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ADVANCE REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR

THE YEAR 1978-79

UNION GOVERNMENT (CIVIL)

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TABLE OF CONTENTS

PREFATORY REMARKS

This Report has been prepared for submission to the President under Article 151 of the Constitution pending submission of the accounts of the Union Government for the year 1978-79.

2. The Appropriation Accounts of the Union Government (Civil) for the year 1978-79 are under preparation/finalisation by the Controller General of Accounts. Since the submission of the Appropriation Accounts for the year 1978-79 is likely to take a little more time, this advance Report is being submitted.

3. This Report relates mainly to points arising from audit of the financial transactions of the Civil Departments of the Union Government. The cases mentioned are among those which came to notice in the course of test audit during the year 1978-79 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 1978-79 have also been included, wherever considered necessary. These include, amongst others, paragraphs on working of the office of the Joint Chief Controller of Imports and Exports, Bombay, Central Investment Subsidy Scheme, 1971, Cash assistance for export of deoiled rice bran, Minor Irrigation Schemes (Delhi Administration), Central Ground Water Board, Khadi and Village Industries Commission, Tribal Area Development Programme, Calcutta Port Trust, Visakhapatnam Port Trust and National Council of Educational Research and Training.

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

CHAPTER I

CIVIL DEPARTMENTS

Ministry of Commerce, Civil Supplies and Co-operation (Department of Commerce)

1. Cash assistance for export of deoiled rice bran

During the process of rice milling, the layer round the endosperm is removed together with a portion of the polishing. This separated layer is called 'rice bran'. By the solvent extraction process rice bran can yield 14 *per cent* of oil leaving 84 *per cent* of deoiled rice bran. The deoiled rice bran is mainly used as an ingredient for mixed feed for cattle, poultry and pigs. Extraction of rice bran oil was undertaken as part of the national programme for increasing the production of edible oils in the country in order to meet the shortfalls. The total potential of rice bran oil at the end of the 5th plan was estimated at 3.4 lakh tonnes.

In July 1979, there were 103 rice bran oil (besides other vegetable oil) processing units registered with the Director General of Technical Development (DGTD). The annual capacity for rice bran extraction was of the order of 15.48 lakh tonnes of raw bran. The oil produced was mainly of industrial grade for consumption in the soap industry, excepting a small percentage of edible grade used in the manufacture of vanaspati.

The quantity of rice bran processed, rice bran oil and deoiled rice bran produced during 1975-76 to 1978-79 are given below :

Year	Rice bran processed	Rice bran oil produced	Deoiled rice bran produced
1	2	3	4
	(In lakhs of tonnes)		
1975-76	2.65	0.36	2.20
1976-77	5.40	0.70	4.65
1977-78	5.66	0.80	4.81
1978-79	6.60	0.97	5.60

Source : Solvent Extractors' Association of India (SEAI).

To encourage the production and utilisation of rice bran oil, Government had given from time to time the following incentives :—

- total exemption of excise duty (Rs. 112 per tonne) on the production of rice bran oil since 1960;
- excise rebate on the use of rice bran oil in soap making (Rs. 350 per tonne of oil used) and in manufacture of vanaspati (Rs. 100 per tonne of oil used);
- provision of loans to rice mills (Rs. 7.5 crores to 500 mills every year) at favourable rates of interest ;
- interest subsidy for export of deoiled rice bran under the Export Credit Scheme; and
- cash assistance on exports of deoiled rice bran.

The principal countries importing deoiled rice bran from India are Holland, Singapore, U.K., West Germany, Taiwan and Malaysia. The exports and internal consumption of deoiled rice bran during 1970-71 to 1978-79 were as follows :—

Year	Exports (In lakhs of tonnes)	F.o.b. value (Rs. in crores)	F.o.b. unit value (Rs. per tonne)	Quantity sold locally (In lakhs of tonnes)
	(a)	(b)	(c)	(d)
1970-71	1.25	2.20	176	0.19
1971-72	1.69	2.99	177	0.40
1972-73	1.23	2.68	218	0.40
1973-74	1.24	4.85	392	0.34
1974-75	1.19	4.46	374	0.35
1975-76	1.95	8.91	457	0. 35
1976-77	4.07	23.00	565	0.63
1977-78	3.23	16.07	497	1.01
1978-79	4.45	17.96	403	1.10

Source : (a,b,c) up to 1977-78 Director General, Commercial Intelligence and Statistics (DGCIS), 1978-79 SEAI, (d) SEAI.

2. *Cash assistance*.—Cash assistance for export of deoiled rice bran was sanctioned in 1970-71 from the Marketing Development Fund (MDF) to bridge the gap between cost of production and f.o.b. realisation; it was discontinued between April 1971 and March 1975 and was reintroduced from 1975-76. The rates of cash assistance were as follows :—

Period	Rates (in percentage of f.o.b. value)
1st April 1970 to 31st March 1971	15 *per cent* for exports above 70,000 tonnes.
1st April 1971 to 31st March 1975	Nil.
1st April 1975 to 31st March 1976	15 *per cent* for exports above 1 lakh tonnes.
1st April 1976 to 31st March 1977	17½ *per cent* for exports above 1 lakh tonnes provided exports reached 1.5 lakh tonnes.
1st April 1977 to 31st March 1982.	12½ *per cent* subject to the exports being not less than 3 lakh tonnes during 1977-78 to 1978-79 and 3.5 lakh tonnes during 1979-80 to 1981-82.

3. *Cash assistance decision from* 1970-71 *to* 1974-75

3.1 In 1969, the Board of Trade Sub-committee on oil seeds, oils and oilcakes recommended cash assistance on deoiled rice bran at the rate of 15 *per cent* of f.o.b. value. The cost data furnished by the exporters of deoiled rice bran were examined by the DGTD who held (January 1970) that it was difficult for him to check the cost data as the price of rice bran, which varied from State to State, was dependent on the quality of bran, but observed that there was a case for cash incentive as there was an element of loss in exports and that the cost of rice bran and processing charges assumed by the exporters were quite reasonable. Thus, even though the DGTD could not check the cost data, he made the erroneous observation that the processing charges assumed were reasonable. In May 1970, the Ministry of Finance agreed to the proposal of cash assistance at the rate of 15 *per cent* of f.o.b. value for exports above 70,000 tonnes with a view to encouraging production of rice bran extractions and oil. One of the conditions of cash assistance was that exports were to be canalised through the SEAI.

Formal sanction for the grant of cash assistance for exports from 1st April 1970 to 31st March 1971 was issued in December 1971, *i.e.* nine months after the close of the financial year with retrospective effect as an assurance had been given to the trade in June 1970; and on the exports for 1970-71, Rs. 14.47 lakhs of cash assistance were paid in March-June 1973. The Ministry of Commerce stated (December 1979) that the issue of formal orders was kept pending for finalisation of institutional arrangements and that the formal sanction was issued in December 1971 in continuation of the earlier assurance of June 1970.

3.2 In August 1971, the Ministry of Commerce made out a case for extension of cash assistance for the year 1971-72. After analysing the cost data earlier examined by the DGTD, the Ministry of Finance observed (March 1972) that there was no justification for grant of cash assistance as there was no loss in the exports.

The matter remained under correspondence between the SEAI, the Ministry of Finance and the Ministry of Commerce. On analysis of the cost data furnished by the SEAI in June 1972, the Ministry of Finance observed (July 1972) that they could not verify it as it appeared to be based on some "hypothetical" figures; in the cost data furnished (August 1973) by the SEAI, the Ministry of Finance found no loss. Since the SEAI could not produce reliable cost data to prove loss in exports of deoiled rice bran, no cash assistance was granted for exports during 1971-72 to 1974-75.

4. *Re-introduction of cash assistance in* 1975.—In December 1974, the SEAI submitted statement showing the cost of rice bran processing and realisation on the sale of oil and extractions for the period January 1974 to August 1974 in justification for its claim for cash assistance. According to this statement, while processing of rice bran was shown as profitable to the extent of Rs. 51 to Rs. 53 per tonne in two months, there was loss of Rs. 20 to Rs. 103 per tonne during the remaining six months.

The f.o.b. realisation for these 8 months as adopted by the SEAI varied from Rs. 251 to Rs. 307 per tonne (average Rs. 282 per tonne), whereas according to the statistics published by the Director General, Commercial Intelligence and Statistics (DGCIS), the f.o.b. realisation ranged from Rs. 300 to Rs. 559 per tonne (average Rs. 369 per tonne). The average f.o.b. realisation for the previous year, *i.e.* 1973-74 was Rs. 392 per tonne. The cost data were not based on the records of any representative unit.

In their proposal, the Ministry of Commerce maintained (February 1975) that exports of deoiled rice bran were falling after 1970-71 due to withdrawal of cash assistance. They held that deoiled rice bran required sales promotion and export acceptance by the buyers and recommended cash assistance of Rs. 60 per tonne of exports above 80,000 tonnes and 10 *per cent* of f.o.b. value as market development assistance.

The Ministry of Finance reiterated (February 1975) that it was not advisable to re-introduce cash assistance on an *ad hoc* basis without a proper detailed cost study by the Cost Accounts Branch. They, however, stated that in case the Ministry of Commerce felt strongly that the cash assistance should be introduced without waiting for detailed cost study, it could be introduced at the rate of 15 *per cent* of the f.o.b. value over 1.15 lakh tonnes of exports provisionally subject to adjustment on the basis of rate that might be fixed after detailed cost study.

The Cost Accounts Branch of the Ministry of Finance observed (February 1975) that the cost data furnished by the SEAI were not susceptible of verification by it and from those figures the overall position of cost and realisation for the entire period or for 1974 could not be worked out. In March 1975, the Main Marketing Development Fund (MMDF) Committee considered the matter and decided to grant cash assistance at 15 *per cent* of the f.o.b. value of exports in excess of the first one lakh tonnes. The Committee directed that detailed cost study be completed in any case before September 1975, on the basis of which the rate ot cash assistance could be reviewed or revised for prospective application.

On 19th April 1975, the Ministry of Commerce issued a sanction stipulating, *inter alia,* that :—

- the cash assistance would be admissible only to exporters registered with the SEAI and on exports routed through the latter which would submit a single consolidated application for cash assistance to the Joint Chief Controller of Imports and Exports (JCCIE), Bombay, by 30th June 1976 along with prescribed documents;
- the amount of cash assistance was to be calculated on the basis of export figures of the DGCIS, Calcutta;
- the cash assistance was subject to review on the basis of detailed cost study to be completed before 30th September 1975, Government reserving the right to reduce or withdraw cash assistance even before 31st March 1976 ; and
- change in the rate would have no retrospective effect, but would be made applicable prospectively.

On 17th October 1975, an amendment was issued laying down that cash assistance would be admissible on the basis of export figures furnished by the SEAI or DGCIS, whichever were less.

5. *Results of cost study for* 1975-76.—In pursuance of the decision of the MMDF Committee, the SEAI was asked in April 1975 to furnish the names of five rice bran processing units which might be willing for the cost study by Government Cost Accountants. Without furnishing the cost data, the SEAI stated in September and December 1975 that the case was based on the need for developmental assistance and not on the plea of losses incurred by the industry. The Ministry of Commerce

pointed out (January 1976) that the decision for grant of cash assistance was based on both marginal profitability and the possibility of expansion of exports. The SEAI was also told that in case the industry was making high profits, there would be no case for developmental assistance also and if the SEAI persisted in its attitude, Government would be left with no alternative but to accept the recommendations of the Ministry of Finance to stop cash assistance. In January 1976, the SEAI furnished names of three representative units for cost study.

Instead of proceeding further with the cost study, the Ministry of Commerce proposed (March 1976) to make the provisional sanction for 1975-76 valid as final sanction and not to pursue the cost study. The Ministry of Finance did not agree as the precondition of cost study was not waived by the MMDF Committee. In November 1976, they asked the Ministry of Commerce to withhold the payment of cash assistance till the cost study was completed, but no orders to this effect were issued by the Ministry of Commerce. Had such orders been issued, payments of cash assistance would have been withheld by the JCCIE.

The SEAI furnished the cost data only in January 1977 although it was asked to do so in April 1975. According to the cost study reports in respect of firms 'A', 'B' and 'C' (April-May 1977), return on capital of 'A' and 'B' expressed as percentage of capital during 1973-74, 1974-75 and 1975-76 and average f.o.b. cost and average f.o.b. realisation for 1975-76 (in case of 'C' for 1976) were as under :

	Percentages of return on capital			Average f.o.b. cost per tonne	Average f.o.b. realisation per tonne	Percentage of profit on f.o.b. cost
	1973-74	1974-75	1975-76			
				Rs.	Rs.	
	(Profit before interest charges, tax and bonus)					
'A'	16.6	27.3	11.7	351.22	429.27	22.2
'B'	18.5	36.2	27.0	316.11	346.00	9.5
'C'	..	..	..	340.93	511.70	50.1

(Source : Reports of Cost Accounts Branch).

The Cost Accounts Branch observed (February 1978) that the 3 units, cost of production of which was studied, were representative of the industry as their exports during 1975-76 were about 30 *per cent* of the total exports and that there existed no case for any cash assistance on the exports during 1975-76.

Before the cost study reports were received, the JCCIE, Bombay disbursed cash assistance amounting to Rs. 52 lakhs in December 1976 and Rs. 4.22 lakhs in March 1977 on the basis of the claims sent by the SEAI on exports made during 1975-76; balance of Rs. 1.57 lakhs was paid in May 1979. Thus, Government did not invoke its right to withdraw cash assistance even when the SEAI did not furnish cost data for completion of cost study before 30th September 1975 . Had Government invoked its right to withdraw the cash assistance when cost study was not completed by 30th September 1975 and had orders been issued by the Ministry of Commerce as advised (November 1976) by the Ministry of Finance to withhold payments of cash assistance, the aforesaid payments (Rs. 56.22 lakhs) would not have been made by the JCCIE. Besides, although the sanction was provisional, no specific bond for claiming refunds of payments already made was taken from the SEAI while disbursing cash assistance in December 1976 and March 1977.

The Ministry of Law, whose advice was sought in March 1978, observed (April 1978) that :

> "The Government reserved its right to reduce or withdraw cash assistance even before 31st March 1976 provided, however, that such change in the rate of cash assistance was not to be given retrospective effect......
>
> ....even though 30th September 1975 expired, no communication was sent to the Association (SEAI) to the effect that since it was not cooperating is giving information (on the basis of which cost study could be made), the cash assistance contemplated under letter dated

19th April 1975 was not to be given..................
Not only this, it appears that on 17th October 1975 the Government sent a letter to the Association purporting to substitute clause (f) of the letter dated 19th April 1975 by a new clause. This could show that the Government not only did not elect to put an end to the scheme of cash assistance..............
but also acquiesced in that letter and the scheme remaining in force even after the expiry of 30th September 1975.

In its telex message dated 6th December 1975, the Government said that the non-cooperation of the Association in carrying out cost study.................
may result in suspension of cash assistance. ....
...............no suspension of cash assistance was in fact made even thereafter. In fact, in terms of the letter dated 19th April 1975, the Association would have submitted a single consolidated application for the grant of cash assistance..
by 30th September 1976, ...
a portion of cash assistance, namely Rs. 52 lakhs was given in December 1976 and another Rs. 4.22 lakhs were paid in March 1977.............This would be further evidence of acquiescence on the part of the Government.

In view of the above, it does not appear to be legally permissible to deny cash assistance...........
..............for the exports made during 1975-76."

