सत्यमेव जयते

CENTRAL GOVERNMENT

AUDIT REPORT
(CIVIL)
1954

PART I

No BS

TABLE OF CONTENTS

AUDIT REPORT, 1954—PART I

INTRODUCTORY

1. This report recounts only important financial irregularities, etc., noticed in the course of audit of the accounts of the year 1952-53 and of previous years, which could not be dealt with in the earlier reports. It also includes some matters relating to a later year than 1952-53. It is expected that in future, the Audit Report of a year will bring to notice the major irregularities relating mainly to the immediately preceding financial year. It has not been possible to complete the Appropriation Accounts for 1952-53, which will be compiled in a separate volume.

FINANCIAL IRREGULARITIES, LOSSES, ETC.

MINISTRY OF COMMERCE AND INDUSTRY

2. (a) *Import of artificial silk yarn from Japan.*—During 1947-48 and 1948-49 Government decided to import 28 lakh lbs. of artificial silk yarn from Japan on Government account. The final release price of this yarn was fixed at Rs. 5/1/6 per lb. after taking into account freight and the customs duty, etc. The yarn was allocated to the textile mills, the handloom industry and the silk mills through the Silk Directorate.

Though the price of the yarn in the internal market was Rs. 6/8/- per lb. when the first consignment of 22 lakh lbs. arrived in December, 1947, the release price was deliberately kept down at Rs. 5/1/6. The Textile Commissioner repeatedly suggested that the price should be increased as in the absence of any control over the sale price of art silk cloth the mills and the handloom weavers only were benefited by the cheap price of the yarn. Government, however, did not accept the suggestion of the Textile Commissioner as their intention was that the manufactured articles should be sold at rates commensurate with the landed cost of yarn and they also issued definite instructions to this effect to the parties who were supplied with this yarn. According to the Textile Commissioner, the cloth continued to be sold at higher rates and the entire benefit of the low rate of yarn, which worked out to Rs. 30,93,750 went to the mills and handloom weavers, without any advantage to the consumers. In February, 1948 Government decided, on reconsideration, to charge the market price but did not give effect to it as the bulk of the stock had already been sold out.

The second consignment of 6 lakh lbs. arrived in July, 1948 but only 2·89 lakh lbs. could be sold at Rs. 5/1/6 per lb., as the internal market price was falling due to large imports of yarn by private parties, permits for which had been freely granted by Government. Due to the refusal of the allottees to lift the remainder of the quota, it had to be sold at prices below the cost price. This resulted in a loss of Rs. 2,14,592 to Government. Although it was known, before the arrival of the second consignment, that the price of the yarn was on the decline, no steps were taken to cancel the order. No action was also taken against the defaulting allottees.

(*b*) *Subsidy for American Cotton.*—To encourage the production of medium counts of yarn for supply to the Handloom Industry Government decided to subsidise the Spinning Mills importing U.S.A. Cotton. Thirty eight mills were accordingly paid subsidies amounting to Rs. 1,33,85,359 upto 31st March, 1953. Though the subsidised import of American Cotton was intended for assistance to the Handloom Industry, no instructions had been issued by the Textile Commissioner about this essential condition. Audit could not, therefore, certify that the subsidy paid by Government to the Mills was utilised for the purpose intended.

The local audit of the accounts maintained by the Textile Commissioner revealed that in spite of the clear understanding that the import of cotton by the mills was subsidised by Government only to cover the shortage of appropriate types of Indian Cotton suitable for the manufacture of yarn of medium counts and a general ban on the export of such yarn, a certain mill had been permitted by the Textile Commissioner to export yarn manufactured from subsidised cotton or from an admixture of the same with indigenous cotton. The propriety of the grant of this permission and the recovery from the mill of the subsidy of about Rs. 10 lakhs are now under the consideration of Government.

Some other mills manufactured yarn of finer counts with the subsidised cotton or an admixture of the U.S. and indigenous cotton. When this was pointed out by Audit an amount of Rs. 3,28,879 was recovered from 18 mills against a sum of Rs. 3,30,749 which was due for recovery. The balance of Rs. 1,870 was waived.

In such cases of assistance to industry it is imperative that the instructions and procedural arrangements should be such as to prevent evasions and exploitation by commercial interests to enable the main purpose being fulfilled.

