ordination.

114. *Non-submission of accounts of spares.*—100 sets of overhaul spares for Avon 203 engines were purchased by Air Headquarters from M/s. Rolls Royce Ltd. under a contract dated 31st August, 1957. Of these, 70 sets valued at £ 385,000 were to be held in bond stores at the suppliers' works for use in the overhaul of engines entrusted to them under a subsequent contract dated 9th December 1959. Clause 2 of this latter contract makes the suppliers responsible for rendering accounts of spares used on each engine overhauled or rectified and the India Store Department, London, having the right to inspect the records of the suppliers in respect of spares held by them. No accounts have so far been furnished by the suppliers, nor have the suppliers' records been inspected to ensure the correctness of the quantity and value of spares left with the suppliers.

The India Store Department took the view that the final accounting of the stores was not their responsibility and that after the spares had been delivered, it was the responsibility of the purchaser to ensure that they were correctly accounted for. The purchasers' representative, namely, the Air Adviser to the High Commissioner, London, on the other hand pressed the view that as it was a contractual matter, the India Store Department should be responsible. It was only in

December, 1962 that the India Store Department, London, agreed to check certain statements of accounts which had since been obtained from the Company. The checking has not yet been completed (February, 1963) as revised and certified accounts are awaited from the Company.

Ministry of Finance

115. *Contributions to International Organisations.*—The total amount of contributions to International bodies made during the year 1961-62 was Rs. 448.82 lakhs. The more important contributions made during each of the three years ending 1961-62 are indicated below:

To whom paid	(In lakhs of rupees)		
	1959-60	1960-61	1961-62
United Nations Organisation . . .	42.36	143.56	202.34
United Nations Educational Scientific and Cultural Organisation . . .	13.28	13.26	6.15
World Health Organisation . . .	20.01	15.00	25.23
Food and Agricultural Organisation . .	15.58	16.98	29.35
International Labour Organisation . .	11.68	18.83	15.27
International Civil Aviation Organisation	5.05	4.74	4.40
International Telecommunication Union	4.20	6.44	5.96
International Atomic Energy Agency . .	4.62	7.68	8.09
United Nations International Children's Emergency Fund	22.99	19.99	19.99
United Nations Expanded Programme	25.00	35.71	35.71
United Nations Special Project Fund . .	23.81	83.33	83.33
Commonwealth Agricultural Bureau . . .	1.49	1.49	1.49
Commonwealth Economic Committee . . .	..	1.58	1.67
Asian Productivity Organisation . . . . .	..	..	1.80

116. *Delay in finalisation of pension and provident fund final payment cases.*—(a) A mention about the delay in finalisation of Pension and Provident Fund final payment cases was made in paragraph 142 of the Central (Civil) Audit Report, 1962.

During 1961-62, out of 2,545 Pension cases of Central Government officers received in Audit offices, 1,519 cases (59 per cent.) were received after the date of retirement, out of which 349 were received one year after retirement, although according to the directions issued

by the Ministry of Finance steps for the preparation and submission of pension papers should be taken one year in advance of the date of retirement. The effect of the further instructions issued by the Ministry of Finance in March, 1962 reiterating the importance of taking prompt action in pension cases will be watched in audit.

(b) Out of 3,802 claims in respect of final payment of Provident Fund balances received during 1961-62, the required particulars from the administrative authorities were received in 553 cases more than six months after retirement and in 927 cases 3 to 6 months beyond the date of retirement, though in accordance with the directions issued by the Ministry of Finance the fact of the officer having left service is to be reported to Audit without loss of time.

NEW DELHI;
The 12th March, 1963

P. V. RAGHAVA RAO,
Accountant General, Central Revenues.

Countersigned.

NEW DELHI;
The 12th March, 1963

A. K. ROY,
Comptroller and Auditor General of India.

APPENDIX I

STATEMENT SHOWING MINOR IRREGULARITIES, LOSSES, ETC., NOTICED DURING THE YEAR AND THOSE PERTAINING TO PREVIOUS YEARS BUT WRITTEN OFF DURING 1961-62.

PART I

Ministry of Economic and Defence Co-ordination (Department of Supply)

Non-recovery of extra cost in repurchase

In respect of a contract for the purchase of paper, insulated cables, placed in December, 1959, the Director General of Supplies and Disposals stipulated the delivery of stores by "15th June, 1960 or earlier" whereas the firm had offered in its tender delivery 'in approximately sixty days, ex-works, from the date of receipt of order and import licence particulars'. The firm's request for the amendment of the delivery period in terms of its original offer, was not accepted and the firm thereafter expressed their inability to accept the order.

The contract was cancelled in March, 1960 at the risk and expense of the firm, on the plea that they had failed to deposit the security in terms of the contract. A contract for repurchase was placed on another firm at higher rate involving an extra cost of Rs. 17,386 with delivery date as "four working weeks ex-U.K. works from the date of receipt of order and Import Licence particulars by your Principals *i.e.*, preferably latest by 30th September, 1960". The actual date of delivery was, however, 25th November, 1960.

