



GOVERNMENT OF MADHYA PRADESH

REPORT
OF THE
COMPTROLLER
AND
AUDITOR GENERAL OF INDIA
FOR THE YEAR 1972-73

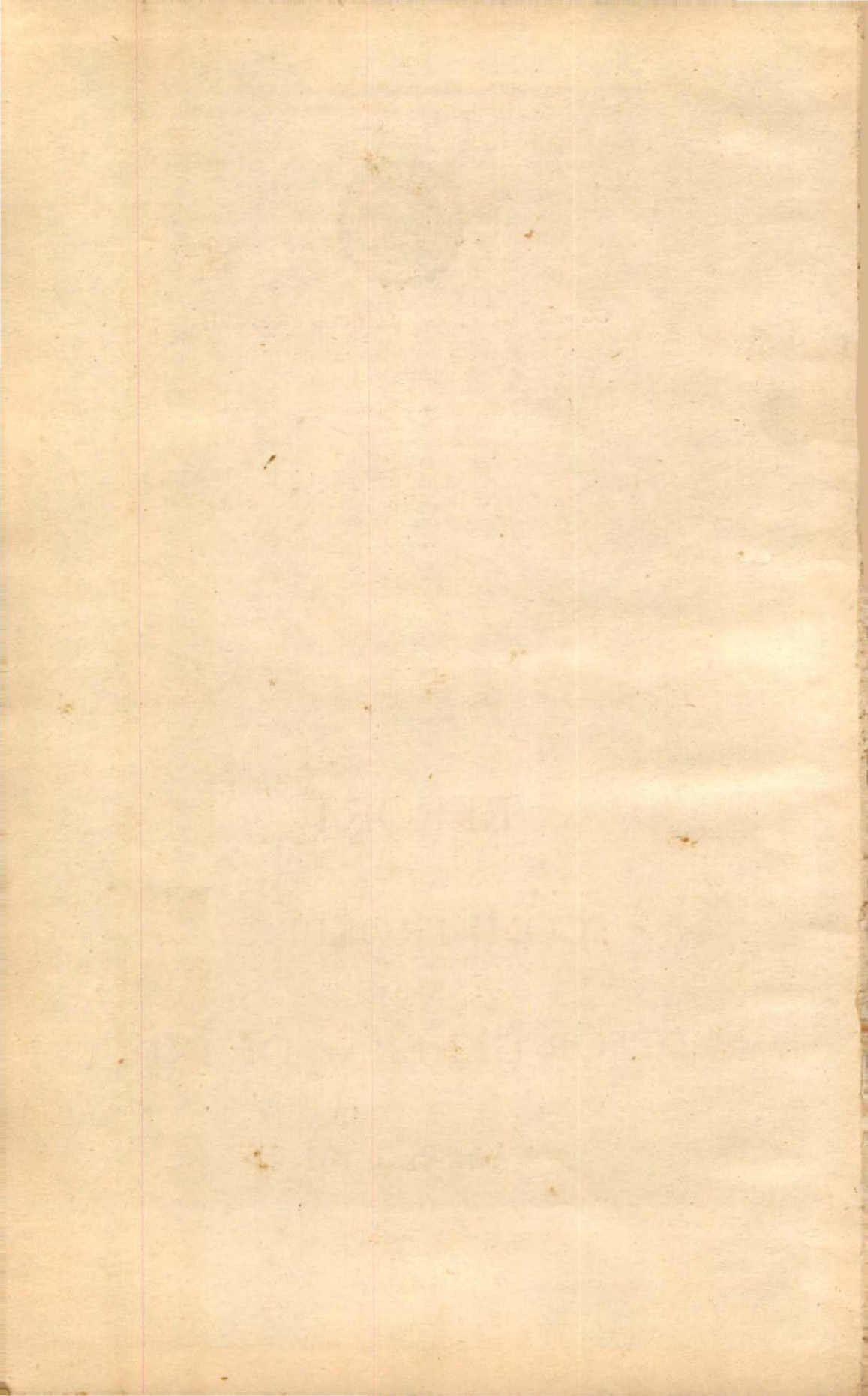


TABLE OF CONTENTS

		<i>Reference to</i>	
		Paragraph	Page (iii)
PREFATORY REMARKS			
CHAPTER I	General	1.1-1.15	1-17
CHAPTER II	Appropriation Audit and Control over Expenditure	2.1-2.5	18-28
CHAPTER III	Civil Departments	3.1-3.9	29-78
CHAPTER IV	Works Expenditure	4.1-4.3	79-84
CHAPTER V	Stores and Stock Accounts	5.1-5.6	85-91
CHAPTER VI	Financial Assistance to Local Bod- ies, Statutory Boards, Co-opera- tive Institutions and Others	6.1-6.4	92-100
CHAPTER VII	Revenue Receipts	7.1-7.21	101-114
CHAPTER VIII	Government Commercial and Tra- ding Activities	8.1-8.12	115-144
CHAPTER IX	Outstanding Audit Observations and Inspection Reports	9.1-9.2	145-149
TABLE OF APPENDICES			
APPENDIX I	Extent of utilisation of supplemen- tary grants		151-153
APPENDIX II	Grants/appropriations where sav- ings exceeded 20 per cent of total provision		154-155
APPENDIX III	Crash Scheme for Rural Emp- loyment—Analysis of “Labour” and “Non-labour” components of expenditure incurred in eight selected districts		156-157
APPENDIX IV	Crash Scheme for Rural Employ- ment—Progress of works		158-159
APPENDIX V	Crash Scheme for Rural Emp- loyment—Progress of scheme works in eight districts selected for test check		160-161
APPENDIX VI	Regional distribution of effort under the Emergency Agricultural Production Programme		162

		<i>Reference to</i>
		<u>Paragraph Page</u>
APPENDIX VII	Cases of mis-appropriation reported upto the 31st March 1973 but not finalised till the 30th September 1973	164-165
APPENDIX VIII	Losses, etc., written off during the year 1972-73	166
APPENDIX IX	Summarised financial results of Statutory Corporations/Board	168-169
APPENDIX X	Summarised financial results of Government Companies	170-171
APPENDIX XI	Summarised financial results of departmentally managed Government Undertakings	172
APPENDIX XII	Departments having heavy outstanding inspection reports on the 30th September 1973	173
APPENDIX XIII	Important types of irregularities noticed during local audit and inspection	174-175

(iii)

PREFATORY REMARKS

This Report has been prepared both in Hindi and English for submission to the Governor under Article 151 of the Constitution. It relates mainly to matters arising from the Appropriation Accounts for 1972-73 together with other points arising from audit of financial transactions of the Government of Madhya Pradesh. It also includes—

- (i) certain points of interest arising from the Finance Accounts for the year 1972-73;
- (ii) matters relating to certain bodies and authorities the accounts of which are audited by the Indian Audit and Accounts Department; and
- (iii) reviews on the Emergency Agricultural Production Programme, the Crash Scheme for Rural Employment and the Intensive Poultry Production-cum-Marketing Centres.

2. The cases mentioned in the Report are among those which came to notice during the course of test audit of accounts during the year 1972-73 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 1972-73 have also been included wherever considered necessary.

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

CHAPTER I

GENERAL

REVENUE RECEIPTS AND EXPENDITURE ON REVENUE ACCOUNT

1.1. (i) *Budget and actuals.*—Actuals of revenue receipts of Government for 1972-73 as compared with (a) budget estimates and (b) budget estimates plus additional taxation during the year along with the corresponding figures for 1970-71 and 1971-72 are shown below :—

Year	Budget	Budget plus additional taxation	Actuals	Variation between columns (4) and (3)	
(1)	(2)	(3)	(4)	Amount of increase	Percentage
(In crores of rupees)					
1970-71	2,20.43	2,22.63	2,28.15	5.52	2
1971-72	2,57.10	2,58.61	2,69.48	10.87	4
1972-73	2,96.66	3,03.08	3,14.90	11.82	4

(Details of additional taxation measures introduced during 1972-73 are given in Statement no. 1 of Finance Accounts 1972-73).

(ii) *Expenditure on revenue account.*—Expenditure on revenue account as compared with (a) budget estimates and (b) budget estimates plus supplementary grants is shown below :—

Year	Budget	Budget plus supplementary	Actuals	Variation between columns (4) and (3)	
(1)	(2)	(3)	(4)	Amount of decrease	Percentage
(In crores of rupees)					
1970-71	2,12.39	2,16.98	2,04.06	12.92	6
1971-72	2,38.55	2,53.90	2,27.71	26.19	10
1972-73	2,86.42	3,02.41	2,74.99	27.42	9

(iii) The year ended with revenue surplus of Rs. 39.91 crores against surplus of Rs. 10.24 crores anticipated in the budget.

The State has been having a revenue surplus continuously since 1968-69; yearwise analysis is given below:—

Year	Surplus (In crores of rupees)
1968-69	9.02
1969-70	23.35
1970-71	24.09
1971-72	41.77
1972-73	39.91

1.2. *Revenue receipts.*—During 1972-73 revenue receipts (Rs. 3,14.90 crores) showed increase of Rs. 45.42 crores (17 per cent) over those in 1971-72 (Rs. 2,69.48 crores). The increase is analysed below:—

(1)	Receipts		Increase
	1971-72 (2)	1972-73 (3)	(4)
(In crores of rupees)			
<i>(i) Revenue raised by State Government—</i>			
<i>Tax revenue—</i>			
(a) Taxes, duties and other principal heads of revenue	94.91	1,10.83	15.92
<i>Non-tax revenue—</i>			
(b) Receipts under administrative, social and developmental services, irrigation, public works, forest, etc.	49.62	57.04	7.42
(c) Interest	16.09	16.69	0.60
<i>(ii) Receipts from Government of India—</i>			
(a) State's share of net proceeds of Union Taxes	69.63	78.46	8.83
<i>(b) Grants-in-aid—</i>			
(i) Grants under Article 275 of the Constitution	2.68	3.03	0.35
(ii) Other grants-in-aid	36.55	48.85	12.30
Total	2,69.48	3,14.90	45.42

Sales tax (Rs. 52.66 crores) was the largest item under "tax revenue" and formed 48 per cent of total tax collected. Forest (Rs. 36.44 crores) was the biggest source under "non-tax revenue", the receipts being 49 per cent of such revenue.

Increase of Rs. 23.94 crores in the revenue raised by State Government during 1972-73 was mainly under :—

Head of Account	Increase over 1971-72	Reasons
(1)	(2)	(3)
	(In crores of rupees)	
X—State Excise Duties	2.12	Mainly due to increased production/consumption of country spirits and hemp/drugs
XII—Sales Tax	8.45	Mainly due to additional taxation measures introduced during the year and full year's impact of additional levies imposed during the latter half of 1971-72
XIII—Other taxes and Duties	4.46	Mainly due to enhancement in the rates of tax and duties on goods and passengers carried by road, electricity and entertainment, etc.
XIV—Stamps	0.39	Mainly on account of additional taxation measures introduced during the year
XVI—Interest	0.61	Mainly due to realisation of more interest on investment of cash balances
LI—Forest	5.76	Mainly due to more sale of timber and other forest produce extracted departmentally

Receipts from Government of India during 1972-73 (Rs. 1,30.34 crores) were 41 per cent of the total revenue receipts of the year.

Increase of Rs. 21.48 crores in the receipts from Government of India during 1972-73 was mainly due to receipt of State's share of unadjusted balance of advance income tax collected upto years 1968-69 (Rs.2.01 crores), share of 'Union Excise Duties' (Rs. 6.94 crores), and more grants-in-aid (Rs. 12.65 crores).

1.3. *Arrears of revenue.*—According to the information furnished by some of the departments, arrears in collection of revenue at the end of 1972-73 were Rs. 17.46 crores. Full particulars are given in paragraph 7.21 of Chapter VII.

1.4. *Expenditure on revenue account.*—Expenditure on revenue account during 1972-73 (Rs. 2,74.99 crores) showed increase of Rs. 47.28 crores as compared with 1971-72 (Rs. 2,27.71 crores). The increase is analysed below:—

(1)	Expenditure		Increase+
	1971-72	1972-73	Decrease-
	(2)	(3)	(4)
	(In crores of rupees)		
(i) Collection of taxes, duties and other principal revenues	7.72	9.16	+1.44

(1)	Expenditure		Increase +
	1971-72	1972-73	Decrease—
	(2)	(3)	(4)
	<i>(In crores of rupees)</i>		
	Mainly under Land Revenue due to implementation of new scheme for re-settlement of landless labourers and workers in rural areas		
(ii) Debt services	29.92	32.24	+2.32
	Mainly due to larger payment of interest on general provident funds and on open market loans		
(iii) Administrative Services—			
Police	18.05	20.64	+2.59
	Mainly due to larger expenditure on implementation of the recommendations of the Pay Commission		
Other heads	12.19	13.30	+1.11
Total—Administrative services	30.24	33.94	+3.70
(iv) Social and Developmental services—			
Education	54.99	66.35	+11.36
	Mainly due to expenditure on the implementation of the recommendations of Pay Commission, filling up of vacancies and increased grants to non-government institutions		
Medical and Public Health	20.45	23.86	+3.41
	Mainly due to larger expenditure resulting from the implementation of recommendations of the Pay Commission, filling up of vacant posts, increased expenditure on hospitals, dispensaries, medical colleges and schools and increase in the cost of construction material required for execution of several rural water supply schemes		
Family Planning	3.11	6.02	+2.91
	Mainly due to increase in the payment of compensation and more expenditure on mass education		

(1)	Expenditure		Increase + Decrease --
	1971-72	1972-73	
	(2)	(3)	(4)
	<i>(In crores of rupees)</i>		
Agriculture	9.89	11.83	+1.94
	Mainly due to increased expenditure on agricultural experiments and research, payments of more grants-in-aid, general rise in the cost of material <i>etc.</i> , and filling up of vacant posts		
Community Development Projects, National Extension Service and Local Development Works	6.03	11.74	+5.71
	Mainly due to implementation of crash programme for providing employment in rural areas and recommendations of the Pay Commission		
Labour and Employment	1.61	2.68	+1.07
	Mainly due to implementation of the Central Sector Scheme of 'Special Employment Programme'		
Miscellaneous Social and Developmental Organisations	13.74	16.01	+2.27
	Mainly due to larger expenditure on welfare of scheduled tribes, castes and other backward classes and more expenditure on schemes of applied nutrition programme		
Other Social and Developmental Services	8.47	9.78	+1.31
	Mainly due to larger expenditure on breeding operation schemes under Animal Husbandry Programme (Rs. 0.66 crore) and increased subsidies and grants to Co-operative Institutions/Societies and more expenditure on Centrally Sponsored Scheme 'Strengthening of Agriculture (Stabilisation) Fund' under '34—Co-operation' (Rs. 0.51 crore)		
Total—Social and developmental services	1,18.29	1,48.27	+29.98

(1)	Expenditure		Increase + Decrease— (4)
	1971-72 (2)	1972-73 (3)	
	<i>(In crores of rupees)</i>		
(v) Multipurpose River Schemes, Irrigation and Electricity Schemes (including Capital Outlay within the Revenue Account)	2.48	2.73	+0.25
(vi) Public Works (including Roads) and schemes of Miscellaneous Public Improvements (including Capital Outlay within the Revenue Account)	15.28	16.18	+0.90
	Mainly due to larger expenditure on works relating to General Administration Department and good progress in construction of various other works		
(vii) Miscellaneous—			
Famine Relief	1.92	6.97	+5.05
	Mainly due to more relief works and gratuitous relief in scarcity hit areas of the State		
Forest	8.41	9.59	+1.18
	Mainly due to general rise in the cost of material and equipment and wages of labour, more expenditure on the departmental working of coupes		
Miscellaneous	6.67	8.84	+2.17
	Mainly due to payment of more grants-in-aid to various public bodies and institutions and increased contribution to Government of India for relief of refugees from Bangla Desh		
Other Miscellaneous Heads	5.68	6.04	+0.36
Total—Miscellaneous	22.68	31.44	+8.76
(viii) Other heads	1.10	1.03	-0.07
Total	2,27.71	2,74.99	+47.28

1.5. *Expenditure outside the revenue account.*—(a) Expenditure outside the revenue account includes, besides capital expenditure, amounts disbursed by Government as loans and advances.

Expenditure on capital account during 1972-73 and the two preceding years as compared with (a) budget estimates and (b) budget estimates plus supplementary grants is shown below. Loans and advances are dealt with in paragraph 1.6.

Year	Budget	Budget plus supplementary	Actuals	Variation between columns (4) and (3)	
				Amount of decrease	Percentage decrease
(1)	(2)	(3)	(4)	(5)	(6)
			<i>(In crores of rupees)</i>		
1970-71	34.69	38.90	31.26	7.64	20
1971-72	47.77	64.47	52.15	12.32	19
19.2-73	59.82	61.08	47.05	17.03	26

(b) An analysis of the expenditure outside the revenue account during and to end of 1972-73 is given below :—

(1)	Expenditure during 1972-73	Progressive expenditure upto 1972-73
	(2)	(3)
	<i>(In crores of rupees)</i>	
(1) Compensation to land holders, etc., on the abolition of Zamindari system	..	14.09
(2) Social and developmental services—		
(i) Improvement of public health	1.79	13.07
(ii) Agricultural improvement and research	2.06	22.72
(iii) Industrial and economic development	6.17	59.53
(3) Multipurpose river schemes, irrigation and electricity schemes—		
(i) Multipurpose river schemes	9.20	1,07.27
(ii) Irrigation works (commercial and non-commercial)	20.56	1,32.92
(4) Public works (including roads) and schemes of Miscellaneous Public Improvements	16.67	1,33.25
(5) Schemes of Government Trading	— 10.75	— 4.17
(6) Forests	0.40	1.48
(7) Miscellaneous	0.95	8.64
(8) Net outgo under 'Loans and Advances by the State Government'	25.05	2,49.56
Total	72.10	7,38.36

@ Minus figures due to receipts and recoveries on Capital Account being more than the gross expenditure.

The sources from which capital expenditure outside the revenue account was met during and to end of 1972-73 are given below :—

(1)	During 1972-73 (2)	To end of 1972-73 (3)
	(In crores of rupees)	
I—Net additions to—		
(i) Market loans	5.29	69.85
(ii) Loans from Government of India	14.01	4,14.21
(iii) Loans from autonomous bodies	3.50	25.49
(iv) Unfunded Debt	16.52	82.40
II—Contingency Fund	—0.31	3.76
III—Sinking Funds and reserve funds	1.33	26.83
IV—Miscellaneous	2.45	47.00
V—Remittances	—10.78	—19.33
VI—Decrease in cash balance	20.28	26.25
VII—Increase in investments	—20.10	—69.75
VIII—Revenue surplus	39.91	1,31.65
Total	72.10	7,38.36

1.6. *Loans and Advances by Government.*—(a) The actuals of disbursements of loans and advances by Government during 1972-73 as compared with (i) budget estimates and (ii) budget estimates plus supplementary grants along with corresponding figures for 1970-71 and 1971-72 are shown below :—

Year (1)	Budget (2)	Budget plus supplementary (3)	Actuals (4)	Variations between columns (4) and (3) Amount of Percentage decrease tage (5) (6)	
	(In crores of rupees)				
1970-71	22.62	25.21	19.50	5.71	23
1971-72	19.52	29.60	21.21	8.39	28
1972-73	26.18	44.44	36.78	7.66	17

(b) The budget estimates and actuals of recoveries of loans and advances for the three years ending 1972-73 are given below :—

Year (1)	Budget (2)	Actuals (3)	Amount of Increase + Decrease — (4)	Percentage (5)
	(In crores of rupees)			
1970-71	14.70	8.90	—5.80	39
1971-72	9.88	11.18	+1.30	13
1972-73	14.92	11.73	—3.19	21

(c) The balance of loans outstanding on the 31st March 1973 (Rs.2,49.56 crores) was more by Rs.25.05 crores than that outstanding at the beginning of the year. The increase was mainly due to larger payment of loans to statutory corporations, boards, etc. (Rs. 11.91 crores), co-operative institutions and banks (Rs.9.43 crores), advances to cultivators (Rs.1.94 crores), and to State Textile Corporation, educated unemployed and loan scholarships to students etc., under "Miscellaneous Loans and Advances" (Rs.1.19 crores).

The balance of loans to Madhya Pradesh Electricity Board outstanding on the 31st March 1973 was Rs.1,64.98 crores. This does not include capital expenditure incurred by Government on Gandhi Sagar Power Station taken over by the Board on the 1st April 1961 as the amount of loan has not been determined by Government.

Further details of outstanding loans and advances are given in Statement nos. 5 and 18 of Finance Accounts 1972-73.

(d) *Delay in recovery of loans and advances.*—Detailed accounts of loans and advances to municipal corporations, municipalities, *janpad sabhas*, etc., are maintained by audit office. At the end of March 1973, recovery of Rs.1,31.79 lakhs (principal : Rs.53.25 lakhs; interest : Rs.78.54 lakhs) was overdue. Complete information about arrears in recovery of other loans and advances, detailed accounts of which are maintained by departmental officers has not been received in Audit. According to information received (December 1973), recovery of Rs.4.33 crores (including Rs.0.90 crore interest) was overdue at the end of the year 1972-73. Of the total recovery under default, the recovery of Rs.2.99 crores was outstanding for more than three years on the 31st March 1973; the details are given in Statement no. 5 of Finance Accounts 1972-73.

1.7. *Debt position of Government.*—The debt and other obligations of Government at the end of March 1973 compared with the corresponding amounts at the end of each of two preceding years are given below :—

(1)	1970-71 (2)	1971-72 (3)	1972-73 (4)
	(In crores of rupees)		
		@	
Public Debt	4,76.80	4,87.09	5,09.85
Other debt and obligations	90.98	1,07.53	1,24.27
Total	5,67.78	5,94.62	6,34.12

1.8. *Public debt.*—(a) An analysis of the public debt outstanding at the end of 1972-73 compared with the corresponding amounts at the end of the preceding two years is given below :—

(1)	1970-71 (2)	1971-72 (3)	1972-73 (4)
	(In crores of rupees)		
Long term borrowings—			
Loans raised by Government in open market	59.07	64.9	70.15

@ Differs from the amount shown in Report for the year 1971-72 by Rs. 1.35 crores dropped proforma.

(1)	1970-71 (2)	1971-72 (3)	1972-73 (4)
	(In crores of rupees)		
	@		
Loans from Government of India	3,98.59	4,00.20	4,14.21
Loans from autonomous bodies	19.14	21.99	25.49
Total	4,76.80	4,87.09	5,09.85

The increase in liability of Government on account of public debt (Rs.22.76 crores) during 1972-73 is analysed below :—

(1)	Loans raised during 1972-73 (2)	Loans repaid during 1972-73 (3)	Net increase during 1972-73 (4)
	(In crores of rupees)		
(1) Loans raised in the open market	9.97	4.72	5.25
(2) Loans from Government of India	62.12	48.11	14.01
(3) Loans from autonomous bodies	5.13	1.63	3.50

(b) *Open market loans.*—During the year Government raised loan (5½ per cent Madhya Pradesh State Development Loan, 1984) of Rs.9.00 crores from open market at par. The loan bears 5½ per cent interest and is redeemable at par in 1984. Total subscription received was Rs.9.97 crores including Rs.3.12 crores received by conversion of expired loan of 4½ per cent Madhya Pradesh State Development Loan, 1972. Of this, Rs.45,176 are under 'deposit account' pending issue of scrips.

The 4½ per cent Madhya Pradesh State Development Loan, 1972 fell due for repayment during 1972-73. Rupees 4.70 crores were repaid during the year leaving a balance of Rs.0.34 crore at the end of the year.

(c) *Loans from Government of India.*—Loans received from Government of India and outstanding on the 31st March 1973 (Rs.4,14.21 crores) formed 81 per cent of the total public debt of State. There was net addition of Rs.14.01 crores in 1972-73 to loans received from Government of India.

(d) *Ways and means advances from the Reserve Bank of India.*—Under an agreement with the Reserve Bank of India, Government of Madhya Pradesh has to maintain with the Bank a minimum balance of Rs.40.00 lakhs on each day. If the daily cash balance of Government with the Bank falls short of this minimum, the deficiency is made good by taking ways and means advances (ordinary and special) from the Bank according to limits fixed by it from time to time or by selling treasury bills. The Bank charges interest on these advances at one per cent below the bank rate in force. During 1972-73, there was no occasion to resort to ways and means advances (ordinary and special) as the cash balance position of Government was satisfactory.

@ Differs from the amount shown in Report for the year 1971-72 by Rs.1.35 crores dropped proforma,

1.9. *Other debt and obligations.*—In addition to the public debt, unfunded debt (comprising mainly general provident fund balances of Government servants) and balances at credit of earmarked and other funds as also certain deposits which have not been invested but are merged in the general cash balance of Government constitute liability of Government. The amount of such liability at the end of 1972-73 was Rs.1,24.27 crores against Rs.1,07.53 crores at the beginning of the year.

(1)	Total debt outstanding at the end of	
	1971-72 (2)	1972-73 (3)
	<i>(In crores of rupees)</i>	
Interest bearing—		
(i) Unfunded Debt—mainly provident fund balances	65.88	82.40
(ii) Deposits of State Electricity Board and security deposits from consumers—Government Electricity Schemes	7.22	7.22
Non-interest bearing—		
(i) Civil deposits	15.25	15.75
(ii) Deposits of local funds	0.92	0.46
(iii) Earmarked funds	18.26	18.44
Total	1,07.53	1,24.27

1.10. *Arrangements for amortisation.*—Following arrangements have been made for amortisation of various loans :—

(1) *Open Market Loans—*

(i) *Sinking funds.*—An annual contribution at such rates as Government may decide from time to time is made from revenue to the funds for liquidation of the loans.

(ii) *Depreciation funds.*—A sum equal to 1½ per cent of the total nominal value of the loan raised is set apart from revenue every year to form a depreciation fund for purchasing securities for cancellation.

The balance in these funds at the commencement and close of 1972-73 are given below:—

(1)	Balance on the 1st April 1972 (2)	Additions during the year (3)	Withdrawals during the year (4)	Balance on the 31st March 1973 (5)
	<i>(In lakhs of rupees)</i>			
Sinking funds	14,76.61	3,07.45	2,53.15	15,30.91
Depreciation Funds	4,05.23	89.50	75.63	4,19.12
Total	18,81.89	3,96.95	3,28.81	19,50.03

Out of these funds, only Rs. 7,10.88 lakhs were invested in securities of Government of India and other State Governments and Rs. 77.83 lakhs were invested in State Government's own securities; the balance remained merged in the cash balances of the State.

At the end of 1972-73, State Government had a cash balance of Rs. 43.72 crores after taking into account investments out of general Cash Balance (Rs. 58.14 crores) and earmarked funds (Rs. 11.47 crores). Further details are given in Statement no. 7 of the Finance Accounts.

(2) *Loans from Government of India.*—Government has made amortisation arrangements for repayment of the following loans taken from Government of India:—

(1)	Additions to sinking funds during 1972-73	Balance in the sinking funds on the 31st March 1973
	(2)	(3)
	<i>(In lakhs of rupees)</i>	
(i) Industrial housing loans,	0.10	2.15
(ii) Loan to Madhya Pradesh Government allocated out of Government of India's consolidated borrowings, viz., 4½ per cent Loan, 1973	40.97	3,24.85
Total	41.07	3,27.00

Out of the balances in these funds, Rs. 2,36.13 lakhs were invested in securities of other Governments. The remaining amount (Rs. 90.87 lakhs) stands merged with the general cash balance of the State.

Besides, Rs. 3.63 lakhs were met from revenue for discharge of the consolidated debt taken over by the former Government of Central Provinces and Berar on introduction of provincial autonomy from the 1st April 1937.

Government has not considered it necessary to make arrangements for amortisation of remaining loans (balance on the 31st March 1973: Rs. 4,08.78 crores) received from Government of India.

(3) *Loans from autonomous bodies.*—For loans taken from autonomous bodies, viz., National Agricultural Credit (long term operations) Fund of the Reserve Bank, National Co-operative Development Corporation and Life Insurance Corporation (balance on the 31st March 1973: Rs. 25.49 crores), Government has not deemed it necessary to make amortisation arrangements, as the repayment of these loans is being made from the general balances of the State in quarterly/half yearly/yearly instalments.

1.11. *Service of debt and other obligations.*—The table below shows the net burden on revenue of interest charges on public debt and other obligations in 1972-73 as compared with that in the preceding two years:—

(1)	1970-71 (2)	1971-72 (3)	1972-73 (4)
	<i>(In crores of rupees)</i>		
(1) Interest paid on public debt and other obligations	25.46	26.38	28.34
(2) Less—			
(i) Interest received on loans and advances by Government	10.44	11.85	11.61
(ii) Interest realised on investment of cash balance	0.93	1.32	2.07
(iii) Interest transferred to accounts of multipurpose river schemes and treated as capital expenditure	2.74	2.80	2.77
(3) Net burden of interest charges on revenue	11.35	10.41	11.89
	<i>(Percentages)</i>		
(4) Percentage of gross interest to gross debt	4.48	4.42	4.47
(5) Percentage of gross interest to total revenue receipts	11.16	9.79	9.00
(6) Percentage of net interest to total revenue receipts	4.97	3.86	3.77

In addition there were certain other receipts and adjustments (Rs. 0.25 crore) such as interest portion of equated payments on account of commuted value of pension, interest on arrears of revenue, *etc.* Taking these also into account, the net burden of interest on revenue during 1972-73 would be Rs. 11.64 crores (3.54 percent of the total revenue receipts).

Government also received Rs. 0.72 crores by way of dividends on its investments in statutory corporations, companies and banks, *etc.*

1.12. *Investments of Government.*—In 1972-73 Government invested Rs. 5.73 crores in statutory corporations (Rs. 0.96 crore including Rs. 0.17 crore met from Contingency Fund), Government companies (Rs. 0.36 crore) and co-operative institutions (Rs. 4.41 crores).

According to the information furnished by Government total net investment of Government in the share capital and debentures of statutory corporations, Government companies, joint stock companies, banks and co-operative institutions at the end of 1970-71, 1971-72 and 1972-73 was Rs. 41.38 crores, Rs. 50.25 crores and Rs. 55.98 crores respectively. Dividend and interest received therefrom during 1970-71, 1971-72 and 1972-73 was Rs. 1.06 crores, Rs. 0.23 crore and Rs. 0.72 crore respectively and was 2.6 per cent, 0.5 per cent and 1.3 per cent of investment to end of those years.

Details of these investments are given in Statement no. 14 of Finance Accounts 1972-73.

Certain points of interest about the working of statutory corporations, Government companies, departmental undertakings and co-operative institutions are given in Chapter VIII.

1.13. (a) *Guarantees given by Government.*—Government has given guarantees to third parties on behalf of statutory corporations, joint stock companies, co-operative institutions, etc., for repayment of loans and payment of interest thereon, payment of minimum annual dividend, repayment of cash credit/overdraft, etc. The maximum amount guaranteed by Government at the end of 1972-73 was Rs. 3,42.28 crores while sums guaranteed outstanding on the 31st March 1973 was (to the extent of information received) Rs. 1,33.37 crores as shown below:—

(1)	Maximum amount guaranteed	Sums guaranteed outstanding on the 31st March 1973
	(2)	(3)
	(In crores of rupees)	
Statutory corporations	58.03	49.92 (B)
Joint stock companies	3.70	1.44 (B)
Co-operative banks and societies	2,77.14	82.01 (B)
Municipal committees and <i>Panchayats</i>	3.37	(A)
Private Parties and individuals	0.04	..
Total	3,42.28	1,33.37 (A)(B)

In addition, Government has given guarantees with unlimited liability on behalf of Madhya Pradesh State Road Transport Corporation and Madhya Pradesh Electricity Board for payment of cost of stores purchased through the Director General, Supplies and Disposals, New Delhi, and for payment of freight and other dues to Railway Board.

The guarantees given are in the nature of contingent liabilities of Government. Further details of guarantees are given in Statement no. 6 of Finance Accounts 1972-73.

A guarantee reserve fund was constituted in 1970-71 with an initial contribution of Rs. 20 lakhs from the Consolidated Fund of the State. The fund is intended to meet contingent liabilities arising as a result of guarantees given by Government in favour of textile units, municipalities etc., being invoked. Contributions to the fund were made from revenue during 1971-72 and 1972-73 at

(A) Information not received from Government (February 1974).

(B) Complete information about sums guaranteed outstanding on the 31st March 1973 not received from Government (February 1974).

an *ad hoc* rate of Rs. 10 lakhs per annum without fixing any percentage with reference to fresh guarantees. A further contribution of Rs. 10 lakhs is to be made to the fund from revenue during 1973-74 also. Interest realised on investments of the balance in the fund is also credited to the fund. No investment was made from the fund during 1972-73. The total amount invested by Government from the fund at the end of 1971-72 was Rs. 4.89 lakhs and interest of Rs. 0.27 lakh earned thereon was credited to the fund.

(b) *Payment in fulfilment of guarantees.*—Guarantees given to Life Insurance Corporation of India for repayment of loans taken by 22 Municipal Committees/Corporations were invoked during the year and the Government had to pay a sum of Rs. 8.90 lakhs in fulfilment of the commitment resulting from such guarantees. The payments in these cases as well as other cases to the end of 1972-73 were Rs. 53.63 lakhs. Only Rs. 2.75 lakhs have been recovered (to the end of 1969-70), leaving Rs. 50.88 crores yet to be recovered. Details are available in Statement no. 6 of Finance Accounts 1972-73.

1.14. *Grants to local bodies and others.*—During 1972-73 Government paid Rs. 18,14.38 lakhs as grants to non-government bodies and institutions for various purposes. The amount paid is analysed below by broad purposes:—

Purpose (1)	Grants paid (2)
	(In lakhs of rupees)
Education	6,84.49
Agriculture	2,96.83
Community Development	2,15.22
Medical and Public Health	1,54.02
Tribal and Harijan Welfare	98.63
Co-operation	97.75
Social Welfare	32.84
Animal Husbandry	30.15
Industries	25.22
Irrigation	7.22
Others	1,72.01

Certain points of interest about grants are given in Chapter VI.

1.15. *Receipt of utilisation certificates.*—The financial rules of Government require that a certificate, after verification, of proper utilisation of grants should be sent by departmental officers to the Accountant General within a reasonable time. The Public Accounts Committee, in its Report of March 1969, urged Government to ensure timely submission of utilisation certificates by departmental officers and take deterrent steps against the officials responsible for avoidable delay in submission of these certificates.

The delay in furnishing the certificates persists. Out of 9,786 certificates (Rs. 14,71.23 lakhs) to be received for grants paid up to March 1972, 1,980

certificates (Rs. 4,53.04 lakhs) were received, leaving 7,806 certificates (Rs. 10,18.19 lakhs) yet to be received (September 1973) as indicated below:—

Year of payment of the grants	Number of certificates awaited	Amount
(1)	(2)	(3)
		<i>(In lakhs of rupees)</i>
Up to 1967-68	790	3,08.15
1968-69	428	94.88
1969-70	918	1,28.77
1970-71	2,838	1,25.89
1971-72	2,832	3,60.50
Total	7,806	10,18.19

The certificates are awaited from the following departments:—

Department	Number of certificates not received	Amount
(1)	(2)	(3)
		<i>(In lakhs of rupees)</i>
Agriculture	68	4,60.54
Co-operation	472	1,02.59
Tribal Welfare	636	90.16
Community Development Project	4,330	85.93
Education	222	73.02
Animal Husbandry	53	59.51
Panchayat and Social Welfare	782	35.87
Public Health Engineering	46	34.64
General Administration	105	28.42
Public Health and Family Planning	796	25.31
Industries	79	11.60
Local Government (Rural and Urban)	56	4.93
Medical	155	4.07
Others	6	1.60

Of these, 2,136 certificates for Rs. 5,31.80 lakhs relate to grants paid in 1969-70 and earlier years. Out of these, 49 certificates for Rs. 3,72.18 lakhs relate to Agriculture, 124 certificates for Rs. 38.68 lakhs to Co-operation, 918 certificates for Rs. 21.06 lakhs to Community Development Project and 42 certificates for Rs. 30.61 lakhs to Animal Husbandry department.

The utilisation certificates have not been received although considerable time has passed after the grants were paid. In the absence of certificates it is not possible to state to what extent the recipients spent the grants for the purpose or purposes for which they were given and that no misappropriation, fraud *etc.*, took place.

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

2.1. *Summary.*—The total of voted grants and charged appropriations, actual expenditure and saving during 1972-73 were as follows:—

		Total grants/ appropriations	Actual expendi- ture	Saving Amount	Percentage
(1)		(2)	(3)	(4)	(5)
<i>(In crores of rupees)</i>					
Voted—					
Original	4,06.85	4,45.31	4,07.18	38.13	8
Supplementary	38.46				
Charged—					
Original	97.45	97.50	87.79	9.71	10
Supplementary	0.05				
Total—					
Original	5,04.30	5,42.81	4,94.97	47.84	9
Supplementary	38.51				

The total saving of Rs. 47.84 crores was the result of savings of Rs. 56.21 crores in 51 grants (Rs. 46.48 crores)/30 appropriations (Rs. 9.73 crores) partly off-set by excesses of Rs. 8.37 crores in 8 grants (Rs. 8.35 crores)/6 appropriations (Rs. 0.02 crore).

2.2. *Supplementary grants/appropriations.*—During 1972-73, Rs. 38.51 crores (Rs. 21.60 crores in December 1972 and Rs. 16.91 crores in March 1973) were obtained in forty-seven grants and ten appropriations.

It would be seen from Appendix I that

(i) in twelve grants, supplementary provision (exceeding Rs. 5.00 lakhs in each case) of Rs. 7,36.08 lakhs proved unnecessary as the expenditure (Rs. 1,61,90.24 lakhs) did not even come upto the original provision (Rs. 1,71,25.76 lakhs).

(ii) in nine cases, supplementary provision (exceeding Rs. 5.00 lakhs in each case) of Rs. 28,37.90 lakhs proved excessive to the extent of Rs. 14,96.80 lakhs; and

(iii) in four grants supplementary provision of Rs. 1,77.17 lakhs proved inadequate as the expenditure exceeded the total provision by Rs. 3,82.20 lakhs.

2.3. *Excesses over grants and appropriations.*—(a) *Voted grants.*—Details of eight grants where expenditure exceeded the budget provision by Rs. 8,34.87 lakhs are given below; these excesses require regularisation under Article 205 of the Constitution:—

S.No.	Number and name of grant	Total grant	Actual expenditure	Excess	
				Amount	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
		Rs.	Rs.	Rs.	

(i) 3—Police

Original	21,58,10,000	22,16,43,700	22,26,53,755	10,10,055	1
Supplementary	58,33,700				

Excess occurred mainly under "B-1(2)—Special Armed Forces" (expenditure: Rs. 5,51.89 lakhs, provision: Rs. 4,58.82 lakhs) which was largely due to adjustment of cost of Railway warrants and increased expenditure on clothing kit and accoutrements as a result of abnormal rise in prices *etc.*, during the year and under 'D-Home Guards' (expenditure: Rs. 1,27.21 lakhs, provision: Rs. 1,00.15 lakhs) reasons for which have not been intimated (May 1974). The excess was partly counterbalanced by savings in other group-heads.

(ii) 5—Jails

Original	1,57,60,000	1,57,60,000	1,70,83,048	13,23,048	8
Supplementary	..				

Excess occurred mainly under "A.2—Central District and Sub-Jails" (expenditure: Rs. 1,47.84 lakhs, provision: Rs. 1,34.06 lakhs) which was partly due to increased expenditure on foodgrains and other commodities owing to increase in prices and partly to additional expenditure incurred on special maintenance of dacoits, who voluntarily surrendered.

(iii) 17—Medical and Public Health

Original	31,70,19,000	32,68,59,000	35,23,27,672	2,54,68,672	8
Supplementary	98,40,000				

Excess occurred mainly under '30—Public Health—Non-Plan-Suspense' (expenditure: Rs. 4,68.20 lakhs, provision: Rs. 2,20.50 lakhs); '30-A—Family Planning—Plan—F-Compensation' (expenditure: Rs. 2,68.84 lakhs, provision: Rs. 57.00 lakhs)

S. No.	Number and name of grant	Total grant	Actual expenditure	Excess	
				Amount	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
		Rs.	Rs.	Rs.	

and 'E—Transport' *ibid* (expenditure: Rs. 36.82 lakhs, provision: Rs. 20.66 lakhs). Reasons for the excess have not been furnished (May 1974). The excess was partly counterbalanced by savings in other group-heads.

(iv) 20—Irrigation Works

Original	9,52,82,000	9,52,82,400	9,81,36,291	28,53,891	3
Supplementary	400				

Excess occurred mainly under '44—Irrigation, Navigation, Embankment and drainage Works—Non-Plan—(Non-Commercial)—A.1(3)—Maintenance and Repairs' (expenditure: Rs. 1,82.58 lakhs, provision: Rs. 1,30.00 lakhs) and "A.2(8)—Suspense" *ibid* (expenditure: Rs. 4,04.76 lakhs and provision: Rs. 3,37.73 lakhs). Reasons for the excess have not been furnished (May 1974). The excess was partly counterbalanced by savings in other group-heads.

(v) 21—Public Works

Original	32,78,90,500	32,80,84,800	36,91,19,756	4,10,34,956	13
Supplementary	1,94,300				

Excess occurred mainly under (i) '50—Public Works-H-Suspense—Non-Plan' (expenditure: Rs. 15.29 crores, provision: Rs. 9.00 crores) due to creation of new Public Works Divisions and Sub-divisions; (ii) '(1) (d)—Repairs' *ibid* (expenditure: Rs. 11,11.18 lakhs, provision: Rs. 9,49.50 lakhs); and (iii) 'B—Original Works—Communications—B.2.(a)—Financed from ordinary revenue' (expenditure: Rs. 22.34 lakhs, provision: Rs. 3.50 lakhs). Reasons for the excess have not been intimated. The excess was partly counterbalanced by savings in other group-heads.