MINISTRY OF COMMUNICATIONS

3. *Loss due to delay in sanctioning proposal.*—An officer was deputed to accompany the flights of a crew in connection with special tests of

Dakotas. The crew was insured for the special risk involved. A proposal for a similar insurance of Rs. 40,000 on the life of the officer was also made to Finance on the 16th February, 1954 when the test flights had already started. The officer died on the 25th February, 1954 as a result of an accident and an *ex-gratia* gratuity of Rs 30,000 was paid to his widow. If the insurance had been taken out in time, the Government could have saved the full amount by a payment of Rs. 900 only as premium.

MINISTRY OF EXTERNAL AFFAIRS

4. (*a*) *Extravagant expenditure on rental.*—One of the Indian Missions abroad rented office accommodation on behalf of Government at a monthly rental of about Rs. 5,000 from January, 1949 to December, 1951 without the prior sanction of Government. The total expenditure on this account amounted to Rs. 1,62,238. After the irregular expenditure was challenged in audit, the Mission approached Government for their *ex post facto* sanction. On calling for the details regarding accommodation, Government found that it was very much in excess of requirements and after consultation with the Financial Adviser of the Mission ordered the immediate surrender of the surplus accommodation on 11th October, 1951. The surrender was actually made on 14th December, 1951 for which a reduction of Rs. 1,150 p.m. was made in the rent. The extra cost to Government amounting to Rs. 37,003 was incurred because of the indifference of the Mission to the financial interests of Government..

The position was regularised by *ex post facto* sanctions of Government subsequently.

(*b*) *Extravagant expenditure on residential accommodation.*—A house was purchased in May, 1950, for the use of the Head of an Indian Mission abroad, at a capital cost of Rs. 2,20,054. The officer appointed as the Head of the Mission, a year later in June, 1951, booked accommodation elsewhere on his own responsibility, as the house had not been fully furnished and was not, therefore, ready for occupation. He continued to incur unauthorized expenditure at the rate of Rs. 7,100 per month for this accommodation for a period of 7 months, though he was aware that a ceiling on the cost of accommodation of his predecessors had been imposed by Government at approximately Rs. 3,100. Thus, the expenditure on accommodation of this particular officer in this period was Rs. 28,000 more than what had been allowed to his predecessors. This particular official also ordered major structural changes in the building, without obtaining prior Government sanction, or even informing them of the steps taken by him.

It is inexplicable that a house purchased in May, 1950, should have taken nearly 19 months for redecoration and furnishing. This is more striking as the Mission is located at the capital of a highly industrialised and organised State. The cost of redecoration and furnishing amounted to Rs. 1,94,847 and has been regularised by Government.

Government have accorded *ex post facto* sanction in respect of the rent of accommodation to the extent of Rs. 44,500 and have ordered recovery of Rs. 5,500 from the officer concerned. Had the ceiling imposed for his predecessors been applied to him, the cost to Government would have been limited to Rs. 21,700. The circumstances in which preferential treatment, involving the State in an avoidable expenditure of Rs. 22,800 was accorded to this officer, require satisfactory explanation. An expenditure of Rs. 33,170 incurred by the officer on major structural changes is yet to be regularised by Government sanction.

(c) *Non-recovery of full dues.*—An officer of the Central Government appointed on contract terms was transferred in August, 1945 to an Embassy. In July, 1947 the services of the officer were terminated and the following payments were made to him or on his behalf without any authority from audit or sanction of Government:—

(i) Prior to his departure he was paid by the Embassy an advance of Rs. 6,427 against his leave salary which was to be drawn in India to enable him to clear his debts before leaving the country.

(ii) In October, 1947 a sum of Rs. 2,667 was paid by the Embassy to various agencies for packing, haulage, etc. of the personal effects of the officer and in November, 1948 another payment of Rs. 2,950 was made to liquidate his personal liabilities to a private firm.

(iii) A further sum of Rs. 1,527 (Rs. 600 as advance and Rs. 927 for hotel charges) was paid by another Mission at which the officer halted en-route to India.

