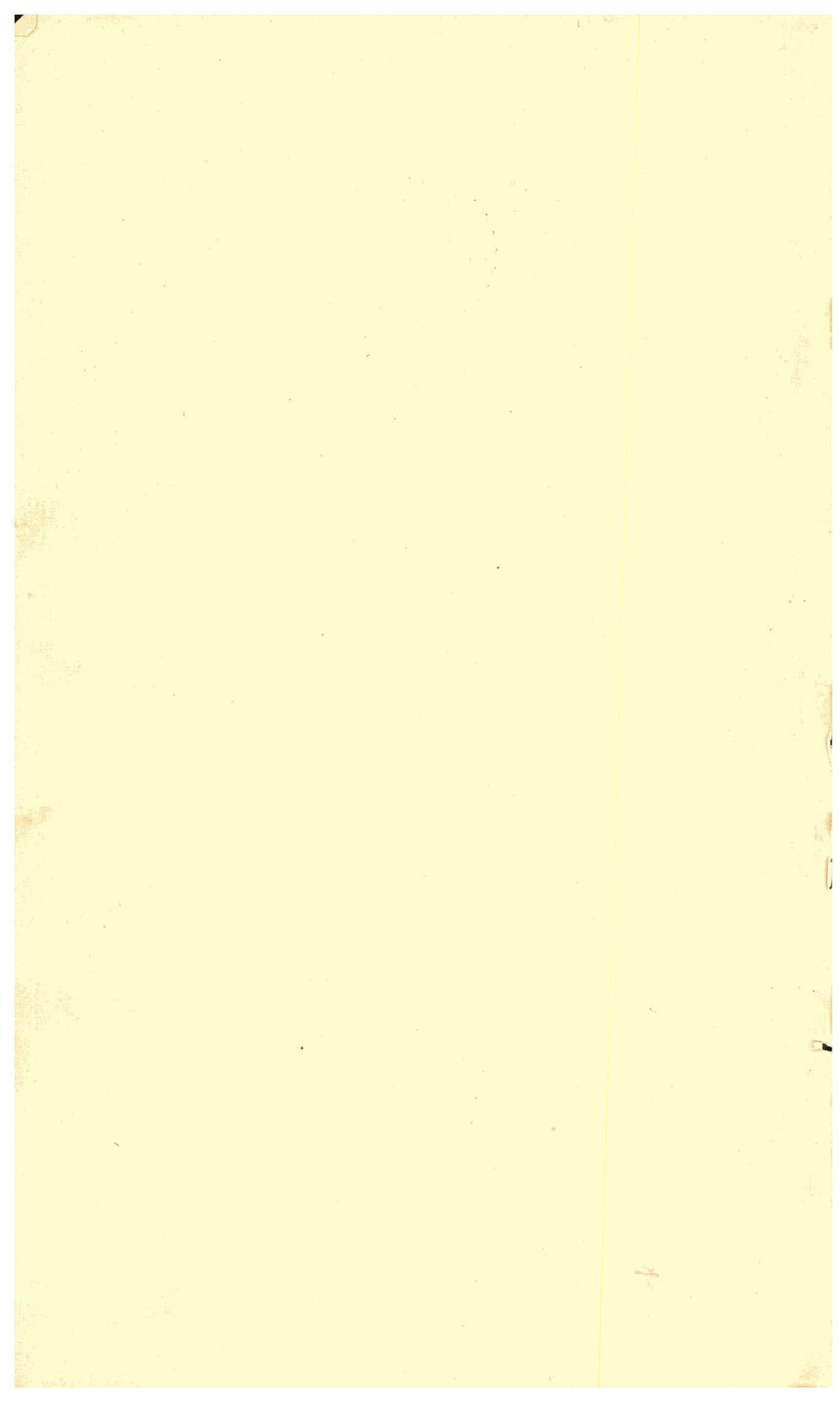


PAC Group



GOVERNMENT OF MADHYA PRADESH

AUDIT REPORT
ON THE ACCOUNTS
FOR
1965-66



ERRATA TO THE AUDIT REPORT ON THE ACCOUNTS FOR 1965-66 OF THE
GOVERNMENT OF MADHYA PRADESH

Page No.	Para No.	Reference to line, etc.	For	Read
4	3 (a)	Item (i) (a)	Put asterisk on 33.88 and 47.06 and delete the guide-mark (x) against both.	
7	..	Footnote, line 1	form	from
3	7 (d)	Table, column 1, line 4	Porjects	Projects
31	23 (e)	Line 4	Insert 'of' between 'amount' and 'Rs.'	
43	42	Sub-para below table, line 2	Add the words '(excluding depreciation)' after the word 'maintenance'	
56	61	Sub-para 2, line 2	Delete the brackets appearing before 'Only' and after 'June 1958'.	
30	66	Line 4	channel	chains
35	79 (a)	Particulars column, line 2	incompletion	in completion
91	116	Sub-para 2, line 2	dealy	delay
94	123 (i)	Table, Particulars column, line 3	on	no
96	146 (i)	(i) Book debts (column 1)	3,49.29	2,49.29
96	146 (i)	(j) Other current assets, etc. (col. 1)	31,77.03	32,77.03
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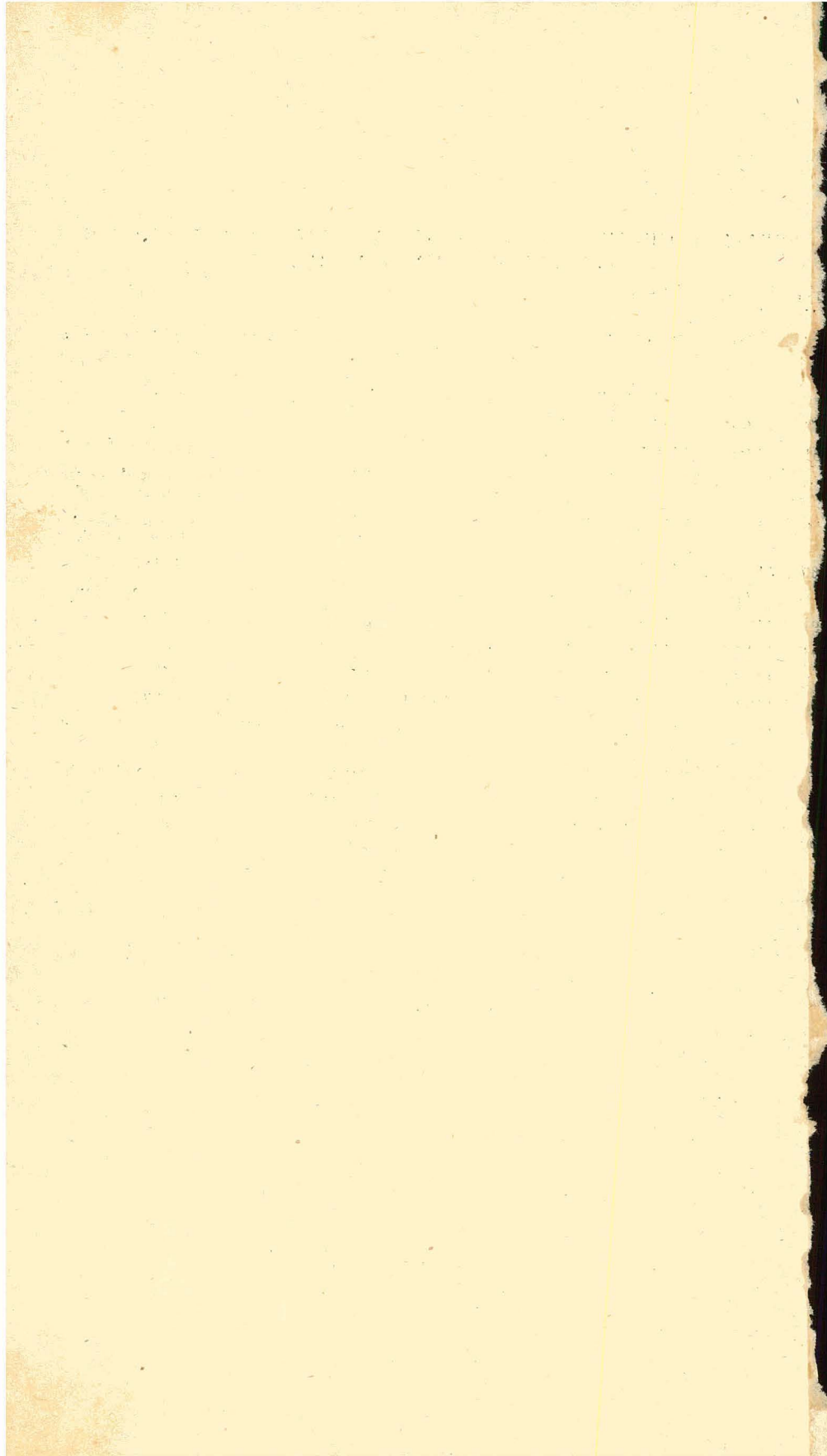


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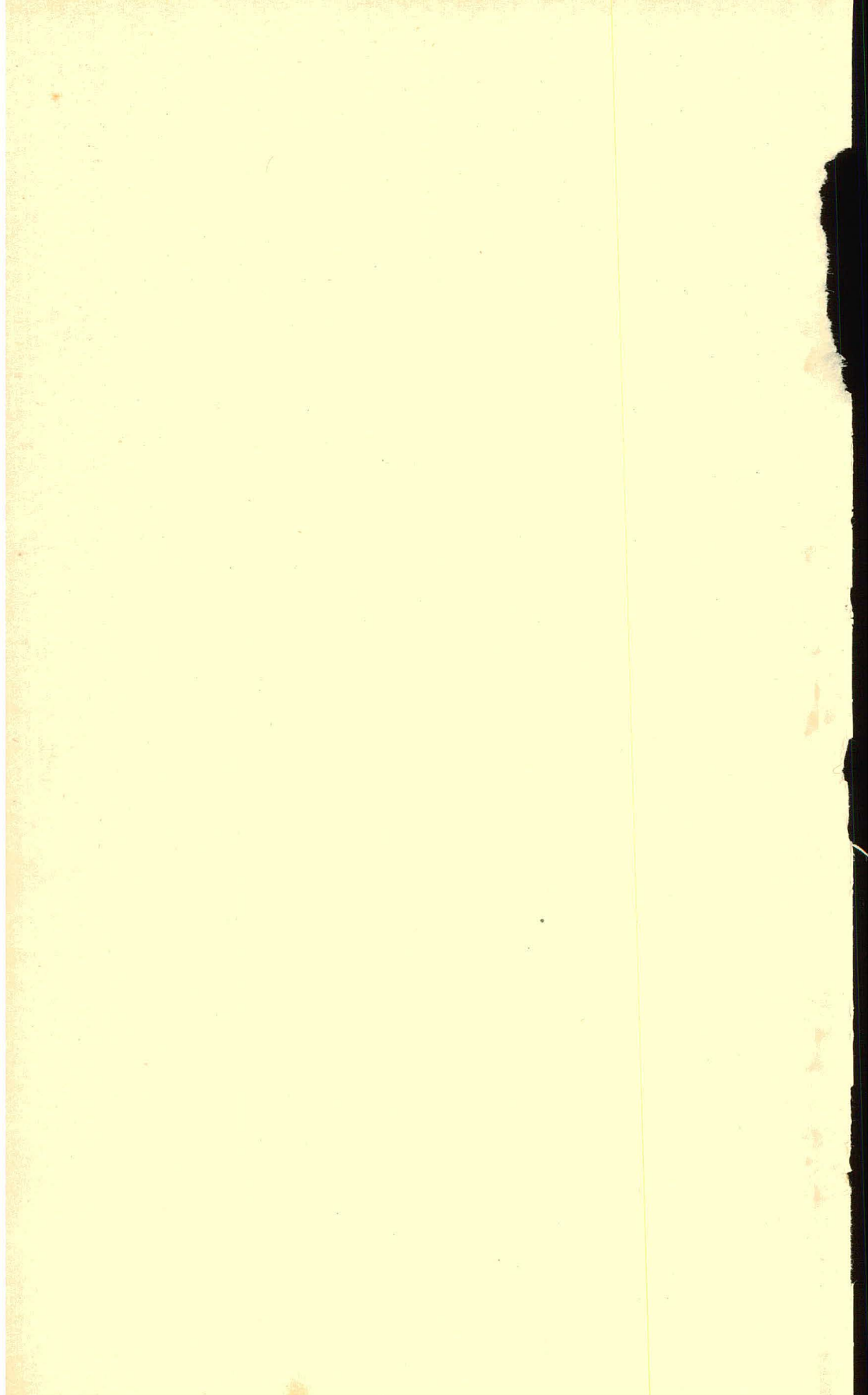
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PREFATORY REMARKS

This volume mainly relates to matters arising from the Appropriation Accounts for 1965-66 together with other points arising from audit of the financial transactions of the Government of Madhya Pradesh. It also includes :

- (i) certain points of interest arising from the Finance Accounts for the year 1965-66; and
- (ii) matters relating to certain statutory and autonomous bodies, the accounts of which are audited by the Indian Audit and Accounts Department.

2. The financial irregularities, losses, etc., commented upon in the Report relate to cases which came to the notice of Audit during the year 1965-66 as well as those which had come to notice in earlier years but could not be dealt with in previous Audit Reports; matters relating to the period subsequent to 1965-66 have also been included wherever considered necessary.



CHAPTER I GENERAL

REVENUE RECEIPTS AND EXPENDITURE MET FROM REVENUE

Budget and Actuals.—The following table shows the revenue realised and the expenditure met from revenue in each of the four years ending 1965-66, compared with the budget estimates therefor:—

Year	Budget estimate	Actuals	Variation		Revenue Year	Surplus Budget estimate	+/-Deficit—Actuals
			Amount	Percentage			
(In crores of rupees)							
Revenue Receipts							
1962-63	84.68	81.84*	-2.84	-3.4			
1963-64	94.70	1,04.94*	+10.24	+10.8			
1964-65	1,07.73	1,10.69*	+2.96	+2.8			
1965-66	1,20.46	1,23.06	+2.60	+2.2	1962-63	-2.87	-4.05
Expenditure met from Revenue							
1962-63	87.55	85.89*	-1.66	-1.9	1963-64	-0.49	+7.28
1963-64	95.19	97.66*	+2.47	+2.6	1964-65	-0.68	+4.45
1964-65	1,08.41	1,06.24*	-2.17	-2.0	1965-66	-0.73	-2.61
1965-66	1,21.19	1,25.67	+4.48	+3.7			

The above comparison between budget and actuals shows that—

(i) the revenue realised in all these years was more than anticipated except during 1962-63 when there was a shortfall of Rs. 2.84 crores; the variation of the actuals from the estimates ranged between 2.2 per cent (1965-66) and 10.8 per cent (1963-64);

(ii) the expenditure on revenue account during the year was more than the estimate by Rs. 4.48 crores as against a shortfall of Rs. 2.17 crores during 1964-65;

(iii) during the year, receipts have approximated more closely to the budget estimates than expenditure. The amount of variation during the year in case of revenue receipts was the lowest during the last four years while in case of expenditure the variation was the highest; and

(iv) the accounts for 1965-66 closed with a revenue deficit of Rs. 2.61 crores against the deficit of Rs. 0.73 crore anticipated in the budget estimates.

*Recoveries from Employees, State Insurance Corporation were taken as reduction of expenditure under the Major Head "29-Medical" up to 1964-65. According to the budget of 1965-66, these recoveries are to be classified to 'XXIII—Medical' from 1965-66. Figures of actuals for 1962-63 to 1964-65 have been altered *pro forma* to facilitate comparison in this and subsequent paras.

2. *Summary of transactions.*—An analysis of the total requirement of funds and sources from which it was met during 1965-66, is given in following table:—

	Receipts during the year	Disburse- ments dur- the year	Net require- ment of funds
(In crores of rupees)			
<i>Requirement of funds for payment</i>			
1. On Revenue Account	1,23.06	1,25.67	2.61
2. Outside Revenue Account—			
(i) Capital	..	44.50	44.50
(ii) Loans and Advances by State Government	6.88	36.12	29.24
(iii) Contingency Fund	0.09	0.24	0.15
(iv) Deposits, remittances, etc.	1,24.00	1,24.97	0.97
Total	2,54.03	3,31.50	77.47

The funds to meet the above requirement were obtained from the following sources:—

	Receipts during the year	Disburse- ments during the year	Net funds available
(In crores of rupees)			
1. Loans from open market, Central Government, Reserve Bank of India, and other autonomous bodies	1,82.31	1,14.73	67.58
2. Provident Funds, etc. (Unfunded Debt)	3.01	0.75	2.26
Total	1,85.32	1,15.48	69.84
Decrease in cash balance	-3.39	-11.02	7.63
Total	1,81.93	1,04.46	77.47

The transactions on Revenue Account indicate a revenue deficit of Rs. 2.61 crores, representing excess of revenue expenditure over the revenue receipts during the year.

Taking into account the transactions under Revenue, Capital, loans and advances and other heads, there was an overall deficit of Rs. 7.63 crores during 1965-66 as against overall surplus of Rs. 6.38 crores in 1964-65. The increase of Rs. 14.01 crores in disbursements, as compared with 1964-65 was mainly due to larger disbursements on account of revenue and capital expenditure (Rs. 34.79 crores) and loans and advances (Rs. 3.83 crores), partly off-set by increase in revenue receipts (Rs. 12.37 crores) and receipts from borrowings (Rs. 14.06 crores).

3. *Revenue Receipts.*—(a) The revenue realised in 1965-66 (Rs. 1,23.06 crores) recorded an increase of Rs. 41.22 crores (50 per cent) as compared with 1962-63 and Rs. 12.37 crores (11 per cent) over that in 1964-65.

The increase is analysed below:—

	1962-63	1964-65	1965-66	Increase since 1962-63
(In crores of rupees)				
(i) Revenue raised by the State Government—				
<i>Tax revenue</i>				
(a) Taxes, duties and other principal heads of revenue.	33.88 (x)	47.06 (x)	51.38	17.50

*See footnote (x) at page 5.

	1962-63	1964-65	1965-66	Increase since 1962-63
(In crores of rupees)				
<i>Non-tax revenue</i>				
(b) Receipts under Administrative, Social and Developmental Services, Irrigation, Public Works, Road Transport, Forests, etc.	18.52 (x)	23.46 (x)	29.18	10.66
(c) Interest	1.69	5.61	6.13	4.44
(ii) Receipts from Central Government—				
(a) State's share of divisible central taxes	14.09	16.74	17.89	3.80
(b) Grants-in-aid—				
(i) Statutory grants	4.47	3.00	5.41	0.94
(ii) Other grants-in aid	9.19	14.82	13.07 (y)	3.88
Total	81.84	1,10.69	1,23.06	41.22

Out of the total increase of Rs.41.22 crores since 1962-63, an amount of Rs. 32.60 crores related to revenue raised by Government and Rs. 8.62 crores to amounts received from the Government of India by way of State's share of divisible Union taxes, statutory grants and grants-in-aid for development and other purposes

The increase of Rs. 17.50 crores in the revenues from 'Taxes, Duties and other Principal Heads of Revenue' since 1962-63 occurred mainly under the following heads:—

Head of revenue	1962-63	1965-66	Increase since 1962-63
(In crores of rupees)			
State Excise Duties	5.78	8.94	3.16
	The increase was mainly due to better prices in auctions of contracts of country liquor and normal growth of revenue.		
Sales Tax	9.60	20.00	10.40
	The increase was mainly due to additional taxation measures and upward revision of rates of Inter-State sales tax introduced during 1963-64.		

(x) The receipts from 'Mines and Quarries' were accounted for under 'IX-Land Revenue' up to 1964-65. According to the budget for 1965-66, these receipts were taken under 'XXXII-Miscellaneous Social and Developmental Organisations' with effect from 1965-66. Figures have been altered *pro forma* to facilitate comparison.

(y) The following are the purposes for which the grant of Rs. 13.07 crores was received from the Government of India:—

Purpose of the grant	Amount
(In crores of rupees)	
Schemes of education	2.09
Medical and public health schemes	2.40
Schemes of agriculture and animal husbandry	1.73
Schemes of community development projects, etc.	2.02
Relief and rehabilitation of displaced persons	1.06
Miscellaneous	3.77

Head of revenue	1962-63	1965-66	Increase since 1962-63
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(In crores of rupees)

Other Taxes and Duties	3.27	6.98	3.71
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The increase was mainly due to enhancement in the rate of tax on passengers and enforcement of tax on goods freight during 1963-64.

The increase in the revenue raised by Government from taxes, duties, etc., during 1965-66 was also partly due to the following changes in taxation introduced during the year:—

Particulars	Date from which came into effect	Estimated yield
(In crores of rupees)		
<i>(i) New measures—</i>		
Royalty on coal extracted by the National Coal Development Corporation.	27th November, 1965	0.05
<i>(ii) Increase in the rate of the existing taxes—</i>		
Increase in the rates of entertainment duty, registration fees and excise duties, etc.	1st April, 1965	0.79

The increase of Rs. 15.10 crores in the revenue from non-tax resources occurred mainly under the following heads:—

Head of revenue	1962-63	1965-66	Increase since 1962-63
(In crores of rupees)			
Miscellaneous, Social and Developmental, Organisations.	1.28	2.33	1.05

The increase was mainly due to more receipts from 'Mines and quarries'.

Forests	10.75	17.20	6.45
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The increase was mainly due to the introduction (in November 1964) of State trading in Tendu leaves and more receipts from the sale of forest produce.

Interest	1.69	6.13	4.44
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The increase was mainly due to capitalisation of interest during 1965-66 on loans from Central Government for financing Chambal Project (Rs. 1.86 crores) and receipt of more interest on loans and advances by State Government (Rs. 2.84 crores).

Though the total receipts from Central Government during 1965-66 have increased from Rs. 34.56 crores received in 1964-65 to Rs. 36.37 crores, the proportion of such receipts to the total revenue has decreased from 31.2 per

cent in 1964-65 to 29.6 per cent in 1965-66. This was mainly due to comparatively larger increase in the total revenue raised by State Government during 1965-66.

(b) *Cost of collection of revenue.*—The expenditure incurred during 1965-66 in collecting the principal items of revenue together with the corresponding figures for 1962-63 is shown below:—

Head of revenue	1962-63			1965-66		
	Gross collection	Expenditure on collection	Percentage of expenditure on the revenue collected	Gross collection	Expenditure on collection	Percentage of expenditure on the revenue collected
	(In lakhs of rupees)			(In lakhs of rupees)		
Land Revenue	9,62.84*	2,88.22	29.9	6,99.40	3,38.69	48.4
State Excise Duties	5,78.25	39.28	6.8	8,93.99	48.88	5.5
Taxes on Vehicles	2,18.42	8.72	4.0	2,85.19	12.47	4.4
Sales Tax	9,59.54	34.60	3.6	20,00.21	43.67	2.2
Other Taxes and Duties	3,27.10	4.39	1.3	6,97.99	7.26	1.1
Stamps	1,87.92	4.61	2.4	2,72.37	7.61	2.8
Registration Fees	25.15	6.42	25.5	46.71	7.83	16.8

The rise in percentage in respect of land revenue was mainly due to fall in revenue; this was due to large scale suspension of collection of land revenue in the scarcity affected areas in the State. The fall in the percentage in the cost of collection of registration fees was due to increase in gross collections mainly due to enhancement of the rates of registration fees.

4. *Expenditure on Revenue Account.*—(a) The increase in revenue expenditure during 1965-66 (Rs. 1,25.67 crores) as compared to the previous year (Rs. 1,06.24 crores) amounted to Rs. 19.43 crores (18.3 per cent). The increase is analysed below:—

	Amount of expenditure		Increase	
	1964-65	1965-66	Amount	Percentage
	(In crores of rupees)			
(i) Collection of Taxes, Duties and other Principal Revenues.	4.24	4.66	0.42	9.9
(ii) Debt Services	11.59	15.21	3.62	31.2

The increase was mainly due to more expenditure on servicing of debt owing to progressive increase in State's indebtedness (as indicated in para 8) and payment of arrears of interest on loans from Central Government.

* Includes receipts from 'Mines and Quarries'. Such receipts are now not accounted for under 'Land Revenue' (c.f. footnote (*) at page 5).

	Amount of expenditure		Increase	
	1964-65	1965-66	Amount	Percentage
	<i>(In crores of rupees)</i>			
(iii) Administrative Services—Police	8.42	9.54	1.12	13.3
	The increase was mainly due to revision of rates of dearness/daily allowance and raising of Special Armed Forces (India Reserve) Battalions.			
Other heads	6.73	7.31	0.58	8.6
Total Administrative Services	15.15	16.85	1.70	11.2
	The expenditure on Administrative Services in 1965-66 constituted 13.4 per cent of the total expenditure on Revenue Account. The corresponding percentage for the previous year was 14.3.			
(iv) Social and Developmental Services—				
Education	26.71	29.96	3.25	12.2
	The increase was mainly due to revision of rates of dearness allowance to certain categories of staff and more grants paid to local bodies, etc.			
Agriculture	4.44	5.57	1.13	25.5
	Mainly due to increased distribution of subsidy for construction of wells, fertilizers and contour bunding.			
Community Development Projects, National Extension Service and Local Development Works.	6.75	7.47	0.72	10.7
	Mainly on account of more expenditure on animal husbandry and agricultural extension and health and rural sanitation.			
Other heads	18.90	20.79	1.89	10.0
Total-Social and Developmental Services	56.80	63.79	6.99	12.3
	The Social and Developmental Services, the largest single component, accounted for over 50 per cent of the total expenditure on Revenue Account in 1965-66. The corresponding percentage for the previous year was 53.5.			
(v) Public Works	6.38	7.47	1.09	17.1
	Mainly due to more expenditure on construction of original works-Buildings and repairs.			
(vi) Miscellaneous-Famine Relief	0.48	3.53	3.05	635.4
	Mainly due to undertaking relief works on a large scale to provide relief to the people in scarcity-affected areas.			
Other heads	10.93	12.87	1.94	17.7
Total-Miscellaneous	11.41	16.40	4.99	43.7
(vii) Other heads	0.67	1.29	0.62	68.7
Total	1,06.24	1,25.67	19.43	18.3

(b) The expenditure met from revenue under broad categories expressed as percentage of the total expenditure is indicated below:—

	Amount (In crores of rupees)	1965-66	Corresponding percentage for		
		Percent- age of total expendi- ture	1962-63	1963-64	1964-65
Collection of Taxes, Duties and other Principal Revenues.	4.66	3.71	4.51	3.98	3.99
Debt Services	15.21	12.11	7.27	13.80	10.91
Administrative Services	16.85	13.41	16.03	14.48	14.26
Social and Developmental Services	63.79	50.75	52.72	49.81	53.47
Public Works (including roads) and schemes of Miscellaneous Public Improvements.	7.47	5.94	7.79	7.18	6.00
Miscellaneous	16.40	13.05	10.50	9.44	10.74
Other heads	1.29	1.03	1.18	1.31	0.63

EXPENDITURE OUTSIDE THE REVENUE ACCOUNT

5. The expenditure recorded outside the Revenue Account includes: (a) expenditure on capital account, *i.e.* expenditure which is usually met from borrowed funds with the object either of increasing concrete assets of a material character or reducing recurring liabilities and (b) amount disbursed by Government as loans and advances for different purposes.

6. *Expenditure on Capital Account.*—(a) The expenditure on Capital Account during the four years ending with 1965-66 as compared with the budget estimates for these years is shown below (loans and advances are dealt with in para 7):—

Year	Budget estimates	Actuals	Variations	
			Amount	Percentage
(In crores of rupees)				
1962-63	26.43	23.31	-3.12	-11.8
1963-64	20.87	27.04	+6.17	+29.6
1964-65	26.16	29.14	+2.98	+11.4
1965-66	29.32	44.50	+15.18	+51.8

The capital expenditure incurred during 1965-66 showed an increase of Rs. 15.36 crores (52.7 per cent) over 1964-65 and Rs. 21.19 crores (90.9 per cent) over 1962-63. The increase of Rs. 15.18 crores (51.8 per cent) over budget estimates during 1965-66 was mainly under 'Schemes of Government Trading' due to purchase of larger quantities of wheat and rice in view of difficult food situation.

The progressive capital outlay up to March, 1966 totalled Rs. 2,66.73 crores and accounted for 67.7 per cent of the debt and other obligations (Rs. 3,93.83 crores).

In the following table, an analysis of (i) capital expenditure incurred during 1962-63 and 1965-66 and (ii) progressive outlay to end of 1965-66 is shown:—

Capital outlay on	Capital expenditure incurred during		Progressive expenditure to end of 1965-66
	1962-63	1965-66	
	(In crores of rupees)		
(i) Compensation to Landholders, etc., on the abolition of the Zamindari System.	0.61	0.12	14.09
(ii) Social and Developmental Services—			
(a) Improvement of public health	0.83	0.72	6.76
(b) Agricultural improvement and Research	1.06	0.75	11.50
(c) Industrial and Economic Development	1.21	4.17	18.95
(iii) Multipurpose River Schemes, Irrigation and Electricity Schemes—			
(i) Multipurpose River Schemes	3.38	6.24	57.94
(ii) Irrigation Works— (Commercial and non-commercial)	6.13	10.89	55.90
(iv) Public Works (including roads) and Schemes of Miscellaneous Public Improvements.	8.81	7.86	74.82
(v) Madhya Bharat Roadways	..	..	1.16
(vi) Schemes of Government Trading	1.18	13.36	20.34
(vii) Forests	0.05	0.06	0.40
(viii) Miscellaneous	0.05	0.33	4.87
Total	23.31	44.50	2,66.73

(b) *Resources*.—The total expenditure outside the Revenue Account during 1965-66 and the sources from which the same was met are indicated below, alongwith the corresponding figures of the preceding year:—

	1964-65	1965-66
	(In crores of rupees)	
(a) Total expenditure outside Revenue Account—		
(i) Capital Outlay [c. f. Sub-para (a) above]	29.14	44.50
(ii) Net outgo on loans and advances given by Government (para 7)	25.41	29.24
Total	54.55	73.74
(b) Funds made available for expenditure outside Revenue Account—		
I Net additions to—		
(i) Market Loans	3.01	4.90
(ii) Loans from Central Government	40.41	46.41
(iii) Loans from other sources and Unfunded Debt	3.35	12.27

	1964-65	1965-66
	(In crores of rupees)	
(iv) Floating Debt	8.25	6.26
II Miscellaneous	0.97	-0.73
III Increase/Decrease in cash balances and investments	-5.89	7.24
IV Revenue Surplus +/Deficit-	+4.45	-2.61
Total	54.55	73.74

It would be seen from the above table that the central loan assistance covered about 63 per cent of the total expenditure incurred outside the Revenue Account during 1965-66.

7. *Loans and advances given by State Government.*—(a) The balance of loans and advances given by the State Government as on the 31st March, 1966 aggregated Rs. 1,65.53* crores and represented 42 per cent of the debt and other obligations (Rs. 3,93.83 crores).

The loans advanced and the recoveries effected during 1965-66 and the preceding three years compare as follows with the corresponding budget estimates; the net outgo (Rs. 29.24 crores) was substantially larger than provided for (Rs. 19.67 crores).

Year	Budget estimate	Actuals	Variation as compared with budget		Year	Budget estimate	Actuals	Variation
			Amount	Percentage				
(In crores of rupees)								
Loans advanced								
1962-63	23.89	18.43	-5.46	-22.9	(In crores of rupees)			
1963-64	20.33	33.40	+13.07	+64.3	Net outgo			
1964-65	32.56	33.04	+0.48	+1.5	1962-63	18.14	14.98	-3.16
1965-66	29.47	36.12*	+6.65	+22.5	1963-64	14.79	27.61	+12.82
Recoveries					1964-65	27.93	25.41	-2.52
1962-63	5.75	3.45	-2.30	-39.9	1965-66	19.67	29.24	+9.57
1963-64	5.54	5.79	+0.25	+4.6				
1964-65	4.63	7.63	+3.00	+64.8				
1965-66	9.80	6.88	-2.92	-29.8				

*Excludes an amount of Rs. 0.03 crore advanced from Contingency Fund during 1965-66.

The large variation in disbursements in 1965-66 was mainly under 'Miscellaneous Loans and Advances, on account of a loan of Rs. 8 crores granted to 'Madhya Pradesh Marketing Society Ltd., Jabalpur'.

(b) The increase in the outstanding balances under 'Loans and Advances' is analysed below:—

	As on the 31st March, 1965	As on the 31st March, 1966	Increase
(In crores of rupees)			
Loans to State Electricity Board	95.20	1,12.21	17.01
Advances to cultivators	20.42	22.57	2.15
Loans for Housing Schemes	5.48	6.16	0.68
Loans to Municipalities and other Local Bodies	4.68	4.91	0.23
Loans under Community Development Programme	2.82	3.23	0.41
Loans to Co-operative Societies	2.26	10.51	8.25
Loans under State Aid to Industries Act	1.17	1.19	0.02
Miscellaneous loans	4.27*	4.76	0.49
Total	1,36.30*	1,65.54	29.24

The increase of Rs. 29.24 crores over the previous year was mainly due to grant of more loans to the Madhya Pradesh Electricity Board and grant of a loan of Rs. 8 crores to the Madhya Pradesh State Co-operative Marketing Society, Ltd., Jabalpur, which has been appointed as Procurement Agents of the State Government for purchase of Jowar.

Loans to Madhya Pradesh Electricity Board, which totalled Rs. 1,12.21 crores constitute the largest single component (67.8 per cent) of the outstanding balance on the 31st March, 1966.

Although a period of more than 9 years has elapsed since the Electricity Board was constituted in April 1957, the final amount of loan deemed to have been advanced to the Board is yet to be determined; the amount of loan in respect of capital expenditure incurred by Government on Gandhi Sagar Power Station taken over by the Board on the 1st April, 1961 has not been worked out.

The loans paid to the Electricity Board by the State Government are non-returnable and only interest is payable thereon under Section 67 of the Electricity (Supply) Act, 1948.

(c) *Recoveries in Arrears.*—Complete information regarding arrears in

*Differs from the balance shown in the Audit Report, 1966 on account of *pro forma* correction made on account of allocation of balances as a result of re-organisation of States.

recovery of the loans and advances the detailed accounts of which are maintained by the departmental Officers has not been furnished by the departments concerned. According to the information received so far (October 1966), an amount of Rs. 1.05 crores has been in arrears for over three years; the details are given at page 39 of the Finance Accounts, 1965-66.

Government intimated that recovery of Rs. 11.43 crores on account of loans to cultivators was postponed during 1965-66 due to failure of crops.

In respect of loans and advances paid to municipal committees and Janpad sabhas, etc., the detailed accounts of which are maintained by the Audit Office, the amount overdue at the end of 1965-66 was Rs. 30.19 lakhs (principal Rs. 10.36 lakhs and interest Rs. 19.83 lakhs). Of this, the amount in arrears for over three years was Rs. 8.20 lakhs.

(d) *Acceptance of balances.*—In order to ascertain whether the balances outstanding in the books of Audit Office represent the correct position, these are communicated to the appropriate authorities and to debtors themselves (where the detailed accounts are kept by Audit Office) for verification and acceptance. Such acceptances have not been received in a number of cases; in certain cases, the delay has extended to several years. Some illustrative instances in which the verification and acceptance of balances involving over Rs. 1 crore in each case has been delayed for several years are indicated below:—

Particulars of loans	No. of acceptances awaited	Year from which acceptances are awaited	Amount outstanding in respect of these items as on 31st March, 1966. (In crores of rupees)
Advances to cultivators	43	1956-57	22.72
Loans under Special Housing Scheme (Low Income Group Housing Scheme)	1	1957-58	3.54
Loans for financing Community Development Projects	43	1956-57	2.38
Loans under State Aid to Industries Act	1	1956-57	1.18
Loans to Industrial Housing Board	1	1957-58	1.13

Until the verification is completed and the balance accepted, the departmental records cannot be considered to represent the correct position regarding the balances, recoveries, etc., of the loans and advances. Further, unauthorised draws and misappropriations may also remain undetected.

Debt Position

8. The public debt of the State Government comprises loans raised by Government. In addition unfunded debt, comprising provident fund balances, and the accumulated balances in the earmarked funds as also certain deposits, to the extent to which they have not been invested but are merged with the general cash balance constitute liabilities of Government.

Taking the public debt and other obligations together, the debt position of the State Government at the end of the last 4 years may be stated as follows; the total debt and other obligations on 31st March, 1966 amounted to Rs. 3,93.83 crores.

	Total debt on 31st March			
	1963	1964	1965	1966
	(In crores of rupees)			
Public debt	1,96.57	2,39.30	2,94.17	3,61.75
Other debt and obligations	25.61	27.76	29.63	32.08
Total Debt	2,22.18	2,67.06	3,23.80	3,93.83

9. *Public debt.*—(a) The total public debt outstanding at the end of 1965-66 amounted to Rs. 3,61.75 crores. An analysis of the debt, compared with the corresponding figures at the end of the three preceding years is given below:—

	As on 31st March			
	1963	1964	1965	1966
	(In crores of rupees)			
(i) Long term borrowings—				
Loans from Central Government	1,62.34	2,05.50	2,45.91	2,92.32
Open market loans	29.01	27.36	31.13	36.03
Loans from autonomous bodies	5.10	6.23	8.67	18.68
(ii) Purely temporary borrowings—				
Ways and Means Advances and Advances to meet shortfalls in cash balance	0.12	0.21	8.46	14.72
Total	1,96.57	2,39.30	2,94.17	3,61.75

There was a net addition of Rs. 67.58 crores during 1965-66 in the total public debt mainly in the loans received from the Central Government. Details of the increase are shown below:—

	Loans raised during 1965-66	Loans discharged during 1965-66	Net Increase +/ Decrease— during 1965-66
	(In crores of rupees)		
(i) Open market loans	4.90	..	+4.90
(ii) Temporary Loans—			
(a) Ways and Means Advances taken from the Reserve Bank of India.	8.91	9.06	-0.15
(b) Advances from the Reserve Bank of India to maintain the minimum cash balance with the Bank.	88.28	81.87	+6.41
(iii) Loans from the Central Government	69.76	23.35	+46.41
(iv) Loans from autonomous bodies, viz., Life Insurance Corporation of India, Reserve Bank of India, National Co-operative Development Corporation, National Warehousing Corporation and the State Bank of India.	10.46	0.45	+10.01
Total	1,82.31	1,14.73	+67.58

(b) *Open market loans.*—During the year, Government raised a new loan of Rs. 5 crores with the caption "5½ per cent Madhya Pradesh State Development

Loan, 1977" at a discount of 1 per cent. This bears interest at 5½ per cent and is redeemable at par in 1977. A sum of Rs. 4.86 crores was realised in cash. No loan fell due for repayment during the year.

(c) *Ways and Means Advances and overdrafts from the Reserve Bank of India.*—Under an agreement with the Reserve Bank of India, the Government of Madhya Pradesh have to maintain with the Bank, a minimum balance of Rs. 40 lakhs on Fridays and not less than Rs. 35 lakhs on other days. The Bank informs Government by telegram of their daily balance with the Bank at the close of each working day. If this balance falls on weekly settling days below the agreed minimum, the deficiency is made good by taking Ways and Means Advances (ordinary and special) from the Reserve Bank of India according to the limits fixed by it from time to time or by selling Treasury Bills. On occasions, when the deficiency in cash balance could not be made good even after taking the maximum Ways and Means Advances, the short fall is treated as an overdraft. The Bank charges interest on these advances and overdrafts.

The position in respect of the maintenance of the agreed minimum cash balance with the Reserve Bank of India during the two years 1964-65 and 1965-66 was as shown below :—

	1964-65	1965-66
1. Number of days on which the minimum balance was maintained without any advance from Reserve Bank of India.	50	3
2. Number of days on which the minimum balance was maintained by taking ordinary and special Ways and Means Advances.	43	42
3. Number of days on which there were overdrafts as the minimum balance could not be maintained even after taking ordinary and special Ways and Means Advances to the full extent.	272	320

The total amount of ordinary and special Ways and Means Advances obtained by Government during 1965-66 was Rs. 8.91 crores as against Rs. 11.25 crores during 1964-65. In addition, Government took overdrafts aggregating Rs. 88.28 crores during 1965-66 as against Rs. 63.59 crores during 1964-65. The maximum amount of borrowing from the Reserve Bank of India on any single day of the year 1965-66 was Rs. 24.99 crores on the 16th March, 1966 (being 26 per cent of the total amount received during 1965-66) as against Rs. 15.14 crores during 1964-65 on the 20th April, 1964 (20 per cent of the total amount received during 1964-65).

The total amount of interest paid to the Reserve Bank of India on the Ways and Means Advances and overdrafts during the four years ending with 1965-66 is as indicated below. The amount of interest paid during 1965-66 was the highest in these four years:—

Year	Total interest paid (In lakhs of rupees)
1962-63	7.69
1963-64	21.58
1964-65	27.15
1965-66	59.91

Out of the ordinary and special Ways and Means Advances obtained in 1965-66, Government repaid during the year an amount of Rs. 5.01 crores leaving a balance of Rs. 3.90 crores. Similarly, out of the total overdrafts a sum of Rs. 77.46 crores was repaid during the year leaving a balance of Rs. 10.82 crores. The cash balance with the Reserve Bank of India on the 31st March, 1966 was *minus* Rs. 12.19 crores (debit balance), which indicates the extent to which the amount had been overdrawn at the close of the year. The cash balance of the Government of Madhya Pradesh with the Reserve Bank of India was a *minus* (debit balance) figure at the close of each of the preceding three years also as indicated below :—

Balance as on 31st March	Amount
	(In crores of rupees)
1963	—9.19
1964	—11.15
1965	—5.07

So far as the *minus* balance at the close of 1965-66 is concerned, the balance continued to be a *minus* (debit) figure till the 29th June, 1966 when it was converted into a credit balance of Rs. 0.35 crore, mainly as a result of the receipt of an advance of Rs. 12.25 crores from the Central Government.

(d) *Loans from the Central Government.*—(i) The amount of loans taken from the Central Government and outstanding on the 31st March, 1966 was Rs. 2,92.32 crores which formed 81 per cent of the public debt of the State. There was a net addition of Rs. 46.41 crores in 1965-66 in the amount of loans received from the Central Government. The broad details of these loans outstanding at the end of 1964-65 and 1965-66 are given below:—

Purpose for which loan was taken	Outstanding on	
	31st March, 1965	31st March, 1966
	(In crores of rupees)	
Share of small savings collection	20.13	22.93
Agricultural production and allied schemes	26.55	35.26
Industrial development	3.32	3.75
Community development, Co-operation and National extension service schemes.	7.83	8.29
Miscellaneous development schemes	1,11.59	1,29.97
Major irrigation and multipurpose river projects	49.09	54.95
Housing schemes	5.21	5.41
Rehabilitation of displaced persons	1.81	2.04
Water supply and drainage schemes	5.36	6.53
Loans for other purposes	15.02	23.19
Total	2,45.91	2,92.32

(ii) *Delay in repayment.*—The Government of India have given 5 lump sum loans amounting to Rs. 0.94 crore during the period from 1960-61 to 1964-65 for development of industries. The terms and conditions for repayment of these loans are dependent on the particular schemes on which these loans are utilised by the State Government. The particulars of the amounts utilised on each scheme have not been furnished by the State Government. Consequently, no repayment of principal and payment of interest has been made so far (October 1966).

In respect of loans for rehabilitation of displaced persons from East Pakistan, an amount of Rs. 0.53 crore (principal Rs. 0.30 crore and interest Rs. 0.23 crore) is in arrears according to original terms and conditions prescribed by the Government of India. The State Government are making repayments to the extent of actual realisations of principal and interest. In January 1965, the State Government represented to the Government of India that as in the case of loans for rehabilitation of displaced persons from West Pakistan, the concession of restricting the repayments to the extent of the amounts actually realised from the displaced persons in the form of principal and interest, should be extended to the loans for rehabilitation of displaced persons from East Pakistan also. The decision of the Government of India is awaited (November 1966).