Ministry of Food and Agriculture

Loss in sale of rice

Loss of Rs. 1,08,481 due to sale in 1957 of about 5,359 mds. of American Raw Rice valued at Rs. 1.16 lakhs for Rs. 8,000. The rice was found unfit for human consumption due to inter-mixture with fertilisers as a result of bunching and shifting of vessels from one quay to another in the Port of Madras.

The recovery of the amount was foregone by the Government in April, 1961 on the advice of the Ministry of Law who stated that since the firm delivery date as stipulated in the contract was not strictly in accordance with the firm's original offer, the contract would only be treated as a counter-offer which was not accepted by the firm and as such there was no legally valid contract with the defaulting supplier.

No responsibility is stated to have been fixed, on the ground that the purchase officer took every reasonable care and that the firm took advantage of a technical flaw in the contract.

The loss was written off by the Government in September, 1961.

Loss of Cash

Rs. 6,475, being the amount alleged to have been misappropriated in November and December, 1958 by the Officer-in-charge of a Forest Beat Office in Tripura Administration. The criminal case instituted by the Police against the Beat Officer in May, 1959 was dismissed by the trying Magistrate in June, 1961, on the plea that he was unable to find any wrongful gain which accrued to the accused or any wrongful loss caused to the Government. He also observed that for any amounts due from the accused, a civil suit might be filed but not a criminal case. An appeal against this judgment was, however, filed in November, 1961 in the Sessions Court and the result is awaited.

Departmental proceedings drawn up against the supervisory staff have not yet been finalised (October, 1962).

Ministry of Labour and Employment

Unauthorised expenditure incurred on hire of Desert Coolers.—The Ministry proposed in May, 1959 to hire 6 coolers for the summer season of the year 1959 at an estimated cost of Rs. 2,070 in relaxation of the rule prohibiting the installation of desert coolers in the rooms occupied by staff and officers drawing less than Rs. 1,100 per month or served with the Central Cooling system. Although the Ministry of Finance did not accept the proposal, the Ministry hired 7 coolers at a cost of Rs. 2,415 and again approached them in November, 1959 for *ex-post-facto* approval. The Ministry of Finance did not agree.

In January, 1963 the Ministry stated that the desert coolers had to be hired due to the improvised and partitioned rooms where khas-khas tatties could not be installed and that it was necessary from the welfare point of view to provide such essential amenities to staff at work.

Similar irregular expenditure amounting to Rs. 2,477 on this account was incurred during 1960-61. In October, 1961, the Ministry of Finance had to regularise the unauthorised expenditure incurred during 1959-60 and 1960-61 as a *fait accompli* but they observed that such irregularities should not be repeated in future. Despite this, the Ministry incurred a total expenditure of Rs. 4,689 on hire of coolers during 1961-62 and 1962-63 which is yet to be regularised (December, 1962).

Ministry of Transport and Communications

Loss of gliders

Rs. 35,800, being the book value of three gliders which were damaged beyond economic repairs due to accidents during March/May, 1958. The gliders were ordered to be destroyed by fire as it had not been possible to dispose of them otherwise.

A preliminary report of the loss was not communicated to Audit. The loss was written off by Government in May 1961.

Loss due to non-utilisation of material obtained from earth-work.

Rs. 13,609, being the value of 50% of material which became available as a result of excavation etc. during construc-

Non-utilisation of the materials was justified by the Department on the ground that in the absence of any

tion of guide bund on the river Ujh and which was disposed of as unserviceable and dumped in the bed of the river. The Chief Technical Examiner of the Ministry of Works, Housing and Rehabilitation stated that 50% of the material consisted of boulders and shingle which could have been used in the work and that its value, on the basis of schedule of rates applicable to other works in the locality, was Rs. 31 per hundred cubic feet.

stipulation in the agreement the contractor was not prepared to utilise the material.

Ministry of Works, Housing and Rehabilitation

Loss due to abandonment of a work

In the Building Division, Imphal (Manipur) an agreement was entered into with a contractor in January, 1959 for providing barbed wire fencing around a College compound. M.S. rods, cement and bricks worth Rs. 8,799 were issued to the contractor from Government stock and an advance of Rs. 1,116 had been paid to him on the security of materials brought by him to the site. The Contractor subsequently refused in February, 1959 to execute the work with new barbed wire at the agreed rate, on the ground that the word "new" did not appear before the words 'barbed wire' in the agreement.

As the Administration were aware in February, 1959 of the unwillingness of the contractor to execute the work, it is not clear why the provisions of the agreement were not enforced and how he was allowed to remove the material supplied to him and the stores pledged by him to Government as security for the advance given to him. The illegal removal of the materials from site by the contractor is stated to have been reported to the Police in January, 1960.

The agreement was rescinded in November, 1959 by which time the contractor had removed the materials issued to him from Government stock. After the forfeiture of his earnest money and security deposit, and taking into account the value of the work done by him, Rs. 9,501 is yet to be recovered from him.