The total amount advanced to the officer, including payments on his behalf, was Rs. 16,617. On return to India he did not, though reminded, submit his travelling allowance and leave salary bills in adjustment of the advances and inadmissible payments made on his behalf. After a personal discussion with the Ministry, he agreed to pay only Rs. 2,000 on the condition that Government would waive all other claims against him, but did not fulfil even this undertaking. In November, 1951 Government sanctioned the write off of Rs. 6,776 after adjusting Rs. 9,841 due to him as leave salary and travelling allowance and decided that he should not be associated with the Government in any capacity, whatsoever. A copy of this decision was not communicated to other Ministries with the result that he was re-engaged in April, 1953 by another to assist a Commission of Enquiry and was sanctioned an honorarium of Rs. 10,000 for his work and in addition, travelling allowance on terms similar to those allowed to officers in receipt of pay of Rs. 2,000 p.m.

At the suggestion of audit, Government agreed to recover Rs. 2,000 which he had not repaid in terms of the earlier undertaking.

MINISTRY OF FINANCE

5. (*a*) *Irregular resumption of a pension.*—The payment of a pension amounting to Rs. 1,200 per annum sanctioned with effect from 9th August, 1938 which had remained undrawn in India for more than six years since June, 1941, was, in contravention of rules, resumed by a High Commission at the instance of the Ministry without any authority from the audit officer in India. The Ministry accepted this liability at a time when the question of allocation of pensionary liabilities between India and Pakistan was still under consideration. When the question was finally decided, it was found that the liability for this pension devolved upon the Pakistan Government under the terms of Agreement between the two Governments.

The payment irregularly made upto 31st December, 1953 amounts to Rs. 15,100 and the pension still continues to be paid from Indian Revenues.

Pakistan Government has been requested by the Ministry to reimburse the payments already made and to assume responsibility for future payments. Their reply is awaited.

(*b*) *Grant of excessive emoluments to an officer on deputation.*—An Officer of the Union Government, who has been placed on deputation under the Colombo Plan arrangements for a period of about four months with effect from the 9th November, 1954, has been sanctioned the following terms:—

(a) Pay .. .. Rs. 4,000 p.m.

(b) Foreign Allowance .. .. .. Rs. 453/12/- p.m.

(c) Sumptuary Allowance .. .. Rs. 200 p.m.

(d) Free motor car

(e) Boarding and lodging at a first class hotel for himself and his family at a cost estimated to be Rs. 110 per day; and

(f) A special allowance to secure for him the same position as would ensue from the exclusion of the entire amount of salary and perquisites that will be drawn by him during his deputation from his total income for purposes of assessment to income-tax.

[Items (d) and (e) above would be borne by the borrowing country.]

The special allowance in terms of (f) above, payable to him by the Central Government, has been computed to be Rs. 12,128 p.m. during the period of deputation falling within the assessable year 1954-55. In this computation, the financial benefit of the free use of a motor car, in terms of item (d) above, has been assumed to be Rs. 150 p.m. only. This officer has thus been sanctioned gross pay and allowances of Rs. 20,231/12/- p.m. The net benefit to the officer, after payment of tax, is calculated to be Rs. 5,819 p.m. over and above what he would have received but for his deputation. While seeking sanction to these terms, it was stated by the Ministry concerned that the total cost of the deputation of this officer, along with another, chargeable to the Central estimates, would be of the order of Rs. 36,000 for a period of about 4 months. The actual cost on account of this officer alone works out to be Rs. 64,649 to be met out of the budget provision for 1954-55.

Had an officer of a comparable status and salary been placed on deputation to this particular country on Government business, he would have received only his salary, subject to taxation in the same way, except a small benefit permissible under the Income-tax Act. In addition, he would have received a daily allowance of Rs. 25 a day, to cover the cost of board and lodge.

As, thus, the terms granted to this officer appeared to be excessive and inconsistent with the spirit of the schemes for mutual aid and co-operation between participating countries under the Colombo Plan, this case was brought to the notice of Government. It was emphasised that the adoption of this pattern, apart from the special benefit given to this officer, would constitute an embarrassing precedent for the deputation of other officers under the scheme. In any event, the grant of allowance to cover income-tax payable to a resident officer of India is an abnormal concession and runs counter to the accepted policy in the matter of payment of income tax. No communication has so far been received from the Government, modifying the terms already sanctioned.

It may also be mentioned that under the peculiar wording of the formula for evaluation of the amount of special allowance, the officer would be entitled to reimbursement of a further amount over and above Rs. 12,128 p.m. to neutralise the effect of higher rate of super tax on the officer's private income, if any. The rate of additional special allowance, if admissible, would be over Rs. 1-8-0 for every rupee of private income of this officer.