(iii) *Unutilised loan.*—Under National Loan Scholarship scheme, the Government of India give interest-free loans to the State Government for award of loan scholarships to needy and meritorious candidates to enable them to complete their studies. Out of the total loans amounting to Rs. 20.45 lakhs received by the State Government during 1963-64 and 1964-65, an amount of Rs. 11.21 lakhs (more than 54 per cent of the total amount received) could not be disbursed to students and remained unutilised with the State Government. Government stated in October 1966 that the amount could not be utilised for want of completed documents and bonds from the selected scholars and on account of late receipt of sanctions by the heads of institutions.

(e) *Loans from autonomous bodies.*—A total amount of Rs. 10,46.38 lakhs was received by the State Government during 1965-66 as loans from autonomous bodies *viz.* (i) National Agricultural Credit (Long term operations), Reserve Bank of India (Rs. 21.25 lakhs), for investment in the share capital of Apex Banks, Co-operative Central Banks and Large-sized Primary Credit Societies, (ii) the National Co-operative Development Corporation (Rs. 1,51.63 lakhs) for co-operative development schemes, (iii) the Life Insurance Corporation of India (Rs. 73.50 lakhs) for various housing schemes and (iv) the State Bank of India (Rs. 8.00 lakhs) for purchase of foodgrains. The amount outstanding on the 31st March, 1966 was Rs. 18.68 lakhs.

10. *Other Debt and Obligations.*—The following table shows a broad analysis of the balances at the credit of earmarked and other funds, unfunded debt, as also certain deposits which have not been

invested but are merged in the general cash balance of Government. This, in effect, represents the amounts borrowed by Government from these funds. The amount of such liability at the end of 1965-66 stood at Rs. 32.08 crores as against Rs. 25.61 crores at the end of 1962-63.

	Balance at the end of	
	1962-63	1965-66
	<i>(In crores of rupees)</i>	
<i>Interest bearing—</i>		
(i) Deposits of State Electricity Board and security deposits from consumers-State Electricity Schemes.	2.22	7.22
(ii) Provident Fund balances, etc., (Unfunded Debt)	6.47	10.57
<i>Non-interest bearing—</i>		
(i) Civil Deposits	8.09	7.70
(ii) Deposits of Local Funds	1.75	0.99
(iii) Earmarked Funds	7.08	5.60
Total	25.61	32.08

Funds earmarked for discharging certain liabilities of Government should normally be invested in Government securities. It will, however, be seen from the following table that a large part of the balances in the earmarked funds is being utilised for the general purposes of the State instead of being invested:—

	At the end of			
	1962-63	1963-64	1964-65	1965-66
(i) Total balance at the credit of earmarked funds <i>(In crores of rupees)</i> .	11.11	10.15	8.54	8.57
(ii) Total amount which was not invested <i>(In crores of rupees)</i> .	7.08	7.20	5.62	5.60
(iii) Percentage of uninvested amount (ii) to total balance (i).	64	71	66	65

11. *Arrangements for repayment of public debt.*—(a) The following table shows the amounts appropriated from revenue during the last four years towards repayment of debt:—

	Year ended 31st March,			
	1963	1964	1965	1966
	<i>(In lakhs of rupees)</i>			
Sinking Funds	78.73	87.47	96.37	1,12.09
Other Appropriations	0.79	0.83	0.88	0.92
Total	79.52	88.30	97.25	1,13.01

(b) The following arrangements have been made for the amortisation of various loans :—

(i) **Open market loans**

(1) *Sinking Funds.*—An annual contribution is made from revenues to the funds for liquidation of the loans at such rates as the Government may decide from time to time to be necessary.

(2) *Depreciation Fund*.—A sum equal to $1\frac{1}{2}$ per cent of the total nominal amount of the loan is set apart from revenues to form a depreciation fund for purchasing securities of the loans for cancellation. No securities were purchased for cancellation during the year.

The above arrangements have been made in respect of the open market loans totalling Rs. 32.34 crores (8.9 per cent of the public debt) as at the end of 1965-66. These arrangements have been adopted on the expectation that in practice about 80 per cent of the loans which mature would be converted into fresh loans and that amounts set apart every year (as contributions to the Depreciation and Sinking Funds) during the pendency of the loans would cover the balance of the liability.

Increase in contributions to Sinking Funds was not considered financially practicable by Government, as sufficient surplus revenues were not available in the revenue budgets to finance such transfers.

The balances in these Funds at the commencement and end of 1965-66 are given below :—

Particulars	Amount on the 1st April, 1965	Additions during the year	Withdrawals during the year	Amount as on the 31st March, 1966
	<i>(In lakhs of rupees)</i>			
Sinking Funds	2,00.41	57.77	0.07	2,58.11
Depreciation Funds	1,79.75	48.51	..	2,28.26
Total	3,80.16	1,06.28	0.07	4,86.37

Out of the total balance in the Funds, a sum of Rs.2,90.20 lakhs stood invested in Government securities and the remaining balance of Rs.1,96.17 lakhs was merged in the general cash balance of the State.

(ii) Other loans

Government have made arrangements for amortisation of the following loans (Rs. 5.65 crores) taken from the Central Government; the position of Sinking Funds relating to these loans is indicated below :—

	Contributions to Sinking Fund during the year	Balance of Sinking Fund as on the 31st March, 1966
	<i>(In lakhs of rupees)</i>	
(i) Industrial Housing Loan	0.07	1.19
(ii) Loan granted to Madhya Pradesh Government as share of Government of India $4\frac{1}{4}$ per cent Loan, 1973.	15.00	31.51

Besides the above, an amount of Rs. 2.66 lakhs was appropriated from revenue towards the discharge of the Consolidated Debt, taken over by the former Government of Central Provinces and Berar on the introduction of the provincial autonomy from the 1st April, 1937.

Government do not consider it necessary to earmark funds for amortisation of the remaining loans received from Central Government and autonomous

bodies which totalled Rs. 3,05.35 crores and accounted for 84 per cent of the total public debt; the funds required for repayment of these loans are, in effect, raised by fresh borrowings.

12. *Service of debt and other obligations.*—The net interest charges on debt and other obligations amounted to 6.71 per cent of total revenue receipts during 1965-66 as against 3.97 per cent during 1964-65. The increase is mainly due to payment of arrears of interest on loans from Central Government for Land Reclamation Scheme (Rs. 0.67 crore) and payment of more interest on account of increase in indebtedness and more Ways and Means Advances taken from the Reserve Bank of India during the year (Rs. 2.69 crores). The details together with the corresponding figures for the two preceding years are given below:—

	1963-64	1964-65	1965-66
	<i>(In crores of rupees)</i>		
(1) Interest paid on public debt and other obligations	12.63	10.71	14.14
(2) Less—			
(i) Interest received on loans and advances by Government.	7.87	4.45	3.87
(ii) Interest realised on investment of cash balances	0.08	0.13	0.10
(iii) Interest transferred to the accounts of Multipurpose River Schemes and treated as capital expenditure.	5.62	1.70	1.86
(iv) Recovery from the Government of Maharashtra as their share of interest paid on the loans taken prior to reorganisation of States.	0.08	0.05	0.05
(3) Net amount of interest charges	—1.02	4.38	8.26
(4) Percentage of gross interest to total revenue receipts	12.10	9.71	11.49
(5) Percentage of net interest to total revenue receipts	—0.98	3.97	6.71

There were in addition certain other receipts and adjustments totalling Rs. 30.73 lakhs such as interest portion of equated payments on account of commuted value of pensions, interest on arrears of revenue, etc. If these are also taken into account, the net burden of interest on the revenues during 1965-66 will be Rs. 7,95.45 lakhs working out to 6.46 per cent of the total revenues.

13. *Investments of Government.*—Total amount of investments of Government in the shares/debentures of Statutory Corporations, Government companies, Joint stock companies, co-operative societies and banks stood at Rs. 17.17 crores at the end of 1965-66 as against Rs. 13.61 crores at the end of 1964-65.

An analysis of investments of Government as compared to the preceding three years is given below:—

Year	Total investments at the end of the year	Statutory corporations	Government Companies	Investments in	
				Joint Stock Companies	Co-operative societies and banks
<i>(In lakhs of rupees)</i>					
1962-63	9,95.02	92.35	4,09.69	1,22.47	3,70.51
1963-64	10,94.23	1,24.35	4,78.47	1,03.42	3,87.99
1964-65	13,61.28	1,92.35	4,82.47	1,03.18	5,83.28
1965-66	17,17.44	3,62.35	4,95.47	1,02.89	7,56.73

The increase in the total investments of Government as compared to 1962-63 is 72.6 per cent; the investments in statutory corporations have increased by over 292 per cent and in co-operative societies and banks by 104 per cent.

Investments in Government companies work out to 28.8 per cent and in co-operative societies and banks to 44.1 per cent of total investments of the Government as on the 31st March, 1966.

7 concerns in which Government investments amounted to Rs. 5.24 lakhs are under liquidation.

14. *Grants-in-aid*.—During 1965-66, grants disbursed to private institutions, local bodies, educational institutions, co-operative societies, etc., aggregated Rs. 7,14.25 lakhs.

According to financial rules of Government, a certificate of proper utilisation of the grants disbursed by Government is required to be furnished by departmental officers within a reasonable time. As on the 1st August, 1966 utilisation certificates in 51,956 cases relating to grants-in-aid amounting to Rs.4,43.64 lakhs paid upto 1964-65 were not furnished to Audit. Of this, Rs.2,79.61 lakhs were paid during and before 1963-64.

The expenditure incurred by the local bodies out of these grants is audited by the Examiner, Local Fund Accounts, who is under the administrative control of the State Government. Some of the important points pointed out by the Examiner are indicated below:—

- (i) As on 31st March, 1965 large balances of grants-in-aid remained unspent (Rs. 1,14 lakhs).
- (ii) Proper ledgers showing the receipts and utilisation of the grants-in-aid were not maintained by a number of local bodies.

[15. *Capital and Revenue Accounts of Irrigation Works*.—Mention was made in Para 7 of the Audit Report, 1966 regarding non-preparation of the Capital and Revenue Accounts of irrigation works. The requisite information for preparation of these accounts is still awaited (November 1966) from the Chief Engineer (Irrigation).

In their Report of April 1966, the Public Accounts Committee commented on the failure on the part of the department to furnish the requisite data for preparation of the administrative accounts even after the issue of the Government orders in August 1960, and recommended that at least from 1964-65 and onwards, complete information should be sent to the Accountant General. The Committee also suggested that in respect of 1959-60 to 1963-64 whatever information was available should be furnished to the Accountant General and Government should examine, in consultation with the Accountant General, whether, on the basis of the available data, it would be possible to prepare these accounts. The Committee urged that a decision in this regard should be taken before July 1966 and on that basis the required information for the preparation of the administrative accounts for 1959-60 to 1963-64 should be furnished to the Accountant General before the 31st December, 1966. The decision of Government is still awaited (November 1966).]

16. *Misappropriations*.—On 30th September, 1966, 359 cases of alleged misappropriations involving a total amount of Rs. 21.42 lakhs were pending finalisation. The departments mainly responsible for the finalisation of these cases are: Agriculture: 57 cases (Rs.6.41 lakhs), Education: 51 cases (Rs.1.84 lakhs), Planning and Development : 35 cases (Rs.2.79 lakhs), General Administration : 35 cases (Rs.1.87 lakhs) and Food : 13 cases (Rs.3.31 lakhs).

The delay in finalisation of the cases was over :—

- (i) 5 years in respect of 103 cases involving Rs.10.88 lakhs,
- (ii) 3 years in respect of 75 cases involving Rs.4.44 lakhs, and
- (iii) 1 year in respect of 137 cases involving Rs.3.35 lakhs.

Further particulars are given in paragraphs 49 to 54.

GUARANTEES GIVEN BY GOVERNMENT

17. Besides the obligations mentioned in para 8 above, Government have contingent liabilities in respect of guarantees given by them to third parties on behalf of Statutory corporations, Joint-stock companies and Co-operative institutions. The payment of minimum dividend on the working capital of the Madhya Pradesh Financial Corporation has also been guaranteed.

The following table shows the amount of these contingent liabilities, with determinate amounts, classified according to the bodies on whose behalf they have been incurred :—

	Maximum amount for which guarantees have been given.	Amount guaranteed outstanding as on the 31st March, 1966
(In crores of rupees)		
(i) Guarantee for working capital and dividends pertaining to Statutory corporations.	3.40	2.03
(ii) Guarantees for loans, debentures, bonds, etc., raised by—		
(a) Statutory corporations	0.78	0.49
(b) Joint-stock companies	0.45	0.26
(c) Co-operative banks and institutions	59.00	13.61
(d) Municipal committees	1.26	0.95
(iii) Guarantee for gross outturn of 12½ percent on the capital invested by the Madhya Pradesh Electricity Board on Lift irrigation schemes.	0.29	0.13
Total	65.18	17.47

In addition, Government have given guarantees with indeterminate contingent liability on behalf of the Madhya Pradesh State Road Transport Corporation for payment of cost of stores purchased by the Corporation through the Director General, Supplies and Disposals. The amount outstanding on the 31st March, 1966 against this guarantee was Rs. 3.91 lakhs. The guarantee deed has not been finalised so far (October 1966).

No law has been passed by the Legislature of the State under the provisions of Article 293 of the Constitution laying down the limits within which

Government may give guarantees on the security of the Consolidated Fund of the State.

Payment in fulfilment of Government guarantees.—In three cases, guarantees given to the Life Insurance Corporation of India for repayment of loans advanced to municipal committees for execution of their water supply schemes were invoked during the year; Government paid an amount of Rs.0.81 lakh to the Corporation in fulfilment of the guarantees as the municipalities failed to pay the dues. The amount paid by Government is recoverable from the respective municipalities.

The profit made by the Financial Corporation, as in earlier years, was not adequate to pay the minimum guaranteed dividend at the rate of $3\frac{1}{2}$ per cent per annum on the paid up capital. The State Government paid an amount of Rs. 2 lakhs to the Corporation in 1965-66 to enable it to pay the guaranteed dividend. The total of such subventions paid or payable to the Corporation since its inception to the end of 1965-66 amounted to Rs.18.53 lakhs.

CHAPTER II

APPROPRIATION AUDIT AND CONTROL OVER EXPENDITURE

Appropriation Audit

GRANTS/APPROPRIATIONS AND ACTUAL EXPENDITURE

18. *Summary.*—The following table compares the total expenditure during 1965-66 with the total of voted grants and charged appropriations for that year:—

		Total grants/ appropri- ations	Actual expendi- ture	Savings Amount	Percentage
<i>(In crores of rupees)</i>					
Voted—					
Original	1,98.78	} 2,50.09	2,39.54	10.55	4.2
Supplementary	51.31				
Charged—					
Original	1,20.67	} 1,44.45	1,30.49	13.96	9.7
Supplementary	23.78				
Total—					
Original	3,19.45	} 3,94.54	3,70.03	24.51	6.2
Supplementary	75.09				

The total saving of Rs. 24.51 crores represented 6.2 per cent of the total amount of the voted grants and charged appropriations as against 1.5 per cent and 4.8 per cent respectively in the preceding two years 1963-64 and 1964-65; this was the net result of savings in 72 grants/appropriations amounting to Rs. 33.45 crores and excesses in 13 grants/appropriations amounting to Rs. 8.94 crores.

19. *Supplementary grants/appropriations.*—During the year 1965-66, supplementary provision totalling Rs. 75.09 crores was obtained in 39 voted grants and 20 charged appropriations. The details given in Appendix 1 bring out the following points:—

(a) (i) The supplementary provision (exceeding Rs. 1 lakh in each case) totalling in all Rs. 32.90 lakhs in 7 grants/appropriations proved wholly unnecessary as the expenditure did not come up to even the original grants. Out of this, Rs. 77.42 lakhs had been obtained in February 1966; the supplementary grants in these cases could have been avoided or restricted to token grants.

(ii) In the case of 14 grants and 1 appropriation, the supplementary provision (exceeding Rs. 1 lakh in each case) proved to be substantially excessive; against a total supplementary provision of Rs. 70,31.54 lakhs, the amount actually utilised was Rs. 41,99.34 lakhs only.

- (b) There were 12 grants and 1 appropriation where the supplementary provision proved to be substantially inadequate; in these cases, while the additional provision obtained was Rs. 3,90.53 lakhs, the actual expenditure exceeded the total grants/appropriation including the supplementary provision by Rs. 8,93.80 lakhs.
- (c) (i) In 6 out of 7 cases mentioned in sub-para (a) (i) above in which the supplementary provision proved entirely unnecessary, funds were surrendered substantially in excess of the total supplementary provision obtained in October 1965 and February 1966. These cases are given below:—

No. and name of Grant	Provision		Actual expenditure	Amount surrendered
	Original	Supplementary		
	(In lakhs of rupees)			
2—State Excise Duties	50.14	3.00	48.45	3.99
17—Education	30,91.38	1.33	29,97.23	98.48
22—Co-operation	1,18.62	1.85	1,08.56	11.44
23—Industries	1,34.20	1.18	1,14.27	20.34
36—Miscellaneous	4,77.70	33.69	4,48.63	44.60
39—Capital Outlay on Improvement of Public Health	1,09.53	1.58	86.23	16.89

This shows that the departments concerned were unable to estimate their requirements closely even towards the close of the year.

20. *Excess expenditure over grants/appropriations.*—(a) There was a total excess of Rs. 8.94 crores over 12 grants and one appropriation which was equal to 14.5 per cent of the total grants/appropriation in these cases.

These excesses are required to be regularised under Article 205 of the Constitution. The following points have been noticed in this connection:—

(i) The excess was more than Rs. 10 lakhs in each of the 6 grants, “13—Police” (Rs. 30.22 lakhs), “19—Public Health” (Rs. 19.18 lakhs), “26—Miscellaneous Social and Developmental Organisations” (Rs. 23.43 lakhs), “27—Irrigation Works” (Rs. 1,65.71 lakhs), “28—Public Works” (Rs. 2,76.60 lakhs) and “43—Capital Outlay on Irrigation Works (Commercial)” (Rs. 3,62.57 lakhs).

In the six preceding years also, the excess was more than Rs. 10 lakhs under “Irrigation Works” and “Public Works” and in the four preceding years under “Public Health”.

(ii) The major part of the excess occurred in the 3 cases mentioned below:—

No. and name of Grant	Total Grant	Actual expenditure	Excess
	(In crores of rupees)		
27—Irrigation Works	2.36	4.02	1.66
28—Public Works	12.52	15.29	2.77
43—Capital Outlay on Irrigation Works (Commercial)	6.11	9.74	3.63

The bulk of the total excess of Rs. 8.06 crores in these cases occurred mainly under “Suspense”. This was due to inadequate provision under “Suspense”.

(b) The details of excesses by grants/appropriations are given below:—

(A) Voted grants

Particulars of Grant	Total Grant	Expenditure	Excess	
	Rs.	Rs.	Amount	Percentage
6—Stamps	7,50,000	7,61,199	11,199	1.5
10—Commissioners and District Administration	3,21,77,650	3,25,59,109	3,81,459	1.2
	The excess occurred mainly under 'E. 1 (1) District Administration' and 'E. 2 (2)—Divisional Establishment'. Reasons for the excess have not been furnished			
12—Jails	80,92,000	81,64,528	72,528	0.9
13—Police	11,29,77,700	11,59,99,680	30,21,980	2.7
	The excess was mainly under 'B. 1 (1)—District Establishment' due to (i) increase in expenditure on travelling allowance and (ii) more expenditure on the running of vehicles necessitated by the law and order situation, and under 'D—Home Guards' due to more expenditure on Home Guards called out for law and order duty during National Emergency and for arresting illegal transportation of food grains.			
19—Public Health	7,14,01,775	7,33,19,926	19,18,151	2.7
26—Miscellaneous Social and Developmental Organisations	3,95,05,400	4,18,48,591	23,43,191	5.9
27—Irrigation Works	2,35,72,000	4,01,42,946	1,65,70,946	70.3
	The excess occurred mainly under the group-head 'A. 2 (5)—Suspense'; this was attributed to under-estimation of purchases of stock materials.			
28—Public Works	12,51,84,000	15,28,44,228	2,76,60,228	22.1
	The excess occurred mainly under the group-head 'Suspense'. It was attributed mainly to larger purchase of stock materials and clearance of liabilities of previous years.			
31—Pensions and Other Retirement Benefits	1,56,44,000	1,60,09,163	3,65,163	2.3
	The excess occurred mainly under the group-head 'A.1(ii)—Superannuation and Retired Allowances—Payable to Pensioners.' The excess was attributed to drawal of more pensions than anticipated towards the close of the year. Last year also excess occurred under the same group-head and was ascribed to the same reason.			
35—Forest	5,45,74,200	5,46,06,974	32,774	0.1
43—Capital Outlay on Irrigation Works (Commercial).	6,10,67,100	9,73,24,353	3,62,57,253	59.4
	Excess occurred mainly under group-heads "Suspense". The excess has been explained by the Chief Engineer as due to the provision having been made for net expenditure instead of the gross amount excluding certain recoveries which are adjusted in accounts in reduction of expenditure.			
45—Capital Outlay on Public Works	6,95,35,600	7,02,74,684	7,39,084	1.1
	The excess occurred mainly under 'A.5—Education' due to certain payments made to avoid legal and contractual complications and under 'B—Original Works—Communications' due to increased expenditure on construction of roads and bridges for which adequate provision was not made.			
(B) Charged Appropriations				
48—Commuted Value of Pensions	28,000	33,900	5,900	21.1

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21. *Unutilised provision.*—(a) The unutilised provision of Rs. 33.45 crores in 72 grants/appropriations was equal to 10 per cent of the total amount of these grants/appropriations. Particulars of the cases in which the provision was not utilised to the extent of 10 per cent or more are given in Appendix 2.

- (i) In 5 grants, the unutilised provision (Rs. 1.33 crores) ranged between 20 per cent and 61 per cent; and
- (ii) In 13 grants, the unutilised provision (Rs. 13.45 crores) varied between 10 per cent and 20 per cent.

Non-utilisation of a substantial portion of the grants/appropriations has been a recurring feature of some of these grants; in the case of 2 grants (Industries and Capital Outlay on Industrial and Economic Development), over 10 per cent of the total provision remained unutilised during the preceding 5 years also.

(b) There were savings amounting to Rs. 13.96 crores under 34 appropriations.

(c) An analysis of the savings which occurred in the provision made for different groups of Government activity is given below :—

	Total Provision	Saving Amount	Percentage
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(In lakhs of rupees)

I. Expenditure met from revenue—

(i) Collection of Taxes, Duties and other Principal Revenues	4,74.45	15.66	3.3
(ii) Administrative services	3,47.14	9.52	2.7
(iii) Social and Developmental Services	57,42.59	3,33.91	5.8

The saving occurred mainly under 'Education' (Rs. 95 lakhs) and 'Community Development Projects, National Extension Service and Local Development Works' (Rs. 1,03 lakhs).

The saving under 'Education' was the net result of saving under 'Plan' (Rs. 1,25 lakhs) partly offset by excess under "Non Plan" (Rs. 30 lakhs). The saving under "Plan" was attributed to posts remaining vacant, non-purchase of equipment and non-implementation of the schemes mainly due to non/late receipt of Government sanction.

The saving under 'Community Development Projects, National Extension Service and Local Development Works' is comprised of savings both under 'Plan (Rs. 35 lakhs) and 'Non-Plan' (Rs. 68 lakhs), Savings were attributed mainly to less allocations of funds by the Government of India, economy in expenditure and works not having been taken up for want of peoples' participation.

(iv) Debt Services	15,70.02	41.23	2.6
(v) Other Services	15,32.11	167.77	11.0

The saving was mainly under 'Public Works Establishment and Tools and Plant, 'Famine Relief' and 'Miscellaneous'.

The saving under 'Public Works Establishment and Tools and Plant' was attributed mainly to non-purchase of tools and plant and non-creation of or vacant posts.

The saving under 'Famine Relief' was attributed mainly to poor attendance of labourers on scarcity works (Rs. 40 lakhs).

The savings under 'Miscellaneous' was mainly due to postponement of Panchayat elections and non-payment of grants to the Zila and Janapad Panchayats (Rs. 91.54 lakhs) partly offset by small excesses under other group-heads.

	Total provision	Saving Amount	Percentage
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(In lakhs of rupees)

II. Expenditure outside the Revenue Account—

Payment of compensation to Land Holders on the abolition of Zamindari System.	23.17	11.69	50.5
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The saving was attributed to non-payment of compensation due to non-finalisation of cases in time and non-payment of compensation in a case which is *sub-judice*.

Capital Outlay on Improvement of Public Health	111.11	24.88	22.4
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The saving was attributed to—

- (i) non-receipt of contributions from Municipal Committees;
- (ii) non-availability of land;
- (iii) non-finalisation of preliminaries in respect of certain works; and
- (iv) reduction in Plan ceiling.

Capital Outlay on Industrial and Economic Development.	497.59	66.65	13.4
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In the preceding 5 years also savings ranging from 18 to 74 per cent occurred in this grant. Saving in 1965-66 was attributed to less investment in the share capital of co-operative societies, non-implementation of industrial schemes and less investments in the share capital of co-operative rice mills as the National Co-operative Development Corporation, which provides funds for the purpose sanctioned less amount than anticipated.

Capital Outlay on Irrigation Works (Non-commercial)	338.66	88.42	26.1
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About half of the saving was attributed to (i) non-receipt of debits for machinery purchased/non-procurement of machinery, (ii) non-payment to a contractor owing to his failure to give the stipulated progress of a work, (iii) scarcity of labour and water and (iv) non-finalisation of land compensation cases.

Reasons for the balance saving have not been furnished.

Capital Outlay on Other Works	44.28	6.34	14.3
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Saving was mainly due to non-drawal of claims before the close of the financial year for payment to Laghu Udyog Nigam for construction works in the Industrial Estates at Durg, Gwalior and Indore.

Schemes of Government Trading	48,51.43	9,56.39	19.7
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The saving was attributed mainly to less purchase of foodgrains, seeds, implements and pesticides and non-payments of claims due to non-receipt of debits.

Other Heads	1,10.20	40.97	3.7
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The saving occurred mainly under Grant No. 42—Capital Outlay on Multi-purpose River Schemes and was attributed to less payment to the Rajasthan Government in respect of the expenditure on Rana Pratap Sagar Dam shareable by the Madhya Pradesh Government as the amount actually due was subsequently found to be less than that intimated by the latter.

Loans and Advances 38,49.72 238.29 6.2

The savings were mainly attributed to less demand for loans and less allotment of funds than anticipated by the Reserve Bank of India for financing the loans to State Co-operative Banks for distribution of Taccavi loans through co-operatives.

(d) A few instances of non-utilisation of budget provision under 'Plan' under individual group-heads for different schemes, works, etc. are given below:—

S. No.	Grant No.	Scheme/Group-head	Provision	Actual Expenditure	Savings (and its percentage to the total)
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(In lakhs of rupees)

1.	17—Education	B.1(3)—opening of new Middle Schools	77.80	56.26	21.54 (27.7)
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The saving was attributed mainly to late receipt of Government sanction for the creation of posts and non-availability of qualified hands. 30.5 per cent of the Provision remained unutilised under this group-head in 1964-65 also.

		D. 1(1)—Training Schools	76.00	49.89	26.11 (34.3)
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The saving was attributed to less admissions due to post-budget decision to convert one year course in to two-year course.

2.	20—Agriculture	F.4 Co-ordinated Scheme for soil conservation measures in the River Valley Projects for the catchment areas of Hirakud and Chambal.	75.52	53.22	22.30 (29.5)
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Mainly due to posts remaining vacant and late opening of new sub-divisions.

3.	25—Labour and Employment	C.4(2)—Expansion of existing Industrial Training Institutes.	62.58	28.50	34.08 (54.5)
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Mainly due to curtailment of expenditure on advance action for the Fourth Five Year Plan as a measure of economy.

4.	29—Public Works Establishment and Tools and Plant.	B. Tools and Plant B (3) Buildings and Roads.	20.00		20.00 (100.0)
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The savings were attributed to non-purchase of tools and plant for advance action for the Fourth Plan pending necessary allocation of funds from the Government of India.

S. No.	Grant No.	Scheme/Group-head	Provision	Actual Expenditure	Savings (and its percentage to the total)
(In lakhs of rupees)					
5.	41—Capital Outlay on Industrial and Economic Development.	D(1)—Basic Facilities for Industries.	46.39	37.58	8.81 (19.00)

Reasons for the saving are awaited. In the preceding 4 years also, savings ranging between 100 and 53 per cent of the total provision occurred in this group-head.

6.	49—Schemes of Government Trading.	F(1)Malaria Control	83.00	59.21	23.79 (28.7)
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The saving was attributed to non-adjustment of the cost of D. D. T. and equipment received from Government of India owing to the late receipt of the details of the cost of material.

^{229 36}
^{14/5 report} 22. *Expenditure on "New Service"*.—Expenditure on a new service for which there is no provision in the budget should not be incurred without obtaining, either an advance from the Contingency Fund, or a grant through the supplementary estimates. An expenditure of Rs.44,000 was incurred during 1965-66 for providing financial relief to the families of the Armed forces and police personnel killed in Emergency. Payment of this nature was sanctioned for the first time and it was incurred on a new object. But, neither any provision therefor was made in the supplementary estimates nor any advance from the Contingency Fund was obtained. The expenditure constituted "new service" requiring specific legislative approval.

Control over expenditure

23. (a) The object of control over expenditure is to secure as close an approximation as possible between the actual expenditure and the final grant/appropriation. This is exercised by—

- (i) sanctioning re-appropriations for the transfer of funds from sub-heads of grants where savings are anticipated to other sub-heads in the same grant where there is need for additional funds;
- (ii) obtaining supplementary grants/appropriations where necessary, and
- (iii) effecting surrender of surplus funds as soon as these can be foreseen.

If the control is effective, the actual expenditure would approximate closely to the final modified grant, *i.e.*, the original grant as modified by supplementary grants, re-appropriations and surrenders.

(b) Instances where additional funds provided in the course of the year by supplementary grant/appropriation proved wholly or partly unnecessary have been indicated in paragraph 19.

(c) Cases where the total expenditure against a grant or appropriation as a whole exceeded the total amounts granted/appropriated and require regularisation by legislature have been mentioned in paragraph 20.

(d) In accordance with the financial rules and instructions issued by the Government from time to time, savings occurring within a grant/appropriation, should be surrendered as soon as the possibility of such savings is envisaged unless these are required to meet excesses in the Grant which can definitely be foreseen at that time. No saving can be held in reserve to meet possible future excesses. Surrenders were, however, mostly made at the close of the year. Against the total savings in grants and appropriations amounting to Rs.33.45 crores a sum of Rs.26.96 crores was surrendered; of this, surrenders in March 1966 amounted to Rs.26.90 crores (surrenders on the 30th March, 1966, the last working day of the financial year, being Rs.24.50 crores).

(e) Some instances, where the amounts surrendered by the controlling officers were either not actually available for surrender (there being excess over the grant as a whole) or were substantially in excess of the amounts available for surrender are given in Appendix 3. In 8 cases a total amount Rs. 1 crore was surrendered although ultimately there were excesses over these grants.

(f) Important instances of defective control over expenditure in respect of individual group-heads within the grants/appropriations have been indicated in the Appropriation Accounts.

24. *Reconciliation of departmental figures.*—In order to exercise effective control over expenditure, the accuracy of the departmental accounts is required to be ensured by periodical reconciliation of the departmental figures with those of the Accounts Office before the close of the accounts of a year.

The number of officers who, during the last three years did not complete the reconciliation before the close of the year is shown below :—

Year	Total no. of controlling officers.	Number of controlling officers who did not reconcile the figures.
1963-64	212	39
1964-65	226	54
1965-66	227	38

Failure to reconcile the figures is fraught with the risk of losses of Government money remaining undetected. An instance of alleged forged withdrawal, the detection of which was delayed due to incomplete/delayed reconciliation is given in paragraph 49 of Chapter IV. Government have issued instructions in May 1966 at the instance of Audit, urging that the reconciliation should be completed, even after the accounts for the year are closed, if for any reasons it remains incomplete before the close of the accounts of a particular year.

25. *Withdrawal of funds apparently with a view to utilising the allotted funds.*—The financial Rules of Government require that no money should be withdrawn from the treasury unless it is required for immediate disbursement. Mention was made in paragraph 15 of the Audit Report 1964 as also in earlier reports regarding the withdrawal of large amounts towards the end of the financial year apparently to avoid lapse of budget provision, in contravention of

financial rules. In their Report of March 1965, the Public Accounts Committee desired that such irregularities should be avoided and that the defaulting officers should be severely dealt with.

12 cases have been noticed in audit in which funds totalling Rs. 13.21 lakhs were drawn from the treasuries in March 1964, March 1965 and March 1966 apparently to prevent lapse of budget allotment. The particulars of these cases are given in Appendix 4. The department-wise analysis of the cases is given below:—

Department	No. of cases	Amount (In lakhs of rupees)
Tribal Welfare	7	2.03
Education	2	5.46
Agriculture	2	5.45
Planning and Development	1	0.24
Total	12	13.21

This practice of drawal of amounts in advance of requirement not only defeats legislative control over finance and adversely affects the ways and means position of Government but is also attendant with the risk of loss to Government.

CHAPTER III
CIVIL DEPARTMENTS

Forest Department

26. *Loss due to failure of plantations.*—During 1963-64 to 1965-66, plantations of eucalyptus and softwood were raised over an area of 100 to 180 acres in Dhulkot range in the Nepa Plantation Division. The expenditure incurred on these plantations amounted to Rs. 0.73 lakh. The plantations of eucalyptus and softwood raised in 1963-64 and 1964-65 (expenditure incurred: Rs. 0.39 lakh) perished completely. In the eucalyptus plantations raised over an area of 180 acres during 1965-66 no plant survived in one compartment covering an area of 80 acres; in another compartment of 100 acres, the percentage of survival was only 3. D.P.
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The Divisional Forest Officer, South Khandwa Division stated in February 1966 that these plantations "have proved to be cent per cent failure". This was attributed by him to unsuitability of soil. He further stated that according to the soil survey conducted in June 1965 "this area was not considered to be suitable for raising plantations". Fresh plantations were, however, laid during July-August 1965 at a cost of Rs. 0.34 lakh.

The matter was reported to the Chief Conservator of Forests in May 1966 and to Government in September 1966; their replies are awaited (November 1966).

27. *Lac development scheme.*—This scheme, introduced in May 1961, envisaged establishment of 20 brood lac farms during the Third Five Year Plan period to provide for regular and timely supply of brood lac, to popularise lac cultivation with a view to stepping-up production, and to survey idle host plants and bring them under lac cultivation. 12 farms were established till 1965-66 at a cost of Rs. 3.46 lakhs. According to the information furnished by the Lac Development Officer, the production of stick lac during the period of about 5 years ending March 1966 was only 242 maunds as against the target of 2,040 maunds. He stated in September 1966 that 'brood had to be indented from Ranchi which were received so late after emergence that the consignment was rendered useless because most of the insects had died during transit... The rate of brood was so high and its availability was in such a limited quantity, that meagre quantity of brood could be indented and hence very small number of trees were infected'. D.P.
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The receipts realised from sale of lac during the period of 5 years ending March 1966 were Rs. 3,910 only. This has been attributed by the Lac Development Officer to—

- (i) low production of lac,
- (ii) low market rates till 1965,
- (iii) small lots available for disposal at odd places, and
- (iv) disposal of unprocessed stick lac without converting it into seed lac or shellac.

The expenditure on pay and allowances of staff amounted to 70 per cent of the total expenditure, as against 61 per cent envisaged in the scheme. The non-availability of brood lac well in time in sufficient quantity resulting in reduced activities was stated to be the reason for the high percentage of establishment expenses.

The following further points were noticed in audit:—

(a) 4 Rangers and 16 Foresters were given special training in the Lac Research Institute, Ranchi, at a cost of Rs. 43,729 during 1961-63. The Lac Development Officer stated in September 1966 that 'none of the personnel were working for implementation of the scheme as all of them have been either promoted or posted elsewhere'.

(b) The Rangeeni Lac Farm at Borgaon in North Bastar Division was established in December 1962; no lac was produced in the farm till March 1966, though an expenditure of Rs. 27,000 was incurred on staff, purchase of brood lac and on other items. Out of 4,200 host trees at commencement of the farm, only 1,800 were in infectable stage in March 1966. The Divisional Forest Officer stated (July 1966): 'The scheme is a complete failure and (it is) neither economical nor beneficial.... there is no suitable area for lac cultivation in this division.'

Agriculture Department

D.P.
145. 28. *Seed multiplication farms.*—In paragraph 1 at page 21 of Audit Report, 1962 it was indicated that Government Agricultural Farms were running at a loss. The Public Accounts Committee in their report of March 1963 observed "..... the running of these farms by Government is uneconomical, besides being a sad commentary on the suitability of the methods employed by the technically qualified managers of these farms in contrast with the private cultivators". The Committee recommended that the recommendations of the Farm Enquiry Committee should be carefully examined and implemented.

The main recommendations of the Farm Enquiry Committee were as follows, and these were accepted by Government in September 1963:—

- (i) The losses should not be so heavy as were being incurred on some of the farms.
- (ii) Culturable land lying uncultivated on farms should be brought under the plough according to a phased programme.
- (iii) Unserviceable farm machinery on the farms should be removed to the Agricultural Engineering Section for proper repairs and disposal.
- (iv) Government should take into consideration factors like soil fertility, irrigation potential...while selecting sites for new farms.

The Public Accounts Committee were also informed that Government had decided to re-classify the farms and only the seed multiplication farms could be expected to run on profit. A review of 31 out of 113 seed multiplication farms existing in April 1966, however, showed that many of these farms were running at a loss.

The total expenditure incurred on these 31 farms during the three years ending 1965-66 was Rs. 28.26 lakhs (recurring: Rs. 17.92 lakhs and non-recurring: Rs. 10.34 lakhs); the sale proceeds of farms produce amounted to Rs. 11.04 lakhs which substantially fell short of the maintenance expenditure as shown below:—

	1963-64	1964-65	1965-66
	<i>(In lakhs of rupees)</i>		
Expenditure on establishment	1.91	2.01	2.21
Other maintenance expenditure	3.54	3.96	4.29
Total	5.45	5.97	6.50
Sale proceeds	2.99	3.97	4.08
Percentage of sale proceeds to the total maintenance expenditure.	55	66	63

28 out of the 31 farms finalised their annual accounts for 1965-66; these accounts show that 17 farms incurred losses to the extent of Rs. 1,16,688. The losses were attributed generally to lack of irrigation facilities, unfavourable weather conditions, land being too shallow, want of suitable technical personnel and shortage of labour. 13 of these farms had accumulated losses amounting to Rs. 5.11 lakhs.

The total area of these 31 farms is 3,898 acres; but only 3,105 acres were brought under cultivation. Non-cultivation of 793 acres of land was attributed to the sandy soil of the area, absence of irrigation facilities and non-availability of labour.

Certain particulars in regard to the working of three farms are given in Appendix 5.

Machines valued at Rs. 0.28 lakh have been lying idle (July 1966) in 4 farms, as indicated below:—

Location of the farm.	Particulars of machinery.	Cost Rs.	Date from which it is remaining idle.	Remarks.
Burhanpur	Karma oil engine.	4,000	September 1960	The Joint Director of Agriculture ordered in May 1966 the transfer of the engine to Harsud farm; information regarding its transfer is awaited (November 1966).
Datia	Cooper engine	3,996	March 1955	The Director of Agriculture ordered its transfer to Gwalior in December 1963. The engine has not yet been transferred (July 1966).
Jagat Sagar	Ferguson tractor.	7,500	August 1963	For want of spare parts.
	Cooper engine	5,000	April 1963	Reasons for non-utilisation have not been furnished by department.
Kurwai	Cooper engine	7,300	March 1961	Break-down of the engine.

A sum of Rs. 1.10 lakhs was pending recovery as on the 31st March, 1966 on account of sale of farm produce on credit to Government departments (Rs. 1,06,870) and private parties (Rs. 3,481).

D.P.
53 29. *Infructuous expenditure.*—Under the scheme of intensive cultivation, construction of 3 tanks in Mandsaur district was sanctioned by Collector in March 1955 at an estimated cost of Rs. 0.58 lakh. The tanks were intended to irrigate an area of 637 acres. The works were executed through the Mandal Panchayat. After incurring an expenditure of Rs. 0.62 lakh till September 1955, the works were abandoned. The Collector, Mandsaur District, reported in November 1963 to Government as follows:—

“All the three tanks are now in useless condition and it is not desirable to repair them, as all suffer from the defects of faulty selection of site and non-engineering construction. As regards the additional acreage of all tanks, it will be practically nil”.

In August 1965, Government declared the expenditure of Rs. 0.62 lakh incurred on the construction of the tanks as infructuous. They also stated (July 1966) that as the works were executed through the Mandal Panchayat, the question of fixing responsibility for the defects in execution did not arise.

D.P.
150 30. *Pilot scheme for destruction of rats.*—This scheme sponsored by the Government of India under the Grow More Food campaign was launched in Tikamgarh District in November 1960. The object was to ascertain how far, consistent with the cost involved, concerted operations could be conducted on a large scale to reduce effectively the population of field rats so as to reduce the economic loss to crops by rodents. The main operations of the scheme were fumigation of rat holes, poison-baiting and publicity and propaganda to win active co-operation of the people.

The pilot scheme remained in operation upto March 1964; till then 51,000 acres of land were covered by the scheme and an expenditure of Rs. 72,854 was incurred. The scheme was discontinued thereafter. During 1963-64, no area was taken up for operation but a sum of Rs. 21,635 was incurred on the pay and allowances of the staff and contingencies.

At the close of the scheme, the operational results were to be assessed by the State Government and communicated to the Directorate of Plant Protection of the Government of India for final evaluation. In the absence of such evaluation, it is not known how far the expenditure incurred was commensurate with the results achieved.

The matter was reported to Government in August 1966; their reply is awaited (November 1966).

Rehabilitation Department

D.P.
211 31. *Scheme for settlement of displaced persons from West Pakistan.*—A loan of Rs. 8.23 lakhs was obtained in October 1958 from the Government of India

for development of townships at Katni, Mana, Tilda and Chakrabhata for settlement of displaced persons from West Pakistan. The loan was utilised to the extent indicated below:—

	<i>In lakhs of rupees</i>
Development of townships at Katni and Chakrabhata	2.68
Acquisition of land at Katni	0.57
Re-lending to the displaced persons at Katni, Tilda and Mana	1.95
Total	5.20

The unutilised portion of the loan, Rs. 3.03 lakhs, is stated to have been utilised on certain other housing schemes for the benefit of displaced persons from West Pakistan.

The entire expenditure of Rs. 5.20 lakhs incurred till March 1963 remains unfruitful as the displaced persons have not started construction of the tenements.

Out of 254.74 acres of land acquired at Katni (cost: Rs. 0.57 lakh), 230.86 acres were developed by March 1963 at a cost of Rs. 2.13 lakhs. The developed land was not utilised, as the displaced persons to whom 'the plots were allotted for starting construction of cheap tenements declined to accept the Government's offer'. The land was surrendered to the Survey and Settlement Department in April 1964 for disposal; the land has not so far been disposed of (August 1966).

The loan of Rs. 1.27 lakhs given to the displaced persons up to March 1963 for construction of houses in Katni township remains unutilised; it has been kept in deposit in the post office savings bank, as construction was not taken up by the loanees.