Loss in the redemption of mortgaged properties

In August, 1957 Government decided to redeem all agricultural property allotted to displaced persons in Punjab, which had already been mortgaged by the evacuees in favour of non-evacuees. The Government of Punjab pointed out in March, 1959 that losses were likely to be incurred in the process. In March, 1960 the Government of India decided that the lands should be redeemed as (i) it would be difficult for the Government to give alternative allotment to the displaced persons if the land was allowed to revert to the mortgagees, and (ii) rent on unredeemed land would have to be paid to the mortgagees for the period of possession of the land by Government.

In December, 1961, the Government laid down that the loss on redemption should not exceed Rs. 40,000. The loss actually sustained up to the end of August, 1962 amounted to Rs. 30,701.

The Ministry of Finance in giving their concurrence expressed their concern on the failure to envisage this situation before such mortgaged land was allotted to displaced persons.

Irrecoverable amounts :—

1. (i) In July, 1961, Government waived a recovery of a sum of Rs. 63,787 spent during the period October, 1951 to April, 1958 on the training of displaced persons at the Rajpura Works Centre. The amounts became irrecoverable from them as they left the institution without completing their training.
- The failure to effect recoveries in these cases was due to the following reasons :—
- (1) the surety bonds executed by the trainees up to March, 1954 were legally defective ;
 - (2) no bonds were executed during the period April, 1954 to December, 1955;
 - (3) the bonds were again executed on the old defective form during the period January, 1956 to April, 1958 even though a revised form had been approved in July, 1954 in consultation with the Ministry of Law.
- (ii) Government waived in November, 1959, the recovery of Rs. 11,544, spent during the period June, 1951 to October, 1957 on the training of displaced persons in the Gandhinagar Centre, Bhopal (Madhya Pradesh). The trainees had left the institution without completing their training.
2. In March, 1960, and May, 1961 Government waived the recovery of rent aggregating Rs. 28,894 for the period 1st October, 1955 to 19th July, 1960 from seventeen shop-keepers in the Pratap Market.
- Out of 28 shops built by Government in the Market and allotted in 1955 to displaced persons, seventeen were vacated by the shop-keepers who, after 5 years in 1960, moved to West Vinay Nagar Market, on the plea that their business had failed on account of the construction of the over-bridge on Mathura Road. Their request for exemption from payment of rent was granted in March, 1960 and May, 1961.

*Dandakarnya Project**Injudicious purchase of perishable commodities:*

- Rs. 14,600, loss incurred by the Dandakarnya Project on the disposal at reduced prices of over 600 maunds of potatoes and onions obtained in September, 1960 for a Consumer Goods Stores. They had remained unsold as retail sale prices fixed by the Price Fixation Committee, were far in excess of the market prices.
- No responsibility for the loss has been fixed so far, nor has the loss been written off (September, 1962).

PART II OTHER CASES

In 4,716 cases, amounts aggregating Rs. 76.78 lakhs representing mainly, losses due to theft, fire, etc., overpayment of pay and allowances, irrecoverable revenue, duties, advances, etc., were written off/

waived during the year by the competent authorities as detailed below:—

Name of the Ministry	Write off of losses, irrecoverable revenue, duties, advances, etc.		<i>Ex-gratia</i> payment		Waiver of recovery	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
		Rs.		Rs.		Rs.
Food and Agriculture	3103	54,71,672	...	...	...	...
Works, Housing and Rehabilitation	471	6,22,590	7	94,986	5	1,203
Commerce and Industry	49	4,66,319	...	...	10	23,387
External Affairs	612	3,98,453	1	53,669	5	2,434
Finance	76	1,71,711	...	...	3	423
Steel, Mines and Fuel	108	1,45,940	...	...	2	174
Home Affairs	71	31,143	...	...	...	...
Scientific Research and Cultural Affairs	14	31,361	1	5,000	...	...
Defence	1	25,030	...	...	...	...
Irrigation and Power	7	24,313	...	...	...	...
Transport and Communications	106	30,792	...	...	1	445
Health	28	56,454	...	...	...	...
Labour and Employment	4	8,257	...	...	...	...
Information and Broadcasting	21	6,727	...	..	1	853
Education	6	3,129	...	...	1	520
Law	2	614	...	..	...	...

APPENDIX II

[Vide Paragraph 15]

(I) The details of the loans received from foreign sources and repaid during the year 1961-62 are given below :—

From whom received	Outstanding Balance as on 1-4-1961	Amount drawn during the year	Amount repaid during the year	Closing balance as on 31-3-1962	Amount of annual interest (1961-62)
(In lakhs of rupees)					
(A) U.S.A.	3,14,13	1,22,48	4,56	4,32,05	7,40
(B) U. K.	1,21,97	22,98	2,01	1,42,94	7,50
(C) U.S.S.R.	57,48	20,89	6,40	71,97	1,22
(D) West Germany	1,03,19	77,91	42,72	1,38,38	7,51
(E) Canada	14,07	...	2,25	11,82	57
(F) Japan	9,94	6,54	...	16,48	30
(G) International Bank for Re- construction and Develop- ment	1,40,19	29,33	5,04	1,64,48	8,53