MINISTRY OF FOOD AND AGRICULTURE

6. *Loan from the International Bank for Reconstruction and Development.*—

(a) *Payment of unnecessary commitment charges.*—The Government contracted a loan of 10 million dollars from the International Bank for Reconstruction and Development in September, 1949 for the purchase of 375 tractors and allied equipment. The closing date of the loan which became effective from 1st December, 1949 was 31st July, 1951. But by July, 1951, only a little over 4 million dollars was actually drawn and a portion of the loan amounting to 1·5 million dollars was surrendered. A further surrender of one million dollars was made on 25th August, 1952. The closing date of the loan was got extended from time to time. Up to December, 1953, the total withdrawals from the loan account amounted to 7,203,813 dollars and the unutilised balance of 2,96,186·73 dollars was cancelled. Under the terms of the Agreement, the Government had to pay Rs. 8,60,350 as commitment charges on the undrawn balances of the loan from time to time. The commitment charges on the surrendered portion of the loan alone amounted to Rs. 2,85,393. This expenditure on commitment charges was infructuous and could have been avoided with proper planning and timely action.

(b) *Unnecessary purchases of machinery and equipment.*—Out of 375 tractors to be purchased from the loan amount, only 240 tractors were actually purchased. Instead of surrendering the balance required for the purchase of 135 tractors, orders for which were cancelled in March, 1950, the available amount was utilised on purchase of other items of machinery and equipment. Some of these items were purchased without properly ascertaining the actual requirements with the result that equipment worth 2,70,613 dollars had to be ultimately declared from time to time (from 2nd February 1952 to 29th March 1954) as surplus for disposal.

Items worth $58,691 have since been disposed of at book value, while the rest, valued at $2,11,922, are lying in some cases since 1949 without any use with the possible risk of turning out a partial loss.

MINISTRY OF HEALTH

7. *Supply of stores without advance payments to non-Government Institutions.*—Medical stores were supplied to a number of non-Government institutions without obtaining in advance at least the approximate value of the stores indented for and the estimated incidental charges, such as freight charges, cart-cooly hire, etc. In some cases issues were

repeated while payments for the previous supplies were outstanding. The details of outstanding amounts are as below:—

Year of supply	*Amount outstanding on 30th November, 1954*
	Rs.
1947-48	16,752
1948-49	507
1949-50	886
1950-51	1,169
1951-52	40,468
1952-53	7,213
1953-54	4,527

MINISTRY OF HOME AFFAIRS

8. The local test audit of the accounts of the Civil Supplies Department of a Part C State for the period from 1950 to 30th September, 1952 disclosed the following irregularities:—

(*i*) *Unauthorised retention of heavy cash balances.*—A foodgrains distributing contractor was found to have withheld from Government, a total sum of Rs. 83,200 out of the sale proceeds of Government grains up to 1st April, 1952, the date of termination of his contract. As a result of the detailed scrutiny of the accounts of the contractor by the District Supply Officer made at the instance of audit, it was found that in addition to Rs. 83,200 a sum of Rs. 42,589 was also due from the contractor against Rs. 36,081 due to him on account of commission. The commission has been adjusted against the Government dues and a further sum of Rs. 36,269 was recovered subsequently, leaving a balance of Rs. 53,439. Had the District Supply Officer exercised regular checks over the accounts of the agents, such heavy accumulation in the hands of the agents would not have been possible.

(*ii*) *Heavy shortages of foodgrains.*—The stock accounts maintained by the distributing agents were in terms of bags, which were not standardised. A register was maintained in pencil showing the weight of each bag received but no total was struck for preparing any account by weight. No attempt was made by the District Supply Officer in charge to check the book balance in terms of bags and weight with the physical balance. Owing to defective accounting it could not be verified whether all the stock received by the contractor was duly brought to account.

(*iii*) *Drawal of money in advance of requirements to avoid lapse of grant.*—A sum of Rs. 13,865 was drawn by the department on the 29th March, 1952 and was utilised for the purchase of furniture, godown accessories, etc. in the next financial year during the months of April to

November, 1952. The amount was drawn in advance of requirements obviously to avoid lapse of grant in contravention of the rules.

MINISTRY OF PRODUCTION.