(vi) 23—Languages

Original	9,98,000	9,98,100	10,53,711	55,611	6
Supplementary	100				

S. No. (1)	Number and name of grant (2)	Total grant (3) Rs.	Actual expenditure (4) Rs.	Excess Amount (5) Rs.	Percentage (6)
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Excess occurred mainly under 'A.1(5)—Grants-in-aid for the development of Hindi and State Languages' (expenditure: Rs. 4.08 lakhs, provision: Rs. 3.06 lakhs) and 'A.3—Suspense' (expenditure: Rs. 0.88 lakh, provision: Rs. nil). Reasons for the excess have not been furnished (May 1974).

(vii) 25—State Legislatures and Election

Original	77,69,000	86,31,600	1,01,35,003	15,03,403	17
Supplementary	8,62,600				

Excess occurred mainly under 'C.1—Preparation and Printing of Electoral rolls' (expenditure: Rs. 8.87 lakhs, provision: Rs. 5.00 lakhs) and 'C. 2—Expenditure on Election to the House of People and State Legislative Assembly' (expenditure: Rs. 51.39 lakhs, provision: Rs. 38.75 lakhs). Reasons for the excess have not been intimated (May 1974).

(viii) 27—Community Development

Original	8,90,65,000	9,02,45,100	10,04,82,760	1,02,37,660	11
Supplementary	11,80,100				

Excess occurred mainly under (i) 'L.3—Crash Programme for providing employment in Rural Areas' (expenditure: Rs. 6,58.30 lakhs, provision: Rs. 5,37.00 lakhs) due to post budget decision to take up the work of construction of rural seed godowns on priority basis in pursuance of implementation of crash programme;

(ii) 'J—Recurring expenditure on personnel retained on National Extension Service Patterns' (expenditure: Rs. 1,10.04 lakhs, provision: Rs. 79.48 lakhs), reasons for which have not been furnished (May 1974); and

(iii) 'F—Education' (expenditure: Rs. 83.32 lakhs, provision: Rs. 42.60 lakhs) due to accelerated progress of grant-in-aid works for construction of school buildings. The excess was partly counterbalanced by savings in other group-heads.

(b) *Charged appropriations.*—Excess of Rs. 1.56 lakhs over the budget provision occurred in the following six appropriations; these excesses also require regularisation:—

S.No.	Number and name of appropriation	Total appropriation	Actual expenditure	Excess Amount	Percentage
(1)	(2)	(3)	(4)	(5)	(6)
		Rs.	Rs.	Rs.	

(i) 2—*Other Revenue Expenditure pertaining to General Administration Department*

<i>Original</i>	17,000	17,000	20,661	3,661	22
<i>Supplementary</i>	..				

Excess occurred mainly under '67—Privy purses and allowances of Indian Rulers—D. 1—Integrated States' (expenditure: Rs. 0.21 lakh, provision: Rs. 0.12 lakh). Reasons for the excess have not been furnished (May 1974).

(ii) 3—*Police*

<i>Original</i>	52,000	52,000	52,970	970	2
<i>Supplementary</i>	..				

Excess occurred under 'B.1 (1)—District Establishment' (expenditure : Rs. 0.53 lakh, provision: Rs. 0.52 lakh). Reasons for the excess have not been intimated (May 1974).

(iii) 8—*Land Revenue and District Administration*

<i>Original</i>	8,17,000	8,17,000	8,35,693	18,693	2
<i>Supplementary</i>	..				

Excess occurred under '19—General Administration-Board of Revenue' (expenditure: Rs. 1.69 lakhs, provision: Rs. 1.05 lakhs). Reasons for the excess have not been furnished (May 1974). The excess was partly counterbalanced by savings in other group-heads.

(iv) 11—*Revenue Expenditure pertaining to Commerce and Industry Department*

<i>Original</i>	16,000	16,000	17,800	1,800	11
<i>Supplementary</i>	..				

S. No.	Number and name of appropriation	Total appropriation	Actual expenditure	Excess Amount	Excess Percentage
(1)	(2)	(3)	(4)	(5)	(6)
		Rs.	Rs.	Rs.	

Excess occurred under '35—Industries—B. 1 (1)(a)—Central Office' (expenditure: Rs. 0.18 lakh, provision: Rs. 0.12 lakh). The excess was counterbalanced by savings in other group-heads.

(v) 24—Education

Original	20,000	80,000	80,036	36	0.45
Supplementary	60,000				

Excess occurred under 'F. 1(1)—Directorate of Public Instructions. Reasons for the excess have not been furnished (May 1974).

(vi) 43—Capital Outlay on Public Works

Original	50,000	50,000	1,80,761	1,30,761	262
Supplementary	..				

Excess occurred mainly under 'A.2-General Administration-Plan' (expenditure: Rs. 1.69 lakhs, provision: nil). Reasons for expenditure incurred without provision have not been furnished (May 1974).

2.4. Savings in grants/appropriations.—(a) Rs. 56.21 crores remained un-utilised in fifty-one grants (Rs. 46.48 crores) and 30 appropriations (Rs. 9.73 crores).

(b) In seventeen grants and three appropriations, savings were more than twenty per cent of the total provision. Details of those grants and appropriations are given in Appendix II.

(c) Details of grants/appropriations where savings were more than Rs. 1.00 crore each and exceeded ten per cent of the total provision are given below:—

Grant/appropriation	Total grant/appropriation	Expenditure	Saving Amount	Saving Percentage
(1)	(2)	(3)	(4)	(5)
	(In lakhs of rupees)			
(1) 9—Other Revenue Expenditure pertaining to the Revenue and Land Reforms Department	16,79.49	8,96.26	7,81.21	47

Grant/appropriation	Total grant/ appropriation	Expenditure	Saving	
(1)	(2)	(3)	(4)	(5)
			<i>(In lakhs of rupees)</i>	

Saving was mainly due to—

- (i) less expenditure on relief works in drought affected areas (Rs. 5,64.00 lakhs),
- (ii) less expenditure for controlling water scarcity (Rs. 50.00 lakhs),
- (iii) non-supply of stationery articles in full quantity (Rs. 3.76 lakhs),
- (iv) non-procurement of machines for printing presses due to belated decision of purchase committee (Rs. 4.04 lakhs), and
- (v) non-drawal of *nennuks* by holders thereof and non-payment of certain amounts due to Khasgi and Alampur Trusts (Rs. 3.30 lakhs).

(2) 13—Agriculture

14,31.63 11,76.88 2,54.75 18

Saving was mainly due to—

- (i) partial/non-implementation of certain schemes such as 'Foliar application of urea on wheat and paddy crops', 'development of *mandi* committee', 'intensive cotton district programme', 'strengthening of multiplication and distribution of cotton seeds', etc., (Rs. 1,13.57 lakhs); reasons for the saving of Rs. 33.46 lakhs have not been intimated (May 1974),
- (ii) less purchase of diesel/electric pumps for providing lift irrigation facilities on rivers and *nallas* to cultivators (Rs. 30.00 lakhs),
- (iii) non/late implementation of schemes for production of pulses, flex fibre, fertilizer promotion programme, establishment of mobile plant protection units, strengthening of staff of Agriculture Department, establishment of quality control laboratory for fertilizers etc., (Rs. 25.24 lakhs),
- (iv) non-opening of additional blocks and keeping posts vacant (Rs. 24.11 lakhs),
- (v) economy cut in expenditure (Rs. 20.00 lakhs),
- (vi) partial implementation of Pay Commission's recommendations (Rs. 5.00 lakhs),

Grant/appropriation (1)	Total grant/ appropriation (2)	Expenditure (3)	Saving	
			Amount (4)	Percentage (5)
	<i>(In lakhs of rupees)</i>			
			(vii) reasons for the saving of Rs. 33.46 lakhs under 'II—Centrally Sponsored Schemes-Grant-in-aid, contributions' have not been furnished (May 1974), and	
			(viii) other miscellaneous reasons (Rs. 3.37 lakhs).	
(3) 38—Capital expenditure pertaining to Agriculture Department	16,93.18	12,89.47	4,08.71	24

Saving was mainly due to—

- (i) non-receipt of debits from Pay and Accounts Officer, Ministry of Food and Agriculture, New Delhi and non-receipt of bills for payment of commission (Rs. 2,61.23 lakhs). During 1970-71 and 1971-72 also savings due to similar reasons had occurred for Rs. 4,77.76 lakhs and Rs. 6,60.72 lakhs respectively,
- (ii) non-finalisation of the policy for purchase of pool fertilizers (Rs. 54.87 lakhs),
- (iii) economy in expenditure (Rs. 54.40 lakhs),
- (iv) less procurement of seeds (Rs. 35.66 lakhs) due to lack of demand on account of high prices,
- (v) less purchase of pesticides (Rs. 20.47 lakhs),
- (vi) purchase of less number of debentures as less number of debentures were floated by the Madhya Pradesh Co-operative Land Development Bank (Rs. 19.10 lakhs),
- (vii) less purchase of equipment (Rs. 7.29 lakhs), and
- (viii) non-receipt of administrative sanction (Rs. 3.00 lakhs).

The saving was partly off-set by excess in other group-heads.

Grant/appropriation (1)	Total grant/ appropriation (2)	Expenditure (3)	Saving	
			Amount (4)	Percentage (5)
(In lakhs of rupees)				
(4) 40—Capital Expenditure pertaining to Public Health Department	4,93.92	3,63.27	1,25.65	25

Saving occurred largely under 'B-Grant-in-aid Schemes, B.1—Municipal Water Supply Schemes' and was mainly due to—

non-supply of A.C. pipes due to shortage of wagons; non-receipt of C.I. pipes which were to be procured through the Director General of Supplies and Disposals; non-supply of other miscellaneous materials and equipments; and non-acceptance of tenders (Rs. 52.14 lakhs). Reasons for the remaining savings have not been intimated.

(5) 45—Capital Expenditure pertaining to Forest Department †	12,34.51	10,21.55	2,12.96	17
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Saving was mainly due to—

(i) non-working of Malik Makghuza forests owing to non-availability of timber; slow progress in the working of and extraction of timber from forests owing to less demand from traditional markets; non-appointment of staff and few posts kept vacant (Rs. 1,11.08 lakhs), and

(ii) less payment of collection charges owing to non-procurement of the targetted quantities of gum and harra and less establishment charges, reason being reduction in staff/non-finalisation of pay fixation cases (Rs 48.60 lakhs).

(6) 47—Capital Expenditure pertaining to Food Department	2,79.49	73.88	2,05.61	74
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Saving was mainly due to less purchase/nonpurchase of grain under the price support scheme (Rs. 1,75.16 lakhs).

Grant/appropriation (1)	Total grant/ appropriation (2)	Expenditure (3)	Saving Amount (4)	Percentage (5)
	(In lakhs of rupees)			
	Savings occurred consecutively in 1969-70, 1970-71 and 1971-72 also to the tune of Rs. 1,31.59 lakhs (19 per cent of the provision), Rs. 2,85.30 lakhs (44 per cent of the provision) and Rs. 3,68.40 lakhs (84 per cent of the provision) respectively under this grant.			
(7) Public Debt	63,57.81	54,46.34	9,11.47	14
	Large savings occurred under this appropriation successively since 1960-61. It was mainly due to—			
	(i) satisfactory cash balance position of Government eschewing taking ways and means advances from the Reserve Bank (Rs. 7,00.00 lakhs), and			
	(ii) less loans received from the Government of India than anticipated and consequential less repayments (Rs. 2,02.79 lakhs).			
(8) 53—Loans and Advances pertaining to Agriculture Department	21,23.60	17,05.47	4,23.13	20

Saving was mainly due to—

- (i) (a) non-receipt of debits from the Pay and Accounts Officer, Ministry of Food and Agriculture for the cost of fertilizers supplied from the pool by the Government of India (Rs. 2,58.96 lakhs), and
 - (b) less demand for loans for purchase of improved seeds, oil seeds, etc., (Rs. 50.44 lakhs),
 - (ii) (a) less demand from cultivators for tractor assistance for ploughing their fields (Rs. 8.00 lakhs),
 - (b) non-adjustment of *taccavi* cases under contour bunding works due to revision in the procedure for adjustment (Rs. 40.32 lakhs), and
 - (iii) Reasons for the remaining savings have not been intimated (May 1974).
- Large savings have occurred in this grant successively since 1968-69.

2.5. *Surrender of savings.*—Rules require that un-utilised amounts should be surrendered as soon as the possibility of saving is envisaged. However, out of Rs. 49.35 crores surrendered during the year, Rs. 49.24 crores were surrendered only in March 1973.

Important instances of defective control over expenditure under individual group-heads have been mentioned in the Appropriation Accounts.

CHAPTER III

CIVIL DEPARTMENTS

Panchayat and Community Development Department

3.1. Crash Scheme for Rural Employment (Madhya Pradesh) 1971-73

I. Aims and objectives :

(i) The crash scheme for rural employment was launched by the Government of India in April 1971 as a country-wide *ad hoc* measure with two basic objectives:—

- (a) Direct generation of employment in all the districts of the country through the execution of projects which are essentially labour intensive; and
- (b) the production of assets of a durable nature in consonance with local development plans so that the all round balanced development of the districts is assisted.

(ii) The scheme intended to generate employment for 1,000 persons on an average per year in every district. Taking 10 working months in a year and 25 working days in a month, an average of 2.50 lakh mandays of employment were expected to be generated in every district, involving an average outlay of Rs.12.50 lakhs per year per district—Rs.10.00 lakhs (*i.e.* 80 per cent) on wages and Rs.2.50 lakhs (*i.e.* 20 per cent) on material, equipment and field staff. For the realisation of the objectives of the scheme to the fullest extent, the projects were to be so chosen that the apportionment of funds between labour and material for each project limited the expenditure on materials on all projects in a district to 30 per cent of the total allocation. The scheme was to remain operative for 3 years commencing from 1971-72 and was to cost Rs.50 crores per year.

II. Allotment of funds and progress of expenditure:

(i) A sum of Rs.5,37.50 lakhs per year was allotted by the Government of India to the Government of Madhya Pradesh for expenditure in the first two years of the scheme at the average rate of Rs.12.50 lakhs per year for each of the then existing 43* districts in the State. The State Government, however, allocated funds among different districts based on the number of Blocks in each district. The actual allotment district-wise varied from Rs.0.45 lakh to Rs.25.60 lakhs in 1971-72 and from Rs.3.05 lakhs to Rs.41.45 lakhs in 1972-73. The actual expenditure in districts varied from Rs.0.07 lakh to Rs.18.07 lakhs in 1971-72 and from Rs.3.34 lakhs to Rs.42.28 lakhs in 1972-73.

(ii) Against the allotment of Rs. 1075.00 lakhs envisaged by the Government of India for 1971-72 and 1972-73, the State Government could spend only Rs.794.20 lakhs. This was attributed to the fact that in 1971-72, the amount

*Since raised to 45 districts by bifurcation of two districts.

spent (Rs.143.78 lakhs) was far short of the allotment for that year mainly on account of delays in according sanctions, a prolonged rainy season and preoccupation with elections to the State Legislature in February-March 1972. Being the first year, selection and formulation of schemes and getting them cleared by the Government of India also took time. The amounts actually released by the Government of India in these two years totalled Rs.684.97 lakhs.

(iii) The amount spent in 1971-72 (Rs.143.78 lakhs) included Rs.25.00 lakhs paid as grants-in-aid to Rural Co-operative Societies in March 1972 for constructing 167 rural godowns and Rs.7.00 lakhs advanced to Panchayats, mostly in February-March 1972, as grant-in-aid for the construction of additional rooms in schools. The amount spent in 1972-73 (Rs.650.42 lakhs) included Rs.80.00 lakhs advanced to the State Warehousing Corporation in March 1973 as grant-in-aid of two-thirds of the cost of 80 warehouses to be constructed by the Corporation and Rs.56.87 lakhs given as grant-in-aid to Panchayat Samities, mostly in February-March 1973, for construction of additional rooms in schools. Such amounts cannot be deemed to have been expended on the Scheme till they are actually spent on the scheme works.

III. Achievement of basic objectives and aims:

1. *Generation of employment.*—(i) Under the scheme, an average outlay of Rs.12.50 lakhs in a district per year was expected to generate at least 2.50 lakh mandays of employment. Thus, for every Rs.5 spent one manday of employment was to be generated, the direct wage-component being not more than Rs.4 and the remainder being on non-labour components such as material, equipment, field staff, etc. On this basis, Rs.794.20 lakhs spent in 1971-72 and 1972-73 should have generated 158.84 lakh mandays of employment; against this, however, 232.41 lakh mandays were claimed to have been actually generated. This has been rendered possible, apparently, by the very low rates of wages prevailing in the State and by less expenditure on material, etc., than that envisaged in the scheme.

The wage rates varied from district to district from Rs.1.75 to Rs.3.00 per day per adult male worker against the maximum of Rs.4 per day envisaged in the scheme. An analysis of the "labour" and "non-labour" components of expenditure incurred on road and tank works and the unit cost of employment generated thereby in the eight districts selected for test check is given in Appendix III. It will be seen that the cost of wage element per manday of employment for road works ranged from Rs.1.70 to Rs.2.71 per day, and for tank works, from Rs.1.73 to Rs.2.58 per day. The actual cost per manday after taking into account the "non-labour" components of the expenditure, varied from Rs.2.03 to Rs.3.81 per day for road works, and from Rs.1.95 to Rs.2.90 per day for tank works. Generally, the cost per manday tended to be higher in the case of road works due to the higher non-labour content in the shape of material.

(ii) Arrangements for collection and consolidation of statistics of employment generated were, not satisfactory. The employment generated by the outlay on construction of godowns (Rs.105.00 lakhs) was not assessed at all,

The assessment of employment generated by the expenditure on construction of additional school rooms (Rs.63.87 lakhs) was based on whatever information the Panchayat Samities gave to the Collectors. In both these cases works were financed by lump sum grants to non-government agencies who executed them. Though conditions governing the category of persons to be employed were laid down in the sanctions, no effort appears to have been made to verify the extent to which these conditions were complied with. The figures of amounts spent on direct wages and the quantum of employment generated were accepted as reported. Even for road and tank works executed by Government agencies, figures collected from the executing agencies were found to differ from those reported by the Collectors and also from those on record in the State Headquarters. One major element which gave rise to disparities seems to be the treatment given to the wage component of payments made for work done on piece-work contracts and work orders which was of the order of Rs.71.50 lakhs. In some districts, this component was shown against the "non-labour" part of the outlay in accordance with the instructions on the subject issued by the State Government in March 1972. In other districts, however, the wage component of such expenditure was assessed in terms of mandays by *ad hoc* computations not susceptible of check. Practice varied from district to district and, even within a district, from one executing agency to another.

2. *Progress of works.*—(i) The scheme emphasised the need for ensuring that the fruits of labour are durable and they result in all round and balanced development of the districts. The works taken up mainly consisted of roads, irrigation and *nistar* tanks (*i.e.* tanks meant for purposes other than irrigation), godowns and provision of additional rooms in schools. An analysis of the number of works approved, taken up, completed and abandoned during the two years of the scheme, the number of works in progress at the end of the period and the expenditure incurred on each type of work with cost percentages to total outlay to end of 1972-73 is in Appendix IV. The total (Rs.6,37.65 lakhs) analysed therein excludes Rs. 1,56.55 lakhs spent in four districts in 1971-72 and eleven districts in 1972-73 for which the break-up according to the type of works was not available. It will be seen that about 73 per cent of the expenditure is accounted for by roads (57 per cent) and tanks (16 per cent).

(ii) Against 5,894 approved works estimated to cost Rs.12,26.23 lakhs, 3,982 works were actually taken up till March 1973; of these only 710 works were completed. Forty-eight works on which Rs.3.12 lakhs had been spent were abandoned and construction had not commenced of 92 works for which Rs.81.50 lakhs had been paid as grants. The remaining 3,132 works were reported to be in progress. These included 946 works in the eight districts selected by Audit for test check, of which 458 were those taken up in 1971-72 (estimated cost : Rs.185.96 lakhs).

(iii) Out of Rs.794.20 lakhs spent by the State Government in the two years under review, the break-up of expenditure between "labour" and

"non-labour" was not available for Rs.2,40.26 lakhs (including Rs.105.00 lakhs paid as grants for the construction of rural godowns and warehouses); of the balance, Rs.1,21.96 lakhs (22 per cent) were stated to represent elements other than wages of workers.

(iv) A grant-in-aid of Rs.80.00 lakhs was sanctioned to the State Warehousing Corporation by the State Government on 23rd February 1973 to meet two-thirds of the expenditure on the construction of 80 godowns, each estimated to cost Rs.1.50 lakhs. It was stipulated that only so much of the sanctioned grant was to be released as could be spent by 31st March 1973. Nevertheless, the entire amount was drawn and paid to the Corporation on 16th March 1973, when even the location of the 80 godowns had not been decided. By 30th September 1973, land could be arranged only for 45 godowns and construction of even the first godown had not commenced. A sum of Rs. 11.63 lakhs is stated to have been spent by the Corporation by 30th September 1973 on purchase of material (Rs.9.88 lakhs) and establishment expenses (Rs.1.75 lakhs). According to the guidelines governing expenditure on the scheme, it was not permissible to incur expenditure on "higher supervisory staff" and "jeeps, motor cars, etc." Nevertheless, the expenditure included Rs.0.90 lakh spent on the purchase and maintenance of vehicles and Rs.0.67 lakh on the pay and allowances of supervisory technical staff including a Superintending Engineer appointed on 2nd March 1973.

(v) Grants-in-aid aggregating Rs.25.00 lakhs were sanctioned on 7th March 1972 for payment to Village Service Co-operative Societies to meet the entire cost of 167 rural godowns, at the rate of Rs.0.15 lakh per godown. This sanction stipulated that only so much of the grants would be actually disbursed as could be spent in 1971-72. The entire amount was, however, disbursed in March 1972, although it was apparent that no part thereof could be spent in 1971-72. According to a progress report for March 1973, which contained information only in respect of 36 (out of 43) districts in which 134 godowns were to be constructed at a cost of Rs.20.05 lakhs, only Rs.6.67 lakhs had actually been spent by 31st March 1973. Seventeen per cent of this expenditure was on wages to workers. No expenditure was incurred on 9 godowns, while only material had been acquired for 38 godowns. Only 8 godowns had been completed. The position improved some-what by 30th June 1973, when 51 godowns were reported to have been completed and work on 106 was said to be in progress. Work on the remaining 10 godowns had not commenced even by that date.

(vi) The cost of constructing an additional room in existing school buildings was estimated at Rs. 6,000 and it was decided in 1971-72 to finance such works, to be executed by Panchayat Samities, by a grant of Rs. 2,000 per room from the scheme funds, and an equivalent grant from the Local Development Programme, the remaining one-third of the expenditure being left to be met by public contribution in cash or material. The pattern of assistance was altered in 1972-73 and a grant of Rs. 5,000 was paid for each work, the balance of Rs. 1,000, being left to be met by public contribution. Amounts totalling Rs. 63.87 lakhs were advanced for

this purpose to Panchayat Samities in 1971-72 and 1972-73, mostly in the months of February and March, for 1,155 works, of which only 161 were stated to have been completed by 31st March 1973. In the eight districts taken up for test-check, grants totalling Rs. 2.04 lakhs and Rs. 15.27 lakhs were paid in 102 and 322 cases respectively in 1971-72 and 1972-73. Only in one district were grants paid in instalments, related to the value of completed items of work as assessed on the basis of recorded measurements. In 4 other districts, though grants were disbursed in instalments, no effort was made to measure and value completed items of work and assess the extent to which earlier instalments had been utilised before authorising payments. In the remaining 3 districts the grant was paid in lump-sum before commencement of work. Out of 424 class rooms for which grants aggregating Rs. 17.31 lakhs had been paid in the 8 districts taken up for test check, 85 were said to have been completed (Rs. 3.33 lakhs) by 31st March 1973. Construction of 3 class rooms (Rs. 0.15 lakh) had not even commenced by that date. Though accounts of expenditure incurred showing its break-up between "labour" and "non-labour" and mandays of employment generated were being received from some grantees, no systematic arrangements have been made for watching the receipt of this information and to check its factual correctness.

(vii) Work on 38 roads and 10 tanks on which Rs. 3.12 lakhs were spent, was stopped, due to scarcity of labour (5 works: Rs. 2,494), land dispute (1 work: Rs. 249), infeasibility (4 works: Rs. 6,763), inferior specifications (1 work: Rs. 15,829) and, want of funds (34 works: Rs. 2,67,376). Three works on which Rs. 18,718 had been spent were abandoned without assigning any reasons. In Jabalpur district alone, 25 roads were abandoned for want of funds after Rs. 2.37 lakhs had been spent against the estimated cost of Rs. 5.70 lakhs.

3. *Selection of areas and projects.*— The scheme was meant to supplement other schemes already in operation. Therefore, in choosing the areas in which the effort was to be concentrated, the employment potential being generated by other existing schemes was to be taken into consideration. As far as possible, the projects under the scheme were to be taken up in areas where there was a fairly large number of people seeking employment, which were really needy and backward and which offered scope for development through manual labour. No project already included in the 4th Plan or in any scheme of the State was to be chosen. The projects were also to be dove-tailed into the area development plans of the districts concerned. To ensure these requirements, surveys of local unemployed and under-employed were to be conducted and suitable records maintained. Works under the scheme were spread over all the 457 Blocks in the State. No record was found indicating that attempts were made to identify areas in which the scheme was to be operated keeping in view the criteria mentioned above. Projects were stated to have been chosen by Collectors on the basis of needs of respective areas as ascertained through revenue officials in consultation with local persons engaged in social and political work. The projects were also not dove-tailed into area development plans, as no such plans had been prepared for most of the districts,

The State Government decided in June 1971 that a census of un-employed persons was neither necessary nor feasible and, accordingly, no survey was conducted. Block Development Assistants were stated to have been directed to prepare registers of unemployed persons. No such registers were, however, maintained in the eight districts selected for test-check.

4. *Agency for execution.*—(i) Initially, all works undertaken under the scheme were to be executed by Blocks either by themselves with the technical assistance of P. W. formations or through the agency of Panchayat Samities. In an effort to speed up execution, the State Government decided in December 1971 to entrust to the P. W. (B. & R.) and Irrigation divisions concerned all road and irrigation (tank) works estimated to cost Rs. 20,000 or more, including those already taken up by Blocks. Thus, in the eight districts selected for test-check, 305 road works (1,359 kms.) estimated to cost Rs. 200.33 lakhs were entrusted to P. W. (B.&R.) divisions and the remaining 135 road works (197 kms.) estimated to cost Rs. 25.44 lakhs were entrusted to Blocks. Similarly, 83 tank works which were estimated to cost Rs. 51.23 lakhs and practically all of which involved the construction of, or special repairs to, irrigation tanks were entrusted for execution to Irrigation divisions, while Blocks were entrusted with 312 tank works, mostly *nistar* tanks, and estimated to cost Rs. 25.13 lakhs. Panchayat Samities were entrusted with the construction of 424 additional class rooms in schools estimated to cost Rs. 25.44 lakhs, of which Rs. 17.31 lakhs were contributed by Government from the scheme funds in the form of grants-in-aid.

(ii) One hundred and sixtyseven rural godowns, for which grants aggregating Rs. 25.00 lakhs were paid in the State as a whole, were entrusted for execution to village level service co-operative societies, while 80 larger godowns, for which Rs. 80.00 lakhs had been paid as grants-in-aid, were entrusted for execution to the State Warehousing Corporation.

5. *Selection of labourers.*—(i) The principles laid down by the Government of India for regulating the selection of labourers for employment under the scheme were designed to secure that the employment opportunities generated by the scheme became available to persons who needed them most in preference to those to whom other avenues of employment were open. Suitable machinery was required to be set up for selecting labourers who qualified for employment according to these principles and suitable records of such workers were required to be maintained. No arrangements in this regard were made in this State. In clarifications issued in June 1971, the Government declared that the question of preferences would arise only at those places where there was surplus labour and that in such situations, a local enquiry could be made on the spot and preference accorded suitably.

(ii) Nearly one-third of the total expenditure (Rs. 240.37 lakhs out of Rs. 794.20 lakhs) was spent on execution of works through non-government agencies on payment of lump sum grants or by employing piece-work contractors

for works executed by Government agencies. In these cases, nothing was done to ensure conformity with the principles laid down beyond making formal stipulations in the sanctions to grants-in-aid and the piece-work agreements.

6. *Employment of contractors.*—Employment of contractors under the scheme was not favoured, as the latter are likely to import labour from elsewhere or engage people already employed on their regular pay roll. As a result of representations received from Collectors about the difficulties being faced in arranging for carting of boulders, metal and morrum in cases where long leads were involved and in getting semi-skilled jobs such as metal breaking done by un-skilled agricultural workers, the State Government issued orders in March 1972 and December 1972, permitting these items of work to be executed by piece-work contractors on work-orders. In actual practice numerous other items including un-skilled work such as earth work, jungle clearance, spreading, stacking and consolidation of morrum were also executed in this manner and a total of Rs. 71.50 lakhs representing 9 per cent of the total outlay on the scheme was paid to contractors by the Public Works Department (Rs. 54.56 lakhs) and Irrigation Department (Rs. 16.94 lakhs). In the eight districts whose records were test checked, amounts paid to contractors in three districts (Bastar, Guna and Shivpuri) were 26 per cent to 28 per cent of the total expenditure incurred in those districts. In Guna and Shivpuri, the amounts paid to contractors by the Irrigation Department were 43 per cent and 35 per cent respectively of the total expenditure incurred by that Department. In Bastar district, 26 per cent of the expenditure in the B. & R. Branch was incurred on piece work contracts. The employment of contractors in this manner not only defeated the basic objective of the scheme but also deprived Government of control over the selection of labour including the number actually employed as mentioned in subparagraph 1 (ii) above.

7. *Administration and supervision.*—Appointment of Assistant Engineers and Overseers for technical supervision of works executed under the scheme was permitted by the Government of India in May 1971. Twenty-four posts of Assistant Engineers and 228 posts of Overseers were created by the State Government in October 1972. Most of the new posts of Overseers remained vacant, and none of the posts of Assistant Engineers was filled upto May 1973. As a result, Overseers already attached to Blocks had to attend to the planning and execution of all works entrusted to Blocks without guidance and supervision by any higher technical authority. In the eight districts selected for test check in which 447 such works estimated to cost Rs. 50.57 lakhs were under execution during these two years, 51 posts of Block Overseers (out of 112) were vacant in May 1973. In addition to these 447 works, the 61 Block Overseers in these districts had to control 468 works (estimated cost: Rs. 22.71 lakhs) being executed simultaneously by Panchayat Samities and rural co-operative societies.

IV. Results of test-check:

(i) *General.*—A detailed test check of the working of the scheme in 8 out of 43 districts in the State was conducted in August-September 1973. These

districts accounted for 1,336 works (expenditure: Rs. 204.93 lakhs) out of the total of 3,982 works taken up (expenditure: Rs. 794.20 lakhs). These 1,336 works are broadly analysed below :—

Type of work	Number of works	Percentage of total number of works	Estimated cost (In lakhs of rupees)	Percentage of total estimated cost
(1)	(2)	(3)	(4)	(5)
(a) Construction of roads	440	33	225.77	66
(b) Construction of and special repairs to tanks	405	30	76.66	22
(c) School rooms and others	439	33	17.42	5
(d) Rural godowns	52	4	23.10	7
Total	1,336	100	342.95	100

Of these 1,336 works estimated to cost Rs. 342.95 lakhs, 81 (Rs. 49.18 lakhs) were for the construction of or special repairs to irrigation tanks, of which significant increases in command area were contemplated only from 9 tanks to be constructed at a cost of Rs. 8.28 lakhs; none of these had, however, been completed.

The results of the test-check, in so far as they relate to matters not covered in earlier paragraphs, are dealt with below.

(ii) *Progress of works in general.*—An analysis of the progress made in the execution of works taken up in these eight districts upto 31st March 1973 is at Appendix V. It will be seen that of 1,336 works (estimated to cost Rs. 342.95 lakhs), only 347 were completed by 31st March 1973 at a cost of Rs. 26.19 lakhs. Out of 661 works started in 1971-72 and 675 in 1972-73, 458 and 488 respectively were incomplete on 31st March 1973. Eleven works on which Rs. 0.66 lakh had been spent were given up or transferred to other schemes. Construction had not even commenced of 32 works for which grants-in-aid totalling Rs. 19.80 lakhs had been paid. On the remaining 946 works which were in progress on 31st March 1973, Rs. 158.28 lakhs had been spent. The Government of India had stressed that the works chosen should be generally such as could be completed within two working seasons and that no work taken up should be left incomplete. To achieve this end, 946 works will have to be completed by 31st March 1974, compared to 347 completed in the first two years.

(iii) *Progress of construction of roads.*—Out of 1,555 kms. of roads taken up for construction in these 8 districts, only 98.77 kms. had progressed beyond the stage of earth work and collection of metal and morrum. Of these, 28.17 kms. had been completed, 18.60 kms. were in the water-bound-macadam stage, soling had been done on 34 kms., while only the sub-grade had been prepared on 18 kms. The roads which had not proceeded beyond the stage of earth work and collection of metal and morrum included all those taken up in Raipur, Dhar and Shivpuri districts. In Raipur district, work on all roads (146 Nos., estimated cost : Rs. 62.52 lakhs) was suspended in July 1972 by the Collector on the ground that the allotment for the district had been exhausted. Work on 102 of these roads was resumed

in August 1973. Work had not been resumed yet (September 1973) on 44 roads on which Rs. 8.57 lakhs had been spent upto the date of suspension.

(iv) *Progress of tank works.*—Out of 405 tank works (estimated cost : Rs.76.66 lakhs) which were taken up under the scheme in the 8 selected districts upto 31st March 1973, only 81 (cost: Rs. 49.18 lakhs) related to irrigation or irrigation-cum-nistar tanks. There were 9 works (cost : Rs. 8.28 lakhs) involving construction of new irrigation tanks, and none of them had been completed by 31st March 1973. Of the 72 works (Rs. 40.90 lakhs) of special repairs to such tanks also, only 12 had been completed at a cost of Rs. 4.11 lakhs. Out of 313 works relating to special repairs to *nistar* tanks (cost: Rs. 26.23 lakhs) 220 had been completed at a cost of Rs. 14.42 lakhs.

In Raipur district, work on all tank works in hand (167 works; estimated cost : Rs. 12.79 lakhs) was suspended in July 1972, as the funds allotted for the district for 1972-73 were exhausted. Work was resumed subsequently only on special repairs to two irrigation tanks (cost : Rs. 0.35 lakh) being executed by the Irrigation Department and to 8 *nistar* tanks (cost : Rs. 1.03 lakhs). All other works were treated as having been completed under the orders of the Collector. One hundred and fifty-seven works of this type (expenditure : Rs. 9.91 lakhs) are included in the figure of 221 *nistar* tank works, claimed to have been completed in the eight selected districts at a total cost of Rs. 14.48 lakhs. In the absence of proper technical estimates for these works, it could not be verified whether the works had, in fact, been executed as originally contemplated. Only excavation for deepening the bed and earth work had been done in all these cases, although the preliminary computations of cost of at least 9 of these works (total estimated cost : Rs. 1.82 lakhs) provided for masonry work, sluice gates and distribution channels.

In Bastar district, work on 30 tank works remained suspended for periods ranging from 14 to 26 months for reasons indicated below :—

Number of works	Period of suspension (In months)	Cost incurred till suspension (In lakhs of rupees)	Reasons for suspension
1	26	0.01	The tank got filled up
4	20	0.14	Work stopped due to rains in July 1971 but resumed only in March 1973
1	21	0.02	For want of overseer
1	19	0.05	—do—
1	21	0.01	For want of Administrative approval/technical sanction
3	19	0.10	—do—
5	18	0.06	—do—
12	17	0.59	—do—
1	14	0.06	—do—
1	17	0.07	Reasons not available
30	Total	1.11	

In 8 of these works on which Rs. 0.19 lakh were spent upto the dates of suspension, work had not been resumed upto September 1973.

(v) *Works executed without technical sanctions.*—The procedures prescribed by the State Government for the execution of their own projects were to be followed in the execution of works taken up under the scheme. Under the rules of the State Government, no work should be executed until properly detailed designs and estimates are prepared and got technically sanctioned by the competent authority. The Government of India had also laid down that this requirement was to be observed while approving the lists of projects proposed by the State Government. Nevertheless, technical sanctions from competent authority were found to be wanting in 238 road works estimated to cost Rs. 114.79 lakhs, out of 440 road works taken up at an estimated cost of Rs. 225.77 lakhs and 284 tank works estimated to cost Rs. 26.66 lakhs, out of 405 tank works at an estimated cost of Rs. 76.66 lakhs.

(vi) *Works taken up without survey.*—The preparation of estimates for and the execution of road and new tank works should have been preceded by technical surveys. No such surveys had been undertaken in the following cases :—

Description of works	Total number of works undertaken			Survey not done		
	Number	Length (In kms.)	Estimated cost (In lakhs of rupees)	Number	Length (In kms.)	Estimated cost (In lakhs of rupees)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Construction of roads	440	1,555	225.77	315	1,237	151.33
Construction of new tanks	20	..	9.53	10	..	0.95

Two tank works and 2 road works which had been undertaken without survey had to be abandoned as infeasible after an expenditure of Rs. 0.07 lakh had been incurred. In a few cases, the unit cost of the earth work done for roads was found to be more than the sums provided therefor in the estimates. It was explained that the excess was due to the fact that the soil conditions encountered in the course of execution were different from those taken into consideration in estimates which had been prepared without technical surveys.

(vii) *Road works below prescribed specifications.*—In a circular Memorandum dated 24th September 1971, the State Government informed Commissioners and Collectors that the Government of India had stipulated that roads constructed under the scheme should be durable, having provision for cross drainage and for metalling in low lying regions and hard morrum in higher ranges according to specifications laid down for class II roads. The State Government issued instructions again in November 1971, requiring the roads to conform to the specifications for class II *pacca* roads (P. W. D.). But since the actual and precise specifications

had not been laid down by the State Government for this class of roads, Collectors had to decide for themselves. While some had taken up very costly roads, others took up only fair-weather roads. Eventually, the exact specifications for roads under this scheme were received from the Ministry of Transport in August 1972 and were circulated to all executing agencies in December 1972. After considering the very wide range of specifications meanwhile adopted by the executing agencies, the Government decided in January 1973 that all such roads built to inferior specifications should be upgraded to the standard specifications for class I roads and that the unutilised part of the allotment under the scheme for 1972-73 should be diverted for this purpose. The implementation of this decision had not proceeded beyond the processing of proposals in respect of a few roads. In the eight districts selected for test check, a total of 1,163 kms. of roads were required to be upgraded in this manner, including 165.02 kms. of "Kachcha" roads built in Sagar, Dhar and Indore districts at a cost of Rs. 11.92 lakhs, after instructions were issued by the State Government in November 1971 that fair weather or purely morrum roads should not be taken up and 976 kms. of class II roads in Raipur, Bastar, Shahdol and Indore on which cross drainage had not been provided.

(viii) *Petty works.*—In order to secure proper technical supervision over execution, the guidelines stipulated that small works costing less than Rs. 5,000 should not normally be taken up. Sixtyone such works (cost : Rs. 1.95 lakhs) were, however, taken up in Raipur and Bastar districts.

(ix) *Accent on agricultural production.*—As part of the effort to make good the loss in agricultural production due to the erratic monsoon, the Government of India had advised State Governments in August 1972 that they should give preference to works relating to minor irrigation, water conservation and ground water recharging which would contribute directly to increased agricultural production in the short run. But, out of 529 works estimated to cost Rs. 77.10 lakhs taken up for execution in the eight selected districts from September 1972 to March 1973, only 19 works estimated to cost Rs. 13.27 lakhs fell in this category.

Agriculture Department

3.2. Emergency Agricultural Production Programme—1972-73

I. Introduction :

(i) *General.*—In August 1972, it was anticipated that the prolonged dry spell in several parts of the country would cause considerable loss of kharif crop. The loss was anticipated at 10 to 11 million tonnes. To meet this situation, the Government of India launched the Emergency Agricultural Production Programme with the object of reducing the anticipated loss in kharif production and increasing the production of rabi and summer crops in the agricultural year 1972-73 by about 15 million tonnes. The programme was initiated as a central sector ~~plan~~ scheme and assistance was provided to State Governments in the form of medium and short term loans with the following important stipulations :—

(a) The loans were to be related to specific identifiable schemes over and above those already provided for in the Annual Plans of States and any shortfall

in the approved outlays for programmes covered by the Plans was to entail a corresponding reduction in the assistance for the respective components of the Emergency Agricultural Production Programme;

(b) the schemes selected for execution under the programme were to be such as could be completed by 31st March 1973 or, at the latest, by 31st May 1973. In any event, expenditure beyond 31st March 1973 was to be met by State Governments from their own resources ;

(c) account was to be taken of the outlays being made under other Central schemes and the efforts under all these programmes were to be properly dovetailed; and

(d) for the purpose of assessing utilisation, a mere transfer of funds by the State Governments to agencies entrusted with the execution of particular components of the programme was not to be treated as expenditure.

(ii) *Schemes executed in Madhya Pradesh.*—The main components of the programme as executed in Madhya Pradesh and the loans provided by the Government of India for these components were as follows :—

Medium term loans—

	Rs.
(a) Energisation of tube-wells/pump-sets	290 lakhs
(b) State minor irrigation works—	
Lift irrigation projects executed by—	
(i) Agriculture Department	83 lakhs
(ii) Irrigation Department	8 lakhs
(c) Private minor irrigation works—	
Medium-term loans for pump-sets	200 lakhs

Short term loans—

(d) Loans for providing additional agricultural inputs	600 lakhs
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1181 lakhs

The State Government added, from its own resources, Rs. 100 lakhs under "Energisation of tube-wells/pump-sets" and Rs. 30 lakhs under "Agricultural inputs". The entire amount allocated for "Energisation of tube-wells/pump-sets" was given to the State Electricity Board. The amounts allocated for medium term loans for pump-sets and short term loans for agricultural inputs were paid to the Madhya Pradesh State Co-operative Bank Limited (referred to below as the Apex Bank) for distribution through the co-operative banking sector. The State lift irrigation projects alone were executed by the Agriculture and Irrigation departments.