(II) The table below gives the details of the transactions of the Special Development Fund for the year 1961-62:—

Sl. No.	Sale proceeds of American Loan Wheat	Sale proceeds of Wheat received under the Colombo Plan	Other assis- tance under the Colom- bo Plan	Assis- tance under the T.C.A. Prog- ramme	Assis- tance from Norway for Fishes Communi- ty Deve- lopment	Assis- tance under PL-480	Sale of Ameri- can Loan- Commo- dities (Develop- ment Assis- tance Loans)	Total
1	2	3	4	5	6	7	8	9
(In lakhs of rupees)								
1. Opening Bal- ance	5,93	20,97	32,85	42,85	...	73,10	41,68	2,17,38
2. Receipts (Including repayments of loans)	12,63	4,25	8,94	8,32	19	67,80	4,10	1,06,23
3. Total	18,56	25,22	41,79	51,17	19	1,40,90	45,78	3,23,61

1	2	3	4	5	6	7	8	9
(In lakhs of rupees)								
4. Issues—								
(i) To State Governments, etc.—								
Grants . . . . .	...	...	58	25,55	19	14	2,50	28,96
Loans	8,64	...	5	12	...	5,16	...	13,97
(ii) Schemes administered by Central Government								
. . . . .	...	1	20	29	...	10,20	2	10,72
(iii) Losses, etc.								
. . . . .	...	...	3	...	...	...	...	3
(iv) Utilization of Counterpart Funds								
. . . . .	...	...	...	95	...	...	3	93
Total : Issues :	8,64	1	86	26,91	19	15,50	2,55	54,66
5. Closing Balance								
.	9,92	25,21	40,93(A)	24,26(A)	...	1,25,40(A)	43,23(A)	2,68,95

(III) The details of the amounts received and credited to the "Special Development Fund" from inception upto 31st March, 1962 are given below :—

	(In lakhs of rupees)	
(i) Fund from the sale proceeds of American Loan Wheat	73,32	(Received as loan)
(ii) Fund from the sale proceeds of Wheat received under Colombo Plan	34,27	} (Received as grant)
(iii) Fund from other Assistance under the Colombo Plan	74,21	
(iv) Fund from Assistance under T.C.A. Programme	1,23,83	
(v) Fund from Assistance from Norway for Fisheries Community Development	1,13	
(vi) Assistance under P.L. 480	1,49,35	(Rs. 1,32,59 lakhs Received as loans and the balance as grant)
(vii) Fund from the Sale of American Loan Commodities	51,96	(Received as loan)

(A) The total of these *Pro forma* balances differs by 65 lakhs from the corresponding figure shown in the Accounts. The difference is being reconciled.

APPENDIX III

(Vide Paragraph 25)

STATEMENT SHOWING THE EXTENT OF UTILISATION OF SUPPLEMENTARY GRANTS/APPROPRIATIONS

Serial No.	Grant/Appropriation	Amount of Grant/Appropriation		Actual Expenditure	Saving (cols. 3 +4-5) Amount
		Original	Supplementary		

1 2 3 4 5 6

(In lakhs of rupees)

A. Particulars of 4 cases where supplementary grants or appropriations proved unnecessary.

Ministry of Finance

(1) 30—Territorial and Political Pensions	23·58	1·00	22·51	2·07
---	-------	------	-------	------

Ministry of Home Affairs

(2) 53—Privy Purses and Allowances of the Indian Rulers	5·21	0·36	5·16	0·41
---	------	------	------	------

Ministry of Steel, Mines and Fuel

(3) 83—Ministry of Steel, Mines and Fuel	39·80	0·84	38·48	2·16
--	-------	------	-------	------

Ministry of Works, Housing and Supply

(4) 99—Other Civil Works (Charged)	27·90	0·46	23·36	5·00
------------------------------------	-------	------	-------	------

B. Particulars of 22 cases where supplementary grants or appropriations proved excessive.

Ministry of Finance

(1) 31—Superannuation Allowances and Pensions	4,75·09	12·71	4,77·85	9·95
---	---------	-------	---------	------

(2) 35—Miscellaneous Adjustments between the Union and State Governments	22·33	2·79	22·96	2·16
--	-------	------	-------	------