At Chakrabhata, 1,608 plots were developed for allotment to the displaced persons at a cost of Rs. 0.55 lakh. Government stated in August 1966 that "the plots were not properly developed and only...latrines, wells, etc., were constructed." The displaced persons were "not prepared to construct the tenements (on these plots) and preferred to stay on in rather unsafe and unhygienic dwellings in camps." DP 69

Small scale industries schemes.—With the object of providing gainful employment to displaced persons from East Pakistan, settled in Madhya Pradesh, Government of India paid loans amounting to Rs. 1,35,200 in May-July 1960 for setting up 2 production centres in carpentry and basket making centres at Dharamjaigarh and Ambikapur and 1 basket making centre at Ambikapur. A total expenditure of Rs. 60,492 was incurred on these centres in May-July 1960 when the centres were closed. The *biri*-making scheme was not successful at all and in the other, according to the Government of India, the result in the implementation was "not satisfactory".

Other points have been noticed :—

Buildings/sheds constructed in 1959-60 and 1960-61 at a cost of Rs. 1,35,200 for *biri*-making and carpentry centres at Dharamjaigarh and Ambikapur and carpentry centres at Ambikapur remained unutilised

since October 1960. 2 of these buildings (cost Rs. 10,568) at Dharamjaigarh were transferred to the Tribal Welfare Department in December 1964 for running a saw mill; the disposal of the remaining 2 buildings at Ambikapur (cost Rs. 13,538) was pending.

(ii) Equipment valued at Rs. 33,142 purchased in 1959-60 for the carpentry centres remained unutilised since their purchase.

Government intimated in August 1966 that "the schemes could not make much headway for want of technical staff and lack of interest on the part of displaced persons" and that there was some unavoidable delay in disposal of the assets due to non-receipt of approval from the Government of India. They further stated that all assets were since transferred to the Tribal Co-operative Development Corporation.

Planning And Development Department

33. *Unfruitful expenditure.*—An expenditure of Rs. 2.37 lakhs incurred on the following 3 minor irrigation works in Community Development Blocks, has remained largely unfruitful, in the circumstances stated below. (These works were executed through the agency of the Irrigation Department).

Name of work, year of completion, and Block in which situated.	Estimated cost	Particulars and reasons for shortfall in irrigation furnished by the Executive Engineer.
	Actual expenditure (In lakhs of rupees)	
Renovation of Pokharni tank, June 1961, Timarni Block.	0.59	Soon after renovation (June 1961), breaches occurred in the bund in September 1961; these were repaired at a cost of Rs. 13,000. The head-works and spill channel were again damaged and were repaired at a cost of Rs. 1,924. The Executive Engineer, Irrigation Division, Hoshangabad reported to the Superintending Engineer Irrigation Circle, Hoshangabad in August 1963 that "retrogression of level was taking place in the <i>nalla</i> ". The tank designed to irrigate 145 acres has irrigated only 22 acres in 1963-64, 47 acres in 1965 and 30 acres in 1965-66.
	1.39	
Renovation of Chhipabad tank, 1962, Harda Block.	0.49	During the last 3 years ending 1965 the area irrigated ranged between 40 and 52 acres only as against the design area of 135 acres. The tank is still being leaking.
	0.86	
Nagjhir anicut, 1960, Seoni-Malwa Block.	0.14	This anicut was designed to irrigate an area of 60 acres; no irrigation has ever been done since 1960-61 as according to the Executive Engineer, Irrigation Division, Narsinghpur there was no monsoon flow in the <i>nalla</i> ' and the slopes are defective'.
	0.12	

Industries Department

34. *Unauthorised diversion of staff.*—In Bhopal District, 5 training centres/ schemes relating to Industries Department were closed or ceased to function during the period 1954-55 to 1963-64. The staff sanctioned for these centres/schemes was, however, retained even after their closure for periods ranging upto 10 years. The expenditure on their pay and allowances upto November 1965 amounted to Rs. 1.63 lakhs. D.P.
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The Assistant Director of Industries, Bhopal intimated (January 1966) that the staff which had been rendered surplus was attached to the various offices of the Industries Department, pending finalisation of their absorption in the department.

Government to whom the case was reported in February 1966 have stated (August 1966) that they have no comments to offer.

35. *Footwear training centre, Bhopal.*—The scheme envisaged the training of 10 trainees in a year, the duration of the training period being 2 years. From April 1961 to March 1966, there were in all only 19 trainees.* The staff was, however, employed in full and an expenditure of Rs. 0.92 lakh was incurred on the pay and allowances of the staff during the above period. D.P.
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According to the scheme, the centre was to be transferred to another place if the number of trainees fell below 60 % of the sanctioned strength. The centre, however, continued to remain at Bhopal even though during each of the years 1961-62 to 1964-65 the strength of the trainees in the centre was far below 60% of the sanctioned strength.

Government attributed (July 1966) the poor response to the inadequate rate of stipend and stated that the centre was not transferred to another place as it would have involved extra expenditure and with the existing rate of stipend, it might not have served any good purpose.

Tribal Welfare Department

36. *Irregularities in construction of buildings.*—A sum of Rs. 67,000 was paid by the Collector, Balaghat District, to the Chief Executive Officer, *Janpad Sabha*, Baihar, in March 1961 for construction of 5 buildings, viz., 2 primary schools, 2 teachers quarters and 1 student's hostel. The *Janpad Sabha* has not yet rendered the account of the expenditure to the Collector (July 1966). According to a valuation done by the Executive Engineer, Tribal Welfare Works Division (Buildings and Roads), Jabalpur the value of work done was only Rs. 28,385 as against Rs. 61,604 advanced by the *Janpad Sabha* to the Co-operative Agriculture Farming Society, Tantatola to which the *Sabha* had entrusted the execution of works in March 1961 without inviting tenders. D.P.
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According to the rules of the *Janpad Sabha*, the payments to the contractor should be made after due verification of measurements. However, "on account" payments were made on the recommendation of an overseer of the *Sabha*. The measurement books were reported by the Collector to have not been maintained properly by the overseer.

*3 in 1961-62, 3 in 1962-63, 5 in 1963-64, 1 in 1964-65 and 7 in 1965-66.

The Collector intimated (July 1966) that departmental enquiry and police investigation against the officers responsible for the loss were in progress.

D.P.
14/ 37. *Irregularities in a Tribal Welfare Sub-division.*—Action is pending on certain irregularities involving alleged mis-utilisation and mis-appropriation of funds in the Tribal Welfare Sub-division, Shahdol. An enquiry conducted by the Executive Engineer, Buildings and Roads Division in December 1964 had indicated the following irregularities:—

(i) Advances aggregating Rs. 17,625 had been made to contractors for execution of 7 works at 15 to 45 per cent above the schedule of rates without preparing the estimates or invitation of tenders or executing agreements. The work done was valued by Executive Engineer at Rs. 6,026 only.

Measurement books and account of cement issued to the contractors were also not maintained properly.

(ii) No account was rendered by the Sub-division in respect of advances amounting to Rs. 16,373 received during March 1964 from the District Organiser for execution of certain works. The account has not been received so far (October 1966).

(iii) A cheque of Rs. 2,800 was alleged to have been encashed by the Sub-divisional Officer on the 27th July, 1964, two days after his transfer. No account has been rendered for this amount.

A departmental enquiry ordered by Government in October 1965 is stated to be in progress.

D.P.
219 38. *Schemes for settlement and housing of de-notified tribes.*—For settlement of de-notified tribes, a centrally sponsored scheme was sanctioned in August 1961; it envisaged grant of 10 acres of land and payment of subsidy up to Rs. 1,950 for development of land, purchase of bullocks, seeds, agricultural implements, etc., to each family of de-notified tribes selected for settlement. Under another centrally sponsored scheme for providing housing facilities to these settlers, sanctioned in November 1961, additional subsidy of Rs. 800 per family was also given for construction of houses.

An audit review of the working of the schemes in 3 districts brought to notice the following points:—

(i) *Dudi village, Rajgarh district.*—Out of Rs. 45,000 drawn in March 1962, a sum of Rs. 41,600 was kept in deposit in the Central Co-operative Bank, Rajgarh. The list of beneficiaries was finalised in March 1963 only, a year after the drawal and the land was allotted still six months later, in September 1963. As the subsidy under the housing scheme was required to be disbursed only to those families who were allotted land, the drawal in March 1962 of Rs. 20,000 towards subsidy was much in advance of requirement. Subsidy was disbursed in 1963-64 (Rs. 41,500) and 1964-65 (Rs. 2,500); the balance Rs. 1,000 is still remaining undisbursed in the bank (July 1966).

(ii) *Shikargaha village, Rajgarh district.*—Out of Rs. 38,400 drawn in March 1965, Rs. 37,208 still remain unutilised (July 1966) in a co-operative bank. The

land has not yet been allotted as Forest Department has claimed this land (June 1966). An expenditure of Rs. 1,116 was incurred in clearing the disputed land.

A further amount of Rs. 46,600 was drawn on the 30th March, 1966. This has also not been disbursed so far (July 1966) and is deposited in a co-operative bank.

(iii) *Chainpuria village, Rajgarh district.*—A sum of Rs. 55,000 was drawn in March 1963; it was kept in the Central Co-operative Bank, Rajgarh. The list of beneficiaries was finalised in December 1963 and the land was allotted in January 1964. During 1963-64 (Rs. 20,000) and 1964-1965 (Rs. 23,500), a sum of Rs. 43,500 was disbursed, the amount remaining undisbursed in the bank in June 1966 being Rs. 13,172 (including interest).

(iv) *Chuvahi village, Sidhi district.*—An amount of Rs. 19,000 was drawn in March 1963 and a further sum of Rs. 11,000 in March 1964. The scheme has not yet been started due to non-availability of land and the amount is remaining unutilised in the account of the District Organiser, Tribal Welfare (September 1966).

(v) *Dhond village, Morena district.*—Subsidy amounting to Rs. 45,000 was disbursed to the tribal families for construction of 25 houses. The Collector informed Audit in September 1966 that out of 25 tribal families settled in Dhond village, only 5 were permanently staying there. 25 per cent of the land (392½ bighas) allotted to the settlers was stated to be unfit for cultivation.

Labour Department

39. *Accelerated training programme for the training of craftsmen for the Emergency.*—This programme was started in February 1963 for meeting the technical manpower requirements of establishments engaged in defence production. It provided for training of prospective combatants (persons who were willing to enroll themselves in the defence services on completion of training) and other civilians. The programme envisaged conducting training courses of six months duration in engineering trades in Industrial Training Institutes and Government Polytechnics. The expenditure on the programme was to be shared between the Government of India and the Government of Madhya Pradesh in the ratio of 60:40. D.P.
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The programme was started on the 1st February, 1963; it was discontinued in August 1963 after conducting only one course as it was considered that "the ordnance factories had no use for the trainees who had undergone only six months training and that they would require those who had completed 18 months training". 182 prospective combatants and 969 civilians were enrolled, of which 185 left the course in the middle. Only 109 prospective combatants and 26 civilians were eventually absorbed in defence establishments. From the 1st August, 1963 a special course for imparting training to 171 combatants was conducted in two Industrial Training Institutes for a period of six months on the expiry of which the scheme was finally discontinued. 164 trainees were absorbed in the defence establishments.

The total expenditure incurred on the programme was Rs. 5.56 lakhs (pay and allowances of staff: Rs. 1.70 lakhs and stipends to trainees and other contingencies: Rs. 3.86 lakhs).

Government to whom the case was reported in August 1966 have stated in November 1966 that they have no comments to offer.

Education Department

D.P.
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40. *Extra expenditure on electricity charges.*—In October 1959, the Jabalpur Electric Supply Company agreed to supply electric energy in bulk to *Prantiya Sikshan Mahavidyalaya*, Jabalpur at the concessional rate of 20 paise per unit provided (i) a sub-station was constructed at Government cost in the premises of the college and (ii) an initial payment of Rs. 9,600 was made for service connection, repayable by the company at Rs. 40 per month as rebate in the monthly consumption bills. The initial payment of Rs. 9,600 was made in March 1962 and the construction of the sub-station was completed in June 1962, but the external wiring for receiving the bulk supply of electricity was completed only in March 1966. A fresh agreement bond required to be executed by Government was executed in August 1966 only. Consequently, the college has been paying electricity charges at the higher rate of 30 paise per unit. The extra expenditure incurred during the period from April 1960 to March 1966 works out to about Rs. 20,000.

Government intimated in May 1966 that as the bond could not be executed no concessions could be availed of by the institution. The reasons for delay in execution of the bond have, however, not been intimated.

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41. *Avoidable expenditure.*—At the instance of Government, the Collector, Khandwa took on rent 5 private quarters and allotted these in September 1963 to Government Girls' Degree College, Khandwa, for being used as a hostel for 25 students. Though the Principal informed Government in October 1963, that 'all the girl candidates admitted in the college were local residents and no hostel provision was needed for the college', she was advised by Government (December 1963) to take possession of the quarters. Accordingly, the quarters were taken possession of by the Principal on the 21st January, 1964; the rent, however, was paid from the 1st September, 1963, the date from which they were allotted by the Collector. An expenditure of Rs. 11,839 was incurred on payment of rent till October 1965.

Till the date of local audit (November 1965), only one student stayed in the hostel for a month in August 1965 and 4 quarters were occupied by staff for a period of 7 to 13 months. Thus, during the total period of 26 months ending October 1965, one quarter remained vacant throughout, while the remaining 4 quarters were vacant for 13 to 19 months.

The rent paid by Government for the quarters during the periods they remained vacant amounted Rs. 8,000. An amount of Rs. 1,702 was recovered as rent from the staff members who occupied 4 quarters between October 1964 and October 1965; as against this amount, the rent paid by Government during the same period aggregated Rs. 3,900. Further, an expenditure of Rs. 3429 was incurred on the pay and allowances of a matron and 2 other servants during the period June 1964 to August 1965, and on the purchase of utensils, furniture, etc.

Government intimated in September 1966 that "... an error of anticipation seemed to have occurred in as much as sufficient number of girl students could not be available.....". They also ordered that "since there is a considerable loss to Government in allotting some of the quarters.... to the staff members... it is proposed to realise rent from the lady teachers residing in the buildings equal to the amount of rent paid by Government.....".

Home Department

42. *Expenditure on maintenance of aircraft.*—There are three aircraft owned by the Government of Madhya Pradesh, two of which were purchased by the Government of former Madhya Pradesh for Rs. 3.43 lakhs in 1948-49 and the third by the Government of present Madhya Pradesh for Rs. 2.37 lakhs in 1962-63. These are under the control of Secretary, Home Department and are maintained by the Madhya Pradesh Flying Club on behalf of Government.

The following table shows the total number of hours of flight put in by each aeroplane during the period from 1961-62 to 1964-65.

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Year	Total no. of flying hours put in by aircraft	No. of hours of flight on		
		Government duty	Private duty	Testing/maintenance
<i>(a) Twin Beach—</i>				
1961-62	181	167	5	9
1962-63	109	98	5	6
1963-64	18	9	7	2
1964-65	121	115	3	3
<i>(b) Bonanza—</i>				
1961-62	96	75	6	15
1962-63	119	73	31	15
1963-64	48	37	3	8
1964-65	49	2	14	33
<i>(c) Morava—</i>				
1962-63	58	37	21	..
1963-64	201	144	51	6
1964-65	141	135	3	3

On an average, the aeroplanes had put in only 97 hours of effective flight in an year. The cost of maintenance for the three aeroplanes during 1961-62 to 1964-65 was Rs. 8.60 lakhs. The cost per hour of flight comes to Rs. 826. (Separate details of each aircraft are not available).

The rules for the use and control of the Government aeroplanes issued by Government in 1959 prescribe, for private use of the aircraft, the recovery of the actual operating charges of the flight (*viz.* cost of petrol and oil, landing charges, travelling allowances of pilot, pay and expenses of radio operator, etc.) plus five per cent thereof for wear and tear. The cost per hour of flight recovered on this basis ranged from Rs. 100 to 150 only against the actual average cost of Rs. 826 per hour. The Director of Civil Aviation intimated in December 1965, that the total cost per flying hour for Morava, Bonanza and Beachcraft (the types owned by the Madhya Pradesh Government) aircraft would be of the order of Rs. 325, Rs. 225 and Rs. 600 per hour respectively.

The low rates of recovery for private flights were brought to the notice of Government in November 1965; Government intimated in July 1966 that they proposed to revise the rates. The rates have not been revised so far (November 1966).

The cost of fuel, lubricants, spare parts, etc., required for the normal servicing and maintenance of these aeroplanes is borne by Government. The expenditure on these items during the last four years was as under:—

Year	Expenditure (In lakhs of rupees)
1961-62	1.14
1962-63	1.90
1963-64	1.32
1964-65	1.23

The stores are received directly by the Madhya Pradesh Flying Club and the bills are paid by Government on the basis of a certificate furnished by its officers without any independent verification of the proper account and use thereof. This was brought to the notice of Government in May 1964 and Government had stated in July 1964 that 'the procedure followed is no doubt not in conformity with the procedure laid down in paras 121 and 122 of Madhya Pradesh Financial Code' and that 'the discrepancies pointed out will, however, be kept in mind before reviewing the agreement' as no change could be made till the expiry of the agreement with the Flying Club then in force. The reply furnished by Government subsequently in January 1966, however, indicated that they considered the existing practice satisfactory and no change in the procedure was contemplated. The agreement with the Flying Club has also been renewed in October 1965 without making any provision in this regard.

Land Records Department

D.P. 19) 43. *Scheme for colonisation and settlement of landless labourers.*—During the period 1961-62 to 1964-65, Government set up 4 model villages and 16 colonies for settling 603 families of landless labourers. Under the scheme, each family was to be provided with 10 acres of culturable waste land and loans and subsidy to the maximum extent of Rs. 3,300 for construction of houses, reclamation of land, and purchase of bullocks, agricultural implements, etc. Provision of certain common amenities like drinking water wells, panchayat bhawan, etc., at Government cost was also envisaged in the scheme.

For the execution of the scheme, amounts totalling Rs. 3.80 lakhs were withdrawn from treasury in 5 districts up to March 1965. Of this, sums totalling Rs. 2.31 lakhs were lying unspent (March 1966) in co-operative banks as detailed below:—

Period for which the amount was unutilised	Amount (In lakhs of rupees)
1 to 2 years	0.82
2 to 3 years	0.10
4 to 5 years	1.39

Certain points noticed in regard to some of the model villages and colonies are mentioned below:—

Name of village/colony and number of families to be settled	Amount drawn (In lakhs of rupees) and year of drawal	Amount remaining undisbursed in the co-operative bank on the 1st April, 1966 (In lakhs of rupees).	Remarks
1. Ambapani Colony (Raisen District) 25 families.	0.66 1964-65	0.56	Only 16 families were settled. The construction of houses and a well, and the work relating to the clearance and ploughing of land, etc., have not been started so far (April 1966). The Collector, Raisen stated in May 1966 that 'the settlers are not taking keen interest in the settlement'.
2. Kanthi Colony (Shivpuri District) 20 families.	0.53 1961-62	0.18	Out of 20 houses, for construction of which a sum of Rs. 0.15 lakh was drawn in March 1962, 18 were stated to be under construction (May 1966). 2 instalments of loan amounting to Rs. 5,660 due for recovery were outstanding in July 1966.
3. Purwa Bamori Colony (Chhatarpur District) 15 families.	0.32 1963-64	0.10	12 out of the 15 houses scheduled to be completed by March 1965 were still incomplete (June 1966).
4. Bhandarpuri Colony (Raipur District) 34 families.	0.42 1964-65	0.26	The construction of houses has not been started (June 1966). The Collector, Raipur stated in July 1966 that 'the construction will be started after the rains'.
5. Model Village, Dinola Sagai (Guna District) 50 families.	1.87 1961-62	1.21	Land was allotted in 1960-61 to 49 families; construction of 49 houses, 2 wells and the panchayat bhawan (for which a sum of Rs. 0.62 lakh was drawn in March 1962) has not been started (August 1966) for 'want of an overseer'.

44. *Writes-off of losses.*—During the year 1965-66, losses totalling to Rs. 4 lakhs in 213 cases were written off by competent authorities; the losses written off exceeded Rs. 5,000 in each of the 11 cases mentioned in Appendix 6.

D.P.
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45. *Miscellaneous irregularities, losses, etc.*—Particulars of 7 cases of other irregularities are given in Appendix 7.

D.P.
249

46. *Financial stock-taking of major development schemes.*—With a view to correlating the total expenditure with the progress of work actually done in respect of a scheme as compared with the estimates and ascertaining the prospects of the scheme being completed within the limits of sanctioned estimates, Government was requested in December 1959 to arrange for a periodical financial stock-taking of all developmental schemes, which involve considerable capital outlay, work towards a financial result and for which detailed estimates can be prepared. In October 1960, Government stated that such stock-taking of schemes costing more than Rs. 50 lakhs would be undertaken in the Third Five Year Plan. In May 1961, Government entrusted this work to the Plan Project Evaluation Unit in the Directorate of Economics and Statistics. As the reports prepared by the Directorate were of the nature of evaluation-*cum*-appraisal reports, Government was again moved in December 1963 to set up proper machinery to undertake the work and to prescribe the *pro forma* and the frequency in which the reports should be prepared. Government stated in May 1966 that the question of implementation of the scheme of financial stock-taking might be considered after the Fourth Five Year Plan was finalised. Government have been requested in September 1966 to issue necessary instructions for undertaking the financial stock-taking of the spill-over as well as new schemes included in the Fourth Plan.

CHAPTER IV

MISAPPROPRIATION OF GOVERNMENT MONEY

47. The following table indicates the position in regard to cases of alleged misappropriation of Government money reported up to the 31st March, 1966 which were pending finalisation on the 30th September, 1966 :—

	Number of cases	Amount (In lakhs of rupees)
Cases outstanding as on the 31st December, 1965 (reported up to the 31st March, 1965).	334	18.64
Cases reported during the period from the 1st April, 1965 to the 31st March, 1966.	78	4.42
Cases closed during the period 1st January, 1966 to 30th September, 1966.	53	1.64
Cases outstanding as on the 30th September, 1966 (cases reported up to the 31st March, 1966).	359	21.42

Of these 359 cases,

- 103 cases involving Rs. 10.88 lakhs have been outstanding for over 5 years ;
- 75 cases involving Rs. 4.44 lakhs have been outstanding for over 3 years but not more than 5 years;
- 137 cases involving Rs. 3.35 lakhs have been outstanding for over 1 year but not more than 3 years.

The present position of the outstanding cases is indicated below :—

	Number of cases	Amount (In lakhs of rupees)
Awaiting investigation	163	12.18
Awaiting action against officials for laxity of supervision	25	2.12
Pending for want of recovery/information regarding recovery	90	2.19
Awaiting orders for write-off	43	1.40
Cases which are <i>sub judice</i>	38	3.53

The department-wise analysis of these 359 cases outstanding on the 30th September, 1966 is given in Appendix 8.

Of the 53 cases closed during January 1966 to September 1966, 11 were held to be due to laxity of supervision. The officers involved in 6 cases were punished; no action could be taken against the officers involved in the remaining 5 cases as they had retired/expired before finalisation of departmental proceedings.

Criminal proceedings were instituted in 11 cases; in 7 of these, the delinquents were punished, and 3 others resulted in acquittal. 1 case was filed as the delinquent was reported to be absconding.

The position in regard to recovery/write-off of the amounts involved in these finalised cases is indicated below :—

	(In lakhs of rupees)
Amount recovered .	1.16*
Amount written off	0.36*

*Information in respect of 2 cases is awaited.

D.P.
242 48. Particulars of 6 individual cases of alleged misappropriation are given in paragraphs 49 to 54; 1 case has been mentioned in Appendix 7 (item 3).

Agriculture Department

D.P.
84 49. Two pay bills for Rs. 24,730 and Rs. 22,000 of non-gazetted staff of the establishment of the Agricultural Engineer, Bhopal were encashed on the 2nd June, 1965 at Bhopal Treasury. During the scrutiny of these bills in audit it was noticed that :

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- (i) the sanctions quoted in the bills had not been received, and
 - (ii) there was no deduction on account of subscription towards the General Provident Fund even though the bills contained the claims of as many as 170 officials, nor, in the alternative, had the prescribed certificate been recorded that the officials were temporary Government servants with less than one year's service or were holding insurance policies on their own lives.

When the Agricultural Engineer was requested by Audit in September 1965 to furnish copies of the sanctions quoted in these bills, he intimated in January 1966 that the bills were forged ones.

Though the alleged defalcation took place in June 1965 it remained undetected till December 1965 because of the omission—

- (i) to detect these fictitious claims during reconciliation of expenditure by the department, and
- (ii) to obtain from treasury, voucher slips indicating the date of encashment of the bills and amount paid for verification of the details given therein with the entries made in the bill register.

The Joint Director of Agriculture intimated (January 1966) that the matter had been reported to Police.

In March 1966, the Director of Treasuries and Accounts has been asked by Government to institute a detailed enquiry regarding these fraudulent withdrawals.

D.P.
127 50. Two pay bills for Rs. 17,990 and Rs. 12,840 relating to the Plant Protection Section of the Directorate of Agriculture were encashed at Bhopal Treasury in July 1964. During the course of reconciliation conducted by the Departmental staff in April 1965 it came to notice that these pay bills had not been sent by the Plant Protection Section and the expenditure was not booked by the Department. After investigation, the Director of Agriculture reported to Audit in February 1966 that these pay bills were fraudulently drawn and that the case was under police investigation.

The Director of Agriculture also stated that the drawals could not be detected soon after the occurrence owing to absence of proper procedure at the treasury to ensure receipt of treasury voucher slips in respect of all bills presented at the treasury.

According to rules, the drawing officer is required to conduct a fortnightly verification of the receipt of the treasury voucher slips from the treasury and

certify in the cash book that such a verification has been done. This certificate had not been recorded.

The matter has been reported to Government.

Education Department

51. During local audit of the accounts of the Government Higher Secondary School, Guna conducted in July-August 1966 misappropriation of Rs. 52,021 (Government funds Rs. 45,360 and non-Government funds Rs. 6,661) came to notice. This occurred over the period October 1963 to June 1966. Mainly, the moneys drawn from the Treasury/Bank and receipts from students were not brought to account. D.P.
174

The case was reported to Government in August 1966 suggesting for a detailed departmental check of the accounts of the school. Government have instructed (August 1966) the Director of Public Instruction to enquire into the matter urgently.

52. During local audit of the accounts of the Madhav Music College, Gwalior, conducted in March-April 1966, an alleged misappropriation of Rs. 13,535 (Government funds Rs. 8,262 and non-Government funds Rs. 5,273) came to notice. This occurred over the period April 1964 to March 1966. The *modus operandi* of the defalcation was:— D.P.
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- (i) non-accountal in the cash book of the drawals from the Treasury/Bank and of interest allowed by the Bank;
- (ii) charging off in the cash book, payments as having been made though they were not actually made and showing in the cash book amounts in excess of the actual payments made;
- (iii) incorrect carrying forward of balances in the cash book; and
- (iv) amounts shown in the cash book as having been remitted into the Bank, though they were not actually remitted.

The case was handed over to the police and the cashier was suspended from service with effect from the 30th March, 1966. The police investigation is in progress (November 1966).

The alleged misappropriation was reported to Government in April 1966 suggesting that a detailed departmental audit of the accounts might be arranged. The Director of Collegiate Education informed in September 1966 that as the records were in police custody, detailed departmental audit could not be arranged.

General Administration Department

53. According to the report received in May 1965 from the Collector, Surguja, an amount of Rs. 23,318.89 was alleged to have been embezzled in the sub-treasury at Baikuntpur, and the Sub-Treasurer had given in writing that he was responsible for this loss. The *modus operandi* of the embezzlement was to show fictitious balances in the Sub-Treasurer's cash balance report; the reports either did not bear the signature of the Sub-Treasury Officer or his signatures were forged. The detailed investigations conducted by the Collector and D.P.
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the Director of Treasuries and Accounts in June 1965 and August 1965 respectively indicated that the alleged embezzlement was facilitated *inter alia* by non-observance of the prescribed rules/checks as mentioned below:—

- (a) failure to close the accounts of the sub-treasury at the end of each day;
- (b) failure to check regularly the Accountant's and Sub-Treasurer's balance-sheets and compare the balances shown therein;
- (c) failure to ensure that the cash balance of the sub-treasury did not exceed the prescribed limit and the balance held by the Sub-Treasurer under single lock did not exceed the prescribed limit of Rs. 250;
- (d) failure to verify physically the cash balance in the single lock after March 1964; and
- (e) failure to inspect the sub-treasury by the Sub-Divisional Officer and the Collector once in 6 months and 12 months respectively. (The sub-treasury was inspected last in June 1963 by the Collector and in December 1962 by the Sub-Divisional Officer).

The Sub-Treasurer has been suspended from service from the 1st June, 1965 and the case is under police investigation.

Animal Husbandry Department

D-1?
215 54. During local audit of accounts of the Bhopal Milk Supply Scheme, conducted in July-August 1966 misappropriation of Rs. 14,315 covering the period June 1964 to April 1966 came to notice. The *modus operandi* of this defalcation was:—

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- (i) non-accountal of drawals from treasuries and of other receipts in the cash book;
 - (ii) entering in the cash book of payments in excess of the amounts actually paid/remitted into the treasury; and
 - (iii) entering in the cash book of same payments for a second time on a different date.

In addition, cash to the extent of Rs. 1,204 was found short on the 30th April, 1966.

The alleged misappropriation was facilitated by laxity of supervision and non-observance of the rules and procedure relating to the maintenance of cash book.

The Director of Veterinary Services was requested (August 1966) to arrange for a detailed departmental check of the accounts of the Scheme. His reply is awaited (November 1966).

The case was reported to Government in August 1966 and their reply is also awaited (November 1966).

CHAPTER V

WORKS EXPENDITURE

CONSTRUCTION OF A BRIDGE OVER JOHILLA RIVER

55. The construction of a bridge over the Johilla river on the Umaria-Shahdol road (estimated cost: Rs. 3.57 lakhs), sanctioned in April 1956, was entrusted to a contractor in October 1957. It was scheduled to be completed in October 1959. The date was extended upto March 1963; but even by April 1963 the contractor could complete only 60% of the work at a cost of Rs. 3.31 lakhs. The remaining work was withdrawn from him in June 1963 and was taken up departmentally. The work was completed in December 1964. The total expenditure incurred amounted to Rs. 5.99 lakhs which was Rs. 2.42 lakhs more than the original estimate. The increase of expenditure over the original estimated cost was attributed by the Executive Engineer to:

- (i) the delay in completion of the work, mainly 'for want of decision regarding the arch design' (The work was suspended during the period March 1959—March 1961 for this reason); and
- (ii) increase in the rates of labour and material.

The revised estimate to cover the actual expenditure incurred has not so far been sanctioned (November 1966).

The following other points have been noticed in this connection:

(1) According to the terms of the contract, penalty equal to 1 % of the estimated cost of the work or such small amount as the Superintending Engineer may decide for every day of delay limited to 10 % of the estimated cost of the work was leviable and, in addition, extra expenditure amounting to Rs. 0.34 lakh incurred in the departmental execution of the remaining portion of the work withdrawn from the contractor could be recovered from the contractor. The Chief Engineer, Buildings and Roads stated (August 1966) that the delay in completion was due to suspension of the work for 2 years and hence token penalty of $\frac{1}{2}$ % of the estimated cost of the work was levied by the Superintending Engineer, Rewa Circle. The contractor has, however, been granted extension of time for nearly $3\frac{1}{2}$ years for the same reason.

(2) (a) According to the rules, tenders are required to be invited when the value of the articles to be purchased exceeds Rs. 500 and the Sub-Divisional Officer has no authority to make local purchases. The Sub-Divisional Officer, Umaria Sub-Division, however, split up (April-June 1963) the requirements aggregating Rs. 1.09 lakhs apparently to keep the amount of each within the limit of Rs. 500 and made purchases locally, with the result that Government was deprived of the benefit of competitive rates; 2 instances (purchases made during April-June 1963) are given below :—

- (i) 3,555 maunds of unslaked lime were purchased for Rs. 18,664 at the rate of Rs. 5.25 per maund; according to the Chief Engineer, this was

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'definitely excessive', by about Rs. 7,000, computed with reference to the rate (Rs.3.28 per maund) at which the unslaked lime was available at Shahdol during that time.

- (ii) 4,040 *ballies* were purchased at rates ranging between Rs. 6.25 and Rs. 16.25 per *ballie* and 8,100 bamboos at Rs. 18.25 per 100. The market rate prevailing at that time (as communicated by the Superintending Engineer, Rewa Circle) was Rs. 2.40 to Rs. 8 per *ballie* and Rs. 12 per hundred bamboos. An expenditure of Rs.18,500 was thus incurred in excess.

In August 1966, the Chief Engineer reported to Government that 'the rates paid were not reasonable and could not be justified.....The action of the Sub-Divisional Officer was questionable and the Executive Engineer had displayed irresponsibility in allowing things to happen in disregard of rule'.

(b) The rates for supply of *ballies* tendered by 2 suppliers were Rs. 6 and Rs. 5.75 per *ballie*. These rates were unauthorisedly altered to Rs. 6.50 and Rs.6.25 per *ballie* respectively and an order for the supply for 2,880 *ballies* was placed on the lower tenderer. Consequently the Department had to pay Rs. 1,440 more. In February 1966, the Deputy Chief Engineer directed the Superintending Engineer, Rewa Circle to call for the explanation of the Sub-Divisional Officer; final action taken in this regard is awaited (November 1966).

(3) Certain irregularities connected with the preparation of muster rolls like showing several labourers as having worked in both night and day shifts continuously for more than two weeks, omission to record the progress of work properly and affixing of thumb impressions of doubtful genuineness were also reported to Government in May 1964 for detailed investigation.

A report on the various irregularities noticed during local audit was sent to the Chief Engineer and Government in May 1964. More than 1½ years later, the Chief Engineer asked the Superintending Engineer in February 1966 to investigate into the various lapses thoroughly and to fix responsibility for the irregularities committed. The Chief Engineer stated in August 1966 that 'the case was under departmental investigation and suitable action would be taken against the defaulters'.

BRIDGE OVER NARMADA RIVER

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Indian Roads Congress Bridge Code and the Ministry of Transport, Government of India.

After incurring an expenditure of Rs. 29.79 lakhs, the work was stopped in May 1962 as the designs for the decking had not been approved. In September 1962, it was decided by the Ministry of Transport that the design (prepared by the firm) would require 92 tons of 3 mm. high tensile steel as against the requirement of 66 tons assessed by the firm. Immediate decision in regard to the provision of additional quantity of steel was not taken; and it was only more than 3 years later, in January 1966 that it was decided to use 7 mm. high tensile indigenous steel considering the difficulty of foreign exchange; the design was also suitably modified. As more than 9 years had elapsed since their original offer, the firm refused to carry out the work at the old rates offered in February 1957. Government accepted, after negotiation, the lump sum amount of Rs. 40.69 lakhs, which was more than the earlier accepted offer by Rs. 17.69 lakhs. The contract embodying the terms as finally agreed to has not yet been finalised (October 1966).

The case was reported to Government in June 1966; their reply is awaited (November 1966).

EXTRA EXPENDITURE ON ACQUISITION OF LAND

57. Two cases of extra expenditure amounting to Rs. 1.63 lakhs in acquisition of land are given below:

(a) The Land Acquisition Officer, Mahasumund (Raipur) awarded D.P.S in December 1962 a sum of Rs. 3.14 lakhs as compensation for land acquired for 3 works of the Irrigation Division, Raipur. When the Land Acquisition Officer enquired from the Executive Engineer in February 1963 the head of account to which the payments should be debited, the Executive Engineer pointed out that the awards were excessive for the following reasons:—

- (i) Damages were allowed for not using lands although the lands had been cultivated by the villagers, as seen from *Patwari's* records;
- (ii) Award of additional 15 per cent for compulsory acquisition of land had been made, although the acquisition was with the consent of the villagers;
- (iii) There were discrepancies between the acreage shown in the plan and the acreage shown in the award on the basis of which the compensation had been assessed.

The Land Acquisition Officer thereupon reviewed the awards and issued revised awards in April 1963, reducing the total amount of compensation to Rs. 1.82 lakhs.

The land owners preferred an appeal to the High Court in August 1963 against the revised awards. The High Court quashed the revised awards on the ground that the Land Acquisition Officer had no jurisdiction to review the awards made in December 1962 and ordered payment of the compensation originally awarded. The amount was paid between May 1963 and August 1964.

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(b) In January 1958, two private parties offered to the Collector, Gwalior to sell their lands required for the expansion of Maharani Laxmi Bai Memorial, Gwalior at 25 per cent above their price (Rs. 16,022) provided the lands were purchased within a period of one month. The Collector did not accept the offer. The land was acquired under the Land Acquisition Act, and the compensation was fixed at cost price *plus* 15 per cent. The owners went in appeal to the Court on the ground that the award could be only with reference to the market rate on the date of issue of notification (5th December, 1963) for compulsory acquisition. The Court allowed the appeal and fixed the compensation at Rs. 16 per sq. yard *plus* 15 per cent, besides interest at 6 per cent from the date of taking over the possession of land (6th February, 1959) to the date of payment. An appeal filed against the decision of the lower court was rejected by the High Court in April 1964. Accordingly, an amount of Rs.51,279 (including Rs. 12,473 towards interest from 6th February, 1959 to 17th August, 1964 and Rs. 1,226 towards legal expenses) was paid to the parties in August 1964. This was Rs. 31,252 more than the price offered by the parties in January 1958.

REVIEW OF IRRIGATION WORKS

58. Certain particulars regarding 30 irrigation schemes are given in paragraphs 59 to 65. Some of the points mentioned in the paragraphs are :

- (a) the expenditure incurred on the works has remained largely unfruitful;
- (b) the estimates of the works were revised substantially during execution without corresponding increase in the scope of the projects;
- (c) there has been delay in completion of the works due to delays in completion of essential preliminaries like survey, land acquisition and finalisation of designs; and
- (d) there has been considerable shortfall in irrigation.

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59. *Beniganj dam*.—The construction of a composite dam across Khurar river in Chhatarpur district was taken up in April 1958; the work was to be completed by June 1962. The headworks were completed in May 1963; the canals are expected to be completed by March 1968. The delay in completion of the canals was attributed by the Executive Engineer mainly to:—

- (i) delay in acquisition of land; the proceedings for acquisition of land were initiated only in November 1962 and the award was given in June 1963;
- (ii) delay of nearly two years in approval of the designs of major aqueducts; and
- (iii) delay in procurement of steel.

Some particulars relating to this scheme are given below:—

(a) *Cost of construction* —

Original estimate (1958)
Revised estimate (1966) (not yet sanctioned)
Actual expenditure (upto June 1966)

*In lakhs
of rupees*
43.45
64.23
47.93

The increase in estimated cost has been attributed mainly to the following factors, besides the rise in cost of labour and materials:

	<i>In lakhs of rupees</i>
(i) Increased expenditure on compensation for 1,900 acres of private land instead of 420 acres originally provided.	2.14
(ii) Certain items of work in the <i>nalla</i> portion like catch drains, drilling, grouting, etc., and also change of design, had not been provided in the original estimate.	12.76
(b) <i>Target of irrigation—</i>	
Original and revised estimate	10,000 acres
(c) <i>Anticipated return on capital—</i>	
Original estimate (1958)	2.45 per cent
Revised estimate (1966)	0.95 per cent

Though the estimated cost of work has gone up from Rs.43.45 lakhs to Rs.64.23 lakhs, the storage capacity has come down from 736.65 m.cft. to 710 m.cft. and the total length of canals, distributaries, minors, etc., reduced from 113 miles to 70.5 miles. The reduction in the storage capacity was attributed to revised calculations. The increase in the expenditure on the canals, inspite of reduction in their length, was stated to be due to larger quantity of masonry work than originally provided and increase in cost of labour and materials.

The head works were completed in 1963-64. Only 80 acres of land were irrigated during 1964-66. This was stated to be due to non-completion of masonry work on canals and delay in construction of aqueducts in first reaches of canals, which was completed in May 1966 only.

60. *Datla tank.*—The construction of Datla tank, started in November 1956, was completed (except cement lining of canals) 4 years behind schedule in June 1966. Some particulars of its cost of construction, target of irrigation, etc. are mentioned below:—

	<i>Amount (In lakhs of rupees)</i>
(a) <i>Cost of construction—</i>	
Original estimate (1955)	11.33
Revised estimate (1959) (not approved)	38.17
Revised estimate (1961) (not approved)	45.65
Revised estimate (1965) (not approved)	62.90
} These estimates remained unapproved as they were returned by 'higher authorities for technical compliances'.	
Latest revised estimate (1966) (awaiting approval)	64.26
Actual expenditure (to end of June 1966)	55.20

The six-fold increase in the estimated cost was attributed mainly to:—

omission to make provision for cost of acquisition of land, maintenance of works during execution, etc., and	1.13
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	Amount (In lakhs of rupees)
increase in the height and length of the bund and change in alignment resulting in increased provision for masonry and earthwork and increase in cost of labour and materials	46.04
<i>(b) Target of irrigation</i>	
Original estimate	5,000 acres
Latest revised estimate	5,312 acres
<i>(c) Anticipated return on capital</i>	
Original estimate	0.78 per cent
Latest revised estimates	0.23 per cent

According to the criteria laid down by the Chief Engineer for undertaking minor irrigation works, 'the cost per acre should be reasonable and should not exceed Rs.600'. The cost per acre in this case according to the latest revised estimate, however, works out to double this rate.

Although *nalla* closure was completed in 1960-61, no irrigation was done till 1963-64 due to non-completion of the channel system. As against the targets of irrigation of 692 and 3,430 acres during 1964-65 and 1965-66 respectively, 619 and 777 acres were irrigated during these years. The Executive Engineer attributed (August 1966) the shortfall in irrigation to the fact that 'the cultivators of that area are illiterate, who do not make use of irrigation facilities'. It may, however, be mentioned that before the project was undertaken the Deputy Commissioner, Jabalpur recommended (May 1954) to Government that there was keen demand for irrigation in the area and that the cultivators were willing to take water and pay water-rates.

D.P. 194 61. *Gutehi tank*.—

	In lakhs of rupees
<i>(a) Cost of construction</i>	
Original estimate (1954)	2.88
Revised estimate (1966) (awaiting sanction)	7.50
Actual expenditure (upto March 1966)	5.35
<i>(b) Target of irrigation</i>	
Original	Acres 1,684
Revised	1,121

The decrease in the target of irrigation, inspite of increased cost was attributed to mistakes in the determination of the irrigable capacity noticed at the time of revising the estimates.

The work on the project, commenced in 1954, was expected to be completed by 1958. (Only the head works were completed by June 1958). The channel system is now expected to be completed by December 1966. The delay is attributed to non-co-operation of the owners of the fields and delay in decision regarding construction of a fall and some masonry works.

The following figures for the last 8 years indicate that only a small percentage of the irrigation potential created has been utilised.

Year	Irrigation potential created	Actuals	
		<i>Kharif</i>	<i>Rabi</i>
		(in acres)	
1958-62	500	179*	..
1962-63	250	72	Nil
1963-64	500	122	147
1964-65	500	105	353
1965-66	500	71	Nil

The shortfall in irrigation was attributed by the Executive Engineer to:

- (i) loss of storage water through the tank bed due to leakages, as the work was not located exactly in the tank bed;
- (ii) silting-up of the tank bed; and
- (iii) scarcity of rains during 1965-66.

The remarks of the Chief Engineer to whom the position was reported about two years ago in August 1964 are awaited (November 1966).