It was accordingly decided (June 1978) on the advice of the Ministry of Finance that Government would take into account the fact of overpayment and would try to lower the rate of cash assistance suitably for 1979-80. No action was, however, taken on this decision. Thus, by not implementing the decision of the MMDF Committee for getting the cost study done before

30th September 1975, the Ministry of Commerce made unjustified payment of Rs. 57.79 lakhs to the SEAI on the basis of provisional sanction of 19th April 1975.

6. *Sanction of cash assistance for* 1976-77.—In January 1976, new guidelines for sanctioning of cash assistance were issued which necessitated review of the existing cash assistance rates. The inter-ministerial committee on cash assistance in its meeting in March 1976 decided to continue the existing rates of cash assistance up to 30th June 1976 only. In the case of deoiled rice bran, the agenda paper circulated for the meeting indicated that cash assistance at 15 *per cent* of the f.o.b. value had been allowed on exports of deoiled rice bran made during the year 1975-76 subject to the condition that exports of first one lakh tonne would not qualify for cash assistance. The Committee decided to grant cash assistance at the rate of 17.5 *per cent* of f.o.b. value provided exports during 1976-77 were not less than 1.5 lakh tonnes; exports of the first one lakh tonnes did not qualify for assistance. Sanction of cash assistance was issued in March 1976.

While submitting the proposal for the continuance of cash assistance for the year 1976-77 to the inter-ministerial committee, the condition, that the cash assistance for 1975-76 was provisional and was subject to detailed cost study to be completed before 30th September 1975, was not mentioned in the agenda papers. Thus, by not indicating the condition of cost study, which could not be conducted till March 1976 due to non-cooperation of the industry, full facts of the case were not brought to the notice of the committee. Had the aforesaid position been brought before the committee, it might not have sanctioned the cash assistance by overruling the decision of the MMDF Committee, as was done in a similar case of dehydrated onions where the condition of cost study was mentioned in the agenda papers of 18th March 1976 and the committee did not agree to the continuance of cash assistance.

The criteria of cash assistance were changed in January 1976 from compensation for loss to development assistance. But the target was fixed at 1.5 lakh tonnes which was lower than the actual exports of 1.95 lakh tonnes of the previous year (1975-76). Thus, a lower target than the previous year's export performance was fixed, but the rate of cash assistance was increased from 15 to 17.5 *per cent* of f.o.b. value; this was done notwithstanding the fact that in January 1976, the Ministry of Commerce had clearly indicated to the SEAI that if the industry was making high profits, there would be no case for development subsidy also.

As per published figures of the DGCIS, Calcutta, the average f.o.b. realisation was Rs. 374 per tonne in 1974-75 and Rs. 457 per tonne in 1975-76. The profitability of the exports was not, however, examined before extending cash assistance for 1976-77. Thus, there was hardly any justification in March 1976 for the grant of cash assistance (which amounted to Rs. 3.07 crores during 1976-77) before the completion of cost study.

7. *Sanction of cash assistance for* 1977-78 *and* 1978-79.—While the cost study for 1975-76 was still being conducted by the Cost Accounts Branch of the Ministry of Finance, the Ministry of Commerce proposed (February 1977) the grant of Cash Assistance for three years from 1977-78 to 1979-80 at the rate of 20 *per cent* of the f.o.b. value over the exports above one lakh tonnes subject to a minimum export ceiling of 3 lakh tonnes. In February 1977, the Cash Assistance Review Committee (CARC) agreed to grant cash assistance at the rate of 12½ *per cent* of f.o.b. value for 1977-80 on the condition that exports should not be less than 3 lakh tonnes. The reasons for abandoning the floor level of one lakh tonnes were not indicated in the decision. Sanction for cash assistance was, however, issued (April 1977) for the year 1977-78 only.

In reply to an audit query as to why the floor level of one lakh tonnes was given up, the Ministry of Commerce stated (August 1979) that the cash assistance was reduced from 17.5 *per cent* to 12.5 *per cent* and it was allowed on every tonne of deoiled rice bran exported. While the rate was reduced, there was no reduction in the over-all quantum of cash assistance paid and it proved more advantageous to the exporters. The SEAI claimed cash assistance for exports during 1977-78 at the rate of 12.5 *per cent* on Rs. 14.80 crores being the f.o.b. value of 3.09 lakh tonnes of deoiled rice bran, which worked out to Rs. 1.85 crores whereas calculated at the rate of 17.5 *per cent* on 2.09 lakh tonnes (after deduction of proportionate f.o.b. value of one lakh tonnes), it came to Rs. 1.75 crores only. Thus, without making any comparative study of the amount of cash assistance payable on the old as well as the revised basis with reference to exports (value : Rs. 23 crores) in 1976-77, and by giving up the floor level of the first one lakh tonnes of exports, Government had to pay cash assistance of Rs. 10 lakhs more for exports during 1977-78.

It may be mentioned that the average unit value realisation per tonne on exports of deoiled rice bran increased to Rs. 565 per tonne in 1976-77 from Rs. 457 per tonne in 1975-76. This aspect of profitability was not kept in view while extending the cash assistance for 1977-78.

The proposal for grant of cash assistance for exports during 1978-79 was not submitted to the CARC as it had, while agreeing to the cash assistance for 1977-78, agreed in principle to extend the cash assistance till 1979-80. However, the Ministry of Finance observed (March 1978) on the proposal that the cost study undertaken for 1975-76 had not established any loss in exports, that the exports were already lucrative, and that the need for cash assistance required fresh review by the CARC. It was decided (March 1978) by the Ministry of Commerce that 'a quick cost review' bringing out the justification for cash assistance would be taken up before 30th June 1978. The sanction for cash assistance for 1978-79 was, however, issued on 3rd April 1978 and it contemplated a review to be completed before 30th June 1978 on the basis of 'detailed study'. The information supplied by the SEAI in May 1978 indicated that the exports were made at losses ranging from Rs. 71 to Rs. 204 per tonne during 1975-76, from Rs. 31 to Rs. 159 during 1976-77 and from Rs. 109 to Rs. 231 per tonne during 1977-78. The Ministry of Commerce analysed the data and recommended (May 1978) extension of cash assistance for the whole year 1978-79.

The Ministry of Finance observed (June 1978) that it was difficult to imagine that the industry was exporting at a loss of Rs. 100 per tonne even after taking into account the cash assistance. They held that the data furnished by the SEAI could not be accepted unless corroborated by the Cost Accounts Branch of the Ministry of Finance. The cost study for 1975-76, which was conducted during March-May 1977, had shown no loss and that there was no justification for the cash assistance. They advised that a proper cost study would be necessary for the continuance of the cash assistance.

In June 1978, a meeting of the Committee of Secretaries was held wherein a general decision was taken that more emphasis should be laid on development of market need than on f.o.b. realisation *vis-a-vis* cost of manufacture. In September 1978, the CARC considered the case where the representative of the Ministry of Finance again observed that since the oil prices had gone up, it was profitable to export the by-products and that the cost study undertaken earlier had not justified the grant of cash assistance. Nevertheless, the CARC decided to extend the cash assistance up to 31st March 1979 and desired that beyond that date the case would be examined under new criteria framed for the period 1979-80 onwards.

8. *Cash assistance for* 1979-82.—On the recommendations (January 1978) of the Alexander Committee, the pattern of cash assistance was to be revised. The Alexander Committee, while recognising the promotional role of cash assistance in the country's export efforts, recommended that cash assistance should be given for a limited period only. On the basis of recommendations of the Ministry of Commerce for grant of cash assistance at 15 *per cent* of f.o.b. value for 1979—82, the CARC decided to grant cash assistance at 12.5 *per cent* of f.o.b. value for a period of

three years. Accordingly, sanction was issued to this effect in January 1979. The sanction did not contain any provision for withdrawal, reduction or revision of the rate of cash assistance. It would be seen that deoiled rice bran was being exported from the country for the last 15 years and cash assistance had been continuing since 1970-71 except for 1971-72 to 1974-75; this was contrary to the recommendations of the Alexander Committee.

9. *Domestic requirements* vis-a-vis *exports of deoiled rice bran.*—The National Commission on Agriculture estimated that in 1978-79 the requirement of concentrates for cattle and poultry feed would be 25.445 million tonnes; the total availability had been estimated at 16.464 million tonnes leaving a gap of 9 million tonnes. The Commission recommended (1976) that livestock feed which includes rice bran should be diverted from exports and fed to high producing livestock. The Alexander Committee had also recommended (January 1978) that in respect of products of agricultural origin it would be necessary to limit exports to specified quantities.

At the time of re-introduction of cash assistance in 1975-76, in the Policy Advisory Committee meeting held in January 1975, the representative of the Ministry of Agriculture had indicated that the exports of deoiled rice bran would raise the domestic prices of poultry feed and might affect the poultry development in the country. However, when the policy on cash assistance on deoiled rice bran was discussed in the meetings of the MMDF Committee and the CARC held in March 1975, March 1976 and February 1977, the representatives of the Ministry of Agriculture were not invited by the Ministry of Commerce. The Ministry of Agriculture recommended (May 1977) to the Ministry of Commerce restriction on exports of deoiled rice bran up to 1.5 lakh tonnes during 1977-78 and to withdraw cash incentive as it increased the domestic prices. In the CARC meeting held in September 1978, the representative of the Ministry of Agriculture observed that instead of subsidising exports of deoiled rice bran, its production should be encouraged to increase its domestic use within the country. The Ministry of Agriculture had also objected (March 1977) to the proposal of exemption of export duty on the deoiled rice bran.

Notwithstanding the aforesaid position, the Ministry of Commerce, while recommending the cash assistance had all along estimated the demand of deoiled rice bran within the country below one lakh tonnes and permitted unrestricted exports. The exports of deoiled rice bran during 1975-76 to 1978-79 were between 67 *per cent* and 89 *per cent* of the total production.

AMUL (Khaira District Co-operative Milk producers Union Ltd. Anand), which is the major producer of milk products and supplies pasteurised milk to the Mother Dairy, Delhi, Greater Bombay Milk Scheme and the Defence Services, represented on 19th May 1979 to the Ministries of Commerce and Agriculture about the scarcity and price rise of deoiled rice bran due to the exports. It had indicated that the prices of deoiled rice bran had gone up from Rs. 350 per tonne in July 1978 to Rs. 625 in May 1979 and had requested not only for abolition of cash incentives but also for levying export duty to enable local feed manufacturers to purchase feed ingredients at reasonable rates.

The Ministry of Agriculture stated (June 1979) in reply to an audit query that "exports of agricultural commodities including livestock feeds are controlled by the Ministry of Commerce and this Ministry has been constantly suggesting to the Ministry of Commerce for imposition of quota restrictions on the export of deoiled rice bran. It appears that the Ministry's advice had not been heeded by Ministry of Commerce. . . .Exports of precious raw material such as livestock feed which are required indigenously would be against the national interest. . . .The Department of Agriculture is against providing cash incentives for export of livestock feed. This matter has already been communicated to the Ministry of Commerce. . . . Exports of rice bran should be immediately brought under quota restriction".

Nevertheless, cash assistance on exports of deoiled rice bran has been decided to be continued up to 1981-82.

10. *Export duty levied on the deoiled rice bran.*—From 22nd January 1977 to 13th May 1977, export duty at the rate of Rs. 125 per tonne was imposed on the exports of deoiled rice bran. An amount of Rs. 1.54 crores was recoverable from the exporters of deoiled rice bran, out of which only Rs. 16 lakhs could be recovered during the period ; the balance was yet to be recovered (30th June 1979). The exporters had been representing for exemption from the payment of export duty. On 30th July 1977, the Ministry of Commerce took up the matter with the Ministry of Finance for retrospective exemption on the ground that the exporters were being paid cash assistance for promoting exports. The Ministry of Finance held (August 1977) that post-export adjustment of duties was not possible and suggested that if exporters incurred a loss, the Ministry of Commerce could consider compensating them by cash assistance.

The SEAI was, accordingly, asked to submit the cost data which were received in October 1978. The SEAI indicated a loss of Rs. 107 to Rs. 179 per tonne ; the cost data were not with reference to the records of any representative unit. The Cost Accounts Branch of the Ministry of Finance, while analysing the cost data, observed (June 1979) that the SEAI had overstated the processing charges and certain recoveries available had not been adjusted while working out the loss. They held that if these factors were taken into account there would be a profit of Rs. 46 to Rs. 65 per tonne for January 1977 to May 1977.

Rejecting the case for re-imbursement of export duty from the MDF, the Ministry of Finance held (July 1979) that the data furnished by the SEAI were unrealistic and that the cost study for the year 1975-76, which was completed in March-May 1977, had already proved that the exporters were overpaid Rs. 57.79 lakhs as cash assistance for 1975-76.

11. *Quantum of cash assistance and other benefits to exporters.*—Exports of deoiled rice bran amounting to Rs. 68.14 crores had been made during the years 1970-71 and 1975-76 to 1978-79, on which cash assistance would work out to Rs. 7.91 crores out of which a sum of Rs. 5.57 crores had been paid till July 1979. In addition, excise duty forgone on production of 4.06 lakh tonnes of rice bran oil during the years 1970-71 to 1978-79 amounted to Rs. 4.55 crores. Besides, rebate in excise duty for use of rice bran oil in production of vanaspati and soap amounted to Rs. 2.94 crores during 1971-72 to 1977-78.

In spite of all these concessions, no research and development work to increase the production of edible grade rice bran oil has been undertaken by the industry; bulk of the oil produced is of industrial grade and used in soap industry.

It was noticed in audit that out of the 103 rice bran processors, major share of exports (68 to 83 *per cent*) and cash assistance (69 to 82 *per cent*) went to 15 leading processors and 19-21 merchant-exporters only during 1976-77 to 1978-79.

12. *Distribution of cash assistance.*—According to the sanctions for cash assistance on exports of deoiled rice bran issued from 1970-71, cash assistance was to be drawn by the SEAI through a single consolidated claim. However, Government had not laid down any guidelines regarding the actual manner of distributing the cash assistance among the exporters. For the years 1975-76 and 1976-77, when cash assistance was admissible on the exports above the first one lakh tonnes, the SEAI distributed the cash assistance on tonnage basis for 1975-76, but adopted f.o.b. value basis for 1976-77 and 1977-78. The Ministry stated (December 1979) that from 1977-78 onwards cash assistance was admissible on every tonne of export as a percentage of f.o.b. value. Distribution should, therefore, be strictly in accordance with the quantity exported by each exporter.

13. *Summing up* :

The following are the main points that emerge :—

— For encouraging production of rice bran oil and promoting export of rice bran extractions, Government provided incentives of total exemption of excise duty (Rs. 4.55 crores from 1970-71 to 1978-79) for production of rice bran oil, excise rebate (Rs. 2.94 crores from 1971-72 to 1977-78) to soap and vanaspati industry for use of rice bran oil, interest subsidy for export of extractions and cash assistance (Rs. 7.91 crores up to 1978-79) on exports of the extractions during 1970-71 and 1975-76 to 1981-82. The latter was introduced in 1970-71 without cost studies. The cost data furnished by the trade in 1969 was not based on the records of any representative unit, but was based on assumed figures which, when analysed by the Ministry of Finance in 1971-72, proved no loss, but confirmed profitability of exports; cash assistance for exports during 1970-71 was given (December 1971) retrospectively ; payment of Rs. 14.47 lakhs (made in March-June 1973) for 1970-71 was, thus, unjustified.

— Cash assistance was suspended during the years 1971-72 to 1974-75 following the cost studies which showed profit. But it was again introduced from 1975-76 and made operative up to 1982 without any cost study in spite of the advice of the Ministry of Finance to the contrary. Government failed to invoke its right to suspend cash assistance before 30th September 1975, which resulted in unjustified payment of Rs. 57.79 lakhs made on the basis of provisional sanction which stipulated a pre-requisite condition of cost study before 30th September 1975.