I	2	3	4	5	6
<i>Ministry of External Affairs</i>					
(3) 18—External Affairs		12,24·84	1,56·15	13,51·17	29·82
(4) 19A—Dadra and Nagar Haveli Area		...	21·28	15·47	5·81
(5) 19B—Goa, Daman and Diu		...	1,57·65	1,18·69	38·96
<i>Ministry of Food and Agriculture</i>					
(6) 42—Miscellaneous Depart- ments and Other Expendi- ture under the Ministry of Food and Agriculture		11,66·68	5,50·00	17,13·76	2·92
<i>Ministry of Home Affairs</i>					
(7) 51—Census		3,34·02	51·00	3,79·59	5·43
(8) 52—Statistics		1,57·44	6·27	1,58·50	5·21
(9) 54—Delhi		14,84·28	44·40	14,98·80	29·88
(10) 57—Manipur		3,99·46	27·09	4,20·17	6·38
(11) 58—Tripura		6,26·85	45·00	6,29·24	42·61
(12) 60—Miscellaneous Depart- ments and Expenditure under the Ministry of Home Affairs		69·70	24·12	88·94	4·88
<i>Ministry of Steel, Mines and Fuel</i>					
(13) 85—Miscellaneous Depart- ments and Other Expendi- ture under the Ministry of Steel, Mines and Fuel		40,57·65	4,90·29	45,43·51	4·43
(14) 132—Capital Outlay of the Ministry of Steel, Mines and Fuel		78,72·99	18,47·41	84,30·52	12,89·88
<i>Ministry of Transport and Communications</i>					
(15) 89—Mercantile Marine		76·34	4·90	79·18	2·06
(16) 136—Capital Outlay on Roads		32,17·00	3,27·00	32,93·20	2,50·80
(17) 137—Other Capital Outlay of the Ministry of Trans- port and Communications		13,42·69	2,83·01	15,76·30	49·40

1	2	3	4	5	6
<i>Ministry of Works, Housing and Supply</i>					
(18) 99—Other Civil Works	33,23·35	4,12·83	36,64·52	71·66	
(19) 101—Miscellaneous Departments and Expenditure under the Ministry of Works, Housing and Supply	66·45	5·18	68·99	2·64	
<i>Ministry of Finance</i>					
(20) Payments of States' Share of Union Excise Duties (<i>Charged</i>)	76,33·15	4,60·35	80,64·71	28·79	
(21) 120—Loans and Advances by Central Government (<i>Charged</i>)	4,09,21·65	59,50·00	4,52,41·76	16,29·89	
<i>Ministry of Works, Housing and Supply</i>					
(22) 138—Delhi Capital Outlay (<i>Charged</i>)	8·71	45·00	19·21	34·50	
C. Particulars of 6 cases where supplementary grants proved inadequate vide para. 26(a)					
<i>Ministry of Finance</i>					
				Excess	
1. 32—Miscellaneous Departments and Other Expenditure under the Ministry of Finance	14,43·87	3,13·01	17,71·02	14·14	
<i>Ministry of Education</i>					
2. 13—Ministry of Education	42·31	1·82	44·33	0·20	
<i>Ministry of Home Affairs</i>					
3. 47—Cabinet	37·24	1·46	39·57	0·87	
<i>Ministry of Transport and Communications</i>					
4. 86—Ministry of Transport and Communications	69·95	1·55	72·57	1·07	
5. 90—Lighthouses and Lightships	1,50·55	54·00	2,11·18	6·63	
6. 95—Communications (including National Highways)	6,52·00	44·54	7,12·16	15·62	

APPENDIX IV

[Vide Paragraph 27(i)]

STATEMENT SHOWING SAVINGS UNDER VOTED GRANTS

Sl. No. and Name of Grant No.	Total Grant	Expenditure	Saving	Percentage of Saving
1	2	3	4	5
6				
(In lakhs of rupees)				
<i>Voted Grants where the Savings exceeded 10 per cent of the total Grant.</i>				
1. 129.—Capital Outlay of the Ministry of Labour and Employment	7.88	0.18	7.70	97.7
2. 125.—Capital Outlay of the Ministry of Home Affairs	92.32	20.62	71.70	77.7
3. 112.—Capital Outlay of the Ministry of Education	18.10	4.27	13.83	76.4
4. 140.—Capital Outlay of the Ministry of Works, Housing and Supply	2,36.96	59.71	1,77.25	74.8
5. 126.—Capital Outlay of the Ministry of Information and Broadcasting	4,94.00	1,91.48	3,02.52	61.2
6. 117.—Commuted Value of Pensions	1,48.55	60.74	87.81	59.2
7. 116.—Capital Outlay on Mints	6.91	3.38	3.53	51.0
8. 96.—Miscellaneous Departments and other Expenditure under the Ministry of Transport and Communications	2,77.36	1,51.08	1,26.28	45.5
9. 72.—Elections	28.45	16.33	12.12	42.6
10. 141.—Capital Outlay of the Department of Atomic Energy	5,45.99	3,16.58	2,29.41	42.0
11. 127.—Capital Outlay on Multipurpose River Schemes	3,34.75	1,99.47	1,35.28	40.4