(iii) *Targets and achievements.*—The physical targets to which the State Government committed itself (as ascertained in the Ministry of Agriculture) and the achievements claimed were :—

(1)	Unit	Physical target	Achievement claimed (upto 31st March 1973)
(1)	(2)	(3)	(4)
(a) Energisation of tube-wells/ pump-sets—			
(1) Against central assistance of Rs. 290 lakhs	Tube-wells / pump- sets to be energised	7,000	6,828
(2) Against State's own con- tribution of Rs. 100 lakhs	—do—	2,500	2,500
(b) State lift irrigation projects—			
(1) Agriculture Department	Pump-sets operated	1,218	1,218
(2) Irrigation Department	—do—	162	197
(c) Private lift irrigation projects— Loans	Pump-sets for purchase of which loans were given.	5,889	6,570
(d) Agricultural inputs—Loans	Amount (<i>in lakhs of rupees</i>) distributed as loans for pur- chase of chemical fertilisers	6,30.00	5,00.73(A)
(e) Additional area to be brought under minor irrigation in the rabi season of 1972-73	Hectares	25,260	30,000
(f) Total area to be brought under wheat in the rabi season of 1972-73 (as against 36,65,268 hectares in 1971-72)	—do—	37,60,000	35,29,000

(A) Does not include expenditure against an allotment of Rs. 27 lakhs for extending loans for purchase of urea for foliar application.

	Unit	Physical target	Achievement claimed (upto 31st March 1973)
(1)	(2)	(3)	(4)
(g) Total area to be brought under package of practices for gram in the rabi season of 1972-73	Hectares	4,00,000	Nil
(h) Additional area to be sown with gram and rabi pulses in the rabi season of 1972-73	—do—	1,00,000	4,000
(i) Total area in which high yielding varieties of wheat were to be cultivated in the rabi season of 1972-73 (as against 2,90,000 hectares in 1971-72)	—do—	5,72,000	4,80,000
(j) Additional production—			
(1) Wheat	Lakhs of tonnes	10(B)	3.03
(2) Gram	—do—	2(B)	0.68

(iv) *Evaluation.*—According to an estimate of the Director of Agriculture, production of food grains in the kharif season of 1972 was 65.15 lakh tonnes. This was only slightly less than 65.82 lakh tonnes produced in the kharif season of 1971 but was considerably short of the plan target of 71 lakh tonnes. In any event, the effort under the Emergency Agricultural Production Programme got under way in the State only in October 1972, too late to influence the kharif crop. There is hardly any summer cultivation of food grains in the State. Therefore, practically the entire effort under the Emergency Agricultural Production Programme in the State was directed at improving the yield of the rabi crop of 1972-73. The results of these efforts have not been evaluated so far (December 1973) and performance can be judged only on the basis of rough estimates made by the Director of Agriculture, mostly on the basis of *ad-hoc* scales of the irrigation capacity per pump-set and estimated yield per hectare. The targets and performances under each component of the Programme as so estimated have been discussed in section III, dealing with the respective components.

As against a total production of 50.66 lakh tonnes in the rabi season of 1971-72, the target for the total production of food grains in the rabi season of

(B) According to the Director of Agriculture the targets were, however, 5.19 lakh tonnes of wheat and 2.25 lakh tonnes of gram.

1972-73 was set at 48.00 lakh tonnes. This was before the developments which rendered the Emergency Agricultural Production Programme necessary. Under the Programme, production was to be increased by 10.00 lakh tonnes of wheat and 2.00 lakh tonnes of pulses. The actual production in the rabi season was estimated by the Director of Agriculture at 41.51 lakh tonnes, including contribution from the efforts under the Emergency Agricultural Production Programme. This contribution was estimated by the Director of Agriculture at 3.71 lakh tonnes (Wheat: 3.03 lakh tonnes; gram: 0.68 lakh tonnes).

(v) *Ancillary efforts.*—At a meeting of Central and State officials in September 1972, it was stated that State Governments had arranged to strengthen their organisation for handling the massive effort involved in the implementation of the Emergency Agricultural Production Programme. A comprehensive programme for training extension personnel and farmers was also stated to have been chalked out. In this State, however, there was no record of any specific measures having been taken to strengthen the organisation with reference to the requirements of the Emergency Agricultural Production Programme. No special training was imparted either to extension personnel regarding the special techniques to be employed, or to cultivators on the use of scientific techniques of cultivation which could yield immediate results. There was also no record of any special efforts having been made to procure more supplies of agricultural inputs with particular reference to the requirements of this Programme or of any special arrangements having been made to handle the massive increase in inputs commensurate with the outlay of Rs. 600 lakh on this component.

II. Distribution of effort :

Loans extended by the Government of India under the Programme were to be related to specific identifiable schemes. Lists of such schemes were to be sent to the Government of India by the State Government. Lists sent by the Government of Madhya Pradesh and papers showing how the allocation of the assistance to particular schemes/areas was decided upon were not available. A study of the pattern of expenditure showed that the effort had been distributed, more or less evenly, all over the State, without sufficient consideration for such vitally relevant factors as the extent of rainfall in 1972 and the cropping pattern prevalent. An analysis of the total effort under the Programme in terms of these two factors is at Appendix VI. Some significant facts emerging from this analysis are:—

(a) Eleven of the 43 districts in the State are stated to be predominantly *kharif* areas. Although the effort under the Programme in the State was directed towards enhancing the rabi crop of 1972-73, 24 to 30 per cent of the effort under each component of the programme was in these districts except for pump-sets operated departmentally (12 per cent). It was stated that some areas in these districts were also cultivated during rabi 1972-73, but no details were available regarding the description and quantities of the crops grown or areas sown.

(b) Or the other hand, there was no outlay at all under certain components of the programme in the following districts which were predominantly rabi or mixed areas :—

(1)	District	Component
(2)		(3)
1.	Jabalpur and Vidisha	Agricultural inputs and Private Lift Irrigation projects
2.	Chhindwara, Dhar, Indore, Morena and Sagar	Agricultural inputs
3.	Gwalior and Morena	Departmental pump-sets

(c) In 8 out of 43 districts, rainfall in 1972 upto the first week of November was in excess of the average for that period. Nevertheless 14-15 per cent of the effort to improve irrigation facilities under "Energisation of tube-wells and pump-sets" and "Loans for private pump-sets" and 25 per cent of the effort under "Departmental pump-sets" was made in these districts.

(d) In 14 out of 43 districts, the rainfall in 1972 upto the first week of November was less than 75 per cent of the average for that period. There was no discernible concentration of effort in these districts under the components designed to improve minor irrigation. These districts accounted for only 29-35 per cent of the effort under these components.

(e) The scanty rainfall in these 14 districts should have impaired their capacity to make use of chemical fertilisers. But 23 per cent of the outlay on "Loans for providing additional agricultural inputs" was found to have been made in these districts. The quantities of chemical fertilisers distributed through the co-operative sector in the State as a whole in 1972-73 totalled 4.10 lakh tonnes compared to 3.25 lakh tonnes distributed in 1971-72. Out of this increase, 12 out of these 14 districts accounted for 0.16 lakh tonnes, there being no increase in the other two.

III. Programme and performance:

(A) Energisation of tube-wells and pump-sets:

(i) Assistance provided under the Programme.—The Government of India allotted a sum of Rs. 290 lakhs to the State Government as loans for this component of the programme. The latter added Rs. 100 lakhs from their own plan resources. The entire amount was lent to the State Electricity Board. The Board was informed of the amounts proposed to be placed at its disposal in September-October 1972 (Rs. 290 lakhs) and January 1973 (Rs. 100 lakhs) and asked to proceed with acquisition of materials and execution of works so that the tube-wells and pump-sets could be energised in time to provide water for the rabi crop of 1972-73. Formal sanctions to the payments were issued in January 1973 (Rs. 290 lakhs) and March 1973 (Rs. 100 lakhs). Funds for identical works had also been lent to the Board by the State Government during

1972-73 under the Special Employment Programme (Rs. 204 lakhs) and the State's normal plan (Rs. 433 lakhs). Besides these, similar work was being executed by the Board simultaneously with loan assistance from the Rural Electrification Corporation (Rs. 513 lakhs in 1972-73). The physical targets, in terms of individual units (pump-sets/tube-wells to be energised), which the Board set for itself under each of the schemes in 1972-73 and the quantum of loan assistance available for each of these schemes are compared below with the actual achievements upto 31st March 1973 as reported by the Board:—

Name of scheme	Tube-wells and pump-sets to be energised	Tube-wells and pump-sets actually energised	Loans received in 1972-73	Expenditure incurred in 1972-73
(1)	(2)	(3)	(4)	(5)
			(In lakhs of rupees)	
(1) Emergency Agricultural Production Programme—				
(a) Central assistance	6,005	6,828	290	}
(b) Assistance from State resources	2,500	2,500	100	
Total (1)	8,505	9,328	390	
(2) Other Plan Schemes—				} 7,43.24
(a) Special employment programme	2,489	2,093	204	
(b) State's normal Plan	10,091	8,496	433	
Total (2)	12,580	10,589	637	
(3) Work on behalf of the Rural Electrification Corporation	6,910	4,027	513	2,83.77
Grand Total	27,995	23,944	1,540	10,27.01

(ii) *Expenditure qualifying for loan assistance.*—As against the total loan assistance of Rs. 1,027 lakhs received from Government for the Emergency Agricultural Production Programme (Rs. 390 lakhs), the Special Employment Programme (Rs. 204 lakhs) and the State's Normal Plan (Rs. 433 lakhs), the Board claimed to have spent Rs. 743 lakhs by 31st March 1973 and attributed the saving of Rs. 284 lakhs to the following factors:—

- (a) Rs. 100 lakhs— estimated cost of 1,168 units by which the physical achievement in 1972-73 fell short of the target for these programmes
- (b) Rs. 184 lakhs— cost of essential components which had been ordered, but had not been received by 31st March 1973.

A test check of the account of works executed in eight districts covering 3,342 units out of 19,917 claimed to have been completed, revealed that completion certificates had not been recorded for any work upto September 1973 and that expenditure, principally on account of cost of materials, was still being accounted for against the estimates of the works. The total expenditure and its break-up as between the different schemes was not available with the Board upto November 1973. According to the terms stipulated by the Government of India, the following elements of expenditure did not qualify for loans under the Emergency Agricultural Production Programme:—

(a) the cost of the 1,168 units by which the physical achievement in 1972-73 under all schemes executed on behalf of Government fell short of the target, and

(b) the expenditure incurred after 31st March 1973 including the cost of materials (Rs. 184 lakhs) ordered but not received by 31st March 1973.

The extent of the reduction to be effected on account of these factors was not ascertainable (November 1973).

(iii) *Selection of works.*—Erection of transmission lines and energisation of power consuming units is a continuing process for the State Electricity Board, and for its purposes, all these schemes constituted elements of a single integrated programme of rural electrification/lift irrigation which was being executed before, during and after 1972-73. Therefore, no distinction was made between the different schemes when framing estimates for individual works and executing them. An allocation of the expenditure on individual works and the numbers of units they were designed to serve as between the different schemes was attempted later in a purely *ad hoc* manner so as to secure optimum compliance with the terms on which assistance was provided by the financing agencies concerned. For the Emergency Agricultural Production Programme, it was stipulated by the Government of India that no work taken up prior to 1st August 1972 could be included in the programme. Unless the works were completed by the end of January 1973, when watering of the rabi crop practically ceased, they would not have served the purpose of the programme. Therefore, the Board decided that all works taken up on or after 1st August 1972 and completed in time would be allocated to this programme. Field formations were required to send weekly progress reports indicating the estimated expenditure on such works. When the total estimated expenditure so reported amounted to Rs. 280 lakhs at the end of November 1972, the programme was deemed to have been completed to the extent of the loan assistance from the Central Government (The remainder of Rs. 10 lakhs out of the Central assistance of Rs. 290 lakhs had been set apart for paying security deposits and connection charges on behalf of consumers). Accordingly, full utilisation of the Central assistance was reported to the State Government in the Board's report for the week ending 4th December 1972 and to the Central Government in the State Government's report for the week ending 9th December 1972. All works taken up on or after 1st August 1972 and completed after this period were then allocated to the State's loan assistance of Rs. 100 lakhs under the Emergency Agricultural Production Programme till the estimated

expenditure on such works touched this figure in February 1973. Thereafter, all works taken up on or after 1st August 1972 and completed were allocated to the Special Employment Programme (Rs. 204 lakhs). As the target for this programme was not completed by 31st March 1973, only works taken up upto 31st July 1972, and completed by 31st March 1973 were allocated to normal plan schemes (Rs. 433 lakhs). These *ad hoc* devices of allocation gave rise to the following distortions in the manner of execution of this component of the Emergency Agricultural Production Programme and the assessment of its achievements:—

(a) There was no effort to identify areas which needed assistance under the programme and in which the outlay could be expected to yield maximum results in the light of relevant factors such as the rainfall in 1972, the availability of sources of water which could best be exploited by lift irrigation, the local cropping patterns, the economic condition of the local farmers, etc.

(b) It was stated by the Board that the village-wise identification of the units falling under the Emergency Agricultural Production Programme was sent to subordinate formations in November 1972-January 1973. In test check, it was noticed that detailed information necessary for identifying individual units as pertaining to particular schemes was called for by the Board from its subordinate formations only in March 1973. Actual identification of the individual units based on such information had not been indicated to the subordinate formations upto September 1973. In the absence of such identification, assessment of the return from the programme in terms of additional areas irrigated and additional crops produced was not possible.

(c) These allocation devices, *inter alia*, enabled the Board to claim that the physical target set by the Board for itself under the programme had been exceeded (9,328 units completed against a target of 8,505 units), although the overall performance of 23,944 units fell short of the aggregate target of 27,995.

(d) The over-riding importance attached to the achievement of physical targets in terms of consumer units, for serving which transmission lines were laid, resulted in comparatively inexpensive works being taken up first, without reference to their utility in terms of the objectives of the programme. Works which were comparatively expensive or financially less remunerative were executed under the Special Employment Programme or not at all. Thus, against more than 2,000 units taken up under other schemes for every Rs. 100 lakhs deployed, only 1,220 units were taken up under Special Employment Programme for the same outlay. Units which had still to be energised as on 31st March 1973 were expected to cost even more, as these involved high horse-power pump-sets; it was estimated that Rs. 100 lakhs would be required for 1,168 such units.

(e) The achievements reported under the Special Employment Programme included negative figures aggregating 375 units against six districts. As the total number of units reported as completed under all the programmes was fixed, and achievements reported against individual programmes, represented only elements adding to this total, achievements reported in these districts under other programmes including the Emergency Agricultural Production Programme would appear to have been inflated to this extent.

(iv) *Completion of transmission lines.*—(a) The State Electricity Board claimed on 29th December 1972 that work on 7000 units had been completed against the Central loan of Rs. 290 lakhs. In the weekly report sent by the State

Government to the Government of India for the week ending 17th February 1973, it was stated that 2324 pumps had been energised (against a target of 2500) with the additional assistance of Rs. 100 lakhs provided by the State Government. While explaining the reasons for a significant short-fall in the utilisation of the total loan assistance received from the Government for these and other similar works, the Board stated, however, that "due to the late receipt of central sector assistance and consequent late ordering of materials, materials worth Rs. 184 lakhs (distribution transformers accounting for the major part), did not arrive in time, *i.e.* before March 1973, although all other related works of lines, sub-stations and services were, otherwise, completed". The unexpended balance was nearly a third of the loan assistance of Rs. 594 lakhs extended by the Government for the two programmes in the Central sector (E.A.P.P. : Rs. 390 lakhs; special employment programme: Rs. 204 lakhs) and since distribution transformers were stated to represent the major part of the materials not received, it would appear that a significant proportion of the transmission lines claimed to be complete could not have been used for supplying power to consumers by 31st March 1973. The Board was unable to allocate the saving of Rs. 184 lakhs between the different programmes under execution in 1972-73 or to specify the numbers of units pertaining to each programme for which works were claimed to have been completed, but which were incapable of being energised. It was suggested that, since the available materials were used for the works executed earlier and the Emergency Agricultural Production Programme was given priority in the matter of allocation of completed works, the shortages of materials would have affected works allocated to programmes other than the Emergency Agricultural Production Programme. In view of the stipulation that a deficiency in the performance against any other plan programme would go to reduce the assistance for similar work done under the Emergency Agricultural Production Programme, this distinction between similar works executed under ~~distinction~~ the Emergency Agricultural Production Programme and other schemes loses relevance.

(b) In Madhya Pradesh, the rabi crop needs watering upto the end of January generally and, occasionally, upto the middle of February. Therefore, power connections provided after the middle of February 1973 could not have made any contribution to the rabi cultivation of 1972-73. In test-check, it was noticed that in seven districts in which transmission lines were claimed to have been laid for energising 1622 units, work relating to 609 units was completed after 15th February 1973, including 572 completed in March 1973. (Information regarding dates of completion of individual works in the eighth district was not available).

(v) *Energisation of pump-sets/tube-wells.*—(a) The physical achievement in this component of the Emergency Agricultural Production Programme was reckoned only in terms of numbers of power-consuming units for serving which transmission lines had been laid down. Neither the Government nor the Board had any information regarding the numbers of pump-sets and tube-wells actually energised. The State Government had told the Board (October 1972) that, out of the Central loan of Rs. 290 lakhs, Rs. 10 lakhs were to be utilised for paying security deposits and connection charges on behalf of intending consumers for

whom transmission lines had been laid, but connections could not be given as security deposits and connection charges were not paid. No details of expenditure actually incurred on this account were available either.

(b) Test-checks in divisional offices of the Board in respect of the work done in eight selected districts revealed that:

(i) In 5 districts of which full information was available, only 1,021 units had been energised by 31st March 1973 out of 1,814 units for which transmission lines had been laid under all the programmes taken together. For the Emergency Agricultural Production Programme alone, the corresponding figures were 624 out of 1,084. Ninety-three more units were energised by 31st August 1973, of which 40 were those allotted to the Programme;

(ii) In one other district in which transmission lines had been laid under the Programme for 193 units, information about energisation as on 31st March 1973 was available only in respect of 115 units of which only 40 had been energised; and

(iii) In another district in which transmission lines had been laid for 1,132 units under all the schemes taken together, connections had been given only to 763 consumers by September 1973.

The non-utilisation of the energisation-potential was attributed to various reasons such as inaccessibility of work-sites, non-availability of water resources, non-availability of loans for purchase of pumps, etc. In two districts, it was stated that the cultivators were not coming forward to get the connections, although notices of availability of supply were served on them.

(vi) *Results of test checks.*—Results of the test-checks in respect of works executed in the eight districts, not dealt with in the preceding sub-paragraphs are:—

(a) The district-wise figures of the works completed as furnished by the State Electricity Board differed from those collected from the divisional formations which executed the works to the extent shown below:—

District	Figures furnished by the Board			Figures collected from subordinate formations		
	Emergency Agricultural Production Programme	State Plan schemes including the Special Employment Programme	Total	Emergency Agricultural Production Programme	State Plan schemes including Special Employment Programme	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Bastar	64	87	151	135	10	145
Shahdol	69	56	125	66	59	125
Shivpuri	111	218	329	208	131	339
Guna	134	216	350	193	162	355
Sagar	422	184	606	333	275	608
Raipur	152	88	240	165	75	240
Indore	200	521	721	385	311	696
Dhar	460	412	872	522	312	834
Total	1,612	1,782	3,394	2,007	1,335	3,342

The divisional figures relating to the Emergency Agricultural Production Programme were substantially higher than the corresponding figures of the Board, apparently due to some uncertainty as to the date beyond which works completed were to be allocated to the Special Employment Programme.

(b) The works reported to have been completed under the Emergency Agricultural Production Programme included—

- (1) works on 147 units commenced before 1st August 1972 out of 1,606 claimed to have been completed in 6 districts (dates of commencement of individual works were not available in the 2 remaining districts);
- (2) works relating to 810 units out of 2,007 for which estimates had been sanctioned before 1st August 1972;
- (3) works relating to 135 units (out of 2,007) on which no expenditure had been accounted for.

(c) Expenditure accounted for on works allocated to the programme included Rs. 4.91 lakhs (219 units) spent before 1st August 1972 and Rs. 3.71 lakhs spent after 31st March 1973.

(vii) *Results of outlay.*—To calculate the targets of areas to be irrigated and additional food grains to be produced, it was assumed that pump-sets installed on 750 tube-wells and 4,000 dug wells would be energised (as against the Board's target of 8,505), that one tube-well would irrigate 5 hectares and yield 26 quintals of food grains per hectare and that one dug well would irrigate 1.6 hectares and yield 10 quintals of food grains per hectare. The target was thus fixed at as 0.16 lakh tonnes of additional food grains. Achievement of units energised was claimed to be 180 tube-wells and 6,648 dug wells and the corresponding achievement in terms of food grains produced was computed as 0.12 lakh tonnes, applying the same scales.

(B) State Minor Irrigation Works—Lift Irrigation Projects—Agriculture Department

(i) *Assistance provided under the programme.*—As part of the effort to get over water scarcity because of the erratic monsoon and to add to the rabi food production by bringing additional areas under lift irrigation, it was proposed to purchase and instal 1,218 diesel pump-sets on perennial sources of water like rivers and nallahs. The pumps were to be operated departmentally and hire charges were to be recovered from beneficiaries at Rs. 16 and Rs. 18 per day per pump of 5 H. P. and 10 H. P. respectively if the running costs were paid for by them and at Rs. 20 per acre if the running costs were met by Government. The pumps were to be installed in clusters and one village level worker was to be in charge of each such cluster for maintaining records and providing guidance to farmers. The Government of India sanctioned loans for this element of the programme totalling Rs. 83 lakhs, Rs. 25 lakhs on 28th August 1972, Rs. 30 lakhs on 4th November 1972 and Rs. 28 lakhs on 30th December 1972. Supplementary Demands for Grants of the State Government for 1972-73 took note of only the first two

sanctions and provided for an expenditure of Rs. 55 lakhs. Sanctions to expenditure out of this provision were issued only for Rs. 40 lakhs on 9th October 1972 (Rs. 25 lakhs), and 21st October 1972 (Rs. 15 lakhs). These pump-sets were also proposed to be made over eventually to individual cultivators and Lift Irrigation Co-operative Societies on *taccavi* loans and, for the purpose, a provision of Rs. 40 lakhs was made under the loan head in the Supplementary Demands for Grants for 1972-73; expenditure sanction for the full amount was also issued on 21st October 1972.

(ii) *Utilisation of the assistance.*—(a) On 9th August 1972, District Collectors were told of the proposal to exploit the water available in perennial sources in this manner and asked to locate points at which the pump-sets could be installed. When it became known that the Government of India had sanctioned a loan assistance of Rs. 25 lakhs, the Director of Agriculture was asked on 3rd September 1972 to take immediate action to order pumps and appoint village level workers. The range of pump-sets available with the State Co-operative Marketing Federation and associated Marketing Societies was notified to District Officials and instructions were issued that pumps should be purchased only from these sources. The district-wise distribution of the pump-sets worth Rs. 40.91 lakhs proposed for purchase against the expenditure sanctions for Rs. 40 lakhs was communicated by the Director of Agriculture to district officials as well as to the Marketing Federation on 15th September 1972 (329 pump-sets : Rs. 24.96 lakhs) and 26th October 1972 (230 pump-sets : Rs. 15.95 lakhs). The allocations made on 26th October 1972 were revised subsequently in the light of the numbers and makes of pumps stocked by the Federation and the marketing societies at various centres and a fresh list of district-wise allocations in terms of makes, capacities and numbers was communicated to district officials and to the Federation on 1st November 1972. The total number of pumps allocated came to 1218. The Marketing Federation was urged by the Director of Agriculture on 1st November 1972 to complete supplies by 12th November 1972.

(b) In the weekly progress report furnished by the State Government to the Government of India for the week ending 9th December 1972, it was reported that the entire loan assistance of Rs. 55 lakhs sanctioned by the Government of India till then had been fully utilised. In the progress report for the week ending 30th December 1972, all the 1218 pump-sets were also reported to have been installed. In a detailed appraisal made in the Ministry of Agriculture in the third week of March 1973, the target of 1218 pump-sets was taken to have been fully achieved. These claims were, however, inconsistent with the following facts:—

(1) Against the loan assistance of Rs. 83 lakhs, the supplementary appropriation got voted for meeting this expenditure was only Rs. 55 lakhs and against this provision, sanctions to expenditure were issued only for Rs. 40 lakhs.

(2) Out of the provision of Rs. 55 lakhs, Rs. 30 lakhs were surrendered because the number of pumps purchased was less than anticipated and the net provision left was only Rs. 25 lakhs.

(3) The expenditure incurred against this net provision of Rs. 25 lakhs was only Rs. 20.95 lakhs. In addition, an expenditure of Rs. 7.58 lakhs was accounted for against the provision of Rs. 40 lakhs under the loan head. The claims of the Marketing Federation were still to be fully settled, but detailed information which was called for by the Director of Agriculture from District officials for this purpose in April 1973 was still awaited (December 1973).

(4) In September 1973, the Director of Agriculture stated that the total number of pump-sets obtained under this component of the programme was 1109 only and that some of these were distributed to farmers against taccavi loans.

(5) As against 216 pump-sets allotted to the 8 districts selected for test check, an achievement of 204 pump-sets by 25th February 1973 was reported by the Director of Agriculture. But information was available in the district offices concerned in respect of 82 of these sets only. Of these, 44 were claimed to have been installed between November 1972 and February 1973 and 22 during March 1973 (i. e. after irrigation of the rabi crop had ended). No information was available regarding the dates of installation of the remaining 16 sets. In one district, it was observed that pipe lines for 16 pump-sets claimed to have been installed by the end of February 1973 were actually procured in March 1973.

In December 1973, the Director of Agriculture was unable to furnish information regarding the correct numbers and cost of pumps actually taken over by district officials from the suppliers, the dates on which they were acquired, installed and activated, the periods for which they were operated, the extent of the area irrigated with them for the rabi cultivation of 1972-73, the expenditure incurred for operating them, the hire charges assessed as recoverable from the beneficiaries and the amounts actually recovered, the numbers and cost of pump-sets made over to individual cultivators and lift irrigation societies against taccavi loans, etc. The Marketing Federation stated on 11th December 1972 that most of the pumps sold were against bank loans only and that only a few sets were being operated departmentally. It was mentioned further that the pumps were still with the district establishments of the Federation "in quite a few cases" while Deputy Directors of Agriculture were trying to persuade cultivators to lift them.

(iii) *Results of outlay.*—Each of these pump-sets was expected to irrigate 4 hectares of land and 4872 hectares of land so irrigated with 1218 pump-sets were expected to produce 0.06 lakh tonnes of food grains at the rate of 11 quintals per hectare. In the absence of detailed data referred to above, this target was considered as fully achieved.

(C) *State Minor Irrigation Works—Lift Irrigation Projects—Irrigation Department*

A loan of Rs. 8 lakhs was received from the Government of India for the purchase of, installation and operation of 162 pump-sets to utilise dead storage water in irrigation tanks. The entire amount was claimed to have been spent by 31st March 1973 on 197 pump-sets. Accordingly, the target of additional food

production computed as 0.007 lakh tonnes (at the rate of 4 hectares of irrigation per pump-set and 10 quintals of yield per hectare), was taken to have been exceeded slightly. It was found, however, that by 15th January 1973 when the rabi crop must have been sown and watered, only 74 pumps costing Rs. 3.89 lakhs had been installed. By 31st January 1973 when the need for water for the rabi crop was practically over, only 139 pumps had been installed at a cost of Rs. 6.00 lakhs. In one Irrigation Circle in which 37 pump-sets were to have been purchased and utilised for irrigating 1892 acres, only 5 (cost : Rs. 0.27 lakh) had been installed by the end of February 1973 and utilised to irrigate 15 acres. Ninety acres were said to have been irrigated with old pumps already available with the department. Eight pumps were stated to have been ordered for use in emergencies. Poor performance was stated to be due to scant demand for water from cultivators.

(D) *Private Minor Irrigation Works—Pump-sets*

(i) *Assistance provided under the programme.*—The Government of India sanctioned a loan of Rs. 200 lakhs to the State Government for this component of the programme on 23rd October 1972 and authorised the payment of this amount to the State Government in instalments on various dates from 23rd October 1972 to 21st March 1973. The State Government re-lent the entire amount to the Apex Bank for distribution through co-operative Central banks to cultivators as taccavi loans for the purchase of pump-sets for minor irrigation. In a circular letter dated 31st October 1972, the Registrar of Co-operative Societies communicated to the Apex Bank and to the Central banks concerned the district-wise allotment of funds totalling Rs. 191.20 lakhs. The corresponding numbers of pumps to be supplied to each district were also indicated, the total for the State being 5889 (Electric : 2489; Diesel : 3400). Copies were endorsed to the Madhya Pradesh State Co-operative Marketing Federation (Markfed), which was to stock and supply the pumps, and to district officers of the Agriculture and Co-operation departments. All concerned were urged to arrange that loans and the pumps themselves were made available to cultivators by 15th December 1972, so as to be of use for providing irrigation for the rabi crop. The district-wise distribution of the remainder of Rs. 8.80 lakhs was also intimated to the Apex Bank, etc., on 23rd November 1972, but the corresponding numbers of pump-sets to be distributed were not specified; the target for the component as a whole continued to be 5889 pump-sets. Banks were allowed to change, in consultation with local officers of the Agriculture and Co-operation departments, the allocations for diesel and electric pumps in numbers as well as amounts on actual demands. Payment of the entire amount of Rs. 200 lakhs to the Apex Bank was sanctioned by Government on 15th November 1972 and the amount was paid on 12th December 1972 (Rs. 50 lakhs) and 29th December 1972 (Rs. 150 lakhs). The Registrar of Co-operative Societies informed all those concerned on 18th November 1972 and 30th November 1972, that utilisation of the funds should be completed by 31st December 1972 and that funds not actually distributed as taccavi loans by that date should be refunded by the banks to Government. Verification reports in respect of pumps claimed to have been supplied against such taccavi loans were to be sent to the Registrar by 10th January 1973.

(ii) *Utilisation of the assistance.*—(a) The Apex Bank reported to the Registrar of Co-operative Societies on 2nd July 1973 that the entire amount of Rs. 200 lakhs had been paid to the Central banks by 30th June 1973. As against the target of 5889 pump-sets, 350 were reported by the Registrar to have been supplied by 30th November 1972, 3905 by 31st December 1972 (the last date set by the Registrar for the utilisation of the loan), 5402 by 31st January 1973, 6056 by 28th February 1973 and 6570 by 31st March 1973. The Registrar had no information (December 1973) regarding the extent to which the amounts advanced to the Central banks were actually distributed by them as *taccavi* loans from month to month and what portion of the amounts, if any, remained with them on 15th February 1973 when watering of the rabi crop came to an end or on 31st March 1973, the last date prescribed for the utilisation of central assistance under this programme. Therefore, although the physical targets were claimed to have been exceeded, the extent to which the monetary accommodation provided under the programme was actually utilised for the objectives of the programme was not ascertainable. A progress report in the Directorate of Agriculture showed, however, that the total amount expended till the end of February 1973 on credit for the purchase of 6056 pump-sets was only Rs. 182.69 lakhs.

(b) Detailed information regarding individual cases was not available with the Registrar of Co-operative Societies or with local officers of the Co-operation and Agriculture departments on matters such as the date on which the pump-set was supplied to the cultivator, whether it was purchased from the Markfed or a commercial firm, the date on which it was put in operation, the date on which it was energised (if it was an electric pump), the period for which it worked for providing water for the rabi crop, the area which it irrigated and the additional areas, if any, which it helped to be brought under cultivation, the yield in the form of additional production of food grains, the date on which the cost of the pump was paid to the supplier by the financing bank, etc. The verification reports, to be sent to the Registrar by 10th January 1973 were not received by him upto July 1973 in even a single instance. Reports from only 11 (out of 43) districts had been received upto December 1973. An analysis of these reports revealed that of 1931 pump-sets distributed in these 11 districts, only 1410 had been put to use by 31st January 1973 when watering of the rabi crop practically ceased. One hundred and sixty-one sets were stated to have been put to use after 31st March 1973, while 73 had not been used at all.

(c) The achievements reported by the Registrar of Co-operative Societies included progressive figures of 198, 244, 270 and 291 pump-sets distributed in Raipur district by the end of ~~the~~ December 1972, January 1973, February 1973 and March 1973 respectively. According to the information furnished by the Co-operative Central Bank concerned through the Deputy Registrar of Co-operative Societies, Raipur, the corresponding figures were, however, only 74, 193, 208 and 216 respectively. Only Rs.6.93 lakhs had been paid to suppliers by 31st March 1973 out of Rs.10 lakhs allotted to the Central Bank and drawn by it. In Shivpuri district, only 4 pump-sets had been distributed by the end

of December 1972 according to the Deputy Registrar concerned, as against 42 reported by the Registrar. Similarly, the Registrar had reported 34 pump-sets as having been distributed in Gwalior district by the end of January 1973, while the corresponding figures reported by the Deputy Registrar concerned was only 2.

(iii) The Government of India had recommended in December 1972 that the State Government should charge the same rate of interest on medium-term loans channelled through the Co-operative sector for this component of the programme as that charged by the Government of India, *viz.*, 5 per cent p.a. It was also suggested that the rate be further reduced in the case of loans paid to small and marginal farmers. Nevertheless, the State Government charged interest at 6 per cent from the Apex Bank. Margins of $\frac{1}{2}$ per cent, 1 per cent and 2 per cent p.a. respectively were added when the funds were lent by the Apex Bank to Central banks, by the Central banks to service societies and by the service societies to the cultivators so that the cultivator was obliged to pay interest at $9\frac{1}{2}$ per cent p.a. on the loan received by him. The term of repayment in the case of the Apex and Central banks was also 7 years as against the period of 15 years prescribed for the repayment of the loan by the State Government to the Central Government.

(iv) *Additional yield of food grains.*—For this component too the return from the outlay in the form of additional yield of food grains was computed by applying a uniform estimated rate of additional yield to the area expected to be irrigated, the latter being also estimated at a uniform rate of irrigated acreage per pump-set. As against the target of 5889 pump-sets, it was assumed that only 3000 would be in operation and they would irrigate 3600 hectares (at 1.2 hectares per pump-set). The production per hectare was taken to be 12.5 quintals and the target for production of food grains was calculated as 0.04 lakh tonnes. Although 6056 pump-sets were claimed to have been distributed by 28th February 1973 as against the achievement of 3000 on which these computations were based, this estimate was treated as the achievement under this component. Thus, the achievement claimed was not based on a factual assessment.

(E) *Inputs-Fertilisers:*

(i) *Assistance provided under the Programme.*—Out of short-term loans aggregating Rs.730.32 lakhs paid by the Government of India to the State Government for financing the stocking and distribution of fertilisers, seeds and pesticides in 1972-73, Rs 500 lakhs sanctioned in August 1972 and Rs.100 lakhs sanctioned on 24th March 1973 were meant to be used for extending short-term credit to cultivators for purchase of inputs for the rabi crop of 1972-73. The Supplementary Demands for Grants of the State Government for 1972-73 took note of only the amount of Rs 500 lakhs and provided for its payment to Co-operative Central Banks operating at the district level through the Apex Co-operative Bank. The loan of Rs 100 lakhs received late in the year was, apparently, not utilised. Neither the Director of Agriculture nor the Registrar of Co-operative Societies

had any information (December 1973) about the manner of its utilisation. Out of the sum of Rs.500 lakhs, Rs.27 lakhs were set apart, by a sanction dated 23rd December 1972 for extending short-term loans through district level officials of the Agriculture department for financing purchases of urea for foliar application on the standing wheat crop and the remainder of Rs.473 lakhs, together with a sum of Rs.30 lakhs provided by the State Government from its own resources, were placed at the disposal of the Apex Bank for distribution through Co-operative Central Banks operating at the district level as short-term taccavi loans to cultivators for purchasing chemical fertilisers. The Apex Bank was required to pay interest on this accommodation to the State Government at 6 per cent p.a., as against the rate of 5 per cent payable by the State Government to the Central Government. The amount allotted to the Central Bank of each district on requirements assessed by district-level officers of the Agriculture department was communicated to the Apex Bank by the Registrar of Co-operative Societies on different dates from 30th September 1972 to 21st January 1973. The total amount of Rs.503 lakhs was paid to the Apex Bank on various dates during the period from 2nd November 1972 to 24th February 1973.

(ii) *Utilisation of the assistance.*—(a) According to the sanctions issued by the Government of India, the loan was to be utilised for financing distribution of seeds and pesticides as well as fertilisers. The tasks undertaken by the State Government under the programme included an increase in the area under high yielding varieties of wheat from 2.90 lakhs hectares in 1971-72 to 5.72 lakh hectares in 1972-73. Against this, the achievement was claimed to be 4.80 lakh hectares. The total area under high yielding varieties of other food grains was also claimed to have risen from 5.12 lakh hectares in 1971-72 to 6.57 lakh hectares in 1972-73, an increase of 1.22 lakh hectares being accounted for by rice alone. No part of the loan assistance under this programme was, however, used for seeds or pesticides.

(b) The Apex Bank reported to the Registrar of Co-operative Societies on 2nd July 1973 that, out of Rs.503 lakhs received by it, Rs.500.73 lakhs had been paid to 35 Central Banks by 30th June 1973. The Registrar had no information (December 1973) regarding the amounts paid by the Apex Bank to various Central Banks from month to month, the amounts actually utilised by the latter for extending taccavi loans to cultivators for purchase of fertilisers and the additional quantities of inputs made available thereby. Therefore, it was not possible to verify how much of this amount was actually utilised for financing purchases of fertilisers by cultivators till the middle of February 1973 after which fertilisers can no longer be applied to the rabi crop, or upto the end of March 1973 after which such credits ceased to qualify for loan assistance under the programme.

(iii) *Additionality of effort.*—The State Government was providing short-term taccavi for fertilisers to Co-operative Central banks through the Apex Bank in earlier years as well and the assistance so provided amounted to Rs.115 lakhs in 1970-71 and Rs.273 lakhs in 1971-72. As against chemical fertilisers worth

Rs.15.56 crores (3.25 lakh tonnes) distributed through the co-operative sector in 1971-72, the target for 1972-73 had been fixed as Rs.24.00 crores (4.70 lakh tonnes) and, after taking into account the credit likely to be available from other sources, the assistance which the State Government would be called upon to provide was assessed as Rs.900 lakhs in proposals submitted by the Registrar of Co-operative Societies to Government in June 1972. In early August 1972, this figure was reassessed as Rs.695 lakhs after taking into consideration the situation created by the erratic monsoon in June-July 1972 and its effect on kharif food production and fertiliser consumption. Only 4.10 lakh tonnes of chemical fertilisers worth Rs.21.56 crores were actually distributed through the Co-operative sector in 1972-73 against the target of 4.70 lakh tonnes worth Rs.24.00 crores which was fixed before the Emergency Agricultural Production Programme was thought of. Thus, funds provided for this programme did not lead to an increase in the quantities of fertilisers distributed and, in effect, were substituted for the credit which the State Government would have otherwise provided to the co-operative sector.

The Registrar of Co-operative Societies explained that the short fall in the off-take of fertilisers was the result of less fertiliser being used for kharif cultivation due to deficient rains and stocks of fertilisers acquired by cultivators for kharif cultivation being actually used for rabi cultivation, thereby depressing the sales of fertilisers for the rabi cultivation. This explanation may be viewed in the light of the fact that 1.86 lakh tonnes of fertilisers were distributed by the Co-operative sector during April 1972 to September 1972 compared to 1.81 lakh tonnes during the same months in 1971 and the latest assessment by the Director of Agriculture that food production in the kharif season, 1972 (65.15 lakh tonnes) was only marginally less than production in the kharif season, 1971 (65.82 lakh tonnes).

(iv) *Foliar spray of urea on standing wheat crop.*—Experiments under controlled conditions had shown that foliar application of urea on the standing wheat crop was economical in terms of the quantity of urea required, easier and safer than fertilisation through the soil in conditions of scanty and erratic rainfall and significantly beneficial in terms of yield. Therefore, the State Government had proposed initially that aerial and ground spraying be done on 1,00,000 and 2,00,000 hectares respectively at a total cost of Rs. 112.50 lakhs. The Government of India was expected to subsidise the operation to the extent of Rs. 73.13 lakhs representing the entire operational costs (at the rate of Rs. 45 per hectare for aerial spraying and Rs. 7.50 per hectare for ground spraying) and 25 per cent of the cost of urea. In December 1972—January 1973 the Government of India decreased the proposed coverage to 50,000 hectares by aerial spray and 1,25,000 hectares by ground spray and sanctioned the entire operational costs upto a ceiling of Rs. 31.88 lakhs out of funds provided for the Integrated Dry Land Agricultural Development scheme. The cost of urea was to be met wholly by the cultivators concerned or by the State Government. Spraying was actually got done on 49,632 hectares by aerial spray and 1,01,854 hectares by ground spray during the period from 15th December 1972 to 31st March 1973 at a cost of

Rs. 21.18 lakhs. Ground spraying was done only where the cultivators concerned provided the urea. As mentioned earlier, the State Government sanctioned a sum of Rs. 27 lakhs for taccavi loans to cultivators to meet the cost of the urea out of the Central Government's loan of Rs. 600 lakhs. Allotments totalling Rs. 6.53 lakhs (11 districts) and Rs. 20.42 lakhs (37 districts) were placed at the disposal of district-level officers of the Agriculture Department for payment of taccavi loans to cultivators for purchase of urea for aerial spraying and ground spraying respectively. The Directorate of Agriculture had no information (December 1973) regarding the extent to which these allotments had been utilised.