62. *Nawagaon tank*.—The work on this scheme, commenced in May 1955, was scheduled to be completed by June 1960. The head work and canals, excluding a few crossings on the canals were, however, completed 5 years behind schedule in 1965. The delay was attributed by the Executive Engineer to the fact that the work was slowed down during 1957-59 due to administrative reasons. D.P. 119

Some particulars regarding the cost of construction are given below:—

	<i>In lakhs of rupees</i>
Original estimate (1953)	10.00
Revised estimate (1962)	50.61
Actual expenditure (upto March 1966)	44.70

The five-fold increase in the estimated cost of the work is stated to be mainly due to:

- (i) non-provision of falls in the spill channel in the original estimate (Rs.10.89 lakhs); and
- (ii) increase in the cost of labour and materials (Rs.20.20 lakhs).

The original target of irrigation was 3,500 acres. Though the estimate was revised from Rs. 10 lakhs to Rs.50.61 lakhs, the increase in the target of irrigation has been only 407 acres. The estimated cost per acre has consequently increased from Rs.286 to Rs.1,295.

*Includes *Kharif* and *Rabi*.

The table given below indicates the extent of utilisation of the irrigation potential during 1962-63 to 1965-66; during this period, the revenue realised worked out to 27 to 41 per cent of the assessment.

Year	Actual potential created (in acres)	Area irrigated	Revenue assessed	Revenue realised
			Rs.	Rs.
1962-63	500	415	2,788	742
1963-64	2,000	1,531	9,244	2,988
1964-65	2,500	1,823	10,224	4,177
1965-66	3,900	1,472	11,179	Information not furnished.

The shortfall in the utilisation of the irrigation potential was attributed by the Executive Engineer to the fact that "cultivators were not coming forward to take water for *rabi* irrigation and that for full utilisation of potential, conversion of *rabi* area and other minor *kharif* area into paddy field is necessary".

The case was reported to Government in July 1966; their reply is awaited (November 1966).

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63. *Khimlasa anicut*.—The construction of an anicut on the Khimlasa *nalla* in Khurai block (Sagar District), administratively approved for Rs. 1.31 lakhs, was intended to irrigate 600 acres of land; it was completed in 1960-61 at a cost of Rs. 2.85 lakhs. The Collector, Sagar District, declined (July 1963) to recommend the Superintending Engineer's proposal for revised administrative approval to Government on the ground that "the expenditure incurred..... has been a complete waste. There is no water in the canal..... The total expenditure will have to be written off..... Necessary enquiry may please be held in the matter and steps may be taken to get the amount of expenditure written off."

During the period 1960-61 to 1963-64, only 127 acres of land were irrigated and no irrigation was done in subsequent years. An expenditure of Rs. 0.15 lakh was incurred on maintenance during the period upto March 1966. The shortfall in irrigation was attributed by the Executive Engineer/Superintending Engineer to the following factors:—

- (i) inadequate discharge of water for *rabi* crops due to heavy leakage from the head-works and heavy losses from canal masonry works and earth works;
- (ii) non-availability of post-monsoon flow;
- (iii) the sill of the last aqueduct was above the bed level of the channel and so water could not pass through the aqueduct; and
- (iv) want of demand for water for the *kharif* crops.

The expenditure of Rs. 2.85 lakhs incurred on the work thus remains unfruitful.

The case was reported to Government in July 1965 but no reply has been received so far (November 1966).

64. *Regulators in Damoh irrigation division.*—24 regulators were constructed during 1960-63 at a cost of Rs. 17.35 lakhs with a view to provide irrigation facilities to 5,345 acres of land. In October 1965, the Executive Engineer reported to the Superintending Engineer, Narmada Circle, Jabalpur that of these '14 regulators had failed' and 8 had 'achieved 25 to 70 per cent of the irrigation potential created'. D.P.
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Particulars relating to 11 of these regulators, constructed at a cost of Rs. 6.66 lakhs for irrigating 1,675 acres of land are given in Appendix 9. Only 988 acres were irrigated in all upto 1965-66. An amount of Rs. 25,724 was spent on their maintenance upto March 1966. The shortfall in irrigation has been attributed by the Executive Engineer mainly to "insufficient flow during monsoon in the *nallas*", 'leakage,' 'seepage in channels' and 'black cotton soil in the command area' due to which no *kharif* cultivation was possible.

MINOR IRRIGATION WORKS

65. An expenditure of Rs. 7.05 lakhs incurred on the construction of the following 14 minor irrigation works in Irrigation Divisions, Seoni and Rewa has proved to be unfruitful as they have practically not so far provided any irrigation facilities. In 5 of these cases [*items (i) and (iii) to (vi)*], the works were started without preparation of estimates; the estimates have not been sanctioned so far (June 1966). D.P.
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Name of the work (year of completion) and area intended to be irrigated.	Expenditure on construction (in lakhs of rupees)	Expenditure on maintenance upto the end of March 1966	Rs.	Reasons attributed by the Executive Engineer for failure to provide irrigation facilities and other remarks.
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IRRIGATION DIVISION, SEONI

Tinsa Regulator (1960) 191 acres	0.28	8,500		There was restricted flow in the <i>nalla</i> due to seepage in sub-soil and structure.
Boria Regulator (1965) 407 acres.	0.48	Nil		The Executive Engineer, has stated that this work has been a 'failure', he has added that unless the crop pattern is changed, there is no prospect of utilisation of water in the regulator.
Derlichatarpur, Regulator (1961) 147 acres.	0.31	421		The discharge in the <i>nalla</i> was hardly 0.05 cusecs and the catchment area is also small.
Mudjhar Regulator (1961) 55 acres.	0.32	601		Want of demand from cultivators
Rampuri Regulator (1962) 326 acres.	0.71	2,075		Catchment area is very small. There is no flow in the <i>nalla</i> during the period when water is actually required for irrigation.
Singhanpuri Tank (1961) 80 acres.	0.89	392		Tank was not allowed to be filled as compensation for the sub-merged land has not been paid.

IRRIGATION DIVISION, REWA

8 Tanks (1962-63) 613 acres	4.06	4,774		Cultivators were not irrigation-minded.
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UNFRUITFUL OUTLAY

D.P.16 63. *Segwal tank.*—The construction of Segwal tank (administratively approved for Rs. 20 lakhs) was taken up in December 1955. After incurring an expenditure of Rs. 11.47 lakhs, the work was stopped in 1960 as 'some doubts were felt regarding the efficacy of the puddle work in foundations in channel 31 to 36 ft. Government intimated in March 1966 that the matter was referred to the Central Water and Power Commission in May 1965 and that the work would be resumed on receipt of advice of the Commission. The work has not been resumed so far (November 1966), as the clearance has not been received from the Central Water and Power Commission.

D.P.177 67. *Bridge on the Chhoti Mahanadi.*—The construction of a bridge on the Chhoti Mahanadi on Katni-Barhi Road, commenced in December 1961, was to be completed by June 1965. The work was, however, suspended in December 1963 after incurring an expenditure of Rs. 8.91 lakhs, as the designs of the decking of the bridge had not been finalised. The work has not been resumed (November 1966) due to non-finalisation of the design.

D.P.80 68. *Naosar tank.*—Remodelling of this tank, administratively approved for Rs. 1.61 lakhs was taken up by the Irrigation Division, Narsinghpur in January 1964 on the basis of the Collector's report that the ownership of the tank vested in Government. The work was, however, stopped in June 1965 under the orders of Chief Engineer, Irrigation, when the Sub-Divisional Officer (Civil) reported that the tank did not belong to Government. An expenditure of Rs. 35,145 was incurred till then.

EXCESS PAYMENTS

D.P.125 69. *Electric wiring.*—According to the schedule of rates, the rates for payment for electric wiring should be determined on the basis of the distances between the switch and the ceiling rose, lamp holder, etc. "measured along the run of wiring, irrespective of the number of wires in the run". Contrary to these instructions, the individual lengths of the negative wire, live wire and the half wire required to complete the circuit were all added up under the directions of the Executive Engineer, Electrical and Mechanical Division, Raipur for determining the distances between switch and the ceiling rose, lamp holder, etc. Even though in April, 1964 the Chief Engineer issued clarification regarding the measurement of the distances between the switch and ceiling rose, etc. and again reiterated these instructions in June 1965, the incorrect procedure continued till October 1965.

In respect of 20 works, the overpayment amounted to Rs. 0.23 lakh. 90 works were executed during this period and the total overpayment needs to be assessed.

The Executive Engineer stated in March 1966 that "the exact amount of overpayment in respect of these works can be ascertained only after the measurements are taken again; the recording of measurements in respect of completed works will require additional staff".

It may be mentioned that the measurement books contained only bare abstracts of the total quantity of work done without any supporting details on the basis of which the total quantity was arrived at.

The case was reported to Government and the Chief Engineer, Buildings and Roads in May 1966; their replies are awaited (November 1966).

70. *Dry boulder walling*.—In the schedule of rates applicable from the 1st April, 1959 to the Buildings and Roads Division, Satna, the rate for "dry boulder walling" was mentioned as Rs. 15 per 100 cft. On the 22nd March, 1962 the Superintending Engineer, Rewa, amended this rate to Rs. 25 per 100 cft. stating that the rate of Rs. 15 per 100 cft. was a 'typographical error'. This amendment was given retrospective effect from the 1st April, 1959. D.P.
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In 4 contracts entered into between January 1961 and January 1962, the rate of Rs. 15 per 100 cft. had been provided. Consequent on the retrospective upward amendment of the rate the claims under these contracts which had already been settled at the rate of Rs. 15 per 100 cft. were re-opened and additional payments amounting to Rs. 22,552 were made to the contractors. These payments were objected to during local audit in February 1963 on the ground that the amendment could have only prospective effect and payments already made or contracts entered into before the 22nd March, 1962 in which the rate of Rs. 15 per 100 cft. was provided should not have been re-opened. The matter was taken up with the Chief Engineer in June 1963 and with Government in August 1963.

The Law Department which was consulted by Government, upheld the audit view and opined that the action of the Superintending Engineer in having modified the rate in the schedule of rates retrospectively was not in order. Government instructed the Chief Engineer in September 1964 "to take immediate steps and ensure recovery of the excess payment of Rs. 22,552".

No recovery has been made so far (October 1966).

71. *Construction of a masonry tank*.—Construction of a masonry tank of 5 lakhs gallons capacity on a hillock at Morar in Public Health Engineering Division No. I, Gwalior was entrusted in March 1963 to a contractor who had tendered at 5.77 per cent above the schedule of rates. The site of work was at a height of R.L. 737 ft. The schedule of items attached to the agreement did not provide for any extra payment for lift or carriage of materials from the toe of the hillock to the site of work. D.P.
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It was, however, noticed that payments for extra lifts were made by the division taking the ground level at R. L. 659-50 ft. (being the mean of the height of the site of work and the ground level at the toe of the hillock). This has resulted in overpayments amounting to Rs. 17,828 till May 1965.

The case was reported to Government in July 1966; their reply is awaited (November 1966).

72. *Construction of Bhadwar tank*.—Earth work in connection with the construction of Bhadwar Tank No. III in Irrigation Division, Rewa was entrusted to a contractor in March 1964; it was to be completed within three months. But the contractor did not take up the work at all; and the Sub-Divisional Officer got the work completed by May 1965 at a cost of Rs. 19,016 through piece workers D.P.
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without obtaining the approval of the Executive Engineer. Check measurements taken by the latter in July 1965 showed that the measurements recorded by the overseer were excessive by 3,36,642 cft. for which Rs. 9,457 had been paid. These measurements were not taken/checked by the Sub-Divisional Officer before making the payments, as required under rules.

The case was reported to the Chief Engineer in May 1966; his reply is awaited (November 1966).

EXTRA EXPENDITURE

73. Six cases involving extra/avoidable expenditure amounting to Rs. 2.25 lakhs are given in paragraphs 74 to 78 ; the extra/avoidable expenditure occurred mainly due to non-enforcement of terms of contract, delay in acceptance of tenders, delay in payment of electricity bills and avoidable payment of commission in the extension of a letter of credit.

74. *Construction of Singot-Khalva road.*—The work was split up into two parts and entrusted to the undermentioned contractors 'A' and 'B' with a view to ensuring speedy execution of the work.

	<u>Work allotted</u> <u>Estimated cost</u>	Date of issue of work order
Contractor 'A'	Miles 1-9 <u>Rs. 1,12,713</u>	26th June, 1959.
Contractor 'B'	Miles 10-18 <u>Rs. 1,23,395</u>	23rd June, 1959.

The work was to be completed by the 22nd March, 1960 but it could not be completed even by January 1961 despite grant of extension. At this stage, the contractors represented to the Superintending Engineer, Indore Circle (Buildings and Roads) for measuring up their work "without being too harsh" on them. The Superintending Engineer ordered in March-April 1961 that a fine of 1% and 2% should be levied on the value of the work remaining to be done by 'A' and 'B' respectively. The remaining work was taken up departmentally for execution and is in progress (June 1966). The department has estimated that this has entailed an extra expenditure of Rs. 0.59 lakh.

According to the terms of the contract, the extra cost was recoverable from the contractors in addition to the imposition of penalty which was for delay in completion of work. However, only penalty was levied on the consideration that the contractors were new to the road work, the rates tendered by them were based on the pre-January 1959 schedule of rates and there was increase in the labour rates.

In April 1966, the Chief Engineer, Buildings and Roads, reported to Government that "the decision of the Executive Engineer not to take any action for recovering the extra cost from the contractor does not appear to be suited to the interest of Government and was taken merely on considerations advanced by the contractors for mercy" and that he had called for the explanation of the Executive Engineer.

Audit took up the case with Government as early as in May 1964; no reply has been received as yet (October 1966).

75. *Construction of a workshop building for Industrial Training Institute, Mandla.*—A single tender for the work (estimated cost: Rs. 4.19 lakhs) received in March 1963 was rejected by Government in May 1963 on the recommendation of the Chief Engineer because the notice inviting tenders and the tender documents were found to contain certain 'discrepancies'. Fresh tenders were invited in February 1964. This time also, only one tender was received from the same contractor at 9.5% above the new schedule of rates which had come into force from the 1st April, 1963. The rates quoted in the new schedule were 33% higher than those in the previous schedule. According to the Chief Engineer, "all defects and omissions noticed in the previous tender remained unattended to" in the second tender also; nevertheless he recommended to Government in June 1964 that this tender might be accepted 'as costs were increasing day by day' and the discrepancies noticed in the tender could be rectified at the time of executing the written agreement with the contractor. D.P.
75-

It is not clear why the course adopted on the second occasion was not followed in dealing with the lower tender received on the first occasion. The extra cost amounted to Rs. 0.21 lakh.

The Chief Engineer reported to Government in July 1966: "It was not expected that calling tenders for the second time would take such a long time and with the lapse of period, the rates would go high.....The second call of tenders was delayed for about 1 year at Superintending Engineer's level.... this delay on the part of the Superintending Engineer and Executive Engineer resulted in the increased rates of tender for the second time.....For this default it is recommended that Sarvashri....., the then Superintending Engineer and.....the then Executive Engineer may be cautioned to be more careful in future.....".

Orders of Government are awaited (November 1966).

76. *Failure to enforce terms of the contract.*—In the Buildings and Roads Division, Sehore, the work of water-proofing the roof of the Government Press building at Bairagarh was completed by a firm in October 1959 at a cost of Rs. 25,103. The firm guaranteed the leak-proof of the roof for a period of 5 years from October 1959. The roof, however, started leaking in 1962 and the leakage became heavy in 1963. Although some minor repairs were carried out by the firm in June 1964, the leakage was not completely stopped. D.P.
108

The Chief Engineer and the Superintending Engineer, Bhopal Circle, who inspected the work in August 1964, observed:

"The tarpelt provided over the C. G. I. sheets roofing had not been fixed so as to follow the corrugations of the sheet but spread plainly.... and the heavy downpour of water during rainfall is apparently due to entrance of water through the damaged tarpelt at places"

The department did not take action to get the work repaired by the guarantor-firm. The Executive Engineer stated in March 1966 that "as the leakage was heavy, no amount of patch repairs could help; the firm could not control the leakage and honour the guarantee". In April 1965, after the expiry of the guaranteed period, the department got the work re-done at a cost of Rs. 30,560. The earnest money deposit of Rs. 520 of the firm was forfeited.

The case was reported to Government in May 1966; their reply has not been received (November 1966).

D.P.
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77. *Import of construction equipment:*—According to the terms of agreement entered into in January 1964 with a foreign supplier for the supply of certain construction equipment, the payment for the supplies was to be regulated as follows :

"Payments for the goods delivered under this contract shall be effected in non-convertible Indian rupee out of the confirmed divisible and irrevocable letter of credit opened.....through the State Bank of India.....The letter of credit shall be opened by cable within 15 days from the date of receipt of the notification from the supplier for the full amounts of the goods ready for shipment. The letter of credit shall be valid for a period of 90 days"

The Superintending Engineer, Electrical and Mechanical Circle, Raipur, however, opened a letter of credit in April 1964 with the State Bank of India, Raipur for the total amount of contract (Rs. 68.15 lakhs) instead of only for the amounts of the goods notified as ready for shipment. This letter of credit, which was valid for a period of 90 days, was renewed from time to time. For the renewal of the letter of credit, the Bank charged commission at the rate of 1/8 per cent on the balance of credit for which extension was sought. The total amount of the commission charges so paid amounted to Rs. 22,125 till March 1966. This extra expenditure could have been avoided if the letter of credit was opened only for the value of the goods notified from time to time as ready for shipment. The Chief Engineer, Irrigation, intimated in September 1966 that this was entirely "due to unawareness of the procedure".

D.P.
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78. *Payments on account of surcharge on electricity bills.*—An amount of Rs. 51,529 was paid by the Electrical and Mechanical (Buildings and Roads) Division, Bhopal in March 1966 on account of surcharge on electricity bills during the period from April 1955 to March 1966, necessitated by the delayed payments.

D.P.
65

— Similarly, an amount of Rs. 41,289 was paid by the Public Health Engineering Division, Rewa, in July 1965 as surcharge for the delayed payment of about 45 electricity bills for the period July 1961 to July 1965.

Responsibility for the delays in payments, which resulted in the avoidable expenditure, has not been fixed (November 1966).

79. *Recoveries outstanding against contractors.*—In 3 cases mentioned below, sums aggregating Rs. 0.86 lakh are pending recovery from contractors for periods ranging from 2 to 3 years:

Name of the division, name of the work, amount outstanding for recovery and month and year since when outstanding.

Particulars of the case

- (a) Buildings and Roads Division, In all a sum of Rs. 22,200 was due from the contractor on account of Compensation for delay in completion of work/leaving work incomplete. The recovery was ordered by the Superintending Engineer, Bhopal Circle in March 1965. After adjusting the security deposit of Rs. 3,418 and a further amount of Rs. 3,312 due to be paid to contractor on account of his final bill, a sum of Rs. 15,470 still remains to be recovered (November 1966). D.P.116
D.P.118

Vidisha.

Construction of sub-jail building, Vidisha.

Rs. 15,470 since February 1963.

The case was reported to Government in November 1963; their reply is still awaited (November 1966).

- (b) Construction Division I, (Buildings and Roads) Raipur. The work of collection of road material was entrusted to a contractor in April 1955 on the condition that it should be completed by April 1957. When the work remained incomplete till September 1961, the Superintending Engineer, Raipur Circle ordered (September 1961) that a fine of 1 % of the amount of contract should be levied; no action, however, was taken for the recovery of the fine. The work was got completed through other agencies at an extra cost of Rs. 54,197, which was ordered by Government (April 1964) to be recovered from the contractor.

Collection of road material in miles 19 to 35 of Raipur-Vizianagaram Road.

Rs. 13,429 since April 1964.

Against this amount, a sum of Rs. 16,209 has been recovered; a further amount of Rs. 24,559 only is available with the division on account of the payment to be made for work done (Rs. 10,990) and security and earnest money deposits (Rs. 13,569). These amounts have not been adjusted against the amount recoverable and the recovery of the balance of Rs. 13,429 has also not been effected (November 1966).

- (c) Construction Division I (Buildings and Roads), Raipur. The contractor stopped collection of materials in September 1961; the work was got completed through other agencies at an extra cost of Rs. 56,647. Action has not so far (November 1966) been taken for the recovery of the amount.

Collection of road material in miles 36 to 48 of Raipur Vizianagaram Road.

Rs. 56,647 since April 1964.

The cases at (b) and (c) above were reported to Government in March 1966; their reply is awaited (November 1966).

80. *Works executed through Bharat Sevak Samaj.*—To encourage public participation in the execution of works, Government sanctioned in June 1960 the award of contracts for building works costing upto Rs. 1 lakh each at the "current" schedule of rates to the Bharat Sewak Samaj without calling for tenders. The *Samaj* was exempted from the payment of earnest money/security deposit; advances not exceeding Rs. 5,000 could also be granted to enable the *Samaj* to make preliminary arrangements. D.P.
220

A review of 9 works awarded to the *Samaj* during 1959-61 in Buildings and Roads Divisions, Ujjain (7) and Shajapur (2) brought to notice the following points:—

- (i) Only 2 works (1 Ujjain and 1 Shajapur; amount of contract: Rs. 1.02 lakhs) were completed by the *Samaj*; one of them was completed after a delay of 18 months.
- (ii) 7 works (contract amount: Rs. 2.31 lakhs) were left incomplete and were given to other agencies for completion. Extra cost in getting 6 works (the extra cost in respect of the seventh work has not been intimated) completed was assessed by the Executive Engineer, Ujjain Division at Rs. 0.30 lakh. Of this, recovery of only Rs. 0.12 lakh in respect of one work in Shajapur Division was under consideration (October 1966). The Executive Engineer, Ujjain stated (October, 1966) that the *Samaj* "was not a professional body...to make profits, but was formed to help the Government in getting the work done cheaply".

An amount of Rs. 0.34 lakh on account of penalty imposed, advances paid and cost of materials issued during 1961-62 to the *Samaj* in respect of these 7 works is awaiting recovery (October 1966).

- (iii) Fine for delay in completion of one work in Shajapur division was not levied as no agreement was drawn up with the *Samaj* and as 'there was no money of the *Samaj* from which the recovery could have been effected'.

D.P.
63 81. *Issue of materials in advance of requirement.*—In the Buildings and Roads Division, Sagar, steel valued at Rs. 1.57 lakhs was debited to the work "Construction of submersible bridge on Dehar river" as shown below :—

Month and year in which debited	Cost Rs.
March 1960	9,921
March 1961	97,350
March 1962	50,001

The actual construction of the bridge was taken up only in October 1965. Government intimated in August 1966 that "the cost of steel was shown as issued to the work...on the assumption that contract for the work would be given out soon" and added that "the Executive Engineer should not have issued the steel for the work when the contract was not finalised, as it was not required for immediate consumption on the work".

D.P.
241 82. *Non-receipt of detailed/revised estimates.*—The rules require that ordinarily no new work may be commenced or any liability incurred thereon unless a detailed estimate is sanctioned. It has also been laid down that a revised estimate should be sanctioned when it becomes apparent that the sanctioned amount is likely to be exceeded by more than 5 per

cent. However, expenditure amounting to Rs. 49.04 crores was incurred to end of March 1966 on 166 works, each estimated to cost Rs. 10 lakhs or more even though the detailed estimates had not been sanctioned; in respect of 16 other works (each estimated to cost Rs. 10 lakhs or more), expenditure was incurred in excess of 5 per cent of the sanctioned estimates, the amount of excess expenditure upto end of March 1966 being Rs. 1.94 crores. Department-wise analysis is shown below:—

Department	Want of sanctioned estimates		Expenditure incurred in excess of sanctioned estimate by more than 5 per cent.	
	No. of works	Amount (in lakhs of rupees)	No. of works	Amount (in lakhs of rupees)
Buildings and Roads	85	12,78.62	8	49.25
Irrigation	81	36,25.30	8	1,44.70

Comments in this regard have been included in successive Audit Reports. The Public Accounts Committee in their report of March 1965 desired that such irregularities should be viewed seriously and departmental action should be taken against the defaulting officers. They also recommended the setting-up of a departmental committee of officers who should visit the various divisions and get the detailed/revised estimates sanctioned on the spot.

83. ^{of}Writes-off losses.—In 66 cases, losses amounting to Rs. 1.38 lakhs were written-off by competent authorities during 1965-66; the losses written-off exceeded Rs. 5,000 in each of the 8 cases mentioned in the Appendix 10 ~~page~~. D.P.
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CHAPTER VI

STORES AND STOCK ACCOUNTS

84. *Synopsis of important stores accounts.*—A synopsis of the important stores and stock accounts for 1965-66 (excluding those relating to Government commercial and quasi-commercial departments/undertakings) is given below :—

S.No.	Department	Description of stores.	Opening balance as on the 1st April, 1965.	Receipts (during 1965-66)	Issues	Closing balance as on the 31st March, 1966.
<i>(In lakhs of rupees)</i>						
<i>A—Works Departments</i>						
1.	Buildings and Roads (55 divisions)	Building materials, painter's stores, fuel, timber, etc.	1,94.28	4,55.42	4,30.50	2,19.20
		(i) In 8 divisions, the reserve limit of stock was exceeded by Rs. 9.62 lakhs; the value of the closing stock in these divisions amounted to Rs. 63.32 lakhs against the aggregate reserve limit of Rs. 53.70 lakhs.				
		(ii) Physical verification was not done during the year in 5 divisions, and in 5 others it was done only partially.				
		(iii) Shortages valued at Rs. 1.31 lakhs were noticed during physical verification in 11 divisions; the shortages are under investigation.				
2.	Chambal Project (2 divisions)	Building materials, painter's stores, fuel, timber, etc.	55.90	67.34	78.85	44.39
		The reserve limit of stock was not fixed in one division (value of stock held as on the 31st March, 1966: Rs. 14.56 lakhs).				
3.	Irrigation (42 divisions)	Building materials, painter's stores, fuel, timber, etc.	77.29	1,47.12	1,02.65	1,21.76
		(i) Reserve limit of stock was not fixed in 29 divisions (value of stock held as on the 31st March, 1966: Rs. 1,00.96 lakhs).				
		(ii) In 4 divisions, physical verification of stock was done only partially.				
4.	Tawa Project (4 divisions)	Building materials, painter's stores, fuel, timber, etc.	5.18	31.66	14.83	22.01
		(i) Reserve limit of stock was not fixed in 2 divisions (value of stock held as on the 31st March, 1966: Rs. 11.61 lakhs). In one division, the reserve limit of stock of Rs. 5 lakhs was exceeded by Rs. 0.35 lakh.				
		(ii) Physical verification of stock was not done during the year in one division.				
5.	Major Projects (9 divisions)	Building materials, painter's stores, fuel, timber, etc.	21.96	1,42.55	1,34.32	30.19
		(i) Reserve limit of stock was not fixed in 5 divisions (value of stock held as on the 31st March, 1966: Rs. 40.97 lakhs).				
		(ii) Physical verification of stock was not done in one division during the year.				
6.	Housing (2 divisions)	Building materials, painter's stores, fuel, timber, etc.	0.19	0.20	0.37	0.02

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STORES AND STOCK ACCOUNTS

S.No. Department	Description of stores.	Opening balance as on the 1st April, 1965.	Receipts (during 1965-66)	Issues (1965-66)	Closing balance as on the 31st March, 1966.
(In lakhs of rupees)					
<i>B—Civil Departments</i>					
7. Separate Revenue	Stamps	(a) 5,07.07	4,38.51	3,00.85	(b) 6,44.73
	Certificates of physical verification of balance as on the 31st March, 1966 have not been furnished by 6 out of 44 depots.				
	Shortages aggregating Rs. 0.14 lakh and excesses totalling Rs. 2.55 lakhs were noticed in 2 depots on physical verification during 1965-66; these have not been regularised so far (October 1966).				
8. Separate Revenue	Opium	(c) 0.47	0.01	0.17	0.31
9. Stationery (Government Regional Presses)	Departmental stores, plant and machinery, metal, etc.	29.79	2.81	2.49	30.11
	Other stores	50.13	41.07	41.25	49.95
10. Stationery (Regional Stationery and Publications)	Stationery stores	10.50	(d) 20.03	18.86	11.67

85. A synopsis of certain stores accounts for 1964-65 which were not received in time for inclusion in the previous Audit Report is given below:—

S.No. Department	Description of stores	Opening balance as on the 1st April, 1964	Receipts (during 1964-65)	Issues	Closing balance as on the 31st March, 1965
(In lakhs of rupees)					
1. Forest	Departmental stores, timber, forest produce, plant and machinery	2,32.06	2,89.59	2,83.87	2,37.78
	Receipts include value of stock amounting to Rs. 2.88 lakhs found in excess during physical verification; the matter is under reconciliation.				

- (a) The opening balance on the 1st April, 1965 differs from the closing balance on the 31st March, 1965 by Rs. 15.77 lakhs due mainly to—
- (i) exclusion of balances of stamps of the value of Rs. 15.59 lakhs held at Balaghat treasury as on the 31st March, 1965 due to non-receipt of the account for the year 1965-66, and
 - (ii) reduction in the opening balance by Rs. 0.06 lakh by 3 treasuries (Raigarh, Bilaspur and Jabalpur) in rectification of omissions in the past years' accounts.
- (b) Figures of one depot (Surguja district) have been excluded from the account as correct stores accounts are awaited from the treasury (November 1966).
- (c) The opening balance on the 1st April, 1965 differs from the closing balance on the 31st March, 1965 due to increase in value by Rs. 0.07 lakh consequent on re-valuation of stock as a result of increase in the rate of opium from Rs. 86 to Rs. 100 per Kg. by the Government of India offset by exclusion of balance of opium of the value of Rs. 0.02 lakh wrongly included in the closing balance on the 31st March, 1965 in Bilaspur district.
- (d) Receipts include increase in value of stock on re-valuation (Rs. 1.48 lakhs).

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Total in...
This should be 1.48 lakhs. This has been accepted by PM Sec. in amount by FM/77 No. 716 22/2/66
1
See D.P. 247

S. Department No.	Description of stores.	Opening balance as on the 1st April, 1964.	Receipts (during 1964-65)	Issues (1964-65)	Closing balance as on the 31st March, 1965.
(In lakhs of rupees)					
2. Medical	Departmental stores, instruments, accessories, etc.	80.37	7.88	7.74	80.51
	Other stores	79.73	1,24.39	1,07.54	96.58
3. Public Health	Departmental stores, instruments, accessories, etc.	38.16	20.93	2.86	56.23
	Other stores	54.33	38.94	50.06	43.21
4. Agriculture	Live-stock, plant and machinery and other stores	(e) 1,81.25	1,19.63	78.76	2,22.12
Issues include losses due to driage, theft, etc., amounting to Rs. 0.54 lakh which have been written off.					

86. The stores accounts of the following departments for the year 1965-66 have not been received (October 1966) :—

- (i) Public Health
- (ii) Forest
- (iii) Medical
- (iv) Agriculture
- (v) Co-operation
- (vi) Food
- (vii) Jails.

87. *Minus balances in stock.*—A minus balance in the divisional stock may indicate that (i) the value of stores shown as issued was more than the value of stores accounted for as received, (ii) the value of stores received was not accounted for at all and (iii) issue rates were not revised from time to time. Large minus balances have continued from year to year in some of the divisions and the position at the end of 1965-66 was as shown below :—

S. No.	Department	Number of divisions in which the balances were minus.	Amount of minus balance (in lakhs of rupees).
1.	Buildings and Roads	5	16.13
2.	Irrigation	2	2.64
3.	Public Health	1	0.50
4.	Chambal Project	1	2.76
5.	Housing	1	0.21

Unless the minus balances are reconciled the correctness of the stock accounts cannot be ensured.

(e) Difference of Rs. 15.01 lakhs between the closing balance on the 31st March, 1964 and the opening balance on the 1st April, 1964 is mainly due to the rectification of discrepancies noticed in the accounts of 1963-64.

88. *Shortage of stores.*—Details of 3 cases of shortages of stores aggregating Rs. 2.93 lakhs relating to 1 Public Health Engineering Division and 2 Public Works Divisions are given below :—

(i) *Public Health Engineering Division, Bilaspur.*—The Raigarh sub-division in the Public Health Engineering Division, Raipur was transferred to the jurisdiction of Bilaspur Division in August 1962. A debit raised by the Public Health Engineering Division, Raipur in March 1963 for Rs. 1.54 lakhs being the value of stores in the Raigarh sub-division has not been accepted by the Bilaspur Division so far (September 1966); the Executive Engineer, Public Health Division, Bilaspur has stated that the stores were not physically existing. The case was reported to Government and the Public Health Engineer in May 1966. The Public Health Engineer intimated in October 1966 that the case was under joint investigation by the Executive Engineers, Public Health Divisions, Raipur and Bilaspur. D.P.
197

(ii) *Buildings and Roads Division, Betul.*—Shortage of stores costing Rs. 1.30 lakhs was noticed during the physical verification of stock conducted in June 1963; the shortages occurred during the period December 1959 to March 1962. According to a report received from the Executive Engineer in September 1966, the question of fixation of responsibility for the shortage is under consideration. D.P.
196

(iii) *Construction Division III (Buildings and Roads), Bhopal.*—Physical verification of the stores in the custody of an overseer conducted in June 1963 by a Sub-divisional Officer indicated a shortage of 1,263 litres of paint costing Rs. 9,308. Of this, 767 litres of white enamel paint (cost Rs. 5,653) issued to the overseer in February 1962 and June 1962 were neither accounted for as receipt nor were found to have been utilised. The shortage was not reported to Audit; the recovery has also not been effected so far (November 1966.) D.P.
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The matter was reported to Government and Chief Engineer in September 1965; their replies are awaited (November 1966).

89. *Shortage in grain stocks.*—According to a report dated July 1966 of the Director of Food Supplies, 956.35 quintals of indigenous wheat held in stock in Sagar district for over 2 years from May 1960 have been found short. The shortage valued at Rs. 0.37 lakh was 38% of the total quantity of wheat held in stock and was attributed to 'long storage, infestation, rat trouble, bad conditions of godowns and weevilings'. The grain was stored in 2 godowns which were damp and had *kachcha* floor. Orders of Government on the loss have not been received (November 1966) nor has responsibility for the loss been fixed. D.P.
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90. *Loss of stores.*—Loss of certain stores belonging to a Plant Protection Unit at Jabalpur came to notice of District Agriculture Officer, Jabalpur in August 1964. Departmental investigation conducted in February 1965 disclosed D.P.
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that equipment, insecticides and pesticides valued at Rs. 49,231 were lost. The Director of Agriculture stated in June 1936: "..... Demonstration Kamdar working as store keeper or some other mischievous persons broke open the lock of the godown and took away the articles found short. The case was immediately handed over to the Police Department for investigation and the case is being tried now in the court of law".

Rules do not permit the appointment of Demonstration Kamdars as store keepers. No security deposit was also taken from the Demonstration Kamdar working as store keeper. No physical verification of the stores was reported to have been conducted since September 1962.

J.P.
82

91. *Extra expenditure.*—Quotations for supply of cholera vaccine were obtained in 1959-60 from 6 firms and in 1960-61 from 7 firms by the Directorate of Health Services. The lowest offer of a firm which quoted 42 paise (1959-60) and 33 paise (1960-61) per 10 c. c. ampoule was accepted, and 2.95 and 3.30 lakhs ampoules costing Rs. 1.24 lakhs and 1.09 lakhs were purchased from the firm during 1959-60 and 1960-61 respectively.

A manufacturing firm which had launched a 'promotion drive' to popularise their vaccine offered (in 1959 and 1960) to supply the vaccine at 22 paise per 10 c. c. ampoule. No enquiry was made from this firm when quotations were called for. It was observed that an order for supply of vaccine (at 22 paise per 10 c. c. ampoule) was placed on this firm in March 1960. Had the Directorate placed an order for the supply of the vaccine on this firm, it would have secured a saving of Rs. 0.95 lakh to Government.

The Director of Health Services stated that "any purchaser is not expected to know all the firms dealing in a particular item" and that there was "no list of approved firms maintained". It was also noticed that open tenders were not invited.

J.P.
See Appendix

92. *Idle investment of Government money.*—11 cases of non-utilisation of stores, articles, machinery, equipment, etc., valued at Rs. 6.69 lakhs have been noticed; the particulars of these cases are given in Appendix 11.

A department-wise analysis is given below:—

Para 39
14th Report.

Name of the department	Number of cases	Amount (in lakhs of rupees)
Education	4	2.43
Public Health	2	1.84
Public Works	1	1.21
Veterinary	1	0.67
Public Health Engineering	1	0.37
Industries and Tribal Welfare	1	0.08
Planning and Development	1	0.09
Total	11	6.69

Besides the locking-up of funds in these cases, the prolonged idleness of the machinery, etc. involves the risk of loss due to deterioration.

CHAPTER VII

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

Section 1—Financial Assistance to Local Bodies

URBAN WATER SUPPLY SCHEMES

93. Government give financial assistance in the form of loans and grants to municipalities for execution of schemes for supply of water in urban areas. These schemes are executed by the Public Health Engineering Department as 'deposit works' on behalf of the municipalities concerned.

The points noticed in the audit review of 12 of these schemes are mentioned in paragraphs 94 to 99 ; some of the points mentioned in these paragraphs are :

- (i) delay in completion of the schemes resulting in the expenditure incurred remaining unfruitful for long periods and consequential delay in realisation of the intended benefits ;
- (ii) delay in repayment of the loans by the municipalities; and
- (iii) purchase of the materials like pipes in advance of or in excess of requirement, resulting in idle outlay; consequentially, the financial assistance given by Government cannot be said to have been fruitfully utilised.

94. *Betul water supply scheme*.—This scheme was administratively approved by Government in April 1962 for Rs. 13.92 lakhs. The scheme is financed by loans (50 per cent) and grants (30 per cent) from Government, the balance being met by the Council. Till March 1966, loans to the extent of Rs. 1.25 lakhs and grants totalling Rs. 1.50 lakhs were released by Government. The Council had contributed Rs. 1 lakh during this period. Some particulars regarding this scheme are given below :—

	<i>(In lakhs of rupees)</i>
Cost of construction	
Original estimate (1962)	13.92
Revised estimate (1965) (awaiting sanction)	18.25
Expenditure upto March 1966	4.79

The Deputy Public Health Engineer, Jabalpur and the Executive Engineer, Chhindwara have stated that the increase in the estimated cost is due mainly to provision of two anicuts in the revised estimate instead of one as originally planned.

	<i>(In million gallons per day)</i>
Target for supply of water	
Original estimate (1953)	0.75
Revised estimate (1965)	1.00

The work on the scheme, commenced in April 1963, was however, slowed down from September 1964 after incurring an expenditure of Rs. 3.50 lakhs because in May 1963 the Central Railway had objected to the construction of an anicut on the river Machna, as it would adversely affect the Railway water supply system.

Government attributed (October 1966) the slowing down of the scheme to paucity of funds and non-receipt of clearance from the Central Railway to the construction of the anicut.

As against the total expenditure of Rs. 4.79 lakhs incurred on the work up to the end of March 1966, only Rs. 3.75 lakhs have been received from the municipality; according to the rules, the requisite amount should have been obtained in advance. Due to the delay in finalising the source of water, cast iron pipes and other stores purchased between January 1963 and January 1964 for Rs. 1.39 lakhs have been remaining unutilised.

D.P.
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95. *Ratlam water supply scheme*:—The work envisages daily supply of 3 million gallons of filtered water. The expenditure is financed by loans (50 per cent) and grants (30 per cent) from the State Government, the balance being met by the municipality. As against loans of Rs. 48.25 lakhs and grants of Rs. 22.00 lakhs released by Government to the end of March 1966, the municipality contributed an amount of Rs. 3.75 lakhs only.

Some particulars of the scheme are given below :—

	<i>(In lakhs of rupees)</i>
Original estimate (1959)	70.00
Latest revised estimate (1966)	1,15.70
Expenditure to end of June 1966	76.84

The increase in estimated cost was due to 'increase in rates and certain changes in designs' and provision of a barrage (cost Rs. 7.54 lakhs) and an earthen dam (cost Rs. 25.09 lakhs) instead of a cement concrete dam originally proposed.

No dates were fixed for completion of the scheme and for handing it over to the municipality for maintenance. The work, commenced in 1958, is still incomplete (August 1966).

Pipes and other accessories costing Rs. 6.38 lakhs purchased between 1958 and 1961 for the scheme were remaining unutilised as being surplus to requirement. Of this, materials valued at Rs. 1.71 lakhs were transferred to Jabalpur Division at a cost of Rs. 0.32 lakh between February and July 1966 and materials costing Rs. 3.01 lakhs, though shown as debited to the work "Extension of Bhilai Water Works" in March 1966, have not been lifted so far (October 1966). The remaining materials costing Rs. 1.66 lakhs are remaining unutilised (October 1966).

D.P.
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96. *Neemuch water supply scheme*.—This scheme envisages supply of filtered water to Neemuch town. The expenditure is met out of Government loans (50 per cent) and grants (50 per cent). Till March 1966, an amount of Rs. 73.64 lakhs

has been disbursed to the Council. No date has been fixed for completion; though the construction commenced in 1956, it has not been completed so far (November 1966). Only supply of raw water has commenced from February 1965 as the treatment plant which should have been ready by the end of 1964 has not been commissioned; it is now expected to be ready by December 1966.

Some particulars about the cost of construction, etc. are given below :—

Cost of construction	(In lakhs of rupees)
Original estimate (1956)	41.00
Revised estimate (1963)	73.67
Expenditure to end of July 1966	67.87

The increase in cost over the original estimate was stated to be mainly due to—

(i) increase in the length of the dam from 12,000 ft. to 15,000 ft. consequent on change in alignment, including the waste weir;	10.99
(ii) inadequate provision in the original estimate for acquisition of land for the reservoir; and	9.70
(iii) under-estimation of other items.	6.75

An expenditure of Rs. 26.14 lakhs incurred on construction of dam on the *Harivakhal nalla* and the elevated reservoir of 5 lakhs gallons capacity remained unfruitful from 1960 till supply of raw water commenced in February 1965.

Pipes and air-compressors costing Rs. 0.60 lakh are lying unutilised (August 1966), being surplus to requirement.

97. *Loan to Municipal Council, Chhindwara for execution of a water supply scheme*.—In November 1957, Government sanctioned a loan of Rs. 18 lakhs to the Municipal Council, Chhindwara for implementation of a water supply scheme. The amount was to be released in instalments after verifying the progress of work. Three instalments of the loan were paid to the Council—Rs. 5 lakhs in March 1959, Rs. 5 lakhs in July 1959 and Rs. 5.82 lakhs in March 1960. In March 1961, a loan of Rs. 2.50 lakhs was sanctioned to the Council on terms and conditions different from those stipulated in the earlier sanction (November 1957). Government clarified in April 1964 that the loan of Rs. 2.50 lakhs should be treated as the last instalment of the loan of Rs. 18 lakhs (though the total of all the 4 instalments exceeded Rs. 18 lakhs). According to the terms and conditions, the repayment of the loan in 30 equated annual instalments should have commenced in March 1962, the first anniversary of the date of drawal of the last instalment. On account of the defective sanction accorded in March 1961, the repayment did not commence from March 1962. D.P.
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The Council contended that the loan of Rs. 2.50 lakhs sanctioned in March 1961 was a separate loan and could not form part of the above loan. Government decided in June 1965 that separate equated instalments for each instalment of the loan should be recovered.

Out of 20 instalments due for repayment, 17 instalments (aggregating Rs. 5.68 lakhs) towards repayment of principal (Rs. 1.33 lakhs) and payment of interest (Rs. 4.35 lakhs) which fell due for recovery during 1961-62 to 1965-66 have not been paid by the Council so far (October 1966). Simple interest on each instalment of loan upto March 1961 (the date of release of last instalment) amounting to Rs. 1.37 lakhs and the penal interest on overdue instalments of principal have also not been recovered. The arrears in repayment of principal and payment of interest were reported to Government from time to time.