— Cash assistance for 1976-77 was sanctioned by the inter-ministerial committee without condition of cost study set by the MMDF Committee being brought to its notice by the Ministry of Commerce ; exports amounting to Rs. 68.14 crores during 1970-71 and 1975-76 to 1978-79 attracted cash assistance of Rs. 7.91 crores which was not justified.

— Abandonment of floor level and reduction in the rate of cash assistance in 1977-78 was more advantageous to the exporters and involved additional payment of Rs. 10 lakhs.

— Unrestricted exports of deoiled rice bran till 1982 had been allowed contrary to the advice of the Ministry of Agriculture, which recommended restrictions on exports, since it was adversely affecting the poultry and dairy development programmes of the country.

— As a result of export duty levied (January 1977) on this item, an amount of Rs. 1.54 crores was recoverable from the exporters; only Rs. 16 lakhs had been recovered so far (30th June 1979).

— No guidelines were issued by Government for the distribution of cash assistance by the SEAI to the individual exporters.

2. Working of the office of the Joint Chief Controller of Imports and Exports, Bombay

The Joint Chief Controller of Imports and Exports (JCCIE), Bombay has jurisdiction over the whole of Maharashtra and part of Madhya Pradesh. His main functions are :

— to issue import licences ;

— to watch compliance with export obligations, if any, against the import licences ;

— to pay cash compensatory support and to grant replenishment benefits to registered exporters ; and

— to enforce recovery of cash compensatory support where the Reserve Bank of India (RBI) reports non-realisation of foreign exchange against assisted exports.

During 1976-77, 1977-78 and 1978-79, payments of cash compensatory support totalling Rs. 44.18 crores, Rs. 69.98 crores and Rs. 95.85 crores respectively were made by the JCCIE, Bombay in respect of exports of various items.

2. A test-check of the accounts and related records maintained by the JCCIE conducted during November 1978 to August 1979, disclosed the following points :—

Non-enforcement of export obligations.—(a) Prior to 1970, there was no uniformity in fixing export obligations against import licences for capital goods or in fixing the amounts for bonds/agreements executed by the licensees. For instance, in some cases, the export obligation was expressed as a percentage of production resulting from the imported machinery ; in others, it was indicated with reference to the value of the machinery. Similarly, the amounts of the bonds/agreements were sometimes fixed with reference to the value of the import licences and sometimes with reference to the quantum of export obligations. In some cases, simple understandings on plain paper without any penalty clause therein were obtained.

On the failure of the licensees to fulfil their export obligations, penalties equal to the amounts of bonds/agreements were required to be recovered from the defaulters. A few cases of non-recovery of penalties (Amount : Rs. 159.69 lakhs) are mentioned below :

(i) Against an import licence for Rs. 24.95 lakhs granted to it in July 1967, firm 'A' was required to export chipboards (12,240 tonnes in quantity or Rs. 109.55 lakhs in value, whichever was less) within ten years starting from one year after the commencement of commercial production by it. No date for commencement of the production was, however, indicated in the licence. For fulfilment of the export obligation, a bond supported by a bank guarantee for Rs. 10.60 lakhs, valid up to 29th October 1972, was obtained from firm 'A'; it failed to furnish any evidence of exports or to keep the guarantee alive, as required, by getting it renewed from time to time by the bank after 29th October 1972 till the export obligation was completed. On a reference by the JCCIE to the Ministry of Law in September 1975 (*i.e.* nearly three years after the expiry of validity of the bond/guarantee) for advice, that Ministry observed that "it is unfortunate that timely action was not taken in enforcing the bond....................Since no suit was filed during the period the bank guarantee was in force, no useful purpose is likely to be served by filing a suit against the bank. Action, however, would be possible against the company, being the importers, for failure to get the validity period of the bank guarantee extended". Although, nearly four years had elapsed since then, no action had been taken by the department against firm 'A' so far (September 1979) with the result that there had been no recovery of Rs. 10.60 lakhs for non-fulfilment of export obligation.

(ii) Firm 'B', which was granted licence for Rs. 29.06 lakhs in February 1964 for import of certain machinery, was required to export hardboard equal to 5 *per cent* of its additional production resulting from the imported machinery during third to fifth year and 10 *per cent* during sixth to tenth year after commencement of the expansion programme. A bond supported by the Directors' personal guarantee for Rs. 29.06 lakhs, valid for thirteen years from commencement of additional production, was taken from firm 'B' in March 1964. The bond and guarantee were renewed on 30th September 1975 by firm 'B' upto 30th September 1977. The Director General, Technical Development, New Delhi, informed the JCCIE in September 1970 that the expansion programme of firm 'B' had been made effective from October 1964. The ten year period during which firm 'B' was required to complete its export obligation, thus, ended on 30th September 1974. No action was taken soon after 30th September 1974 except that a forfeiture order was issued on 29th August 1975 and the firm executed a bond on 30th September 1975 without supporting bank guarantee. As, however, the firm did not produce any satisfactory evidence of exports, the JCCIE decided (June 1977) to issue a bond forfeiture-cum-demand notice to firm 'B'. Although the draft notice demanding payment of Rs. 29.06 lakhs was approved in June 1977, it was actually omitted to be issued to the firm.

(iii) Firm 'C', to which a licence for Rs. 17.55 lakhs was issued in February 1963 for import of certain machinery, had the obligation to export its products worth Rs. 54 lakhs within five years from the second year after the date of importation. A bond supported by Directors' personal guarantee for Rs. 54 lakhs, valid for seven years, was taken from firm 'C' in June 1964 ; it imported the machinery in 1965. As, however, it failed to make any exports during the first four years of the obligation period or to renew the bond/personal guarantee, an order forfeiting the bond amount of Rs. 54 lakhs was issued on 4th August 1971; but firm 'C' did not pay this amount. In consultation with the Ministry of Law, the licensing office decided in December 1971 to file a suit against firm 'C' for recovery of the amount. Even though eight years had elapsed since then, no suit had actually been filed ; the relevant file was also reported to be untraceable (November 1979).

(iv) Firm 'D' was granted 44 import licences between November 1963 and October 1964 for a total value of Rs. 57.64 lakhs and it was required to export scientific equipment equal to ten *per cent* of its production per year for an indefinite period. A simple undertaking to make exports without any penalty clause therein was taken from the firm as per instructions of Government of 13th June 1963. The production commenced in February 1965, but firm 'D' failed to make any exports. A show-cause notice was issued (July 1969) to it, asking it to explain why Rs. 57.64 lakhs should not be recovered from it. Firm 'D', however, requested (1971) for reduction of export obligation from 10 to 3—5 *per cent* of production ; reckoning commencement of export obligation from 1968 instead of 1965 and restricting the period of export obligation to twelve years. After lapse of nearly five years, the Chief Controller of Imports and Exports, (CCIE) New Delhi decided (March 1976) that firm 'D' should make up the shortfall of export obligations to the extent of Rs. 84.82 lakhs relating to the period 1965 to 1974 within a period of five years commencing from 1975 (at the rate of Rs. 16.97 lakhs per year) and in addition, export 10 *per cent* of its annual production for five years from 1975 onwards and that it should execute a bond supported by a bank guarantee undertaking to fulfil this export obligation. Although firm 'D' was asked (July 1977 and March 1978) to submit the bond and the bank guarantee, it had not executed any bond so far (November 1979). As regards export obligations, the JCCIE stated (December 1979) that although firm 'D' had claimed to have exported goods valued at Rs. 1.04 crores during 1976 to 1978, it had yet to produce evidence of exports in terms of Import Trade Control Rules.

(v) Firm 'E', to which an import licence for Rs. 4.76 lakhs was granted in October 1961, had undertaken to export PVC floor tiles, rolling shutters and building material worth Rs. 10 lakhs within three years from the date of commencement of production. A bond supported by the Directors' personal guarantee for Rs. 4.76 lakhs, valid for four years from the date of commencement of production, was taken from the firm. The production commenced from 14th April 1964, but the firm did not make any exports during the stipulated period of three years which expired on 13th April 1967. Pointing out certain defects in the bond (which was valid up to 13th April 1968) the Ministry of Law advised the JCCIE in December 1967 to get a revised bond executed by firm 'E'. The JCCIE, however, neither took any action on this nor did he take any timely action to get the export obligation fulfilled. One year after the expiry of the bond period, a forfeiture order was issued to firm 'E' on 14th April 1969, requiring it to pay Rs. 4.76 lakhs. On its failure to pay the amount, the JCCIE referred the case again to the Ministry of Law which expressed the view (September 1976) that since no action was taken by the JCCIE between 13th April 1967 and 13th April 1968 either to forfeit the bond or to get a fresh bond from firm 'E' in the proper form, there were no prospects of a suit succeeding in favour of Government. No further action appears to have been taken thereafter except that as stated by the CCIE (February 1980), firm 'E' was debarred for 3 licensing periods (AM—1971 to AM--1973).

(vi) Firm 'F', to which a licence for Rs. 3.19 lakhs was granted for import of certain machinery, was under obligation to export Phillips clutches worth Rs. 7.25 lakhs within three years from the second year of importation and worth Rs. 2.42 lakhs per year thereafter. A bond supported by the Directors' personal guarantee for Rs. 3.63 lakhs, valid for five years from November 1965, was taken from the firm. As the firm failed to produce any evidence of export till December 1969, the JCCIE issued a forfeiture order on 13th February 1970 requiring it to pay Rs. 3.63 lakhs to Government. Subsequently, on a request from firm 'F', the export obligation period was extended up to November 1972, subject to execution of a fresh bond for Rs. 7.76 lakhs by the firm. As firm 'F' still failed to fulfil the export obligation or to execute the revised bond, the CCIE advised the JCCIE in September 1972 to take steps to recover the amount of the bond by filing a suit in the court. The draft plaint of the suit was, however, prepared only in April 1979 (*i.e.* nearly seven years after the issue of the CCIE's orders) and was yet to be filed in the court (November 1979).

(b) Under a revised procedure introduced from 1970, bonds executed by the licensees are required to be supported by bank guarantees for amounts equal in value to the annual obligation of exports. However, in lieu of the bank guarantees, the licensing authority may accept legal agreements executed by the licensees to the effect that in the event of their inability or failure to export the goods directly in accordance with the prescribed export obligations, they shall hand over to the State Trading Corporation (STC), or such other agency as Government may nominate, goods equal to the difference between the stipulated annual commitments/obligations and actual exports ; and, in addition, pay to the nominated agency specified amounts as liquidated damages (equal to five *per cent* of the export obligations, subject to a maximum of Rs. 5 lakhs in each case).

The rationale behind the provision that the defaulting firms would have to pay the liquidated damages to the nominated agency, rather than to Government, is not clear, especially when the nominated agency is entitled to recover its normal commission from the proceeds of the exports made by it.

A test-check of 90 cases, where import licences were granted under the revised scheme, showed that in nearly 50 *per cent* of the cases, the licensees had failed to fulfil the export obligations and that in none of the cases of default had the JCCIE taken any action either to assess the liquidated damages recoverable from the licensees or to have their products handed over to the STC or any other nominated agency for export. A few cases, where necessary action was not taken, are indicated below :

(i) Firm 'G', which was granted an import licence for Rs. 9.87 lakhs in June 1971, was required to earn foreign exchange amounting to Rs. 50 lakhs every year by exporting wire mesh weighing 5,000 tonnes in quantity or Rs. 50 lakhs in value, whichever was more, for a period of five years commencing from the eighteenth month after the commissioning of the plant. In the legal agreement executed by firm 'G', the total export obligation was stated to be Rs. 50 lakhs for a period of five years instead of Rs. 50 lakhs per annum as stipulated in the import licence. On detection of this mistake later on, the JCCIE took up the matter with firm 'G' in April 1976 for amendment of the agreement. No amendment was, however, made by the firm till November 1979. Reasons for not doing so were not on record. Further, during the obligation period, which ended in January 1978, firm 'G' had furnished evidence of exports to the extent of only 8,208 tonnes of wire mesh valued at Rs. 235.01 lakhs, as against the export obligation of 25,000 tonnes in quantity or Rs. 250 lakhs in value, whichever was more, as mentioned in the import licence. No follow-up action was taken by the JCCIE to get the export obligation completed or to assess the liquidated damages. The JCCIE, however, stated (December 1979) that firm

'G' had represented to the CCIE to amend the export obligation particularly with reference to the date of commencement of exports. Further developments were awaited (December 1979).

(ii) Firm 'H' was granted an import licence for Rs. 15.89 lakhs in March 1974. In addition to its normal exports based on the average for the past three years, firm 'H' was required to export decorative rugs and carpets of the annual value of Rs. 70 lakhs, Rs. 140 lakhs, Rs. 210 lakhs, Rs. 210 lakhs and Rs. 210 lakhs respectively in the five year period commencing from the date of importation of the first consignment of machinery and equipment. The first import consignment arrived at Bombay on 13th August 1974. Although five years expired in August 1979, firm 'H' did not furnish (November 1979) any evidence of exports in respect of any of the years. No follow-up action was taken by the JCCIE, nor were the liquidated damages worked out (November 1979). T legal agreement executed by firm 'H' and accep the department on 13th August 1974 was a tive inasmuch as the condition regarding continuance of the normal export, besides the additional exports mentioned above, was omitted to be stipulated therein.

(iii) Firm 'I', which was granted an import licence for Rs. 6.12 crores in January 1973 for import of certain machinery, was required to export 10 *per cent* of its products every year. The period of export obligation was omitted to be specified either in the licence or in the legal agreement executed by firm 'I' in September 1973. However, in October 1976, *i.e.* nearly 4 years after the issue of the import licence, the JCCIE informed firm 'I' that the export obligation would be for a period of 10 years commencing from 4th September 1974. Subsequently in February

1978, firm 'I' was informed that the obligation period would start from 1st July 1976 instead of 4th September 1974, as intimated earlier. Though firm 'I' was required to export 10 *per cent* of its products annually, it had neither furnished any evidence of exports, nor had any follow-up action been taken by the JCCIE to enforce the export obligations and to assess the liquidated damages to be recovered.

(iv) Firm 'J', to which an import licence of Rs. 6.27 lakhs was granted in May 1972, had the obligation to export its products to the extent of Rs. 40 lakhs per annum for a period of two years commencing from the date of commissioning of the plant. Firm 'J' informed the licensing office in August 1973 that the machinery had already been imported and installed and that it would be commissioned by the end of that month. Thereafter, in March-April 1975, firm 'J' requested the JCCIE for permission to sell the imported machinery. Till September 1979, the JCCIE had neither permitted the firm to sell the machinery nor had taken any action, in terms of the legal agreement executed by it in November 1972 to recover liquidated damages to the extent of Rs. 4 lakhs.

(v) Firm 'K' was granted an import licence for Rs. 20.95 lakhs in October 1971 on the condition that it would earn foreign exchange amounting to Rs. 139 lakhs by export of its products over a period of five years after eighteen months from the commissioning of its plant. In July 1973, firm 'K' informed the JCCIE that it was about to commence commercial production and that the export obligation would commence from 1975 ; but after four years, in February 1979, firm 'K' requested the JCCIE to exempt it from the export obligation as it was difficult for it to compete in the export market due to accumulated losses. No decision had been taken on this request till September 1979, nor had liquidated damages been assessed in terms of the agreement.

Thus, no action was taken in the above cases (except in case of firm 'E') for non-fulfilment of export obligations, nor was any penal action taken to debar the firms from getting further import licences. The JCCIE stated (January 1980) that this action was not taken as denial of import licences might have resulted in legal 'wranglings'. Further, except in the case of firm 'E', no disciplinary action was taken to fix responsibility for neglect which caused heavy losses to Government.