(v) *Additional yield of food grains.*—It was estimated originally that the outlay on this component of the programme would enable fertiliser to be applied through the soil to 2.18 lakh hectares of wheat and 2.00 lakh hectares of gram and that foliar application of urea would be done on 3.00 lakh hectares of wheat. This treatment was expected to result in additional yield of 3.75 quintals of food grains per hectare of crops fertilised through the soil and 1.25 quintals per hectare of crops subjected to foliar spray, the total additional yield being 1.95 lakh tonnes. Actually, foliar spraying was done only on 1.51 lakh hectares and the area covered by soil fertilisation was not ascertained. Nevertheless, for the purpose of measuring achievement in terms of additional yield of food grains, foliar spraying was taken to have been done on 2.00 lakh hectares and soil fertilisation on 2.18 lakh hectares of wheat and 1.75 lakh hectares of gram. The additional yield was, then, computed as 1.74 lakh tonnes by applying to these areas the same *ad hoc* rates of additional yield on which the target was computed.

(IV) *Conclusion.*—The primary objective of the Programme, as implemented in Madhya Pradesh, was to increase production of food-grains in the *rabi* season, 1972-73. Production, as estimated by the Director of Agriculture, was 9.15 lakh tonnes less instead of being 9.34 lakh tonnes more. It has been claimed that the actual yield included 3.74 lakh tonnes attributable to the effort made under this Programme. But as explained in the preceding paragraphs this claim was based on computation of notional yields from areas assumed to have been irrigated, as a result of the reported completion of certain works. Reports of completion of such works were not substantiated by detailed reports or information from the implementing offices, units, etc., and a test check by Audit in selected districts showed that in many cases works had not been completed or had been completed so late that they could not have contributed significantly to an increase in the size of the *rabi* or summer 1972-73 crop. The additional funds provided for inputs, too, could not have, in the circumstances, influenced the size of the harvest significantly.

Veterinary Department

3.3. *Intensive poultry production-cum-marketing centres.*—(I) *Introduction.*—A model scheme for setting up intensive poultry production-cum-marketing centres

in towns having a population of one lakh or more was formulated by the Government of India in 1962. The objectives of the scheme were—

- (a) to popularise commercial poultry farming along sound technical lines by providing selected poultry farmers with quality breeding stock, equipment, balanced feed and feed supplements, financial assistance in the form of subsidies, loans and credits, technical guidance in rearing birds, protection from diseases and organised marketing facilities,
- (b) to provide consumers with fresh, clean and good quality eggs and poultry at reasonable price, and
- (c) to popularise rearing of day old chicks by the poultry farmers themselves, as a base for the development of sound poultry industry in the country.

Five such centres were set up in the State at Bhopal (November 1963), Raipur (December 1964), Indore (March 1965), Jabalpur (March 1966) and Gwalior (December 1966). Mention was made of the working of the first four centres upto March 1967 in paragraph 22 of the Audit Report on the accounts for 1966-67; a review of the functioning of Bhopal centre upto March 1972 appeared in paragraph 24 of the Audit Report for the year 1971-72. The present review covers the working of the centres at Raipur, Indore, Jabalpur and Gwalior upto the 31st March 1973.

(II) *Establishment of poultry farming units.*—(a) *Scales and terms of financial assistance.*—According to the scheme, as implemented in the State, 300 poultry farming units having 100 layers each were to be set up around each centre by selecting individuals interested in poultry keeping and providing them financial assistance on the following scale :—

- (1) An amount not exceeding Rs. 200 as interest-free loan for putting up a poultry house and purchasing equipment; members of weaker sections of the community were to be paid, in addition, a subsidy of Rs. 100.
- (2) Three hundred day-old chicks, one half of their cost being treated as subsidy and the other half as an interest-free advance.
- (3) Balanced feed on credit for feeding 300 chicks upto 8 weeks and pullets from 9 to 24 weeks.

The farmers had to undertake to purchase their requirements of chicks, feed, drugs, vaccines, housing materials, equipment, etc., from the centre and to market their produce exclusively through the centre. The interest-free loans/credits were to be recovered in the form of eggs and birds. The recoveries were to commence 6 months after the date of supply of day-old chicks and were to be completed within four years from that date. Default on the part of the farmers in respect of any of the obligations undertaken under the terms of assistance, in particular, failure to maintain the prescribed flock strength of 100 layers or to market the entire surplus produce through the centre, was to entail recovery of all subsidies and outstanding loans/credits in one lump sum.

(b) *Performance.*—Progress in the setting up of the units is indicated below :—

Centre	Units for which assistance was provided	Units which were not set up at all or which were closed down	Units functioning on the 31st March 1973			Amounts pending recovery from units mentioned in column 3			
			Number	Flock strength	Number of units with flock strength of less than 100 each	Loans/credits		Subsidies	
(1)	(2)	(3)	(4)	(5)	(6)	Number of units	Amount	Number of units	Amount
							Rs.		Rs.
Indore	53	39	14	5,855	1	..	20,640	28	3,145
Raipur	77	29	48	9,322	9	24	25,405	29	1,786
Jabalpur	198	88	110	19,463	27	67	77,430	88	9,768
Gwalior	108	51	57	7,970	37	46	69,210	46	5,301

In the case of Raipur Centre, the figures shown above relate to units established after 1966-67 only. In the years from 1964-65 to 1966-67, the centre extended assistance to 77 persons for setting up 173 units, but it has no information about their current functioning except that 23 of those persons were still engaged in poultry farming.

Revenue recovery proceedings had been initiated for securing the recovery of the dues only in 29 of the cases mentioned in columns 7-10 above.

(III) *Production and marketing.*—(a) *Record of production.*—The agreement governing the grant of assistance for setting up poultry farming units stipulated that the poultry farmers should maintain proper records of eggs and birds in the forms prescribed by the Department. No such forms had been prescribed and systematic records of production were not maintained either by the units or by the centres. The year-wise total production of the farming units set up under the scheme was not, therefore, available.

(b) *Sales.*—According to the scheme, each centre was to procure and market 10,000 eggs and 300 table birds per day, that is, a total of 36.50 lakh eggs and 1.095 lakh birds per year. Actual sales never came anywhere near these targets as will be seen from the following figures for the 3 years ending 1972-73 :—

Centre	Eggs sold *			Birds sold		
	1970-71	1971-72	1972-73	1970-71	1971-72	1972-73
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<i>(In lakhs)</i>			<i>(In lakhs)</i>		
Raipur	14.45	16.10	14.93	0.091	0.048	0.061
Jabalpur	10.38	17.40	16.86	0.041	0.089	0.078
Indore	1.38	15.01	10.61	0.013	0.077	0.121
Gwalior	1.87	1.57	2.35	0.007	0.002	0.002

The sales were much lower in earlier years.

*A significant proportion of these sales came out of procurement from Government poultry farms and private poultry farmers who, unlike the units assisted under the scheme, had no dues to the centres to be set off against the value of eggs purchased from them.

(c) *Table birds.*—Out of the marketable production of 300 table birds per day contemplated in the scheme, 200 were to be broilers reared specially for the table while the remaining 100 were to be males not required for breeding and culled females out of birds reared for breeding. Actually rearing of broilers for the table was not attempted at any of the centres or units. Even in the case of culled birds, sales never exceeded 25 per cent of the target of 100 birds per centre per day except in the case of the Indore centre in 1972-73 and were generally far lower.

(d) *Grading and breakage.*—The scheme provided for a grading unit in each of the centres and, accordingly, all the four centres were provided with egg-graders at a total cost of Rs.0.08 lakh. But in actual practice, sales were made at uniform rates and the graders remained unused except for a brief period at Raipur.

As against a permissible margin of 2 per cent for breakage and spoilage of eggs in handling prescribed by the Director of Veterinary Services in June 1967, actual losses at Indore amounted to 4.3 per cent in 1971-72 and 2.3 per cent in 1972-73.

(e) *Balanced feed.*—(1) The scheme provided for the preparation and distribution of 2,000 tonnes of balanced feed per year by each centre. The quantities and value of feed manufactured and sold by each of the four centres in the three years ending with 1972-73 were as follows :—

Centre	Year	Manufactured		Sold	
		Quantity	Cost	Quantity	Sales
(1)	(2)	(3)	(4)	(5)	(6)
		(In tonnes)	(In lakhs of rupees)	(In tonnes)	(In lakhs of rupees)
Raipur	1970-71	979	5.87	971	5.71
	1971-72	1,008	6.13	1,002	6.21
	1972-73	952	6.67	954	6.82
Jabalpur	1970-71	917	5.67	916	5.67
	1971-72	1,078	6.73	1,060	6.67
	1972-73	877	5.82	875	5.80
Indore	1970-71	347	*	346	2.08
	1971-72	659	3.96	629	3.87
	1972-73	723	5.06	722	[5.15
Gwalior	1970-71	162	*	160	0.99
	1971-72	178	1.19	176	1.24
	1972-73	218	1.62	221	1.71

The quantities distributed ranged from 44 per cent to 53 per cent of the target at Raipur and Jabalpur, 17 to 36 per cent at Indore and 8 to 11 per cent at Gwalior. The figures of earlier years were much lower. The Project Officers stated that production was limited by demand.

*Not available.

(2) According to the scheme, each centre was to be equipped with a grinder and a mixer, each of one ton capacity, at an estimated cost of Rs. 4,500. The Gwalior centre did not have a feed mixing plant of its own and marketed only the feed prepared at the Government Poultry Farm, Gwalior. It acquired an adaptor unit (Feed Mixing Uni.) in August 1969 for Rs. 5,391, but it was not used. The Project Officer stated (August 1973) that it was being kept as a reserve against emergencies. The Raipur centre purchased a mixer of 1/2 ton capacity (cost: Rs. 3,135) in February 1965, but could instal and commission it only in December 1967 after the centre's building was completed and power connection obtained. Till then, mixing was being done manually. The Indore centre purchased a mixer for Rs. 2,200 in March 1965 and a grinder for Rs. 2,731 in March 1966. The equipments could be commissioned only in January 1967 when power became available.

(3) The centres at Raipur, Jabalpur and Indore were provided with maize, free of cost, under Project 353 of the World Food Programme, for being used in the manufacture of balanced feed. The cost of maize actually used was to be charged to the manufacturing expenses at the rate of Rs. 350 per tonne and the proceeds were to be credited to a "World Food Programme Sales Proceeds Fund". Thirty-five per cent of the fund so generated was to form a revolving fund for financing purchases of local grains for feed manufacture after the supply of maize under the programme ceased while the remaining 65 per cent was to form a "Development Fund" for being used, during the period of execution of the project, for such purposes as development of coarse grain production, improvement of marketing arrangements, purchase of additional locally fabricated equipment, development of extension and information services and grant of loans to poultry farmers. The quantum of funds generated in this manner upto 31st March 1973 and the extent to which they were utilised are shown below:—

Centre	Period	Counter- part funds generated	Revolving fund Accumulations	Development fund	
				Accumulations	Utilisation
(1)	(2)	(3)	(4)	(5)	(6)
			<i>(In lakhs of rupees)</i>		
Raipur	1966-67 to 1972-73	4.63	1.62	3.01	0.04
Jabalpur	1967-68 to 1972-73	3.84	1.34	2.50	0.03
Indore	1966-67 to 1972-73	2.41	0.84	1.57	..
	Total	10.88	3.80	7.08	0.07

The amounts to be credited to these funds were required to be remitted to the Deputy Directors of Veterinary Services concerned for being held in Personal Deposit Accounts in treasuries. Out of Rs. 3.84 lakhs generated at Jabalpur, only Rs. 2.47 lakhs had been remitted to the Deputy Director and the remainder had been used, without authority, as part of the working capital of the centre over the period from 1968-69 to 1972-73.

As aid under the World Food Programme was continuing, the question of utilising the Revolving Fund had not arisen. But the Development Fund which could have been utilised for the purposes of the scheme had also remained practically unused. Had the money been utilised as intended, the attainment of the objectives of the scheme would have been facilitated to that extent.

(f) *Credit Sales.*—The scheme provided for credit sales only in respect of day-old chicks, feed and medicines issued to poultry farming units set up under the scheme. Although sales of eggs and table birds on credit to Government establishments and private persons were not contemplated in the scheme and were not also authorised by Government such sales were made at all the centres. At the Raipur centre, recoveries pending on the 31st March 1973 against such sales amounted to Rs. 1.63 lakhs including Rs. 0.94 lakh due from 24 private persons towards the cost of eggs sold and Rs. 0.53 lakh due from Government establishments. The private debtors included three individuals from whom Rs. 0.89 lakh were due in respect of sales made in 1966-67. Only Rs. 1,307 had been recovered from these persons in the last three years.

At the Jabalpur centre, outstanding recoveries against credit sales on the 31st March 1973 were Rs. 0.12 lakh.

(IV) *Cold Storage.*—(a) In order to secure stable selling conditions and fair prices for the produce through all seasons and to reduce spoilage, the scheme provided for cold storage facilities at each centre in the form of three egg coolers and two deep freeze cabinets at a total estimated cost of Rs. 0.14 lakh. Three deep freezers and eight egg coolers were provided at these four centres between 1965 and 1968 at a cost of Rs. 0.22 lakh. In 1966-67, it was decided to equip all the five centres with cold storage plants. After inviting tenders, the Director of Veterinary Services placed orders on the 11th March 1967 with a firm in New Delhi for the supply, erection and insulation of one plant with a capacity of 3 lakh eggs for Raipur centre (cost: Rs. 41,500) and four plants with a capacity of 2 lakh eggs each for the other four centres (cost: Rs. 29,750 each). A sum of Rs. 1.68 lakhs, representing 90 per cent of the cost of the equipment, was drawn and paid to the suppliers in March 1967. Thereafter, specifications for the buildings which were to house the plants were obtained from the suppliers and sent to the officials concerned for getting plans and estimates prepared by the Public Works Department. Meanwhile, the equipment and materials were received from the suppliers and stored at Bhopal, although, according to the order, they were to have been sent directly to the officials concerned. Buildings at Raipur, Jabalpur Indore and Gwalior were completed in March 1968 at a total cost of Rs. 0.52 lakh. Thereafter, the plants were got installed and commissioned on the dates shown below:—

Centre	Date of installation	Date of commissioning
(1)	(2)	(3)
Raipur	10th January 1969	6th March 1969
Jabalpur	1st January 1969	7th April 1969
Indore	25th April 1969	1st April 1970
Gwalior	..	29th January 1969

In the meantime, an expenditure of Rs. 20,120 had to be incurred at Raipur for storing surplus stocks of eggs in 1966, 1967 and 1968.

(b) The cold storage at Indore had a rated capacity of 2 lakhs eggs, but the Project Officer stated that it could accommodate only half this number. The eggs actually stored therein from day to day ranged from 600 to 67,000. Although the rated capacity was never fully utilised, additional storage space was hired from April to September in 1971 and 1972 in a private cold storage at a cost of Rs. 300 per month. The maximum number of eggs stored in the hired accommodation was 6.35 lakhs in 1971, but only 1.97 lakhs in 1972.

(V) *Work-shop*.—The work-shop contemplated in the scheme was not opened at any of the centres. Negligible quantities of feeders and watering equipment were purchased at the Raipur and Jabalpur centres for sale to poultry farmers, but sales were poor and the effort was given up. The Project Officers explained that the poultry farmers preferred to buy cheap equipment from local markets.

(VI) *Co-operative movement*.—According to the scheme, poultry farmers were to be encouraged to form co-operatives and be associated with the running of the project from the very beginning, especially for providing credit facilities, feed supply, etc., to members. [A Co-operative breeding farm was to be set up for feeding the hatchery of each centre. The project was to be run departmentally "purely on *ad-hoc* basis and as an agency of the co-operative" until the co-operatives gained the ability to run it by themselves. The Co-operation Department was to be associated with the project from the beginning for assisting in forming co-operative societies.

No co-operative breeding farm was established at any of the centres. Two co-operative societies were started in the area served by the Jabalpur centre, but both were stated to be no longer active. Two co-operative societies were registered at Indore in March 1967 and assisted with loans totalling Rs. 0.31 lakh. They ceased to function in 1968 and 1970 respectively and the loans were still (February 1974) to be recovered. Only one co-operative society was registered at Gwalior in 1968-69 and it was stated to be engaged mainly in marketing the produce of its members. The Raipur centre set up one co-operative society in February 1964 and two more in March 1967. The first co-operative society closed down in 1972-73 and one of the other two in 1970-71. The co-operative societies dealt mainly with supply of feed to members on credit. Credit facilities for chicks, equipment, etc., were not provided to members due to paucity of funds. Collection of produce and marketing was not also done. The lone surviving society was stated to be running its own poultry farm. As the co-operative movement never really got going at any of the centres, the question of setting up Apex societies for taking over the centres themselves did not arise. The Project Officer at Raipur stated (April 1973) that the effort failed mainly because not enough assistance was forthcoming from the Co-operation Department and the loan assistance from Co-operative banks was inadequate.

(VII) *Overdue recoveries of loans/credits.*—Loans and credits extended under the scheme were required to be recovered, in the form of poultry produce, within four years from the dates on which day-old chicks were supplied to poultry farmers. Thus, loans and credits extended to units which received chicks in 1968-69 or earlier should have been fully recovered by the end of 1972-73. Such recoveries were still (February 1974) to be effected in the following cases:—

Amounts over due from units to which day-old chicks were supplied in

Centre	1964-65		1965-66		1966-67		1967-68		1968-69		Number of cases in which revenue recovery action had been taken (12)
	Num-ber	Amo-unt	Num-ber	Amo-unt	Num-ber	Amo-unt	Num-ber	Amo-unt	Num-ber	Amo-unt	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
		Rs.		Rs.		Rs.		Rs.		Rs.	
Raipur	2	2,793	4	5,225	5	3,380	..	..	42	46,075	8
Jabalpur	..	..	2	786	23	20,559	..	..	4	3,732	2
Indore	..	..	..	..	..	..	20	12,879	..	..	10
							(upto 1967-68)				
Gwalior	..	..	..	..	..	..	8	12,737	15	16,663	11
							(upto 1967-68)				
Total	2	2,793	6	6,011	28	23,939	28	25,616	61	66,470	31

(VIII) *Working capital.*—The scheme required each centre to be provided with a working capital of Rs. 4.00 lakhs for financing the extension of credit facilities to poultry farmers for chicks, feed, equipment and medicines, production of chicks, manufacture of feed, collection, grading and marketing of eggs and birds, etc. The funds were lodged in personal deposit accounts of the Project Officers with treasuries. The balances in these accounts were required to be retransferred to the service head at the end of each year.

Rupees 0.45 lakh were paid to the Madhya Pradesh State Co-operative Marketing Federation on the 31st March 1973 in cash from the personal deposit account of the Jabalpur centre towards the cost of 90 tonnes of rice polish. The centre had not received the rice polish so far (February 1974).

According to general instructions issued by the Government in September 1963, detailed monthly accounts of the transactions in each personal deposit account were required to be rendered to the Accountant General with supporting vouchers. The Raipur centre was in default (January 1974) in respect of all accounts except for six months in 1972. This was also the case with the accounts of the Indore centre for all months upto March 1972 except June 1971.

(IX) *Financial results.*—In the scheme, it was anticipated that, after the initial outlay on buildings, equipment, etc., the current operations of each centre would leave it with a small surplus of Rs. 0.31 lakh at the end of each year after allowing for depreciation and interest on capital invested. Contrary to these expectations, all centres were considerably in deficit right since the beginning. The Public Accounts Committee took note of this fact while examining the functioning of four of these centres upto 1966-67 and recommended (March 1970) in its 16th report that efforts be made to cut down the losses and to make the project run on a sound financial basis. Nevertheless, and, despite the centres having had a fairly long period of gestation, the losing trend has continued. Annual *pro-forma* accounts on the conventional pattern have not been prepared for any of the centres, but an analysis by Audit of the working of the centres at Raipur and Jabalpur during a period of three years ending on the 31st March 1973 showed that these centres had run up losses amounting to Rs. 4.00 lakhs and Rs. 1.14 lakhs respectively.

The matter was reported to Government in March 1974; comments are awaited (May 1974).

Public Health Department

3.4. *Mass vasectomy camps, 1972-73*

(I) *Introduction.*—Government of India decided in September 1972 to make mass vasectomy camps a regular feature of the family planning programme for some years. The scale of Central assistance to States for organising such camps was also raised to a ceiling of Rs. 100 per case. The proportion in which this assistance was to be spent on various components of the scheme was left to the discretion of State Governments, subject to the stipulation that at least Rs. 10 per case be spent for drugs and dressings, Rs. 8 to 10 for providing food

and other facilities to acceptors for stay at the camp for 48 hours after vasectomy and, 50 paise for building up a fund for providing ex-gratia assistance in cases of post-operative complications and fatalities. Not more than Rs. 60 were to be paid to an acceptor, in cash or kind, as monetary inducement and this payment was to be made only after a complete medical check up 48 hours after the operation.

The Government of India had also drawn up certain guidelines for the organisation and functioning of these camps. These were circulated by the State Government to all District Family Planning-cum-Health Officers in August 1972.

(II) *Performance at Camps.*—(a) After receipt of State Government's proposals, approval was given by the Government of India for 29 camps (3 camps in October 1972, 24 camps in December 1972 and 2 camps in February-March 1973). All the 29 camps were held in different districts between December 1972 and March 1973 and 2,56,612 vasectomies were said to have been performed. They represented 80.7 per cent of all sterilisations (3,17,791) done in the State during 1972-73 and surpassed the target (1,90,600) for the State as approved by the Government of India by 34.6 per cent. But 11 camps failed to achieve the targets set for them. Targets for individual camps ranged from 3,500 (Raisen, Jhabua) to 25,000 (Raipur). Performance, in terms of number of vasectomies done, ranged from 1,293 (Raisen) to 27,202 (Raipur) and, in terms of ratio of performance to target, from 36.94 per cent (Raisen) to 464.30 per cent (Raigarh); the rate of coverage for a population of 1000 varied from 2.1 (Morena, Raisen) to 17.1 (Raigarh). The total expenditure on these camps came to Rs. 232 lakhs as against the ceiling (for central assistance) of Rs.256 lakhs appropriate to the number of vasectomies done. But in two camps (Bhind, Raisen) in which 3,774 vasectomies were done, the total expenditure amounted to Rs.4.25 lakhs, which exceeded the ceiling set for central assistance by Rs.0.48 lakh; the reasons for the higher expenditure on these camps had not been ascertained (February 1974).

(b) The State Government laid down the following scales of expenditure per operation :—

	Rs.
(i) Monetary inducement (termed 'compensation') to the person undergoing operation	56.00*
(ii) Remuneration to the motivator	10.00
(iii) Remuneration to the doctor, nurse, etc.	5.00
(iv) Diet charges for 48 hours @ Rs. 2.50 per day	5.00
(v) Drugs and dressing	10.00
(vi) Transport	6.00
(vii) Fund for ex-gratia assistance	0.50
(viii) Other expenses including publicity, sanitary arrangements, hiring of camping materials, beds, sheets and pillows, etc.	7.50
Total	100.00

*In Bilaspur alone, this was raised to Rs.60 by reducing some of the other components correspondingly.

Although the total expenditure on all camps was well within the permissible limit of Rs.100 per case, these scales for individual components were exceeded in certain camps as indicated below :—

Description of expenses	Number of camps where scale was exceeded	Amount of excess expenditure
(1)	(2)	(3) (In lakhs of rupees)
Compensation to acceptors	4	0.52
Remuneration to doctors	3	0.46
Transport	6	0.36
Drugs and dressing	3	0.50
Other expenses	3	0.37

The reasons for these excesses had not been investigated (February 1974).

(III) *Selection of districts.*—The guidelines prescribed by the Government of India required that the districts in which the camps were to be organised be chosen in the light of such relevant factors as the district level leadership, past performance of the district, technical facilities available, peripheral staff in position, communication facilities and other local factors likely to influence the success of the camps. In practice, selection was made only on the basis of willingness of the district-level officials to organise camps. Important factors like density of population, birth-rate, and literacy were not taken into consideration. For example—

(1) Districts with high density of population, like Rewa (155 per square kilometre), Datia (126) and Sehore (116) were left out while camps were organised in districts with much lesser density such as Bastar (39), Surguja (59), Raisen (66), Shivpuri (66), Mandla (66), Shahdol (73) and Betul (73). Bastar, Surguja and Shahdol, in particular, have their population spread thinly over large areas which are very poor in communications making mass campaign relatively difficult and less productive.

(2) Camps were organised in districts with comparatively low birth-rates such as Shahdol (4 per 1000), Dhar (5), Rajgarh (6) and Morena (10) while Hoshangabad (38), Damoh (34), Sehore (22), Chhatarpur, Rewa and Tikamgarh (19 each) which had much higher rates were left out.

(3) Districts with high literacy, such as Sehore (18.33 per cent), Hoshangabad (16.06 per cent), and Ratlam (14.28 per cent) in which a good response could have been expected with comparatively less motivational effort were left out although camps were organised in Bastar (4.09 per cent), Surguja (4.77 per

cent), Raigarh (5.08 per cent) and Shahdol (5.57 per cent) which were very poor in literacy.

(IV) *Technical planning.*—According to the guidelines, technical planning for each camp was to start at least two months in advance so as to allow adequate time for assessing requirements and availability of trained medical and para-medical personnel, surgical and other equipment, linen, transport, etc., and for mobilising additional resources. Proposals for holding camps in twenty-four districts were sent to the Government of India in September-November 1972 and approval was secured on the 2nd December 1972. Nine of these camps were organised in the same month. Drawbacks noticed during audit are indicated in sub-paragraph (V) below.

(V) *Results of test check.*—Rupees 232.02 lakhs were spent on these camps between December 1972 and March 1973. A test check by Audit (1973-1974) of the accounts of 14 of these camps disclosed the following :—

(a) *Target Couple Registers.*—(1) The target couple register is a basic record for such camps as it contains a list of prospective acceptors towards whom motivational efforts should be directed. The eligibility of individual acceptors for operation at the camp is to be checked up with reference to this register before they are registered. Compensation money is payable only to persons whose names appear in the register. It was urged, in the guidelines, that the work of bringing this register up-to-date should be completed at least 15 days before the commencement of each camp. Proposals for organising camps were required to be accompanied by a certificate that the register of the district concerned had been brought up-to-date.

It was found that target couple registers of five Primary Health Centres of Raigarh and Raipur districts were based on surveys conducted in 1968-69 and 1969-70 and had not been brought up-to-date. Several columns like the age of the acceptor and his wife, particulars of operation performed etc., were not filled in at other centres of Raipur, Bilaspur and Raigarh districts.

(2) In Guna district, Rs. 6,072 were paid as compensation money, diet charges, etc., to 92 acceptors whose names did not appear in the register although this was not permissible. In the case of 1228 persons to whom Rs. 0.81 lakh had been paid as compensation, diet money, etc., it could not be verified whether their names appeared in the target couple register as their serial numbers in the register had not been ascertained and recorded in their registration forms. In 46 other cases of the same district, Rs. 3,036 were paid to acceptors who claimed to have come from neighbouring districts but did not quote the serial numbers at which their names appeared in the target couple registers of the districts concerned. In Jagdalpur and Raigarh, 728 such acceptors were stated to have come from neighbouring States. In all such cases the fact that the persons concerned had undergone vasectomy would have remained unrecorded in the target couple registers of the areas from which the acceptors came facilitating possible payment for the same purpose to these very persons.

(b) *Eligibility for operation.*—According to the guidelines, bachelors, widowers, persons who themselves or whose wives had already undergone sterilisation and those whose wives were more than 40 years old and had not had

any pregnancies in the 5 preceding years without having used any contraceptive methods were ineligible for operation at the camps. In Raipur, Bilaspur and Raigarh districts, 749 such persons were found to have been operated upon at a total cost of Rs. 0.53 lakh.

Males above the age of 50 years could be operated on if their wives were still of reproductive age, but compensation and other charges were not payable to them. In Durg, Raipur and Raigarh districts, Rs. 0.27 lakh were paid to 375 such acceptors.

(c) *Medical supervision and followup.*—Persons who underwent vasectomy were required to be kept at the camps, at Government expense, for 48 hours after the operation and then discharged after a complete medical check up. In order to induce them to accept this requirement, it was provided that the compensation money should be paid to them only after the check up. A certificate that arrangements had been made for keeping acceptors in the camp for 48 hours after vasectomy was required to be sent to the Government of India along with the proposals for organising each camp. Actually, there were practically no arrangements for overnight stay of acceptors in at least six camps and persons who had been operated upon were generally sent away on the same day after being paid the compensation money as well as the diet charges, in cash, at the prescribed optimum rates. In Durg district, accommodation was not arranged at all for want of enough space and none of the acceptors was admitted. In Raigarh district, the local Executive Committee was stated to have considered the difficulties in providing accommodation to the acceptors and decided to send them away on the day of the operation after paying them the compensation money and diet charges in cash. In Guna district, the acceptors were said to have preferred to go home on the day of the operation as free transport for their return journey was provided to them only on that day. In Chhindwara district, all the acceptors could not be accommodated in the camp due to shortage of accommodation and beddings. In Bastar district, compensation and diet charges were paid to all acceptors numbering 22,583 on the day of operation on the ground that it was not possible to keep such a large number of persons at the camp under medical supervision. In Bilaspur district where 24,252 operations were done, only Rs. 3,032 were found to have been spent on purchase/hire of camp materials as against the permissible limit of Rs. 72,756 at Rs. 3 per case. It was stated that acceptors were generally given money immediately after the operation and discharged. This was also the case at Raipur and Ujjain.

(d) Each acceptor was required to be given 12 condoms, free of cost, for use during the period it took for him to become completely sterile after the operation. In August 1972, the Director urged all officers concerned at the district level to assess their requirements of condoms and to lay in sufficient stocks. In Raigarh district, condoms were not supplied to acceptors as stocks were not received from the Directorate of Health and Family Planning. In Bilaspur district, condoms had not been supplied by the Directorate in spite of telegraphic reminders from the camp. At a later stage, condoms were supplied to some acceptors from the stock of the District Health and Family Planning Officer.

(e) The guidelines contained detailed procedures for follow up action on each case till stitches were removed. Each Primary Health Centre was required to maintain complete record of the follow up of every case and incidence of complications. In a majority of cases in Bilaspur district, follow up work was not done as seen from case cards and eligible couple registers.

(f) *Remuneration to motivators.*—In the following cases, motivation charges totalling Rs. 19,710 were found to have been paid to persons who were not entitled to them:—

(1)	District (2)	Number of cases (3)	Amount Rs. (4)
(1) Paid to persons other than those recorded as motivators in the respective registration forms	Jagdalpur	1,160	11,600
	Narsimhpur	5	50
	Chhindwara	181	1,810
	Raigarh	66	660
(2) Paid to the acceptor himself for self-motivation	Narsimhpur	11	110
	Raipur	223	2,230
(3) Paid to Government servants working under the Family Planning Programme who were not entitled to such remuneration	Narsimhpur	181	1,810
	Chhindwara	12	120
	Raigarh	132	1,320
Total			19,710

(g) *Diet charges.*—The Director clarified in January 1973 that diet charges could be incurred for acceptors only for the actual period of their stay in camps and that amounts remaining unspent out of the prescribed ceiling were to be treated as saving. In the following cases, acceptors were found to have been paid diet charges in cash although they did not stay in the camps.

District (1)	Number of acceptors involved (2)	Amount Rs. (3)
Guna	2,581	12,905
Raigarh	20,450	51,125
Durg	21,123	26,404
Ujjain	9,237	36,948
Raipur	16,480	44,751
Bilaspur*	2,864	6,160
Total		1,78,293

(h) *Transport charges.*—Upto Rs. 6 per case were allowed to be spent for making transportation arrangements including expenses on petrol, oil and lubricants for departmental vehicles and hire charges of private vehicles for bringing acceptors to camps and for their return home.

*Information is not complete.

It was laid down that payment of conveyance charges to individual acceptors should be limited to actual expenditure incurred on travelling and should be paid to them when Government transport was not provided. In some centres of Narsimhpur, Ujjain and Raigarh districts transportation charges at flat rates were found paid to acceptors.

(j) *Drawal of funds.*—(1) Large sums of money were drawn from treasuries on contingent bills in advance of requirements and large unexpended balances were often redeposited in treasuries. In Bastar district, the cash balance of the camp stood at Rs.2.56 lakhs on the 27th December 1972 and Rs.14.95 lakhs on the 6th January 1973. Out of these balances, Rs.2 lakhs and Rs.3.83 lakhs respectively were lodged on these dates in "deposit-at-call" accounts with the State Bank of India from which funds were drawn as and when required; neither the deposits nor the withdrawals were recorded in the cash book. Out of amounts drawn from treasuries in Bilaspur (Rs.14.38 lakhs), Raigarh (Rs. 21.12 lakhs) and Raipur (Rs. 29.35 lakhs), Rs.0.22 lakh, Rs.1.39 lakhs and Rs.2.24 lakhs respectively were refunded into treasuries.

(2) In Raigarh district, money was obtained on loan from non-government sources and utilised for payment of compensation money, diet charges, etc., to acceptors; there were 9 such instances involving Rs.0.28 lakh.

(3) Original vouchers for Rs.4,940 spent on compensation, motivation, diet, etc., at two centres in Raigarh district were stated to have been destroyed by an employee of the District Health and Family Planning Office, Raigarh.

These observations were communicated to Government in April 1974; replies are awaited (May 1974).

Education Department

3.5. *Misappropriation of Government money.*—A case of fraudulent drawal of money from Ambikapur treasury was noticed in Audit in April 1971. Sums aggregating Rs.26,731 were alleged to have been withdrawn fraudulently on two pay bills for Rs.10,431 encashed on the 3rd October 1970, on a contingent bill for Rs.1,300 encashed on the 7th November 1970 and on two pay bills for Rs.15,000 encashed on the 11th December 1970, all pertaining to the establishment of the District Educational Officer, Ambikapur. The drawing officer and the Treasury Officers concerned claimed that what purported to be their signatures on the paid vouchers were forgeries. The Treasury Officers stated, in addition, that the bills had not passed through the treasury before they were encashed at the Bank. The alleged fraudulent drawals have been under police investigation since August-September 1971 and the respective responsibilities of the drawing officer, the treasury and the Bank for the loss are still to be determined.

Non-observance on the part of the treasury of procedural requirements mentioned below delayed the discovery of the alleged frauds:—

(a) When the paid vouchers are received back from the Bank with the daily scrolls, the dates of payment of individual vouchers are required to be noted in the register of orders for payment against earlier entries relating to the pay orders recorded on the respective bills. This was not being done at all,

(b) The Treasury Officer is required to verify whether a voucher slip accompanies each of the paid vouchers received back from the Bank. This was not being done. The voucher slips relating to these drawals had not been passed on to the drawing officer by the treasury.

Had these checks been exercised, the alleged fraudulent drawals made in October 1970 would have come to notice earlier and perhaps prevented similar drawals made in November and December, 1970.

Finance Department

3.6. *Madhya Pradesh State Lotteries*.—With the object of raising resources for financing developmental activities, State lottery was introduced in July 1969. A review of the working of this scheme upto July 1970 appeared in paragraph 20 of the Report for the year 1969-70. A review of the operations of the scheme upto the 31st March 1973 revealed the following points :—

(i) *Trend of net revenue*.—As against an estimated net revenue of Rs.40.04 lakhs, Rs.65.00 lakhs, Rs.27.01 lakhs and Rs.25.00 lakhs anticipated in the budget in the years 1969-70, 1970-71, 1971-72 and 1972-73 respectively, the revenue realised amounted to Rs.33.17 lakhs, Rs.14.17 lakhs, Rs.10.10 lakhs and Rs.3.71 lakhs only as shown below :—

	* 1969-70	* 1970-71	* 1971-72	* 1972-73
(1)	(2)	(3)	(4)	(5)
Number of draws	4	15	14	12
	(In lakhs of rupees)			
Gross collections	68.88	81.23	54.91	51.87
Direct Expenses for—**				
Prize money and bonus	17.04	40.44	27.22	21.38
Commission	13.65	16.47	10.19	17.67
Paper, printing, advertisement and publicity	4.33	7.62	5.95	7.68
Miscellaneous including establishment expenditure	0.69	2.53	1.45	1.43
Net income	33.17	14.17	10.10	3.71

The margin of surplus available for financing developmental activities came down sharply from Rs.33.17 lakhs in 1969-70 to Rs. 3.71 lakhs only in 1972-73.

*The expenditure on lotteries and receipts therefrom shown here are those furnished by the Department.

**These figures do not include amounts of unpaid bills for advertisement, publicity, printing and overheads on account of depreciation, pensionary liability, etc.

(ii) *Outlay on unsold tickets.*—The total number of tickets printed and sold in each year was as follows :—

	1969-70	1970-71	1971-72	1972-73
(1)	(2)	(3)	(4)	(5)
Number of draws held	4	15	14	12
Number of tickets printed for sale (In lakhs)	150.0	161.0	96.0	92.20
Number of tickets sold (In lakhs)	68.88	81.23	54.91	51.87
Percentage of tickets sold to total printed	45.92	50.45	57.20	56.50

Thus, on an average, about 50 per cent of the tickets printed remained unsold. Expenditure on printing and distributing 242.31 lakhs unsold tickets out of 499.20 lakhs tickets printed in all was about Rs.5.10 lakhs. This includes Rs.0.16 lakh paid to the printers for some tickets for the 19th draw of which delivery was not obtained. Average sales per draw declined from 17.22 lakhs during 1969-70 to 5.42 lakhs during 1970-71 and to 4.32 lakhs during 1972-73 in spite of increase in the number of prizes, enhancement of the rates of commission on sales progressively from 15-18 per cent for the first draw in 1969-70 to 25-33.5 per cent for the 44th draw in 1972-73 and offer of bonus and other incentives to agents.

(iii) *Non-preparation of pro forma accounts.*—As the scheme was intended to yield a surplus, Government agreed in July 1971 to *pro forma* accounts being prepared for each draw, in addition to normal accounts, exhibiting the working results. The forms in which accounts of receipts and payments were to be maintained were, however, finally approved by Government in November 1972 and such accounts have been maintained only from April 1973.

(iv) *Funds held outside accounts of Government.*—The Director, State Lotteries, has been permitted to operate a current account with the State Bank of India from July 1969 for the purpose of collecting sums received by cheques and drafts. As this involved the retention of government money outside the accounts of Government, it was stipulated by Government that the balance in the account should be limited to Rs.0.05 lakh. Actually, however, much larger balances were always being held in the account. The balance at the end of August 1972 to December 1972 ranged from Rs.0.40 lakh to over Rs.1.00 lakh.

Separate Revenue (Excise) Department

3.7. *Erection of Rectifier.*—The condensing pot of a distilling plant in the Gwalior Distillery was replaced in early 1968-69 at a cost of Rs.0.60 lakh in an effort to improve its output. As the plant was still found to produce weak spirit due to defects in its Doubler, quotations for getting the Doubler repaired were called for in September 1968. One of the firms from which quotations were invited inspected the plant and recommended, in October 1968, that the Doubler be replaced by a newly fabricated Rectifier.

Quotations for fabricating and erecting a new Rectifier were called for in November-December 1968 from four private firms known to be dealing in the manufacture and repair of distillery machinery. Four quotations were received by November 1969. The lowest quotation for Rs.1,23,500 was rejected as the firm insisted on full payment on proof of despatch. The next higher offer was for Rs.1,24,000 and, after some correspondence with the firm concerned regarding the terms, the Excise Commissioner recommended the acceptance of this offer in July 1971. In his proposals, the Excise Commissioner stated that the erection of the new Rectifier would almost double the production of the distillery and would bring in additional revenue of R.5.00 lakhs per year in the form of excise duty on the extra spirit produced.

Government approved the proposal on the 23rd February 1972 and the approval was communicated to the firm telegraphically the next day. Work commenced on the 28th March 1972 and the plant was put through a simple trial run with water on the 26th April 1972.

A formal agreement was executed with the firm on the 30th March 1972. It did not provide for a guaranteed period of satisfactory performance of the completed plant in terms of the quality and quantity of its output or for the withholding of a part of the amount payable as security for such performance. It stipulated that the amount due would be paid only after a completion certificate had been recorded, after trial, by a committee made up of the District Excise Officer, the Distillery Inspector and the Distillery Contractor. A certificate was recorded on the 30th March 1972, without trial run, by the two officials alone. Rupees 1.24 lakhs were drawn on the 31st March 1972 in the form of a demand draft and exhibited in the cash book as having been disbursed to the payee on the same day. The draft was delivered to the firm on the 26th April 1972.

The first trial run made on the 11th and the 12th May 1972 by the Distillery Contractor produced liquor of less than standard quality. The firm was called upon to set the plant right, but two successive efforts by its representatives, in October 1972 and January 1973, produced liquor which was found, on chemical examination, to be heavily contaminated with copper and other impurities and, therefore, unfit for human consumption. The plant has remained idle since. The outlay of Rs.1.84 lakhs on repairs and replacements had remained unproductive and the anticipations of extra production and revenue had not been realised (April 1974).

Even before the work on the rectifier was commenced, the firm had pointed out, in a letter dated the 2nd March 1972, that the condenser of the plant was in a very poor condition as the coils were leaking at several places and were too thin-walled to be repaired by welding. The firm had stated that the plant could be expected to work efficiently only if all the coils of the condenser were replaced or the whole condensing unit was replaced by a new multitubular condenser. In May 1973, the Excise Commissioner wrote to Government pointing out that the plant which was over 23 years old could not cope with the present demand even if the condenser was replaced and, proposing that the whole plant be replaced

by a new one at an estimated cost of Rs.3.00 lakhs. Final orders of Government are awaited (April 1974).