D.P.
222 98. *Urban water supply scheme, Jaora.*—Loans (Rs. 12.50 lakhs) and grants (Rs. 3.73 lakhs) totalling Rs. 16.23 lakhs were paid to Municipal Council, Jaora between 1959-60 and 1963-64, for execution of this scheme (estimated cost : Rs. 25 lakhs) through the Public Health Engineering Department as a deposit work. The loans are repayable with interest in 20 equated annual instalments, the first instalment becoming due one year after each loan was released. The Council has not repaid (October 1966) any of the instalments of principal and interest which fell due between March 1962 and March 1966, as indicated below:—

Period during which the recovery fell due	Amount outstanding	
	Principal	Interest
	(In lakhs of rupees)	
1961-62	0.21	0.48
1962-63	0.34	0.56
1963-64	0.40	0.62
1964-65	0.43	0.60
1965-66 (upto July 1966)	0.03	0.04

The Council reported in October 1966 that it was not in a position to repay the dues within the stipulated period due to financial difficulties.

An expenditure of Rs. 20.04 lakhs has been incurred on the work to end of March 1966. To this the Council has contributed (in 1959-60) only Rs. 0.20 lakh as against Rs. 5 lakhs which it should have contributed so far. The assistance sanctioned by Government is Rs. 16.23 lakhs; the balance amount of Rs. 3.81 lakhs has been spent by debit to "Miscellaneous Public Works Advances", which is irregular.

The work, commenced in April 1960, is still incomplete due to non-finalisation of the design for barrage and inability of Municipal Council to provide the necessary funds.

C. I. pipes costing Rs. 1.23 lakhs purchased in July 1962 for the work remained unutilised till July 1966, when they were taken back on stock for transfer to other works.

99. *Materials remaining unutilised.*—Pipes and other materials valued at Rs. 8.05 lakhs purchased between October 1961 and August 1964 for 7 water supply schemes remain unutilised, in the circumstances stated below :—

(i) *Improvement of Indore Water Works (Public Health Engineering Division, Indore).*—With a view to utilising the provision in the budget for the

year 1962-63 and to avoid delay in obtaining the pipes, the Public Health Engineer, placed orders for 2,750 meters of 36" diameter pipes valued at Rs. 7.60 lakhs in October 1962; the phase II of the scheme for which the pipes were required had not till then been administratively approved nor the technical clearance obtained from Government of India. After pipes costing Rs. 5.85 lakhs were received by August 1964, further supplies were stopped by the Public Health Engineer as the Deputy Director General, Public Health, Government of India in the meanwhile suggested certain alternative proposals. These have not so far been approved (October 1966).

According to the Public Health Engineer, 36" diameter pipes already purchased would not be required for this work if it is to be executed according to the revised proposal as the economical size of the rising main was of 24" diameter only.

Government intimated in October 1966 that "the orders for pipes were placed in 1962 to get them in time.....and it was not then expected that Government of India would come up with an alternative proposal".

(ii) *Water supply schemes of Dabra, Jaura, Sabalgarh and Morena (Public Health Engineering Division No. 1, Gwalior).*—The Public Health Engineer placed an indent in July 1963 on the Director General of Supplies and Disposals for supply of asbestos cement pipes required for 21 water supply schemes, including these four schemes. Contracts for executing these 4 schemes, awarded in July 1963-September 1963, however, envisaged both supply and laying of pipes. Hence the pipes indented for these schemes from the Director General of Supplies and Disposals were rendered unnecessary. The pipes valued at Rs. 2.38 lakhs received in April-May 1964 from the supplier on the basis of this indent were consequently rendered surplus. Of this, pipes valued at Rs. 1.22 lakhs were issued to other works and divisions upto March 1966; the remaining pipes costing Rs. 1.16 lakhs remain unutilised (October 1966). D.P.
132

(iii) *Water supply schemes, Chhatarpur and Tikamgarh (Public Health Division, Chhatarpur).*—Pipes purchased between October 1961 and November 1964 are lying unused (October 1966) as the works had been completed before 1962 and these materials are not required. D.P.
171

100. *Unfruitful expenditure.*—Grants amounting to Rs. 1.67 lakhs were released to Janpad Sabhas, Village Panchayats, etc. between 1958 and 1962 by the Block Development Officer, Berasia for execution of 87 works like construction of schools, roads, causeways and quarters for village level workers and teachers. According to rules these works were required to be completed within 12 months of payment of the grants. D.P.
105

During local audit conducted in November 1963, it was noticed that only 13 out of the 87 works were stated to have been completed, but in respect of 11 of these, completion certificates were awaited. In 36 cases, work had not been started at all.

The Sub-divisional Officer (Civil) after examining the cases reported to Collector in January 1964 that "on more than 90 per cent of the works, the then Block Development Officer did not release the grants to the sponsoring agency..... All this money that has been drawn by the Block Development Officer has gone down the drain".

An enquiry is reported to be pending against the then Block Development Officer. Government to whom the case was reported in December 1965, stated (October 1966) that they have no comments to offer.

DP. 36. 101. *Non-utilisation of grants.*—78 development works for which grants-in-aid aggregating Rs. 71,648 were paid to the Panchayats in Rajgarh district have not been started so far (July 1966), due to the following reasons attributed by the Collector, Rajgarh :—

- (i) want of public co-operation,
- (ii) indifference of the *Sarpanchas*, and
- (iii) lack of interest on the part of the people.

He has stated in June 1966 that recovery orders in 51 cases have been issued in April 1966.

DP. 244. 102. *Audit by Examiner, Local Fund Accounts.*—The expenditure from grants paid to local bodies is audited by the Examiner, Local Fund Accounts who is under the administrative control of the State Government. Some important points reported by him to Government during 1965-66 are mentioned below :—

(a) Out of the grants disbursed upto March 1965 a total sum of Rs. 1,14 lakhs remained unutilised at the end of 1964-65 as indicated below :—

Year of payment of grants	Amount of unutilised grants as in March 1965 (In lakhs of rupees)
1952-53 to	
1960-61	14.39
1961-62	19.71
1962-63	10.73
1963-64	59.30
1964-65	9.87

The unspent balances exceeded Rs. 1 lakh each in the case of 24 local bodies; the unspent balances in these cases totalled Rs. 80.84 lakhs. An year-wise analysis of these cases is given below :—

Year	Number of local bodies	Amount (In lakhs of rupees)
1959-60 to		
1961-62	6	24.89
1962-63	3	4.65
1963-64	13	48.17
1964-65	2	3.13

(b) Proper ledgers showing the receipt and utilisation of the grants were not maintained by 29 local bodies (amount involved; Rs. 69.74 lakhs). Extent of utilisation of Rs. 2.64 lakhs could not be verified as the local bodies to whom this amount was advanced did not produce the records for audit by the officers of the Examiner, Local Fund Accounts.

**Section II—Financial Assistance to Co-operative Institutions
Co-operation Department**

103. *Scheme for development of co-operative marketing societies.*—The object of this scheme is to encourage sale of agricultural produce through co-operative marketing societies. Government grant loans and subsidies for construction of godowns and make investment in their share capital. D.P.
180
EPA

The financial assistance given by Government during 1961-62 to 1965-66 is as indicated below :—

Year	Investment in share capital	Loan	Subsidy
	(In lakhs of rupees)		
1961-62	4.00	3.00	2.18
1962-63	2.00	1.50	0.96
1963-64	1.75	1.31	0.84
1964-65	1.75	1.31	0.76
1965-66	1.20	1.31	0.71
Total	10.70	8.43	5.45

According to the conditions of loan and subsidy the construction of godowns was to be completed within 12 months from the date of disbursement of the amount of loan and subsidy. Loans of Rs. 7.12 lakhs and subsidies amounting to Rs. 4.74 lakhs were disbursed during 1961-62 to 1964-65 for construction of 38 godowns. As in September 1966, 12 of these godowns were not completed. 8 were stated to be under construction and construction of 4 godowns, for which assistance of Rs. 1 lakh was given was not commenced (2 of these should have been completed before March 1965 and 2 before March 1966).

The slow progress has been attributed to 'the delay in approval of plans and estimates by the Public Works Department authorities and non-availability of construction materials'.

The department has not ascertained the extent of utilisation of the storage capacity of the completed godowns.

The following further points were noticed in audit :—

(a) During the period 1956-57 to 1965-66, loans aggregating Rs. 31.58 lakhs were disbursed to 201 societies. A sum of Rs. 3.87 lakhs (principal Rs. 2.47 lakhs and interest Rs. 1.40 lakhs) fell due for recovery till the 31st March, 1966, but recovery of Rs. 2.39 lakhs was in arrears (September 1966) as shown below:—

Period to which the arrears pertain	Principal	Interest
	(In lakhs of rupees)	
1957-58 to 1960-61	1.20	0.66
1961-62 to 1965-66	0.29	0.24

(b) Government investment in the share capital was Rs. 10.70 lakhs. The total amount of dividend received from the societies during the 4 years 1962-63 to 1965-66 was Rs. 20,371 only which works out to less than 0.5 per cent of the total investment.

Para 40/1415 Report **Veterinary Department**

D.P. 167 104. *Loans for cattle development.*—With the object of increasing milk production loans are given to the Madhya Pradesh State Co-operative Bank for re-lending to milk co-operatives for purchase of milch cattle by producer-members of the societies. During 1961-62 to 1965-66, loans totalling Rs. 9.79 lakhs were paid by the Director of Veterinary Services to the Bank for disbursement to the societies in the areas of operation of Bhopal, Indore, Jabalpur and Gwalior milk unions.

The Veterinary Department has not been watching the proper utilisation of the loans. The Director of Veterinary Services stated in May 1966 that "the Bank watched the period within which the purchases of cattle are effected and the department has no direct control on the primary co-operative societies or individual members".

According to the instructions issued by the department in March 1963 the General Managers of the milk unions are required to ensure that the loanee^s purchased animals of good quality. In the case of loans amounting to Rs. 1.48 lakhs disbursed in Indore, Jabalpur and Gwalior milk union areas, the purchases were made by the loanees themselves instead of through the milk unions.

The loanee-societies were to supply all the milk produced by the members taking loans, to the milk unions throughout the year. 11 societies (9 at Bhopal and 2 at Jabalpur) which received loans amounting to Rs. 0.68 lakh did not supply milk to the milk unions.

The Assistant Registrar, Co-operative Societies, Bhopal stated in May 1963 that the scheme was not a success in Bhopal area; he attributed the 'failure' to the 'competition between the private sector and milk producers' societies, and non-testing of the milk at the collection centres'.

Industries Department

D.P. 61 105. *Loan to an industrial co-operative society.*—The Industries Department disbursed 3 loans aggregating Rs. 29,200 to the Vidisha Mechanical and Moulding Works Co-operative Society, Ltd., Vidisha, during November 1961 to October 1962 to help the society manufacture agricultural implements.

The society has not repaid a single instalment of principal of the loan and the outstanding amount due for recovery as on the 31st March, 1966 amounted to Rs. 11,907 (principal Rs.8,967 and interest Rs.2,940). A part of the loan (Rs. 13,000) was intended for the purchase of machinery. Against this, machinery costing Rs. 8,334 only was purchased in 1962-63. The balance, Rs. 4,666 has not yet been refunded (August 1966).

The society was running at loss since its inception in 1960-61; the accumulated loss till June 1965 amounted to Rs. 16,495.

The society has not yet started manufacture of agricultural implements (August 1966), even though it was stipulated in the sanction for the loan that the manufacturing operations should commence by November 1962.

The Collector, Vidisha recommended to the Registrar, Co-operative Societies in December 1965 to take action for the liquidation of the society. Government intimated in September 1966 that the cost of machinery belonging to the society was being assessed and that the society would be placed under liquidation after the assessment was completed. The liquidation proceedings have not so far been started (November 1966).

Section III—Financial Assistance to other bodies and Individuals Social Welfare Department

106. *State Social Welfare Advisory Board.*—The State Social Welfare Advisory Board was set up in November 1956. The activities of the Board relate mainly to the welfare of women, children and handicapped persons, and are executed either through the Board's Project Implementing Committees or by voluntary agencies. The funds required for the implementation of the scheme are provided in the form of grants-in-aid by State Government and the Central Social Welfare Advisory Board. The total amount of grants received by the Board up to March 1966 was Rs. 1,31.62 lakhs (Rs. 41.49 lakhs from the State Government and Rs. 90.13 lakhs from the Central Social Welfare Advisory Board). D.P.
146

The State Board has no independent legal existence either as a statutory body or as a registered society and, therefore, it can function only as a limb of Government and the financial transactions of the Board should form part of the transactions of Government and should, according to the Constitution, be accounted for within the Consolidated Fund of the State. These have, however, been kept outside the Consolidated Fund of the State and the estimated expenditure of the organisation was not included in the demands for grants placed before the Legislature.

Condensed course scheme.—The Board incurred an expenditure of Rs. 6.34 lakhs during 1959-66 on the scheme which envisaged courses of training so as to :

- (i) provide new vistas of employment to a large number of deserving and needy women, and
- (ii) create a band of competent trained workers required to man the various projects particularly in the rural areas, in the shortest possible time.

As against 61 courses sanctioned, 38 were completed till March 1965 and 13 courses are in progress (May 1966). One course started in 1959 was left incomplete; the expenditure incurred on it was Rs. 14,000. Out of the 730 trainees who were successfully trained till March 1965 at a cost of Rs. 4.09 lakhs, only 29 have so far been absorbed in gainful employment (May 1966).

Welfare extension project centres (rural).—During the Second Five Year Plan period (1956-61), the Board gave grants amounting to Rs. 2.85 lakhs to the project centres for construction of 84 buildings for rural welfare extension projects. According to the information furnished by the Board in May 1966, the

position regarding completion of the buildings and their utilisation was as indicated below:—

Particulars	Number	Amount of grants paid Rs.	Remarks
Buildings required to be completed	84	2,85,200	
Building not yet completed	1	4,500	
Buildings completed, but washed off	2	7,000	
Buildings which are being utilised	43	1,54,200	The condition of 3 buildings was reported by the Board to be 'very bad.'
Buildings remaining unoccupied for more than—			
5 years	15	44,500	According to the Board, the buildings remained vacant "as the institutions/ <i>mahila mandals</i> at these centres could not function due to lack of public co-operation and stopping of activities after a year or two of the commencement".
3 years	18	59,500	
1 year	5	15,500	

In respect of the 81 buildings stated to be complete, the Board has received completion certificates only in 18 cases (grant Rs. 0.80 lakh) and the audited-accounts in 4 cases (grant Rs. 0.17 lakh) till May 1966. The State Board reported to the Central Board in April 1966 that "the date of completion and that of starting and also the accounts in respect of most of the buildings are not available with the agencies through whom the buildings were constructed."

Welfare extension projects (co-ordinated pattern).—These projects were started from 1957 in the area of new community development blocks with the object of providing minimum basic services for women, children and physically handicapped persons. 41 such projects were undertaken by the Project Implementing Committees and an expenditure of Rs. 61.71 lakhs was incurred till March 1966. The programme envisaged that a part of the expenditure should be met by raising local contribution, but no percentage was fixed. Information received from 9 Project Implementing Committees showed that as against an expenditure of Rs. 11.84 lakhs incurred during the period 1960-61 to 1965-66, the public contribution received was only Rs. 0.29 lakh (about 3 per cent).

Mahila mandals.—Out of 70 cases of grants given to *mahila mandals* in 1961-62, the accounts have not been settled in 7 cases (amount of grant Rs. 9,943) even after the lapse of 4 years (June 1966).

Idle jeeps.—3 jeeps costing Rs. 0.30 lakh were lying idle with the Board for 1 to 3 years. The Board stated in September 1966 that out of the two jeeps (which were remaining unused since March 1963 for want of repairs) one has been transferred to the Manipur State Board in May 1966 after repairs and the other has not so far been repaired. The third jeep received in 1965 was being "considered for condemnation" as it was not worthwhile to get it repaired.

Revenue Department

107. *Taccavi loans.*—*Taccavi* loans are granted to cultivators under the provisions of Land Improvement Loans Act and Agricultural Loans Act for various purposes such as construction of wells, purchase of seeds, etc. The detailed accounts of the loans are maintained by *Tehsildars*. These loans are at present distributed through co-operative banks. The total amount of loans outstanding as on the 31st March, 1966 was Rs. 22.68 crores. D.P
230

The upto date position regarding overdue instalments of principal and interest has not been worked out in all districts so far; Government stated in July 1966 that it would take a year or more for the staff specially appointed in April 1965 for bringing the accounts upto date, and to complete reconciliation of old accounts from periods as early as 1949-50.

Explaining the difficulties in the reconciliation of loan accounts in the *tehsils*, the Commissioner, Raipur Division stated to Audit in October 1966 that—

(a) large amounts of *taccavi* loans on account of seeds, manures and fertilisers, disbursed in kind in the past several years by the officers of Agriculture, Co-operative and Development Departments have not been taken into the books of the treasuries by book debit and in the respective *Khatas*;

(b) amounts drawn on Abstract Contingent Bills by the disbursing officers were not fully disbursed and unspent amounts were not refunded into treasury;

(c) recoveries had not been posted against the respective *Khatas*;

(d) in a large number of cases, excess collections were made; and

(f) in certain *Khatoni* registers some pages of *Khatas* were missing and it was not possible to reconstruct these *Khatas* for want of details.

Owing to incomplete records in *tehsils*, the drawals from treasuries for disbursement of loans and the suns deposited into treasuries on account of recoveries of loans have not been reconciled with the records of the treasuries; consequently, the balances worked out in the Accountant General's office are yet to be accepted in several cases, as indicated below:—

	Number of cases in which acceptances are necessary	Number of cases in which acceptances were received with discrepancies	Number of cases in which acceptances have not been received at all
1956-57 to 1959-60	168	76	92
1960-61 to 1962-63	127	41	86
1963-64	43	17	26
1964-65	43	7	36
1965-66	43	Nil	43

The following other points were noticed:—

(i) In Bilaspur, Sagar and Chhindwara districts, sums aggregating Rs. 49.59 lakhs were overdue for recovery on the 31st March, 1966 on account of

principal and interest as indicated below; in case of other districts, the details have not been furnished.

	Principal	Interest
	(In lakhs of rupees)	
Bilaspur	4.57	1.19
Sagar	33.88	4.81
Chhindwara	3.62	1.52
Total	42.07	7.52

The arrears in some cases relate to periods as far back as 1926-27. The year-wise analysis available in respect of arrears in Bilaspur and Chhindwara is as follows; similar analysis for arrears in Sagar district has not been furnished.

District	Period	Principal	Interest
		(In lakhs of rupees)	
Bilaspur	1940-41 to 1955-56	2.25	0.51
	1956-57 to 1960-61	2.27	0.66
	1961-62	0.05	0.02
Chhindwara	1947-48 to 1955-56	0.89	0.73
	1956-57 to 1960-61	1.13	0.49
	1961-62 to 1964-65	1.27	0.27
	1965-66	0.33	0.03

(ii) Loans to the extent of Rs. 6.70 lakhs were reported by Collectors to have been misutilised in Sagar (Rs. 0.48 lakh) and Chhindwara (Rs. 6.22 lakhs) districts. The Collectors have stated that recovery with penal rate of interest has been ordered in all cases.

(iii) The department did not verify the utilisation of loans to the extent of Rs. 13.76 lakhs paid to 7,066 loanees in Chhindwara district during the period 1944-45 to 1965-66. This was attributed (July 1966) by the Collector to the fact that "the revenue officers were busy with other important administrative and case work."

Planning and Development Department

108. *Incomplete works.*—Various developmental works like construction of wells, panchayat bhawans, school buildings and roads are undertaken by the Community Development Blocks for meeting the common needs of the villages. For execution of these works, Government give grants-in-aid to *ad hoc* committees, panchayats and other non-official bodies.

In 181 blocks, 5,990 works for which a total amount of Rs. 80.71 lakhs was paid as grants-in-aid during 1951-52 to 1964-65 have been remaining incomplete (April 1966), as indicated below:—

Years in which the grants were paid

No. of works which are incomplete

Amount of grants-in-aid
(In lakhs of rupees)

1951-56
1956-61
1961-64
1964-65

205

6.56

1,413

21.50

2,829

34.90

1,543

17.75

D.P.
229
File of M.P.I. Reg.
Verification report
of Grant-in-aid
work of Block
Office, Mahadaman
by L.A.P. Xix on 15³/₆₇
Rs 16³/₆₇ may be
called for at the
time of discussion of
Misi Para.

The reasons generally attributed by the officer-in-charge of Blocks for the works remaining incomplete, were :

- (i) non-receipt of public contribution,
- (ii) want of additional funds for completion of works,
- (iii) non-availability of construction materials like cement, and
- (iv) unwillingness of the grantees to proceed with the works.

In respect of 4,985 works for which grants-in-aid amounting to Rs.57.80 lakhs were paid between 1951-52 to 1964-65 and which are stated to have been completed by March 1965, the completion certificates were not furnished (March 1966). Yearwise analysis is given below :—

Years in which the grants were paid	No. of works for which completion certificates not furnished	Amount of grants-in-aid (In lakhs of rupees)
1951-56	477	8.72
1956-61	2,419	25.65
1961-64	1,611	18.29
1964-65	478	5.14

The reasons for not furnishing the completion certificates, as intimated by the officer-in-charge of Blocks, generally were:—

- (i) non-receipt of accounts from grantees;
- (ii) delay in recording of measurements by the overseers;
- (iii) non-execution of the works according to specifications, and
- (iv) defects pointed out not rectified by the executing agencies.

109. *Unutilised grants-in-aid.*—The Block Development Officer, Ghairatganj drew sums amounting to Rs.54,750 (Rs.18,750 in March 1960, Rs. 28,000 in March 1961 and Rs. 8,000 in March 1962) for 4 grants-in-aid works. As the works could not be started before the expiry of the respective financial years, the amounts were deposited in the Post Office Saving Bank accounts in the names of the grantees. D.P.
20

During local audit conducted in January 1966 it was observed that these works had not been started even after expiry of 4 to 6 years and only some materials (such as *gitti*, hume pipe and sand) had been collected. The amounts were thus remaining largely unutilised.

Drawal of these amounts in advance of actual requirement, apparently to avoid lapse of budget grants was reported to Government in January 1966; their reply is awaited (November 1966).

Industries Department

110. *Idle investment and avoidable expenditure-Kambal Kendra, Mandsaur.*— D.P.
59
A rotary press (Rs. 8,200) for pressing blankets and a hydro-extractor (Rs. 4,700) for dehydrating them were transferred in April 1956 by the Industries Department to the *Kambal Kendra, Mandsaur*, run by the Madhya

Pradesh Khadi and Village Industries Board. When these machines were transferred, the boiler and electric motor which were necessary for running the press and the hydro-extractor were not transferred along with these machines. In March 1958, a boiler costing Rs. 5,500 was purchased by the *kendra*; thereafter the press worked for a year. As the Inspector of Boilers did not give clearance due to certain defects in the boiler purchased by the *kendra*, it was returned to the supplier in August 1961. Thus, the press has been remaining unutilised since March 1959. The hydro-extractor has not been put into operation at all since its receipt in April 1956 for want of electric motor.

An expenditure of Rs. 8,121 was incurred on the pay and allowances of the boiler attendant between September 1961 and March 1966. The Manager of the *kendra* intimated in April 1966 that the attendant was looking after the other machines in the *kendra*.

The Board intimated in July 1966 that attempts were being made to put the rotary press to use and to dispose of the hydro-extractor.

GENERAL

D.P.
245 111. *Non-receipt of utilisation certificates.*—The financial rules of Government require that a certificate 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 April 1966 urged Government to ensure timely submission of the utilisation certificates by the 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. As on the 31st July, 1966, utilisation certificates in respect of 51,956 grants involving Rs. 4,43.64 lakhs paid upto 1964-65 were not furnished to Audit, as indicated below:—

Year of payment of the grants	Number of certificates awaited	Amount (In lakhs of rupees)
1957-58 to 1961-62	15,189	67.30
1962-63 and 1963-64	12,638	2,12.31
1964-65	24,129	1,64.03
Total	51,956	4,43.64

These outstanding certificates are awaited mainly from the following departments:—

Name of Department	Year of payment of the grants	Number of certificates	Amount (In lakhs of rupees)
Co-operation	1957-58 to 1961-62	14,867	22.55
	1962-63 and 1963-64	11,951	1,09.81
	1964-65	23,242	69.23
Social Welfare	1957-58 to 1961-62	12	1.50
	1962-63 and 1963-64	431	34.35
	1964-65	500	40.00
Education	1957-58 to 1961-62	104	24.84
	1962-63 and 1963-64	122	16.79
	1964-65	27	6.22

CHAPTER VIII
REVENUE RECEIPTS

SALES TAX

112. (a) *Trend of revenue.*—Sales tax is one of the major sources of State revenue and accounted for nearly 40 per cent of the total revenue from taxes, duties, etc., raised by the State Government during 1965-66. The following table compares the receipts from sales tax with the total revenue realised from taxes and duties, etc., during the five years ending 1965-66:—

Year	Sales tax receipts	Revenue from taxes, duties, etc., levied by the State Government	Percentage of sales tax receipts to the total revenue from taxes, duties, etc., shown in Col. 3
(In crores of rupees)			
1961-62	8.06	29.23	27.6
1962-63	9.60	32.59	29.5
1963-64	12.66	39.66	31.9
1964-65	16.86	46.96	35.9
1965-66	20.00	48.96	40.8

The increase of Rs. 3.14 crores from Rs. 16.86 crores in 1964-65 to Rs. 20 crores in 1965-66 has been attributed to enhancement of rates of tax on certain goods in 1965-66, increased recovery of arrears and normal growth of revenue.

(b) *Cost of collection.*—The expenditure incurred on collecting the tax during the five years ending 1965-66 is indicated below:—

Year	Gross collection	Expenditure incurred on collection	Percentage of expenditure on the revenue collected
(In lakhs of rupees)			
1961-62	8,06	30.96	3.84
1962-63	9,60	34.60	3.60
1963-64	12,66	33.91	2.68
1964-65	16,86	39.30	2.33
1965-66	20,00	43.67	2.18

(c) *Estimates and actuals.*—During the year 1965-66, receipts from sales tax were Rs. 20 crores as against the revised budget estimates of Rs. 20.24

crores. The shortfall of Rs. 0.24 crore was mainly under the following heads:—

	Budget Estimates	Actual Receipts	Excess + Shortfall—
(In crores of rupees)			
(i) Receipts under the Central Sales Tax Act	4.50	4.54	+0.04
(ii) Receipts under the State Sales Tax Act	15.85	15.37	—0.48
(iii) Miscellaneous	0.03	0.25	+0.22
(iv) Deduct—Refunds	—0.15	—0.17	—0.02

113. *Results of test audit in general.*—(a) The comments in the following paragraphs relate to test audit of assessment documents and other records in 23 out of 29 offices conducted during the period from April 1965 to March, 1966. As a result of test audit, under-assessment of tax to the extent of Rs. 3.54 lakhs was noticed in 501 cases.

The under-assessment of Rs. 3.54 lakhs has been the result of—

- (i) errors and omissions (Rs. 0.32 lakh in 93 cases),
- (ii) wrong application of rates of tax (Rs. 0.88 lakh in 121 cases),
- (iii) failure to follow correctly the provisions of Act and Rules while working out the gross turn-over/taxable turn-over (Rs. 2.29 lakhs in 267 cases) and
- (iv) mistakes in tax calculation (Rs. 0.05 lakh in 20 cases).

Some individual cases of under-assessment of tax are given in the succeeding paragraphs separately for the Central Sales Tax Act and the State Sales Tax Act.

D.P.
165 (b) In two Sales Tax Circles, under-assessment amounting to Rs. 3,019 in 7 cases was pointed out during local audit. On account of failure to take timely action on the audit objections to reopen the cases under provisions of the Madhya Pradesh General Sales Tax Act, 1958 the cases became time-barred resulting in loss of revenue.

CENTRAL SALES TAX ACT

D.P.
203 114. *Under-assessment due to non-furnishing of declaration or furnishing of defective declarations.*—Under the Central Sales Tax Act, 1956, read with rule 8 (1-A) of the Madhya Pradesh Sales Tax (Central) Rules, 1957, sales tax at concessional rates on inter-state sales to registered dealers is leviable provided declarations in the prescribed form giving the particulars of the dealers to whom sales have been made are furnished by the assesseees. The production of 'C' form under Rule 8 (2) *ibid* is permissible at any time before the assessment is completed.

It was noticed during local audit that the concessional rate of tax was allowed although declarations were either not produced or were defective, when produced. The details of under-assessment in such cases are given below:—

(i) In 40 cases, 'C' form declarations were not furnished resulting in an under-assessment of Rs. 0.08 lakh (14 offices).

(ii) In 38 cases 'C' form declarations were furnished bearing dates of registration of purchasing dealers later than the dates of sale resulting in an under-assessment of Rs. 0.13 lakh (15 offices).

(iii) In 163 cases, defective 'C' forms were furnished resulting in an under-assessment of Rs. 1.42 lakhs (23 offices).

(iv) In 6 cases 'D' forms were not furnished or were defective, resulting in an under-assessment of Rs. 0.06 lakh (2 offices).

STATE SALES TAX ACT

115. *Under-assessment.*—In the following cases under-assessment totalling Rs. 0.68 lakh was noticed. The under-assessments have arisen on account of application of incorrect rate of tax, incorrect levy of concessional rate of tax, irregular exemption of taxable turn-over and under-estimation of sales.

(a) All kinds of electrical goods, rubber articles excepting cycle tyres, tubes and all machinery worked by electricity, diesel or petrol, excepting agricultural machinery and implements and parts thereof, were taxable at 7 per cent during the period 1959 to 1963. It was noticed during local audit of a Sales Tax Circle that in 3 cases relating to the years 1959-60, 1960-61 and 1961-62, sales of tractors, tractor parts, tyres, tubes and batteries were taxed at 4 per cent although the tractor and parts thereof sold by the dealer were not agricultural machinery. This resulted in an under-assessment of Rs. 21,652. The Government intimated in September 1966, that an additional demand of Rs. 21,652 has been created but the assessee has filed appeals, which are pending (September 1966). D.P.
120

(b) Sheets, cushions, pillows, mattresses and other articles made of rubber or foam rubber other than cycle tyres, tubes are taxable at 7 per cent under the Madhya Pradesh General Sales Tax Act, 1958. It was noticed in local audit that in one case the sales of rubber goods used in the process of retreading of tyres were taxed at 4 per cent, resulting in an under-assessment of Rs. 15,966 during the four years ending 1962-63. D.P.
71

The case was reported to Government in July 1965; they intimated in July 1966 that the case was re-opened and a demand of Rs. 15,966 has since been raised. Intimation regarding recovery is awaited (December 1966).

(c) All kinds of petroleum products (except those which are liable to tax under the Madhya Pradesh Sales of Motor Spirit and Lubricants Taxation Act, D.P.
170

1957), stoves and parts thereof were taxable at 7 per cent under the Madhya Pradesh General Sales Tax Act, 1958, during the period from the 1st January, 1962 to the 31st December, 1963. It was noticed during local audit of Sales Tax Circle III, Indore that in the case of an assessee, sales of Burshane Gas and Burshane Stoves during this period were taxed at 4 per cent resulting in an under-assessment of Rs. 13,082. The case was reported to Government and the Commissioner of Sales Tax in July 1965. The Commissioner of Sales Tax accepted the audit objection and intimated in July 1966, that an additional demand of Rs. 13,082 has been created. Intimation of recovery is awaited (November, 1966).

J.P.
237
(d) Pure silk fabrics and articles made thereof were taxable at 7 per cent up to the 28th February 1961 under the Madhya Pradesh General Sales Tax Act, 1958. During local audit it was noticed that in the case of an assessee, sales of pure silk cloth amounting to Rs. 1,17,090 during the period from the 1st April, 1960 to the 28th February, 1961 were exempted from assessment. This resulted in an under-assessment of Rs. 8,196. Government informed in October 1966 that an additional demand of Rs. 8,196 has been created against the assessee.

J.P.
72
(e) Under Section 8 (2) of the Madhya Pradesh General Sales Tax Act, 1958 the amount of tax leviable on the purchase price of oil seeds was limited to the concessional rate of 1 per cent up to the 30th June, 1960 provided that—

- (i) oil seeds were purchased by a registered dealer from another on declaration for use in manufacture of goods for sale in the State of Madhya Pradesh or for sale in the course of inter-State trade and commerce, and
- (2) the manufactured goods were despatched on his own account to a place outside the State.

During local audit of Shajapur Circle, it was noticed that oil seeds costing Rs. 1,84,718 (estimated purchase price) were sold up to the 30th June, 1960 by a dealer outside the State on his own account. This dealer was not a manufacturer and he sold oil seeds in their raw state. The concessional rate of 1 per cent was not, therefore, admissible and tax at the full rate of 2 per cent should have been levied on the purchase price. Nevertheless, tax at 1 per cent only was levied; this resulted in under-assessment of Rs. 1,847.

The case was reported to Government in January 1966; they intimated in July 1966 that the case was opened for re-assessment and additional demand has been created. Intimation of recovery is awaited (November 1966).

J.P.
124
(f) It was noticed during local audit in Indore Circle No. 1 that a dealer had disclosed gross profit ranging from 5 to 17.5 per cent in the accounts relating to sale of wine in the three branches run by him in the city. The margin of profit disclosed was insufficient to cover even the sales tax payable by the dealer and this margin was not also comparable with the rate of profit disclosed in the accounts of some other wine dealers in the city (as seen during same local audit). Other wine dealers had disclosed profit of the order of 35 per cent. The Sales Tax Officer was, therefore, requested to re-examine the case as there was a possibility of concealment of sales. The case was also reported to the Government in July 1965.

The Government intimated in January 1966 that the assessment case of the dealer was re-opened and an additional demand of Rs. 6,836 had been created. Information regarding recovery is awaited (November 1966).

116. *Delay in assessment resulting in loss of revenue.*—A dealer started business in the year 1951, but he got himself registered under the C. P. and Berar Sales Tax Act, 1947 on the 6th October, 1954. He was, however, found to be liable to pay tax with effect from the 1st April, 1952. He was assessed, on the 11th October, 1960 (assessment proceedings were started in August 1958), to pay a tax of Rs. 18,915 and penalty (for delay in obtaining registration) Rs. 500 for the period from the 1st April, 1952 to the 5th October, 1954. But, on an appeal filed by the assessee, the appellate authority set aside the assessment on the ground that assessment proceedings were barred by limitation as they were not initiated within 3 calendar years from the 5th October, 1954.

Failure to make the assessment in time resulted in a loss of Rs. 19,415 to Government. Reasons for delay in starting assessment proceedings are awaited (November 1966).

117. *Losses written off and remission of sales tax revenue.*—In 57 cases, remissions of revenue on account of sales tax amounting to Rs. 0.26 lakh were granted by the competent authorities during the year 1965-66 on the ground that assessee did not have sufficient assets which could be attached. In 7 cases the amount of remission exceeded Rs. 1,000 in each case. The cases related to the period given below:—

Period	No. of cases	Amount Rs.
1954-55 and earlier	24	19,157
1955-56 to 1957-58	9	2,514
1958-59 to 1960-61	24	3,862
Total	57	25,533

118. *Defects in maintenance of records, non-observance of prescribed procedure, etc.*—(a) The following defects were noticed during local audit:—

(i) defective maintenance of assessment case registers (in 2 offices), progressive collection registers (in 15 offices) and survey registers (in 2 offices), and

(ii) non-verification of copies of challans filed by the dealers with the treasury copies (in 4 offices).

(b) It was also noticed that in 2 cases credit was allowed to the dealers twice in respect of the same copy of challan resulting in a short recovery of Rs. 776. In 3 other cases, credits were allowed in excess of the amounts deposited through challans resulting in a short recovery of Rs. 945. In 37 cases, neither the dealers' copies nor treasury copies were found to be on record in the assessment case files at the time of scrutiny.

119. *Arrears in assessment.*—The number of cases pending assessment at the end of each of the three years ending 1965-66 under the State and Central Sales Tax Acts is indicated below:—

Year	Number of cases of assessment pending at the end of the year	
	Under the State Sales Tax Act	Under the Central Sales Tax Act
1963-64	34,133	7,328
1964-65	41,791	8,952
1965-66	44,127	9,189

Yearwise details of the cases pending at the end of 1965-66 are given below:—

Year	Number of cases pending under	
	State Sales Tax Act	Central Sales Tax Act
Prior to the 31st March, 1960	1,340	403
1960-61	785	283
1961-62	1,599	458
1962-63	2,633	760
1963-64	6,796	1,825
1964-65	19,338	3,920
1965-66	11,636	1,540

158 of these cases (both under State and Central Sales Tax Acts) have been pending for over 10 years.

STATE EXCISE DUTIES

120. The receipts under State Excise Duties and expenditure on collection of the same during the preceding five years are indicated below:—

Year	Gross collection	Expenditure incurred on collection	Percentage of expenditure on revenue collected
	(In lakhs of rupees)		
1961-62	571	39	7.0
1962-63	578	39	6.8
1963-64	675	41	6.1
1964-65	799	45	5.6
1965-66	894	49	5.5

Against the revised budget estimates of Rs. 8.67 crores, the actual receipts during 1965-66 amounted to Rs. 8.94 crores. The increase was attributed to normal growth of revenue.

121. *Loss due to non-acceptance of highest bid.*—In the auction held in February 1963 for the grant of licence for running a country liquor shop in Shivpuri during the year 1963-64, the highest bid received was for Rs. 35,001; this

was accepted by the Collector, who recommended it to the Excise Commissioner for confirmation. Subsequently the Collector reported to the Excise Commissioner that the conduct of the successful bidder during the previous year when he was given the licence for running the same shop, had not been satisfactory and suggested that the re-auction of the licence might fetch even higher bid. Thereupon, the Excise Commissioner ordered re-auction.

The aggrieved bidder went in appeal to the Board of Revenue, who set aside (April 1963) the order of the Excise Commissioner on the ground that it was 'vitiated by the fact that the appellant was not heard before it was passed'; and ordered re-auction of the shop. Pending re-auction of the shop, the same bidder was allowed to run it on commission basis from the 1st April, 1963. The department filed a writ in the Madhya Pradesh High Court against the decision of the Board. The High Court decided (January 1964) the writ in favour of Government; the re-auction was conducted in the same month and the bid for Rs. 2,025 received for running the shop for the remaining period of the year *viz.* 15th February, 1964 to 31st March, 1964, was accepted.

The total revenue realised by Government by running the liquor shop on commission basis up to the 14th February, 1964, and by the re-auction of the licence for the remaining period amounted to Rs. 27,585. Non-acceptance of the highest bid of Rs. 35,001 received in the first auction has, thus, resulted in a loss of revenue amounting to Rs. 7,416.

The case was reported to Government in November 1965. The Government observed in August 1966 that 'the conduct of the successful bidder was not known to the Collector at the time of bidding or till the case was forwarded to the Excise Commissioner for sanction of the bid' and the Collector had later on moved the Excise Commissioner 'in good faith' not to confirm the bid recommended earlier.

122. *Alleged fraud.*—The price of country spirit is required to be paid by the Excise contractors before the liquor is issued from the ware-house for sale at retail shops. Similarly earnest money is required to be deposited in connection with the auction of liquor shops. These sums are first credited into the treasury and the challans are required to be produced to the District Excise Officer. Sums amounting to Rs. 24,715 taken into the departmental records during May 1965—January 1966 on the basis of the challans produced were found to have not been credited into the treasury. The investigation conducted by the District Excise Officer, Sehore revealed that the challans produced to his office were forged ones. The alleged fraud was rendered possible because of non-reconciliation of departmental receipts with treasury figures and failure to verify whether the challans produced were genuine. D.P.
182

The case is reported to be under police investigation and action for the recovery of the amount from the Excise contractors is stated to have been taken. Departmental proceedings against the officers responsible for the laxity in

supervision and for omission to conduct the prescribed checks have not so far been initiated (November 1966).

D.P.
181 123. *Arrears of Excise revenue.*—An amount of Rs. 16,875 being the licence fees recoverable in 1953 from two excise contractors in Jabalpur district have not been recovered so far (September 1966). The dues are stated to have become irrecoverable (March 1966); further details are given below:—

Nature of arrears	Year in which the amount has become due	Amount	Particulars
		Rs.	
(i) Licence fee	1953	8,665	Before the issue of revenue recovery certificate in June 1953 the contractor left Jabalpur, leaving no property. The recovery could not also be effected from the surety [defaulter in the case mentioned at Serial No.(ii) below] as the house shown as his property in the solvency certificate issued by the Sub-Divisional Officer, Narsimhapur, actually belonged to his mother and had been auctioned.
(ii) Licence fee	1953	8,210	Before the issue of the revenue recovery certificate in June 1953 contractor left Jabalpur, leaving no property. The amount could not be recovered from the surety also, as he had transferred his property to the name of his minor sons 'fraudulently' in June 1955 before commencement of recovery proceedings.

The Collector, Jabalpur stated that action to get the amounts written off would be taken.

The responsibility for the loss of revenue, and for the acceptance of the solvency certificates and surety without proper verification has not yet been fixed (November 1966).

124. *Remissions and writes off.*—An amount of Rs. 1,100 was written off in 1 case during the year 1965-66.

FOREST

125. (a) 'Forests' are one of the major sources of revenue to the State Government and accounted for nearly 50 per cent of the total non-tax revenue raised by the State Government during 1965-66. The following table indicates

the receipts from forests as compared to the total non-tax revenue raised by State Government during the five years ending 1965-66:—

Year	Forest receipts	Non-tax revenue raised by Government	Percentage of forest receipts to the non-tax revenue shown in Column 3
(In crores of rupees)			
1961-62	10.38	22.55	46.0
1962-63	10.75	18.82	57.1
1963-64	12.05	32.28	37.3
1964-65	13.37	26.81	49.9
1965-66	17.20	35.29	48.7

(b) *Estimates and actuals.*—During 1965-66, receipts from forests were Rs. 17.20 crores against the revised budget estimates of Rs. 16.27 crores. The increase of Rs. 0.93 crore was attributed to general increase in the cost of forest produce.

126. *Loss of revenue in collection and sale of tendu leaves.*—(a) The Madhya Pradesh *Tendu patta (Vyapar vinayam) Adhiniyam, 1964* which has been brought into force from the 28th November, 1964 aims at the establishment of a State monopoly in trading of *tendu* (Bidi) leaves with a view to bring substantial additional revenue. According to the notifications issued under this Act, the areas of collection of these *tendu* leaves are sub-divided into 'units' and the collection from these units is done either by the department or through the 'agents' appointed by Government. The minimum number of standard bags of leaves to be collected in each unit and the rates of remuneration payable to the agents were prescribed by Government in a notification issued in February 1965. The following points regarding the collection and the sale of these leaves in Jabalpur forest division were noticed during local audit conducted in October 1965. J.P. 183

Jabalpur Division was divided into 16 units for the purpose of collection of these leaves. In 11 units, agents were appointed to collect a minimum number of 32,100 bags. In the remaining 5 units, the collection work was taken up departmentally. A minimum number of 15,100 bags of leaves was to be collected in these 5 units. In the 11 units where the collection work was done by agents, the total number of bags collected was 91,468 i.e., nearly $2\frac{1}{2}$ times the prescribed quota, whereas in the 5 units worked departmentally, 13,052 bags only were collected as against the prescribed quantity of 15,100 bags. The Divisional Forest Officer explained the short collection in these areas worked departmentally as being due "to want of experience". He added that the area was 'also poor and did not contain much *tendu* leaves'. The minimum number of bags to be collected was prescribed by the Department only on the basis of the data furnished by the various Divisional Forest Officers. The Department derives a revenue

of Rs. 7 per bag collected. On account of the short collection in these 5 units the department has suffered a minimum loss of Rs. 0.14 lakh.