3. *Overpayments and other irregularities.*—On a test-check of nearly 3,500 cases, in which cash compensatory support was paid by the JCCIE to exporters of various items during 1977-78, numerous irregularities were noticed, the more important of which are tabulated below :—

Nature of irregularity	No. of cases	Amount involved (In lakhs of rupees)
Overpayments due to incorrect application of cash compensatory rates	111	8.13
Payments of claims not supported by requisite export documents.	105	20.62
Payments in respect of inadmissible items of exports .	28	2.71
Non-levy of prescribed cuts for late submission of claims	33	0.55
Overpayments of miscellaneous nature . . .	73	6.38

Besides these cases, payments totalling Rs. 41.04 lakhs in 35 other cases were kept under objection by Audit for want of certain clarifications from the JCCIE.

As a result of audit queries, the JCCIE took up (till November 1979) the matter for recovery of overpayments of Rs. 7.42 lakhs in 100 cases from the exporters concerned. As regards others, replies to the queries were awaited (November 1979) from the JCCIE. The JCCIE stated (December 1979) that the cases were under examination and necessary recoveries, where due, would be made from the parties.

4. *Simplified payment scheme.*—With a view to ensuring quicker settlement of the exporters' claims, a simplified scheme of payment of cash compensatory support was introduced by Government in 1972-73. Initially, the scheme envisaged provisional payment of the exporters' claims to the extent of 80 *per cent* after a preliminary scrutiny of their applications, the balance being paid to them after a detailed scrutiny of the claims. From September 1977, it was decided to make provisional payments to the extent of hundred *per cent* after a preliminary scrutiny of the claims. The exporters were, however, required to furnish indemnity bonds to the effect that, if as a result of the subsequent detailed scrutiny of their claims, the amounts payable to them were found to be less than the provisional payments, they would be liable to refund the difference. As many as 1.18 lakh cases, in which preliminary payments were made from April 1978 onwards, were yet (December 1979) to be scrutinised by the JCCIE in detail. On 22nd December 1978, the JCCIE suggested to the CCIE that, since, as a result of detailed scrutiny of about 3,000 cases, overpayments were found in hardly one *per cent* of the cases, it would be sufficient if only five *per cent* of the total cases covered by the simplified payment scheme were checked by that office. Final decision of the CCIE was awaited (December 1979).

Of the overpayments detected by the JCCIE as a result of post scrutiny of the claims, Rs. 22.09 lakhs were yet (September 1979) to be recovered from the exporters.

5. *Non-realisation of cash compensatory support.*—Under the scheme of cash compensatory support, payments are made subject to the condition that the export proceeds are realised in

foreign exchange and brought to India. The scheme provides for prompt review of cases of default in this regard and recovery of the payments of cash compensatory support and other benefits paid to the exporters in such cases. The JCCIE had not, however, taken till June 1979 any action on the reports of defaults received from the RBI as per the prescribed procedure. The position of defaults as on 31st December 1977 on the part of exporters, as intimated by the RBI, is given below :

Year	No. of items	Amount of foreign exchange not realised and brought to India (In lakhs of rupees)
1966-69	45	5.14
1969-70	114	21.49
1970-71	131	20.40
1971-72	143	12.54
1972-73	130	46.01
1973-74	148	37.89
1974-75	219	63.64
1975-76	526	141.37
1976-77	627	220.45
1977-78	368	154.87
	2,451	723.80

The precise amount of cash compensatory support recoverable from the defaulters in these cases could not be ascertained from the records of the JCCIE. The JCCIE stated (December 1979) that some of the entries included in the statement furnished by the RBI did not pertain to his office, that his office identified recently about 222 items which accounted for about Rs. 5.06 crores of unrealised foreign exchange and that further details were being collected for enforcing recoveries of cash compensatory support from the defaulters.

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

— During 1976-77, 1977-78 and 1978-79, payments of cash compensatory support aggregating Rs. 44.18 crores, Rs. 69.98 crores and Rs. 95.85 crores respectively were made by the JCCIE on exports of various items.

— There was no uniformity in fixing export obligations against import licences for capital goods or in fixing the amounts for bonds executed by the licensees.

— In 6 cases, on failure of the licensees to fulfil their export obligations, terms of the bond were not enforced in time resulting in non-recovery of penalties amounting to Rs. 159.69 lakhs.

— A test-check in audit of 90 cases, where import licences were granted under the revised procedure introduced from 1970, disclosed that in nearly 50 *per cent* cases, the licensees failed to fulfil their export obligations, but no action was taken in terms of the export obligations.

— No penal action was taken to debar the defaulting firms (except firm 'E') from getting further import licences.

— In 4 cases where import licences aggregating Rs. 52.98 lakhs were given and the corresponding export obligations amounted to Rs. 11.09 crores, the licensees failed to fulfil the export obligations, but no action was taken either to assess the liquidated damages or to have their products handed over to the STC or other nominated agency for export.

— Recovery of overpayments of cash compensatory support (Rs. 22.09 lakhs) was yet (September 1979) to be made.

— In 222 cases, where unrealised amount of foreign exchange of Rs. 5.06 crores was identified, action for working out the cash compensatory support paid and enforcing its recovery from defaulters was yet (November 1979) to be taken.

— No action was taken to fix responsibility, except in the case of firm 'E', for neglect which caused heavy losses to Government.

3. **Irregular payment of air freight subsidy on export of leather footwear, finished leather and leather goods**

To compensate the exporters of leather footwear, finished leather and leather goods for air freight, the Ministry of Commerce sanctioned (February 1971) cash assistance of 50 *per cent* of air freight paid, but limited to 10 *per cent* of f.o.b. value of exports of leather footwear and components thereof and to 15 *per cent* of f.o.b. value of exports of finished leather and leather goods for the period from 1st February 1971 to 31st March 1972. In April 1972 and March 1973, the Ministry of Commerce extended the cash assistance facility up to 31st March 1973 and 31st March 1974 respectively provided the exports were effected through Indian Flag Carriers. In June 1972, the Ministry clarified that air freight subsidy at the rates notified was permissible only in cases of c.i.f. or c. and f. contracts where the freight was prepaid in India by the exporter himself and not in cases where the freight was paid at the destination by the consignee.

In August 1973, the Joint Chief Controller of Imports and Exports (JCCIE), Madras rejected a claim made by an exporter of leather goods for air freight subsidy as the revelant contracts were on f.o.b. basis and payment of air freight by the exporter was not involved in such contracts.

In September 1973, the Export Promotion Council for finished leather and leather manufacturers, Southern Region represented that the orders of February 1971, introducing the scheme of air freight subsidy, did not differentiate between different kinds of contracts and that in f.o.b. contracts the exporters actually paid the freight in India and then claimed 50 *per cent* from Government (in the form of subsidy) and 50 *per cent* from the importer (by adding the value in their invoices). The Council, therefore, urged that no recovery of subsidy paid on f.o.b. contracts should be made with retrospective effect and that the existing system be allowed to continue until 31st August 1973. Nevertheless, subsidy on f.o.b. contracts continued to be paid till 31st March 1974; the payments made amounted to Rs. 14.08 lakhs.

In March 1974, the Ministry of Commerce, while sanctioning the air freight subsidy for April to September 1974, clarified that the exporters quoting c.i.f. and/or c. and f. prices with the "freight to pay" provision would be entitled to the grant of air freight subsidy provided the receipt for air freight having been paid by the importer on behalf of exporter was submitted with the claim, but payments continued to be made on f.o.b. contracts even after 31st March 1974 ; Rs. 6.09 lakhs were, thus, erroneously paid from 1st April 1974 to 31st December 1974.

On 20th August 1974, in a meeting held in the Ministry of Commerce, it was decided to refer to the Ministry of Finance the question of recovery of excess subsidy already paid on the f.o.b. contracts and payment of subsidy to other exporters whose payments had either been stopped or who had yet to claim payments against f.o.b. contracts. The Ministry of Finance advised (29th August 1974) that the rejected claims should not be reopened and that pending claims should be rejected. The matter was, thereafter, referred (October 1974) to the Ministry of Law which opined that :

— the expression "air freight paid" meant the actual air freight charges incurred in effecting an export, be it on f.o.b., c.i.f. or c. and f. basis;

— in cases of export on f.o.b. basis where 50 *per cent* payment of air freight had been met by the exporters and 50 *per cent* by the importer, the exporter would be entitled to only 50 *per cent* of the amount paid by him, *viz.* 25 *per cent* of the total air freight ; and

— where subsidy had been paid in excess of the 25 *per cent* referred to above on f.o.b. contracts, the balance was recoverable.

The Ministry of Commerce advised (April 1975) the Chief Controller of Imports and Exports (CCIE) that, where the exporter had actually borne a part of the air freight charges, he might be allowed subsidy on the amount incurred after excluding the air freight charges passed on to the importer. This decision was applicable to all exports made from 1st February 1971 to 31st August 1973. Accordingly, the CCIE issued (May 1975) necessary instructions. It was also clarified (May 1975) that in the case of exports made from 1st September 1973 onwards, "if a part of the freight incurred by the exporter had been passed on to the importer abroad, no freight subsidy would be admissible at all and if any air freight subsidy had already been paid, the same would have to be adjusted or recovered in full". The CCIE issued (August 1976) further instructions that where the air freight and insurance were shown separately in invoices in addition to the f.o.b. price, it should be assumed that the contract had been drawn up on f.o.b. basis and no air freight subsidy should be granted. These instructions were made applicable to exports effected both before and after 1st September 1973.

Action to recover subsidy erroneously paid was, meanwhile, initiated. The Export Import Advisory Committee, Eastern Region represented (30th October 1976) and Government directed (November 1976) that the decision to recover the subsidy already paid in respect of f.o.b. contracts should be reviewed in the light of representations received. Government then felt that the test for eligibility for the subsidy should be whether the freight was actually paid by the exporter and that the form in which the invoice was made should not be material.

Consequently, a decision was taken (November 1976) by the CCIE to suspend recoveries and instructions were issued to that effect on 6th December 1976; recoveries amounting to Rs. 0.94 lakh had been made till that date.

The matter, thereafter, remained under examination in the Ministry of Commerce. In July 1977, the issue was discussed at a meeting of the Main Committee of the Marketing Development Assistance, and considering that the subsidy was paid in good faith and hardship would be caused to the exporters by recovering the amounts, it (the Committee) recommended the waiver of the recovery upto 31st March 1974. The financial implication of this decision was that Rs. 23.57 lakhs were payable to the various exporters, out of which Rs. 13.14 lakhs had already been paid and Rs. 10.43 lakhs were to be paid.

In view of the above recommendation by the Main Committee of the Marketing Development Assistance, Government decided (December 1977) that :

— the amount of air freight subsidy overpaid (Rs. 13.14 lakhs) on exports against f.o.b. contracts should not be recovered ;

— where recovery had already been made, the amount (Rs. 0.94 lakh) should be refunded; and

— pending claims (Rs. 9.49 lakhs) might be settled by paying air freight subsidy.

On 17th February 1978, the CCIE instructed the JCCIEs to decide the cases according to the decision of the Main Committee of the Marketing Development Assistance. Consequently, Rs. 0.81 lakh out of amount already recovered and Rs. 5.49 lakhs against pending claims were paid. On this being pointed out by Audit (September 1979), Government issued (November 1979) sanction for waiving recovery of Rs. 19.44 lakhs, refund of Rs. 0.13 lakh already recovered and payment of pending claims of Rs. 4.00 lakhs aggregating Rs. 23.57 lakhs. However, the payment (Rs. 6.09 lakhs) erroneously made on f.o.b. contracts between 1st April 1974 and 31st December 1974 was yet to be recovered (November 1979).

Summing up, the following are the main points that emerge :—

— Although the original sanction of February 1971 was quite clear that air freight subsidy was to be paid if freight was actually paid by the exporter and clarificatory orders were also issued in June 1972, the erroneous payments continued to be made till December 1974.

— While the Leather Export Promotion Council, Southern Region, had appealed for payment of subsidy on all types of contracts (including f.o.b. contracts) only upto 31st August 1973, Government allowed payments till 31st March 1974.

— Alhough payments of Rs. 14.08 lakhs upto March 1974 were recognised as erroneous payments by the Ministry, refund of recoveries of Rs. 0.94 lakh and payment of all the rejected claims of similar nature for the entire period amounting to Rs. 9.49 lakhs were allowed.

— Payment of Rs. 6.09 lakhs made erroneously on f.o.b. contracts from 1st April 1974 to 31st December 1974 was yet (November 1979) to be recovered.

— Thus, the total irregular payments of freight subsidy amounted to Rs. 29.66 lakhs.

MINISTRY OF INDUSTRY

(Department of Industrial Development)

4. **Central Investment Subsidy Scheme, 1971**

Introduction

1.1 In pursuance of the decision (September 1969) of the National Development Council (NDC), the Government of India introduced (August 1971) a scheme for giving subsidies for setting up new industrial units or for undertaking substantial expansion of the existing units in selected industrially backward districts or areas of different States. Forty-four districts or areas were initially selected for payment of subsidy to new units which took 'effective steps' for their establishment on or after 1st October 1970. The term 'effective steps' denoted one or more of three steps, *viz.* (i) paying up 60 *per cent* or more of the capital issued, (ii) construction of a substantial part of the factory building and (iii) placing firm orders for a substantial part of the plant and machinery required for the industrial unit. Units which existed prior to 1st October 1970 were eligible for subsidy for expansion if their fixed capital investment was increased by 25 *per cent* or more (reduced to 10 *per cent* from 1st January 1977). The new units were also eligible for further subsidy for expansion. Fifty-three districts or areas were added from July 1972 for units which took 'effective steps' on or after 26th August 1971. Four more districts were added from 16th May 1975, thus making a total of 101 districts or areas.

1.2 The subsidy payable to each unit was at the rate of 10 *per cent* of the total fixed capital investment (land, building and plant and machinery) subject to a maximum of Rs. 5 lakhs in each case. This was increased from 1st March 1973 to 15 *per cent* subject to a maximum of Rs. 15 lakhs.

1.3 Before taking 'effective steps' for setting up a new unit or undertaking expansion of an existing unit, each unit was required to get itself registered with the State Industries Department and then apply for subsidy to the State Level Committee (SLC). The SLC was constituted for examining such applications and consisted of representatives of the State Department concerned, the State Finance Department, the Ministry of Industrial Development and the financial institution concerned. Applications were considered by the SLC and subsidies sanctioned. Payments were made by the disbursing agencies, *viz.* the State Industries Department or the nominated financial institutions after due verification of the fixed capital investment. Reimbursement of subsidy was obtained from the Government of India by each disbursing agency direct.

In July 1976, it was decided to delegate full powers to the SLCs and withdraw the Government of India representatives from the Committee; orders in this regard were issued by the Ministry in September 1976.

1.4 From 1st January 1977, the procedure of reimbursement was liberalised inasmuch as :

— determination of essentiality as regards the extent of land and factory building required for the industrial unit was left to the full discretion of the SLC;

— the disbursing agencies were required to prefer their claims for reimbursements to the SLCs which would prefer a consolidated claim to the Ministry for reimbursement; and

— the SLCs were made fully responsible for verification of claims and answering audit objections.

The Ministry, thus, divested (Ist January 1977) itself of the responsibility of scrutiny of claims. Even the claims, which had been pending with the Ministry whether in full or in part for whatever reasons and reimbursement in respect of which had not been sanctioned by them till the aforesaid changes, were treated as withdrawn. The Ministry had, thus, retained no control by which it could monitor or assess the overall implementation of the scheme.