GENERAL

3.8. *Cases of mis-appropriation of Government money.*—The following table shows the position of cases (other than 58 cases involving Rs. 8.69 lakhs which are sub-judice) of alleged mis-appropriation of Government money reported to Audit upto the 31st March 1973 but which have not been finalised at the end of September 1973:—

	Number of cases	Amount (In lakhs of rupees)
Cases (reported upto March 1972) outstanding at the end of September 1972	511	61.41
Cases reported during 1972-73	61	6.28
Cases disposed of till September 1973	49	1.52
Cases outstanding at the end of September 1973	523	66.17

According to rules, cases of mis-appropriation should be dealt with expeditiously and finalised within six months of their detection and cases in which departmental enquiries have been ordered are to be finalised within a year. Nevertheless, there had been considerable delay in their finalisation as shown below:—

Period	Number of cases	Amount (In lakhs of rupees)
(i) Over five years	246	16.03
(ii) Over three years but less than five years	75	12.26
(iii) Over one year but less than three years	141	31.60

The reasons for which the cases were outstanding are stated below:—

	Number	Amount (In lakhs of rupees)
(i) Awaiting investigations	296	49.89
(ii) Awaiting action against officials	39	2.43
(iii) Awaiting recovery/information about recovery	141	9.41*
(iv) Awaiting orders for write off	47	4.15

Department-wise analysis of the outstanding cases is given in Appendix VII.

In the cases closed from October 1972 to September 1973, Rs. 1.38 lakhs were recovered in 30 cases while in 9 other cases, losses of Rs. 1.38 lakhs were written off.

*Exclude Rs. 0.29 lakh recovered in 1972-73.

According to rules, cases of losses, mis-appropriations *etc.*, are required to be reported immediately to the Accountant General. A review of the cases pending at the end of July 1973 disclosed delay of over one year in reporting 125 cases involving Rs. 17.17 lakhs to Audit.

3.9. *Writes-off of losses, ex-gratia payments and waiver of recoveries.*—In 423 cases, losses due to shortages, theft, irrecoverable revenue *etc.*, amounting to Rs. 10.23 lakhs were written-off/waived during 1972-73 by competent authorities. In 45 other cases, payments totalling Rs.1.12 lakhs were made *ex-gratia*.

Department-wise details are given in Appendix VIII.

CHAPTER IV
WORKS EXPENDITURE
Irrigation Department

4.1. *Minor irrigation works.*—(i) *Outlay.*—Madhya Pradesh has 12.4 per cent of the gross cropped area in the country of which 7.4 per cent (15.23 lakh hectares) is irrigated. Nearly 27 per cent of the irrigated area is fed by minor irrigation works which take less time to execute and are comparatively less costly in relation to the irrigation potential they create. During the period from 1951-52 to 1969-70 which spans the first 3 Five Year Plans and the first year of the Fourth Plan, Rs. 37.59 crores (25.36 per cent of the total plan outlay on irrigation works) were spent on 2794 minor irrigation works of which 2105 (75 per cent) with an irrigation potential of 6.3 lakh acres (37 per cent of total irrigation potential created) were completed while, during the same period, Rs. 110.66 crores (74.64 per cent of total outlay) were spent on 47 medium and major irrigation works of which only 30 (64 per cent) with an aggregate irrigation potential of 10.73 lakh acres (63 per cent of total potential created) were completed by the same date. Figures for subsequent years are awaited (January 1974).

(ii) *Irrigation potential created and utilised.*—The irrigation potential created by minor irrigation works executed during different Plan periods and the extent to which it was utilised are shown in the table below in respect of periods upto the 31st March 1970 for which figures are available :—

Period	Potential created	Cumulative total of potential created	Utilisation	Percentage of utilisation to potential created
(1)	(2)	(3)	(4)	(5)
		(In lakhs of acres)		
1951-56	0.36	0.36	0.13	36
1956-61	1.10	1.46	0.63	43
1961-66	2.57	4.03	2.56	64
1966-69	1.88	5.91	2.71	46
1969-70	0.39	6.30	3.45	55

The percentage of utilisation came down from 64 per cent in the III Plan period to 46 per cent in the years 1966-69. It rose to 55 per cent in 1969-70, but more than 14 per cent of the potential of 4.03 lakh acres created upto 1965-66 was still not being utilised even after a lapse of four years.

(iii) *Magnitude of works.*—Minor irrigation works were executed during the period from 1951-52 to 1969-70 by the Irrigation Department as well as by community development blocks under normal Plan programmes and, from time to time, under various scarcity relief programmes. Out of these, the present review covers those executed by the Irrigation Department under normal Plan programmes. Six hundred and eighty such works were completed upto 1969-70 at a cost

of Rs. 17.88 crores and created an aggregate irrigation potential of 3.76 lakh acres of which only 51 per cent was utilised in 1969-70. The break up of the potential created and utilised as between larger works having designed potential of 1000 acres or more and smaller works was as follows:—

(1)	(2) Number of works	(3) Cost <i>(In crores of rupees)</i>	(4) Potential created upto the 31st March 1970 <i>(In lakhs of acres)</i>	(5) Area irri- gated in 1969-70	(6) Percen- tage uti- lised in 1969-70
1. Works with irrigation potential of 1,000 acres or more	81	10.46	1.83	1.05	57
2. Works with irrigation potential of less than 1,000 acres	599	7.42	1.93	0.87	45
Total	680	17.88	3.76	1.92	51

(iv) *Utilisation of larger works.*—In the case of 81 schemes each with irrigation potential of 1,000 acres or more, utilisation between 1967-68 and 1969-70 varied from 10 per cent to 55 per cent. A test check by Audit revealed considerable under-utilisation of potential in 34 of these cases which was attributed by the department to the following reasons:—

(1) Cate- gories	(2) Reasons given by the department	(3) Number of schemes	(4) Cost <i>(In lakhs of rupees)</i>	(5) Potential created <i>(In acres)</i>	(6) Average utilisa- tion in each year from 1967-68 to 1969-70
A	Non-extension of canal to command area	4	1,39.38	23,790	9,984
B	Non-development of cultivation in the command area by cultivators	4	51.43	6,642	2,818
C	Less demand from cultivators as they depended on other sources such as rainfall, wells, pumps etc.	12	1,03.61	19,369	6,797
D	Cropping pattern was not changed by the cultivators as envisaged in the schemes	9	1,56.56	23,725	8,242
E	Heavy seepage or silting in the canals, and defective constructions	5	77.52	10,978	2,385
	Total	34	5,28.50	84,504	30,226

The important features of some of these cases are described below :—

(a) The Surhi tank (district : Durg) constructed (1965-66) at a cost of Rs.72.48 lakhs was expected to irrigate 15,790 acres of *kharif* paddy. The area irrigated increased from 709 acres to 10,000 acres between 1959-60 and 1971-72. Further irrigation in the command area was stated to be not possible as all available paddy area had been already brought under cultivation. Department was considering increase of command area by extending the canal system to achieve the designed potential of 15,790 acres (October 1973).

(b) The Phutiwar tank (district: Shivpuri) constructed (1961) at a cost of Rs.9.54 lakhs with capacity to irrigate 1,800 acres irrigated 243 to 485 acres only during the years from 1967-68 to 1970-71 due to cultivators not having brought cultivable area under cultivation.

(c) Birhana canal (district : Satna) constructed at a cost of Rs. 18.20 lakhs had capacity to irrigate 1,645 acres. The area irrigated varied from 89 acres to 753 acres during the years from 1967-68 to 1971-72. Apart from less demand from the cultivators, the tank was stated to have never filled to capacity due to bunding of catchment area.

(d) The Sidhi dam costing Rs.36.00 lakhs, constructed in 1965, with capacity to irrigate 3,050 acres irrigated 751 to 1,603 acres during the years from 1967-68 to 1970-71. Deficient utilisation was attributed to seepage and silting in the canal, inefficient irrigation system and defective maintenance due to limited funds.

(e) Barrage type weir was constructed at Hazur (district : Rewa) in 1964 at a cost of Rs.12.75 lakhs and was designed to irrigate 3,308 acres. The maximum irrigation achieved during the five years ending 1970-71 was 179 acres only. It was stated that the weir was designed for a flood discharge of 41,000 cusecs while actually 75,400 cusecs passed over it, over-topping the earthen flanks. It was stated (December 1971) that the design of the weir has to be changed at a cost of Rs.0.15 lakh for providing higher discharge of 88,000 cusecs so that it would irrigate 1,621 acres.

(f) The Nahatra tank was constructed in 1955 in Jobat (district : Jhabua) at a cost of Rs.7.06 lakhs and was designed to irrigate 1,000 acres. The maximum area it irrigated during the five years ending 1970-71 was only 132 acres as sufficient command area was reported to be not available. It was proposed to bring another 50 acres under irrigation by extending the right bank canal, at a cost of Rs.0.47 lakh.

(g) Magardha diversion scheme (district : Satna) on which Rs.3.42 lakhs had been spent and which was designed to irrigate 1,600 acres irrigated between 11 and 396 acres only in the years from 1967-68 to 1970-71, as the cultivators were said to be getting water from other sources.

(h) Burwa reservoir (district: Shahdol) constructed at a cost of Rs.32.44 lakhs with a designed capacity of 5,500 acres irrigated 1,370 to 2,689 acres only during the period from 1967-68 to 1970-71 as work on canal system was incomplete. The cultivators were also reported to be not sowing irrigated varieties of crops in the *kharif* season.

(i) Kathli nala diversion (district : Shahdol) costing Rs.1.87 lakhs constructed in March 1968 with capacity to irrigate 1,500 acres irrigated only 432 acres in 1970-71. The shortfall was attributed to incomplete canal system.

(j) The Sanjari tank (district : Durg) constructed in 1910 was repaired in 1952 at a cost of Rs.1.20 lakhs and was expected to irrigate 1010 acres. The tank failed to retain water owing to heavy leakage from below and through the bund and could irrigate only 49 acres in 1969-70 and 58 acres in 1970-71. It was stated that it could not be repaired within reasonable cost.

(v) *Utilisation of smaller works.*—Non-utilisation or under-utilisation of the designed irrigation potential of certain individual works falling in this category was commented on in Chapter IV of the Audit Report for 1969, Chapter V of the Audit Report for 1970, Chapter IV of the Report for 1969-70 and Chapter IV of the Report 1970-71. An examination of the extent of utilisation of these and other similar works as at the end of December 1971 disclosed the following:—

*

(a) Nineteen works which were completed at an aggregate cost of Rs. 21.86 lakhs and which were expected to irrigate 3,250 acres were not used for irrigation at all upto December 1971. Their failure to provide water for irrigation was attributed by the department to the following reasons:—

(1) Insufficient flow or no flow at all in *nalas* on which pick-up weirs, diversions, *etc.*, had been constructed (7 works).

(2) Failure of tanks to retain water due to heavy leakage and seepage (5 works).

(3) Non-completion of distribution system (2 works).

(4) Un-willingness on the part of cultivators to draw water for *kharif* cultivation and non-availability of water for *rabi* cultivation (4 works).

(5) Utilisation wholly for *nistar* purposes (1 work).

In four of these cases (cost : Rs.4.07 lakhs; designed potential: 692 acres), it was stated that the defects due to which the works could not be used for irrigation were irremediable.

(b) Utilisation, in terms of land irrigated, did not exceed 10 per cent of designed capacity in the case of each of 8 works constructed at a total cost of Rs.5.45 lakhs. As against a total designed potential of 1335 acres, these works

*One work was completed in 1950, ten works between 1961 to 1965 and five works during 1966 to 1970 ; information about three works was not available (June 1974).

never irrigated more than 81 acres per year during the period upto December 1971. Deficient utilisation was attributed by the department to the following reasons:—

- (1) Failure to retain water due to seepage/leakage (2 works).
- (2) Non-completion of distribution system (2 works).
- (3) Lack of demand for water from cultivators (2 works).
- (4) Defective works (one work).
- (5) Utilisation wholly for *nistar* purposes (one work).

GENERAL

4.2. (a) *Expenditure incurred without sanctioned estimate.*—A detailed estimate is required to be sanctioned and funds allotted before any new work is commenced or any liability incurred thereon. Rupees 33.40 crores were, however, spent upto the 31st March 1973 on 997 works without detailed estimates. Department-wise analysis is given below :—

Department (1)	Number of works (2)	Expendi- ture (3) <i>(In crores of rupees)</i>
Irrigation	289	17.84
Public Works (Buildings and Roads)	672	15.54
Public Health Engineering	36	0.02
Total	997	33.40

(b) *Expenditure incurred in excess of estimates.*—According to rules, a revised estimate should be sanctioned in case the expenditure is likely to exceed the sanctioned estimate by more than 5 per cent. In 443 works, expenditure exceeded the prescribed limit by Rs. 15.45 crores upto the 31st March 1973. In the following five of those works, each costing more than rupees ten lakhs, the expenditure upto the 31st March 1973 exceeded the detailed estimate by 25 to 93 per cent.

Work (1)	Sanctioned estimate (2)	Actual expendi- ture (3)	Percentage of excess over sanc- tioned estimate (4)	Year in which excess first occured (5)
<i>(In lakhs of rupees)</i>				
Amakoni Tank	10.54	20.29	93	1970-71
Dindori-Kirjia Road	10.51	18.18	73	1971-72
Bridge over Chhoti Mahanadi	14.36	22.88	59	1970-71
Jagdapur-Konta Road	30.01	43.77	46	1970-71
Jagdapur-Chanda Road	26.42	33.13	25	1971-72

4.3. *Delay in adjustment of balances under 'Suspense'.*—A short account of the state of the balances under 'Cash Settlement Suspense' and 'Miscellaneous Public Works Advances' heads at the end of March 1973 is given below:—

(i) *Cash Settlement Suspense.*—A Division rendering services or making supplies to another Division is to forward its claims monthly to the responding Division; the claim is to be settled by the latter Division within ten days by issue of cheques/bank drafts. This system of cash settlement was introduced in Public Works (Buildings and Roads) Divisions from February 1968, in Irrigation Divisions from July 1968 and in Public Health Divisions from October 1968 for securing prompt settlement of such inter-divisional claims.

Claims aggregating Rs. 6,76.76 lakhs raised upto March 1973 by 262 Divisions of Public Works (Buildings & Roads), Irrigation and Public Health Engineering Departments have remained unsettled.

(ii) *Miscellaneous Public Works Advances.*—(a) The balance under this head represents value of stores sold on credit, expenditure incurred on deposit works in excess of deposits received, losses of cash or stores and advances awaiting recovery from government servants, contractors, etc. Items under the head are to be cleared either by actual recovery or by transfer, under proper sanction or authority, to some other head of account. The department-wise break up of the balance on the 31st March 1973 is shown below:—

Department (1)	Amount (2)
	(In lakhs of rupees)
Public Health Engineering	3,82.37
Public Works (Buildings and Roads)	1,73.66
Irrigation	1,58.31
Total	7,14.34

Handwritten notes: 158.31K, Rs per App. No. G. No. 20 & 42, 175.66, App. No. 10.

(b) The rules provide that when a deposit work is to be carried out, the local body or other party concerned should advance the gross sanctioned expenditure, which is payable by it, to the Divisional Officer, in one lump sum, or in instalments, and by such dates as may be specially authorised. Outlay on deposit works is required to be limited to the amounts of deposits and amounts spent in excess of the deposits should be recovered at once. However, upto the end of March 1973, Rs. 2,86.88 lakhs on account of expenditure incurred in excess of deposits on 85 works were outstanding for recovery as detailed below:—

Department (1)	Number of works (2)	Expenditure in excess of deposits (3)
		(In lakhs of rupees)
Public Health Engineering	77	2,84.57
Public works (Buildings and Roads)	6	1.70
Irrigation	2	0.61

The outstandings include Rs. 1,05.18 lakhs spent by the Public Health Engineering department on 15 works for which no deposits were received.

CHAPTER V STORES AND STOCK ACCOUNTS

Archaeology Department

5.1. *Loss of exhibits in Archaeological Museums.*—Valuable remains of historical importance relating to Madhya Pradesh are kept in nine archaeological museums. Such antiquities of artistic and/or historic value command prices in the international market bearing no relation to the valuation placed on them in the records of the museums.

A test audit (1970-73) of the stock registers of the Museums at Bhopal, Gwalior and Raipur disclosed that the inventories were generally incomplete, unauthenticated or not sufficiently detailed. Physical verification was not done once a year, as prescribed, during the years from 1965-66 to 1971-72. When there were changes of Curators at Bhopal and Gwalior, transfer of charge of exhibits was effected on the basis of separate lists and not with reference to Accession Registers which represented authentic inventories of exhibits. In these circumstances, investigations of losses and shortages by departmental agencies as well as the police have tended to be dilatory and, often, inconclusive. Brief particulars of a few such cases which came to notice in the course of local audit are given below:—

(a) *Raipur Museum.*—(i) A theft of five internationally famous bronze images was alleged to have occurred on the 15th April 1967 and was reported to the police the next day. The value of the images was reported by the Curator, at that time as Rs. 1,500, but was subsequently assessed (September 1968) by a successor Curator as Rs. 1.14 lakhs. Later, the Director of Archaeology and Museums stated (March 1974) that neither of the Curators was qualified or competent to assess the value of the images and that an authentic assessment would be made by a Committee which had been formed (October 1973) for the purpose of assessing the value of all exhibits in Archaeological Museums in the State. The police filed the case as neither the images nor the culprits could be traced. Departmental proceedings against the Curator were initiated (April 1970) and he was exonerated (September 1972). The loss has not been written off (March 1974).

(ii) In November 1968, the then Deputy Director of Archaeology and Museums informed the Deputy Director in charge of the Raipur Museum that he had learnt from some persons that some gold coins were missing from the coin cabinet of the Museum. In the first week of December 1968, Government asked another Deputy Director to conduct a preliminary investigation. He reported (January 1970) that out of a set of 49 gold coins, two were missing, two were counterfeit and four had been intentionally broken. The loss was valued at Rs. 8,000. The Director stated (March 1974) that the case was investigated by the Special Police Establishment of the State Vigilance Commission and, on the basis of their report, criminal proceedings had been initiated against the then Curator who was no longer in service.

(b) *Gwalior Museum.*—(i) At the time of transfer of charge from one Curator to his successor in April 1956, shortages of coins (90 gold; 1,527 silver; 29,260 copper) valued at Rs. 0.40 lakh were noticed. The explanation of the outgoing Curator was called for ten years later (October 1966) and the Government asked the Deputy Director in charge of Museums (January 1968) to frame charges against him. The Deputy Director submitted his draft of the charges to Government in April 1972. There has been no further progress since then (March 1974).

(ii) A physical verification of exhibits (March 1966) disclosed shortages of coins (2 gold; 772 silver; 2,434 copper) worth Rs. 5,060. The Director stated (March 1974) that the explanation of the then Curator had been obtained and that it was still under examination.

(c) *Bhopal Museum.*—Shortages of antiques and stores (book value: Rs. 1,715) were noticed when an official in charge of stores who was retiring from service handed over charge to his successor in August 1958. When the successor, in turn, relinquished charge in January 1967 and retired, shortages worth Rs. 16,955 were again noticed. Neither loss was reported to Audit. The Director stated (March 1974) that the whereabouts of the person who retired in 1958 were not known and that, therefore, the Government would be moved to write off the loss of Rs. 1,715. Out of the shortages noticed in 1967, articles worth Rs. 3,200 had been traced and, for the balance, a complaint was lodged with the police on 15th November 1973.

(d) *Dhulela Museum.*—In June 1970, the Curator reported shortages of antiques and stores (book value: Rs. 11,378) and alleged that his predecessor in office was responsible for them. Government asked the Deputy Director in charge of Museums to investigate the matter in July 1970. The investigation has not been completed so far (March 1974). In May 1972, it was stated that certain records required for the purpose of the investigation were not available and that further action would be taken after they became available. The Director stated (March 1974) that the present Curator had been asked to verify the antiquities on the basis of the original stock register and that his report was awaited.

(e) *Indore Museum.*—Physical verification (March 1965) disclosed shortages of antiques and stores (book value: Rs. 0.06 lakh). The Deputy Director who was asked by Government to investigate the shortages (February 1966) recommended (April 1972) that the amount be recovered from two persons who had held office as Curators earlier. The Director stated (March 1974) that the orders of Government on the recommendation were still awaited.

Medical Department

5.2. *X'Ray Units.*—In order to provide facilities for diagnostic radiological investigations in Government allopathic medical institutions in the State, seventyone X'ray units of different specifications costing Rs. 27.38 lakhs

were purchased during the years 1969-73. Year-wise details of the purchases are indicated below:—

Year	Number of units	Cost (In lakhs of rupees)
1969-70	11	2.24
1970-71	44	14.34
1971-72	13	8.75
1972-73	3	2.05
Total	71	27.38

Information received in 1972-73 and 1973-74 in response to Audit enquiries regarding the functioning of thirty-two of these units (cost: Rs. 11.77 lakhs) disclosed that twenty of them (cost: Rs. 8.88 lakhs) were in actual operation including one unit (cost: Rs. 0.30 lakh) which was being used for screening only and not for taking skiagrams for want of requisite accessories worth about Rs. 5,000. The remaining twelve units (cost: Rs. 2.89 lakhs) had remained unused for periods of one to three years due to the following reasons:—

Reasons	Number of units	Cost (In lakhs of rupees)
Non-availability of trained technical personnel	10	2.26
Non-completion of additions/alterations to buildings and non-provision of dark room	2	0.63

X'ray facilities were not available in other medical institutions located in the areas served by the institutions in which these 12 units were lying unused.

The matter was reported to Government in December 1973; reply is awaited (May 1974).

Public Works Department

5.3. *Shortages in stores.*—Non-maintenance of prescribed numerical accounts of furniture, crockery, etc., in the central stores of a Public Works Division at Bhopal and persistent failure to conduct periodical physical verification of stores were reported by Audit to Government in September 1967. An internal audit party of the Directorate of Treasuries and Accounts test checked the accounts and conducted physical verification of certain items in May-July 1969. The Director's report issued in December 1969, pointed out *interalia*,

- (i) omission to record purchases worth Rs. 12,987 in numerical accounts of stores,
- (ii) omission of balances of stores worth Rs. 1,77,379 while bringing forward balances into new registers,
- (iii) shortages valued at Rs. 21,992 during the period from December 1967 to June 1969, and

(iv) excesses to the extent of Rs. 61,750 in certain items.

An independent physical verification of the stores was arranged by the Superintending Engineer, Bhopal Circle, in July 1972 under instructions from Government and it revealed shortages to the extent of Rs. 2,25,936 in furniture, crockery and linen. Government ordered (January 1973) that responsibility be fixed for the shortages and for the lapses in the upkeep of accounts. In May 1974, the Executive Engineer stated that the explanations of the store-keepers concerned had been obtained and were under scrutiny.

GENERAL

5.4. *Synopsis of important stores accounts.*—A synopsis of important stores and stock accounts for 1972-73 (excluding those relating to Government commercial departments/undertakings) to the extent received in Audit is given here-under:—

S.No.	Department	Stores	Opening balance on the 1st April 1972	Receipts	Issues	Closing balance on the 31st March 1973
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<i>(In lakhs of rupees)</i>						
<i>A—Public works Department</i>						
1.	Irrigation (78 Divisions)	Building materials, Stores, fuel, timber, etc.	1,87.33	4,05.33	4,32.86	1,59.80
2.	Tawa Project (13 Divisions)	—do—	1,41.28	4,08.54	4,15.30	1,34.52
3.	Chambal Project (2 Divisions)	—do—	1,07.17	8.84	12.89	1,03.12
4.	Buildings and Roads (86 Divisions)	—do—	2,60.33	15,28.56	17,44.24	44.65
5.	Major Projects (17 Divisions)	—do—	36.57	2,89.35	3,18.60	7.32
6.	Housing (2 Divisions)	—do—	0.35	1.34	1.23	0.46
7.	Tube-wells (10 Divisions)	—do—	34.58	2,10.84	2,52.27	(—)6.85*

* Reasons are awaited (November 1973).

S.No.	Department	Stores	Opening balance on the 1st April 1971	Receipts	Issues	Closing balance on the 31st March 1972
(1)	(2)	(3)	(4)	(5)	(6)	(7)
<i>(In lakhs of rupees)</i>						
<i>B—Civil Departments</i>						
1.	Medical	Consumable— (Medicines, bedding, clothing, minor instruments, forms and registers)	1,23.42	1,89.20	1,74.08	1,38.54
		Non-consumable— (Heavy plant, machinery, major instruments, vehicles)	1,72.87	24.24	..	1,97.11
2.	Veterinary	Stores and live-stock	1,87.88	1,55.89	1,24.00	2,19.77
3.	Public Health	Consumable— (Medicines, bedding, clothing, minor instruments, D.D.T.)	68.23	1,87.22	1,65.05	90.40
		Non-consumable— (Heavy plant, machinery, major instruments, vehicles)	1,18.67	10.02	..	1,28.69

5.5- *Receipt of accounts.*—According to Government instructions, annual consolidated accounts of stores and stocks showing, *inter alia*, stock at the beginning of the year, receipts and issues during the year and the balance at the end of the year are to be furnished to Audit by July every year. Delay in receipt of stores and stock accounts has been commented upon in successive Reports of the Comptroller and Auditor General of India. The Committee on Public Accounts observed (Nineteenth Report—April 1971) that, in the absence of the

accounts, the Department would not be aware of the latest position of outstanding stock and recommended that the Department should take effective action to furnish annual consolidated accounts on the prescribed date to the Accountant General. Delay in submission of accounts still persists and the accounts of the following Departments for the years shown against each have not been received (January 1974) :—

1. Agriculture—

(a) Grow More Food Scheme—1970-71 to 1972-73

(b) Pesticides and Plant Protection—1964-65 to 1972-73

(c) Others—1971-72 and 1972-73

2. Food—1968-69 to 1972-73

3. Excise—1969-70 to 1972-73

4. Forest—1970-71 to 1972-73

5. Jails—1970-71 to 1972-73

6. Stamps—1971-72 (awaited from 18 treasuries)
and 1972-73 (awaited from 25 treasuries)

7. Medical—1972-73

8. Public Health—1972-73

9. Stationery and Printing—1972-73

10. Veterinary—1972-73

5.6. *Public Works Department.*—(a) Out of 257 Divisions, information in respect of 112 Divisions was received (March 1974) in Audit Office which disclosed that reserve limit of stock was not fixed in 58 Divisions (Irrigation-31, Tawa Project-9, Major Projects-8, Tube Wells-4, Chambal Project-2, Public Health Engineering-2 and Buildings and Roads-2). The value of stock held by 56 of these Divisions on the 31st March 1973 amounted to Rs.2.66 crores. (Figures of 2 remaining Divisions were not received). The largest stock held by a single Division was Rs.1.46 crores (Stores Division—Tawa Project).

(b) Out of 54 of these 112 Divisions for which reserve limits of stock were prescribed, the value of stock held on the 31st March 1973 (Rs.1.20 crores) exceeded the prescribed limit (Rs.0.63 crore) in 16 Divisions (Buildings and Roads-12, Public Health Engineering-3 and Irrigation-1) by Rs.0.57 crore. The value of stock in Buildings and Roads Division, Bhopal alone exceeded the reserve limit by Rs.0.21 crore.

(c) *Stock registers and stock verification.*—The register of stock in each public works Division is required to be closed at the end of each year and reviewed by the Divisional Officer to ensure that the stock consists only of serviceable articles and the prices of stores are within the prevailing market rates. Information received from 112 out of 257 Divisions disclosed that the registers of stock were not closed and reviewed for the year ending March 1973 in 81 Divisions (Irrigation-24, Buildings and Roads-20, Public Health Engineering-15, Major Projects-9, Tawa Project-7, Tube wells-3, Chambal Projects-2 and Housing-1). In 17 of these Divisions, the closing of registers of stock had not been done for one or more

earlier financial years as well. In North Bastar Division, Jagdalpur, the closing and review had not been done since 1955-56 while, in the Irrigation Divisions at Bhopal and Tikamgarh and the Buildings and Roads Division at Obedullaganj, the work was in arrears since 1966-67.

(d) Rules require that stock of stores should be verified at least once a year and the reasons for shortages/excesses investigated and adjustments made promptly. According to information furnished (March 1974) by 112 Divisions out of 257, the stock of stores had not been verified at all in 1972-73 in 17 Divisions and only partially verified in 12 other Divisions. The results of verification have not been made known to Audit (March 1974) by 18 of the Divisions in which verification was stated to have been done fully or in part. In the remaining 11 Divisions, shortages totalling Rs.0.52 lakh (in 10 Divisions) and excesses of value Rs.0.23 lakh (in 3 Divisions) were awaiting regularisation (January 1974).

(e) *Minus balances in stores and stock accounts.*—The stores and stock accounts of 8 Divisions closed with minus balances totalling Rs.15.21 lakhs on the 31st March 1973. Of these, the Tube Well Construction Division No.6, Morena, accounted for Rs.7.31 lakhs and the Hasdeo Barrage Division, Korba for Rs.5.02 lakhs.

CHAPTER VI

FINANCIAL ASSISTANCE TO LOCAL BODIES, STATUTORY BOARDS, CO-OPERATIVE INSTITUTIONS AND OTHERS

6.1. During 1972-73, Rs.18,14.38 lakhs were paid as grants to local bodies, educational institutions, etc., as shown below :—

	(In lakhs of rupees)
Educational institutions (including Jawaharlal Nehru Krishi Vishwa Vidyalaya)	8,72.47
Municipalities, <i>Janpad Sabhas</i> , local bodies and panchayats, etc.	3,98.60
Individuals	3,46.60
Co-operative societies	1,08.36
Religious, charitable, public institutions and voluntary agencies	64.11
Town Improvement Trusts	12.42
Khadi and Village Industries Board, <i>Bhoodan Yagna Board, etc.</i>	11.82
Total	18,14.38

The table below shows the broad purposes for which the grants were given:—

	Purpose of grants	Amount (In lakhs of rupees)
Education:	Primary	98.13
	Secondary	2,35.38
	Collegiate education (non-technical)	85.19
	University	1,12.51
	Technical	74.03
	Others	79.25
	Total	6,84.49
Agriculture:	Agriculturists	2,66.53
	Educational Institutions	30.30
	Total	2,96.83
Community Development Project:	Educational institutions, etc.	1,19.82
	Local Development Works	25.75
	Others	69.65
	Total	2,15.22

Purpose of grants		Amount (In lakhs of rupees)
Medical and Public Health:	Medical	6.10
	Public Health:	
	Water supply and drainage	1,29.37
	<i>Gram Panchayats</i>	0.28
	Others	4.18
	Housing:	
	Subsidised industrial housing scheme	9.54
	Slum clearance schemes	3.20
	Village housing schemes	1.35
		<hr/> 1,54.02 <hr/>
Tribal and Harijan Welfare:	Scheduled tribes:	
	Agriculture	25.53
	Scheduled castes:	
	Agriculture	25.20
	Voluntary agencies: Health, housing, etc.	21.97
	Others	25.93
		<hr/> 98.63 <hr/>
Co-operation:	Co-operative societies	74.50
	Agriculture credit fund	23.25
		<hr/> 97.75 <hr/>
Social Welfare:	<i>Gram Panchayats</i>	15.53
	Youth welfare	7.82
	Voluntary organisations	5.03
	Social welfare institutions	3.06
	Blind, deaf and mutes	0.73
	Destitutes	0.67
		<hr/> 32.84 <hr/>
Animal Husbandry :	Educational institutions, etc.	30.15
Industries:	Khadi and Village Industries Board	11.32
	Industries	7.03
	Handloom	6.87
		<hr/> 25.22 <hr/>

Purpose of grants		Amount (In lakhs of rupees)
Irrigation:	Tarbund-Micro Minor Scheme	6.63
	Others	0.59
		7.22
Others:	Municipalities	1,54.54
	Religious and charitable institutions	0.31
	Miscellaneous	17.16
		1,72.01
	Total	18,14.38

Where grants are given for specific purposes, administrative authorities are required to furnish to Audit, certificates that the grants were utilised for the purposes for which they were paid. The extent to which delay has occurred in furnishing utilisation certificates is mentioned in Paragraph 1.15.

Section I—Financial assistance to local bodies

6. 2. *Results of audit by the Director, Local Fund Accounts.*—The expenditure from grants paid by the State Government to local bodies (*viz.* municipal corporations, municipal councils, *janpad sabhas*, universities) is audited by the Director, Local Fund Accounts.

The arrears in audit of the accounts of the local bodies as reported by the Director are shown below :—

(1)	Number of accounts which re- mained to be audited at the end of of March 1972 (Arrears)	Number of accounts to be audited during the year 1972-73 (Current)
(1)	(2)	(3)
Number of accounts to be audited during 1972-73	590	734
Number of accounts audited during 1972-73	273	318
Number of accounts audit of which remains to be undertaken	317	416

The arrears in completion of audit of the accounts are due to inadequacy of staff, increase in quantum of work and special audit of some units,

According to the information furnished by the Director, the following are some of the important points noticed by him during 1972-73:—

(i) *Non-utilisation of grants.*—The audit done upto the end of 1972-73 disclosed that, out of the grants sanctioned by various departments to local bodies, etc., upto March 1972, sums totalling Rs. 1,67.35 lakhs remained unutilised as shown below:—

Year of payment	Education	Local self Government	Public Health	Public Health Engineering	Other departments	Total amount
(1)	(2)	(3)	(4)'	(5)	(6)	(7)
		(In lakhs of rupees)				
Upto 1967-68	64.46	10.06	6.87	1.00	18.94	1,01.33
1968-69	2.31	0.15	0.06	..	0.14	2.66
1969-70	4.06	0.82	0.97	0.59	3.01	9.45
1970-71	15.84	0.76	5.80	..	9.72	32.12
1971-72	9.73	3.12	6.16	..	2.78	21.79
Total	96.40	14.91	19.83	1.59	34.59	1,67.35

The unspent balances with each of thirteen local bodies exceeded Rs. 1 lakh and amounted to Rs. 46.65 lakhs; year-wise break up of these cases is given below:—

Year of payment of grants	Number of local bodies	Amount
(1)	(2)	(3)
		(In lakhs of rupees)
Upto 1967-68	6	18.61
1968-69	2	2.60
1970-71	6*	25.44

(ii) *Utilisation of loans.*—In sub-paragraph (ii) of paragraph 47 of the Report of the Comptroller and Auditor General of India for 1971-72, it was stated that utilisation of loans could not be verified as most of the local bodies were not maintaining properly their record of expenditure out of grants/loans. The Director stated (May 1974) that this was still the case. Completion certificates had not been received by the Director (May 1974) in respect of works for which loans totalling Rs. 6.27 lakhs had been paid to 17 local bodies in 1971-72; similar information was not available for loans paid in earlier years. The Director stated, however, that the works and schemes financed from grants and loans were either not started or, if started, were found incomplete in many cases. The amounts of grants and loans which remained unspent were, mostly, not refunded to Government.

*One local body stands already included in two local-bodies shown against 1968-69.

(iii) *Arrears of audit fees.*—Recovery of Rs. 4.43 lakhs (being the cost of audit) from local bodies is in arrears upto the 31st March 1973 as shown below:—

	Amount (In lakhs of rupees)
(a) Municipal councils	2.18
(b) Universities and other educational institutions	0.97
(c) Municipal corporations	0.81
(d) Trusts and other funds	0.20
(e) Miscellaneous institutions, including <i>mandal panchayats</i>	0.27
Total	4.43

The Director stated (May 1974) that action was being taken for realisation of audit fees from the defaulting units.

(iv) Rupees 0.52 lakh were found paid to municipal councils and *janpad sabhas* in the Bhopal region of the State as grants-in-aid for inadmissible items of expenditure and payments of grants aggregating Rs. 0.87 lakh were found objectionable on other grounds. Information regarding action taken for their recovery is awaited (May 1974).

(v) According to the Madhya Pradesh *Sthaniy Nidhi Sampariksha Adhiniyam—1973*, defects or irregularities pointed out in inspection reports are to be remedied or satisfactorily replied to within four months of the receipt of inspection reports. Sixty-six observations (raised upto 1972-73) for money value of Rs. 0.74 lakh relating to expenditure out of the grants and loans received from Government remained unsettled by 29 local bodies.

General Administration Department (Tourism)

6.3. *Grants to Notified Area Committee, Khajuraho.*—In December 1971, Government sanctioned Rs. 46,410 as grant-in-aid to the Notified Area Committee, Khajuraho for meeting the entire cost of providing lighting along the main road at Khajuraho, as estimated by the State Electricity Board which was to execute the work. Rupees 25,000 were to be paid to the Committee before commencement of work and the balance, after the work was over. Accordingly, Rs. 25,000 were paid by the Director of Tourism on the 5th February 1972. On the 28th March 1972, the balance of Rs. 21,410 was authorised by Government to be paid to the Committee subject to the condition that the entire grant of Rs. 46,410 would be utilised by the 31st March 1972. The amount was paid on the same day (the 23th March 1972); even the plans and designs had not been finalised by then.

In June 1972, the Board submitted to Government a fresh estimate for Rs. 1,19,572, the increase in cost being attributed to an effort to make the lighting decorative, in keeping with the aesthetic character of the area, and not merely functional. The proposal was approved by Government and further grants of Rs. 69,572 and Rs. 3,590, representing the entire balance of the revised estimate, were paid to the Committee on the 5th February 1973 and the 16th March 1973

respectively. Out of Rs. 46,410 received by the Committee in February-March 1972, Rs. 10,000 were deposited with the State Electricity Board on the 15th March 1972. The balance of Rs. 36,410 and the sum of Rs. 69,572 received on the 5th February 1973 were deposited with the Board in February 1973. The sum of Rs. 3,590 received in March 1973 was not paid to the Board.

No expenditure was incurred by the Board out of these deposits in 1971-72 and 1972-73. The Divisional Engineer concerned of the Board stated (May 1974) that Rs. 71,863 were spent in 1973-74 and that laying of under ground cables and erection of poles was partially completed.

**Section II—Financial assistance to Statutory Boards,
Other Non-Government Bodies and Individuals
Commerce and Industries Department**

6.4. *Madhya Pradesh Khadi and Village Industries Board. (I) Introduction.*—The Board was constituted in July 1960 under the Madhya Pradesh Khadi and Village Industries Act, 1959 for the purpose of organising, developing and regulating khadi and village industries in the State and performing such functions as the State Government may prescribe. It took over the assets and liabilities of the Madhya Bharat Khadi and Village Industries Board which was simultaneously dissolved. In August 1972, the Act was amended so as to require the audited accounts and the report thereon to be presented to the Legislature with retrospective effect. However, the accounts and Reports have not been presented (January 1974) to the Legislature as the forms in which the accounts are to be presented have not been got approved by Government.

(II) *Financial assistance received.*—(a) The Board receives financial assistance from the Khadi and Village Industries Commission in the form of loans and grants for financing its activities as well as from the State Government in the form of subsidies for administrative expenses.

Year-wise details of amounts received from the Khadi and Village Industries Commission for purposes other than administrative expenses and utilised/refunded are shown below :—

Year	Amount received		Amount utilised		Amount refunded	
	Loan	Grant	Loan	Grant	Loan	Grant
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(In lakhs of rupees)						
Upto 1969-70	3,60.96	1,40.37	3,08.10	1,16.90	52.86	23.47
1970-71	5.05	4.00	5.05	4.00	..	..
1971-72	2.05	1.86	2.05	1.86	..	..
Total	3,68.06	1,46.23	3,15.20	1,22.76	52.86	23.47

(b) Administrative expenses incurred during the last four years are compared below with the grants received for the purpose:—

Year	Expenditure	Grants received	
		from State Government	from the Commission.
(1)	(2)	(3)	(4)
		(In lakhs of rupees)	
1969-70	7.99	6.68	0.85
1970-71	8.20	6.30	0.24
1971-72	9.88	6.21	0.28
1972-73	9.75	6.60	0.27
Total	35.82	25.79	1.64

Deficiency in grants for administrative expenses was met by diverting financial assistance received from the Commission for other purposes. The total amount so diverted over the period from 1954-55 to 1972-73 was Rs. 16.28 lakhs. The diversion had not been got approved by the Commission (January 1974).

(III) *Utilisation of loans and grants paid by the Board.*—Against Rs. 4,37.96 lakhs (loan: Rs. 3,15.20 lakhs; grant: Rs. 1,22.76 lakhs) received from the Commission and disbursed by the Board to various societies/institutions upto the end of 1971-72, utilisation certificates were furnished to the Commission for Rs. 3,52.49 lakhs (loan: Rs. 2,59.58 lakhs; grant: Rs. 92.91 lakhs) upto January 1974; utilisation of assistance of Rs. 85.47 lakhs (loan: Rs. 55.62 lakhs; grant: Rs. 29.85 lakhs) is yet to be verified by the Board. Year-wise break-up is indicated below:—

Year of disbursement	Utilisation yet to be verified	
	Loan	Grant
(1)	(2)	(3)
	(In lakhs of rupees)	
Upto 1960-61	2.78	2.16
1961-62	4.41	3.21
1962-63	3.07	1.44
1963-64	5.43	2.60
1964-65	1.55	0.50
1965-66	10.07	5.76
1966-67	5.99	4.81
1967-68	6.00	2.23
1968-69	3.96	0.72
1969-70	5.35	0.93
1970-71	4.96	3.63
1971-72	2.05	1.86
Total	55.62	29.85

(IV) *Recovery of loans and acceptance of balances.*—The Board extended financial assistance to institutions, co-operative societies as well as to individuals in the form of loans for the development of *khadi* (cotton, silk and woollen) and fourteen other village industries. On the 31st March 1973, loans totalling Rs. 87.44 lakhs were outstanding against 29 institutions, 1017 co-operative societies and 2022 individuals. Acceptances of balances had not been received by the 30th September 1973 from 1329 of them who owed Rs. 62.66 lakhs. The outstanding balances included Rs.69.41 lakhs representing recoveries of principal overdue from 1466 loanees; the interest and penal interest due from these loanees had not been worked out. Revenue recovery proceedings had been initiated in the cases of only 75 loanees who were in default to the extent of Rs. 6.74 lakhs. Out of the loanees against whom balances were outstanding on the 31st March 1973, 713 units against whom Rs. 42.01 lakhs were outstanding were stated to be defunct or under liquidation; 119 others who owed Rs. 6.72 lakhs were stated to be financially weak while 113 who owed Rs. 10.37 lakhs were working inefficiently. Two hundred and sixty units against whom Rs. 2.07 lakhs were outstanding had not started operating.