According to the terms and conditions of agency, the agents were paid additional remuneration at the rate of 1 rupee per bag in respect of the number collected more than the prescribed minimum. On account of the collection of 59,368 bags in excess, these agents were paid Rs. 0.30 lakh more than what would have been payable if the prescribed minimum was estimated realistically. Similarly for sale of these bags, the agent is given a discount of 1 rupee per bag purchased over and above the prescribed standard number. On account of the purchase of 59,368 bags more than the prescribed quantum, Government had to allow a discount of Rs. 0.59 lakh. The total loss of Rs. 0.89 lakh in the collection and sale of leaves in 11 units could have been avoided if the minimum number of the bags to be collected and sold had been prescribed realistically.

The matter was reported to Government in December 1965; their comments are awaited (November 1966).

(b) The season for collecting *tendu* leaves normally closes on the 30th June. It was noticed during the local audit of Shivpuri forest division that in 2 ranges, the work of collection was ordered by the Assistant Conservator of Forests, Shivpuri to be closed on the 15th June, 1965, eventhough he had no authority for issuing such orders. This has resulted in short collection of about 17,067 bags of *tendu* leaves. Consequently, Government have been put to a loss of revenue amounting to Rs. 1.46 lakhs. The Divisional Forest Officer, Shivpuri, informed Audit in September 1965 that departmental action to fix responsibility for the loss was being taken.

The case was reported to Government in November 1965; their reply is awaited (November 1966).

127. *Loss of revenue.*—The commercial rates for extraction of stone material (*gitti*) were fixed at Rs. 5.00 per 100 cft. by the Chief Conservator of Forests in June 1959. During local audit of South Shahdol Forest Division, it was noticed that the old rate of Rs. 4 per 100 cft. was continued to be charged by the division during the period July 1959 to September 1962 resulting in a loss of revenue amounting to Rs. 12,650.

Similarly, in North Shahdol Forest Division, formed in July 1961, it was noticed that the old rate of Rs. 2.50 per 100 cft. was continued to be charged by the division during the period from July 1961 to October 1962, resulting in a loss of revenue amounting to Rs. 38,096.

Non-levy of the revised rates till September/October 1962 was attributed to the fact that the rates communicated in June 1959 were not legible and the revised rates were enforced only after receipt of the legible copy in September 1962.

The Divisional Forest Officer, South Shahdol Division stated in April 1966 that the recovery of the amount at this late stage was not possible.

These cases were reported to the Government in June and March 1966 respectively; their reply is awaited (November 1966).

128. *Excess extraction of forest produce and non-recovery of dues.*—In North Mandla Forest Division, a coupe was auctioned in July 1957 for Rs. 32,000 to a contractor. The lease amount was payable in 4 instalments of ~~Rs.~~ Rs. 8,000 each on the 30th July, 1957, 1st December, 1957, 1st February, 1958 and 1st May, 1958. The contractor paid only 2 instalments amounting to Rs. 16,000; he, however, removed 7/8th of the total produce. The value of the material extracted in excess was estimated to be Rs. 7,550. The balance of Rs. 16,000, being the amount of two defaulted instalments and penalty for damages amounting to Rs. 175 levied on the contractor have not been recovered so far (November 1966). D.P. 43

The above irregularity was facilitated by the failure to observe the rule according to which the Divisional Forest Officer is required to stop removal of forest produce, if the value of the produce removed exceeded the amount of instalments already paid.

Action taken by Government to fix the responsibility is awaited (November 1966).

The case was reported to Government in March 1965; reply is awaited (November 1966).

129. *Less recovery of royalty.*—According to the terms of the agreement entered into with the Nepa Mills on the 10th October, 1947 (which was modified to some extent on the 9th February, 1956) for the supply of salai wood for 90 years, royalty at the rate of Rs. 7-8-9 per ton of pulp wood (50 cubic feet of wood without bark being reckoned as 1 ton of pulp wood) was required to be paid by the Mills. In the absence of a weighing machine, the amount to be recovered was computed till January 1961 on the basis of 50 cubic feet of wood being equal to 1 ton. In February 1961, the Mills brought into use a weighing machine and ever since wood is being weighed in metric tonnes. Nevertheless, instead of recovering the royalty on the basis of actual weight after conversion into British tons (using the standard formula one British ton is equal to 1.016 metric tonnes), the royalty was computed on the basis of 1 British ton being equal to 1.28 metric tonnes. D.P. 2

The department explained that by taking into account the weight (5,65,300 kilo-grams) of 102 truck loads of salai wood (22039 cft.), the weight of 50 cft. of wood was arrived at as 1.28 metric tons and as it was provided in the agreement that 50 cft. of wood was equivalent to 1 ton, the department had calculated the royalty on the basis of 1.28 metric tonnes being equal to 1 British ton. Consequently, royalty amounting to Rs. 1.45 lakhs was recovered less on the wood supplied during the period February 1961 to June 1964.

It is not clear why the department agreed to the above indirect and incorrect method of conversion, which has resulted in less recovery.

The matter was reported to Government in November 1964; their reply is still awaited (November 1966).

130. *Losses written off.*—In 48 cases losses of revenue involving an amount of Rs. 1.38 lakhs were written off by the competent authorities during the year 1965-66. The losses exceeded Rs. 5,000 each in 7 cases which were due to irrecoverable contract amount/illicit felling. In one case, a loss of Rs. 22,831 on account of outstanding contract amount in respect of certain *tendu* leaves units sold in auction in 1962 in Chhindwara division, was written off as the contractor was found to have no property from which recovery could be made. The contractor was allowed to bid in the auction without furnishing adequate security as provided under rules.

131. *Outstanding revenue.*—The outstanding forest revenue as on the 31st March, 1966 amounted to Rs. 2.79 crores. The Chief Conservator of Forests intimated that yearwise break-up of the outstanding amount was not available in his office (November 1966).

Natural Resources Department

ROYALTY FROM MINERALS

132. Grant of leases for extraction of major and minor minerals is governed by Mines and Minerals (Regulation and Development) Act, 1957 and Madhya Pradesh Minor Minerals Rules, 1961 and dead rent and royalty are recovered from the lessees for extraction of minerals.

D.P.
236
133. *Arrears of revenue.*—The total amount of arrears on account of dead rent and royalty for extraction of minerals as on the 31st March, 1966 was Rs. 126.94 lakhs in 39 districts (in respect of which information was received). Some individual cases in which heavy arrears are outstanding against the lessees are given in paragraphs 134 to 138.

D.P.
186
134. Leases for 30 years and 20 years respectively for mining of coal and manganese in Haranbhata and Ranpeth Dwami villages (Chhindwara District) were granted (August 1942 and January 1953) to an individual by the erstwhile Government of Madhya Pradesh. No mining was done by the lessee; the leases were therefore terminated in December 1960 and March 1963. Possession of these lands was taken in January 1961 and April 1963 respectively.

An amount of Rs. 15,458 is recoverable from the lessee on account of dead rent and penalty for the period from half year ending the 31st December, 1955 to the 5th April, 1963. The Collector, Chhindwara reported to Government in

September 1966 that there was no prospect of recovery of the dues since the lessee did not possess any movable or immovable property in the district and he had permanently left Chhindwara.

The amount has not yet been written off; the question of responsibility of the departmental officials in not recovering the dues in time has also not yet been considered.

The case was reported to Government in May 1965; reply is awaited (November 1966).

135. In January 1954, a lease for mining coal in 301.24 acres in a district was granted for 30 years in favour of an individual by the erstwhile Government of Madhya Pradesh. The lessee died in June 1957 and his wife, who was his legal heir, failed to start the mining operations, despite grant of extensions; the lease was therefore terminated in October 1963 and the possession of the leased land was taken back in November 1963. An amount of Rs. 11,054 was found recoverable from the deceased lessee on account of dead rent for the period from July 1956 to November 1963. Under the rules, it was provided that in cases of default in the payment of rent or breach of other conditions, Government are required to give notices to the lessees asking them to pay the dues or remedy the breaches within 60 days. In this case, the notice to the lessee for failure to commence the mining work was issued only in August 1961. No recovery could be effected from the legal heir as her property had already been attached in April 1953 in a case pending against her.

D.P.
193

In May 1963, the Collector recommended to Government that the amount, being irrecoverable, may be written off; orders of Government are awaited.

136. Government sanctioned 7 manganese mining leases in Balaghat district in favour of a limited company between 1944 and 1954 for periods ranging over 15 to 30 years. In addition to the dead rent the company was to pay royalty at a fixed percentage of the sale value at the pits' mouth, for all dressed ore raised from the mines leased out. The company did not file the statements in respect of the ore removed during the half years ending December 1958, June 1959 and December 1959. Fearing loss of revenue to Government, the Collector, Balaghat ordered recovery of the royalty due as arrears of land revenue as the company was disposing of their moveable properties in the district. The Tahsildar attached the properties of the lessees and the same were put to auction. These proceedings were postponed under telegraphic instruction from Government in March 1961 and May 1961. When the properties were finally auctioned only an amount of Rs. 39,333 could be realised.

D.P.
76

The arrears due from the company towards dead rent, royalty, interest and provident fund aggregate Rs. 4.36 lakhs. The company has gone into liquidation since then and the claim of Government is pending before the official liquidator.

in the High Court of Judicature, Bombay. The Collector, Balaghat reported to Government in December 1961 that "much of the arrears could have been recovered from the worked out minerals had the recovery proceedings continued".

Government intimated in April 1966 that they were "trying to find out a person/party who may purchase the mining rights of the company under liquidation by selling the rights of lease".

D.P. 68. 137. A mica mining lease over an area of 387.54 acres was granted in favour of an individual for a period of 20 years in the Sarguja district by the State Government in January 1952. No lease deed in the standard form was executed by him. It was stated that the standard form of lease in accordance with the Mineral Concession Rules, 1949 was not finalised by the Central Government at that time. Although the lessee is reported to have stopped the working of the mines in November 1956, the Department was informed of the same only in January 1961. The lease was cancelled by the State Government in December 1962, but the Department took possession of the leased area in April 1964 only. No fresh lease over the area has been granted so far (November 1966). An amount of Rs. 34,584 is recoverable from the lessee on account of dead rent and surface rent for the period from the 31st December, 1952 to the 31st December, 1962.

The Collector, Sarguja stated in November 1965 that the lessee expired in May 1962 and he has not left any moveable or immoveable property worth the name.

D.P. 179. 138. In June 1952 the erstwhile Madhya Pradesh Government granted a lease for 20 years in favour of an individual for mining manganese ore in Balaghat district. Although the lessee was reported to have stopped working the mines from January 1958, the lease has not been cancelled so far (August 1966).

An amount of Rs. 18,331 is recoverable from the lessee on account of royalty for the period up to December 1957. An amount of Rs. 1,000 taken as security deposit was forfeited. The proceedings for recovery of the dues as arrears of land revenue initiated in May 1963 are stated to be in progress (November 1966).

D.P. 77. 139. In September 1954, a mining lease for mining iron ore in an area of 126.58 acres in Panihar village of Gwalior district was granted for 20 years in favour of a firm by the erstwhile Madhya Bharat Government. The firm did not do mining work up to February 1956 and in terms of the conditions of the agreement, the lease should have been terminated. This was not done.

Although the lessees were reported to have finally stopped working the mines in April 1959 and notice of intention to terminate the lease was issued in September 1961, the lease was actually cancelled only in July 1963.

An amount of Rs. 12,648 is recoverable from the lessees on account of royalty, dead rent, penalty and interest. It was stated that none of the partners of the firm was alive and recovery proceedings have been initiated against the widow of a partner.

The case was reported to Government in March 1966 and their reply is awaited (November 1966).

PUBLIC WORKS DEPARTMENT

140. *Collection of tolls on bridges and ferries—Ex-gratia relinquishment of revenue.*—In the Public Works Department, tolls are levied on bridges under the Indian Tolls Act, 1951 and on ferries under the Indian Ferries Act, 1878. These tolls are collected either departmentally or leased out to a contractor to whom the right of collection of tolls is sold in public auction. D.P.
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During the local audit of a division, it was noticed that the right to collect the tolls at Khalghat bridge (Buildings and Roads Division, Khargone) for the period from June 1961 to May 1962 was auctioned to a contractor for Rs. 3.12 lakhs. According to the terms of the contract, the contractor was not entitled to "any remission under any circumstances whatsoever". Nevertheless, the Superintending Engineer ordered (March 1962) the remission of revenue amounting to Rs. 13,278 on the ground that the bridge was closed for a period of 16 days due to repairs. The *ex-gratia* remission of revenue ordered by the Superintending Engineer was unauthorised as he was not competent to do so and secondly the non-entitlement to remission of revenue was already stipulated in the contract.

The case was reported to the Chief Engineer (Buildings and Roads) in April 1965; reply is awaited (November 1966).

141. *Loss of Revenue.*—Two cases of losses of revenue are given below:—

(a) *Rent for residential buildings.*—As a part of Medical College Project, Jabalpur (administratively approved for Rs. 223.80 lakhs in November 1960) 522 staff quarters of different types, as detailed below, were constructed during 1957-63 at a cost of Rs. 42.15 lakhs.— D.P.
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Type of quarter	Number	Date of completion	Cost of construction (In lakhs of rupees)
Dean's bungalow	1	15th January, 1963	0.57
Professors' bungalows	10	21st August, 1959	4.40
Readers' quarters	16	17th February, 1961	5.06
'F' Type quarters	63	26th April, 1963	10.02
'G' Type quarters	8	15th August, 1963	0.77
'H' Type quarters	72	3rd October, 1963	5.92
'I' Type quarters	340	15th September, 1960	14.75
P.W.D. Staff quarters	7	1st September, 1959	0.66

The quarters originally intended for the staff of the Medical College and hospitals attached to it, were transferred to the general pool of accommodation in February 1964 as they were remaining unoccupied. 421 of these quarters remained vacant for periods ranging from 6 months to 79 months before they were occupied. 57 quarters are still (August 1966) vacant. Out of these, 25 are being used as stores godowns. This resulted (till June 1966) in:—

(i) loss of revenue on account of rent to the extent of Rs. 1.83 lakhs, and

(ii) payment of Rs. 1.02 lakhs as house rent allowance to employees which would not have been payable to them had they occupied these quarters. In August 1966, the Dean of the Medical College stated that all the quarters were likely to be filled as soon as the out-patient department is shifted to the new building. Construction of the building for the out-patient department was started in November 1962 and was to have been completed by March 1965. The contractor left the work incomplete and it is now being executed departmentally. The building is expected to be ready by March 1968 only.

It has been noticed that substantial amounts of rent are in arrears. Information regarding the exact amount of arrears are not available, as the work of compilation of rent registers (in the office of the Executive Engineer, Buildings and Roads, Jabalpur) is stated to be in arrears (August 1966).

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162 (b) *Irrigation revenue.*—At the instance of the State Level Industries Committee, Government decided in January 1964 to reserve 175 million cft. of water from the Hathaikheda project for meeting the requirements of the industrial estate near Bhopal. The Commerce and Industry department agreed to guarantee the payment to the Irrigation department of a sum of Rs. 34,000 as revenue. In December 1964 the Director of Industries was requested to pay the sum agreed to, but he intimated in February 1965 that the water would not be required for that year as the land acquired had not been developed. This intimation was received so late that it was not possible to utilise the water for irrigation, as the irrigation season was over. The Collector, Raisen termed this as “a net loss in terms of money as well as production” (June 1965).

The matter was reported to Government in September 1965; their reply is awaited (October 1966).

LAW DEPARTMENT

D.P.
168 142. *Alleged misappropriation.*—According to the rules relating to admission, enrolment and renewal of certificates of pleaders, a person who is enrolled as a pleader has to obtain a certificate from the High Court authorising him to practice in the Court of a District Judge. This certificate has to be renewed annually. For this purpose, the pleader concerned is required to make an application to the District Judge, affixing non-judicial stamps of the value of Rs. 25

Contrary to this rule, the fees for renewal were received in cash in the court of District Judge, Gwalior during the years 1958-60. During the departmental audit conducted in January 1964, it was noticed that non-judicial stamps were not purchased with the money received and the amount was suspected to have been embezzled. The files containing the account of non-judicial stamps were reported to be missing. The value of the stamps actually purchased could not, therefore, be ascertained.

However, on verification of the registers of stamp vendors, it was noticed that as against the amount of Rs. 7,220 alleged to have been paid towards renewal, stamps of the value of Rs. 565 only were shown to have been purchased and it was, therefore, held that the remaining amount of 'Rs. 6,655 had been defalcated or misappropriated'. According to the departmental audit:—

(i) the registers of court fees were not maintained properly nor were ~~the~~ the entries attested or verified by the supervisory staff; there were overwritings and repetitions, and

(ii) at the time of issue of the certificates to the pleaders, the officials concerned failed to ensure that the applications were affixed with non-judicial stamps.

A departmental enquiry was instituted against the delinquent officials in 1964; its findings are awaited (November 1966).

SEPARATE REVENUE DEPARTMENT

143. *Arrears in collection of profession tax.*—At the end of March 1966 the arrears in the collection of tax on profession, trade and calling amounted to Rs. 32.77 lakhs in 31 districts (from which information was received). The treasury officers were the taxing officers. The maximum arrears were in Indore district (Rs. 9.84 lakhs). The year-wise details of the arrears are as below:—

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(In lakhs of rupees)

1960-61 and earlier years	7.76
1961-62	3.12
1962-63	4.23
1963-64	5.03
1964-65	8.04
1965-66	4.59

The main reasons attributed by the treasury officers for these arrears in recovery of the tax were:—

(i) late receipt of list of assesseees and incorrect and insufficient addresses of the assesseees received from the Income Tax authorities;

(ii) inadequacy of staff;

(iii) recoveries as arrears of land revenue were not made by the tehsildars to whom revenue recovery certificates were sent;

(iv) death, transfer and insolvency of the assesseees;

(v) discontinuance of the practice of issuing individual notices to the assesseees.

An amount of Rs. 0.16 lakh was reported to be irrecoverable by 11 treasury officers due to death, insolvency or non-availability of the assesseees.

CHAPTER IX

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

SECTION A

General

144. This chapter deals with the results of audit of:—

- (i) Statutory Corporations/Boards,
- (ii) Government Companies,
- (iii) Departmentally-managed Government undertakings and
- (iv) Investments by the State Government.

SECTION B

Statutory Corporations/Boards

145. There were 5* Statutory Corporations/Boards in the State as on the 31st March, 1966 :—

- (i) The Madhya Pradesh Electricity Board,
- (ii) The Madhya Pradesh State Warehousing Corporation,
- (iii) The Madhya Pradesh Financial Corporation,
- (iv) The Madhya Pradesh State Road Transport Corporation and
- (v) The Madhya Pradesh Housing Board.

Madhya Pradesh Electricity Board

146. After the formation of the new Madhya Pradesh State, the Madhya Pradesh Electricity Board was reconstituted with effect from the 1st April, 1957, excluding the units pertaining to the Vidarbha Region transferred to the Maharashtra State Electricity Board and integrating the Electricity Undertakings of the erstwhile States of Madhya Bharat, Vindhya Pradesh and Bhopal. Division of the assets and liabilities as on the 31st March, 1957 between the Madhya Pradesh Electricity Board and Maharashtra State Electricity Board has not yet been decided.

(i) *Financial results.*—Particulars of capital outlay, loans, reserves, etc. and the working results of the Board during the last three years are given below :—

1963-64 1964-65 1965-66
(In lakhs of rupees)

Liabilities

(a) Loans from Government	77,07.62	97,10.62	1,23,11.64
(b) Other capital receipts	5,44.28	9,47.77	16,12.96
(c) Reserves and provisions (other than depreciation reserve).	1,57.48	1,96.61	2,40.21

*Excluding the Madhya Pradesh Khadi and Village Industries Board,

	1963-64	1964-65	1965-66
	<i>(In lakhs rupees)</i>		
(d) Trade dues and other current liabilities	12,03.50	16,03.46	19,55.58
(e) Suspense Accounts	81.76	82.06	96.91
Total	96,94.64	1,25,40.52	1,62,17.30
<i>Assets</i>			
(f) Net block	45,63.98	57,86.35	89,56.16
(g) Share of the Board in the Projects executed by other agencies.	89.00	2,18.69	3,74.28
(h) Stores and materials	12,93.45	16,16.79	17,06.52
(i) Book debts	3,49.29	3,02.82	3,84.00
(j) Other current assets, loans and advances (including investments).	31,77.03	44,64.53	46,16.76
(k) Suspense accounts	2,21.89	1,51.34	1,15.46
(l) Deficit for the year	..*	..*	64.12
Total	96,94.64	1,25,40.52	1,62,17.30
<i>Working results</i>			
<i>Revenue receipts</i>			
(i) Sale of electricity	8,68.39	9,76.65	11,33.47
(ii) Miscellaneous receipts	53.76	66.47	76.89
Total	9,22.15	10,43.12	12,10.36
<i>Total revenue expenditure—</i>			
(i) before making appropriation to General Reserve.	7,79.38	9,11.00	12,46.88
(ii) after making appropriation to General Reserve.	8,02.11	9,36.14	12,74.48
<i>Net surplus (+)/Net deficit (—)</i>			
(i) Before appropriation to General Reserve	+1,42.77	+1,32.12	—36.52
(ii) After appropriation to General Reserve	+1,20.04	+1,06.98	—64.12

The revenue deficit of Rs. 36.52 lakhs during the year 1965-66 has been attributed partly to fall in revenue due to failure of monsoon for the second year in succession in the Chambal catchment area and delay in the commissioning of the first 50 M.W. generator unit at Korba and increase in revenue expenditure on account of operation of additional thermal and diesel stations in the Chambal area necessitated by the reduced generation at the Gandhisagar Hydel Power Station.

(ii) *Capital structure.*—The capital expenditure of the Board is met by loans advanced by State Government, which stood at Rs. 1,23.12 crores as on the 31st March, 1966. This includes the capital outlay on the erstwhile undertakings of Madhya Bharat, Vindhya Pradesh and Bhopal transferred to the

*The net surplus of Rs. 1,20.04 lakhs and Rs. 1,06.98 lakhs for the years 1963-64 and 1964-65 respectively have been included in 'other capital receipts'.

Board on the 1st April, 1957 which was provisionally taken at Rs. 6.19 crores and that of Gandhisagar Power Station transferred to the Board on the 1st April, 1961 at Rs. 9.43 crores. Declaration under Section 60(2) of the Electricity (Supply) Act, 1948 has not, however, been made so far to treat these two amounts loans.

The Board has also arranged with the State Bank of India for overdrawing upto a limit of Rs. 1.42 lakhs to meet temporary shortage of funds during the years 1955-66, the maximum amount of overdrawals in the year was Rs. 1,36.00 lakhs and a sum of Rs. 1.10 lakhs was paid as interest on these overdrawals.

(iii) *Arrears of revenue.*—The arrears in the collection of electricity charges relating to the period upto the 31st March, 1966 amounted to Rs. 1.12 crores.

The year-wise break up of the arrears is not available with the Board. The amount outstanding against H.T. consumers alone for more than one year has been worked out as Rs. 63.05 lakhs, out of which Rs. 28.26 lakhs were outstanding for over three years.

(iv) *Stores control.*—(a) The periodical physical verification of tools and plant, stores and other materials was not conducted regularly in area stores as indicated below:—

Year	Total number of area stores	Number of area stores where complete physical verification was not conducted.
1963-64	30	16
1964-65	36	13
1965-66	35	18

(b) During the physical verification conducted by the officers of the Board in 1961, shortages of stores amounting to Rs. 51.83 lakhs and excesses amounting to Rs. 27.43 lakhs were noticed; these have not so far been reconciled and responsibility for the shortages has not been fixed (November 1966).

(c) Large differences exist between the balances appearing in the stores ledger and the balances in the accounts; the differences, as on the 31st March, 1966 in respect of 'general stores' amounted to Rs. 1.12 crores. These differences need to be reconciled.

(d) Maximum and minimum limits of stock have not been fixed by the Board (October 1966).

(v) *Stagnant stores.*—Electrical equipment and stores valued at Rs. 82.07 lakhs have remained unused for 2 to 6 years; the details are given in Appendix 12. *Para 20 / 1415 report*

(vi) *Idle outlay.*—Machinery and equipment worth Rs. 4.83 lakhs purchased for Nepanagar Power House are lying idle from the dates noted against each:—

S.No.	Particulars	Date from which lying idle	Amount (In lakhs of rupees)
1.	One Coal Conveyor set	March 1961	3.35
2.	Mutlicyclon Dust Collectors	March 1963	1.48

Para 21 / 1415 report.

*Para 18
1415
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P. 18*

*7-12
1415*

*3-12
89*

The Board stated in August 1966 that Coal Conveyor set has not been installed so far due to delay in laying railway siding by the Railway authorities to facilitate erection of the plant and also due to delay in starting the erection work as the Board decided to 'modify the scope of work'. The work is now expected to be completed by the 31st December 1966. The installation of the dust collectors would require the stopping of the boilers; this could not be done as it would affect the supply of power. The Board stated that the installation work would be carried out when the power from Chambal project becomes available.

D.P.
85-
22
4/13/66
(vii) *Loss due to defective storage of cement.*—The Civil Division No. I, Korba, received large quantities of cement between the 12th August, 1964 and the 2nd September, 1964. The cement, stored temporarily in open ground, protected only by tarpaulins, was later on to be transported to a godown for better storage. About 2,000 bags of cement were set due to rains and moisture, causing avoidable loss of Rs. 0.15 lakh to the Board. It was stated by the Divisional Engineer (C) that no vehicles could be arranged for transporting the bags to the godown.

The Board, to whom the case was reported in May 1966, stated (September 1966) that necessary action was being taken to investigate into the matter.

D.P.
200
(viii) *Internal Audit.*—The initial accounts of the Board are maintained in the office of the Divisional Engineers, Superintending Engineers, the Regional Accounts Officers and distribution centres. Internal check of the accounts in the divisions, etc., is conducted by an internal audit organisation functioning under the Finance Member of the Board. The extent of arrears in internal audit as at the end of June 1966 is indicated below:—

Name of the Unit	Year of accounts for which the audit is in arrears	Total number of offices due for audit	Number of offices in arrears	Remarks
1. Divisional Offices.—				
(i) Regular Divisions	1963-64	34	8	This includes 3 divisions in respect of which audit for 1962-63 accounts is also in arrears.
	1964-65	40	23	
(ii) Construction divisions (including sub-divisions).	1963-64	4	3	
	1964-65	6	6	
2. Circle Offices	1963-64	7	3	
	1964-65	7	6	
3. Regional Accounts Offices	1963-64	7	2	
	1964-65	7	3	

The audit of the Chief Accounts Office has not been taken up at all.

As regards audit of the revenue accounts of distribution centres, about 50 per cent and 84 per cent of the offices remain unaudited for the year 1963-64 and 1964-65 respectively (September 1966).

(ix) *Double/Wrong payments.*—8 cases of double/wrong payments made by the Board to the suppliers, etc. involving an amount of about Rs. 1.24 lakhs came to the notice of audit; the details are given below. The irregular payments were apparently rendered possible due to non-observance of the prescribed procedure. In 6 of these cases, the overpayments made have been recovered; details of recoveries in the remaining 2 cases (items 2 and 7) are awaited:—

Brief particulars of the case	Amount Rs.
1. Double payment made to a firm once as advance payment on the basis of original bills in February 1965 and again on the basis of duplicate bills in February-March 1965.	38,830.88
2. Double payment of maintenance charges in respect of the railway siding at Ghoradongri to the Central Railways, Bombay once on the 9th February, 1966 and again on the 8th March, 1966.	30,649.63
The payments on both these occasions were made on the basis of the bills sent by the Deputy Chief Engineer (Civil) without either the claim being verified by the Divisional Engineer (Civil), Sarni or pre-audited by the Regional Accounts Officer, Sarni as required under rules.	
3. Double payment of railway freight to a firm once as advance payment against railway receipts in December 1964 and January 1965 and again on receipts of firm's bills in January 1965.	28,437.25
4. Double payment to a firm once on the 10th September, 1962 by cheque and again through bank on the 12th September, 1962.	11,518.73
5. Double payment to a firm once on 10th September 1962 by cheque and again through bank on 11th September, 1962.	5,795.18
6. Payment made to a firm in June 1963. Although the firm's bill was passed for adjustment, a cheque was issued.	5,400.00
7. Double payment of Railway freight to the Railway authorities in September 1964 on the basis of credit notes issued in respect of the same wagons once by the Store Keeper and again by the Charge Engineer, Indore.	2,024.80
8. Payment made to a printing firm at Bhopal in June 1964. Although the firm's bill was passed only for adjustment against advance, a cheque was issued.	1,344.04

(x) *Writes-off of losses, waiver of recoveries of overpayments, etc.*—During the year 1965-66, losses totalling Rs. 0.32 lakh in 18 cases were written off by the competent authorities; the losses written off exceeded Rs. 5,000 in two cases mentioned below:—

	Rs.
(i) Write-off of loss to the take-off structure arrangements for 132 K.V. Neemuch feeder in Switchyard at Gandhi sagar Power Station.	14,400
(ii) Write-off of the loss sustained on account of the damages to towers at Gandhisagar due to floods (September 1962).	8,014

5 cases of waiver of recoveries of overpayments, energy charges, etc. in each of which the amount exceeded Rs. 5,000 are given below:—

(In lakhs of rupees)

(i) Waiver of surcharge outstanding against:	
(a) Municipal Committee, Bhopal	5.62
(b) M/s Hindustan Steel Ltd. (Bhilai Steel Project), Bhilai	1.27
(c) National Coal Development Corporation Ltd., Korba	2.54
(ii) Waiver of recovery of overpayment of overtime wages to the staff employed in the power houses of ex-Madhya Bharat Region during the period from the 1st June, 1957 to the 31st December, 1959.	0.67
(iii) Write-off of the amount outstanding against consumers of Barwani Distribution Centre on account of incorrect interpretation of tariff.	0.10

(xi) *Other topics of interest.*—(a) *Departmental Manuals, etc.*—The Board has no Accounting Manual laying down the procedure for the maintenance and compilation of accounts and defining duties and responsibilities at various levels.

(b) *Property registers.*—The non-maintenance of property/plant registers was brought to the notice of the Board as early as in January 1961. No action has been taken so far to maintain such registers.

(c) *Annual Reports.*—The Board has not so far submitted to the State Government its annual reports for the year 1957-58 and onwards under Section 75(1) of the Electricity (Supply) Act, 1948.

(d) *Cost control.*—The Board has not adopted any costing system for ascertaining the unit cost of electricity generated, losses in transmission, etc.

AMARKANTAK THERMAL POWER STATION

para 23/14th report.

147. (a) *Avoidable expenditure.*—In January 1961 an agreement was made by the Board with a foreign firm for the erection and commissioning of 2 turbo-alternator sets at the Amarkantak thermal power station. In accordance with the terms of the agreement, the Board was to provide the essential perquisites for undertaking the commissioning of the sets. The erection of the sets was to commence on the 15th September, 1963 and to be completed on the 15th March, 1964. It was also stipulated that in the event of interruption in the commissioning of the sets due to failure on the part of the Board to provide the essential perquisites, the Board would bear the expenditure on the salary of the staff compulsorily retained by the firm at the site of work during the period for which

the commissioning work would be held up and also the travelling expenses of the technicians who would have to be withdrawn due to stoppage of work. The turbo sets were scheduled to be commissioned before the 18th October, 1964.

In May 1963, after reviewing the progress of the preliminary work done by the Board, the firm reported to the Board that in view of the slow progress of work, un-interrupted erection with subsequent commissioning of the turbo sets within the scheduled dates would not be possible and requested the Board to fix realistic dates for these items. The Board, however, informed the firm in August 1963 that the erection work should be commenced from the 15th September, 1963 as scheduled. The erection work was taken up and completed by the firm within the scheduled date, *i. e.*, the 15th March, 1964. As the Board could not provide the essential perquisites needed for commissioning of the sets (supply of steam, circulating water and power outlet), this work had to be postponed till the 14th September, 1964. The Board, therefore, had to pay to the firm an amount of Rs. 34,225 towards expenditure on idle staff retained by the firm during 16th March, 1964 to 14th September, 1964 and on travelling expenses of the technicians withdrawn from the site of work for the aforesaid period.

The case was reported to the Board in May 1966; reply is awaited (November 1966).

(b) *Special pay to the staff.*—The Board sanctioned special pay to the staff stationed at Amarkantak Thermal Power Station at prescribed rates “during the period of survey and construction”. The special pay, according to the orders of the Board, was to be discontinued from the date of commissioning the first set of generators. The first set of generators was commissioned on the 17th October, 1964 but the special pay was continued to be paid till the 31st March, 1965. On the matter being brought to the notice of the Board, the Secretary to the Board held that “there was hardly any justification for continuing the special pay.....It ought to have been stopped in October 1964”.

The Board, however, accorded *ex-post facto* sanction in March 1955 for the payment of special pay till March 1965, “so that payments already made can be regularised”.

Due to the unauthorised continuance of special pay beyond October 1964, the Board was put to an avoidable expenditure of nearly Rs. 27,000.

Para 24 ^{14/15} ~~report~~ EXTRA/AVOIDABLE EXPENDITURE

148. *Erection of Katni-Kymore-Satna 132 KV Line.*—A limited tender enquiry for the erection of “Katni-Kymore-Satna 132 KV line” was issued in August 1962 to four firms. Only two firms ‘A’ and ‘B’ responded to the enquiry. The offer of firm ‘A’ (Rs. 9.33 lakhs) was lower, but was rejected by the Board on the ground that it would “not be advisable to entrust all the works to this single firm which was already having the work of Amarkantak-Jabalpur and

Korba-Bhilai lines". The contract was, therefore, awarded to the firm 'B' in November 1962 for Rs. 10.76 lakhs. The rejection of the lower offer of firm 'A' resulted in an extra expenditure of Rs. 1.43 lakhs.

The work was required to be completed by January 1964. However, it was completed only in November 1964. The Board informed in July 1966 that the 'question regarding levy of penalty was under consideration', no penalty for the delay in the completion of work has been levied so far (October 1966).

D.P.
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Para
25
4th
report

149. *Construction of staff quarters.*—In response to the tenders invited by the Board in November 1964 for the construction of staff quarters at the site of Satpura Thermal Power Station, the offer of firm 'A' for Rs. 5.77 lakhs was the lowest of the acceptable tenders. The Board, however, decided (February 1965) not to award the entire contract to firm 'A'. The work was, therefore, divided into 2 groups and one of them (amount of contract: Rs. 2.35 lakhs) was allotted to firm 'A' while the other (amount of contract : Rs. 3.62 lakhs) was awarded to another firm 'B', after negotiation. If the Board had awarded the entire contract to the lowest tenderer 'A', there would have been a saving of Rs. 0.20 lakh.

The Board intimated (December 1965) that the whole contract was not entrusted to firm 'A' as that firm was already executing works valued at Rs. 12 lakhs and was already proving slow in their execution. It was, however, noticed that the Board had awarded another work costing Rs. 12 lakhs to this firm in June 1965.

D.P.
123
Para
26
4th
report

150. *Sub-station, Jabalpur.*—The contract for the construction of a control room and for laying R.C.C. foundations for the sub-station at Jabalpur was awarded in May 1963 to the second lowest tenderer whose tender (Rs. 2.59 lakhs) was Rs. 0.16 lakh more than that of the lowest tenderer. The lowest tender was rejected by the Board on the ground that the tenderer had not carried out any construction work in the department.

It was, however, noticed that the same firm had been awarded contracts for 2 construction works (total cost : Rs. 0.93 lakh) by the Board between February 1962 and March 1963. Further, 4 more works, valued at Rs. 3.54 lakhs were also entrusted to this firm between September 1963 and May 1964.

The Board stated in May 1966 that the lowest tenderer had not given the details of the work executed by him previously either with the tender forms or before the recommendations of the Superintending Engineer were submitted to the Board on the 10th May, 1963. It may be pointed out that the required details had been duly furnished to the Board on the 21st May, 1963 that is 10 days before the Board took the final decision (1st June, 1963). The Board was, however, not informed of these details.

LOSS OF REVENUE

D.P.
62

151. The contract for lifting coal ash during the period December 1963 to November 1964 from the power house at Indore was awarded to contractor 'A'

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at the rate of Rs. 30.25 per 100 cubic feet. For the next year December 1964 to November 1965, the rate of Rs. 20.51 per 100 cubic feet, offered by contractor 'B' was recommended (December 1964) to the Board for acceptance. Pending finalisation of this contract, the old contractor 'A' was allowed to lift the coal ash during the month of December 1964 at the previously contracted rate of Rs. 30.25 per 100 cubic feet. Even though the Board had not accepted the offer of contractor 'B', the Charge Engineer in consultation with the Superintending Engineer, Indore permitted him to lift the coal ash at the tendered rate of Rs. 20.51 per 100 cubic feet from the 1st January, 1965. On the 6th January, 1965, the Chief Engineer asked the Superintending Engineer, Indore to negotiate with the contractor 'A' for lifting the coal ash at the rate of Rs. 30.25 per 100 cubic feet. Contractor 'A' agreed on condition that the order for lifting the coal ash should be communicated to him before the 31st January, 1965. The Board's approval was communicated to the Superintending Engineer on the 8th February, 1965. As contractor 'B' had already been permitted to lift the coal ash from the 1st January, 1965 (without any approval of the Board) the Superintending Engineer requested (17th February, 1965) the Board to issue orders to contractor 'B' to stop lifting the coal ash. On the 3rd June, 1965, the Board served notice on contractor 'B' 'disowning and repudiating as unauthorised the acceptance of his tender' and 'to stop removing ash forthwith'. A copy of this notice was reported to have been received by the Charge Engineer, Power House only on the 7th July, 1965. The contractor stopped lifting the coal ash from the 8th July, 1965. Contractor 'A' was thereupon asked to lift the coal ash from the same date. But he refused, on the ground that his offer was valid only upto January 1965.

Thereafter tenders were called twice once in July 1965 and again in November 1965 and the tender of the contractor who quoted the rate of Rs. 12.50 per 100 cubic feet (which was the second highest) was accepted by the Board in December 1965, as the tenderer who offered the higher rate of Rs. 15.55 did not deposit the earnest money deposit.

In this connection, the following points have been noticed:—

(i) Since the Board had not accepted the rate of Rs. 20.51 per 100 cft. tendered by contractor 'B', it was in the interest of the Board, for the Superintending Engineer to have permitted contractor 'A' to continue to lift the ash even beyond December 1964 at the rate of Rs. 30.25 per 100 cft. instead of permitting contractor 'B' to remove the ash. Had this course been followed, the Board would have earned an additional revenue of Rs. 90,591 on lifting 9,300.95 brass (100 cft.) of coal ash during the period from the 1st January, 1965 to the 8th July, 1965.

(ii) On account of non-communication of the Board's acceptance of the negotiated offer of the contractor 'A' within the period of validity the Board could not take advantage of his offer of lifting the coal ash at the higher rate of Rs. 30.25 per 100 cubic feet; ultimately, the lower rate of Rs. 12.60 per 100 cubic

feet had to be accepted. Consequently, this has resulted in a loss of Rs. 1.60 lakhs in the sale of coal ash during the period from 8th July, 1965 till December 1965.

(iii) Due to delay in finalisation of the contract, the ash continued to be accumulated in the power house premises and the Board had to incur an avoidable expenditure of Rs. 16,477 till December 1965, in removing the ash from the boilers to the yard.

UNFRUITFUL OUTLAY

152. 2 cases of unproductive/unfruitful outlay are given below:—

(i) Under the Rural Electrification Scheme, the work of electrifying a village Jakhona in Morena district, was undertaken in November 1963 on the consideration that this village "with a population of about 3,500 offered very good prospects for electrification". A five-mile long transmission line and a low tension distribution system were provided at a cost of Rs. 0.87 lakh. The line was energised in January 1964.

So far, only one consumer has taken connection in June 1965. The annual revenue realised from this line is Rs. 300 only.

The case was reported to the Board in June 1965; no reply has been received so far (November 1966).

(ii) For providing power for running lift irrigation pumps owned by 13 cultivators of a village (Dharawasi), the Madhya Pradesh Electricity Board sanctioned (February 1961) the extension of the 11 K.V. line from Hoshangabad to Dharawasi at an estimated cost of Rs. 51,424, subject to the condition that "the works should not be started until each of the 13 prospective consumers furnished a guarantee to pay a minimum of Rs. 587.40 per annum as revenue or the actual consumption, whichever is more". The work, however, was started in March 1961 without obtaining the guarantees and was completed in January 1963 at a cost of Rs. 61,464. In the agreements which were subsequently executed by the prospective consumers, the minimum annual guaranteed amount was mentioned as Rs. 150, instead of Rs. 597.40 "by mistake". The mistake came to light after the work was completed and the cultivators refused to agree to the change in the minimum guaranteed amount. No connections have been given so far (September 1966). The expenditure of Rs. 61,464 incurred on the work thus remains unproductive for over 3 years.

The case was reported to the Board in May 1964; they stated in July 1966, that 'necessary action against the persons responsible for not getting the agreements properly was being taken'.

EXTRA EXPENDITURE ON PURCHASE OF CONDUCTORS, ETC.

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153. 4 cases of extra expenditure involving an amount of Rs. 2.58 lakhs incurred in the purchase of conductors, transformers and cables are given below:—

(i) In response to tenders invited in March 1961 for the supply of .025 sq. inch. A. C. S. R. conductor, two firms 'A' and 'B' quoted the lowest price of Rs. 631 per mile. The Board's requirement of 1600 miles of conductor was split into two parts and orders for the supply of 800 miles of conductor, were placed on each of the firms 'A' and 'B' in August 1961. Firm 'A' failed to furnish security deposit even after the Board had placed the order for supply and consequently, the order was cancelled in March 1963. Even the earnest money required to be deposited with the tender was not deposited by the firm. The conductor was ultimately purchased in April 1963 from a third firm at a cost of Rs. 838 per mile resulting in an extra expenditure of Rs. 1.66 lakhs.

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Had the Board placed the order for supply of the additional quantity of 800 miles of conductor on firm 'B' itself, either by negotiation or by increasing the quantity originally indented, the extra expenditure could have been avoided.

The Board intimated in March 1965 that "in the absence of security deposit and earnest money, no further action could have been taken against the firm".

(ii) The lowest offer of a firm received in May 1964 for the supply of transformers was rejected by the Board on the ground that some transformers supplied by the firm had failed in the past. According to the information supplied by the Divisional Engineer (Purchase), only 2 out of 62 transformers supplied in 1963 had failed. The failure in these 2 cases were reported to be not due to any serious manufacturing defect.

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If the order for the supply of these transformers had been placed on this firm, the Board could have avoided an extra expenditure of Rs. 0.47 lakh.

(iii) In April 1964, the Board decided to place an order for the supply of 11 transformers for the Satpura Thermal Power Station on the second lowest tenderer (Rs. 4.20 lakhs) who had quoted a guaranteed delivery period of 10 to 12 months. The lowest offer of firm 'A' (Rs. 3.95 lakhs) who had quoted a delivery period of 12 to 15 months was rejected on the ground that the delivery period just met the target date for commissioning the first generating set at the above station in June 1965, leaving no margin for any delay in the delivery. The first generating set has not, however, been commissioned so far (June 1966). Had the order been placed with the firm 'A' an extra expenditure of Rs. 0.25 lakh could have been avoided.

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(iv) The single tender received from a firm in September 1962 for the supply of high tension cables at a cost of Rs. 0.93 lakh was not accepted by the Board within the period of validity *i. e.* till the 25th November, 1962. At the request of the Board, the firm extended the period of validity till the 10th December, 1962.

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But the tender was not finalised even within the extended period. The firm increased the rates with effect from the 19th December, 1962 and the Board placed an order on the firm on the 31st January, 1963 at the increased rates, which resulted in an extra expenditure of Rs. 0.20 lakh, compared to the original rates.