2. *Scrutiny of the scheme in the Ministry*

2.0 The following points were noticed in a test-check (June—November 1978) in audit of the records of the scheme in the Ministry.

2.1 After the Ministry had divested itself of the responsibility for detailed scrutiny of claims, Rs. 19.92 crores (about 48 *per cent*) were reimbursed in 1977-78 alone out of a total reimbursement of Rs. 41.63 crores (detailed in Annexure) made from the inception of the Scheme in 1971 till 1977-78.

2.2 The scheme, originally, required the units receiving the subsidy to submit annual progress reports to the Ministry and the State Government/Union Territory Administration for a period of 5 years after going into production. In September 1975, it was decided that the units would submit annual progress reports to the concerned State Governments and Union Territory Administrations for a period of five years and the latter would, in turn, submit consolidated progress reports annually to the Ministry. The first report was due in the Ministry on 30th November 1975 and subsequent reports on 30th June each year. In December 1976, the Manual of Instructions was issued which made an additional provision for the submission of quarterly progress reports detailing the progress about sanctions and disbursements of central investment subsidy, bottlenecks or handicaps in the working of the scheme or any other matter of importance concerning it. The following table compiled on the basis of records made available to Audit showed the position as on 31st October 1979 about the number of progress reports due and received from the State Governments and the Union Territories.

	Annual progress reports				
Due on	30th November 1975	30th June 1976	30th June 1977	30th June 1978	30th June 1979
No. of reports due	28	28	28	28	28
No. of reports received	8	5	7	6	5*

	Quarterly progress reports										
Due on	15th April 1977	15th July 1977	15th October 1977	15th January 1978	15th April 1978	15th July 1978	15th October 1978	15th January 1979	15th April 1979	15th July 1979	15th October 1979
No. of reports due	28	28	28	28	28	28	28	28	28	28	28
No. of reports received	5	4	3	1	3	4	2	2	3	2	Nil

*Out of these five reports received, reports from three States were not complete as information in respect of some units were yet to be received by the State Governments.

In reply to an audit query in August 1978, the Ministry had stated (November 1978) that the annual progress reports received from the State Governments were not subjected to any examination and that these were obtained for statistical purposes, if and when required. The Ministry had reiterated (July 1979) that "annual and quarterly progress reports are not a means by which the Ministry can monitor and assess the performance of the scheme. The performance of the scheme is assessed from the amount of subsidy re-imbursed to the States. These reports are useful for statistical purposes".

2.3 Under the scheme, in the following circumstances, the subsidy availed of by an industrial unit was recoverable from it :—

— where an industrial unit had obtained the central investment subsidy by mis-representation as to essential facts, or by furnishing false information ; or

— where the industrial unit went out of production within five years from the date of commencement of production except in cases where the unit remained out of production for short periods extending to six months due to reasons beyond its control such as shortage of raw material, power etc.; or

— where the industrial unit failed to furnish the prescribed statement and/or information which it was called upon to furnish.

The Ministry had neither prescribed any separate return in which information on above counts was to be furnished by the SLCs, nor was the same obtained through the annual or quarterly progress reports prescribed under the scheme. Regarding the units from which the subsidy had been found recoverable in the above circumstances, the Ministry stated (November 1978 and July 1979) that the scheme provided guidelines for the State Governments for recovery of the amount of central investment subsidy in certain cases and that suitable action for recovery had to be taken by the State Government concerned.

2.4 In June 1973, the Ministry notified that in respect of industrial units coming up on and after March 1973, the subsidy would be 15 *per cent* of the fixed capital investment or additional total fixed capital investments subject to a maximum of Rs. 15 lakhs. Some SLCs interpreted the term 'coming up' used in this notification to mean 'starting production' and allowed higher rate of 15 *per cent* to units which had started production on or after 1st March 1973.

In May 1974, the Ministry clarified that only those units which took 'effective steps' on or after 1st March 1973 were entitled to subsidy at 15 *per cent* subject to the maximum of Rs. 15 lakhs and that units which took 'effective steps' between

1st October 1970 and 28th February 1973 were entitled to subsidy at 10 *per cent* subject to the maximum of Rs. 5 lakhs irrespective of the fact whether they went into production before 28th February 1973 or were still in the process of being set up on 1st March 1973.

An overpayment of Rs. 45.51 lakhs had been made to 54 units in 10 States which had taken effective steps prior to 1st March 1973 and were eligible for subsidy at 10 *per cent* only of fixed capital investment instead of 15 *per cent* actually allowed.

In August 1975, the Ministry reiterated that the rate of subsidy was to be determined with reference to the date on which 'effective steps' were taken for the setting up of the new unit or undertaking substantial expansion and not the date of its going into production and directed all the State Governments and the Union Territories to review cases where subsidy had been sanctioned contrary to the above provisions and to recover or adjust the amount overpaid from the future instalment of the subsidy due.

Only two State Governments had reviewed the position of overpayments but no recovery proceedings were initiated. One State Government requested the Government of India for waiver of the recovery (Rs. 2.04 lakhs) from the concerned unit whereas the other approached (October 1975) the Government of India for the ratification of the subsidy (Rs. 12.39 lakhs) already paid.

On representation from some State Governments the Ministry decided (November 1976) that the subsidy was admissible with reference to the date of actual investments in cases where 'effective steps' were taken before 1st March 1973, but actual investments were made thereafter. In cases where industrial units had made fixed capital investments partly before 1st March 1973 and partly afterwards, the investment subsidy was to be paid at 10 *per cent* in respect of the investments made before the crucial date (1st March 1973) and 15 *per cent* for investments made on or after that date subject to the overall investment subsidy limit of Rs. 15 lakhs. According to the orders of November 1976, past cases, where decision had already been taken, were not to be re-opened. But, in five States, excess subsidy of Rs. 41.34 lakhs was paid at higher rates (15 *per cent*) to 7 units by re-opening the cases which had already been decided.

2.5 Neither the term 'substantial part' appearing in the definition of 'effective steps' was defined nor was any percentage prescribed for it with the result that while the SLC in one State prescribed sixty *per cent* of the cost of factory building and plant and machinery as substantial for determining a unit's eligibility, in another State twenty five *per cent* was considered substantial by the SLC.

2.6 The objective of the scheme, which was introduced in August 1971 and was in operation in 101 selected districts or areas identified as industrially backward, was to remove the regional imbalances. The Ministry was asked (June 1979) to intimate whether any review of the scheme was conducted at any stage during the period to ascertain as to how far the districts or areas in which the scheme was in operation had developed as a result of measures taken under the scheme. The Ministry did not specifically reply to this point but stated (July 1979) that the Planning Commission had set up a National Committee on the development of backward areas to formulate appropriate strategy or strategies for effectively tackling the problems of backward areas.

3. *Implementation of the scheme in the States*

3.1 A test-check of the disbursements to the industrial units was also conducted by Audit in the offices of the disbursing agencies, *viz*. SLCs in the States and the Union Territories. Observations arising from this test-check were brought to the notice of the respective State Governments and the Union

Territories. Comments on implementation of the scheme were also included in the Reports of the Comptroller and Auditor General of India for the year 1977-78 (Civil) of the respective States and the Union Territories. Some of the important audit observations appearing in the State Reports are given in the following paragraphs.

3.2 Although the scheme was made applicable to 101 selected backward districts or areas on different dates, a test-check in audit revealed that Rs. 0.40 lakh were paid to one unit in Andhra Pradesh located in an area which was not covered under the scheme.

3.3(a) Since the dates of taking 'effective steps' *viz.* 1st October 1970 (44 districts) and 26th August 1971 (53 districts) were crucial for determining the entitlement of a unit for subsidy under the scheme, overpayments of Rs. 47.36 lakhs were found to have been made to 102 units in 11 States and 1 Union Territory which had taken 'effective steps' prior to these dates.

(b) When the rate of subsidy was raised from 10 to 15 *per cent* of the fixed capital investment subject to the maximum of Rs. 15 lakhs from 1st March 1973, those units which took effective steps on or after this date were entitled to subsidy at the higher percentage. It was seen in audit that, due to incorrect application of higher percentage in the calculation of subsidy, overpayment of Rs. 45.66 lakhs had been made to 61 units in 11 States which had taken 'effective steps' prior to 1st March 1973.

3.4 An industrial unit was initially defined (September 1972) as any industrial undertaking and suitable servicing unit, other than a unit run departmentally by Government. A servicing unit was further defined in July 1975 as a servicing unit incidental or consequential to industrial production. In view of this, hotels, cinemas and other servicing units unconnected with industrial production were stated to be not eligible for subsidy.

A number of other activities like poultry and agro-industries, mining, cold storage, etc. were made eligible for subsidy in August 1976 with retrospective effect. The hotel industry was made eligible only from 1st January 1977 and the question of recovery of overpayment of Rs. 3.31 lakhs to hotel industry (1 unit) made by the Government of Karnataka and Rs. 14.38 lakhs (2 units) by the Government of Maharashtra prior to 1st January 1977 was still (October 1979) under the consideration of the Ministry. Irregular payments of Rs. 10.89 lakhs made to other 24 ineligible units in 7 States and one Union Territory also came to notice during test-check in audit.

3.5 Investments on land and building to the extent needed for the purpose of the plant were eligible for subsidy and expenditure on guest house, office accommodation, etc. was not to be included. Similarly, plant and machinery was defined to include the cost of tools, jigs, dies and moulds, transport charges, insurance premia, erection costs, etc. and the cost of goods carriers to the extent these were actually needed for transport of raw materials and marketing of finished products. It was clarified by the Government of India (July 1975) that the cost of power generating sets installed without obtaining the approval of State Electricity Board to the effect that the Board would not be in a position to supply electricity to the industrial unit and certain incidental charges and contingencies (November 1975) added to the value of plant and machinery were not admissible for computing subsidy. A test-check in audit showed that an amount of Rs. 34.57 lakhs was overpaid due to wrong computation of the fixed capital investments to 256 units in 17 States and 2 Union Territories.

3.6 The scheme initially (August 1971) contained no specific instructions about the eligibility or otherwise of second hand machinery, for the subsidy. In November 1976, the Ministry decided to make second hand machinery also eligible for subsidy subject to certain conditions and it was stipulated that the past cases already decided were not to be reopened.

The orders of November 1976 were given retrospective effect and had the effect of regularising or making payment of subsidy of Rs. 5.03 lakhs to 46 units in 5 States for second-hand machinery. These orders were not endorsed to Audit.

3.7 Subsidy on second-hand machinery was allowed (November 1976) subject to the following conditions :

— valuation was to be made on the basis of (a) original price minus depreciation, (b) present market value, (c) actual price paid at the time of transfer, whichever was the least ;

— subsidy should not have been paid for this machinery to its earlier owners ; and

— the machinery should be capable of production for five years at the time of transfer.

It was seen in test-check in audit that Rs. 9.40 lakhs had been paid to 30 units in 8 States in disregard to one or more of these conditions.

3.8 A unit, which received subsidy as a new unit, could also be given fresh subsidy (subject to overall limits of Rs. 5 lakhs/Rs. 15 lakhs) for expansion(s) provided it submitted a fresh application on each occasion and the additional investment was not less than 25 *per cent* (reduced to 10 *per cent* from 1st January 1977) of the existing investment. It was seen in audit that irregular payments of Rs. 11.89 lakhs were made to 57 units in 6 States and one Union Territory in disregard of the above conditions.

3.9 Subsidy to self-financed units was initially (August 1971) admissible only after the units went into production. This condition was liberalised in June 1973 and, where the concerned State Governments and Union Territory Administrations were satisfied about the safety of public funds, such units could be paid 50 *per cent* of the subsidy before the commencement of production, on the units furnishing a proof of having taken 'effective steps' to the satisfaction of the Director of Industries concerned, the balance being payable after commencement of production. From 1st January 1977, the condition was further liberalised and both types of units, *viz.* self-financed as well as those assisted by State financial institutions could be paid 85 *per cent* of the subsidy in advance before the commencement of production. A test-check in audit revealed that Rs. 190.61 lakhs had been advanced (from 1973 to 1978) to 123 units in 6 States which had neither started production nor submitted their claims for balance amount of subsidy. One unit in Tamil Nadu was paid full amount (Rs. 5.00 lakhs) of subsidy before it went into production contrary to the provisions of the scheme.

3.10 Subsidy of Rs. 17.46 lakhs had been paid (from 1975-76 to 1977-78) to 52 units in 6 States without insisting on submission of complete and proper documents in support of proof of taking 'effective steps' and of fixed capital investment.

3.11 Unauthorised payments of Rs. 8.34 lakhs were found to have been made (from March 1975 to October 1975) by the disbursing agencies even without sanctions or in excess of sanctions of SLCs to 3 units in 3 States.

3.12 Under the scheme (August 1971) the disbursing agencies could claim refund of subsidy from the owner of a unit which had obtained it by misrepresentation of essential facts or furnishing false information or which went out of production within a period of five years after commencement. A test-check in audit showed that an amount of Rs. 175.36 lakhs had become recoverable from 248 units in 14 States and 2 Union Territories on one or more of the above grounds.

3.13 In Bihar, the agreements entered into between the Bihar State Financial Corporation and the Units assisted to the extent of Rs. 5.56 lakhs did not cover, though required, the contingency of refund of subsidy in the event of stoppage of production within five years of commencement of production.

3.14 A few cases also came to the notice of Audit where the units had obtained subsidy for the same capital investment either twice from a disbursing agency or separately from two different disbursing agencies. Overpayments to 2 units in 2 States on this count amounted to Rs. 4.77 lakhs (from September 1974 to June 1977).

3.15 In June 1978, the Ministry decided that where two or more units were set up in the same State by the same company or individual or group or legal entity, and in cases where more than one unit set up by the same party are involved in the same process of manufacture, the entitlement to overall subsidy to the company etc. would be limited to Rs. 15 lakhs. In 2 States, 3 different companies each having two units involved in the same process of manufacture, were paid excess subsidy of Rs. 12.65 lakhs in respect of their different units in the State.

3.16 No procedure had been prescribed by the Ministry to guard against double payments with the result that a unit in Gujarat received subsidy of Rs. 3.75 lakhs twice once from the State Government (March 1976) and a second time from a financial institution (June 1974 to December 1975). Both these disbursing agencies received reimbursement separately in July 1976 and September 1976 from the Government of India.

3.17 In Meghalaya, subsidy of Rs. 8.10 lakhs was paid to a unit without verification of the investment by any officer of the State Government or of the financial institution.

3.18 In 2 States, subsidy of Rs. 21.67 lakhs was paid (January 1978) to 195 units. None of these units had either executed the agreements on stamped paper for undertaking to refund the subsidy in the event of any breach of the conditions of the scheme or hypothecated the assets.

4. *Absence of follow-up action.*—As stated earlier, the units receiving subsidy were required to submit annual progress reports for a period of five years to the State Governments and

Union Territory Administrations. A test-check in audit showed that very few units were submitting these reports regularly and there was no follow-up action by the disbursing agencies.

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

— With the gradual transfer of administrative control and checks originally exercised on the working of the Central Investment Subsidy Scheme and withdrawal (25th September 1976) of its representative from the State Level Committees, the Central Government retained no effective control for monitoring and assessing the over-all performance of the scheme which resulted in a number of irregularities.