(V) *Production, Sales and Employment.*—The following table shows, in brief, the progress achieved by the Board in the field of production, sales and employment during the years from 1967-68 to 1972-73 in respect of 17 industries which were aided by it :—

	Unit	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73
1. Production	Lakhs of rupees	3,32.96	2,91.18	2,56.95	2,36.80	2,36.90	4,23.46
2. Sales	—do—	1,94.44	3,13.71	2,81.30	2,80.14	2,85.99	4,75.42
3. Employment	Numbers	25,018	31,654	15,965	23,449	20,999	23,677

It will be seen that there was appreciable decline in the value of production from 1968-69 to 1971-72; there was, however, a marked reversal of this trend in 1972-73.

In the case of four of these industries, both production and sales in 1972-73 were far short of targets set by the Board as will be seen from the figures reproduced below:—

Type of industry (1)	Production		Sales	
	Target (2)	Actuals (3)	Target (4)	Actuals (5)
	(In lakhs of rupees)			
Khadi cotton	4.00	2.65	9.00	6.53
Processing of cereals and pulses	8.00	5.28	8.00	5.02
Non-edible oil and soap	3.90	1.95	3.00	2.31
Ghani oil	89.00	34.26	89.00	35.66

In the case of Palm Gur Industry, a State-level Federation and 15 co-operative societies registered with it which had been paid Rs. 7.46 lakhs as loans and Rs. 18.05 lakhs as grants during the years from 1959-60 to 1966-67 had no production at all since 1970-71. Grants paid for producing palm-sugar were stated to have been utilised for acquiring buildings and machinery and production of palm-sugar was not started. The Federation was superseded in February 1968 and the Board took direct control of its affairs in June 1971. All the 15 co-operative societies were stated to be defunct or under liquidation. The Federation and the societies still owed the Board Rs. 2.60 lakhs towards principal of loans and Rs. 2.01 lakhs on account of unutilised grants.

(VI) *Centres run by the Board.*—The Board has invested Rs. 62.60 lakhs in different departmental production centres run by it. The number of such centres which stood at 24 in 1967-68 shrank to 16 in 1968-69, 14 in 1970-71 and 9 in 1972-73. A review by Audit, of the financial results of the functioning of these centres during the last five years disclosed that two centres in 1969-70 and one each in 1971-72 and 1972-73 made nominal profits of Rs. 0.06 lakh, 0.08 lakh and 0.02 lakh respectively; all the remaining centres were incurring losses. The cumulative trading loss incurred by all the centres upto the end of 1972-73 was Rs. 33.36 lakhs which represented 52.5 per cent of the money invested in them. The losses in 1972-73 (Rs. 3.31 lakhs) were attributed by the Board to the following causes:—

- (a) Arrangements for procurement of raw materials not made in time.
- (b) Failure to achieve production and sales targets.
- (c) Accumulation of old stock which had to be sold by auction at uneconomic prices.
- (d) Increase in administrative expenses and cost of labour as compared to production.

As on the 31st March 1973, Rs. 38.58 lakhs were recoverable by the centres of which Rs. 0.56 lakh were reported to be 'doubtful' and Rs. 0.11 lakh 'irrecoverable'.

CHAPTER VII
REVENUE RECEIPTS
Sales Tax

7.1. *Trend of revenue.*—Sales tax is one of the major sources of State revenue and accounted for 47.52 per cent of total revenue from taxes, duties, etc., raised by Government in 1972-73. The following table compares the receipts from sales tax with the total revenue realised from taxes, duties, etc., during the five years ending 1972-73 :—

Year	Sales tax receipts	Total revenue from taxes, duties levied by the State Government	Percentage of sales tax receipts to the total revenue from taxes, duties, etc.
(1)	(2)	(3)	(4)
	<i>(In crores of rupees)</i>		
1968-69	31.20	69.86	44.66
1969-70	37.65	79.92	47.11
1970-71	40.97	86.58	47.32
1971-72	44.21	94.91	46.58
1972-73	52.66	1,10.83	47.52

The increase of Rs. 8.45 crores in 1972-73 (from Rs. 44.21 crores in 1971-72 to 52.66 crores in 1972-73) was attributed to increase in taxable transactions due to general economic growth, rise in prices, increase of rates of tax on certain commodities with effect from August 1972 and levy of additional duties under the Madhya Pradesh *Vikraya Rashi Tatha Kraya Rashi par Kar Adhiniyam* with effect from 15th November 1971. The amount realised on account of the additional levy during 1972-73 was Rs. 1,30.92 lakhs.

7.2. *Results of test audit in general.*—The test check of assessment cases and other records conducted during 1972-73 revealed under-assessment of tax to the extent of Rs. 14.14 lakhs in 997 cases as shown below:—

- (i) errors and omissions (Rs. 9.27 lakhs in 513 cases),
- (ii) incorrect application of rates of taxes (Rs. 3.24 lakhs in 275 cases),
- (iii) failure to follow correctly the provision of Sales Tax Act and Rules while working out the gross turnover/taxable turnover (Rs. 1.28 lakhs in 127 cases), and
- (iv) mistakes in calculation (Rs. 0.35 lakh in 82 cases).

A few instances of the irregularities mentioned above are given in the following paragraphs.

7.3. *Short recovery of sales tax on forest produce.*—Sales tax on forest produce was recoverable at 1.01 per cent from registered dealers and at 6.39 per cent from dealers not registered under the Madhya Pradesh General Sales Tax Act, 1958. The rates were enhanced to 2.04 per cent and 7.53 per cent respectively with effect from September 1967.

In 16 forest divisions (19 cases), it was noticed by Audit that recovery of sales tax on forest produce extracted was continued to be made at the old rates beyond August 1967, resulting in short recovery of the tax amounting to Rs. 50,830.

The short recovery was brought to the notice of the Government (May 1972). Their reply is still awaited (May 1974).

7.4. *Non-imposition of penalty and erroneous application of concessional rate of tax.*—Under the Madhya Pradesh General Sales Tax Act, 1958, purchases of raw materials by a registered dealer for use in the manufacture of other goods for sale within the State or in the course of inter-state trade or commerce are taxable at a concessional rate of one per cent. The concessional rate is available only if the goods purchased are specified as raw materials in the certificate of registration of the purchasing dealer. If the raw materials so purchased are not used for manufacture of other goods or if the manufactured goods are sold outside the State, the dealer becomes liable to pay as penalty an amount not less than the amount by which the tax paid on the raw materials at the concessional rate falls short of the tax payable at the full scheduled rate and not exceeding one and one-quarter times the amount of tax at such full rate. Penalty was found to have been not levied in two such cases while, in a third case, the concessional rate of tax was found to have been allowed to a dealer without verifying whether the goods purchased were specified as raw materials in his registration certificate. Brief particulars of these cases are furnished below :—

(i) Out of the total purchases by a dealer of round logs of timber for Rs. 4,25,963 as raw material for manufacture of other goods on payment of tax at the concessional rate of one per cent, round logs having an estimated purchase value of Rs. 1,41,984 were sold by him without utilising them for manufacture of other goods. When this was pointed out (March 1969) a penalty of Rs. 9,441 was imposed and was collected (October 1973).

(ii) A dealer, who had purchased forest coupe for Rs. 1,12,600 for the manufacture of *katha* on payment of the concessional rate of one per cent, sold the manufactured *katha* outside Madhya Pradesh. On this being pointed out (October 1971) the assessing officer imposed a penalty of Rs. 6,800 which was deposited by the dealer (August 1972).

(iii) In two assessment cases of a dealer, purchases of *mahua* worth Rs.1,67,000 were taxed at the reduced rate of one per cent, although the counterfoil of the registration certificate of the dealer was not available to ascertain whether he was eligible to that concession. On this being pointed out, the Sales Tax Officer reopened the cases. As the dealer also could not produce his copy of the registration certificate to show that *mahua* was specified as raw material in it, a total additional demand of Rs. 6,680 was created (June 1973). Report of recovery is awaited (May 1974).

7.5. *Incorrect determination of taxable turnover.*—

(i) Under the Madhya Pradesh General Sales Tax Act, 1958, sale price of goods, other than those included in part I of Schedule II of the Act, purchased from a registered dealer in Madhya Pradesh is allowed as a deduction from the turnover of a dealer for computing the taxable turnover, provided the sales of such goods by the registered dealer from whom the goods were purchased were taxable under the Act.

In two cases of assessment of a registered dealer for the calendar years 1969 and 1970, the turnover of Rs. 1,45,003 relating to sale of sand obtained on payment of royalty of Rs. 15,183 to the Madhya Pradesh Mining Corporation (a registered dealer), was deducted for computing his taxable turnover, although the right of extraction of the sand on payment of royalty, did not constitute a sale in the hands of the Mining Corporation. On this being pointed out (April 1973) by audit, the assessing officer created an additional demand of Rs. 19,720 (including a penalty of Rs. 9,570). Report regarding the collection of the demand is awaited (May 1974).

(ii) Under the Madhya Pradesh General Sales Tax Act, 1958, the burden of proving that any sale or purchase effected by a dealer is not liable to tax, is on the dealer. In one case, it was noticed (July 1971) that the total deduction of Rs. 14,51,000 allowed on account of turnover relating to tax-paid purchases included a sum of Rs. 5,61,898 for which no proof was furnished by the dealer for claiming the deduction. This resulted in short levy of tax of Rs. 11,237. On this being pointed out (July 1971), the Sales Tax Officer reopened the case for revision. Final outcome of the re-assessment proceedings is awaited (May 1974).

(iii) Goods received by a dealer from outside the State for sale on commission basis were treated as purchased by the dealer himself for Rs. 2,35,669 and tax was recovered on the purchase price. The subsequent sale of the goods by the dealer at an estimated price of Rs. 3,16,106 was allowed as deduction from his taxable turnover on the ground that the sale by the dealer to himself was the first sale in the State and as such, was under the Madhya Pradesh General Sales Tax Act, 1958, taxable in his hands as a commission agent. It was pointed out in audit (June 1971) that the dealer himself being the purchaser in the first instance, his status was that of a direct purchaser and not of a commission agent. Hence the sale of the goods for Rs. 3,16,106 by the dealer constituted the first sale in the State, taxable under the Act. The department accepted the mistake and created (September 1971) an additional demand of Rs. 8,499 (including a penalty of Rs. 3,000). The dealer has made a part payment of Rs. 4,250 (November 1971) and preferred an appeal against the re-assessment order. Information about the decision of the appellate court is awaited (May 1974).

7.6. *Wrong determination of turnover.*—Sales to a registered dealer by small scale Industrialists are exempt from payment of tax in their hands, provided the goods so sold are manufactured by them. In one case of a Small Scale Industrialist holding a licence both for manufacture and repacking of medicines, sales

of chemicals for Rs. 1,36,000 to a registered dealer were erroneously exempted from tax, although, during the period in question, he had done only repacking of the chemicals, which does not come under the scope of the term 'manufacture' as defined in the Act. On this being pointed out (April 1973) the Sales Tax Officer rectified the mistake and created an additional demand of Rs. 9,620 (including penalty of Rs. 100). The details of recovery are awaited (May 1974).

7.7. *Mistake in turnover.*—The gross turnover of a registered dealer (forest contractor) for the period July 1968 to June 1969 was erroneously determined by the assessing officer as Rs. 7,05,000 in place of Rs. 7,95,300 resulting in an under-assessment of Rs. 6,321. On this being pointed out, the department reopened the case in October 1972 and raised an additional demand of Rs. 6,321. The dealer deposited Rs. 3,000 against the additional demand; recovery of Rs. 3,321 is awaited (May 1974).

7.8. *Arrears in assessments.*—The position of pending assessments, as at the end of each of the last three years as intimated by the Commissioner of Sales Tax, is as under:—

<i>As on</i>	<i>Number of cases</i>
31st March 1971	91,883
31st March 1972	1,21,319
31st March 1973	95,742

Year-wise analysis of the 95,742 cases pending on 31st March 1973 is given below:—

<i>Year</i>	<i>Number of cases</i>
1950-51 to 1968-69	14,358
1969-70	12,612
1970-71	25,117
1971-72	25,137
1972-73	18,518

7.9. *Appeals pending.*—The position of appeal cases outstanding at the close of each of the last three years, as intimated by the Commissioner of Sales Tax, is given below:—

<i>As on</i>	<i>Number of cases</i>
31st March 1971	15,038
31st March 1972	13,566
31st March 1973	11,278

Year-wise analysis of the cases which were pending on 31st March 1973 is given below:—

<i>Year</i>	<i>Number of cases</i>
1960-61 to 1968-69	1,958
1969-70	1,492
1970-71	2,514
1971-72	2,087
1972-73	3,227

(Figures are as furnished by the department)

7.10. *Offences under the Sales Tax Acts.*—As reported by the Commissioner of Sales Tax, 1,528 cases out of 3,303 cases of offences under Sales Tax Acts were disposed of during 1972-73, as under:—

Number of cases	How disposed of
1,275	Offences compounded in which composition fees of Rs. 0.55 lakh were realised
253	Filed

Year-wise analysis of pending cases is given below:—

Year	Number of cases
Upto 1967-68	394
1968-69	110
1969-70	188
1970-71	199
1971-72	381
1972-73	503

7.11. *Frauds and evasions of Sales Tax.*—Out of 1,493 cases of suspected evasion of sales tax, investigations were stated to have been completed in 748 cases during 1972-73 and evasion of tax established in 626 cases. Of these, assessments were reported to have been completed during the year in 485 cases, giving rise to demands totalling Rs. 29.61 lakhs. Penalties aggregating Rs. 6.87 lakhs were imposed in 362 of these cases. Seven hundred and forty five cases were pending on 31st March 1973 as under:—

year	Opening balance	Additions during the year	Number of cases in which investigations were completed during the year	Number of pending cases at the end of the year
(1)	(2)	(3)	(4)	(5)
1972-73	448	1045	748	745

Year-wise analysis of pending cases is as under:—

Year	Number of cases
1967-68 to 1970-71	80
1971-72	83
1972-73	582

(Figures are as furnished by the department).

7.12. *Remission and abandonment of claims to Revenue.*—In 82 cases, sales tax dues amounting to Rs. 0.80 lakh were written off during the year 1972-73 as assessees were either not traceable or did not have sufficient assets.

Type	Number of cases	Amount (In lakhs of rupees)
(a) Assesseees not traceable	25	0.30
(b) Assesseees having insufficient assets	57	0.50
	82	0.80

The amount written off exceeded Rs. 1,000 in 19 cases, of which, in one case, it exceeded Rs. 25,000 and in another case, Rs. 10,000.

Year-wise analysis is as under:—

Periods	Number of cases	Amount Rs.
1954-55 and earlier	32	14,053
1955-56 to 1958-59	14	10,146
1959-60 to 1962-63	16	28,787
1963-64 to 1966-67	14	8,820
1967-68 to 1970-71	6	18,106
1971-72 to 1972-73	—	—
Total	82	79,912

State Excise

7.13. *Trend of revenue.*—State Excise is one of the main sources of State revenues and accounted for nearly 17.65 per cent of the total revenues from taxes, duties etc., raised by Government in 1972-73. The following table compares the receipts from State Excise duties etc., with the total revenue realised from taxes and duties etc., during the five years ending 1972-73:—

Year	Receipts from State Excise	Total revenues from taxes, duties, etc.	Percentage of receipts from State Excise duties to total revenues from taxes, duties, etc.
(1)	(2)	(3)	(4)
	<i>(In crores of rupees)</i>		
1968-69	13.02	69.86	18.64
1969-70	14.49	79.92	18.13
1970-71	15.98	86.58	18.46
1971-72	17.44	94.91	18.37
1972-73	19.56	1,10.83	17.65

The increase of Rs. 2.12 crores from Rs. 17.44 crores in 1971-72 to Rs. 19.56 crores in 1972-73 was attributed (January 1974) mainly to increased consumption of liquor, *ganja* and *bhang* by public and increase in licence fees.

7.14. *Non recovery of duty on account of excess wastages.*—(i) *Wastages in blending and reduction.*—The Madhya Pradesh Distillery and Warehouse Rules, 1960 provide for an allowance of 1 per cent for wastages in each blending and reduction operation, to be calculated on the quantity of spirit added to the vat. When spirits are reduced to 60 under proof or to any weaker strength, an allowance of 2 per cent is made for wastage in each operation. On all deficiencies in excess of these limits, the distiller or contractor is required to pay excise duty at the tariff rate appropriate to plain spirit, the duty being levied at the end of the financial year. In case the excess wastages are proved to be due to unavoidable cause, the Excise Commissioner may remit the duty so leviable.

In the warehouse and distillery of Bhopal district, the excess wastages during the period from 1964-65 to 1968-69 amounted to 8,905 proof litres and the duty recoverable thereon worked out to Rs. 52,462. In the warehouse of Raipur district, the excess wastages during the period from 1967-68 to 1969-70 amounted

to 1,400.8 proof litres, the duty recoverable thereon being Rs. 8,267. In neither case had the duty been levied and recovered or remitted (November 1973).

(ii) *Wastages in transit.*—The maximum allowance to be made for loss of spirit due to leakage or evaporation while in transit to warehouse from distillery in wooden or metal vessels has been laid down in the Madhya Pradesh Distillery and Warehouse Rules, 1960. Wherever this limit is exceeded, the consignor is required to pay duty on the excess wastages at rates not exceeding the current tariff rate, unless the excess loss of spirit is proved to have occurred due to unavoidable accident or other reasonable cause.

Excess wastages of 2,730.7 proof litres of plain spirit and 114.3 proof litres of *Masala* spirit were noticed in respect of consignments of liquor received in the warehouses of Raipur and Durg districts during the period from 1967-68 to 1968-69. The duty recoverable thereon at the tariff rates current then amounted to Rs. 13,003 and Rs. 2,610 respectively. The duty had been neither demanded and collected nor remitted by the Excise Commissioner (November 1973).

(iii) *Wastages in storage.*—According to the Madhya Pradesh Distillery and Warehouse Rules, 1960, an allowance of 1½ per cent per quarter is permissible for storage and evaporation wastage, the allowance being calculated on the actual balance in hand on the last stock-taking date, plus the quantity manufactured and received minus the quantity issued for redistillation. On all deficiencies exceeding this limit, the distiller or contractor is liable to pay duty at current tariff rate, but the Excise Commissioner may remit the duty if it is proved that the excess wastage was due to unavoidable cause.

Excess storage wastages amounting to 3,727.4 proof litres were noticed in the accounts of warehouses at Raipur, Shahdol and Durg districts for the years 1966-67 to 1969-70, 1965-66 to 1968-69 and 1962 to 1964 respectively. The duty recoverable thereon amounted to Rs. 6,096, Rs. 6,929 and Rs. 6,767 respectively. The duty had been neither demanded and recovered nor remitted (November 1973).

These cases were brought to the notice of Government (November 1971) but their final reply is still awaited (May 1974).

7.15. *Loss due to reauction of liquor shops.*—

(i) In an auction held on 10th January 1968, the highest bid of Rs. 14,100 for a liquor shop was offered by a person who had been allowed to participate in the bidding without having produced a certificate of personal solvency as prescribed. The bid was accepted. According to the rules governing such auctions, the contractor was required to produce security for the due observance of the conditions of licence. As per rules, he could be allowed a time of not more than ten days for doing so. There was no record of any time having been asked for or allowed for this purpose or of any security having been obtained. On the bidder failing to produce the prescribed security, the shop was reauctioned for Rs. 8,100 on 4th March 1968. The resultant loss of Rs. 6,000 was recoverable from the original bidder, but no part of it had been recovered (July 1973). As the contractor was found to have no personal property which could be proceeded against and as no security had also been obtained from him and any other solvent

surety, it seemed improbable that any part of the loss would be recovered. The case was reported to Government in July 1973; reply is awaited (March 1974).

(ii) In another auction held in February 1968, the highest bid of Rs. 78,000 for licence to run a group of liquor shops in 1968-69 was offered by a person who had been allowed to participate in the bidding without having produced a certificate of personal solvency as prescribed. The presiding officer recommended the acceptance of the bid and, in due course, the Excise Commissioner confirmed the sale in March 1968. Meanwhile, the contractor also produced the prescribed security for observance of conditions of licence in the form of personal guarantees from solvent sureties. In April 1968, the Collector decided to cancel the acceptance of the bid on the ground that the contractor had not produced a certificate of his own solvency. The shop was reauctioned in the same month for Rs. 60,000, resulting in loss of Rs. 18,000. The Collector stated (July 1972) that action was in progress to recover the loss from the original bidder. The case was reported to Government in April 1972; reply is awaited (March 1974).

Forest Department

7.16. *Loss of revenue due to non-working of a tendu patta unit.*—(i) Sealed tenders for the purchase of 4000 standard bags of tendu leaves notified for collection in one unit in the season of 1971 were invited with 29th March 1971 as last date for receipt of tenders. During the preceding season, actual collection in this unit was 5148.848 standard bags and the purchase rate was Rs. 57.97 per standard bag. Five tenders were received between the 24th and 29th of March 1971 and opened on 30th March 1971. The highest offer was for Rs. 62.21 per bag. The Conservator of Forests, Rewa Circle, rejected all the tenders on 11th May 1971 without recording any reason. The Divisional Forest Officer represented to the Conservator of Forests on 18th May 1971 that it was not possible to collect the leaves departmentally for want of bags, other materials, godown, etc., and requested him to include the unit in an auction to be held on that day for certain units of Rewa circle which remained un-sold. Nevertheless, the Conservator of Forests, instructed the Divisional Forest Officer on 29th May 1971, to collect the leaves departmentally for being sold to small scale bidi manufacturers. The Divisional Forest Officer again informed the Conservator of Forests on 2nd June 1971 that it was not possible to collect the tendu leaves departmentally, as rains had started, the leaves had become thick and all collecting agents had stopped work. The unit was not, thus, worked at all in the season of 1971.

Government stated in March 1974, that the tenderer who had offered the highest rate of Rs. 62.21 had defaulted in the payment of dues under a contract for a tendu patta unit of another division for 1970 and, therefore, his contract had to be cancelled on 31st December 1970. Renewal of the contract for 1971 was also refused in his case. The contractor initiated legal proceedings against Government on this account and, thereby, prevented Government from working

that unit in 1971 also. Therefore, Government decided not to accept his tender for the present unit in 1971.

The contract for the other unit was cancelled three months before the tenders for the present unit were opened. Had the decision to reject the highest tender been taken in time, the second highest tender could have been accepted or alternate action taken in time to call for fresh tenders or to arrange departmental collection. There were two lower tenders for Rs. 61.51 each per bag and, if either of them had been accepted, loss of revenue to the extent of Rs 1.91 lakh could have been avoided as shown below:—

	Rs.
1. Sale price of the targeted collection of 4000 standard bags at the second highest tendered rate of Rs. 61.51 per standard bag.	2,46,040
2. Add sales tax @ 7.53 per cent	18,527
	2,64,567
3. Less: Collection and handling charges @ Rs. 18.50 per bag for 4000 bags	74,000
	1,90,567

(ii) *Loss of revenue due to delay in acceptance of tenders.*—Sealed tenders for the purchase of the notified target of 4000 standard bags of tendu leaves in the same unit for the season of 1972 were invited with 20th March 1972 as the last date for the receipt of tenders. Only one tender was received on 20th March 1972 and was opened on 21st March 1972 by the Conservator of Forests, Rewa. The rate tendered was Rs. 66.81 per standard bag. The Conservator informed the Divisional Forest Officer of the acceptance of the tender on 4th April 1972, but withdrew the acceptance on 18th April 1972. On 21st April 1972, the Conservator solicited further instructions from the Deputy Chief Conservator of Forests (Nationalisation). The Divisional Forest Officer, in his telegram of 9th May 1972, urged the Conservator of Forests to issue instructions, as the tendu season had already started. On 18th May 1972, the Conservator of Forests instructed the Divisional Forest Officer to work the unit departmentally and the Divisional Forest Officer passed on the directions to the Range Officer on 20th May 1972. However, the Deputy Chief Conservator of Forests (Nationalisation) directed the Divisional Forest Officer, by a telegram dated 29th May 1972, to have the unit worked by the single tenderer, and to take up departmental collection only if he failed to do so. Accordingly, the Divisional Forest Officer issued a telegram to the tenderer on 31st May 1972 asking him to take up the work. This was refused by the tenderer telegraphically on 2nd June 1972. This unit was, thereupon, worked departmentally and 347.779 standard bags

were collected at a cost of Rs.10,400 against 4000 standard bags notified for collection. There was, thus, a loss of revenue of Rs.1.95 lakhs as worked out below :—

	Rs.
1. Sale price of 3652.221 standard bags (4000-347.779) at Rs. 66.81 per bag	2,44,005
2. Add sales-tax @ 7.53 per cent	18,374
	2,62,379
3. Less Collection and handling charges @ Rs.18.50 per standard bag	67,566
	1,94,813

Government stated in March 1974 that the tenderer had initially contravened condition No.6 of the tender notice by depositing the prescribed earnest money in lump along with earnest money due in respect of another unit of a different division. He did deposit the earnest money separately later, but much time was taken up in ascertaining the full facts of the case leading to belated acceptance of the tender.

7.17. *Loss of revenue due to non-acceptance of tendered rate.*—In one unit of a forest division, the contractor of 1971 season for the purchase of tendu leaves had applied (September 1971) for renewal of his contract during 1972 season. His purchase rate for 1971 season was Rs.146.92 per standard bag, and according to condition No. 25(3) of the tender notice, he was to have paid 5 per cent over this rate in 1972, if his contract had been renewed. This offer was, however, not accepted by Government as according to them (March 1974), the contractor had defaulted in the payment of dues under the contract of 1971 and consequently that contract had been terminated in December 1971.

Sealed tenders for this unit were invited in February 1972, and, according to the tenders opened on 21st March 1972, the highest rate offered for the unit was Rs.121.21 per standard bag. Although this rate exceeded the upset rate of Rs.85 per bag prescribed for the unit by nearly 50 per cent, this was not accepted by Government, on the ground that it was less than the rate of 1971. Tenders were invited afresh, but none was received by 29th April 1972, the date prescribed for opening them. Eventually, a purchaser was appointed in the third week of May 1972 at a negotiated rate of Rs. 85.05 per bag. The unit was worked from 22nd May 1972 to 25th May 1972 and 1073.209 standard bags of tendu leaves were collected as against the notified target of 2000.

Due to non-acceptance of the highest tendered rate of Rs. 121.21 per bag and consequent delay in the commencement of collection of tendu leaves, Government sustained a loss of revenue of at least Rs. 1,62,525 as per details given below:—

	Rs.
(i) Sale price of 2000 standard bags @ Rs. 121-21 per bag	2,42,420
(ii) Less sale price of 1073.209 bags @ Rs. 85.05 per bag	91,276
	<hr/>
	1,51,144
Add sales tax @ 7.53 per cent	11,381
	<hr/>
Total	1,62,525

7.18. *Delay in tendering and issue for collection of tendu leaves.*—The normal season for collection of tendu leaves is from 1st May till the end of May. It is, therefore, essential that all formalities connected with the calling of tenders and issue of work order to the Contractors should be completed well in time so that the contractor can take full advantage of the collection season and the Government may also earn the maximum possible revenue.

In one case, however, tenders for 1972 season were invited only on 19th April 1972 and the last date for submission of tender was 25/28th April 1972. The Conservator of Forests accepted the highest offer (Rs. 61.61 per standard bag) on 9th May 1972 and the collection started only on 12th May 1972. Since the collection had started late by 11 days, the contractor collected about 3,114.520 standard bags (as against the notified quantity of 3,800 bags) resulting in short collection of about 685.480 standard bags and consequent loss of about Rs. 32,731 to the Government as indicated below :—

	Rs.
(i) Gross receipts at the purchase rate of Rs. 61.61 per standard bag for 685.480 bags collected short	42,232
(ii) Sales tax @ 7.53 %	3,180
	<hr/>
	45,412
	<hr/>
Less: Collection and handling charges @ Rs.18.50 per bag for 685.480 standard bags short collected	(—) 12,681
	<hr/>
Revenue collected short	32,731

It was noticed that in the same case during the two previous years, the formalities had been completed by the middle of February. In these two years, the actual collection also exceeded the notified quantities substantially.

The matter was brought to the notice of Government in March 1973; reply is awaited (May 1974).

7.19. *Loss due to non-observance of conditions of sales of minor forest produce.*—

The lease of *Mahul* leaves in one range of a division for the period ending June 1969 was awarded on 16th October 1968 to a contractor for Rs. 33,100. According to the approved sale conditions of minor forest produce, the lease money was recoverable in one instalment in advance and, therefore, no security was to be obtained and there was no provision for relaxation of these conditions. It was, however, seen that in this case these conditions were not observed and the lease deed provided for recovery of lease money in four equal instalments, falling due on 15th October 1968, 1st January 1969, 1st March 1969 and 1st May 1969. The contractor paid the 1st instalment of Rs. 8,275 but defaulted in paying subsequent instalments. The contract was, therefore, terminated on 26th January 1969 and the leaves extracted were seized. In an auction held on 6th March 1969, the residual lease was resold for Rs.4,000 and the seized leaves fetched only Rs. 500. The contractor was liable to make good the resultant loss of Rs.21,855 (including sales tax of Rs.1,530). A sum of Rs. 5,219, being his security deposit, was adjusted against this demand and recovery proceedings were initiated for the balance of Rs. 16,636. No recovery was, however, effected upto April 1974.

Public Health Engineering Department

7.20. *Un-authorised cultivation.*—7,066 acres of land were acquired between 1960 and 1972 from 874 cultivators for the work of raising the capacity of Bhopal upper lake for Bhopal water supply scheme. Rupees 23.26 lakhs were paid as compensation by the Public Health Division, Bhopal.

After completion of the scheme, there was some surplus land which was not submerged. The Government decided in July 1963 to lease out this surplus cultivable land from year to year at ten times the land revenue in the first year and fifteen times in the following years. As per Government policy, this land was to be given on temporary lease to those persons from whom it had been acquired. While the proceedings of leasing out the land were under progress, some cultivators from whom the land was acquired started cultivating the land un-authorisedly. The table below indicates the yearwise position of leased areas, area under un-authorised cultivation, etc:—

Year	Area available for cultivation	Leased area	Area under un-authorised cultivation	Amount of lease rent not collected for the area shown in column 4	Remarks
(1)	(2)	(3) (In acres)	(4)	(5) (In rupees)	(6)
1965-66*	1,224.42	78.44	1,145.98	55,510	No amount is due from the cultivators to whom land as per column (3) is leased out.
1966-67	1,333.04	173.83	1,159.21	61,566	
1967-68	1,604.96	78.92	1,526.04	71,793	
1968-69	1,443.16	65.20	1,377.96	78,405	
1969-70	753.17	36.49	716.68	34,708	
1970-71	1,265.61	40.76	1,224.85	41,377	
1971-72	1,211.32	29.59	1,181.73	36,431	

*Particulars for the years 1963-64 and 1964-65 are not available with the division.

The continuous un-authorised cultivation has, thus, deprived the department of revenue of Rs.3.80 lakhs. In reply the Government stated (July 1971) that "the Public Health Engineer had no means to prevent the un-authorised possession of land or to recover rent from un-authorised occupants". The Collector, Sehore had been asked to take immediate action under the law. But (upto May 1974) neither the unauthorised occupants have been evicted nor has any recovery been effected.

7.21. *Arrears of revenue pending collection.*— (i) *Sales Tax.*—Comparative position of arrears of sales tax demands raised under the State Sales Tax Act and Central Sales Tax Act as at the end of 1970-71, 1971-72 and 1972-73 is given below :—

As on	Number of cases	Amount (In lakhs of rupees)
31st March 1971	66,174	5,45.21
31st March 1972	70,525	6,31.59
31st March 1973	81,299	6,44.46

The position of recovery is as under :—

Particulars	Number of cases	Amount (In lakhs of rupees)
I. Collection stayed by appellate authorities, High Court and departmental authorities	4,332	1,15.57
II. In the process of recovery with revenue authorities	67,479	3,87.38
III. Arrears in the nature of bad or doubtful debts—		
(a) Irrecoverable	5,604	91.20
(b) Dues against dealers presently untraceable	3,884	50.31
Total	81,299	6,44.46

(ii) Arrears in the collection of some other important source of revenue as on 31st March 1973 were as shown below :—

Head of revenue	Arrears	Remarks
(1)	(2) (In lakhs of rupees)	(3)
Land Revenue	3,91.62	Arrears relate to 1960-61 onwards and include doubtful and irrecoverable revenue of Rs.5.45 lakhs and Rs. 10.05 lakhs respectively.

Head of revenue (1)	Arrears (2) <i>(In lakhs of rupees)</i>	Remarks (3)
State Excise Duties	3,70.75	Arrears date back to 1916-17 onwards. Cases of doubtful and irrecoverable revenue aggregate Rs. 92.00 lakhs and Rs. 3.88 lakhs respectively. Recovery of Rs. 83 lakhs had been held up by Courts.
Geology and Mining	2,27.47*	Arrears relate to 1948-49 onwards and include doubtful and irrecoverable revenue of Rs. 6.25 lakhs and Rs. 0.76 lakh respectively.
<i>Transport Duties—</i>		
(i) Motor Vehicle tax	12.71	
(ii) Goods tax	8.02	
(iii) Passenger tax	13.64	
Stationery and Printing	37.15	Arrears pertain to 1956-57 and onwards.
Administration of justice	22.58	Arrears relate to 1959-60 and onwards. Rs. 1.63 lakhs are reported to be irrecoverable and Rs.0.66 lakh doubtful.
<i>Electricity Duties—</i>		
(i) Inspection Fee	8.63	Arrears pertain to 1961-62 and onwards.
(ii) Electricity Duty	9.00	
Total	17,46.03	

Position of arrears of revenue on 31st March 1973 under 'Forest' and 'Taxes on Profession, Trade, Callings and Employment' was not intimated by the departments; arrears under the latter head on 31st March 1972 were Rs. 16.08 lakhs; the figures last reported against 'Forest' revenue were Rs. 5,87.70 as on 31st March 1971.

*Do not include arrears of Bhopal district.

CHAPTER VIII
GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES
Section A—General

8.1. This Chapter deals with the results of audit of—

- (i) Statutory Corporations,
- (ii) Government Companies,
- (iii) Departmentally managed Government Commercial and Quasi-Commercial Undertakings,
- (iv) Co-operative Institutions, and
- (v) Investments and Guarantees.

Section B—Statutory Corporations

(i) *State Electricity Board:*

8.2. (a) *Introduction :*

Madhya Pradesh Electricity Board was incorporated on 1st April 1957. Government had advanced loans aggregating Rs. 1,76.66 crores under Section 64 of the Electricity (Supply) Act, 1948 to the Board to the end of March 1973. The accounts of the Board for the year 1972-73 duly certified together with Audit certificate and Report thereon were forwarded to the State Government in September 1973 for being presented to the State Legislature in terms of Section 69(4) and (5) of the Electricity (Supply) Act, 1948. A synoptic statement of the financial results as disclosed in these accounts is given in Section—A of Appendix IX.

(b) *Generation and Sale of Energy :*

The table below indicates the particulars of installed capacity of the Board, power generated and purchased, power available for sale, power sold, loss in transmission and distribution, average cost of power sold, average revenue earned, etc., for the last three years ending 1972-73:—

(1)	1970-71 (2)	1971-72 (3)	1972-73 (4)
	(Kilowatt hours in millions)		
(i) Installed capacity of generating plants	62,09.745	62,09.745	64,98.825
(ii) Maximum effective/firm capacity	53,65.300	53,65.300	45,43.800
(iii) Power generated	28,05.998	29,74.450	34,98.474
(iv) Power purchased	12.798	41.516	1,76.527

	1970-71	1971-72	1972-73
(1)	(2)	(3)	(4)
	(Kilowatt hours in millions)		
(v) Power used for generating station auxiliaries	2,22.101	2,39.709	2,55.512
(vi) Power available for sale	25,96.695	27,76.257	34,19.489
(vii) Power sold (including free supply to staff, shown in bracket)	22,63.509 (0.133)	23,87.773 (0.358)	29,24.290 (0.600)
(viii) Loss in transmission and distribution	3,33.186	3,88.484	4,95.199
	(Percentages)		
(ix) Percentage of power generated to installed capacity	45.2	47.9	53.8
(x) Percentage of power generated to effective capacity	52.3	55.4	76.9
(xi) Percentage of loss in transmission and distribution to power available for sale	12.8	14.00	14.5
	(In paise per KWH sold)		
(xii) Average cost of energy sold	8.48	9.18	8.74
(xiii) Average revenue	14.36	14.76	14.13

(c) Working results :

The working results of the Board for the last three years ending 1972-73 are indicated below:—

	1970-71	1971-72	1972-73
	(In lakhs of rupees)		
1. Total capital invested	184,80.58	204,59.86	231,31.40
2. Total capital work-in-progress	24,33.15	28,70.40	17,77.15
3. Total capital employed	152,53.89	168,20.48	205,95.53
4. Gross revenue	31,92.11	35,24.60	38,66.58
5. Operating expenses inclusive of depreciation	21,00.18	21,93.10	26,20.51
6. Surplus	10,91.93	13,31.50	12,46.07
	(Percentages)		
7. Gross Revenue expressed as percentage of capital invested	17.3	17.2	16.7
8. Operating expenses expressed as percentage of gross revenue	65.8	62.2	67.8
9. Surplus as percentage of capital invested	5.9	6.5	5.4

	1970-71	1971-72	1972-73
	(Percentages)		
10. Percentage of gross revenue to capital employed	20.9	21.0	18.8
11. Surplus expressed as percentage to capital employed	7.2	7.9	6.1

(ii) *Other Statutory Corporations :*

8.3. There were three Statutory Corporations in the State on 31st March 1973, viz.,

- (a) Madhya Pradesh Financial Corporation,
- (b) Madhya Pradesh State Road Transport Corporation, and
- (c) Madhya Pradesh State Warehousing Corporation.

On 31st March 1973 the investment of Government in the share capital of these corporations amounted to Rs. 11.23 crores. A synoptic statement showing the financial results of the first two corporations on the basis of the accounts of 1972-73 is given in Section B of Appendix IX. The accounts of the Madhya Pradesh State Warehousing Corporation for the years 1971-72 and 1972-73 have still to be received (April 1974).

Section C—Government Companies

8.4. There were eight Government companies in the State as on 31st March 1973. The investment of Government in the share capital of these Companies amounted to Rs. 6,72.81 lakhs. Bank of Kawardha Limited (investment: Rs. 0.07 lakh, excluding the amount of compensation received) is under liquidation. Apart from it, Government invested Rs. 1.50 lakhs in Dhar Transport Company Limited which has ceased to function since April 1956 and has been declared (March 1965) defunct by the Registrar of Companies.

A summary of the financial results of six companies on the basis of the latest available accounts is given in Appendix X.

The certified accounts of the following companies for the years shown against each were not received (April 1974):—

Name of the Company	Period for which accounts are awaited.
(1)	(2)
1. Madhya Pradesh Laghu Udyog Nigam Limited	1968-69 to 1972-73
2. Madhya Pradesh State Industries Corporation Limited	1971-72 and 1972-73

Madhya Pradesh State Industries Corporation Limited, Bhopal

8.5. (a) *Introduction.*—The Madhya Pradesh State Industries Corporation Limited was incorporated on 11th April 1961 as a wholly owned Government Company with the object to take over from the State Government Power Alcohol Plant at Ratlam, Cottonseed Solvent Extraction Plant at Ujjain, Cotton Spinning Mill at Sanawad and such other existing medium industries or establishments

owned and conducted by the Government, as may be decided by the company in consultation with Government and also to undertake development of new industries, industrial estates and establishments.

As on 31st March 1973, the company was having seventeen units under its control and management. The management of the Spinning Mill, Sanawad was transferred to the Madhya Pradesh Textile Corporation for one year from February 1973 and the period was extended, subsequently, by six months.

(b) *Financial position.*—The table below summarises the financial position of the company under broad headings for the three years ending 1972-73.

	*	*	*
	1970-71	1971-72	1972-73
	(In lakhs of rupees)		
Liabilities :			
Paid up capital (including advances for share capital)	2,45.65	2,60.65	2,70.65
Reserves and surplus	18.50	18.47	18.56
Borrowings (including cash credits)	75.91	62.69	55.17
Liabilities on account of transfer of units from the Madhya Pradesh <i>Laghu Udyog Nigam</i> Limited and the Directorate of Industries	..	59.36	59.29
Trade dues and current liabilities (including provisions)	32.53	53.50	68.80
Total	3,72.59	4,54.67	4,72.47
Assets :			
Gross block	1,97.23	2,00.09	1,99.73
Less depreciation	1,04.04	1,12.99	1,20.58
Net fixed assets	93.19	87.10	79.15
Capital works-in-progress	3.21	..	..
Investments	0.02	..	7.57
Current assets, loans and advances	1,54.01	2,36.83	2,73.24
Losses	1,22.16	1,30.74	1,12.51
Total	3,72.59	4,54.67	4,72.47
Capital employed	2,14.67	2,70.43	2,83.59
Net worth	1,41.99	2,07.74	2,35.99

Note :—1. Capital employed represents net fixed assets *plus* working capital.

2. Net worth represents paid up capital *plus* reserves less intangible assets.

*The figures of 1970-71 are from accounts certified by Chartered Accountants; those of 1971-72 and 1972-73 are provisional figures from unaudited accounts.