The Board stated in September 1966 that since the firm was the only indigenous manufacturer of the high tension cables there was no alternative but to accept their revised offer. In that case, it may be pointed out that the Board could have accepted the original offer within the period of validity and avoided the extra expenditure of Rs. 0.20 lakh.

154. *Unjustified payment of bonus.*—The terms of agreement entered into (September 1956) by the Board with a firm for delivery of 3 turbo-alternator sets for the Thermal Power Station at Korba envisaged the payment of "bonus at the rate of $\frac{3}{4}$ per cent of the F. O. B. price of the first set, for every complete week by which the delivery *ex-works* was advanced, counting from the 1st May, 1958". The delivery of all the components of the first set was not completed by 1st May, 1958; nevertheless, the Board paid to the firm in October 1963 a bonus of Rs. 94,415 calculated *ad hoc* for the parts delivered prior to 1st March, 1958. This payment was not in conformity with the terms of agreement.

155. *Unnecessary purchase of excavators.*—In response to an enquiry made by the Central Water and Power Commission in July 1962, the Board intimated that 2 Skoda excavators were required for the Satpura Thermal Power Station Project proposed to be taken up during the Third Five Year Plan. In November 1962, the Board decided not to purchase these excavators offered at a cost of Rs. 5.46 lakhs *ex-godown* Indian port as the project was not finalised. This decision was changed in December 1963 as, according to the Secretary to the Board, 'the availability of these units would be of great help' and the Board placed (February 1964) an order for the supply of 2 excavators at an increased cost of Rs. 5.95 lakhs *ex-godown* Calcutta.

An amount of Rs. 5.23 lakhs representing 90 per cent of the value of machinery was paid in advance by the Board in March 1964 against the presentation of shipping documents, and the condition regarding the payment of security deposit by the supplier was waived. The advance payment was with the stipulation that the machines would be supplied from ready stock within 12 weeks from the date of order (February 1964). The first set was handed over to the Board on the 30th January, 1966. It was used during February 1966 to June 1966. The second set has not so far been delivered (October 1966).

In this connection, the following other points were noticed:—

(i) Despite the payment of Rs. 5.23 lakhs in advance, the entire machinery has not been delivered by the supplier so far (October 1966) and Board has not taken action for the levy of penalty for the delay in supply.

(ii) If the Board had placed their order for the supply of excavators in November 1962 itself, there would have been a saving of Rs. 0.49 lakh. It also transpired that the contractors, who took up the contract for civil works in the project, had stipulated that they would

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make their own arrangements for getting the excavating equipments and thus there was no need for the purchase of the equipment. The Board informed in November 1965 that they decided to purchase the excavators not for the civil works of the project such as dam construction and canal works. Three separate contracts were given for these 3 major works and all the contractors had stipulated that they would bring their own equipment. However, the excavator has been used by one contractor for 196 hours on hire till June 1966, after which the machine has been remaining unused (October 1966).

156. *Infructuous expenditure.*—At the time of sanctioning the alignment for laying the 132 K.V. transmission line from Amlai to Chirmiri, the Board had not taken into consideration the fact that the line would be passing over the coal bearing areas under the lease of certain collieries. When the work was in progress the colliery authorities objected to the line passing over the leased area and the Board ordered (September 1962) the re-alignment of line, avoiding the area in question. But, by that time, an expenditure of Rs. 11,820 had already been incurred on the portion of the work which had to be abandoned.

No action has yet been taken by the Board for fixing responsibility for the infructuous expenditure.

The case was reported to the Board in April 1964, but a reply is still awaited (November 1966).

157. *Loss due to sinking of bridge.*—The contract for the construction of a bridge over Dengur nallah at Korba and an approach road was awarded (April 1962) to a firm at the negotiated rate of Rs. 11.39 lakhs, without inviting tenders. The construction of the bridge was completed in July 1962 at a cost of Rs. 4.78 lakhs. In September 1965, the central pier sank by 3.75 ft., resulting in extensive damages to the bridge. The Board has not, so far, undertaken the repairs to the bridge. The extent of loss involved and the estimated cost of repairs have also not been assessed so far (September 1966).

An enquiry into the circumstances leading to the damages to the bridge was conducted by the Board in May 1966; the findings of the enquiry are awaited (November 1966).

Madhya Pradesh State Warehousing Corporation, Indore

158. A summary of the financial results of this Corporation is included in Appendix 13.

Under section 31 (10) of the Warehousing Corporation Act, 1962, the annual accounts of the Corporation are required to be placed before the annual general meeting of the Corporation within six months of the close of the financial year. The annual accounts of the Corporation for the year 1965-66 duly certified by the professional auditors have not yet been (October 1966) placed before the annual general meeting.

Working results.—A statement comparing the financial results of the Corporation for the years 1963-64, 1964-65 and 1965-66 is given below:—

	1963-64	1964-65	1965-66
	<i>(In lakhs of rupees)</i>		
1. Paid-up capital as at the end of each year	38.00	38.00	38.00
2. Warehousing receipts	3.30	4.31	13.84
3. Field expenses (excluding head office expenses)	5.20	5.57	10.40
4. Net profit +/-loss—	-2.98	-1.85	+2.69
5. Percentage of warehousing receipts to field expenses	63	78	133
6. Percentage of occupancy	51.47	53.54	72.99

This is the first year, since its inception in 1958 that the Corporation has earned a profit (Rs. 2.69 lakhs). The profit was mainly due to the increased custom from the Apex Marketing Society.

159. *Irregular release of warehoused goods.*—Banks/firms grant advances on the security of Warehouse receipts issued by the Warehousing Corporation to the depositors for the agriculture produce warehoused with the Corporation. The goods are released by the Corporation only after getting back the Warehouse receipts. The management of the warehouse at Rajnandgaon had irregularly released in February-March 1966, 4,308 bags of linseed valued at Rs. 4.62 lakhs to the depositor, without obtaining the original Warehouse receipts for cancellation. A scheduled bank and two firms had advanced loans amounting to Rs. 3.75 lakhs against the security of the Warehouse receipts of these bags. The liability on this account would, therefore, devolve on the Corporation.

The Managing Director intimated (June 1966) that the Manager has been suspended and the case has been handed over to Police for investigation.

Madhya Pradesh Financial Corporation

160. *Subventions received from the State Government.*—This year (1965-66) also the profit of Rs. 2 lakhs (after providing Rs. 5.41 lakhs for taxation and reserves) available for distribution was not sufficient to meet the guaranteed dividend of $3\frac{1}{2}$ per cent per annum on the paid-up capital of Rs. 1 crore. The State Government had, therefore, sanctioned a subvention of Rs. 1.50 lakhs (as against Rs. 2 lakhs last year) to the Corporation. The total subventions received or receivable by the Corporation from its inception to the end of 1965-66 amounted to Rs. 18.53 lakhs which works out to 53 per cent of the total dividend (Rs. 34.93 lakhs) declared so far.

A sum of Rs. 3.15 lakhs credited to the special Reserve Fund (Rs.1.05 lakhs in each of the three years ending 1965-66) represents the amount of dividend forgone equally by the State Government and the Reserve Bank of India on shares held by them. The amount at the credit of the fund can be utilised by the Corporation for only such purposes as may be approved by the State Government and the Reserve Bank of India.

The financial results of the working of the Corporation are indicated in Appendix 13.

Arrears in recovery of loans.—Loans amounting to Rs. 4,36.65 lakhs were disbursed upto the 31st March, 1966 to 179 industrial concerns, of which Rs. 3,39.45 lakhs were outstanding at the end of March 1966. The total amount of instalments of principal and interest overdue at the end of March 1966 was Rs. 13.36 lakhs, as indicated below:—

Year	Amount (In lakhs of rupees)
1962-63	0.04
1963-64	0.45
1964-65	2.46
1965-66	10.41
	13.36

Of the above, an amount of Rs. 2.89 lakhs has been recovered during 1966-67 as intimated by the Corporation in September 1966.

Underwriting operations.—The total amount underwritten by the Corporation till the year 1965-66 amounted to Rs. 12.50 lakhs in respect of 3 companies. Two of these went into the open market in 1964-65 and one in 1965-66. The value of unsubscribed shares of these companies, which the Corporation had to subscribe from its funds in 1964-65 and 1965-66 amounted to Rs. 7.48 lakhs and Rs. 5 lakhs respectively. This represented 99.7 per cent of the amount underwritten (Rs. 7.50 lakhs) during 1964-65 and 100 per cent of the amount underwritten (Rs. 5 lakhs) during 1965-66. The high percentage of Corporation's liability has been attributed to "the conditions prevailing in stock exchanges as also the tight money market conditions in the country."

The Corporation had valued its holdings at the paid-up value and not at cost (*i. e.* paid-up value less underwriting commission and brokerage).

Madhya Pradesh State Road Transport Corporation

161. The Madhya Pradesh State Road Transport Corporation, was formed on the 1st June, 1962 incorporating the former Madhya Bharat Roadways, Gwalior and the Central Provinces Transport Services, Jabalpur. The Joint Evaluation Committee set up in November 1962 for the valuation of the assets and liabilities of the Madhya Bharat Roadways and the Central Provinces Transport Services, assessed the purchase value of the two undertakings at Rs. 1,59,67,494 and it has been accepted by the State Government in September 1966.

The Corporation has prepared the accounts for the period from June 1962 to March 1963 and April 1963 to March 1964 and April 1964 to March 1965. The accounts for the period upto March 1964 have been certified; the accounts for

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the year 1964-65 are under audit (November 1966). A summary of the financial results for the Corporation for the period upto March 1964 is given in Appendix 14.

Capital structure.—The Central and State Governments have agreed to contribute capital in the ratio of 1:3. The total contributions made by the Central and State Governments as on the 31st March, 1963, 1964 and 1965 are given below.

In addition, the State Government has also advanced loans to the Corporation as indicated below:—

	As on the 31st March, 1963	As on the 31st March, 1964	As on the 31st March, 1965
	(In lakhs of rupees)		
Central Government	30.00	50.00	90.00
State Government	248.79*	280.79*	348.79*
Total Capital Contribution	278.79	330.79	438.79
Loans received from State Government	25.00	36.50	25.00

Working results.—The working results of the Corporation for the years 1962-63, and 1963-64 are tabulated below:—

	1962-63	1963-64
	(In lakhs of rupees)	
<i>Revenue Receipts:</i>		
Receipts	217.55	304.66
Other Miscellaneous receipts	3.51	5.45
Total (A)	221.06	310.11
<i>Revenue expenditure:</i>		
Cost of personnel	47.59	65.64
Cost of material	91.90	144.94
Overhead Cost	46.71	70.98
Depreciation	22.92	13.03
Interest on capital	11.60	11.35
Total (B)	220.72	305.94
Net profit (A-B)	0.34	4.17

Sundry debtors and turnover.—The following table indicates the volume of book debts and operating earnings for the year 1962-63, 1963-64 and 1964-65:—

As on	Total book debts	Operating earnings	Percentage of debts to operating earnings
	(In lakhs of rupees)		
31st March, 1963	8.60	217.55	3.95
31st March, 1964	10.78	304.66	3.53
31st March, 1965	14.26	362.82	3.93

*Includes Rs. 2,33.79 lakhs representing inherited capital from the *ex*-undertakings as on the 1st June, 1962 taken provisionally pending decision of Government on the report of the Joint Evaluation Committee.

Debtors have not been classified as good, bad and doubtful. The progress of realisation of old outstandings is also slow.

162. *Nugatory expenditure.*—During 1961-62, 17 persons were trained for eventual appointment as Transport Officers, Depot Managers, Technical Inspectors etc. in the Central Provinces Transport Services (which was taken over by the Madhya Pradesh State Road Transport Corporation with effect from 1st June, 1962). The expenditure on the training amounted to Rs. 0.22 lakh. None of the 17 trained persons was offered appointment by the Undertaking, with the result that the expenditure of Rs. 0.22 lakh incurred on the training has become nugatory. D.P.
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Government stated in September 1966 that 'the erstwhile Central Provinces Transport Service undertaking did not have a well laid system of rules to regulate the staffing pattern.... They seem to have started the training scheme to create a reserve pool of trained personnel' to meet future needs. After the constitution of the Madhya Pradesh State Road Transport Corporation, it was found that the organisation was overstaffed and hence the training scheme was closed.

Madhya Pradesh Housing Board

163. The Madhya Pradesh Housing Board, set up in 1951 under the Madhya Pradesh Housing Board Act, 1950 was reconstituted on the 26th October, 1956 after the re-organisation of the States. The assets and liabilities of the erstwhile Board have not yet been finally apportioned between the reconstituted Boards in Madhya Pradesh and Maharashtra.

Working results.—The working results of the Board for the years 1960-61 and 1961-62, are given below. The accounts for the years 1962-63 and subsequent years have not yet been prepared:—

	As on the 31st March, 1961	As on the 31st March 1962
<i>(In lakhs of rupees)</i>		
(i) (a) Fixed assets (gross)	16.83	18.67
(b) Capital works in progress	16.80	23.29
(ii) Outstanding loans (from the Central and State Governments).	177.31	231.64
(iii) Reserves—		
(a) Depreciation Reserve Fund	0.31	0.52
(b) Bad and Doubtful debt reserve	0.57	0.89
(iv) Subsidies from Government for construction work (including accrued).	14.00	19.85
(v) Working results—		
(a) Gross receipts	5.05	10.58
(b) Gross expenditure	9.39 (x)	11.43
(c) Net deficit	4.34	0.85

(x) Includes Rs. 2.91 lakhs on account of interest due on Government loans short adjusted in the previous years.

SECTION C

Government Companies

164. The share holdings by Government in Government companies in the State amounted to Rs. 1,89.87 lakhs out of the total paid-up capital of Rs. 1,92.02 lakhs. The Bank of Kawardha Ltd., Kawardha in which the investment of Government amounted to Rs. 1.35 lakhs suspended its business from the 31st December, 1957 and is under liquidation. The Dhar Transport Company (Private) Ltd., in which the Government investment amounted to Rs. 1.10 lakhs ceased to function from the 1st April, 1956 and has not submitted certified accounts for the period from the 1st April, 1956 onwards. The Company has been declared defunct by the Registrar of Companies.

The summarised financial results of 4 Government companies *viz.*, the Provident Investment Company Ltd., Bombay, the Madhya Pradesh State Mining Corporation Ltd., Jabalpur, The Madhya Pradesh State Industries Corporation Ltd., and the Madhya Pradesh Laghu Udyog Nigam Ltd., as per their latest accounts are indicated in Appendix 15.

Madhya Pradesh State Industries Corporation Ltd.

165. *Delay in preparation of accounts.*—The certified accounts of the Corporation for the year 1964-65 were made available to Audit on the 5th January, 1966, after the Annual General Meeting had already been held ^{on} the 30th December, 1965. No time was thus available for Audit to issue comments under section 619 (4) of the Companies Act, 1956, before the holding of the Annual General Meeting. The certified accounts for the year 1965-66 have not been received for audit so far (October 1966).

Auditor's report.—In pursuance of the directions issued by the Comptroller and Auditor General of India, the Company Auditors in their report on the accounts of the Company for the year 1964-65 have interalia observed as under:—

(i) There was no effective manual laying down the detailed procedure for the compilation and maintenance of accounts.

(ii) Proper system of internal audit has not so far been introduced.

(iii) Stores accounts were not properly maintained in Gwalior Potteries, Gwalior, Spinning Mill, Sanawad and Cotton-Seed solvent Extraction Plant, Ujjain.

(iv) Proper system of budgetary control did not exist in any of the units of the Corporation.

(v) There was no regular system for the periodical reconciliation of the quantity manufactured with the quantity of material consumed.

(vi) Cost accounting records were maintained in the Gwalior Engineering Works and the Gwalior Leather and Tent Factory only but in these units also no reconciliation was made between the financial and cost accounts.

Cotton Spinning Mill, Sanawad

166. In March 1964, a spinning mill with a capacity of 12,500 spindles, having a provision for expansion to 25,000 spindles, was established at Sanawad at a cost of Rs. 55.40 lakhs to supply adequate quantity of yarn to handlooms at a fair price. D.P.
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Production.—The statement given below indicates the targets and achievements of production till the end of March 1966:—

Year	Installed capacity	Actually worked	Target of production	Actual production	Percentage of achievement
	(Number of spindles)		(In bales)		
1964-65	12,760	6,841	10,000	657	6.6
1965-66	12,760	9,728	10,000	1,409	14.1

The reasons attributed by the Superintendent of Production for the low production were that "it was only the starting point and machines were not properly roused." According to him, the target could be achieved only "after having fully trained labour and by spinning coarser counts."

Financial results.—The financial results of the mill for years 1964-65 and 1965-66 are given below:—

	1964-65	1965-66
	(In lakhs of rupees)	
Establishment charges and wages	3.16	4.10
Raw materials	9.32	15.31
Other charges	2.63	4.42
Production	1.47	3.18
(In lakhs of kg.)		
Sales	0.86	2.88
(In lakhs of kg.)		
Receipts from sales	7.18	18.74
Loss	11.71	11.00

The recurring losses were attributed by the Management to the initial stages of production and untrained labour.

The following further points were noticed:—

(i) *Idle outlay*.—In the following cases, machinery purchased have either not been put to use at all or have been put to use after a delay of more than 1½ years:—

S. No.	Particulars	Cost	Period during which remained unused	Reasons for non-utilisation and further remarks
<i>(In lakhs of rupees)</i>				
1.	56 Cards	6.38	August 1961 to March 1964 (28 Cards)	Non-availability of power.
			August 1961 to January 1966 (23 Cards)	Delay in commencement of production.
			August 1961 to date of audit (September 1966)	Surplus to requirement.
			(5 Cards)	In November 1964, the General Manager of the Mill reported to the Corporation that "there is an idle capacity of 16 cards valued at Rs. 2.28 lakhs" and that "the Corporation could have sold the idle cards at a profit, but since the mill is under expansion it was not considered advisable. The capacity of the mill has not yet been expanded (September 1966).
2.	Blow room	5.93	May 1962 to March 1964.	Non-availability of power.
3.	2 ring frames	0.75	March 1964 to July 1966.	Want of spare parts.
4.	Inter frame	0.59	July 1963 to date of audit (September 1966).	Want of spare parts.
5.	Card oven cleaner	0.70	January 1962 to March 1964.	Non-availability of power.
6.	Humidification and ventilation equipment.	1.97	August 1962 to December 1965,	

(ii) *Waste.*—The incidence of waste during the year 1964-65 and 1965-66 was 31.5 per cent and 20 per cent respectively as compared to 16-18 per cent obtaining in other mills. This was attributed to the time taken for the machines to work in settled conditions, unskilled labour and lack of control over humidity conditions.

(iii) *Infructuous expenditure on staff.*—An Assistant Production Manager (Spinning Master) was appointed as early as in August 1959 though the Spinning Mill was installed only in March 1964. The expenditure of Rs. 22,000 incurred on his pay and allowances during the period August 1959 to March 1964, when there was no production was largely infructuous.

(iv) *Purchase of stores in excess of requirements.*—Consumable stores as shown below are lying in stock for more than 2 years resulting in locking up of capital:—

Particulars	Cost Rs.	Month of purchase
12,000 Acotax cots	6,695	April 1964.
223 rolls of Loyds wool type O. M. 25 M Thick	6,316	March 1963.
129 drums of pairing asphalt.	7,327	October 1963.

(v) *Uneconomic working of sizing unit.*—The sizing unit commissioned in December 1965 produced 10,984 kgs. of sized yarn till August 1966. The cost for the sizing process works out to Rs. 1.82 per kg. As the difference in selling prices of the unsized and sized yarn generally was Re. 1.00 per kg. the process is resulting in continuous loss. The uneconomic working was attributed to the initial stages of working, low production and high percentage of waste.

(vi) *Loss in sale of yarn.*—During 1964-65, the Mill sold 74,960 kg. of yarn at an average price of Rs. 8.34 per kg. against the manufacturing cost of Rs. 16.81 per kg. This resulted in a loss of Rs. 6.35 lakhs. The rates at which yarn was sold were even lower than the rates fixed by the Indian Cotton Mills Federation. The Administrative Officer stated in March 1966 that 'the sale was made at market rate looking to the quantity of yarn and market position'.

Government stated in August 1966: 'The counts were somewhat defective due to unevenness and the yarn was weak in strength.....and as such it could not get attractive market and fetch better prices.....Besides the cost of production had increased due to depreciation of new machinery.....low production due to unskilled labour'.

COTTON SEED SOLVENT EXTRACTION PLANT, UJJAIN

167. *Avoidable Expenditure.*—Delay in retiring railway receipts in respect of purchase of cotton seed, from bank for 7 to 20 days resulted in avoidable expenditure on payment of wharfage and demurrage amounting to Rs. 18,381 during 1965-66. The Superintendent, Production stated (March 1966) that the heavy expenditure was "purely on the ground of financial handicaps" and that "the Managing Director was apprised of the position from time to time".

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Government intimated in September 1966 that "there was small working Capital with the unit and no financial help could be secured from any other source the situation existing during that period was beyond the control of management."

Madhya Pradesh Laghu Udyog Nigam Limited

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8 168. *Brush Making Centre, Gwalior.*—The Centre, set up in February 1959 at Gwalior, envisaged exploitation of pig hair available in the region for the manufacture of brushes. It commenced production in February 1961 and was run by the Industries Department till March 1964, when it was transferred to the Madhya Pradesh Laghu Udyog Nigam Limited. As no *pro forma* accounts on commercial principles have been maintained, it has not been possible to ascertain the financial results of the working of the centre. The following are the particulars regarding the working of the centre :—

	(In lakhs of rupees)
1. Cost of equipment and machinery	0.49
2. Maintenance expenditure during 1961-66—	
Salaries and wages Rs. 1.30 lakhs.	}
Raw materials and other contingent expenditure Rs. 1.67 lakhs	} 2.97
3. Value of production during 1961-66	1.51
4. Sale proceeds of finished goods during 1961-66	1.16
5. Stock of finished goods as on the 31st March, 1966	0.58
6. Stock of semi-finished goods and raw materials as on the 31st March, 1966	0.24
7. Actual loss incurred by the Centre during 1961-66	0.99

Finished goods of Rs. 0.58 lakh included goods valued at Rs. 0.25 lakh manufactured before March 1964 for supply to Defence Department and rejected by them as being defective; these articles are still lying in stock (November 1966)

A shaping machine purchased in March 1960 for Rs. 10,000 (included in item 1 above) has remained unutilised so far (November 1966) for want of a compressor. Non-purchase of the compressor was stated to be due to want of funds.

The Assistant Manager of the Laghu Udyog Nigam Limited stated (July 1965) that the factory was running at a loss because the production was inadequate. According to him a minimum production target of Rs. 3 lakhs per year was essential to make the Centre a viable unit. The actual average annual production was, however, Rs. 0.30 lakh only.

The matter was reported to Government in July 1966; they stated in September 1966, that the workers had not achieved required level of skill and the production of the Centre did not therefore touch the rated capacity.

SECTION D

Government Departmental Undertakings

169. *Commercial undertakings*.—On the 31st March, 1966, there were 2 commercial undertakings run departmentally *viz.*, Nationalised text books scheme and the Government sales dispensary, Indore.

Nationalised Text Books Scheme

170. The printing and sale of text books under the Nationalised Text Books Scheme was entrusted to the Stationery and Text Books Department from December 1957.

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The *pro forma* accounts of Nationalised text books scheme have not been prepared for the period from December 1957 to March 1958 and onwards.

The following points were noticed in connection with the working of the scheme:—

Loss on account of books becoming obsolete.—During local audit conducted in December 1962 it was noticed that Arithmetic text books valued at Rs. 1.60 lakhs were rendered obsolete consequent on introduction of metric system in the syllabus from April 1962. Subsequently in June 1963, Government accorded sanction for write off of the cost (Rs. 1.44 lakhs) of 7.79 lakhs copies of these books.

It was decided by Government in April 1961 to revise the Arithmetic text books to be used from the academic year 1962-63. Nevertheless, the usual number of books according to the old syllabus were printed during 1961-62 also, without taking into consideration the fact that the stock remaining after the academic year 1961-62 would be rendered useless.

Out of these obsolete books, 4.58 lakhs copies were sold for Rs. 8,000 as waste paper.

The case was reported to Government in December 1962; reply is awaited (November 1966).

Large stock of books remaining unsold.—12 lakhs copies of books valued at Rs. 11.58 lakhs were lying unsold in the depots at the close of March 1966. The periods during which these books were printed were not available with the Superintendent, Stationery and Text Books as “the previous balance is mixed up with the fresh copies”.

171. *Gwalior Hotel*.—The *pro forma* accounts of Gwalior Hotel, which was closed with effect from the 1st February, 1964 are yet to be certified for the period 1961-62 and onwards. The accounts are pending certification due to non-production of the journal vouchers and supporting documents.

172. *Quasi-Commercial undertakings*.—As on the 31st March, 1966, there was 1 quasi-commercial undertaking *viz.*, Milk Supply Scheme, Bhopal. Though the scheme started in February 1959, the *pro forma* accounts indicating the financial results of the working of the scheme have not been prepared since inception.

SECTION E

Investments by Government

173. *Investments in joint-stock companies.*—The total investment of Government in 32 joint-stock companies (other than Government companies) as on the 31st March, 1966 amounted to Rs. 1,02.89 lakhs.

Dividends amounting to Rs. 5.36 lakhs were received during the year from 11 companies (Government investment: Rs. 68.86 lakhs) which works out to a return of 7.7 per cent on the investment.

Three companies in which Government had invested Rs. 11.21 lakhs have not declared any dividends for a number of years on account of past accumulated losses.

Six other companies in which Government investments amounted to Rs. 3.89 lakhs are under liquidation. The liquidation proceedings in respect of some of the companies have been in progress since long, the oldest case dating back to June 1951.

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174. *Investment in co-operative institutions.*—The investments by the State Government in the shares of co-operative institutions up to the 31st March, 1966 amounted to Rs. 7.57 crores. In addition, loans (Rs. 1.59 crores) and subsidies (Rs. 3.57 crores) amounting to Rs. 5.16 crores were also paid to 1,857 societies and banks during the period from 1956-57 to 1965-66.

Dividends realised during 1965-66 in respect of these investments amounted to only Rs. 0.78 lakh from 45 societies, which works out to 0.1 per cent of the investments.

Co-operative institutions working at a loss.—During the years 1962-63 to 1964-65, a majority of the societies, in which investments have been made by Government, were running in losses; the loss so incurred amounted to Rs. 1.05 crores. The year-wise break-up of the loss is given below:—

Year	Number of societies	Amount of loss (In lakhs of rupees)
1962-63	3,792	33.03
1963-64	3,597	34.61
1964-65	1,375-3,339	37.85

Societies in liquidation.—As on the 31st March, 1965, 1,575 societies were in liquidation, the undischarged liability to Government in these cases amounted to Rs. 35.61 lakhs.

Default in repayment of loan.—As on the 31st March, 1966 overdue instalments of repayments towards instalments of loans received from Government aggregated Rs. 4.18 lakhs (Rs. 2.55 lakhs principal and Rs. 1.63 lakhs interest).

* Corrected as per Registrar Co-operative Societies Memo No. BGT/6 (67) dated 1-4-67. (Rep-o-38) File Rep-AR67-DP-240. Int...

Audit.—Out of 24,842 societies to be audited during the year 1965-66, 1,339 remained to be audited. As on the 31st March, 1966, a sum of Rs. 5.23 lakhs was outstanding on account of arrears of audit fee to be recovered from the societies; the arrears pertained to the period as far back as 1937-38.

Receipt of audited accounts.—Copies of audited accounts of societies in which Government have substantial stakes are required to be sent to Audit Officer for review. The position of receipt of these audited accounts is indicated below:—

Accounts for the year	Number of accounts	Number received till September 1966
1958-59	855	502
1959-60	1,095	603
1960-61	1,339	686
1961-62	1,944	496
1962-63	Information awaited	393
1963-64		447
1964-65		159

175. *Co-operative processing societies.*—During the period 1956-57 to 1965-66 Government invested Rs. 54.49 lakhs in the share capital of 36 co-operative processing* societies.

12 societies in which Government investment amounted to Rs. 17.40 lakhs till March 1965, have not yet commenced production (September 1966). In 4 out of these 12 societies, investments (Rs. 7 lakhs) were made prior to 1962-63. 3 of these societies (Government investment : Rs. 5.50 lakhs during 1960-61 to 1962-63) have not installed the plant and machinery so far (August 1966).

According to the rules, the amount of share capital contribution should not exceed 80 per cent of the total paid-up share capital of the society. In 3 societies (investment : Rs. 6 lakhs) Government contribution was in excess of this limit, as shown below:—

Name of the society	Year of financial assistance	Amount invested in share capital (In lakhs of rupees)	Percentage of Government investment to share capital of the society as on the 30th June, 1965
Gwalior <i>Krishak</i> Co-operative <i>Kraya Vikraya Dhan</i> Mill, Ltd., Dabra.	1957-58	2.00	81
Co-operative Marketing and Processing Society, Ltd., <i>Burhanpur</i> .	1961-62	2.50	83
Co-operative Marketing Society, Ltd., <i>Ambikapur</i>	1964-65	1.50	85

* Includes co-operative marketing-cum-processing societies.

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The Registrar, Co-operative Societies stated in November 1965 that at the time of investment 'it was expected that these societies would increase their share capital'.

75 per cent of the expenditure incurred on investments in processing societies was financed by loans from the National Co-operative Development Corporation bearing interest at $5\frac{1}{2}$ per cent per annum. Government have not prescribed minimum dividends payable by the societies. 9 societies in which Government had invested Rs. 15.23 lakhs as share capital prior to 1960-61 and which have commenced processing activities have not paid any dividend during the years 1956-57 to 1964-65 (except one society which paid Rs. 4,920 in 1962-63).

Certain other points noticed in respect of 3 societies are mentioned below:—

S. No.	Name of the society	Amount of assistance and year of payment (in lakhs of rupees)	Remarks
1.	Waraseoni Tahsil Co-operative Agricultural Marketing Society, Ltd., Waraseoni.	1.50 (1964-65)	The processing activities have not yet commenced. The share certificates have not been issued by the society (August 1966). The rice mill plant costing Rs. 40,171 and other equipment costing Rs. 18,059 purchased in June 1965 are lying idle for want of electric power and licence (August 1966).
2.	Processing and Marketing Society, Ltd., Balaghat.	1.67 (1956-57)	The rice mill is working since 1944-45; the society is, however, running in continuous loss, the accumulated losses till June 1965 being Rs. 1.86 lakhs. The Assistant Registrar of Co-operative Societies, Balaghat attributed the losses to the 'decontrol of the prices of controlled items for sale with the societies'.
3.	Adarsha Katha Bahu-uddai-shiya Co-operative Society, Ltd., Beohari.	0.80 (1957-58)	The processing unit started in 1956-57 has incurred a loss of Rs. 76,109 till June 1965. The loss was attributed to 'non-availability of sufficient <i>Khair</i> coupes in time'.

CHAPTER X
OUTSTANDING AUDIT OBJECTIONS AND
INSPECTION REPORTS

176. *Outstanding audit objections.*—The audit objections (other than those reported through inspection reports) for the period upto the 31st March, 1966 and not settled by the departments upto the end of August 1966 numbered 1,34,910 items involving an amount of Rs. 36.84 crores. D.P.
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The year-wise analysis of the outstanding objections is given below :—

	Number of items	Amount (In crores of rupees)
1948-49 to 1959-60	31,639	5.60
1960-61	11,024	1.66
1961-62	11,450	1.98
1962-63	13,038	2.18
1963-64	14,913	3.25
1964-65	20,242	7.91
1965-66	32,604	14.26
Total	1,34,910	36.84

It will be seen that 67,151 items of objections, involving Rs. 11.42 crores are over 3 years old. The departments with heavy outstandings and the broad nature of objections are given below :—

Department	Want of detailed contingent bills	Want of payees' stamped receipts	Other Items	Total
(In lakhs of rupees)				
Public Works—				
Buildings and Roads	..	1,10.46	5,17.01	6,27.47
Irrigation	0.57	84.34	5,01.77	5,86.68
Food (Capital outlay on State Trading Schemes)	4,71.49	40.60	32.91	5,45.00
Education	1,99.74	14.68	87.66	3,02.08
Tribal Welfare	2,36.49	2.60	3.74	2,42.83
Public Health Engineering	..	63.73	90.73	1,54.46
Police	13.60	15.48	1,06.13	1,35.21
Agriculture	82.16	4.59	19.41	1,06.16
Public Health	30.53	42.28	16.22	89.03

Detailed contingent bills.—Out of the total amount of outstanding objections (Rs. 36.84 crores), a sum of Rs. 13.90 crores pertains to non-submission of detailed contingent bills in respect of amounts drawn as advance by departmental officers on abstract contingent bills. The detailed contingent bills (containing full particulars of the expenditure incurred) with supporting vouchers and receipts of payees are required to be submitted to the Accountant General not later than the 25th of the month following that in which an advance is drawn. The number

of objections remaining unsettled on account of non-remission of detailed contingent bills continues to be large, despite instructions issued by Government from time to time for their expeditious clearance. The year-wise analysis of the amounts remaining outstanding as at the end of August 1966, is given below :—

Year	Number of bills	Amount (In crores of rupees)
1949-50 to 1959-60	18,835	3.71
1960-61	4,843	0.92
1961-62	5,181	1.26
1962-63	4,843	0.86
1963-64	3,425	0.67
1964-65	4,301	1.32
1965-66	7,603	5.16

Inordinate delay in furnishing the detailed accounts to Audit results in the entire expenditure in question escaping audit for a long period; further it leaves scope for frauds, defalcations and other serious irregularities remaining undetected for a long time.

Want of payees' stamped receipts.—These objections cover expenditure which could not be admitted in audit owing to non-submission by the disbursing officers of stamped receipts of the payees for payments made to suppliers and others. The inordinate delay in the submission of these documents to Audit may conceal fraud, unauthorised expenditure, etc.

Other items.—These comprise mainly the following types of objections :—

- (i) Advances to Government servants on tour pending adjustment;
- (ii) Over-payments and short recoveries; and
- (iii) Want of sanction to expenditure.

177. Outstanding inspection reports.—Irregularities and defects noticed during local audit and inspections are communicated to departmental officers through inspection reports. The more important irregularities are reported to Heads of Departments and Government.

(a) *Civil Departments.*—At the end of September 1966, replies were awaited to 4,308 inspection reports containing 23,345 items issued upto the 31st March, 1966; some of these have been outstanding for considerably long periods as shown below:—

	Number of inspection reports outstanding.	Number of outstanding paragraphs in the reports.
Reports issued upto March 1956 (more than 10 years old).	127	221
Reports issued between the 1st April, 1956 and the 31st March, 1961 (more than 5 years but less than 10 years old).	384	1,187
Reports issued between the 1st April, 1961 and the 31st March, 1964 (more than 2 years but less than 5 years old).	1,363	5,268

The delay in sending replies to these reports has been persisting despite periodical reports to Government. In the case of 682 out of 4,308 inspection reports, the departments have not given any reply; 48 of these were issued prior to 31st March, 1965.

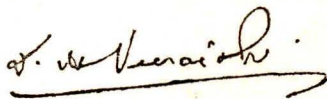
The departments against which the outstandings are large, are given in Appendix 16.

(b) *Public Works Department*.—1,389 inspection reports relating to Public works offices containing 10,165 items issued upto the 31st March, 1966 were outstanding on the 31st October, 1966 as indicated below :—

Department	Year of earliest outstanding	Number of reports for which even the first reply has not been received	Number of outstanding reports	
			Number of reports	Number of outstanding paragraphs in the reports
1. Buildings and Roads	1951-52	78	605	4,223
2. Irrigation	1952-53	134	510	4,137
3. Chambal	1955-56	3	83	460
4. Public Health	1952-53	41	164	1,161
5. Housing	1954-55	2	16	102
6. Community Projects	1954-55	..	4	21
7. Tribal Welfare	1961-62	..	3	19
8. Rehabilitation	1965-66	3	4	42

Out of 1,389 inspection reports, 357 pertain to the period prior to March 1961 and 511 to the period April 1961 to March 1964.

Some of the important types of irregularities noticed in local audit and inspection during 1965-66, are indicated in Appendix 17.



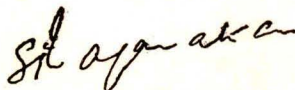
(D. H. VEERAI AH)

Accountant General, Madhya Pradesh.

Gwalior :

The 10th December, 1966

Countersigned.



(S. RANGANATHAN)

New Delhi :

The 21st December, 1966

Comptroller and Auditor General of India.

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APPENDIX 1

(Reference: Paragraph 19, page 24)

STATEMENT SHOWING PARTICULARS OF GRANTS/APPROPRIATIONS IN WHICH SUPPLEMENTARY PROVISION PROVED WHOLLY UNNECESSARY/EXCESSIVE/INADEQUATE

Particulars of grant/appropriation.	Amount of grant/ appropriation		Actual expendi- ture	Saving	
	Original	Total		Amount	Percentage
	Supple- mentary				
	(In lakhs of rupees)				
*Grants/Appropriations in which supplementary provision proved wholly unnecessary.					
Collection of Taxes, Duties and other Principal Revenues					
2—State Excise Duties—Voted	50.14				
	3.00	53.14	48.45	4.69	8.8
Debt Services					
Interest on Debt and other Obligations—					
<i>Charged</i>	14,14.99	14,55.26	14,14.04	41.22	2.3
	40.27				
Administrative Services					
11—Administration of Justice—					
<i>Charged</i>	19.03	19.04	18.56	0.48	2.5
	0.01				
Social and Developmental Services					
17—Education—Voted	30,91.38				
	1.33	30,92.71	29,97.23	95.48	3.1
22—Co-operation—Voted	1,13.62				
	1.85	1,20.47	1,03.56	11.91	9.9
23—Industries—Voted	1,34.20				
	1.18	1,35.38	1,14.27	21.11	15.6
24—Community Development Pro- jects, National Extension Ser- vice and Local Development Works— <i>Charged</i>	0.01	0.06	..	0.06	100.0
	0.05				
Other Services					
34—Stationery and Printing—Voted	1,21.06				
	0.34	1,21.40	1,17.00	4.40	3.6
35—Forest— <i>Charged</i>	0.50				
	0.34	0.84	0.49	0.35	41.7
36—Miscellaneous—Voted	4,77.70				
	33.69	5,11.39	4,48.63	62.76	12.3

*Excludes 6 cases in which the amount of provision was comparatively small.

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AUDIT REPORT

APPENDIX 1—contd.

Particulars of grant/appropriation	Amount of grant/ appropriation		Actual expendi- ture	Saving	
	Original	Total		Amount	Percentage
	Supple- mentary				
	(In lakhs of rupees)				
	Capital — Others				
38—Payment of Compensation to Land Holders on the abolition of Zamindari System— <i>Charged</i>	..	0.02	..	0.02	100.0
	0.02				
39—Capital Outlay on Improvement of Public Health—Voted	1,09.53	1,11.11	86.23	24.83	22.4
	1.53				
	State Trading				
49—Schemes of Government Trading <i>Charged</i>	0.10	0.11	..	0.11	100.0
	0.01				
<i>*Grants/Appropriations in which supplementary provision proved excessive.</i>					
Collection of Taxes, Duties and other Principal Revenues					
1—Land Revenue—Voted	3,31.78	3,43.39	3,38.35	5.04	1.5
	11.61				
<i>Charged</i>	0.30	0.50	0.34	0.16	32.0
	0.20				
2—State Excise Duties— <i>Charged</i>	0.05	0.59	0.42	0.17	28.8
	0.54				
3—Taxes on Vehicles—Voted	11.52	14.47	12.47	2.00	13.8
	2.95				
4—Sales Tax— <i>Charged</i>	0.07	0.27	0.23	0.04	14.8
	0.20				
5—Other Taxes and Duties—Voted	6.72	8.78	7.26	1.52	17.3
	2.06				
	Administrative Services				
9—Heads of States, Ministers, Secre- tariat, etc.—Voted	1,37.62	1,47.77	1,40.86	6.91	4.7
	10.15				
<i>Charged</i>	9.77	10.70	10.58	0.12	1.1
	0.93				
11—Administration of Justice—Voted	1,24.19	1,28.33	1,27.20	1.13	0.9
	4.14				
14—Supplies and Disposals—Voted	7.62	7.93	7.67	0.26	3.3
	0.31				

*Excludes 4 cases in which either the amount of provision was comparatively small or the saving was negligible.

APPENDICES

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APPENDIX 1-contd.

Particulars of grant/appropriation	Amount of grant/ appropriation		Actual expendi- ture	Saving Amount	Percen- tage
	Original	Total			
	Supple- mentary				
	<i>(In lakhs of rupees)</i>				
Social and Developmental Services					
16—Scientific Departments— <i>Charged</i>	0.01	0.05	0.04	0.01	20.0
	0.04				
20—Agriculture—Voted	5,49.48	5,97.33	5,57.45	39.83	6.7
	47.85				
21—Animal Husbandry—Voted	2,00.00	2,21.77	2,18.50	3.27	1.5
	21.77				
Other Services					
28—Public Works— <i>Charged</i>	..	0.32	0.01	0.31	96.9
	0.32				
30—Famine Relief—Voted	24.00	3,93.25	3,52.99	40.26	10.2
	3,69.25				
Capital—Works					
42—Capital Outlay on Multi-purpose River Schemes—Voted	6,25.83	8,70.33	8,33.41	36.92	4.2
	2,44.50				
44—Capital Outlay on Irrigation Works-(Non-Commercial)—Voted	2,43.16	3,33.66	2,50.24	83.42	23.1
	95.50				
Capital—Others					
40—Capital Outlay on Agricultural Schemes—Voted	1,48.72	2,31.45	2,29.35	2.10	0.9
	82.73				
41—Capital Outlay on Industrial and Economic Development—Voted	3,71.19	4,97.59	4,30.94	66.65	13.4
	1,26.40				
State Trading					
49—Schemes of Government Trading —Voted	20,76.06	43,51.43	38,95.04	9,56.39	19.7
	27,75.37				
Public Debt					
Public Debt— <i>Charged</i>	1,04,81.29	1,28,16.29	1,14,72.87	13,43.42	10.5
	23,35.00				
Debt					
50—Loans and Advances—Voted	20,47.46	33,49.72	36,11.43	2,38.29	6.2
	9,02.26				
<i>Grants/Appropriations in which supplementary provision proved inadequate.</i>					
Collection of Taxes, Duties and other Principal Revenues					
				Excess	
6—Stamps—Voted	6.40	7.50	7.61	0.11	1.5
	1.10				

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AUDIT REPORT

APPENDIX I—*concl'd*

Particulars of grant/appropriation	Amount of grant/ appropriation		Actual expendi- ture	Saving Amount	Percen- tage
	Original	Total			
	Supple- mentary				
	(In lakhs of rupees)				
	Administrative Services				
10—Commissioners and District Administration—Voted	3,19.09	3,21.78	3,25.59	3.81	1.2
	2.69				
12—Jails—Voted	72.13	80.92	81.65	0.73	0.9
	8.79				
13—Police—Voted	9,75.08	11,29.78	11,60.00	30.22	2.7
	1,54.70				
	Social and Developmental Services				
19—Public Health—Voted	5,63.03	7,14.02	7,33.20	19.18	2.7
	1,47.96				
23—Miscellaneous Social and Develop- mental Organisations—Voted	3,85.80	3,95.05	4,18.48	23.43	5.9
	9.25				
	Other Services				
27—Irrigation Works—Voted	2,35.57	2,35.72	4,01.43	1,65.71	70.3
	0.15				
28—Public Works—Voted	12,51.03	12,51.84	15,23.44	2,76.60	22.1
	0.31				
31—Pensions and other Retirement Benefits—Voted	1,52.81	1,56.44	1,60.09	3.65	2.3
	3.63				
35—Forest—Voted	5,36.91	5,45.74	5,46.07	0.33	0.1
	8.83				
	Capital—Works				
43—Capital Outlay on Irrigation Works (Commercial)—Voted	6,10.67	6,10.67	9,73.24	3,62.57	59.4
	*				
45—Capital Outlay on Public Works— Voted	6,42.76	6,95.36	7,02.75	7.39	1.1
	52.60				
	Capital — Others				
43—Commutal Value of Pensions— Charged.	0.25	0.28	0.34	0.05	21.4
	0.02				

*Token grant of Rs. 100

APPENDICES.