1	2	3	4	5	6
				(In lakhs of rupees)	
12.	84.—Geological Survey.	3,17·18	1,92·72	1,24·46	39·3
13.	79.—Botanical Survey . . .	25·03	15·91	9·12	36·4
14.	114.—Capital Outlay on India Security Press	32·58	22·22	10·36	31·8
15.	59.—Laccadive, Minicoy and Amindivi Islands . . .	27·43	18·85	8·58	31·2
16.	36.—Prepartition Payments . . .	16·75	11·61	5·14	30·7
17.	138.—Delhi Capital Outlay	12,21·29	8,47·22	3,74·07	30·6
18.	40.—Agricultural Research . . .	6,25·63	4,34·34	1,91·29	30·0
19.	134.—Capital Outlay on Civil Aviation . . .	4,35·91	3,07·19	1,28·72	29·5
20.	130.—Capital Outlay of the Ministry of Rehabilitation . . .	16,90·00	12,04·94	4,85·06	28·7
21.	41.—Animal Husbandry	1,08·47	78·12	30·35	27·9
22.	19-A.—Dadra and Nagar Haveli Area . . .	21·28	15·47	5·81	27·3
23.	44.—Medical and Public Health . . .	10,80·16	8,04·37	2,75·79	25·5
24.	19-B.—Goa, Daman and Diu . . .	1,57·65	1,18·69	38·96	24·7
25.	131.—Capital Outlay of the Ministry of Scientific Research and Cultural Affairs	4,00·78	3,01·50	99·28	24·7
26.	82.—Miscellaneous Departments and Expenditure under the Ministry of Scientific Research and Cultural Affairs	55·82	42·13	13·69	24·5
27.	39.—Agriculture . . .	4,29·85	3,31·01	98·84	22·9
28.	122.—Purchase of Food Grains . . .	2,15,32·38	1,66,48·02	48,84·36	22·7
29.	109.—Capital Outlay of the Ministry of Commerce and Industry . . .	26,66·50	21,01·14	5,65·36	21·2
30.	15.—Miscellaneous Departments and Expenditure under the Ministry of Education . . .	2,93·93	2,32·18	61·75	21·0
31.	139.—Capital Outlay on Buildings . . .	9,69·00	7,70·80	1,98·20	20·7

1	2	3	4	5	6
				(In lakhs of rupees)	
32.	81.—Scientific Research and Cultural Affairs	20,06.29	16,02.19	4,04.10	20.1
33.	102.—Department of Atomic Energy	16.43	13.22	3.21	19.5
34.	7.—Community Development Projects, National Extension Service and Co-operation	3,00.62	2,46.45	54.17	17.8
35.	19.—State of Pondicherry	4,31.78	3,55.78	76.00	17.6
36.	65.—Multipurpose River Schemes	1,63.49	1,34.95	28.54	17.4
37.	93.—Aviation	6,58.94	5,45.65	1,13.29	17.2
38.	17.—Nagapattinam Hills-Tuensang Area	3,72.58	3,09.02	63.56	17.0
39.	62.—Broadcasting	5,61.12	4,68.04	93.08	16.5
40.	20.—Miscellaneous Expenditure under the Ministry of External Affairs	3,27.12	2,75.17	51.95	15.9
41.	118.—Other Capital Outlay of the Ministry of Finance	81,46.46	68,62.11	12,84.35	15.8
42.	2.—Industries	19,74.63	16,67.38	3,07.25	15.4
43.	48.—Zonal Councils	2.43	2.07	.36	14.8
44.	91.—Meteorology	2,00.09	1,70.11	29.98	14.4
45.	123.—Other Capital Outlay of the Ministry of Food and Agriculture	53,39.40	45,81.00	7,58.40	14.2
46.	14.—Education	16,79.35	14,45.47	2,33.88	13.9
47.	66.—Miscellaneous Departments and other Expenditure under the Ministry of Irrigation and Power	2,49.52	2,14.93	34.59	13.8
48.	68.—Chief Inspector of Mines	23.11	19.96	3.15	13.6
49.	132.—Capital Outlay of the Ministry of Steel, Mines and Fuel	97,20.40	84,30.52	12,89.88	13.3
50.	107.—Rajya Sabha	38.02	33.15	4.87	12.8
51.	45.—Miscellaneous Departments and Expenditure under the Ministry of Health.	1,06.72	93.09	13.63	12.7

1	2	3	4	5	6
				(In lakhs of rupees)	
52.	120.—Loans and Advances, by the Central Gov- ernment	1,70,60.29	1,49,84.20	20,76.09	12.2
53.	105.—Lok Sabha	98.89	86.98	11.91	12.0
54.	110.—Capital Outlay of the Ministry of Community Deve- lopment and Co- peration	5,41.14	4,77.82	63.32	11.7
55.	80.—Zoological Survey	16.66	14.89	1.77	10.6
56.	67.—Ministry of Labour and Employment	25.37	22.79	2.58	10.1

APPENDIX V

Purchase of Foodgrains

STATEMENT SHOWING THE FINANCIAL RESULTS OF STATE TRADING IN FOODGRAINS

(Figures taken from the *pro forma* accounts prepared by the
Ministry of Food and Agriculture)

(A) QUANTITY ACCOUNT (IN TONNES)