(c) *Working results.*—Working results of the company for the last three years ending 1972-73 are tabulated below:—

	*	*	*
	1970-71	1971-72	1972-73
	(In lakhs of rupees)		
Income :			
(i) Sales	1,34.29	2,23.43	2,41.98
(ii) Other income	1.86	2.73	1.62
Total (A)	1,36.15	2,26.16	2,43.60
Expenditure :			
(i) Raw materials consumed	96.43	1,37.78	1,60.45
(ii) Power and fuel	8.12	7.62	7.86
(iii) Manufacturing and administrative overheads.	53.27	54.19	59.12
(iv) Depreciation	6.68	8.95	7.59
(v) Difference in opening and closing stock of finished goods and works-in progress.	(—)14.93	22.90	(—)10.22
Total (B)	1,49.57	2,31.44	2,24.80
Net loss(—)/profit (+) before carrying out prior period adjustments—(B) minus (A)	(—)13.42	(—)5.28	(+)18.80
Prior period adjustments	1.99	..	..
Net loss (—)/profit (+) after carrying out prior period adjustments.	(—)11.43	(—)5.28	(+)18.80

Note.—The figures of losses have been worked out after excluding provision made for income-tax and development rebate reserve.

The Company attributed (October 1973) the following reasons for the continuous losses upto 1971-72:—

(i) Continuous slump in the textile industry which led to taking over of various sick mills by the State Government.

*The figures of 1970-71 are from accounts certified by Chartered Accountants; those of 1971-72 and 1972-73 are provisional figures from unaudited accounts.

(ii) Inability on the part of the Gwalior Engineering Works (transferred to the Madhya Pradesh State Road Transport Corporation from September 1970) to comply with the terms and conditions of supplies to the Director General, Supplies and Disposals, due to non-availability of materials in time.

(iii) Out dated machines/kilns of Gwalior Potteries and low working norms fixed long before the unit was taken over by the Corporation; labour troubles.

(iv) Stoppage of production in the Cotton Seed Solvent Extraction Plant (since sold to the Food Corporation of India).

(v) Non-availability of sufficient work for the Calendering Plant.

(d) *System of Accounts and Book-keeping.*—The company auditors in their supplementary report on the accounts of the company for the year 1970-71 have, *inter alia*, observed (June 1974) as under.—

(i) Maintenance of accounts was not done properly. There were no manuals and other instructions laying down the detailed accounting procedure.

(ii) Property/plant registers were not kept upto date and reconciled with the financial books.

(iii) There was no manual laying down the scope and programme of work for internal audit.

(iv) There was no procedure for calling open tenders for purchases of raw materials and stores in different units.

(v) The company did not prepare capital, revenue, production or sales budgets. The budget prepared only for office and administrative expenses was also of no practical utility.

(vi) Manufacturing accounts were not drawn up by the manufacturing units of the company. Although, the periodical quantity accounts of production were maintained by the units, rated capacity or targets of production for the different units were not fixed. Norms for the consumption of raw materials for manufacture of the products were also not fixed.

(vii) The costing system in force was not found adequate to find out the countwise recovery in the case of spinning mill, process-wise cost in Ratlam Alcohol Plant and unit-wise or job-wise cost in other units. Distribution of overheads was not done to arrive at the cost of production of each major product. Standard costs of various main products were also not fixed. In the absence of proper costing system, it was difficult to compare the selling price with the cost of production.

(viii) In Ratlam Alcohol Plant and Spinning Mill, Sanawad, finished goods had been valued at the selling price instead of being valued at cost or the market price, whichever was less.

(ix) Generally the units of the company were working below their capacity. Hence overhead expenditure incurred by the units were charged to the limited products, which ultimately resulted in heavy losses to the Corporation.

(x) There was no system in force for obtaining confirmation from the debtors. Old outstanding debts were not pursued vigorously. The details of debts outstanding for more than one year as on 31st March 1971 were as follows:—

	Government departments	Others	Total
	(1)	(2)	(3)
(In lakhs of rupees)			
Debts over one year but less than two years	6.16	0.39	6.55
Debts over two years but less than three years	1.70	0.25	1.95
Debts over three years	8.70	2.95	11.65
Total	16.56	3.59	20.15

(xi) The details of cost of production and inventory at the end of the three years were as below:—

	1968-69	1969-70	1970-71
(a) Cost of production (in lakhs of rupees)	263.74	156.49	151.71
(b) Inventory as at the end of the year (in lakhs of rupees)	78.27	84.69	79.96
(c) Inventory in terms of number of months	3.5	6.5	6.3

(xii) The system of procurement and disposal of stores did not ensure that (a) stores are not accumulated in excess of the reasonable requirement; and (b) surplus unserviceable stores are disposed of without undue delay. The minimum and maximum limits of stores have also not been fixed.

The inventory to the following extent did not move for more than three years:—

	(In lakhs of rupees)
Sanawad Spinning Mill	1.67
Alcohol Plant, Ratlam	2.03
Gwalior Potteries	0.11
Gwalior Leather and Tent Factory	0.07

8.6. A review of the working of Spinning Mill, Sanawad is given below:—

(a) *Introduction.*—In 1958, the State Government decided to set up a spinning mill at Sanawad with an installed capacity of 12,500 spindles. While the project was still in the construction stage, it was transferred (April 1961) to the company on its formation. The mill went into commercial production in March 1964, with 12,760 spindles at a capital cost of Rs. 55.40 lakhs.

Under orders of the State Government (January 1973), the mill was transferred on lease for one year to the Madhya Pradesh State Textile Corporation Limited with effect from 1st February 1973. According to the terms of transfer, profit/loss was to be on the lessor's account, and in the event of profit, 5 per cent of net profit was payable to the Madhya Pradesh State Textile Corporation Limited. The question of transfer of the assets and liabilities of the mill to the Textile Corporation was under consideration of the State Government (January 1974). Pending final decision in the matter, the lease period has been extended for six months from 1st February 1974.

(b) *Expansion programme.*—The working of the mill with 12,760 spindles was considered uneconomical and the company decided (November 1963) to increase the number of spindles to 25,000 at an estimated cost of Rs. 35.00 lakhs. A licence for the expansion was obtained from Government of India on 6th March 1964. The expansion programme was to be completed by February 1965 at an estimated cost of Rs. 35 lakhs. The estimate of cost of the expansion programme and the actual expenditure incurred thereagainst upto 30th April 1974 is given below:—

	Estimated cost	Actual expenditure upto 30th April 1974
	(In lakhs of rupees)	
Machinery	23.50	7.59
Building	5.00	1.01
Electrical installation	2.50	1.01
Equipment and stores	4.00	1.57
Total	35.00	11.18

The expansion programme is yet (April 1974) to be completed. The revised target date of completion has not been fixed by the mill. It was stated (May 1974) by the Management that expansion programme could not be completed due to non-receipt of ring frames from the supplier.

(c) *Purchase of ring frames.*—On the basis of limited tenders invited in 1965-66, an agreement was entered into in January 1966 with M/s Textool Company, Limited for supply of seven ring frames of 912 spindles each, double driven, at a negotiated price of Rs. 1.10 lakhs (exclusive of sales tax and local taxes) per frame. Although, the supplier had delayed the supply of 29 ring frames, ordered in January 1961, by 21 to 30 months, no penalty clause was incorporated in the agreement to safeguard against possible delay in supply.

According to the terms of agreement, the supply of 7 ring frames should have been completed by July 1966. The suppliers, however, commenced supplies in November 1966 and supplied only 5 incomplete frames till March 1967. A sum of Rs. 6.75 lakhs was paid to the suppliers by May 1967 as detailed below:—

	Towards cost of five ring frames	Towards cost of two ring frames
--	--	---------------------------------------

(In lakhs of rupees)

Advance of 10 per cent at the rate of Rs. 0.11 lakh per frame	0.55	0.22
Cost of ring frames	3.15	..
Cost of accessories	1.93	0.90
Total	5.63	1.12

Deliveries ceased thereafter and were resumed only in December 1970. By April 1974, 1,824 spindles with bolsters and 912 rings were still awaited for completing the first five ring frames. These spindles and rings were, however, purchased from another supplier in the meantime at a cost of Rs. 0.34 lakh. 4,104 spindles (out of 4,560 in the five ring frames) were commissioned between October 1973 and January 1974. The remaining spindles are yet to be commissioned for want of certain parts of pneumafil equipment for which order was placed in February 1974 with a different supplier.

As regards supply of two remaining ring frames against which Rs. 1.12 lakhs had already been paid, the firm intimated (February 1971) that due to sudden rise in cost of raw material and components, their current price worked out to Rs. 1.58 lakhs per frame and that, taking into consideration certain parts already purchased by the Mill, the difference between the current price and contracted price worked out to Rs. 0.46 lakh, of which the Mill should bear one half. The firm promised to supply the frames by the end of March 1971, provided the company confirmed their acceptance of these terms within a week. No decision was taken on this offer. It was explained (September 1973) that it was considered inadvisable to have two more ring frames when five were still to be commissioned and that a decision regarding the purchase of these two frames would be taken after the five frames had been commissioned.

The Management stated (November 1973) that "enquiry regarding these payments without prior verification/erection of the frames/ether parts has been started at Government level".

(d) *Ancillary arrangements.*—(i) The construction of an additional building estimated to cost Rs. 5.00 lakhs for housing the ring frames was taken up in 1966, but had not been completed (April 1974). Expenditure incurred on the project upto April 1974 amounted to Rs. 1.01 lakhs. It was explained (November 1973) that the delay was deliberate and was designed to prevent the blocking up of funds in the form of buildings at a time when the supply of machinery remained uncertain.

(ii) No action was taken to make additional arrangements for installations of humidification, power and lighting, pneumafil suction and other back process equipments necessary for running the additional ring frames although the necessity for providing the required machines was emphasised by the General Manager

as early as October 1970. In April 1972, the Engineer-in-charge of the mill estimated that the additional expenditure to the extent of Rs. 8.86 lakhs (Rs. 8.46 lakhs for machines and Rs. 0.40 lakh for provision of false ceiling) would be required to provide for additional arrangements in order to commence production on the additional ring frames. In accordance with the instructions of head office (April 1972), the General Manager floated enquiries for purchase of the equipments. After examination of various quotations the General Manager sought sanction from head office (July 1972) for placing orders with four different firms for the supply of machines (value Rs. 7.44 lakhs). The company, however, deferred the proposal (November 1972) pending decision on the question of transfer of the mill to the Madhya Pradesh State Textile Corporation. In February 1973, the technical adviser of the Textile Corporation recommended incurring of expenditure for immediate purchase of machines (Rs. 1.58 lakhs), provision for false ceiling (Rs. 0.35 lakh) and second hand back process machines, 2 sets of draw frames and 3 numbers simplex as the suppliers of these machines were unable to supply new machines in less than 1½ years time. Orders for purchase of machinery (value: Rs. 2.06 lakhs) were finally placed by the Mill in March 1973. Machines of the value of Rs. 3.15 lakhs were received by April 1974 and 4,104 spindles were commissioned.

(e) *Appointment of Consultants.*—In January 1970, the company engaged a consultant on a remuneration of Rs. 10,000, to prepare a technical report for the expansion of the capacity from 12,760 spindles to 25,000. The report submitted by the consultant in March 1970 contemplated an expenditure of Rs. 48.18 lakhs. No action has been taken on the consultant's report (April 1974). The Management stated (November 1973) "so far as the question of not implementing the technical report of Shri N. M. Vyas is concerned, this report became available in the month of March 1970 and by that time thinking had already started in the Corporation either to sell the plant or to transfer it. As such any innovation which would have involved heavy financial outlay was not considered possible".

(f) *Financial position.*—The table below summarises the financial position of the Mill under broad headings for the last three years ending 1972-73.

	1970-71	1971-72*	1972-73*
	(In lakhs of rupees)		
<i>Liabilities :</i>			
Capital (head office account excluding losses)	99.00	1,05.48	1,05.54
Borrowings	23.39	2.47	1.73
Current liabilities and provisions (including inter-unit accounts)	13.16	22.65	12.97
Total	1,35.55	1,30.60	1,20.24
<i>Assets :</i>			
Gross assets	72.68	72.64	72.72
Less : depreciation	44.73	48.86	52.35
Net assets	27.95	23.78	20.37

*The figures for the years 1971-72 and 1972-73 are based on un-audited accounts and are provisional.

	1970-71	1971-72*	1972-73*
	(In lakhs of rupees)		
Work in progress (including value of uninstalled machinery, etc.)	6.56	6.56	6.58
Investments	0.01	0.05	0.37
Current assets, loans and advances (including inter-unit accounts)	43.21	29.22	33.81
Accumulated loss minus development rebate reserve (Rs. 7.52 lakhs provided upto 1969-70)	57.82	70.99	59.11
Total	1,35.55	1,30.60	1,20.24

(g) *Profitability analysis.*—The table given below indicates the working results of the mill for the last three years ending 1972-73.

	1970-71	1971-72*	1972-73*
(1)	(2)	(3)	(4)
	(In lakhs of rupees)		
<i>Income :</i>			
(1) Sales	68.29	1,26.55	1,05.41
(2) Miscellaneous income	0.38	0.59	0.40
Total (A)	68.67	1,27.14	1,05.81
<i>Expenditure :</i>			
(1) Raw material and fuel consumed	76.83	98.56	78.28
(2) Salaries, wages, allowances etc.	11.47	11.52	11.86
(3) Difference in opening and closing stock of work-in-progress	(—)1.38	0.07	(—)0.14
(4) Difference in opening and closing stock of finished goods	(—)20.64	22.05	(—)4.70
Manufacturing cost of goods sold	66.28	1,32.20	85.30
(5) Administration and other overheads	6.64	2.08	5.15
(6) Interest on borrowings	1.33	1.83	..
(7) Depreciation	3.01	4.20	3.48
Total cost of goods sold (B)	77.26	1,40.31	93.93
Net loss (—) (B)—(A)	(—)8.59	(—)13.17	(+)11.88
Net profit (+)			

Till 1971-72, the mill had been running continuously at a loss since the year of its commissioning. The accumulated loss upto the year 1971-72 (after excluding development rebate reserve of Rs. 7.52 lakhs provided upto the year 1969-70) amounted to Rs. 70.99 lakhs.

The Management attributed (January 1973) the losses to non-adoption of commercial trade practices in the sale of yarn, non-maintenance of required humidity and temperature in absence of false ceiling, non-availability of skilled labour, low production per spindle, insufficient capacity of back process machinery and, persistent inflationary trends in cost of production.

*The figures for the years 1971-72 and 1972-73 are based on un-audited accounts and are provisional.

(h) *Pricing policy and marketing.*—(i) Upto March 1973, the selling prices of yarn were being fixed, from time to time, by a sales committee, keeping in view current market prices of yarn (from April 1973 to January 1974 yarn was being sold at rates fixed by the Textile Commissioner). Upto 1971-72, production was always so uneconomic that the mill could find a market for its products only at prices which were less than cost as will be seen from the following table :—

Year	Quantity of yarn produced	Quantity of yarn sold	Closing stock	Cost of yarn sold (per kg.)	Sales realisation (per kg.)	Profit(+) Loss (—) (per kg.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<i>(In lakhs of kilograms)</i>			Rs.	Rs.	Rs.
1969-70	8.78	10.18	0.54	7.87	7.18	(—)0.69
1970-71	10.04	8.20	2.38	9.42	8.03	(—)1.39
1971-72*	9.77	11.92	0.23	11.77	10.40	(—)1.37
1972-73*	9.83	9.42	0.64	9.97	11.02	(+)1.05

The heavy accumulation of stock of yarn at the close of 1970-71 was attributed by the Management (May 1974) to less sales due to sharp decline in the market prices of yarn.

(ii) The mill was set up, primarily to supply yarn to handloom weavers in the State. The table below indicates that, out of the quantities of yarn sold in 1970-71 and 1971-72, only 40 per cent and 44 per cent respectively went to private parties and co-operative societies within the State; in 1972-73, however, figure rose to 75 per cent.

Year	Sales within the State				Sales to parties outside the State	
	Private parties		Co-operative societies		Quantity	Value
	Quantity	Value	Quantity	Value		
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<i>(In lakhs of kilograms)</i>	<i>(In lakhs of rupees)</i>	<i>(In lakhs of kilograms)</i>	<i>(In lakhs of rupees)</i>	<i>(In lakhs of kilograms)</i>	<i>(In lakhs of rupees)</i>
1969-70	6.61	51.28	1.04	8.69	2.54	14.72
1970-71	3.23	25.25	0.01	0.10	4.95	40.48
1971-72	4.72	56.40	0.47	5.75	6.73	61.79
1972-73	6.67	73.48	0.42	5.48	2.33	24.89

*Figures for the years 1971-72 and 1972-73 are provisional and are based on un-audited accounts.

It was stated by the Management (May 1974) that yarn is sold to private parties and societies as per their demand and that priority was being given to co-operative societies.

(j) *Material management.*—

(i) *Purchase of cotton.*—(1) There were no detailed regulations for making purchases of cotton by the mill which was being purchased, upto January 1972, by a committee consisting of the General Manager, Chief Accounts Officer, Spinning Master and Cotton Selector. Purchases were made on the basis of rough tests applied on the spot to ascertain fineness, strength and, staple length. From February 1972, purchases were made by a Central Purchase Committee, consisting of representatives of the sick textile mills.

(2) Purchases of cotton outside the State were made upto July 1972 under an agency agreement entered into in December 1971 with a firm in Bombay which stipulated, *inter alia*, that the firm would be paid commission at one per cent of the value of cotton purchased and supplied to the mills plus Rs. 3 per bale towards local expenses. The firm was to weigh the bales on behalf of the Mills and be responsible for shortages found on receipt at the Mills beyond $3/4$ kilogram per bale. Between February 1972 and July 1972, the firm supplied 2,400 bales (Rs. 28.46 lakhs) and was paid Rs. 0.28 lakh as commission and Rs. 7,200 as local expenses.

(3) In March 1970, the Registrar of Co-operative Societies prepared a scheme, in consultation with the newly formed State Textile Corporation, under which the sick mills were required to obtain their requirements of cotton through ginning factories in the co-operative sector. The scheme was finalised in November 1970 in consultation with Government. The Sanawad Mill also participated in this scheme and, by May 1971, had lifted 1487 bags and 1808 bales of cotton from the co-operative ginning factories (Rs. 31.66 lakhs) against an allotment of 7000 bales. In June 1971, when 600 bales more were allotted to the mill, the management requested the State Textile Corporation to cancel the allotment as the prices of the societies were higher than market prices by Rs. 500 to Rs. 600 per candy and there would be a loss of Rs. 1.18 lakhs, if the allotments were lifted by the mill. Purchases were, however, continued to be made from the Co-operative Societies and, by November 1971, 1487 bags and 2348 bales had been lifted at a cost of Rs. 40.12 lakhs. In December 1971, the mill was again allotted 862 bales (value : Rs. 13.68 lakhs) to be lifted from three co-operative societies within 15 to 20 days. The cotton had been purchased by the societies long back and was deteriorating and, in an effort to cut the losses which the processing of this cotton would have entailed, the company decided (January 1972) to transfer the cotton allotted to it directly to four sick mills at current market prices. In the transaction, the mill had to bear a loss of Rs. 5.79 lakhs, being the difference between the rates charged by the societies (Rs. 735 to Rs. 1,139 per quintal) and current market rates (Rs. 464 to Rs. 660 per quintal). It was stated by the Managing Director (November 1973) that, at the time the commitment to purchase cotton from the societies was entered into, their terms were better than those available elsewhere. Purchases on these terms became uneconomical subsequently as a result of general slump in the textile industry.

(ii) *Purchase of coal.*—The table below indicates the quantity of coal purchased, quantity actually received, shortages, etc., during the last four years ending 1972-73 :—

Year	Quantity purchased	Quantity actually received in the mill	Shortages	Percentages of shortages to quantity purchased
(1)	(2)	(3)	(4)	(5)
		(In tonnes)		
1969-70	972	873	99.00	10.2
1970-71	1,027	928	99.00	9.6
1971-72	937	867	70.00	7.5
1972-73	521	472	49.00	9.4

It was explained (November 1973) that the losses were comparatively high because of transshipment from broad gauge to meter gauge and that, if allowance is made for this factor, the shortages were reasonable. Since transportation was at owner's risk, the loss could not be claimed from the railways.

(iii) *Inventory control.*—The table given below indicates the position of inventory holdings and their distribution at the close of the last three years ending 1972-73 :—

	1970-71	1971-72	1972-73
	(In lakhs of rupees)		
(1) Cotton	7.91	12.54	8.99
(2) Stores and spares	4.98	7.31	8.27
(3) Finished goods	24.29	2.81	7.33
(4) Cotton waste	0.63	0.05	0.23

Stock of cotton was equivalent to 1.5 month's consumption for production requirements in 1972-73 as compared to 1.6 months' in 1971-72 and 1.2 months' in 1970-71, whereas stores and spares represented 18.2 months' consumption in 1972-73 as compared to 18.7 months' in 1971-72 and 19.2 months' in 1970-71.

(k) *Performance analysis :*

(i) *Production performance.*—The mill does not prepare any production budget for manufacture of yarn. The table given below indicates the spindles available, production capacity, spindles used and the production achieved there-against during the three years ending 1972-73 :—

Count of yarn	Number of spindles available on the basis of 95 percent utilisation	Standard production per spindle	Available capacity of production	Number of spindles actually worked	Actual production	Actual production per spindle	Percentage of spindles actually worked to spindles available	Percentage of actual production per spindle to standard production per spindle
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	(In lakhs)	(In grams)	(In lakhs of kilograms)	(In lakhs)	(In lakhs of kilograms)	(In grams)		
				1970-71				
20	28.40	142	4.03	27.62	3.37	125	97	88
24	44.31	125	5.54	42.35	4.37	104	96	83
34	15.91	75	1.19	15.54	1.00	65	98	87
40	25.00	55	1.38	24.96	1.30	53	99	96
	<u>1,13.62</u>		<u>12.14</u>	<u>1,10.47</u>	<u>10.04</u>			
				1971-72				
20	5.92	142	0.84	4.94	0.61	125	83	88
24	68.70	125	8.59	62.02	6.75	109	90	87
34	15.40	75	1.16	13.96	0.97	70	91	93
40	28.42	55	1.56	25.91	1.44	55	91	100
	<u>1,18.44</u>		<u>12.15</u>	<u>1,06.83</u>	<u>9.77</u>			
				1972-73				
24	49.66	125	6.21	48.08	5.39	114	97	91
34	34.89	75	2.61	33.58	2.40	72	96	96
40	37.74	55	2.08	35.99	1.99	55	95	100
60	1.86	30	0.06	1.84	0.05	27	99	90
	<u>1,24.15</u>		<u>10.96</u>	<u>1,19.49</u>	<u>9.83</u>			

The percentage of actual production to standard production per spindle ranged from 83 to 100. As against the increased number of spindles actually worked during 1972-73 as compared to 1970-71 the total production was less due to spinning of higher counts yarn. The Management stated (May 1974) that the shortfall in actual production per spindle as compared to standard production per spindle was due to:—

- (1) non-availability of skilled labour;
- (2) break-down of the machines and power failures ;
- (3) absence of labour on festival days, in marriage and crop season; and
- (4) absence of false ceiling which is necessary to keep proper humidity.

(ii) *Machine utilisation.*—Till March 1970, the mill did not maintain regular records of machine hours lost due to break-down, power failures and other reasons in respect of various machines. From April 1970, the mill maintained records regarding the utilisation of ring frames. The table below indicates the machine hours available, actually worked and lost for various reasons during 1970-71, 1971-72 and 1972-73 :—

(1)	1970-71 (2)	1971-72 (3)	1972-73 (4)
(1) Machine hours available on the basis of three shift working of twenty-eight frames (one frame being kept for maintenance)	2,37,216	2,13,696	2,29,824
(2) Machine hours actually worked	2,03,104	1,92,125	2,06,748
(3) Machine hours lost due to—			
(a) back process shortage	8,577	7,328	3,572
(b) power failures	2,985	2,623	2,070
(c) labour shortage	2,053	3,527	8,025
(d) machinery break-down	7,366	6,652	1,576
(e) strikes	43	..	..
(f) shortages of stores and spares	1,767	135	1,550
(g) Other reasons	11,321	1,306	6,283
	34,112	21,571	23,076
(4) Percentage of machine hours actually worked to available hours.	85	89	90

The Management stated (May 1974) that in order to reduce loss of machine hours due to back process shortage, false ceiling in frame department had been completed in January 1974 and that the work was in hand in ring department. As regards labour shortage the Management had started (February 1973) engaging more trainees to serve as temporary replacements for absentees.

(iii) *Consumption of cotton.*—Norms for shortages in processing of cotton have not been fixed. During the four years ending 1972-73 shortages in the processing of cotton ranged between 1.2 per cent (1969-70) and 2.1 per cent (1970-71) of cotton consumed as shown below :—

(1)	1969-70 (2)	1970-71 (3)	1971-72 (4)	1972-73 (5)
	(In lakhs of kilograms)			
(1) Cotton consumed (cotton issued plus opening work-in-progress minus closing work-in-progress)	10.69	12.43	11.91	11.86
(2) Production of yarn	8.78	10.04	9.77	9.83
(3) Total cotton waste produced	2.57	3.05	1.86	1.29
Less: Waste used in mixing	1.29	1.38	0.50	..
Balance	1.28	1.67	1.36	1.29
(4) Total recovery from cotton consumed (2 plus 3)	10.06	11.71	11.13	11.12
(5) Shortages in the process	0.63	0.72	0.78	0.74
(6) Dust obtained	0.50	0.46	0.59	0.51
(7) Invisible shortages in the process.	0.13	0.26	0.19	0.23
(8) Percentage of invisible shortage to quantity of cotton consumed.	1.2	2.1	1.9	1.9

It was stated by the Management (May 1974) that the shortages were not abnormal.

(iv) *Loss due to defective production.*—The mill entered into a contract on 7th March 1970 with three firms for supplying 1,000 bags of 24s yarn at Rs. 38 per 10 lbs. The parties lifted only 105 bags in April/May 1970 and, thereafter, did not lift the balance quantity on the ground that the quality of yarn was defective. The sizing master of the mill who visited the purchasing units in May 1970 accepted that the yarn was of defective quality. The yarn had, therefore, to be sold (between July 1970 and October 1970) at Rs. 35.50 per 10 lbs. resulting in a loss of Rs. 0.25 lakh. The Managing Director stated (November 1973) that personal responsibility for the loss was not fixed as the Sizing Master and the Factory Manager concerned had since expired.

(l) *Idle machines.*—Machines (value : Rs. 1.72 lakhs) enumerated below have not been put to use for periods and reasons indicated against each :—

S.No.	Particulars	Year of purchase	Value	Reasons
(1)	(2)	(3)	(4)	(5)
			<i>(In lakhs of rupees)</i>	
1.	Cheese and cone winding machine (imported from the United Kingdom)	1962	0.69	It was put to use between March 1964 and July 1965, but remained unutilised thereafter as the cones produced were found defective and a new indigenous cone winding machine was purchased in May 1965 at a cost of Rs. 1.15 lakhs for processing better quality cones. The machine is still lying idle as imported parts required for repairing it and mechanic for doing the repairs were not available. The Management stated (May 1974) that the Mill intends to repair it and put it to use.
2.	38 sets of Cardever-cleaner machines (imported from Japan)	1962	0.70	These sets were imported for use on the carding machines, but could not be fitted on the carding machines installed. It was intimated (November 1969) by the Managing Director of the Corporation that efforts were being made to dispose them of. The machines are, however, still lying in packed cases (April 1974).

S.No.	Particulars	Year of purchase	value	Reasons
(1)	(2)	(3)	(4)	(5)
			(In lakhs of rupees)	
3.	Indigenous secondhand sizing machine	1966	0.20	The machine could not be commissioned for want of certain parts. The Management intends to sell it.
4.	Power looms (2 numbers) Circular winding machines (2 numbers)	1966	0.10	These machines were not used for want of licence from Government of India.
5.	Warping machine	1966	0.03	The machine was not used initially for want of creel. Even after its availability (in 1969) it was not put to use as there was already another warping machine sufficient to cope with the work. It was stated (May 1974) that arrangements were being made for the disposal of the machine.

(m) *Review of sundry debtors.*—The following table indicates the volume of book debts and sales in each of the last three years ending 1972-73 :—

As on	Book debts	Sales	Percentage of debtors to sales
(1)	(2)	(3)	(4)
	(In lakhs of rupees)		
31st March 1971	2.07	68.29	3.0
31st March 1972	3.38	1,26.55	2.7
31st March 1973	5.74	1,05.41	5.4

The table below indicates the age-wise position of debts outstanding as on 31st March 1973 :—

	(In lakhs of rupees)
More than three years old	1.38
More than two years old	1.04
More than one year old	0.61
Less than one year old	2.71
	5.74

(n) *Manpower analysis*.—The Management had neither fixed any sanctioned strength of the staff nor any work study was conducted to ascertain staff requirement on the basis of capacity utilisation. The details of actual staff employed as on the last day of each of the three years ending 1972-73 are given below :—

	(1)	31st March 1971	31st March 1972	31st March 1973
		(2)	(3)	(4)
1. Supervisory				
(a) Technical		9	9	10
(b) Non-technical		4	2	2
2. Clerical		22	30	27
3. Skilled		335	460	483
4. Unskilled/semi-skilled		68	38	62
	Total	438	539	584

The production per employee fell from Rs. 0.22 lakh in 1970-71 and 1971-72 to Rs. 0.17 in 1972-73. The Senior General Manager of the Corporation stated (September 1973) that the wage board (set up in March 1972) was considering the matter of fixing strength.

(o) *Internal audit*.—No internal audit of the mill has been conducted by the Internal Audit Cell of the head office since its inception.

Section D—Departmentally managed Government Commercial and Quasi-commercial Undertakings

8.7. As on 31st March 1973, there were two departmental commercial undertakings, *viz.*, Nationalised Text Book Scheme, Bhopal and Sales Dispensary, Indore and three quasi-commercial undertakings, *viz.*, Milk supply scheme, Bhopal, Training-cum-production Centre, Chanderi and Government Handloom Factory, Maheshwar; the financial results of these quasi-commercial undertakings on the basis of the latest available accounts are given in Appendix XI.

The *pro forma* accounts of the following schemes have not been received so far (April 1974)

(1)	Year from which <i>pro forma</i> accounts are awaited	Remarks
(1)	(2)	(3)
Forest Department—		
Purchase and sale of <i>tendu</i> leaves	1965-66 (since inception)	Form of accounts yet to be finalised.
Education Department—		
National Text Book Scheme	1960-61	The Scheme commenced in December 1957. No <i>pro forma</i> accounts have been prepared since then; Government decided (September 1966)

(1)	Year from which <i>pro forma</i> accounts are awaited (2)	Remarks (3)
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that the *pro forma* accounts of the Scheme be prepared from 1960-61 onwards. Accounts for 1960-61 and 1961-62 rendered (September 1967) to Audit were found to be incomplete and defective. The Public Accounts Committee, in their nineteenth report (April 1971), hoped that as per assurance given by the department, accounts upto 1969-70 would be got prepared within a period of two years.

Food Department—

Grain Supply Scheme	1966-67	The <i>pro forma</i> accounts of the Scheme have not been certified since 1st November 1956.
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Veterinary Department—

Government Milk Supply Scheme	1958-59 (February 1959 onwards)	The Scheme was started in February 1959. No <i>pro forma</i> accounts have been prepared since inception. Government decided (September 1972) that in place of <i>pro forma</i> accounts for the years 1958-59 to 1969-70, a statement of assets and liabilities of the scheme as on 31st March 1970 should be prepared and be treated as basis for preparing <i>pro forma</i> accounts for the year 1970-71 and onwards. Government intimated (October 1973) that the Milk Commissioner was being reminded to report progress in the matter; the report is awaited (April 1974).
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Public Health Department—

Sales Dispensary, Indore	1972-73	
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Government Handloom Factory, Maheshwar

8.8. (a) *Introduction.*—With a view to acquainting the local weavers with modern methods of production and training them, a weaving and dyeing demonstration factory was established at Maheshwar (district:Kharagone) in the year 1910 by the former Holkar State. In 1948-49, the factory was taken over as a quasi-commercial undertaking of the State Government.

Till 1963-64 the factory was production oriented and employed nearly 45-50 weavers, besides imparting training to ten trainees each year. Some trained weavers were employed in the factory on piece rate wages while others who had their own looms were issued raw material for manufacturing silk *sarees*. Since then the factory had been engaged mainly on training in dyeing and grading of cloth produced locally for ensuring quality control, and employed only ten to fifteen trained weavers in the factory. During the period from 1964-65 to 1972-73, 188 weavers were trained in the factory and were paid Rs.0.44 lakh as stipend.

(b) *Working results.*—The table below indicates the figures of production and financial working of the factory for the three years ending 1972-73 :—

Particulars (1)	1970-71 (2)	1971-72 (3)	1972-73 (4)
	(In lakhs of rupees)		
(1) Mean capital	2.73	2.67	2.64
(2) Fixed assets(gross)	0.18	0.18	0.18
(3) Raw materials consumed	0.17	0.17	0.24
(4) Wages	0.05	0.08	0.11
(5) Opening stock (finished goods)	1.15	1.08	1.04
(6) Closing stock (finished goods)	1.08	1.03	1.08
(7) Cost of sales	0.29	0.30	0.31
(8) Sales (including dyeing receipts)	0.30	0.31	0.31
(9) Gross profit	0.01	0.01	..
(10) Overheads and establishment expenses	0.72	0.69	0.71
(11) Interest on capital	0.15	0.15	0.15
(12) Other Miscellaneous receipts	0.01	0.01	0.03
(13) Net loss	(—)0.85	(—)0.82	(—)0.83

It would be seen that the factory had been continuously running in loss. The losses were attributed (September 1973) by the management mainly to un-economical production in the factory. Due to inadequate production, it had not been possible to recover overheads and establishment expenditure. It was stated that the question of treating the factory as a 'Service-cum-design centre', had been taken up by the Registrar, Co-operative Societies, Bhopal with the Government, whose decision was awaited (April 1974).

(c) *Pricing policy and costing system.*—Till April 1964, the factory was sending its products for sale on consignment basis to Government Central Godowns at Indore and Gwalior and various other emporia. From 1964-65, the factory is sending its products for sale to various emporia of the *Laghu Udyog Nigam Limited*, in addition to sales at the sale depot of the factory.

The factory follows job costing system for fixing selling prices after adding 12½ per cent on the prime cost. No provision for the factory, administrative and other overheads is made while fixing the selling prices. The factory neither prepared any monthly/annual cost sheet nor followed any system of reconciliation between the cost and financial accounts.

(d) *Sundry debtors.*—Sundry debtors for credit sale of manufactured goods as on 31st March 1973 amounted to Rs.1.06 lakhs, the break-up of which is given below :—

Name of party	Amount	Remarks
(1)	(2)	(3)
<i>(In lakhs of rupees)</i>		
1. Director of Industries, Bhopal		
(i) Central Godown, Indore	0.73	For goods supplied upto June 1965
(ii) Arts and craft emporia	0.10	—do—
2. Maheshwar Handloom Co-operative Society	0.11	Since 1st April 1963; the Society is defunct
3. Municipal Commissioner, Indore	0.03	Since 1951-52
4. Superintendent, Government Handloom Factory, Maheshwar	0.01	Prior to 1948-49; the Officer had already resigned
5. Others	0.08	
	1.06	

The dues from parties at Serial Nos.1 to 4 are yet (April 1974) to be recovered.

(e) *Stores and stock.*—The following table indicates the position of stock of finished goods and of stores at the end of each of the last three years ending 1972-73 :—

	1970-71	1971-72	1972-73
(1)	(2)	(3)	(4)
	(In lakhs of rupees)		
(i) Finished goods	1.08	1.03	1.08
(ii) Raw materials, consumable articles, dyes and chemicals.	0.26	0.23	0.19

The closing stock of finished goods was equivalent to 3.5 years' sales in 1972-73 as against 3.3 years' in 1971-72 and 3.6 years' in 1970-71. The closing stock of Rs.1.08 lakhs as on 31st March 1973 included goods worth Rs.0.89 lakh sent on consignment basis to Government Central Godowns at Indore and Gwalior and eight arts and crafts emporia prior to May 1964, for which the consignees have not rendered accounts of sales.

The closing stock of raw materials, consumable articles, dyes and chemicals as on 31st March 1973 was equivalent to 9 months' consumption as against 16 months' in 1971-72 and 18 months' in 1970-71.

Section E—Co-operative Institutions

8.9. *Co-operative Spinning Mill Limited, Burhanpur.*—(a) *Introduction.*—The Co-operative Spinning Mill Limited, Burhanpur was registered in October 1964 under the Madhya Pradesh Co-operative Societies Act, 1960.

(b) *Capital Structure.*—The Co-operative Spinning Mill was formed with an authorised share capital of Rs.50.00 lakhs, which was later raised. As on 30th June 1973, the authorised share capital stood at Rs.1,00.00 lakhs, against which the paid up capital was Rs.43.65 lakhs contributed by Government (Rs.41.38 lakhs) and individuals (Rs.2.27 lakhs). Contribution by Societies/Individuals is required to be in the ratio of 50:50.

The Managing Director stated (April 1973) that as the financial condition of the weavers and farmers in the area was not good, their contribution was inadequate but this was expected to increase gradually. It was also stated (January 1974) that the society was availing itself of every opportunity to increase the share capital contribution by societies and individuals and that such contributions had increased to Rs.9.72 lakhs by 31st December 1973.

In addition to the capital, the society obtained long term loans from different sources. The total amount of loans outstanding as on 30th June 1973 amounted to Rs.65.73 lakhs (Rs.10.61 lakhs from State Government, Rs.15.12 lakhs from Madhya Pradesh Financial Corporation and Rs.40.00 lakhs from Industrial Finance Corporation).

The table below indicates details of amounts of principal and interest overdue and outstanding as on 30th June 1973 :—

Source	Loans		Purpose	Amount overdue and outstanding at the end of June 1973	
	Date	Amount		Principal	Interest
(1)	(2)	(3)	(4)	(5)	(6)
		<i>(In lakhs of rupees)</i>		<i>(In lakhs of rupees)</i>	
State Government	21-2-1968	8.75	Purchase of machinery	} 10.61	5.25
	28-1-1969	10.00	Development of spinning mill		
Madhya Pradesh Financial Corporation	1-9-1967	6.00	} Construction of building and purchase of machinery	..	..
	27-2-1970	14.00			
Industrial Finance Corporation of India	28-6-1972	40.00	Purchase of machinery	..	..

In October 1971, the State Government converted Rs.8.14 lakhs out of the loan granted by them into share capital with the condition that the society should repay the balance loan of Rs.10.61 lakhs with interest to the State Government immediately on receipt of loan from the Industrial Finance Corporation of India (for which an application was then pending). Although the Society received a loan of Rs.40.00 lakhs in June 1972 from the Industrial Finance Corporation of India, Rs.10.61 lakhs with interest have not been repaid to the State Government so far (April 1974).

The society also obtained deferred credit against guarantee given by the Madhya Pradesh State Co-operative Bank Limited for purchase of machinery and components from various suppliers. The deferred credit outstanding upto the end of June 1973 amounted to Rs.1.77 lakhs.

The debt equity ratio (including deferred credit) as on 30th June 1973 was 1: 0.56.

To meet its requirements of working capital the mill also resorted to cash credit facilities from the Madhya Pradesh State Co-operative Bank Limited. The total amount outstanding on this account upto 30th June 1973 was Rs.18.37 lakhs.

(c) *Working results.*—The working results of the mill for the last three years are analysed below :—

	1970-71	1971-72	1972-73
	(In lakhs of rupees)		
<i>Income:</i>			
(i) Sales and service (less discounts)	84.88	88.07	99.53
(ii) Miscellaneous income	0.07	0.12	0.18
Total (A)	84.95	88.19	99.71
<i>Expenditure:</i>			
(i) Raw materials including power consumed	73.39	73.51	71.62
(ii) Wages	4.98	6.01	8.32
(iii) Manufacturing overheads (excluding depreciation)	0.32	0.39	0.27
(iv) Difference in opening and closing stock of work in progress	(—)0.38	(+)0.17	(—)0.30
Direct cost of production	78.31	80.08	79.91
(v) Difference in opening and closing stock of finished products	(+)6.43	(+)0.03	(—)0.05
Manufacturing cost of goods sold	84.74	80.11	79.86
(vi) Administration and other overheads	3.36	4.66	5.09
(vii) Interest on borrowings	9.43	9.48	8.67
(viii) Depreciation	12.03	10.94	8.91
Total cost of goods sold (B)	1,09.56	1,05.19	1,02.53
Net loss (B—A)	24.61	17.00	2.82

The project report based on 12,300 spindles anticipated a gross profit of Rs.10.45 lakhs per annum. The mill has, however, been running in losses. The accumulated losses by the end of year 1972-73 amounted to Rs.53.66 lakhs.

The Managing Director attributed (April 1973) the losses to :—

- (i) heavy incidence of interest and depreciation;
- (ii) purchase of inferior quality of cotton allotted by co-operative ginning presses at higher cost at the instance of Registrar, Co-operative Societies and Government resulting in a loss of Rs.11.18 lakhs and non-availing of the advantage of lower rates of Gujarat Cotton for want of funds; and
- (iii) fall in prices of yarn from February 1971 onwards.

It was also stated that profitability was difficult to achieve in such undertakings in the first few years.

According to the Registrar, Co-operative Societies, it was now agreed in principle by the Government of India that spinning mill unit of less than 25,000 spindles would not be a viable unit.

Raipur Co-operative Marketing and Processing Society Limited, Raipur

8.10 (a) *Introduction.*—The Raipur Vikas Khand Vipnan Sanstha, Raipur (later renamed as Raipur Co-operative Marketing and Processing Society Limited, Raipur) was registered as a co-operative society under the Co-operative Societies Act, 1960, on 9th August 1961 mainly for purchasing, processing, selling and distribution of agricultural, forest and other produce of members and their grading, storing and transportation.

(b) Capital structure and financial assistance.

(i) Share capital.—The society was registered with authorised share capital of Rs.5 lakhs, which was raised from time to time. On 30th June 1973, the authorised share capital was Rs.25 lakhs against which, the paid up capital was Rs. 19.90 lakhs of which Rs.17.38 lakhs were contributed by the State Government and the remaining Rs.2.52 lakhs by co-operative societies and individual agriculturists. Share capital contributed by Government was to be repaid in ten equal annual instalments, the first instalment being due three years after the date of receipt of the contribution.