9. *Nugatory expenditure.*—In view of the acute housing problem in Indian cities, Government entered into an agreement in October, 1948 with a foreign firm of Consulting Engineers who were patentees of light weight panels, for the setting of a Housing Factory. Under this agreement the firm was to grant Government a licence to use their patents and to render technical assistance for the setting up of the factory and the manufacture of 'alcrete' houses and receive in return a royalty at slab rates ranging from Rs. 2 to Rs. 5 per 100 sft. on the out-turn of panels manufactured in addition to certain actual and overhead charges. The agreement did not, however, provide for any liability on the firm in the event of the scheme proving a failure.

The original estimate of the scheme was Rs. 78 lakhs but was revised to Rs. 97·07 lakhs in 1951. The expenditure booked upto 31st March, 1953 amounted to Rs. 1,08,11,735 with unliquidated liabilities to the extent of Rs. 2,78,000.

The factory went into production on 15th August, 1950 and suspended work in February, 1951 as the manufactured panels had either cracked or showed signs of cracks. There was also no demand for such houses at the prices at which the factory could expect to produce.

The production account for the short period the factory operated disclosed a loss of Rs. 10,33,243 in addition to the loss resulting from the disposal of surplus stock. The balance of stock on 31st March, 1953 was worth about Rs. 34·57 lakhs. The value of some articles was written down by Rs. 1·36 lakhs to conform to the market price and stores worth Rs. 2·36 lakhs had to be disposed of at a loss of Rs. 1·55 lakhs. The final loss will be known when the remaining stock is disposed of.

The accounts kept by the factory were found to be incomplete and as such not susceptible of effective check. Some of the main types of irregularities noticed in audit conducted in May and June, 1951 were as follows:—

(i) Estimates of labour and materials for works undertaken departmentally were either wanting or of insufficient details, indicating inefficacy of control.

(ii) Proper accounts of stores charged to the works were not maintained to show their consumption against the estimated requirements and disposal of the unused balances. Some of the accounts revealed small shortages.

(iii) In certain cases labour rates allowed were excessive as compared to those in the C.P.W.D. and had to be reduced. There was laxity of control in granting overtime allowance.

(iv) The rules required that the management should prepare Annual Reports, Accounts and Balance Sheets showing the affairs of the factory but these were not prepared. It was explained that the factory was in commercial production for a short period and as such the preparation of such accounts was not considered necessary.

The audit note dealing with the above irregularities was issued on 30th June, 1951 but no reply has yet (November, 1954) been received in spite of the fact that the matter was pointedly brought to the notice of Government. This delay is responsible for this belated report on these unsatisfactory arrangements.

Government decided to transfer the control of this factory to a private Limited Company with effect from 1st April, 1953 and contributed 50 per cent. of its original issued capital of Rs. 1 lakh. The company was to pay to Government rent on the capital assets taken over.

MINISTRY OF REHABILITATION

10. *Non-maintenance of accounts.*—A sum of Rs. 1,50,000 was placed at the disposal of a Rehabilitation Commissioner on the 17th June, 1949 for incurring expenditure on construction of mud huts for housing displaced persons before the outbreak of the monsoon in 1949. Out of this sum, advances amounting to Rs. 1,42,380 were paid by the Commissioner to a woman social worker who was entrusted with the construction work. A sum of Rs. 1,35,325 representing the cost of construction of 409 mud huts @ Rs. 300 each and 101 tent huts @ Rs. 125 each was finally adjusted against the advances drawn by her. The rate for mud huts was fixed on the analogy of rates adopted by an adjacent State Government for similar huts in their towns and that for the tent hut on the advice of the Rehabilitation Commissioner, without obtaining technical advice. A sum of Rs. 1,080 was also adjusted as the cost of erection of 2 mud huts for the Camp Commandant and one Kacha hospital quarter.

Neither the Rehabilitation Commissioner nor the Social Worker maintained proper accounts for the amounts received by them. Not even receipts in acknowledgement of the moneys advanced were taken by the Commissioner from the Social Worker. Government have, however, condoned the non-maintenance of regular accounts. Although the Rehabilitation Commissioner was held responsible for rendering the accounts, the Ministry have stated that he was not at fault. They have argued that "rendering accounts" by the Rehabilitation Commissioner meant only the drawal of the advances, payment of the same by cheques to the Social Worker, and watching credit of amounts undisbursed by her and not keeping detailed accounts of the expenditure out of the advances. This view being opposed to the correct concepts of "rendering accounts" was not acceptable to audit.