— Out of the total subsidy of Rs. 49.48 crores disbursed upto 1977-78, the Government of India reimbursed an amount of Rs. 41.63 crores ; out of the amount disbursed,

(a) a sum of Rs. 159.08 lakhs had been overpaid for various reasons, *viz.* payments to units set up in non-specified area, payments to ineligible units, payments in excess of maximum limit, double payments, etc. ;

(b) a sum of Rs. 141.89 lakhs had been paid in contravention of the various provisions of the scheme ;

(c) a sum of Rs. 190.61 lakhs had been advanced in anticipation of commencement of production. This investment had not so far contributed to production ; and

(d) a sum of Rs. 175.36 lakhs had become recoverable for premature closure of units, etc.

— Although the units were required to send annual progress reports to the concerned State Governments/Union Territory Administrations for a period of five years and the Governments/Administrations, in turn, were required to send from 1st January 1977, annual and quarterly reports in the prescribed form to the Central Government, as against 140 annual reports and 308 quarterly reports, only 31 annual and 29 quarterly reports respectively were received by the Government of India upto October 1979.

— No stock taking of the scheme was done to ascertain to what extent its objectives were fulfilled. Information regarding number of people employed and production generated which was to be furnished in the prescribed annual reports, were received by the Ministry in very few cases. No such information, however, was required to be given to the Planning Commission under the scheme. Thus, the scheme had been allowed to be run and continued in a routine manner.

ANNEXURE

STATEMENT INDICATING DISBURSEMENTS AND REIMBURSEMENTS MADE UNDER THE CENTRAL INVESTMENT SUBSIDY SCHEME

S. No.	Name of the States/ Union Territories	1976-77		1977-78		Total	
		Disbursements	Re-imbursements	Disbursements	Re-imbursements	Disbursements	Re-imbursements
				(Rs. in lakhs)			
1.	Andhra Pradesh .	420.04	299.61	200.00	258.76	620.04	558.37
2.	Assam . .	57.06	44.82	12.08	24.37	69.14	69.19
3.	Bihar . . .	62.05	34.69	37.77	45.94	99.82	80.63
4.	Gujarat . .	227.89	179.44	120.58	64.11	348.47	243.55
5.	Haryana . .	69.33	21.57	63.08	94.67	132.41	116.24
6.	Himachal Pradesh	129.88	64.97	58.58	105.09	188.46	170.06
7.	Jammu and Kashmir	42 55	49.62	71.70	27.18	114.25	76.80
8.	Karnataka . .	207.57	158.67	139.26	156.97	346.83	315.64
9.	Kerala . .	131.94	77.45	146.14	126.32	278.08	203.77
10.	Madhya Pradesh .	180.71	93.60	133.08	156.77	313.79	250.37
11.	Maharashtra .	418.39	305.74	148.13	218.12	566.52	532.86
12.	Manipur . .	6.15	0.18	..	5.95	6.15	6.13
13.	Meghalaya . .	20.67	14.26	3.55	5.05	24.22	19.31
14.	Nagaland . .	45.94	3.77	14.06	34.64	60.00	38.41
15.	Orissa. . .	28.72	22.07	9.30	11.21	38.02	33.28
16.	Punjab . .	115.12	79.21	33.76	65.36	148.88	144.57
17.	Rajasthan . .	262.53	171.48	153.78	182.84	416.31	354.32
18.	Sikkim . .	1.34	1.34	..	..	1.34	1.34
19.	Tamil Nadu .	501.15	392.27	204.61	292.78	705.76	685.05
20.	Tripura . .	2.84	..	14.05	2.84	16.89	2.84
21.	Uttar Pradesh .	120.54	90.36	34.39	19.09	154.93	109.45
22.	West Bengal .	69.80	39.51	33.86	4.47	103.66	43.98
23.	Andaman, and Nicobar Islands	0.36	0.36	..	..	0.36	0.36
24.	Arunachal Pradesh	..	..	9.19	9.19	9.19	9.19
25.	Goa, Daman & Diu	56.48	23.12	64.64	66.35	121.12	89.47
26.	Lakshadweep .	..	..	..	..	..	..
27.	Dadra & Nagar Haveli	..	..	8.37	8.37	8.37	8.37
28.	Mizoram . .	..	..	5.50	5.50	5.50	5.50
29.	Pondicherry .	24.03	2.97	25.00	..	49.03	2.97
	TOTAL . . .	3203.08	2171.08	1744.46	1991.94	4947.54	4163.02

5. **Unauthorised occupation of salt land-Bharpur Salt works.**— Mention was made in paragraph 31 of the Report of the Comptroller and Auditor General of India for 1977-78 : Union Government (Civil), about a case of unauthorised occupation of salt land. Details of a similar case noticed in audit are mentioned below :

In the erstwhile Bombay State, 'Ghatkopar' village was leased to party 'A' for a period of 99 years from 1844-45 by an indenture of lease executed in 1845. According to the terms of the lease, the lessee could utilise the salt marshy land in the village for construction of salt work subject to payment of ground rent and other taxes according to the law in force from time to time. A salt work known as 'Bharpur Salt Work' was set up by the lessee in 1845 on an area covering 138 acres and 27 gunthas on the leased premises. With the approval of Government and by an indenture dated 12th March 1918, the salt work was assigned to party 'B' for the remaining period of the lease. In 1917-18, the lease of the land under the salt work was also separated from the lease in respect of the rest of the village and the licence to manufacture salt was issued in favour of party 'B'. The lease expired in 1943, but party 'B' continued to manufacture salt on the land under the authority of licence granted by the Salt Department on payment of the necessary ground rent. In 1946, party 'B' died intestate and for some time the property was administered by the heirs and later by the Custodian of Evacuee Property till July 1953 when the salt work on 130.5 acres of land was purchased by firm 'C' along with some other property for Rs. 3.26 lakhs.

In reply to a reference received (February 1963) from firm 'C' for eviction of certain encroachments on the land, the Salt Department, without linking up its records, informed firm 'C' in March 1963 that as the salt work was a private property, the "Shilotries" of the salt works might be asked to take steps to evict the encroachment. In February 1965, the attorneys of firm 'C' which had, in the meantime, gone (1964-65) into liquidation, informed the Deputy Salt Commissioner, Bombay, that the property had been distributed among the five partners, leaving a small portion with the defunct firm and that the land was no more used for manufacturing salt. On receipt of this letter, the department investigated the whole matter including ownership of the land and observed that :

— the land actually belonged to Government ;

— the lease had expired in 1943 ;

— no salt was being manufactured on the salt work ;

— buildings were being constructed on certain portions of the land ;

— that a portion of the land measuring 8 acres and 6 gunthas had been acquired by the Government of Maharashtra in 1958 under the Land Acquisition Act, 1894 for the Eastern Express Highway on payment of compensation of Rs. 0.54 lakh to firm 'C' and that in September 1966, by an order of the Bombay High Court an additional compensation of Rs. 0.30 lakh was awarded to firm 'C'.

No action was taken by the department to get the construction work stopped in consultation with the Municipal Corporation of Bombay or to recover the amount of Rs. 0.84 lakh paid as compensation by the Government of Maharashtra to firm 'C'. However, in December 1966, the Deputy Salt Commissioner asked the firm's solicitors to instruct their clients to hand over vacant possession of their shares of the salt work to Government. On their failure to do so, proceedings for the vacation of the land were initiated (March 1967) under the Public Premises (Eviction of Unauthorised Occupants) Act, 1958. In 1971, two partners of the firm challenged the validity of the proceedings in the Bombay High Court and obtained an injunction, restraining the department from taking any further proceedings in the matter. The petition was withdrawn by these partners from the Court in August 1979. No further action to resume the land had been taken by the department so far (November 1979).

Meanwhile, a residential colony known as 'Garodia Nagar' came up on the land conveyed to the remaining three partners. The total area under unauthorised occupation was 130 acres and 21 gunthas (6.32 lakh sq. yards) and according to the department (October 1979) the value of the land now might be about Rs. 5 crores.

It was also noticed in audit that the registers maintained by the department from 1932 regarding salt works did not contain any column to show the ownership of the land under salt works, nor did they indicate the dates on which the leases of lands (on which salt works were situated) were to expire. There was also no indication to show that any periodical checks were exercised by the department with a view to resuming the lands or getting the leases renewed on their expiry. The department stated (December 1979) that it was investigating the tenure of lands under salt works, after completion of which it was proposed to maintain the register indicating the tenure.

The case disclosed that :

— although the lease of Government land covered by the salt work expired in 1943, no action for resumption of the land or renewal of the lease was taken by the Salt Department ;

— although Government came to know in December 1966 that some buildings were being constructed on the land, no action was taken to get the construction activity stopped in consultation with the Municipal Corporation of Bombay ;

— no action was taken to claim Rs. 0.84 lakh from firm 'C' on account of compensation received by it for the land acquired (1958) by the Government of Maharashtra ;

— Government land valuing about Rs. 5.00 crores was under unauthorised occupation ; and

— the registers maintaned by the department regarding salt works did not show the ownership of the lands under salt works, nor did they indicate the dates on which the leases of such lands were to expire and thus, no periodical checks were exercised by the department with a view to resuming the lands or getting the leases renewed on their expiry.

MINISTRY OF PLANNING

(Department of Statistics)

6. **Infructuous expenditure on hire of a calculator.**—To achieve synchronisation of Central and State tabulation for pooling of the Central and State Sample Survey results and to enable the Data Processing Division, Nagpur, to undertake this work, Government accorded (October 1975) revised sanction for Rs. 1.14 lakhs for hiring and installation of one 550-calculator and purchase of two control panels from the International Computers (India) Private Ltd. (ICL). In anticipation of Government revised sanction, the National Sample Survey Organisation (NSSO), Nagpur hired the calculator on a monthly rental of Rs. 6,520 from 9th September 1975 for installation in the operation centre at Nagpur which had 4 tabulators. The rent for the calculator was to be charged for a minimum period of two years after 30 days from the date of delivery or date of installation of the calculator, whichever was earlier. It could not, however, be installed in the operation centre, Nagpur as the owners of the building (Nagpur Municipal Corporation) had stated earlier in July 1975 that the second floor of the building could not withstand the load of an air-conditioning plant. No accommodation was also available on the ground floor for installation of the air-conditioning plant and the calculator. The NSSO could not also

secure any alternate accommodation fit for installation of the equipment. The calculator, thus, remained idle at Nagpur from September 1975 to April 1976 for which rent of Rs. 0.44 lakh was paid to the ICL.

In January 1976, the NSSO decided to transfer 3 tabulators available at Nagpur to Calcutta. As it was felt that the remaining one tabulator would not be adequate to feed the calculator, the calculator itself was shifted to Calcutta in May 1976; the remaining tabulator was also shifted to Calcutta in April 1977. However, the calculator could not be installed even at Calcutta due to operational and technical difficulties. Besides, there was no need for such a powerful equipment in the near future as the NSSO had decided (November 1975) to resort to progressive computerisation of National Sample Survey Data Processing Work. The NSSO, Calcutta, therefore, requested (December 1976) the ICL to discontinue the hire of the calculator and it was surrendered to the ICL on 25th September 1977 without being used. Hire charges paid from May 1976 to September 1977 amounted to Rs. 1.10 lakhs; in addition, Rs. 0.26 lakh were paid to the ICL for the transfer of the equipment from Nagpur to Calcutta and its dismantling, etc.

The fact that the building at Nagpur could not withstand the load of the air-conditioning plant and the calculator or even the machines already installed was known to the NSSO in July 1975 itself. Even then the NSSO did not make any attempt to cancel the contract placed earlier in June 1975. Government stated (November 1978) that the loss due to hire of ICL 550-calculator was because of unavoidable and unknown circumstances beyond the control of the department. Government added (October 1979) that at the time of hiring the calculator, the Data Processing Centre, Nagpur, was hopeful that "the owners of the building would provide ground floor accommodation or alternatively it might be possible to obtain suitable accommodation elsewhere". The fact, however, remains that expenditure of Rs. 1.80 lakhs incurred on hiring of the calculator and its shifting etc. proved infructuous.

7. Losses and irrecoverable dues written off/waived and *ex gratia* payments made

A statement showing losses and irrecoverable revenue, duties, advances, etc. written off/waived and also *ex gratia* payments made during 1978-79 is given in Appendix I to this Report.

CHAPTER II

WORKS EXPENDITURE

MINISTRY OF AGRICULTURE AND IRRIGATION

(Department of Agriculture)

8. Central Ground Water Board

1.0 In 1954, a new department named Exploratory Tubewells Organisation since renamed in 1970 as Central Ground Water Board (hereafter 'Board') was set up in the Ministry of Agriculture to coordinate at the national level the activities for the exploitation of ground water resources. The Board has as its Chairman a Joint Secretary in the Department of Agriculture, 4 full time members and 5 ex-officio members; it operates through its 7 regional offices, 8 drilling divisions, 4 project offices and 10 Ground Water Unit offices located at various places in the country.

1.1 During 1974-75 to 1978-79, the expenditure incurred by the Board on establishment and works amounted to Rs. 2.91 crores, Rs. 3.72 crores, Rs. 6.26 crores, Rs. 8.92 crores and Rs. 7.02 crores respectively; of these, the expenditure on establishment alone amounted to Rs. 2.11 crores, Rs. 2.56 crores, Rs. 3.41 crores, Rs. 3.38 crores and Rs. 3.36 crores respectively.

1.2 The Board has drilled exploratory wells, observation wells and slim holes in various parts of the country; the number of such wells drilled during 1974-75 to 1978-79 were 304, 435, 405, 440 and 472 respectively. In 1976-77, the shortfall as compared to the original and revised targets of 858 and 574 wells was due to non-provision of sites, delay in procurement of additional rigs and frequent breakdowns of rigs; in 1977-78, the shortfall as compared to the original and revised targets of 616 and 470 wells was due to cyclone in Andhra Pradesh, insufficient supervisory staff on drilling rigs, long distance movement of machines and men, etc.

2.0 *Development of production wells from exploratory wells.*—Successful wells (*i.e.* wells which yielded not less than 20,000 gallons of water per hour) arising as a result of exploratory drilling were developed into production wells and handed over to the State Governments for irrigation purposes against recovery of cost. In respect of unsuccessful wells (*i.e.* wells with discharge of less than 20,000 gallons per hour), the State Governments were required to indicate, before the operations were started, the minimum quantity and quality of water which would be acceptable to them. The Public Accounts Committee (Fifth Lok Sabha: 1971-72) had also recommended in paragraphs 3.17 and 3.18 of its Third Report that before selecting sites for exploration, the State Governments should be consulted as they were the ultimate users of the wells and that mutually acceptable terms in regard to minimum yield and payment of cost be settled between the Board and the State Governments before undertaking drilling so that the entire cost of the wells with yield less than 20,000 gallons per hour might not go waste. For this purpose, although the norms for costing were revised from time to time, there was nothing on record to show that prior consent of the State Governments was obtained for revision of the norms and for conversion of exploratory wells with a discharge of less than 20,000 gallons per hour into production wells.

2.1 Out of 913 exploratory wells drilled during 1974-75 to 1978-79, 129 wells were abandoned as unsuccessful. There were 182 (91 pertaining to 1968-69 to 1975-76 and 91 to 1976-77) wells costing Rs. 47.28 lakhs, which had not been taken over (November 1979) by the State Governments, due to poor discharge (54 wells in Punjab, Haryana and Andhra Pradesh), salinity of water being in excess of tolerable limits (3 wells in Rajasthan), non-fulfilment of density/spacing criteria fixed by the State Government (17 wells in Gujarat), lack of command area (6 wells in Haryana and Gujarat) and absence of any approved scheme for the area (24 wells in Punjab and Haryana). The State Governments did not indicate any reasons for not taking over the remaining 78 wells. Government stated (December 1979) that out of 182 wells, 16 costing Rs. 4.71 lakhs had since been taken over by the different State authorities; no records were, however, shown to Audit for verification.