	Wheat	Rice	Other grains	Total
(i) 1960-61				
1. Opening Stock	4,40,789	6,32,371	2,216	10,75,376
2. Quantity purchased outside India :				
(Number of shipments)	379	114	5	498
(a) Quantity manifested	44,01,991	6,57,183	53,488	51,12,662
(b) Gain in transit	20,643	663	138	21,444
(c) Loss in transit	15,350	2,314	42	17,706
(d) Quantity landed	44,07,284	6,55,532	53,584	51,16,400
3. Quantity purchased in India . . . . .	..	3,89,766	..	3,89,766
4. Quantity sold	32,78,647	8,43,096	13,205	41,34,948
5. Loss in distribution	33,907	11,697	367	45,971
6. Closing Stock	15,35,519	8,22,876	42,228	24,00,623
(ii) 1961-62				
1. Opening Stock	15,35,519	8,22,876	42,228	24,00,623
2. Quantity purchased outside India :				
(Number of shipments)	236	60	..	296
(a) Quantity manifested	27,66,452	4,14,605	..	31,81,057
(b) Gain in transit	11,349	358	..	11,707
(c) Loss in transit	11,943	1,803	..	13,746
(d) Quantity landed	27,65,858	4,13,160	..	31,79,018
3. Quantity purchased in India . . . . .	..	3,02,190	..	3,02,190
4. Quantity sold	30,83,739	6,96,834	34,271	38,14,844
5. Loss in distribution	11,601	2,555	69	14,225
6. Closing Stock	12,06,037	8,38,837	7,888	20,52,762

(B) VALUE ACCOUNT (IN LAKHS OF RUPEES)

(i) 1960-61

Particulars	Wheat	Rice	Other grains	Total	Particulars	Wheat	Rice	Other grains	Total
Opening stock .	16,32.71	27,10.82	6.19	43,49.72	Sale proceeds .	1,22,66.06	39,82.51	38.09	1,62,86.66
					<i>Deduct element of sale proceeds creditable to pro forma insurance fund .</i>	(—)42.62	(—)20.98	(—)0.17	(—)63.77
					Net Sale proceeds	1,22,23.44	39,61.53	37.92	1,62,22.89
Cost including freight, incidentals and direct charges .	1,65,88.53	56,21.51	1,41.98	2,23,52.02	Miscellaneous receipts .	85.15	3.20	..	88.35
<i>Deduct cost of shortlanded quantity charged to pro forma insurance fund .</i>	(—)56.24	(—)12.62	(—)0.11	(—)68.97	Stock in hand .	57,59.73	35,27.67	1,08.84	93,96.24
Profit .	..	..	..	..	Loss . . .	96.68	8,27.31	1.30	9,25.29
TOTAL .	1,81,65.00	83,19.71	1,48.06	2,66,32.77		1,81,65.00	83,19.71	1,48.06	2,66,32.77

(ii) 1961-62

Particulars	Wheat	Rice	Other grains	Total	Particulars	Wheat	Rice	Other grains	Total
Opening stock	57,59.73	35,27.67	1,08.84	93,96.24	Sale proceeds	1,15,16.42	32,92.03	1,00.96	1,49,09.41
					<i>Deduct element of sale proceeds creditable to pro forma insurance fund</i>	(—)41.32	(—)13.30	(—)0.45	(—)55.07
					Net sale proceeds	1,14,75.10	32,78.73	1,00.51	1,48,54.34
Cost including freight incidentals and direct charges	1,06,48.11	41,48.24	4.03	1,48,00.38	Miscellaneous receipts	35.40	..	..	35.40
<i>Deduct cost of shortlanded quantity charged to pro forma insurance fund</i>	(—)42.20	(—)10.77	..	(—)52.97	Stock in hand	48,56.05	35,96.09	20.45	84,72.59
Profit	0.91	..	8.09	9.00	Loss	..	7,90.32	..	7,90.32
TOTAL	1,63,66.55	76,65.14	1,20.96	2,41,52.65		1,63,66.55	76,65.14	1,20.96	2,41,52.65

(C) STATEMENT SHOWING CUMULATIVE PROFIT/LOSS FROM 1943-44 TO THE END OF 1961-62

Name of Grain	From 1943-44 to 1959-60	Profit (+) Loss(—) during 1960-61	Profit (+) Loss(—) during 1961-62	To the end of 1961-62
Wheat	(+) 86,73,868	(—) 96,67,844	(+) 90,550	(—) 9,03,426
Wheat (Flour)	(+) 3,80,53,625	..	..	(+) 3,80,53,625
Rice	(—) 41,30,83,360	(—) 8,27,30,745	(—) 7,90,31,811	(—) 57,48,45,916
Milo, corn, etc.	(+) 4,51,52,077	(+) 2,87,969	(+) 8,99,459	(+) 4,63,39,505
Barley	(—) 1,66,65,070	..	..	(—) 1,66,65,070
Maize	(+) 2,61,54,881	..	..	(+) 2,61,54,881
Paddy	(+) 32,21,088	(—) 4,17,560	(—) 90,066	(+) 27,13,462
Oats	(+) 1,04,492	..	..	(+) 1,04,492
Gram	(—) 6,72,245	..	..	(—) 6,72,245
	(—) 30,90,60,644	(—) 9,25,28,180	(—) 7,81,31,868	(—) 47,97,20,692
<i>Deduct</i> Indirect Expenses not classifiable grain-wise	(—) 20,83,60,917	(—) 4,98,82,335	(—) 6,04,60,671	(—) 31,87,03,923
Interest on Capital	(—) 8,56,70,306	(—) 4,43,66,856	(—) 5,39,28,829	(—) 18,39,65,991
GRAND TOTAL	(—) 60,30,91,867	(—) 18,67,77,371	(—) 19,25,21,368	(—) 98,23,90,606

Note :—Rs. 8.5 crores being the instalment for the year 1960-61 and Rs. 9.5 crores being the instalment for the year 1961-62 of the loss incurred on the sale of foodgrains outstanding in the state trading scheme were adjusted by transfer to Revenue in the accounts of the respective years. The total loss charged to Revenue to date amounts to Rs. 46 crores, thus leaving a net loss of Rs. 52.24 crores still outstanding.