No accounts have so far been produced for the expenditure incurred from the balance of the advance of Rs. 5,975 of which Rs. 3,226 represented staff car expenses and the remainder miscellaneous expenditure. The Rehabilitation Commissioner refunded on the 1st December, 1950 to Government the sum of Rs. 7,620 which was with him.

In the absence of any accounts, audit could not ensure that the money was spent properly and in the public interest.

MINISTRY OF TRANSPORT

11. (a) *Uneconomical purchase of a second hand tractor.*—In a certain Division of the Engineering Branch of the North East Frontier Agency, a second hand tractor was purchased for Rs. 6,388 in December, 1948 by charge to a work before any estimate was technically sanctioned and the expenditure was duly authorised. The machine was defective with several unserviceable parts and a sum of Rs. 4,000 was spent for their replacement and entertainment of a mechanic and daily labour to fit it up. But it could not be brought into working order. It lay uncared for by the roadside for about 5 years and was ultimately sold by auction in August, 1953 for Rs. 1,500.

The net loss to Government in this deal was Rs. 8,888. No action was taken to allocate responsibility for the purchase of the tractor when the machine was so defective that even expensive repairs could not bring it into working order.

(b) *Infructuous expenditure.*—The construction of a suspension bridge over a river in a hill district was undertaken by a division of the Engineering branch of the North East Frontier Agency in February, 1952. An expenditure of Rs. 37,801 had been incurred against the sanctioned estimate of Rs. 44,865. The ends of the wires on the left bank of the river were carelessly tied to small trees with no deep roots. During the rains of less rebate ½ anna per unit from February, 1947 to 1952] from an Electric Supply Corporation. The charges for the consumption of current were, however, collected from the occupants at flat rates of Rs. 1/9/- per light point and Rs. 4 per fan. As reported by the Department the total payment made to the Company and the recoveries effected from the occupants of the quarters during the years 1945-46 to 1951-52 amounted to Rs. 55,473 and Rs. 16,907 respectively resulting in a net loss of Rs. 38,566 to Government. Although as early as September, 1949, it was pointed out that the rates should be revised after a proper review, no revision was made until September, 1952.

The question of regularisation of the loss by recovery or write off as well as disciplinary action against the persons responsible is stated to be under the active consideration of Government.

(c) *Rejection of tenders.*—The Government sanctioned the construction of a large number of single roomed tenements in double storeyed blocks in various colonies for displaced persons in Delhi. Tenders were invited by the various P.W. Divisions in March, 1951 on the basis of the estimated cost of Rs. 2,265 for each tenement, asking for quotations of percentage rates, which were also to apply to subsequent additions, alterations or modifications, below or above the standard schedule of rates. The rates tendered ranged from 1·3 to 2·6 per cent. below the standard schedule of rates. All the tenders were rejected as technical sanction to the estimate had not been accorded. Fresh tenders were invited in May, 1951 for a modified specification costing Rs. 1,990 for each quarter. The tenders ranged from 7·1 to 9·5 per cent. above the standard schedule of rates. In view of the urgency of the work, the Department, with the approval of Government, settled with the contractors by negotiation at rates which were 3 to 3¼ per cent. above the standard schedule of rates. Even at this stage, the estimates had not been technically sanctioned. This inconsistent decision has involved Government in a loss of Rs. 1·2 lakhs on the 8 works originally put to tender in March, 1951 and to Rs. 7 lakhs on the scheme as a whole on the basis of the original tenders, which were rejected.

In view of the fact that the tenders were invited on a percentage rate basis and not on item rate, and were to hold good for all additions, alterations and modifications as well, there was no justification for the rejection of the initial tenders.

(d) *Commitment without authority.*—Painting of certain roads was entrusted to a contractor as an extra item of work by a Divisional Officer, in anticipation of the sanction of the Superintending Engineer, at a rate of Rs. 14/11/- per 100 sft. with the stipulation that recovery for the cost of bitumen issued would be made at Rs. 277/11/- per ton. The Superintending Engineer subsequently approved the rate but ordered that recovery for bitumen should be made at the rate of Rs. 526/10/- per ton.

of the Company as well as any other debts that the company may hereafter incur in meeting the cost of its expansion programme. The Company has agreed not to incur indebtedness in future in excess of Rs. 3½ crores without the consent of Government.