2.2 The Board developed 73 unsuccessful wells at a cost of Rs. 16.21 lakhs during 1959-60 to 1976-77 without any request from the State Governments; these wells had not been taken over by the State Governments so far (November 1979), nor had any decision been taken for "fishing out" the assembly and pipes installed in them. Government stated (December 1979) that "fishing out" of assembly from the wells was uneconomical and full of hazards and that the State Governments were being persuaded to take over these wells.

2.3 Fourteen wells were drilled in Haryana at a cost of Rs. 7.93 lakhs in areas, which were already over-exploited for ground water potential or were irrigated by canals or where farmers had installed their own tubewells. No reasons for selection of these sites could be furnished by the Board.

2.4 *Delay in costing of wells.*—Costing of 243 wells constructed during 1957-58 to 1973-74 (32), 1974-75 (36), 1975-76 (60) and 1976-77 (115) had not been done so far (November 1979) and, consequently, they had not been offered to the State Governments so far (November 1979) for taking over. Out of 243 wells, costing of 164 wells was in progress (November 1979) and that of 79 wells had not been completed due to non-finalisation of costing procedure for wells drilled in mixed formations (66 wells), shifting of division (5 wells) and non-categorisation of wells (8 wells).

2.5 *Non-recovery of cost from the State Governments.*—Cost of 122 tubewells (Rs. 72.57 lakhs) handed over to the State Governments during 1959-60 to 1976-77 was yet (November 1979) to be recovered. Government stated (December 1979) that payments were awaited from the State Governments in spite of persistent requests and that Rs. 12.67 lakhs for 19 tubewells had since been recovered; no details were, however, furnished for verification.

Another 46 wells were handed over to the State Governments during 1962-63 to 1977-78, but the demand for payment of cost had not been made by the Board as the costing of the wells was yet (November 1979) to be done due to non-closure of estimates.

3.0 *Drilling of tubewells as deposit works.*—The standard terms and conditions for deposit works provide that the estimated cost of construction of a tubewell be paid in advance to the Board. The actual expenditure incurred plus departmental and hire charges are finally recoverable from the beneficiary. A test-check in audit of the accounts of 4 divisions disclosed that Rs. 22.13 lakhs were spent (1974-75 to 1978-79) on deposit works in excess of the deposits received, but that no recovery had been effected so far (November 1979). Government stated (December 1979) that details of excess expenditure of Rs. 14.74 lakhs had been collected for expediting recovery and that details for the balance amount were being collected from the divisions concerned.

4.0 *Narmada Project in Madhya Pradesh and Gujarat.*—The project was sanctioned (May 1971) by Government at an estimated cost of Rs. 1.81 crores for carrying out comprehensive water resources study of the Narmada Project Basin from 1971 to March 1975. The project started from October 1971 and till March 1975, against the target of 410 wells (exploratory—100, observation—260 and slim holes—50), 103 wells (exploratory—65, observation—35 and slim holes—3) were completed and Rs. 123.24 lakhs were spent. The slow progress was attributed to poor and defective performance of 3 rigs newly purchased in September 1972 (details in sub-paragraph 6.1), 2 rigs being utilised on drought relief programme elsewhere in Gujarat and inaccessibility of sites on account of poor communication facilities.

In view of the slow progress, the project was extended from April 1975 to March 1978, involving an additional outlay of Rs. 89.58 lakhs. Taking into account the actual expenditure (Rs. 123.24 lakhs) already incurred, the total estimated cost of the project worked out to Rs. 212.82 lakhs against which Rs. 221.74 lakhs had been spent till March 1978. Although the cost had increased from Rs. 1.81 crores (original) to Rs. 2.22 crores (March 1978), the number of wells actually drilled was 191 against the original target of 410 wells and revised target of 198 wells. Wells constructed were yet (November 1979) to be handed over to both the State Governments. Government stated (December 1979) that out of 71 successful wells, costing of 49 had since been finalised and the wells had been offered to the Government of Madhya Pradesh for take-over.

Although machinery and equipment (value : Rs. 29.93 lakhs) and other stores (value : Rs. 34.11 lakhs) had been purchased for the project, stores accounts had not been maintained properly and physical verification conducted in November 1975 disclosed shortages of Rs. 0.20 lakh and surpluses of Rs. 7.54 lakhs. The discrepancies, *inter alia,* were under investigation by the Commissioner of Departmental Inquiries and his findings were awaited (November 1979).

5.0 *Working of rigs—loss of operational days.*—During 1975-76 to 1978-79, the Board had 48, 51, 51 and 54 rigs ; against 8,070, 7,990, 8,743 and 7,846 operational rig days, the non-operational rig-days were 9,450, 10,625, 10,382 and 11,959 respectively. Thus, the rigs were utilised for only 40 to 46 *per cent* of the total available rig days during four years. Out of the operational days, 3,122 and 2,882 days were utilised on shifting of rigs and their preparation for use in 1977-78 and 1978-79 respectively.

Out of 51 rigs available with the Board in 1977-78, 8 rigs worked for less than 120 operational days; 24 rigs worked for 120 to 180 days; 13 rigs worked for 180 to 240 days and only 6 rigs worked for more than 240 operational days. Three rigs remained under shifting from one project/division to another for periods ranging from 4 to 7 months during April 1977 to October 1977. One rig remained idle for 311 days in 1977-78.

The Public Accounts Committee (Fifth Lok Sabha : 1971-72) in its 3rd Report had expressed the hope that with the formation of the Board in 1970, the performance of rigs would show improvement. Contrary to this expectation, however, while the loss of working days during 1965-66 to 1969-70 was 29, 37, 42, 63 and 44 *per cent* respectively, during 1975-76 to 1978-79, it was 54, 57, 54 and 60 *per cent* respectively. Figures of operational expenditure for all these years were not available as it was not booked separately in accounts. The Public Accounts Committee, in its aforesaid report, had also recommended that the norms for drilling operation in terms of average footage per rig per day might be evolved in the interest of keeping a proper watch over their performance and for taking remedial measures. No such norms had been prescribed so far (November 1979). Government stated (December 1979) that a committee appointed for fixing such norms in 1978-79 had submitted its report which was under their consideration (December 1979).

6. *Procurement of rigs and other equipment*

6.1 *Procurement of three trailor mounted heavy duty drilling rigs.*—The Board procured (September 1972) 3 rigs with accessories (cost : Rs. 14.76 lakhs) through the Director General, Supplies and Disposals (DGSD) from firm 'X'. According to the terms of agreement, after initial inspection of the stores at the works of firm 'X', inspection note was issued on 3rd August 1972 and payment of Rs. 13.73 lakhs (90 *per cent* of price) was made to firm 'X'. A preliminary visual inspection of the rigs in September 1972 revealed several defects in the quality of drill pipes, workmanship and raw material used. These defects were brought (September 1972) to the notice of firm 'X' and the DGSD. When the rigs were actually put into operation in November 1972, the performance was not up to the mark; one rig could drill only 650 feet in 10 days and the drive chain also was broken during operation. Firm 'X' could rectify the defects partially. In the meantime, there were more reports regarding unsatisfactory performance and defects in the rigs: these were inspected (March 1973) by the Superintending Engineer who pointed out further defects and held that "no amount of replacement or rectification by the firm in these rigs will eliminate the trouble and that the rigs cannot be capacitated to drill to their rated capacity". A committee of officers drawn from the Board, the Directorate of Inspection and the representative of the suppliers observed the working of one of the rigs in December 1973 and January 1974 and came to the conclusion that the rig gave poor performance. The DGSD then sought advice of the Ministry of Law which opined that firm 'X' could be asked to take back the material if the department could adduce evidence to establish the degree of performance expected of the rigs. No efforts were made to collect data of performance of indigenously manufactured rigs from any other party or department. On 5th January 1976, the Ground Water Division No. I reported that the rigs were almost wholly unsuitable and involved serious danger to life and materials. Nevertheless, after detailed discussions on 16th December 1976, with the officers of the Board and the DGSD, it was decided to accept the rigs after effecting recovery (Rs. 1.08 lakhs) towards repairs and replacements of drill pipes and other components. The Board could not state as to how much expenditure was actually incurred on rectification of defects and repairs of components against recovery of Rs. 1.08 lakhs from firm 'X'. Commenting on the unsatisfactory performance of the rigs, the Chief Engineer observed (June 1978) that " the rigs were thrust on us which are being used to half of their rated capacity".

6.2 *Procurement of one DTH rig.*—One water well down the hole hammer (DTH) type drilling rig of 305 metre rated capacity was procured (February 1977) by the Board from firm 'Y' through the DGSD at a cost of Rs. 27.91 lakhs. According to the terms of the acceptance of tender, firm 'Y' was required to carry out, free of cost, erection and commissioning of equipment at the consignee's site. The first test of the rig was conducted on 5th May 1977. The rig could penetrate up to 105.4 metres only in 71 days of operation. At the request of firm 'Y', the second test was conducted at another site from 14th July 1977 to 29th August 1977. While the test was in progress, the defects observed in the rig were discussed on 30th July 1977 with the representative of firm 'Y' and the DGSD. Firm 'Y' was then asked (July 1977) to carry out necessary replacements and rectifications and to complete the trial of the rig within 30 days, *i.e.* before 31st August 1977 and in the event of its failure, it was stipulated that the rig would be rejected at the risk and cost of firm 'Y' and recovery effected. The rig did not work up to rated capacity even on second trial. No tests were carried out thereafter. Firm 'Y' carried out repairs and modifications during 31st July 1978 to 12th August 1978 without replacement of major components which were found defective during the capacity test. The final inspection was fixed for 20th September 1978, but firm 'Y' backed out in giving the test and trial of the rig. The DGSD informed the Board in September 1979 that the matter had been referred to the Inspection Wing at Madras to hold preliminary meeting with Firm 'Y'.

Another order on firm 'Y' for supply of similar rig (cost : Rs. 24.79 lakhs excluding sales tax) for another project was placed in March 1977. The Board wanted to cancel the order in the light of the poor performance of the rig procured in February 1977. The Ministry of Law advised (October 1977) that the cancellation of the order could be done with the consent of firm 'Y'. Firm 'Y', however, stated (December 1977) that it had already purchased raw-material and gone ahead with the fabrication work connected with the drill. Final decision in regard to the cancellation of this order had not yet (November 1979) been taken.

6.3 *Procurement of drive pipes.*—An indent for the procurement of heavy duty seamless steel drive pipes of various dimensions required for use by the Board was cross-mandated by the DGSD to the India Supply Mission (ISM), London on 5th August 1971. After consulting (April 1973—

June 1973) the Board, the acceptance of tender was placed on firm 'Z' on 30th July 1973 for supply of 2,075 metres of 16" size drive pipes. Firm 'Z' informed the ISM on 1st May 1975 that it had produced extra length of approximately 149 metres and enquired whether the department would accept this additional quantity; this was agreed to by the Board. Against the total order of 2,224 metres, firm 'Z' finally supplied (October 1975) 2,252 metres of the pipe (cost : Rs. 19.14 lakhs). The Executive Engineer concerned informed the Board on 3rd July 1976 that he required only 800 metres of this pipe and that the balance of 1,452 metres might be distributed to other divisions. The excessive procurement of 1,452 metres resulted in blocking of funds involving foreign exchange to the extent of Rs. 12.34 lakhs. The Board later on (November 1976 and March 1977) decided, with the approval of the Ministry, to release about 797 metres of this pipe to other departments and State Governments during November 1976 to March 1977. The surplus stock still lying with the Board was 655 metres of the pipe costing Rs. 5.57 lakhs.

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

— Tubewells with a discharge of less than 20,000 gallons per hour were also developed as production wells without obtaining the prior consent of the State Governments for their subsequent take-over; 73 such wells were developed at a cost of Rs. 16.21 lakhs during 1959-60 to 1976-77.

— 182 wells (constructed during 1968-69 to 1976-77) costing Rs. 47.28 lakhs had not been taken over (November 1979) by the State Governments because of their unsuitability on various points.

— 243 wells (constructed during 1957-58 to 1976-77) could not be offered (November 1979) by the Board to the State Governments for take-over as the costing of these wells had not been finalised for various reasons.

— An amount of Rs. 72.57 lakhs on account of cost of 122 wells handed over to the State Governments during 1959-60 to 1976-77 was still (November 1979) to be recovered.

— Even though against the original target of 410 wells to be drilled under Narmada Project, the actual number drilled till March 1978 was 191 (against revised target of 198 wells), the cost of the project had increased from the original estimate of Rs. 1.81 crores to Rs. 2.22 crores.

— A sum of Rs. 22.13 lakhs incurred during 1974-75 to 1978-79, in excess of deposits in respect of wells drilled as deposit works, had not been recovered so far (November 1979) from the beneficiaries.

— In regard to utilisation of rigs, there was operational loss ranging from 54 to 60 *per cent* of the total days during the period 1975-76 to 1978-79.

— No norms for drilling operations in terms of average footage per rig per day have been evolved despite the recommendations made by the Public Accounts Committee (Fifth Lok Sabha : 1971-72) in its 3rd Report.

— Three rigs procured at a cost of Rs. 14.76 lakhs in September 1972 were found defective and were working only at half of their rated capacity.

— One rig procured in February 1977 (cost : Rs. 27.91 lakhs) was found defective in tests conducted in May 1977 and August 1977.

— Purchase of drive pipes without realistic assessment resulted in unnecessary blocking of funds to the extent of Rs. 5.57 lakhs.

MINISTRY OF AGRICULTURE AND IRRIGATION

(Department of Agriculture)

and

DELHI ADMINISTRATION

9. Minor Irrigation Schemes (Delhi Administration)

1. To provide adequate irrigational facilities throughout the year for production of vegetables, certain minor irrigation schemes for the Union Territory of Delhi were included in the Fourth and Fifth Five Year Plans. The total outlays for the schemes, approved in the Fourth and Fifth Plan periods, were Rs. 89 lakhs and Rs. 240 lakhs respectively. Details regarding the total outlay and actual expenditure on the schemes during the Fourth and Fifth Plans are given below :—

	4th Plan		5th Plan		
	Plan Outlay	Actual Expenditure	Plan Outlay	Provision in the Annual Plans	Actual Expenditure
	(In lakhs of rupees)				
Tube-wells . .	31.11	43.43	69.85	48.83	41.50
Effluent . .	18.88	14.57	112.15	126.69	105.40
Bunds . . .	8.70	17.63	40.00	38.48	31.87
Miscellaneous schemes	30.31	5.95	18.00	13.00	0.32
TOTAL . .	89.00	81.58	240.00	227.00	179.09

In the Fifth Plan, Rs. 18 lakhs were included for preparation of a Master Plan for irrigation for the Union Territory of Delhi and out of this amount, a provision of Rs. 10 lakhs was made in the annual plan for 1977-78, but no expenditure was incurred on this account during the year as the sanction of the scheme was stated (June 1979) to have been received "at a very late stage". The expenditure incurred during 1978-79 was Rs. 0.32 lakh only against budget provision of Rs. 3.00 lakhs. No Master Plan has, however, so far been prepared (November 1979).

Out of the total area of 1.91 lakh acres under cultivation during 1968-69, the total net area under irrigation was 1.05 lakh acres. Against additional net area of 11,771 acres envisaged during the Fourth Plan, the actual firm figure of achievement was not available (December 1979) ; against additional net area of 13,000 acres envisaged during the Fifth Plan, 13,800 acres were brought under irrigation up to March 1979.