APPENDIX VI

RECEIPTS AND PAYMENTS ACCOUNT OF THE IRON AND STEEL EQUALISATION FUND FOR THE YEAR 1961-62

(As prepared by the Iron and Steel Controller, Calcutta)

<i>Receipts</i>	1960-61 (Rs. in lakhs)	1961-62 (Rs in lakhs)	<i>Payments</i>	1960-61 (Rs. in lakhs)	1961-62 (Rs. in lakhs)
Opening Cash Balance :	2561	4012.68			
Surcharge representing difference between the Retention and Selling Prices of the Steel Produced by the Producers in :			Payment due to increase in Retention price allowed to Main Producers and the adjustment on account of Railway Freight on despatches made on F.O.R. Destination basis :		
(a) Private Sector	2371	1841.51	(a) Steel Plants in Private Sector	1224	759.93
(b) Public Sector	499	586.22	(b) Steel Plants in Public Sector	111	292.93
(c) Re-rollers	124	83.50	(c) Payment of subsidy on Imported steel :		
			(i) Tender Purchases	258	100.00
			(ii) Bulk Purchases on Government to Government basis.	24	..
Surcharge realised in respect of the difference between the Landed cost and Statutory Selling Prices on imported Steel :					
(a) Tender Purchases	169	27.68	Payment to Re-rollers of Railway Freight Transport and other incidental charges on account of acquisition of raw materials Despatches of Finished products at F.O.R. Destination rates	112	115.99
(b) Bulk Purchases on Government to Government basis	16	0.50			

(Continued)

Receipts	1960-61		1961-62		Payments	1960-61		1961-62	
	(Rs. in Lakhs)		(Rs. in Lakhs)			(Rs. in Lakhs)		(Rs. in Lakhs)	
Revaluation of the stock of Steel with Stockists on changes in Statutory Selling Prices	2		5.06		Payment to Controlled Stockists, being refund of the amount realised in excess on account of revaluation of the stock with them due to change in Statutory Selling Prices	...			0.02
Realisation from the Controlled Stockists and Export Promotion Quota-holders on account of the difference between the normal and concessional prices of Iron and Steel Materials transferred to normal stock	...		0.83		Payment to the Export Promotion Quota-holders on account of the difference between the normal and concessional prices of the Iron and Steel materials	...			0.13
					Closing Cash balance	4013		5288.98	
TOTAL	5742		6557.98		TOTAL	5742		6557.98	

**BALANCE SHEET OF THE IRON AND STEEL CONTROL
EQUALISATION FUND AS ON 31ST MARCH, 1962.**

164

Liabilities :

Assets :

Sundry Creditors :

Sundry Debtors :

	Rs.	Rs.		Rs.	Rs.
(a) For which Credit Notes have been issued			(a) Amount billed for but not realised :		
(i) Main producers	1,89,18,601		(i) Main Producers	11,66,60,043	
(ii) Controlled Stock-holders	188		(ii) Controlled stock-holders	7,99,369	
(iii) Re-rollers and Customers	7,38,385		(iii) Re-rollers	1,15,75,192	
(iv) Sundry Parties on account of subsidy on Imported Steel :	4,54,401		(iv) Sundry Parties on account of subsidy on Imported Steel	75,70,671	
	<u>2,01,11,575</u>		(v) Stockists on account of transfer of surplus materials	1,712	
(b) For which Credit Notes have not been issued .	8,07,49,050	10,08,60,625	(vi) Sundry Parties on account of Miscellaneous adjustments	7,08,428	
2. Closing Balance of the Fund (Cash Balance plus net surplus of the dues to the Fund over Liabilities)		<u>83,43,51,691</u>		<u>13,73,15,415</u>	

Rs.	Rs.	Rs.
	(b) Amount outstanding but not billed for :	6,71,72,440*
	Total Sundry Debtors :	20,44,87,855
	2. Special Advances :	
	TISCO	10,00,00,000
	IISCO	10,18,26,476
	3. Cash Balance in the Fund	20,18,26,476
		52,88,97,985
Total	<u>93,52,12,316</u>	<u>93,52,12,316</u>

155

*The accrued dues under Main Producers (Private Sector and Public Sector) have been worked out by the Iron and Steel Controller taking into account the estimated amount not billed for upto 31st March, 1962, which is a very rough estimate based on preceding month's actuals.