(2) The advance will bear no interest whatsoever till the 1st July, 1958, or such other later date as may be mutually agreed upon. Even after this date, the question whether interest is to be charged and the rate of interest will be decided on the advice of the Tariff Commission.

(3) The advance will have no maturity date. The amount and the number of instalments in which the recovery of the advance will be effected have not been fixed.

The Company may be called upon by Government to issue fresh shares after the 1st April, 1963, but any such proposal for issue of fresh shares, including the timing, the amount of share capital and the portion of the advance to be repaid out of the proceeds of the issue of shares shall be such as may be agreed between the Government and the Company. To the extent that the advance and the interest thereon is not repaid out of the fresh share capital, repayments will be made from out of the additional earnings of the Company which will be specially allowed to it through an increase over the normal retention price of iron and steel to be determined by Government on the advice of the Tariff Commission.

(4) The advance is to be spent by the Company on its expansion schemes which include also remodelling and improvement in certain existing works and replacement of certain old installations.

(5) The Company will undertake the expansion and the remodelling programme with a view to its output being increased from 7,50,000 tons to 9,31,000 tons of saleable steel per year, but the actual attainment of this increase in the output has not been specifically guaranteed through the Agreement.

(6) For so long as the Company remains indebted to Government, there will be a Government Director on the Board of Directors of the Company.

A similar advance of Rs. 10 crores has been sanctioned for payment to the Indian Iron and Steel Co. on more or less similar terms, but this advance to that Company will be in addition to the interest bearing loan of Rs. 7·9 crores which is secured by a third mortgage, and to the Government guarantee in respect of the loan of $31,500,000 granted to the Company by the World Bank.

Twelve vouchers involving a sum of Rs. 21,603 for the year 1952-53 sent to them for acceptance and allocation were not received back in time to incorporate them in the accounts of the year.

The lost vouchers could neither be audited nor incorporated in the accounts of the respective years. Such delay in the return of vouchers dislocates the work in the Audit Department and creates confusion in accounts.

MINISTRY OF FINANCE

16. *Re-appropriation of Funds to meet expenditure on a new service.*—A sum of Rs. 30 lakhs was re-appropriated during 1952-53 out of the savings available within the Grant, to meet expenditure on the purchase of Canadian Chassis for the Bombay Transport Scheme. This was not contemplated in the Demands for Grants voted by Parliament. The Ministry advanced the view that the expenditure was not one on a New Service, as it formed part of the 'Colombo Plan' which had been generally brought to the notice of Parliament. The Colombo Plan was placed before Parliament in too general a way and should not be taken to cover specific items of expenditure requiring approval of Parliament under the Constitution. As such the purchase of Canadian Chassis was an item of a 'New Service' not provided for in the Budget and there has been a technical omission in not obtaining a supplementary vote as required under Article 115 (1) (a) of the Constitution.

MINISTRY OF HEALTH

17. *Delay in the adjustment of the cost of stores supplied to other departments.*—In a certain Medical Stores Depot there was inordinate delay, as detailed below, in the adjustment of the cost of stores supplied to other departments of Government due to delay (a) in the transmission of the priced issue vouchers to consignees for acceptance and (b) in their return after acceptance.

Year of supply	Amount outstanding on 30th November, 1954 Rs.
1947-48	1,937
1948-49	226
1949-50	422
1950-51	419
1951-52	39
1952-53	41,139
1953-54	9,82,727

The recoveries of loans effected from the State Governments during and upto 1952-53 were as below:—

	During 1952-53 Rs.	Upto 1952-53 Rs.
(i) Part A States . . .	1,32,65,839	5,52,18,551
(ii) Part B States . . .	43,23,085	63,30,032
(iii) Part C States . . .	61,70,573	70,92,697

NEW DELHI;
The 16th March 1955.

S. GUPTA,
Accountant General, Central Revenues.

Countersigned

NEW DELHI;
The 25th March 1955.

A. K. CHANDA,
Comptroller and Auditor General of India.

GIPD—SS—351(a) AGCR—15-3-1955—1,410.

PRINTED IN INDIA BY THE MANAGER, GOVT. OF INDIA PRESS, NEW DELHI
AND PUBLISHED BY THE MANAGER OF PUBLICATIONS, DELHI, 1955

Issued on	Borrower's Signature	Returned on