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APPENDIX 2

:(Reference Paragraph 21, page 27)

STATEMENT SHOWING PARTICULARS OF GRANTS/APPROPRIATIONS IN WHICH EXPENDITURE IN 1965-66 WAS SUBSTANTIALLY LESS THAN TOTAL GRANT/APPROPRIATION

S. No.	Particulars of grant/appropriation	Total grant or appropriation (Original and Supplementary)	Expenditure	Saving Amount	Percentage
(In lakhs of rupees)					
I—16 Grants/Appropriations in which saving was more than 20 per cent					
(a) REVENUE					
(i) Charged					
Collection of Taxes, Duties and other Principal Revenues					
1.	1—Land Revenue	0.50	0.34	0.16	32.0
2.	2—State Excise Duties	0.59	0.42	0.17	28.8
Social and Developmental Services					
3.	17—Education	0.10	..	0.10	100.0
4.	24—Community Development Projects, National Extension Service and Local Development Works.	0.06	..	0.06	100.0
Other Services					
5.	28—Public Works	0.32	0.03	0.31	96.9
6.	31—Pensions and Other Retirement Benefits.	6.62	1.48	5.14	77.6
7.	33—Privy Purses and Allowances of Indian Rulers.	0.37	0.11	0.26	70.3
8.	35—Forest	0.84	0.49	0.35	41.7
9.	37—Compensations and Miscellaneous Adjustments.	18.28	14.12	4.16	22.8
(ii) Voted					
Social and Developmental Services					
10.	16—Scientific Departments	24.50	17.64	6.86	28.0
(b) CAPITAL					
(i) Charged					
Others					
11.	40—Capital Outlay on Agricultural Schemes.	0.05	..	0.05	100.0
State Trading					
12.	49—Schemes of Government Trading	0.11	..	0.11	100.0
(ii) Voted					
Works					
13.	44—Capital Outlay on Irrigation Works (Non-commercial).	3,38.66	2,50.24	88.42	26.1
Others					
14.	38—Payment of Compensation to Land Holders on the abolition of Zamindari System.	23.17	11.48	11.69	50.5

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APPENDIX 2—Concl'd.

S. No.	Particulars of grant/appropriation	Total grant or appropriation (Original and Supplementary)	Expenditure	Amount	Saving Percentage
				(In lakhs of rupees)	
15.	39—Capital Outlay on Improvement of Public Health.	1,11.11	86.23	24.88	22.4
16.	48—Commuted Value of Pensions	1.30	0.50	0.80	61.5
* II—17 Grants/Appropriations in which saving was more than 10 per cent but not more than 20 per cent.					
(a) REVENUE					
(i) Charged					
Collection of Taxes, Duties and other Principal Revenues					
17.	4—Sales Tax	0.27	0.23	0.04	14.8
Administrative Services					
18.	8—State Legislature and Elections.	0.26	0.22	0.04	15.4
Social and Developmental Services					
19.	16—Scientific Departments	0.05	0.04	0.01	20.0
(ii) Voted					
Collection of Taxes, Duties and other Principal Revenues					
20.	3—Taxes on Vehicles	14.47	12.47	2.00	13.8
21.	5—Other Taxes and Duties	8.78	7.26	1.52	17.3
Social and Developmental Services					
22.	23—Industries	1,35.38	1,14.27	21.11	15.6
23.	24—Community Development Projects, National Extension Service and Local Development Works.	8,50.32	7,46.88	1,03.44	12.2
24.	25—Labour and Employment	1,69.59	1,35.87	33.72	19.9
Other Services					
25.	29—Public Works Establishment and Tools and Plant.	4,49.59	4,00.03	49.51	11.0
26.	30—Famine Relief	3,93.25	3,52.99	40.26	10.2
27.	32—Territorial and Political Pensions.	0.39	0.33	0.06	15.4
28.	36—Miscellaneous	5,11.39	4,48.63	62.76	12.3
(b) CAPITAL					
Voted					
Works					
29.	46—Capital Outlay on Other Works.	44.23	37.94	6.34	14.3
Others					
30.	41—Capital Outlay on Industrial and Economic Development.	4,97.59	4,30.94	66.65	13.4
31.	47—Capital Outlay on Forests.	6.94	5.97	0.97	14.0
State Trading					
32.	49—Schemes of Government Trading	48,51.43	38,95.04	9,56.39	19.7
(c) PUBLIC DEBT					
Charged					
33.	Public Debt	1,28,16.29	1,14,72.87	13,43.42	10.5

* Excludes 11 cases in which amounts involved are comparatively small.

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APPENDIX 3

(Reference: Paragraph 23, page 31)

STATEMENT SHOWING THE PARTICULARS OF GRANTS/APPROPRIATIONS IN WHICH THE SURRENDER WAS EXCESSIVE/UNNECESSARY

S.No.	Grant/Appropriation	Saving— or Excess +	Surrender
		<i>(In lakhs of rupees)</i>	
Collection of Taxes, Duties and other Principal Revenues			
1.	1—Land Revenue— <i>Charged</i>	-0.16	0.29
2.	7—Registration Fees—Voted	-0.76	0.84
Administrative Services			
3.	10—Commissioners and District Administration—Voted	+3.81	1.48
4.	12—Jails—Voted	+0.73	*
Social and Developmental Services			
5.	17—Education—Voted	-95.48	98.48
6.	19—Public Health—Voted	+19.18	15.24
7.	24—Community Development Projects, National Extension Service and Local Development Works—Voted.	-1,03.44	1,17.23
8.	23—Miscellaneous Social and Developmental Organisations—Voted.	+23.43	1.14
Other Services			
9.	27—Irrigation Works—Voted	+1,65.71	3.00
10.	23—Public Works—Voted	+2,76.60	7.10
11.	29—Public Works Establishment and Tools and Plant—Voted	-49.51	59.35
12.	35—Forest—Voted	+0.33	2.00
13.	37—Compensations and Miscellaneous Adjustments—Voted	-0.13	0.91
Capital—Works			
14.	45—Capital Outlay on Public Works—Voted	+7.39	70.10
Capital—Others			
15.	40—Capital Outlay on Agricultural Schemes—Voted	-2.10	2.28
State Trading			
16.	49—Schemes of Government Trading—Voted	-9,56.39	12,17.77

* Surrender was Rs. 31.

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APPENDIX 4

(Reference: Paragraph 25, page 32)

PARTICULARS OF CASES OF WITHDRAWAL OF MONEY IN EXCESS OF AND/ OR IN ADVANCE OF REQUIREMENTS WITH A VIEW TO UTILISING THE ALLOTTED FUNDS AND CONNECTED IRREGULARITIES

S.No.	Details of withdrawals	Remarks
Tribal Welfare Department 1963-64		
D.P. 66 (i)	Sums amounting to Rs. 1,59,000 were drawn by the Collector, Gwalior in March 1964 (Rs. 45,000) and March 1965 (Rs. 1,14,000) towards construction of houses and payments of subsidy for settlement of denotified tribal families.	The amounts were deposited in the Central Co-operative Bank, Ltd., Gwalior, in the joint account of the President, <i>Vimukt Jati Samyukta Krishi Sahakari Samiti</i> , the Development Assistant to the Collector and the Block Development Officer. No part of the amount was utilised till November 1965 as the land for the settlement did not become available till then and the process of allotment was completed only in March 1966. An amount of Rs. 49,350 is still remaining unspent in the bank (November 1966).
D.P. 111 (ii)	A sum of Rs. 17,500 was drawn by the Collector, Damoh on the 23rd March, 1964 for payment to <i>Adivasi Banavashi Sramik Sahakari Sanstha</i> , Sigrampur, towards working capital.	The entire amount was deposited in Central Co-operative Bank, Damoh. No expenditure was incurred till June 1966. Government stated in June 1966 that the amount would be utilised as and when a coupe is allotted by Forest Department.
D.P. 95 (iii)	A sum of Rs. 10,511 was drawn by the Collector, Jagdalpur in March 1964 for purchase of equipment.	The amount was spent during April-August 1964. It was stated that the drawal was made on the expectation that goods would be received before the 31st March, 1964.
1964-65		
D.P. 96 (iv)	For payment of subsidy to sweepers and scavengers under a Centrally sponsored scheme, the following amounts totalling Rs. 18,600 were drawn by 3 Collectors in March 1965—	
	Rs. 9,000 by the Collector, Sagar district.	The amount was drawn on the 30th March, 1965 even before the names of the beneficiaries were finalised. The grants were disbursed only on the 21st December, 1965.
	Rs. 6,000 by the Collector, Seoni district.	The amount was kept in a Co-operative Bank and was not disbursed till March 1966.
	Rs. 3,600 by the Collector, Rajgarh district	The amount remained unutilised till the date of audit (February 1966).

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APPENDIX 4—contd.

Education Department

1964-65

- (v) An amount of Rs. 4,46,000 was drawn by the District Education Officer, Balaghat in March 1965 for payment of arrears of pay and allowances arising due to revision of scales of pay of absorbed teachers of schools run by local bodies. Sums aggregating Rs. 3,05,000 were disbursed till October 1965 and the remaining amount of Rs. 1,41,000 was deposited in State Bank of India as "deposit at call." This balance was stated to have been disbursed in May 1966. D.P.
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Government stated (September 1966) that the officer concerned was being severely warned for his irregular action.

1965-66

- (vi) A sum of Rs. 1 lakh was drawn on the 30th March, 1966, by the Divisional Superintendent of Education, Jabalpur for purchase of equipment, etc. Out of this amount, Rs. 0.40 lakh were refunded on the 27th April, 1966. No expenditure had been incurred till date of audit (June 1966). D.P.
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Agriculture Department

1964-65

- (vii) A sum of Rs. 5.11 lakhs was drawn on the 31st March, 1965 by the Joint Director of Agriculture, Indore for purchase of pesticides and equipment, etc. A sum of Rs. 1.13 lakhs was refunded into the treasury in April 1965 as it was learnt that "the articles were not likely to be despatched by the firm". The balance was disbursed during April 1965. The Joint Director of Agriculture, Indore stated that the drawals were made "as all the goods were under despatch" as intimated by the firms. D.P.
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Government stated in September 1966 that the explanation of the officer had been called for for taking departmental action against him.

- (viii) A sum of Rs. 34,431 was drawn in March 1965 by the District Agriculture Officer, Raigarh for purchase of seeds and agricultural implements. The entire amount was kept in the State Bank of India, as "Deposits at call". No expenditure was incurred during 1964-65. The payments were made during May and June 1965 only. Government stated in September 1966 that the amount was drawn in the expectation of receiving supplies and making the payments before the close of the year'. Government further informed that explanation had been called for from the officer with a view to taking departmental action against him. D.P.
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APPENDIX 4—concl'd.

Revenue Dept. 4.

Planning and Development Department

1964-65

- D.P.
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- (ix) A sum of Rs. 23,870 was drawn on the 31st March, 1965 by the Block Development Officer, Prithvipur Block, Tikamgarh District, for disbursement to 2 co-operative societies towards share capital, loans and grants-in-aid, etc.

The entire amount deposited, in the District Co-operative Bank, was lying unutilised till the date of audit (February 1966) as no land was allotted to these societies because the constituent members already had more than 5 acres of land each. The matter was reported to Government in February 1966; their reply is awaited (November 1966).

APPENDIX 5

(Reference : Paragraph 28, page 35)

PARTICULARS IN REGARD TO THE WORKING OF CERTAIN SEED MULTIPLICATION FARMS

1. *Balrampur Farm (Surguja District)*.—The farm was established in March 1962; it was closed down in March 1966 after incurring a total expenditure of Rs. 41,414 (recurring: Rs. 33,576 and non-recurring: Rs. 7,838). The farm had an area of 100 acres but only 33 acres were cultivated. The Director of Agriculture recommended the closure of the farm in March 1964 as the soil was not good for cultivation, irrigation facilities were lacking, and the location of the farm was too inconvenient. The farm was closed in March 1966 by which time it had incurred losses amounting to Rs. 12,396. The delay in closure resulted in an avoidable expenditure of Rs. 8,760 on pay and allowances of staff from April 1964 to the date of closure. The expenditure of Rs. 7,838 incurred on development of land, construction of well, etc., proved unfruitful.

2. *Jadurna Farm (Gwalior District)*.—Land was purchased in July 1963 at a cost Rs. 0.55 lakh and the farm was established in the same month. It was closed down in March 1966 after incurring a total expenditure of Rs. 30,483 (recurring :Rs. 10,747 and non-recurring Rs. 19,736). Out of 100 acres, 35 acres were cultivated in 1964-65 producing 24 quintals of seed. In March 1965 the Director of Agriculture reported to Government that 'the land has been rendered hardly fit for agricultural farm' as 'water-logging has aggravated in the area abnormally.....'. The land was surrendered to the Industries Department in August 1965 (It has not yet been utilised even by the Industries Department).

3. *Jairamnagar Farm (Bilaspur District)*.—The farm established in January 1962, was closed down in December 1964 after incurring a total expenditure of Rs. 64,789 (recurring: Rs. 38,489 and non-recurring: Rs. 26,300) as the soil was found to be of "the poorest type even after bunding".

Out of 107.72 acres, only 38.50 acres could be banded at a cost of Rs. 9,000; even the banded area did not have the moisture retention capacity. The responsibility for the selection of the unsuitable site, resulting in avoidable loss to Government, has not yet been fixed (November 1966).

APPENDIX 6

(Reference: Paragraph 44, page 45)

LOSSES, EXCEEDING RS. 5,000 IN EACH CASE, WRITTEN OFF IN 1965-66		
Brief subject	Number of cases	Amount (In lakhs of rupees)
Food Department		
Write-off of the loss due to shortage in storage of local wheat in Sagar District during May 1959 to May 1962. The shortage was attributed to 'long storage', 'bad conditions of godowns' and 'high infestation'.	3	1.02
Write-off of the losses due to shortages in transit of imported wheat during November 1958/March 1964 in Jabalpur and Indore Districts.	2	0.25
Community Development Department		
Write-off of the loss in the disposal of 45 Farida diesel pumping sets purchased in 1952-53.	1	1.08
Agriculture Department		
Write-off of the amount misappropriated by an Agriculture Assistant during 1943 to 1952.	1	0.51
The official concerned was convicted and dismissed from service from September 1954. Out of the total amount of Rs. 58,390 held to be recoverable from the official an amount of Rs. 6,895 was recovered. The remaining amount was written off (June 1965) as there was no possibility of recovery.		
Labour Department		
Write-off of loss on account of damage to hostel buildings of Industrial Training Institutes at Bhilai due to Cyclone in April 1964 and heavy storm in June 1965.	2	0.18
Law Department		
Write-off of the value of cash and other valuables defalcated from the District <i>Nazarat Malkhana</i> , Chhindwara in 1954.	1	0.14
The Assistant Nazir who was held responsible for the defalcation was convicted by the Court in August 1959 and was dismissed from service.		
Separate Revenue Department		
Write-off of the cost of non-postal stamps embezzled from sub-treasury, Umariya. The Stamp clerk who was held responsible was convicted by the Court. Government held that there was no possibility of recovery from him.	1	0.7

APPENDIX 7

(Reference: Paragraph, 45, page 46)

STATEMENT SHOWING CASES OF MISCELLANEOUS IRREGULARITIES,
LOSSES, ETC.

Planning and Development Department

1. *Nugatory expenditure.*—One Irrigation overseer and one *khallasi* were employed in the Gaurihar Development Block (Rewa District) from the 26th December, 1962 for execution of minor irrigation works. No irrigation works were, however, executed in the Block till March 1966 nor any provision was made in the Block budget. An expenditure of Rs. 9,393 was incurred on their pay and allowances upto the 31st March, 1966. D.P.
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2. *Loss.*—In February 1965, a loss of Government money amounting to Rs. 4,000 (along with interest of Rs. 162) came to notice of the departmental authorities. The Block Development Officer, Ashta had paid Rs. 1,345 and Rs. 6,000 on the 31st March, 1956 and 1957 respectively to the *Patel* of a village for the construction of a barrage by the 31st March, 1958. But, by that date, only materials, were collected and certain items of work done; the amount spent was Rs. 3,345 only. Apparently, the amounts were paid much in advance of requirement. The balance amount of Rs. 4,000 was deposited in a Savings Bank Account in the State Bank of India opened in the name of the *Patel* as an individual; the Pass Book was kept by the Block Development Officer. No action was taken for the early utilisation of the amount or failing which for its refund into Government treasury. It was only in February 1965, about a year after the death of the *Patel*, that the *Patel's* son was called upon to render the accounts for the moneys received by his father. It was then found that the *Patel* had obtained a duplicate Pass Book and had withdrawn the entire amount between June 1960 and May 1961. D.P.
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The case was reported to Government in January 1966; their reply is awaited (November 1966).

Agriculture Department

3. *Alleged drawal of an advance on a forged sanction.*—A sum of Rs. 5,600 was drawn from Jabalpur Treasury in December 1963 on the strength of a sanction purported to have been issued by the Director of Agriculture towards house building advance in favour of a clerk. It was noticed in audit that the sanction attached to the bill was irregular and defective. There was also a doubt regarding the genuineness of the signature of the Director of Agriculture on the sanction. On enquiry, the Director of Agriculture intimated in March 1964 that no such sanction was accorded by him and that he had reported the case to the police for investigation as it was suspected that the sanction was a forged one. The official, in whose favour the sanction was alleged to have been forged and the amount drawn, was placed under suspension from the 6th April, 1964. D.P.
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The Treasury Officer had made the payment without an authority from the Audit office, in contravention of rules.

In October 1964 the Director of Agriculture intimated that the matter was being examined with a view to fixing responsibility. Departmental enquiry against the delinquent official has not been initiated so far.

Education Department

4. *Non-utilisation of a Government building.*—A hostel building at Itarsi to accommodate 42 students was constructed in May 1963 at a cost of Rs. 0.70 lakh. The building has not been put to use so far (July 1966) for want of kitchen articles, furniture, etc. D.P.
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Public Works Department

5. *Non-utilisation of a building.*—The construction of a building at Rewa for storing explosives required for use in the execution of certain rural schemes was taken up in March 1962 and completed in June 1962 at a cost of Rs. 0.15 lakh. When the building was nearing D.P.
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APPENDIX 7—*concl'd*

completion, it was decided to establish a Sainik school in the land adjoining the magazine; the school started functioning in July 1962 on the adjoining site. As it was not safe to store explosives in the vicinity of the school, this building remained unused and a new building for storing explosives was constructed at Anantpur.

The building which remained unutilised for over 4 years has been put to use only in September 1966 for stocking departmental stores of the Public Health Division.

Government stated (August 1966) that "the proceedings.....for establishing the Sainik school and for acquiring the land adjacent to the magazine building were taken independently of the Public Health Department" and...."the objection about establishing the explosives store near the school building was not referred to the State Government which could have avoided this expenditure".

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6. *Irregular suspension.*—The Superintending Engineer, Buildings and Roads Circle, Bhopal suspended an overseer from service from the 27th February, 1960 in connection with the theft of a ceiling fan. The charge against him having been proved, the Chief Engineer, Buildings and Roads ordered reduction of his pay by Rs. 25 per mensem. The official was reinstated on the 5th January, 1963.

On his representation in March 1963, challenging the validity of the orders of the Superintending Engineer in suspending him and ordering departmental enquiry against him, the Chief Engineer held (June 1965) that the order of suspension passed by the Superintending Engineer was irregular and *ultra vires*, as he was not the authority competent to suspend this official. Consequently the order of suspension was quashed in June 1965 and the period of suspension was treated as duty and full duty pay and allowances amounting to Rs. 7,547 were paid to the official.

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7. *Infructuous expenditure.*—The work of construction of a bridge (administratively approved for Rs. 3 lakhs) on Jatara-Kharagpur Road in Buildings and Roads Division, Tikamgarh was started in May, 1964. In October 1965 the Superintending Engineer, Nowgong Circle, after inspection of the site, changed the alignment on the ground that the new alignment was 'better and away from the curve' which existed in this reach. The expenditure of Rs. 9,874 incurred on the work till September 1965, when the alignment was changed, has been rendered infructuous.

Government stated in October 1966 that the site was changed as the new site afforded better foundations and was more economical than the previous site. Action taken against the officials responsible for not selecting a proper site in the first instance has not been intimated.

APPENDIX 8

(Reference: Paragraph 47, page 47)

D.P. 242

STATEMENT SHOWING ANALYSIS OF CASES OF MISAPPROPRIATION REPORTED UPTO THE 31ST MARCH, 1966 NOT FINALISED TILL THE 30TH SEPTEMBER, 1966

S. No.	Name of Department	Cases reported in 1960-61 and earlier years		Cases reported during 1961-62 to 1962-63		Cases reported during 1963-64 to 1964-65		Cases reported in 1965-66		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)	No. of cases	Amount (In lakhs of rupees)
1.	General Administration	11	0.90	6	0.27	9	0.35	9	0.35	35	1.87
2.	Agriculture (including Capital Outlay)	27	4.64	15	0.24	12	0.72	3	0.81	57	6.41
3.	Revenue	4	0.06	10	0.24	42	0.59	6	0.10	62	0.99
4.	Planning and Development	4	0.65	9	0.88	14	0.16	8	1.10	35	2.79
5.	Separate Revenue (Stamps)	1	0.11	..	..	..	..	..	..	1	0.11
6.	Tribal Welfare	4	0.15	3	0.06	6	0.46	4	0.18	17	0.85
7.	Food	12	3.25	..	..	1	0.06	..	..	13	3.31
8.	Industries	3	0.09	4	0.37	7	0.07	1	0.05	15	0.58
9.	Medical	5	0.05	2	1.41	..	..	..	..	7	1.46
10.	Law	..	..	3	0.05	7	0.10	..	..	10	0.15
11.	Police	6	0.19	5	0.08	2	0.01	2	0.05	15	0.33
12.	Education	17	0.46	7	0.72	19	0.58	8	0.08	51	1.84
13.	Excise	1	0.26	..	..	..	..	..	..	1	0.26
14.	Other Departments	8	0.07	11	0.12	18	0.25	3	0.03	40	0.47
Total		103	10.88	75	4.44	137	3.35	44	2.75	359	21.42

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APPENDIX 9

(Reference: Paragraph 64, page 59)

PARTICULARS RELATING TO REGULATORS IN DAMOH IRRIGATION DIVISION

Name of work (Year of completion)	Expenditure on construction.	Total area to be brought under irrigation per annum.	Remarks and reasons attributed by the department for short fall
	Expenditure on maintenance to end of March 1966	Maximum actual area brought under irrigation in any year.	
	Rs.	Acres	
1. Khodi Simaria Regulator (1960-61)	33,111	100	Irrigated only 55 acres during the 6 years ending 1965-66. The Executive Engineer attributed the shortfall to 'insufficient flow in monsoon'. According to him "Kharif irrigation did not develop due to black cotton soil in command."
	3,435	22	
2. Banda Nalla Regulator (1960-61)	38,475	160	Irrigated in all only 117 acres during the 5 years 1961-66 as the 'nalla did not have sufficient discharge to irrigate more than 50 acres'. The regulator was damaged in 1961 because the 'masonry portion of the piers was not embedded properly in cement concrete'. This was repaired at a cost of Rs. 3,282.
	6,673	34	
3. Sagra Nalla Regulator (1961-62)	58,880	90	The total area irrigated till March 1966 was 3 acres. The shortfall was attributed by the Executive Engineer for "want of post-monsoon flow as the discharge was found to be only $\frac{1}{2}$ cusec after heavy rains".
	1,814	3	
4. Simaria Nalla Regulator (1961-62)	55,184	90	Want of post monsoon flow.
	1,414	Nil.	
5. Killai Regulator (1962-63)	27,006	60	Except during 1963-64 when 14 acres were irrigated, there was no irrigation during other years (upto 1965-66) for "want of post-monsoon flow".
	594	14	
6. Dhanora Regulator (1962-63)	67,809	100	Irrigated in all 46 acres during 1963-66 for "want of post-monsoon flow",
	2,336	22	

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APPENDIX 9—(concl'd.)

Name of work (Year of completion)	Expenditure on construction.	Total area to be brought under irrigation per annum	Remarks and reasons attributed by the department for shortfall
	Expenditure on maintenance to end of March 1966	Maximum actual area brought under irrigation in any year	
	Rs.	Acres	
7. Moiya Nalla Regulator (1962-63).	55,505	90	Irrigated 12 acres during 1963-66; shortfall for 'want of post-monsoon flow.'
	1,255	9	
8. Kharana Regulator (1962-63)	42,637	100	Irrigated in all 19 acres during 1964-66. In December 1963, the District Agriculture Officer Sagar, described the project as 'useless' and stated that "the entire responsibility for failure of the project to supply water even for 1 acre of land lay with the Irrigation Department."
	704	9	
9. Bharia Nalla Regulator (1960-61)	85,532	400	Irrigated in all 283 acres upto March 1966. The shortfall was attributed to the black soil in the command area due to which no <i>khariif</i> irrigation was being developed.
	254	109	
10. Tigoda Regulator (1960-61)	1,68,423	400	Irrigated 332 acres during 1961-66. Shortfall was attributed to heavy leakage from underneath the anicut seat and seepage channels.
	4,103	82	
11. Senoda Regulator (1960-61)	33,419	85	Irrigated 107 acres during 1961-66. The shortfall was attributed to 'insufficient flow in nalla' and black cotton soil in command due to which <i>khariif</i> irrigation was not developing.
	3,142	30	

APPENDIX 10

(Reference: Paragraph 83, page 67)

LOSSES, EXCEEDING RS. 5,000 IN EACH CASE, WRITTEN-OFF DURING 1965-66.

Brief subject	Amount Rs.
Buildings and Roads branch	
1. Damage caused due to washing away of a culvert and a portion of the road near the crossing No. 7/2 on the Timarni-Rahatgaon road due to heavy rainfall on the 27th and 28th August, 1955.	16,350
2. Loss due to shortage of 9 tons of steel costing Rs. 7,336 in the consignment booked at railway risk from Kedarpur to Bhopal in March 1956; the railway rejected the claim for compensation on the ground that the packing of the consignment did not conform to the railway rules. In addition, the department paid demurrage amounting to Rs. 7,390 due to delay in taking delivery of the consignment. The loss was written-off in January 1966.	14,726
3. Damage to Kotwali building at Dewas due to fire on the 11th April, 1961; the cause of fire was not established.	8,443
4. Damages to the roofs and compound walls of Government buildings at Obaidulaganj due to heavy storm on the 30th May, 1962.	7,683
5. Value of ferry <i>ballies</i> and unserviceable boats washed away in the floods of Mahanadi river on the 5th July, 1961 at Basantpur Ghat; the washed away materials could not be salvaged.	6,278
6. Damage to barrack No. A. 29 of Bairagarh Tatta Hutment due to fire on the 6th February, 1957. The accident was reported to have been caused as the fire in an oven in that hutment was not properly extinguished. Nobody was held responsible for the loss.	6,160
7. Damage to a portion of the Rajanandgaon-Khairagarh road due to heavy rains during 1st to 4th September, 1961.	5,783
Chambal Project	
8. Damage to a jeep due to fire on the 16th March, 1961 at Sillipur. It was reported that the fire broke out in the garage where the jeep was parked; the cause of fire could not be established.	11,797

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APPENDIX 11

(Reference: Paragraph 92, page 72)

CASES OF NON-UTILISATION OF STORES, ARTICLES, MACHINERY, EQUIPMENT ETC.

S. No.	Name of the office/ institution	Amount (In lakhs of rupees)	Particulars of machinery etc. lying unutilised and other comments.
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Education Department

(i)	Government Secondary Technical School, Raipur.	1.67	Machinery and equipment for the metal-work, carpentry and welding sections of the workshop purchased during March 1947 to August 1963 (as indicated below) remained uninstalled (November 1966) for want of accommodation:—
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Amount (In lakhs of rupees)

Purchases made upto 1960-61	0.41
during 1961-62	0.19
during 1962-63	0.67
during 1963-64	0.40

The administrative approval for the extension of the existing workshop building was accorded in September 1963 but the work was started only in October 1964. The work has not been completed so far (November 1966).

The case was reported to Government in September 1965; their reply is still awaited (November 1966).

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(ii)	Government Secondary Technical School, Sehore.	0.33	} 2 heavy duty hydraulic grinding machines purchased in February 1964 remained unused (May 1966) for want of electric power.
(iii)	Government Secondary Technical School, Shahdol.	0.36	

(iv)	Government Secondary Technical School, Sagar.	0.07	One cupola furnace along with blowers for smelting scrap and pig iron received in November 1963 has not been installed (September 1966) as the school is functioning in a hired building. Government stated in June 1966 that it was being used for demonstration and theoretical training of the students.
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Public Health Department

(v)	Civil Surgeon, Filariasis Control Programme, Chhatarpur.	1.50	Under the Technical Collaboration Aid Programme, 54,648 lbs. of insecticide, dieldrin, were received free of cost between December 1956 and May 1959 for the prevention and control of Filariasis. Out of these, 23,138 lbs. valued at Rs. 1.50 lakhs remained unutilised for nearly 7 years.
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S. No.	Name of the office/ institution	Amount (In lakhs of rupees)	Particulars of machinery etc. lying unutilised and other comments.
			<p>It was stated that they could not be disposed of for want of instructions from the Director, National Institute for Communicable Diseases, Delhi. The Director of Health Services has since intimated that these surplus stocks have been transferred to the Plant Protection Officer, Indore in July 1966.</p>
	(vi) T.B Hospital, Bhopal	0.27	<p>Electric kitchen equipment purchased in 1956 remained unutilised for 9 years till June 1965 due to delay in completion of internal wiring by the Public Works Department, procurement of transformer and in executing the agreement bond with the Electricity Board. Even after June 1965, the equipment was used only intermittently till May 1966, when it broke down. Since then it has been lying unrepared for want of spares.</p> <p>The hospital had to pay, in accordance with the terms of supply of electricity, minimum charges amounting to Rs. 5,730 during the period August 1964 (when supply of electricity commenced) to May 1965, even though electricity was not made use of.</p>
		0.07	<p>3 water-coolers, 1 radio amplifier and internal telephone system purchased in 1955 have been remaining unused since 1960 for want of repairs. The Superintendent of the hospital reported to the Director of Health Services in January 1963 that these appliances could not be repaired, nor were they required in the hospital. They have not so far been disposed of (October 1966).</p>
Public Works Department			
	(vii) Buildings and Roads Division, Khargone.	1.21	<p>22.73 metric tonnes of special quality angle iron and 142.35 metric tonnes of round bars costing Rs. 1.21 lakhs which were indented in 1961 for use in the construction of a bridge at Rajghat were received in April 1963 and March 1964 after the construction had been completed. These stocks remained unutilised. The Executive Engineer intimated in February 1966 that action to transfer these stocks to other divisions was initiated in March 1965, but no indent received from any division.</p>

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S. No.	Name of the office/ institution	Amount (In lakhs of rupees)	Particulars of machinery etc. lying unutilised and other comments.
			The case was reported to Government and Chief Engineer in May 1966; their replies are awaited (October 1966).
Veterinary Department			
(viii)	Deputy Director of Veterinary Services, Bhopal.	0.67	2 Tata Mercedes Benz trucks costing Rs. 67,251 were purchased in March 1964 for being given to the Malwa Co-operative Milk Union as loan for collection and transportation of milk under the Indore Milk Supply Scheme. The trucks, however, have not been transferred (September 1966) as Government subsequently decided (April 1966) against the transfer in view of the affairs of the Union and its financial position. The bodies have not so far been built and the trucks are remaining unutilised (September 1966).
	D.P. 58		
Public Health Engineering Department			
(ix)	Public Health Engineering Divisions, Gwalior I and II, Bhopal II, Ujjain, Indore and Ratlam.	0.37	Out of 225 hand pumps (cost Rs.0.56 lakh) received in February-March 1963 for Rural Water Supply Scheme, 149 pumps costing Rs. 0.37 lakh are lying unutilised (October 1966).
	D.P. 149		The non-utilisation of pumps was attributed by the Public Health Engineer to non-receipt of contribution from Gram Panchayats.
Industries and Tribal Welfare Departments			
(x)	Office of the Assistant Director of Industries, Rewa.	0.08	12 Pfaff machines costing Rs. 9,847 purchased by the Directorate of Industries during 1960-61 for distribution free of cost to members of scheduled castes and scheduled tribes were stored in the Leather Working and Tanning Institute, Rewa. The machines remained unutilised till June 1963, when 2 of them were transferred to the Training-cum-Production Centre, Bhind. The remaining 10 machines (cost Rs. 8,266) have not been utilised so far (July 1966) for want of orders from the Commissioner, Rewa regarding the distribution of the machines to other Centres.
	D.P. 48		
Planning and Development Department			
(xi)	Block Development Officer, Karanjia.	0.09	An air-compressor received in December 1964 has been lying idle (November 1966) for want of driver and tractor to tow the machine.
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APPENDIX 12

[Reference : Paragraph 146 (v) page 107]

STATEMENT SHOWING DETAILS OF ELECTRICAL EQUIPMENT AND STORES
REMAINING UNUTILISED

S. No.	Name of the area stores	Particulars of stores remaining unutilised.	Value (In lakhs of rupees)	Since when lying in stock.
1.	Multai	15 Nos. of 11 K. V. outdoor Kiosk panels. 190 Nos. of transformers of various sizes. 389 Nos. of R. S. joists.	2.18 1.98 0.41	Since March 1964. 86 Nos. from April 1962 and the balance from 1964-65. 224 Nos. from April 1962 and the balance from 1963-64.
2.	Bhedaghat, Jabalpur (Construction Division)	193 M. Tons of M. S. plates	1.64	April 1964.
3.	Sagar	27 Nos. of O. C. B. panels without metering equipment. 16 Nos. of transformers of various sizes. Oil circuit breaker.	3.64 0.91 0.33	April 1962. 13 Nos. from April 1962 and 3 Nos. from March 1964. April 1962.
4.	Satna	22 Nos. of transformers 1 oil circuit breaker.	0.42 0.25	April 1963. April 1963.
5.	Jabalpur (Electrical division).	11,654 K. G. of copper conductor. 64 sets of 'D' type towers 26 sets of 'D' type towers.	1.22 2.17 0.90	February 1964. September 1963. September 1963.
6.	Chirimiri	Transmission line materials, transformers, etc. The Divisional Engineer stated in January 1964 that these were not required in the division.	36.00	Mostly during 1961.
7.	Sausar	One 5 M. V. A. transformer.	1.61	July 1963.
8.	Korba (100 MW Power Station).	Cables Steel	3.15 2.75	October 1960. Some of the material is lying since 1960.

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S. No.	Name of the area stores	Particulars of stores remaining unutilised.	Value (In lakh of rupees)	Since when in stock.	lying
9.	Raipur (Electrical divison).	110 Nos. of transformers of various sizes. Other materials A. C. S. R. conductors, etc. These have been declared by Divisional Engineer in May 1966 as not required in the division.	7.37 6.60	Not available. Not available.	
10.	Bhopal	41 Nos. of transformers and 7 Nos. of oil circuit breakers. The Divisional Engineer stated in June 1966 that these equipment being of very low capacity were not likely to be utilised. The Board stated in November 1966 that the transformers remained unused since their purchase in April 1957 as they were of small size. The oil circuit breakers were stated to be old and partially defective. The Board intimated (November 1966) that efforts would be made to utilise the transformers and dispose of the oil circuit breakers.	0.96	1960/1963.	
11.	Bhilai, Ujjain, Sagar, Gwalior, Chhindwara, Raipur, Guna and Indore.	5,388 pre-stressed cement concrete poles. These were reported to be remaining unutilised for want of demand.	7.58	March 1962- January 1964.	

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APPENDIX 13

[Reference : Paragraphs 158 and 160, pages 117 and 118]

SUMMARY OF THE FINANCIAL RESULTS OF STATUTORY CORPORATIONS

Name of the Corporation/Board.	Madhya Pradesh Financial Corporation, Indore.	Madhya Pradesh State Warehousing Corporation, Indore.
Name of the Administrative Department.	Finance Department	Co-operation Department
Year of incorporation	(1955)	(1958)
Year to which results relate	1965-66	1965-66
<i>(In lakhs of rupees)</i>		
1. Paid up Capital—		
(a) Share of the State Government	58.35	19.00
(b) Others	41.65	19.00
2. Loans	2,81.02	--
3. Free reserves	7.63	0.01
Total capital invested (1+2+3)	3,88.65	38.01
4. Block assets (net)	0.11	14.93
5. Depreciation to date	0.13	1.89
6. Total excess of income over expenditure	7.41	2.69
7. Interest	10.92	--
Total return (6+7)	18.33	2.69
8. Percentage of return on capital invested	4.72	7.08
9. Dividend declared and paid	3.50	..
10. Subventions received during the year	2.00	..

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(Reference: Paragraph 161, page 119)

SUMMARY OF THE FINANCIAL RESULTS OF THE MADHYA PRADESH
STATE ROAD TRANSPORT CORPORATION BAIKARH

Name of Administrative Department	Home Department	
Year of incorporation	1962	
Period of account	(1st June, 1963-64 1962 to 31st March, 1963)	
	(In lakhs of rupees)	
1. Capital—		
	(a)	(a)
(a) Contribution by State Government.	248.79	280.79
(b) Central Government	30.00	50.00
2. Loans	25.00	36.50
3. Free reserves	61.32	65.50
Total capital invested (1+2+3)	365.11	432.79
4. Block as sets (net)	172.85	221.69
5. Depreciation to date	22.92	35.95
6. Total excess of income over expenditure	0.34	4.18
7. Interest on loans	11.60	11.35
Total return	11.94	15.53
8. Percentage of return on capital invested	3.26	3.58

(a) Includes Rs. 233.79 lakhs representing inherited capital on account of *ex*-undertakings as on the 1st June, 1962 taken provisionally pending decision of Government on the report of Joint Evaluation Committee.

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(Reference: Paragraph 164, page 122)

SUMMARISED FINANCIAL RESULTS OF FOUR GOVERNMENT COMPANIES

Name of the Government Company	Provident Investment Co. Ltd., Bombay	Madhya Pradesh State Mining Corporation Ltd., Jabalpur	Madhya Pradesh State Industries Corporation Ltd. Indore.	Madhya Pradesh Laghu Udyog Nigam Ltd. Indore.
Name of the Administrative Department	Finance Department	Natural Resources Department	Commerce and Industries Department	Commerce and Industries Department
Year of incorporation	1926	1962	1961	1961
Period of account	Year ended December 1965	Year ended March 1966	Year ended March 1965	Year ended March 1965
<i>(In lakhs of rupees)</i>				
1. Paid-up Capital—				(c)
(a) Share of the State Government.	48.62	8.80	1,42.07	20.00
(b) Others	1.04	..	..	..
2. Loans	3.60	..	42.64	58.97
	(a)		(f)	(g)
3. Free reserves	1,32.79	0.84	15.20	0.40
Total capital invested (1+2+3)	1,86.05	9.64	1,99.91	79.37
	(b)			
4. Block assets (net)	1,81.19	3.37	1,39.30	24.09
5. Depreciation to date	0.04	0.07	27.09	2.19
	(c)	(c)		(h)
6. Total excess of income over expenditure.	6.04	1.46	-9.53	-5.16
7. Interest on loans	0.05	..	3.72	0.33
Total return	6.09	1.46	-5.81	-4.83
8. Percentage of return	3.26	15.14	..	..
	(d)	(d)		
9. Dividend declared and paid	3.48	0.26	..	..
10. Subsidy received during the year.	..	..	..	1.00

(a) During 1946, when this company was an instrument of operation of Gwalior State, the shares owned by Gwalior State in Madhowji Dharmasi Mills and Shapurji Broacha Mills (managed by this company) were sold to Dalmia Investment Company. Out of the

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sale proceeds, a sum of Rs. 1 crore was retained by the company as compensation for the relinquishment of managing agency of these two Mills. The State Government considered that the sum of Rs. 1 crore belonged to them because the company was only nominally the Managing Agents; the Government, however, could not recover the amount due to legal complications and was advised by their Law Officers in 1954, to take proceedings for the liquidation of the company. The matter is, however, still under consideration of the State Government. This amount is included in the Capital reserve.

- (b) Includes investment in share, Government securities, etc.
- (c) This is before providing for taxation.
- (d) This is proposed dividend.
- (e) This includes advances amounting to Rs. 42.07 lakhs received from Government of Madhya Pradesh against share capital.
- (f) This represents long term loans including liability for deferred payments on purchase of machinery.
- (g) Includes Rs. 37.73 lakhs representing the value of net assets of units taken over from Government and Rs. 21.24 lakhs as interest free loans.
- (h) This is arrived at after taking into account a subsidy of Rs. 1 lakh received from Government.

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APPENDIX 16

[Reference : Paragraph 177 (a), page 132]

STATEMENT SHOWING THE NAMES OF THE DEPARTMENTS FROM WHICH
REPLIES TO INSPECTION REPORTS ARE AWAITED AS ON THE
30TH SEPTEMBER, 1966 IN A LARGE NUMBER OF CASES

S. No.	Department	Oldest outstanding	Number of reports for which even first reply has not been received	Total number of out-standings	
				Inspection reports	Paragraphs in the reports
1.	Education	1952-53	114	1,209	4,909
2.	Planning and Development	1956-57	166	521	4,036
3.	Agriculture	1950-51	51	279	1,787
4.	Forest	1952-53	29	312	1,658
5.	Commerce and Industries	1953-54	30	163	1,428
6.	General Administration	1954-55	15	273	1,202
7.	Medical and Public Health	1951-52	60	316	1,137
8.	Police	1951-52	26	158	691
9.	Animal Husbandry and Fisheries	1959-60	15	104	558

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APPENDIX 17

[Reference: Paragraph 177 (b), page 133]

ANALYSIS SHOWING THE IMPORTANT TYPES OF IRREGULARITIES
NOTICED DURING LOCAL AUDIT AND INSPECTION

S.No.	Type of irregularity	Number of Inspection reports	Number of para- graphs
I—Public Works Offices			
1.	Expenditure due to defects in plans and designs, and abandonment of works.	118	154
2.	Splitting-up of purchase orders to avoid invitation of tenders or sanctions of higher authorities.	34	36
3.	Extra cost to Government due to rejection of the lowest tenders/ delay in accepting tenders.	62	64
4.	Payments due to non-observance of conditions of the contracts or non-provision of requisite conditions in the contracts.	98	129
5.	Overpayments due to inflated measurements or longer leads/extra leads or rates allowed in excess of those provided in the agreements.	161	223
6.	Unauthorised financial aid to contractors	74	105
7.	Delay in effecting recoveries due from contractors	80	104
8.	Irregularities regarding muster rolls	70	85
II—Other Civil Offices			
9.	Non-observance of the rules relating to custody and handling of cash, posting and maintenance of cash book, physical verification of cash, etc.	729	895
10.	Securities from persons handling cash and stores not obtained	725	723
11.	Stores accounts were not maintained properly and periodical verification was not done.	413	423
12.	Defective maintenance and/or non-maintenance of initial accounts relating to loans.	99	115
13.	Defective maintenance of log books and unauthorised use of cars and trucks.	171	171

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