The table below indicates position of the instalments overdue for repayment to State Government :—

Year in which share capital was contributed	Amount contributed	Amount due for repayment upto 30th June 1973	Amount actually repaid	Amount overdue	Aggregate contribution as on 30th June 1973
(1)	(2)	(3)	(4)	(5)	(6)
<i>(In lakhs of rupees)</i>					
1961-62	0.25	0.23	0.15	0.08	0.10
1962-63	1.50	1.20	0.60	0.60	0.90
1964-65	8.50	5.10	..	5.10	8.50
1967-68	6.88	2.06	..	2.06	6.88
1969-70	1.00	0.10	..	0.10	1.00
Total	18.13	8.69	0.75	7.94	17.38

(ii) Financial assistance from government:

(1) The table below indicates the position as on 30th June 1973, of loans received from Government and their repayment :—

Year in which received	Amount	Purpose	Terms of repayment	Balance of loan on 30th June 1973	Amount repayment of which was overdue	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<i>(In lakhs of rupees)</i>			<i>(In lakhs of rupees)</i>		
1961-62	0.19	Construction of godowns	Repayable in 15 equated annual instalments of Rs.1,716 each	0.07	0.02	One equated instalment due on 31st March 1973 was overdue
1964-65	11.25	Construction of silos	Repayable in 15 annual equated instalments of Rs. 1,13,652 each	11.25	9.09	Eight equated instalments had become overdue upto 31st March 1973
1972-73	0.22	Construction of godowns	*	0.22	..	*
Total	11.66			11.54	9.11	

* Information is awaited.

(2) Government had also paid Rs.3.94 lakhs as subsidy to the society for the purposes stated below :—

Year	Amount (In lakhs of rupees)	Purpose
1960-61	0.06	Construction of godowns. The amount was, however, refunded to Government in 1964-65
1964-65	3.75	Construction of silos
1972-73	0.13	Construction of godown
Total	3.94	

(3) *Working capital.*—In addition, Government provided to the society for running its rice mill working capital of Rs.6 lakhs in 1971-72 (Rs.3 lakhs) and 1972-73 (Rs.3 lakhs).

(iii) *Cash credit facility from co-operative sector.*—The Central Co-operative Bank, Raipur, had extended cash credit facilities to the society against hypothecation of stores to the extent of Rs.14 lakhs in 1968-69. The limit was raised from time to time and during 1972-73, the limit was Rs.30 lakhs. Against the closing stock of Rs.8.31 lakhs as on 30th June 1973, Rs.22.67 lakhs were outstanding against the cash credit.

(c) *Working results.*—The working results of the society during the last three years ending 1972-73 are given below:—

	1970-71	1971-72	1972-73
	(In lakhs of rupees)		
A. Income :			
(i) Sales	43.89	54.54	41.99
(ii) Other income (including income from milling of paddy received from Food Corporation of India).	1.43	1.82	0.39
Total (A)	45.32	56.36	42.38
B. Expenditure :			
(i) Materials	42.33	50.66	38.21
(ii) Processing overheads (excluding depreciation)	2.24	1.23	0.65
(iii) Processing cost of goods sold	44.57	51.89	38.86
(iv) Administrative and other overheads	4.42	4.45	3.43
(v) Interest on borrowings	3.06	3.16	3.81
(vi) Depreciation	2.00	2.00	1.77
Total (B)	54.05	61.50	47.87
Loss (B minus A)	8.73	5.14	5.49

The accumulated losses upto the end of 1972-73 amounted to Rs.31.06 lakhs. The losses were attributed by the President of the Society (January 1974) to :—

- (i) delay in construction of silos and seepage of water in the silo tunnel due to defective construction,
- (ii) delay in commissioning of the parboiling plant set up in August 1970 which could be commissioned only in February 1972,
- (iii) defects in the installation of boiler resulting in extra expenditure of about Rs.0.25 lakh to Rs.0.30 lakh per annum on electricity required for the operation of the rice mill,
- (iv) owing to non-completion of road from weigh bridge to dump pit, extra expenditure had to be incurred on transportation of paddy through manual labour, and
- (v) non-availability of sufficient working capital,

(d) *Investment in rice mills.*—In 1962-63, Government contributed Rs.1.50 lakhs towards share capital to enable the society to set up a rice mill at Raipur. The society, however, took a private rice mill having a milling capacity of 6000 tons per annum on lease on payment of Rs.0.36 lakh for a period of three years from November 1963. In 1964, the society was also allotted a modern imported rice mill with a capacity of 2 tons per hour under the Intensive Agricultural District Programme and this mill was commissioned in January 1966. Thereupon, the Registrar, Co-operative Societies asked the society (January 1966) to refund Rs.1.50 lakhs as they were no more required to set up any new rice mill. Instead of refunding the amount, the society purchased the private mill for Rs.0.60 lakh in December 1966. Since the society had been incurring heavy losses on the running of the private mill owned by the society and was not in a position to run two mills, the Board of Directors decided (August 1969) to sell or lease out the Mill. The Mill was leased to a private party at annual rent of Rs.13,100 from January 1970 to December 1972. It remained idle from January 1973 to October 1973 and was again leased in November 1973 at annual rent of Rs.41,100 for one year.

Section F—Investments and Guarantees

8.11 *Investments.*—The table below indicates the investments of the State Government in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operative Societies and the returns therefrom :—

(1)	Investments as on 31st March 1973		Interest/Dividend received during 1972-73	
	Number (2)	Amount (3) <i>(In lakhs of rupees)</i>	Number (4)	Amount (5) <i>(In lakhs of rupees)</i>
Statutory Corporations	3	11,12.71	1	1.77
Government Companies	14	9,36.97	1	6.61
Joint Stock Companies	28	1,00.74	10	6.06
Co-operative Societies and Banks	..	34,46.72	..	57.59

Further details are given in statement No.14 of Finance Accounts 1972-73.

8.12 *Guarantees given by Government.*—Government has given guarantees to third parties on behalf of Statutory Corporations, Government Companies, Joint Stock Companies and Co-operative institutions for repayment of loans and, payment of interest thereon, payment of minimum annual dividend, repayment of cash credit/overdraft, etc. The maximum amount of guarantees given by Government at the end of 1972-73 was Rs.338.87 crores while sums guaranteed outstanding on 31st March 1973 were (to the extent information has been received) Rs.133.37 crores as shown below :—

(1)	Maximum amount guaranteed	Sums guaranteed outstanding on 31st March 1973
	(2)	(3)
	<i>(In crores of rupees)</i>	
Statutory Corporations	55.54	49.08
Government Companies	2.49	0.84
Joint Stock Companies	3.70	1.44
Co-operative institutions (banks and societies)	277.14	82.01
Total	338.87	133.37

In addition, Government has given guarantees with unlimited liability on behalf of Madhya Pradesh State Road Transport Corporation and Madhya Pradesh Electricity Board for payment of cost of stores purchased through the Director General, Supplies and Disposals, New Delhi and for payment of freight and other dues to Railway Board.

The total amount paid to the end of 1972-73 by Government in fulfilment of guarantees on behalf of joint stock companies was Rs.40.29 lakhs, of which only Rs.2.75 lakhs were recovered so far (March 1974).

CHAPTER IX

OUTSTANDING AUDIT OBSERVATIONS AND INSPECTION REPORTS

9.1. *Outstanding audit observations.*—Audit observations on financial transactions of Government are reported to departmental authorities so that appropriate action is taken to rectify the defects and omissions where possible and to prevent recurrence thereof. Half yearly reports of such observations outstanding for more than six months are also forwarded to Government to enable it to take necessary steps for their prompt settlement. Government has also issued directions from time to time requiring departments to take suitable steps to ensure immediate clearance of these observations.

Year-wise analysis of observations raised upto March 1973 but remaining unsettled upto September 1973 is given below :—

Year of issue (1)	Civil Departments		Commercial departments/activities		Revenue Receipts	
	Number (2)	Amount (3) <i>(In lakhs of rupees)</i>	Number (4)	Amount (5) <i>(In lakhs of rupees)</i>	Number (6)	Amount (7) <i>(In lakhs of rupees)</i>
1969-70 and earlier years.	96,865	21,11.39	2	0.14	853	91.36
1970-71	22,089	7,86.98	..	..	206	4.67
1971-72	29,760	12,54.76	..	..	407	34.32
1972-73	46,889	22,58.32	..	..	1,746	27.53
Total	1,95,603	64,11.45	2	0.14	3,212	1,57.88

The following departments have comparatively heavy outstanding observations :—

S.No. (1)	Department (2)	Number (3)	Amount (4) <i>(In lakhs of rupees)</i>
1.	Public Works (Buildings and Roads)	26,748	13,48.74
2.	Irrigation	23,259	12,81.81
3.	Education	27,503	4,54.09
4.	Public Health Engineering	10,709	4,48.44
5.	Food	3,123	3,88.38
6.	Public Health	12,086	3,02.43
7.	Medical	5,731	2,72.93
8.	Agriculture	19,672	2,67.71
9.	Miscellaneous Social and Developmental Organisations	7,933	2,22.09
10.	Animal Husbandry	7,280	1,49.84
11.	General Administration	5,841	74.24
12.	Forest	4,555	51.29

The following is a broad analysis of the reasons for which audit observations have remained outstanding :—

S.No.	Nature of observations	Civil Departments		Commercial Departments/activities		Revenue receipts	
		Number	Amount	Number	Amount	Number	Amount
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
			<i>(In lakhs of rupees)</i>		<i>(In lakhs of rupees)</i>		<i>(In lakhs of rupees)</i>
1.	Payees' receipts not received	87,213	26,72.09	..	..	..	..
2.	Agreements with contractors/suppliers not received	940	9,62.43	..	..	..	..
3.	Detailed bills for lump sum drawals not received	34,207	7,62.46	..	..	..	..
4.	Sanctions to reserve limit of stock not received	196	6,77.75	..	..	..	..
5.	Vouchers not received	5,719	2,87.19	..	..	..	..
6.	Sanctions not received for contingent and miscellaneous expenditure	5,207	2,63.66	..	..	..	..
7.	Advances paid to Government servants not recovered	40,559	93.12	..	..	..	..
8.	Details of expenditure not received	355	27.26	..	..	..	..
9.	Sanctions to estimates not received	437	25.28	..	..	..	..
10.	Delay in re-assessment of sales tax cases	..	..	..	..	1,463	21.05
11.	Overpayments or amounts disallowed in audit not recovered	3,850	17.42	1	0.01	..	..
12.	Sanctions for establishments not received	463	7.38	..	..	..	..

S.No.	Nature of observations	Civil departments		Commercial departments/activities		Revenue receipts	
		Number	Amount	Number	Amount	Number	Amount
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
			(In lakhs of rupees)		(In lakhs of rupees)		(In lakhs of rupees)
13.	Breach of financial propriety	1	2.35	..	..	..	..
14.	Recoveries of Medical Bills	315	0.45	..	..	..	..
15.	Excess payments due to difference in rates	80	0.25	..	..	..	..
16.	Sanctions to write-off of losses, etc., not received	..	..	1	0.13	..	..
17.	Other reasons	16,061	6,12.36	..	..	1,749	1,36.83
	Total	1,95,603	64,11.45	2	0.14	3,212	1,57.88

The facility of drawing amounts as advances on abstract contingent bills by disbursing officers is intended to expedite payments in certain cases, but they are to be followed by detailed contingent bills (containing all particulars of expenditure with supporting sub-vouchers and payees' receipts duly countersigned by the Controlling authorities) which should be sent to the audit officer by the 25th of the month succeeding that to which the abstract contingent bills relate. In the absence of detailed contingent bills, there cannot be a proper audit scrutiny of the expenditure and there is always the possibility of misappropriations, frauds, etc., remaining undetected. Moreover, in the absence of these bills, Audit does not know whether the amount has at all been spent on the purpose or purposes for which the advances were drawn. Rupees 7,62.46 lakhs are held under observation as detailed contingent bills have not been received in audit office. The departments with comparatively heavy outstanding are mentioned below :—

Department	Amount
(1)	(2)
	(In lakhs of rupees)
Education	1,62.87
Animal Husbandry	1,26.83
Agriculture	1,25.97

Rupees 29,59.28 lakhs are held under observation as vouchers and payees' receipts have not been received from the disbursing officers. Consequently, it could not be verified that the amounts had been properly spent and paid. The

Departments with comparatively heavy outstandings on account of non-receipt of vouchers and payees' receipts are mentioned below :—

Department (1)	Amount (2) <i>(In lakhs of rupees)</i>
Public Works—Buildings and Roads	6,30.12
Irrigation	6,04.22
Public Health Engineering	2,76.70
Food	2,03.77
Medical	1,99.87
Tube-wells	1,21.81
Public Health	1,18.11
Education	1,03.37
Community Development Project	1,00.77

9.2. *Outstanding inspection reports.*—Audit observations on financial irregularities and defects in initial accounts, noticed during local audit and not replied to adequately during the course of audit and not settled by discussion of the draft audit inspection report on the spot with the head of office, are communicated to heads of offices and to the next higher departmental authorities through audit inspection reports. The more important irregularities are reported to heads of departments and Government. The points mentioned in the reports are to be settled as expeditiously as possible if the object of inspection is to be achieved. Unless such reports receive prompt attention, there is likelihood of irregularities persisting. Therefore, Government has prescribed that first replies to inspection reports should be sent within five weeks. In spite of this direction and other instructions issued from time to time, a large number of old inspection reports and paragraphs are outstanding.

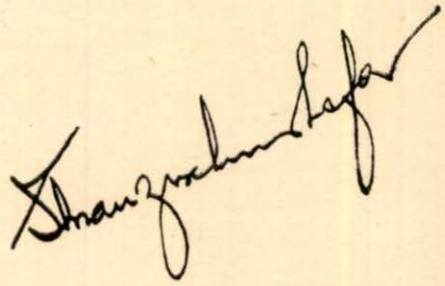
At the end of September 1973, 7,860 inspection reports, containing 33,545 paragraphs, issued upto March 1973 remained unsettled. An analysis of the inspection reports and paragraphs outstanding at the end of September 1973 is given below :—

Year of issue (1)	Civil departments		Commercial departments/activities		Revenue receipts	
	Number of inspection reports (2)	Number of paragraphs (3)	Number of inspection reports (4)	Number of paragraphs (5)	Number of inspection reports (6)	Number of paragraphs (7)
1968-69 and earlier years	3,480	10,640	4	19	313	976
1969-70	857	3,299	..	..	84	394
1970-71	879	3,783	1	2	77	524
1971-72	806	4,016	..	..	67	602
1972-73	1,163	7,429	2	6	127	1,855
Total	7,185	29,167	7	27	668	4,351

These include 988 inspection reports (640—Civil, 285—Public Works and 63—Revenue receipts) for which first replies had not been received till the end of September 1973 even after expiry of 6 months to 2 years.

Departments with comparatively heavy outstandings are given in Appendix XII.

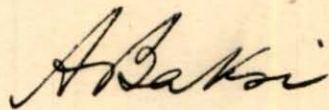
Some of the important types of irregularities noticed in local audit and inspection during 1972-73 are briefly mentioned in Appendix XIII.



Gwalior:
The

(S. MANZUR-e-MUSTAFA)
Accountant General, Madhya Pradesh-1.

Countersigned.



New Delhi :
The

(A. BAKSHI)
Comptroller and Auditor General of India.

APPENDIX I

(Reference: Paragraph 2.2, Page 18)

EXTENT OF UTILISATION OF SUPPLEMENTARY GRANTS

S. No.	Number and name of grant or appropriation	Amount of grant	Actual expenditure	Excess + Saving — (Percentage)
(1)	(2)	Original	Supplementary	(6)
		(3)	(4)	(5)
(In lakhs of rupees)				
I—Unnecessary supplementary grants—				
1.	4—Other Revenue Expenditure pertaining to Home Department	87.03	9.60	75.07 —21.56 (22)
2.	8—Land Revenue and District Administration	12,02.63	60.49	11,87.87 —75.25 (6)
3.	11—Revenue Expenditure pertaining to Commerce and Industry Department	1,89.57	19.16	1,60.25 —48.48 (23)
4.	13—Agriculture	12,59.01	1,72.62	11,76.88 —2,54.75 (18)
5.	15—Co-operation	2,50.90	8.41	2,36.95 —22.36 (9)
6.	24—Education	70,61.57	1,08.92	66,24.68 —5,45.81 (8)
7.	31—Social Welfare	2,41.14	10.41	2,20.97 —30.58 (12)
8.	39—Capital Expenditure pertaining to Co-operation Department	5,49.28	86.39	5,37.31 —98.36 (15)
9.	40—Capital Expenditure pertaining to Public Health Department	4,04.19	89.73	3,68.27 —1,25.65 (25)
10.	42—Capital Outlay on Multi-purpose River Schemes and Irrigation	41,41.71	1,18.02	40,41.60 —2,18.13 (5)
11.	43—Capital Outlay on Public Works	14,94.34	17.23	14,86.51 —25.06 (2)
12.	47—Capital Expenditure pertaining to Food Department	2,44.39	35.10	73.88 —2,05.61 (73)

APPENDIX I—Contd.

S. No.	Number and name of grant or appropriation	Amount of grant Original	Supplementary	Actual expenditure	Excess + Saving — (Percentage)
(1)	(2)	(3)	(4)	(5)	(6)
<i>(In lakhs of rupees)</i>					
II—Excessive Supplementary Grants—					
1.	2—Other Revenue Expenditure pertaining to General Administration Department	33.87	21.48	47.45	—7.90 (14)
2.	9—Other Revenue Expenditure pertaining to the Revenue and Land Reforms Department	7,03.58	9,75.91	8,98.28	—7,81.21 (47)
3.	19—Revenue Expenditure pertaining to Local Government (Urban) Department	1,16.48	16.00	1,23.58	—8.90 (7)
4.	51—Loans and Advances pertaining to Commerce and Industry Department	90.56	12.00	92.90	—9.66 (9)
5.	52—Loans and Advances pertaining to Electricity Department	5,91.50	5,99.03	10,75.52	—1,15.01 (10)
6.	53—Loans and Advances pertaining to Agriculture Department	12,54.60	8,74.00	17,05.47	—4,23.13 (20)
7.	54—Loans and Advances pertaining to Co-operation Department.	87.22	1,42.37	2,18.18	—11.41 (5)
8.	56—Loans and Advances pertaining to Local Government (Urban) Department	20.00	91.85	38.32	—73.53 (66)
9.	58—Loans and Advances	2,05.85	1,05.26	2,45.06	—66.05 (21)

APPENDIX I—*Concl'd.*

S. No.	Number and name of grant or appropriation	Amount of grant Original	Supple-mentary	Actual expendi-ture	Excess+ Saving — (Percen-tage)
(1)	(2)	(3)	(4)	(5)	(6)
<i>(In lakhs of rupees)</i>					
III—Inadequate Supplementary Grants—					
1.	3—Police	21,58.10	58.34	22,26.54	+10.10 (0.4)
2.	17—Medical & Public Health	31,70.19	98.40	35,23.28	+2,54.69 (8)
3.	25—State Legislatures and Elections	77.69	8.63	1,01.35	+15.03 (17)
4.	27—Community Development Projects, National Extension Service and Local Development Works	8,90.65	11.80	10,04.83	+1,02.38 (11)

APPENDIX II

(Reference : Paragraph 2.4, Page 23)

GRANTS/APPROPRIATIONS WHERE SAVINGS EXCEEDED 20 PERCENT
OF TOTAL PROVISION

S. No.	Number and name of grant or appropriation	Total grant/ appro- priation	Actual expendi- ture	Saving (Percen- tage)
(1)	(2)	(3)	(4)	(5)
		<i>(In lakhs of rupees)</i>		
1.	4—Other Revenue Expenditure pertaining to Home Department	96.63	75.07	21.56 (22)
2.	6—Revenue Expenditure pertaining to Finance Department (<i>Charged</i>)	7.68	3.01	4.67 (60)
3.	9—Other Revenue Expenditure pertaining to the Revenue and Land Reforms Department	16,79.49	8,98.28	7,81.21 (47)
4.	11—Revenue Expenditure pertaining to Commerce and Industry Department	2,08.73	1,60.25	48.48 (23)
5.	16—Labour and Employment	4,95.58	2,65.87	2,29.71 (46)
6.	32—Rehabilitation	1,83.04	1,00.41	82.63 (45)
7.	35—Tourism	8.82	3.89	4.93 (56)
8.	36—Archaeology	8.23	5.89	2.34 (28)
9.	37—A—Capital Expenditure pertaining to Labour and Employment	73.00	47.16	25.84 (35)
10.	38—Capital Expenditure pertaining to Agriculture Department	16,98.18	12,89.47	4,08.71 (24)
11.	40—Capital Expenditure pertaining to Public Health Department	4,93.92	3,68.27	1,25.65 (25)
12.	41—Capital Expenditure pertaining to Town and Country Planning Department (<i>Charged</i>)	3.00	..	3.00 (100)
13.	42—Capital Outlay on Multipurpose River Schemes and Irrigation (<i>Charged</i>)	6.32	4.70	1.62 (26)
14.	46—Capital Expenditure pertaining to Rehabilitation Department	5.66	2.90	2.76 (49)
15.	47—Capital Expenditure pertaining to Food Department	2,79.49	73.88	2,05.61 (74)

APPENDIX II—concl'd.

S. No.	Number and name of grant or appropriation	Total grant/ appropriation	Actual expendi- ture	Saving (Percen- tage)
(1)	(2)	(3)	(4)	(5)
		<i>(In lakhs of rupees)</i>		
16.	48—Miscellaneous Capital Expenditure	2.85	2.07	0.78 (27)
17.	55—Loans and Advances pertaining to Public Health Department	45.93	21.76	24.17 (53)
18.	56—Loans and Advances pertaining to Local Government (Urban) Depart- ment	1,11.85	38.32	73.53 (67)
19.	57—Loans and Advances pertaining to Planning and Development Depart- ment	2.50	..	2.50 (100)
20.	58—Loans and Advances	3,11.11	2,45.06	66.05 (21)

APPENDIX

(Reference: Paragraph 3.1,

CRASH SCHEME FOR RURAL EMPLOYMENT—ANALYSIS OF "LABOUR"

District	Expenditure		ROADS Mandays generated	Cost per manday	
	Labour	Non-labour		Wages alone	Total expenditure
(1)	(2)	(3)	(4)	(5)	(6)
	Rs.	Rs.		Rs.	Rs.
Raipur	42,68,332	3,53,053	22,76,241	1.87	2.03
Sagar	4,44,962	1,72,360	1,86,861	2.38	3.30
Bastar	20,97,559	6,86,750	11,07,857	1.89	2.51
Dhar	10,46,819	51,390	5,06,811	2.06	2.16
Guna	2,92,288	3,25,276	1,71,703	1.70	3.60
Shahdol	8,32,710	3,14,285	4,35,420	1.91	2.63
Shivpuri	1,14,588	46,327	42,210	2.71	3.81
Indore	2,59,040	66,250	1,07,495	2.41	3.03
Total	93,56,298	20,15,691	48,34,598		
Ratio between 'Labour' and 'Non-labour' elements of cost.	82%	18%			

iii

Page 30)

AND "NON-LABOUR" COMPONENTS OF EXPENDITURE INCURRED IN
EIGHT SELECTED DISTRICTS

Labour	Expenditure		TANKS	Cost per manday	
	Non-labour		Mandays generated	Wages alone	Total expenditure
(7)	(8)		(9)	(10)	(11)
Rs.	Rs.			Rs.	Rs.
10,83,263	13,000		5,57,255	1.94	1.95
1,59,491	19,633		85,741	1.86	2.09
9,67,274	1,30,394		4,97,058	1.94	2.21
4,67,772	44,380		2,19,907	2.13	2.33
3,38,912	27,892		1,35,988	2.48	2.68
11,087	5,233		6,412	1.73	2.55
8,63,287	85,476		3,34,834	2.57	2.83
7,58,770	94,180		2,93,792	2.58	2.90
46,49,856	4,20,188		21,30,987		
91%	9%				

APPENDIX

(Reference: Paragraph 3.1.

CRASH SCHEME FOR RURAL EMPLOY

Description of works	Works approved by the State Government Number	Estimated cost in lakhs of rupees	Number of works taken up for execution/for which grants were paid	Number of works completed by the 31st March 1973	Number of works abandoned
(1)	(2)	(3)	(4)	(5)	(6)
1. Roads	1507		1508	153	36
2. Tanks (Irrigation and Nistar)	1273	1121.23	1072	384	12
3. Additional school rooms, etc.	2867		1155	161	..
4. Rural godowns (1971-72)	167	25.00	167	12	..
5. Rural godowns (1972-73)	80	80.00	80	..	..
6. Miscellaneous	..	..	..	..	..
7. Expenditure for* which break-up was not available	..	..	..	..	..
Total	5894	1226.23	3982	710	48

*Note.—This represents outlay in respect of 4 districts in 1971-72 and 11 districts in 1972-73, for which break-up according to type of works was not available.

IV

Page 31)

MENT—PROGRESS OF WORKS

Number of works in progress on 31st March 1973 including grant-in-aid works construction of which had not commenced.	Expenditure incurred in lakhs of rupees			Percentage of expenditure of Rs. 6,37.65 lakhs for which break-up is available	Mandays of employment generated in lakhs	
	1971-72	1972-73	Total			
(7)	(8)	(9)	(10)	(11)		(12)
1319	78.31	282.83	361.14	57		
676	23.80	79.81	103.61	16		
994	7.00	56.87	63.87	10		
155	25.00	..	25.00	16	1971-72	41.98
80	..	80.00	80.00		1972-73	190.43
					Total	<u>232.41</u>
..	0.02	4.01	4.03	1		
..	9.65	146.90	156.55*			
3224	143.78	650.42	794.20	100		232.41

APPENDIX

(Reference : Paragraph 3.1,

CRASH SCHEME FOR RURAL EMPLOYMENT—PROGRESS OF SCHEME

(Amounts are in lakhs of rupees)

Type of work	Works which were taken up or for which grants were paid		Works completed		Works given up or transferred to other schemes	
	Number	Estimated cost	Number	Expenditure incurred	Number	Expenditure incurred
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Construction of roads.	440	225.77	25	3.68	6	0.36
2. Construction or special repairs to—						
(a) Irrigation tanks	81	49.18	12	4.10	1	0.09
(b) Nistari tanks	324	27.48	221	14.48	4	0.21
3. Construction of additional school rooms and other miscellaneous works	439	17.42	85	3.33	..	..
4. Construction of rural godowns.	52	23.10	4	0.60	..	..
Total	1,336	342.95	347	26.19	11	0.66

Note.—N. A. stands for 'not available'.

V

Page 36)

WORKS IN EIGHT DISTRICTS SELECTED FOR TEST CHECK

Works construction of which had not commenced		Works in progress on 31st March 1973		Expenditure incurred upto 31st March 1973		Total	Mandays of employment reported to have been generated (In lakhs)
Number	Grants paid	Number	Expenditure incurred	on wages of workers	on 'Non-labour' components		
(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
..	..	409	109.68	93.56	20.16	113.72	48.35
..	..	68	31.82	46.50	4.20	50.70	21.31
..	..	99					
3	0.15	351	13.93	NA	NA	17.41	NA
29	19.65	19	2.85	NA	NA	23.10	NA
32	19.80	946	158.28	..	..	204.93	..

APPENDIX VI

(Reference: Paragraph 3.2., Page 43)

REGIONAL DISTRIBUTION OF EFFORT UNDER THE EMERGENCY
AGRICULTURAL PRODUCTION PROGRAMME

Description of area	Energisa- tion of tube-wells/ pump-sets	Agriculu- ral inputs- loan assis- tance for purchase of machinery fertilisers	Private Lift irrigation- Loan assistance for purchase of pump-sets	Lift irriga- tion assistance of	Govern- ment Lift Irrigation- departme- ntal pump- sets-Agri- culture
(1)	(2)	(3)	(4)	(5)	(6)
(1) Total quantum of effort	9,328	500.73	6,570	200.00	1,218
(2) Predominantly kharif areas-11 districts out of 43 (26%)					
(a) Quantum of effort	2,490	151.61	1,544	52.05	167
(b) Percentage of total effort	27	30	24	26	12
(3) Districts which had more than average rainfall in 1972 (upto 10-11-1972)-8 out of 43 (19%)—					
(a) Quantum of effort	1,335	126.61	990	27.25	299
(b) Percentage of total effort	14	25	15	14	25
(4) Districts which had less than 75% of average rainfall in 1972 (upto 10-11-1972)—14 out of 43 (33%)—					
(a) Quantum of effort	3,336	114.28	2,057	66.85	354
(b) Percentage of total effort	35	23	31	33	29

APPENDIX

(Reference : Paragraph 3.8,

CASES OF MISAPPROPRIATION REPORTED UPTO THE 31st MARCH 1973

S.No.	Name of the department	Cases reported in 1967-68 and earlier years		Cases reported during 1968-69		Cases reported during 1969-70	
		No. of cases	Amount (In lakhs of rupees)	No. of cases	Amount (In lakhs of rupees)	No. of cases	Amount (In lakhs of rupees)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	Agriculture	31	0.78	1	1.09	8	0.39
2.	Revenue	56	2.32	8	0.26	7	0.16
3.	Education	21	1.28	5	0.40	6	4.32
4.	Irrigation	24	0.44	5	0.16	3	0.21
5.	Public Works	21	2.31	3	0.24	..	..
6.	Planning and Development	18	1.36	..	..	4	0.64
7.	Tribal Welfare	16	0.94	2	0.21	2	0.14
8.	Forest	9	0.18	2	0.01	3	0.15
9.	Food	9	3.19	..	..	1	0.08
10.	Public Health	2	0.12	..	..	3	0.12
11.	Police	6	0.08	..	..	3	0.70
12.	Veterinary	6	0.31	..	..	..	..
13.	Industries	6	0.40	1	0.10	..	..
14.	Medical	3	1.41	1	0.10	2	0.07
15.	Law	3	0.09	..	..	..	..
16.	Co-operation	2	0.03	..	..	1	0.02
17.	Publicity	3	0.17	..	..	..	..
18.	Excise	2	0.31	..	..	..	..
19.	Labour and Employment	1	0.01	..	..	..	..
20.	Finance	..	..	1	2.64	..	..
21.	Social Welfare	1	0.02	..	..	..	..
22.	Rehabilitation	..	..	1	0.02	..	..
23.	Public Health Engineering	6	0.28	1	0.02	1	0.01
24.	Home	..	..	..	..	..	..
	Total	246	16.03	31	5.25	44	7.01

*Include Rs. 0.29 lakh recovered in 1972-73.

VII

(page 77)

BUT NOT FINALISED TILL THE 30th SEPTEMBER 1973

Cases reported during 1970-71		Cases reported during 1971-72		Cases reported during 1972-73		Total	
No. of cases	Amount (In lakhs of rupees)	No. of cases	Amount (In lakhs of rupees)	No. of cases	Amount (In lakhs of rupees)	No. of cases	Amount (In lakhs of rupees)
(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
7	1.22	8	15.56	5	0.20	60	19.24
9	0.76	20	1.44	8	0.77	108	5.71
2	0.43	20	1.63	2	0.03	56	8.09
3	0.21	8	0.24	4	0.32	47	1.58
2	0.56	..	..	3	0.03	29	3.14
2	0.06	..	..	2	0.04	26	2.10
7	0.12	16	6.42	6	0.32	49	8.15
4	0.47	2	0.05	1	0.01	21	0.87
..	..	1	0.14	..	..	11	3.41
1	0.08	5	0.44	1	0.06	12	0.82
2	0.02	3	0.03	5	0.17	19	1.00
6	0.12	2	0.20	5	0.22	19	0.85
1	1.10	1	0.03	2	0.26	11	1.89
1	0.02	4	0.17	7	0.98	18	2.75
..	..	..	..	5	0.07	8	0.16
1	0.05	1	@	..	..	5	0.10
..	..	..	..	..	..	3	0.17
..	..	..	..	1	1.26*	3	1.57
..	..	1	0.01	1	0.16	3	0.18
..	..	..	..	..	..	1	2.64
..	..	..	..	2	0.14	3	0.16
..	..	..	..	..	..	1	0.02
..	..	1	0.02	..	..	9	0.33
..	..	..	..	1	1.24	1	1.24
48	5.22	93	26.38	61	6.28	523	66.17

@Rs. 29 only

APPENDIX VIII

(Reference: Paragraph 3.9, page 78)

LOSSES, ETC., WRITTEN OFF DURING THE YEAR 1972-73

S.No.	Name of department	Writes-off of losses, irrecoverable revenue, advances etc.,		Ex-gratia payments		Waiver of recovery	
		Number of cases	Amount Rs.	Number of cases	Amount Rs.	Number of cases	Amount Rs.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	Food	189	5,16,900	..	..	..	..
2.	Forest	37	1,68,000	..	..	..	..
3.	Education	15	1,01,900	21	52,500	1	900
4.	Sales Tax	82	79,900	2	5,000	..	..
5.	Veterinary	30	39,600	..	..	..	..
6.	State Excise	5	36,100	6	15,000	..	..
7.	Public Works (Buildings and Roads).	10	13,500	2	5,000	3	18,000 (a)
8.	Agriculture	27	12,100	..	..	..	..
9.	Planning and Development	6	8,900	..	..	..	..
10.	Police	4	5,700	..	..	..	..
11.	Irrigation	4	8,500	..	..	3	200
12.	Labour and Employment.	1	6,500	..	..	..	..
13.	Public Health (Family Planning)	2	2,200	..	..	..	..
14.	Revenue	1	1,300	..	..	..	..
15.	Rehabilitation	2	1,200	..	..	..	..
16.	Law	1	1,100	..	..	..	..
17.	Land Records	..	..	7	16,100	..	..
18.	Public Health	..	..	4	10,400	..	..
19.	Co-operation	..	..	3	7,600	..	..
	Total	416	10,03,400	45	1,11,600	7	19,100

(a) Include Rs. 17,758 relating to a case pointed out by Audit in May-June 1956 wherein cement worth Rs. 18,313 was supplied to contractors at departmental issue rates, as against prevailing market rates although it was not stipulated in their contracts. Rupees 555 were recovered and the remainder of Rs. 17,758 was written-off (September 1972).

APPENDIX

(Reference: Paragraphs 8.2 and 8.3,

SUMMARISED FINANCIAL RESULTS OF STATUTORY

Sl. No.	Name of the Corporation/Board	Name of administrative department	Year of incorporation	Period of accounts	Total capital invested	Profit (+) Loss (-)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
						(In lakhs of SECTION)
1.	Madhya Pradesh Electricity Board	Electricity	1957	1972-73	2,31,31.40	(+)49.48
						SECTION
1.	Madhya Pradesh Financial Corporation, Indore	Finance	1955	1972-73	8,64.03	(+)21.61
2.	Madhya Pradesh State Road Transport Corporation, Baidargarh	Home	1962	1972-73	13,65.93	(-)1,49.12

APPENDIX

(Reference ; Paragraph 8.4.

SUMMARISED FINANCIAL RESULTS

S. No.	Name of the Company	Name of administrative department	Year of incorporation	Period of accounts	Total capital invested	Profit(+) Loss(-)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
					<i>(In lakhs of rupees)</i>	
1.	Provident Investment Company Limited, Bombay	Finance	1926	Year ended 31st December 1972	1,87.80	(-)8.27(a)
				Year ended 31st December 1973	1,91.69	(+)5.94
2.	Madhya Pradesh State Mining Corporation Limited, Bhopal	Natural Resources	1962	Year ended 31st March 1973	26.05	(+)5.08
3.	Madhya Pradesh State Industries Corporation Limited, Bhopal	Commerce and Industries.	1961	Year ended 31st March 1971	2,71.87	(-)13.42
4.	Madhya Pradesh <i>Audyogik Vikas Nigam</i> Limited, Bhopal	Commerce and Industries	1965	Year ended 31st March 1973	(b) 1,90.86	(+)5.18
5.	Madhya Pradesh Agro—Industries Development Corporation Limited, Bhopal	Agriculture	1969	Year ended 31st March 1973	(c) 1,67.95	(+)13.63
6.	Madhya Pradesh State Textile Corporation Limited, Bhopal	Commerce and Industries	1970	Year ended 31st December 1973	2,12.47	(+)1.81

X

page 117)

OF GOVERNMENT COMPANIES

Total interest charged in profit and loss account	Interest on long term loans	Total return on capital invested (7+9)	Percentage of total return on capital invested (11)	Capital employed (12)	Total return on capital employed (7+8)	Percentage of total return on capital employed (14)	Remarks (15)
(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
..	..	(—)8.27	..	1,87.81	(—)8.27	..	(a)After providing Rs. 14.57 lakhs towards Investment Adjustment Reserve.
..	..	5.94	3.10	1,91.68	5.94	3.10	
..	..	5.08	19.50	25.70	5.08	19.77	
5.38	1.29	(—)12.13	..	2,14.67	(—)8.04	..	
3.00	3.00	8.18	4.23	1,84.40	8.18	4.44	(b) Includes Rs.20 lakhs received as advance against allotment of shares
2.61	..	13.63	8.12	2,44.07	16.24	6.65	(c) Includes Rs. 5 lakhs received from Government as advance towards share capital.
13.38	13.38	15.19	7.15	2,12.48	15.19	7.15	

APPENDIX XI

(Reference: Paragraph 8.7, page 134)

SUMMARISED FINANCIAL RESULTS OF DEPARTMENTALLY
MANAGED GOVERNMENT UNDERTAKINGS

S.No.	Name of concern	Sales Dispensary, Indore	Training- cum-produ- ction centre, Chanderi	Government Handloom Factory, Maheshwar
	Name of administrative department	Public Health	Co-operation	Co-operation
	Period of account	1971-72	1972-73	1972-73
(1)	(2)	(3)	(4)	(5)
		<i>(In lakhs of rupees)</i>		
1.	Government Capital at the close of the previous year	1.24	4.77	2.31
	current year	1.79	4.75	2.29
	Mean capital	1.48	5.16	2.64
2.	Block assets (net)	0.07	0.35	0.18
3.	Depreciation to date	0.07	*	*
4.	Turnover	2.80	0.30	0.31
5.	Profit(+)/Loss(-)	(-)0.01	(-)1.09	(-)0.83
6.	Interest on capital	0.08	0.29	0.15
7.	Total return (5+6)	0.07	(-)0.80	(-)0.68
8.	Percentage of return on mean capital	4.73	..	..

*Depreciation has not been provided.

APPENDIX XII

(Reference: Paragraph 9.2, page 149)

DEPARTMENTS HAVING HEAVY OUTSTANDING INSPECTION
REPORTS ON THE 30TH SEPTEMBER 1973

S.No.	Department	Total number of inspection reports and paragraphs outstanding at the end of September 1973	Total number of inspection reports to which even the first replies had not been received till end of September 1973	
(1)	(2)	Number of inspection reports (3)	Number of paragraphs (4)	(5)
<i>Civil</i>				
1.	Education	1,143	4,256	223
2.	Tribal Welfare	515	2,548	66
3.	Agriculture	492	2,177	21
4.	Revenue	387	1,568	39
5.	Medical and Public Health	371	1,581	21
6.	Planning and Development	333	969	35
7.	Forest	323	1,280	67
8.	Veterinary	168	664	29
9.	Industries	110	371	9
<i>Public Works</i>				
10.	Irrigation	995	4,488	125
11.	Buildings and Roads	990	4,214	101
12.	Public Health Engineering	299	1,473	40
<i>Revenue Receipts</i>				
13.	Forest	326	1,914	40
14.	Sales Tax	179	1,463	..
15.	State Excise	163	974	23

APPENDIX XIII

(Reference: Paragraph 9.2, Page 149)

IMPORTANT TYPES OF IRREGULARITIES NOTICED DURING
LOCAL AUDIT AND INSPECTION

S. No.	Nature of irregularities	Number of paragraphs included in inspection reports
(1)	(2)	(3)
<i>Civil Offices</i> (Total number of offices inspected—1376)		
1.	Non-observance of rules relating to custody and handling of cash, defective maintenance of cash book, physical verification of cash, etc.	744
2.	Defective maintenance of store accounts and periodical verification not done	17
3.	Securities from persons handling cash and stores not obtained	499
4.	Non-production of primary records like receipt books, stock registers, log books, etc., at the time of local audit	368
5.	Defective maintenance and/or non-maintenance of initial accounts relating to loans	213
6.	Defective maintenance of log books of departmental vehicles and unauthorised use of those vehicles	178
7.	Heavy amount of disallowed vouchers lying unadjusted in accounts	30
8.	Retention of heavy balances of stamps in treasuries/sub-treasuries	8
9.	Annual certificate of safety of treasury strong rooms not obtained from Public Works Department	14
<i>Public Works and Forest Offices</i> (Total number of Offices inspected—308)		
1.	Overpayments due to inflated measurements or longer leads/extra leads or rates allowed in excess of those provided in agreements (Rs.8.82 lakhs)	52
2.	Infructuous expenditure due to— (i) defect in plans and designs (Rs.10.66 lakhs), and (ii) abandonment of works (Rs.11.35 lakhs)	29
3.	Defective maintenance of stores and stock accounts	18
4.	Extra expenditure due to rejection of the lowest tenders/delay in accepting tenders (Rs.23.14 lakhs)	35
5.	Irregularities about muster rolls	41

APPENDIX XIII—*concl'd.*

S.No.	Nature of irregularities	Number of paragraphs included in inspection reports
(1)	(2)	(3)
6.	Unauthorised financial aid to contractors (Rs.8.93 lakhs)	24
7.	Splitting up of purchase orders	28
8.	Delay in effecting recoveries due from contractors (Rs.1.57 lakhs)	17
9.	Payments due to non-observance of conditions of contracts or non-provision of requisite conditions in contracts	12
10.	Delay in fixation of rents of buildings and/or recovery of rents, electricity charges, <i>etc.</i>	7
11.	Arrears in maintenance and/or non-maintenance of initial accounts of road metal, material-at-site accounts	18