2. Some of the important points noticed during test-check in audit of the accounts of the minor irrigation schemes are mentioned below :

Tube-wells :

2.1 Twenty shallow cavity and 21 deep tube-wells were maintained by the Minor Irrigation Division in 1969. The following table shows the progress of installation of tube-wells and extension of tube-well irrigation during the Fourth and Fifth Plan (up to March 1979) :—

	No. of tube-wells				Cost (in lakhs of rupees)	Total area brought under irrigation	
	Shallow cavity		Deep tube-wells				
	Target	Achievement	Target	Achievement		Target	Achievement
						(in acres)	
Fourth Five Year Plan	100	100	5	5	43.43	3350	2770
Fifth Five Year Plan	..	..	49	22	14.71*	2900	1230

*In addition Rs. 1.73 lakhs and Rs. 25.06 lakhs were spent on boring of 2 tube-wells and exploration and exploitation of ground water resources respectively.

Forty-nine tube-wells to be installed during the Fifth Plan included 24 additional tube-wells (Plan provision-Rs. 12.85 lakhs) to provide assured irrigation to marginal farmers for approximately 2,000 acres. Against this, an estimate of Rs. 48.48 lakhs was prepared (June 1976) and sanctioned (February 1978). Rupees 1.73 lakhs had been spent up to March 1979 on the boring of 2 deep tube--wells out of 24, but no area had been brought under irrigation.

2.2 Out of 168 tube-wells, 14 (6 deep and 8 shallow cavity) installed (1965—76) at a cost of Rs. 10.84 lakhs were reported to have been abandoned (1973—77) due to land acquisition by the Small Scale Industrial Development Corporation (2), defective and brackish water (3), failure of boring or 'cavity down' (4) and urbanisation (5).

The Chief Engineer stated (June 1979) that one deep tube-well out of 6 had been recommissioned (cost : Rs. 0.06 lakh) in June 1979 by successful reboring.

2.3 In addition, 39 tube-wells (installed during 1965 to 1976 at a cost of Rs. 21.67 lakhs) had been closed temporarily for periods ranging from 1 to 5 years. An analysis of the reasons given for the temporary closure showed that 9 tube-wells (cost : Rs. 4.61 lakhs) had been closed due to lack of demand, 13 (cost : Rs. 5.53 lakhs) due to defective electric supply meters and the remaining 17 (cost : Rs. 11.53 lakhs) due to various other reasons.

The Chief Engineer stated (June 1979 and October 1979) that at present 13 tube-wells were not working due to mechanical or other faults, 22 others were not working either due to defective electric meters, overhead lines, etc. or were proposed for permanent abandonment.

2.4 The percentage of tube-wells which did not work during 1974-75 to 1978-79 ranged from 32 to 44 *per cent* for kharif harvest and from 21 to 33 *per cent* for rabi harvest as shown below :—

Details	1974-75		1975-76		1976-77		1977-78		1978-79	
	Kharif	Rabi	Kharif	Rabi	Kharif	Rabi	Kharif	Rabi	Kharif	Rabi
(*i*) Number of tube-wells										
(*a*) Available .	146	150	152	155	156	156	159	161	161	163
(*b*) Operated .	100	114	85	123	87	122	92	108	93	117
(*ii*) Number of tube-wells not operated . .	46	36	67	32	69	34	67	53	68	46
(*iii*) Percentage of tube-wells not operated .	32	24	44	21	44	22	42	33	42	28

The non-working of the tube-wells was stated (June 1979) to be mainly due to lack of demand or want of repairs of tube-wells, presumably due to bad planning or improper maintenance.

2.5 According to the Chief Engineer (February 1979), a norm of about 50 acres of command area land was taken into consideration for installation of a tube-well ; the area to be irrigated for the rabi and kharif crops would, thus, be around 100 acres per tube-well. As against this norm, the actual number of tube-wells operated and the area irrigated from each tube-well during the five years ending March 1979 in three blocks are shown in the following table :

Area irrigated per tube-well	Number of tube-wells				
	1974-75	1975-76	1976-77	1977-78	1978-79
1 to 5 acres . .	6	9	8	17	3
6 to 10 acres .	14	18	23	20	12
11 to 15 acres .	19	17	17	10	18
16 to 20 acres .	12	14	8	10	12
21 to 30 acres .	17	18	19	19	11
31 to 40 acres .	19	16	13	14	12
41 to 49 acres .	9	3	1	3	5
50 acres and above	5	6	4	3	9

The Chief Engineer stated (June 1979) that one of the reasons for inadequate utilisation of tube-well irrigation was the absence of proper water distribution system and that a scheme of improving of irrigation facilities from the existing tube-wells had been sanctioned (February 1979) by the Delhi Administration to provide proper water distribution system from the tube-wells by which demands of the cultivators would be increased considerably and the percentage of non-working tube-wells would be reduced. It would, thus, be seen that although the work of installation of tube-wells and construction of distribution system was looked after by the same division and there should have been proper coordination, the aspect of constructing proper water distribution system was neglected.

2.6 Water from the tube-wells was being supplied for irrigation to the beneficiaries at the rate of one rupee per 16,000 gallons of water which worked out to 20 to 45 paise per unit of electricity consumed depending on the discharge of water. This rate was fixed in 1966 and had not been revised thereafter. An analysis made (January 1977) by the division concerned showed that the aforesaid rate needed to be revised to an amount ranging from Re. 0.75 paise to Re. 1.00 per unit of electricity consumed in order to run the scheme on "no profit no loss" basis. The Chief Engineer stated (October 1979 and December 1979) that the present practice was only to charge the cultivators the units of electricity consumed for the hours the pumps had run for irrigation and that the proposal initiated by the division for upward revision of rates was under consideration.

2.7 The following table indicates income accruing from the tube-wells and the expenditure incurred on their annual repairs and maintenance during 1974-75 to 1978-79.

Year	No. of tube-wells	Income	Expenditure
		(In lakhs of rupees)	
1974-75	150	2.05	3.87
1975-76	155	1.86	3.97
1976-77	156	2.24	4.26
1977-78	161	1.52	5.27
1978-79	163	1.72	5.33

It would be seen from the above table that while the expenditure on annual repairs and maintenance of tube-wells increased from Rs. 3.87 lakhs in 1974-75 to Rs. 5.33 lakhs in 1978-79, the income decreased from Rs. 2.05 lakhs in 1974-75 to Rs. 1.72 lakhs in 1978-79.

According to the Chief Engineer (June 1979), the Minor Irrigation Division was not working on a commercial basis and expenditure for maintaining the tube-wells had increased on account of rise in wages and increase in cost of carrying out the requisite civil, mechanical and electrical works ; due to lack of proper water distribution system on various tube-wells installed in low lying areas, the utilisation was not at the optimum. The Chief Engineer added (June 1979) that the scheme for improving the capacity of shallow cavity tube-wells by construction of proper water distribution system in the command area was in hand and that after completion of this scheme, large area would be brought under irrigation of the existing tube-wells which would correspondingly increase the number of beneficiaries as well as revenue. Further developments were awaited (December 1979).

2.8 It would be seen from sub-paragraphs 2.2 to 2.4 that as on 31st March 1978, 53 tube-wells were not operated ; out of these, 14 were abandoned and 39 were not in operation due to various mechanical and electrical faults. According to the Chief Engineer (January 1980) less than 30 *per cent* of staff of chowkidars employed on tube-wells were regular and the remaining were on daily wages and could be withdrawn or disbanded as and when the tube-well was closed. This, however, could not be verified in audit. Besides, expenditure on each tube-well was not separately available in the division.

3. *Extension and improvement of effluent irrigation system*

3.1 In 1964, the area under irrigation by effluent from the three sewage treatment plants was 2,733 acres; at Keshopur (West : 100 acres), Coronation (North : 750 acres) and Okhla (South : 1,883 acres). With a view to increasing the utilisation of effluent, the Committee set up for the purpose (1964) recommended, as a short-term measure, bringing under effluent irrigation an additional area of 3,000 acres during kharif and rabi of 1965-66 at a total cost of Rs. 10 lakhs. The long-term recommendation envisaged 35,000 acres of land being brought under effluent irrigation in a phased programme during 5 to 10 years. Although in October 1965 the Ministry of Home Affairs decided that the Municipal Corporation of Delhi would supply sewage irrigation water on bulk basis to the Delhi Administration which, in turn, would retail sewage irrigation to cultivators and extend the system to new areas, the management of effluent irrigation system was handed over to the Delhi Administration only on 26th April 1971. While the maintenance of channels was to be done by the Delhi Administration, profits, if any, after deducting the expenses incurred, were to be paid to the Municipal Corporation, but losses were to be borne by the Delhi Administration. The transfer was to be for a period of three years in the first instance. The period had not been formally extended so far (October 1979).

3.2 The effluent water from the three treatment plants was being supplied to the beneficiaries at the rates fixed by the Municipal Corporation in 1951 which ranged from Rs. 9 to Rs. 42 per acre depending upon the nature of the crop. Despite increase in cost of maintenance, the rates had not been revised so far (October 1979) except that for grass which was revised (October 1978) to Rs. 300 per acre to discourage utilisation of effluent water for cultivation of grass.

The Chief Engineer stated (February and October 1979) that the revision of water rates had been under consideration of the Delhi Administration since 1973-74, but that the final decision was yet to be taken.

3.3 From the proforma account of the scheme, it was noticed that it was running at a loss which increased from Rs. 0.69 lakh in 1972-73 to Rs. 4.50 lakhs in 1978-79. The total loss incurred up to March 1979 since its take-over from the Corporation in

April 1971 amounted to Rs. 14 lakhs. According to the Chief Engineer (June 1979), the scheme was sanctioned by the Government of India on a non-commercial basis, mainly to bring additional areas under irrigation. This purpose also has not been fully achieved (October 1979).

3.4 The total area under cultivation from the three treatment plants of effluent water at the time of transfer to the Delhi Administration in April 1971 was 3,500 acres (Keshopur 150 acres, Coronation 650 acres and Okhla 2,700 acres). The fall in the command area under Coronation Scheme from 750 acres (1964) to 650 acres (1971) was stated (February 1979) to be due to urbanisation of land and other changes in land use.

3.5 *Keshopur effluent irrigation.*—With a view to ensuring full utilisation of the capacity of the Keshopur Plant, which had been restricted to 12 million gallons per day (MGD) due to development of the area on the right bank of the Najafgarh Drain by the Delhi Development Authority (DDA) under the Delhi Master Plan, the Delhi Administration planned (July 1969) to extend and improve the effluent irrigation from the plant in three phases as indicated below :

Phase I : utilisation of the available discharge of 22 cusecs on the left side of the Najafgarh Drain to irrigate 1,887 acres at estimated cost of Rs. 18.77 lakhs (sanctioned in June 1970) revised to Rs. 35.16 lakhs (sanctioned in March 1976) to cope with the ultimate discharge of 90 cusecs ;

Phase II : utilisation of 110 cusecs to irrigate 7,113 acres at estimated cost of Rs. 48.68 lakhs (sanctioned in September 1976) ; and

Phase III : utilisation of further discharge available, if any.

3.6 While submitting the project estimates to obtain administrative approval, the division did not suggest any time schedule for completion of first two phases of the scheme as the scheme anticipated taking over of part of Mundka Minor which was under the control of Haryana Government (for the transfer of which discussions were taking place (June 1979) at Central Government level). The expenditure incurred on Phase I and Phase II was Rs. 41.18 lakhs and Rs. 23.87 lakhs respectively up to March 1979 and according to the Chief Engineer (October 1979), 900 acres of land had been brought under irrigation up to March 1979. A test-check in audit of the accounts of 40 out of 51 contracts awarded under Phase I and Phase II of the scheme disclosed the following points.

(i) Against 1 to 6 months allowed for completion as per contracts, extensions of time ranging from 16 days to 28 months were granted in 25 contracts for completion of the main items of work which were essential for utilisation of effluent water. The extensions were granted mainly due to delay in land acquisition, delay in deciding the site, non-availability of cement, delay in communicating certain technical decisions and additions to works.

(ii) Five contracts (value : Rs. 6.02 lakhs) were rescinded (April 1975 to January 1976) due to slow progress of work. The Chief Engineer stated (December 1979) that in three of these, the extra cost incurred on the execution of works had been made good from the original contractors. In one contract (value : Rs. 2.66 lakhs), the arbitrator disallowed the recovery of the extra cost of Rs. 0.75 lakh incurred by the division on execution of the remaining work through another contractor and in one other, the earnest money (Rs. 368.00) was forfeited since the work was not started and required to be got executed at the risk and cost of the contractor.

(iii) The work of supply, installation and commissioning of pump sets was awarded to a contractor in September 1976 at a cost of Rs. 6.00 lakhs for completion by 31st January 1977. For want of electric connection, however, the pumps were not commissioned till September 1979 up to which period Rs. 3.35 lakhs had been spent.

The work of installation and energisation of power transformer with accessories was also awarded to the same contractor in January 1978 at a cost of Rs. 1.08 lakhs for completion by 31st May 1978. The work was not, however, completed till October 1979 up to which period an expenditure of Rs. 0.90 lakh had been incurred. The Chief Engineer stated (October 1979) that although the power transformer had been installed (June 1978), the requisite test certificate was not submitted by the contractor till August 1979 because of which electric connection could not be supplied by the Delhi Electric Supply Undertaking (DESU). The Chief Engineer stated (December 1979) that the pumps had since been commissioned (October 1979).

3.7 *Coronation effluent irrigation.*—Against the total capacity of the pumping station of 40 cusecs for pumping of sewage to the plant, only about 7 cusecs were being utilised for irrigating 650 acres of land mainly due to the low discharge capacity of the hume pipe below the Shahalam bund. A scheme of improvement and extension of effluent irrigation from Coronation plant estimated to cost Rs. 10.57 lakhs was formulated in November 1973 for completion within one year. The scope of the scheme was modified in August 1975 and revised sanction for Rs. 15.98 lakhs was accorded in January 1976. In June 1976, it was decided that the system should be extended up to Bawana escape in order to bring additional land under irrigation. The channels were redesigned to cater for the discharge of 37 cusecs of effluent with the expectation that the total area under the command of the system would be 3,000 acres. The sanction for the revised scheme for Rs. 45.36 lakhs was issued in February 1978. Meanwhile, the work on the scheme continued and Rs. 32.21 lakhs had been spent up to March 1979.

A part of the scheme was to be commissioned by November 1977 and the whole of it was to be completed by June 1978. The position of various sub-minors (length) still to be completed (October 1979) against their designed length was as under :—

S. No.	Name of the Minor/Sub-minor	Designed length (metres)	Earth work completed in length (metres)	Actual length completed with lining (metres)	Balance yet to be completed (metres)
1.	Sub-minor No. 1	1,300	1,000	440	860
2.	Sub-minor No. 3	1,250	1,215	—	1,250
3.	Sub-minor No. 4	1,300	500	—	1,300
4.	Mukandpur minor	1,500	1,500	300	1,200
5.	Main channel	400	400	150	250

Although Rs. 32.21 lakhs had been spent till March 1979, the area irrigated increased from 650 acres to 825 acres only as against 3,000 acres anticipated to be covered. The Chief Engineer stated (January 1980) that the increase in the irrigated area was marginal as the scheme had not been completed so far.

3.8 The work of supply, installation and commissioning of 3 sets of pumps costing Rs. 1.43 lakhs was awarded to a contractor in January 1976 for completion by 3rd October 1976. The pumps were, however, commissioned in October 1979. The delay was attributed (July 1978) to non-availability of L.T. switches from the DESU and non-inspection of the transformer by the Electrical Inspector of the Delhi Administration. The Chief Engineer stated (December 1979) that the pumps were under regular operation and being put to optimum use since November 1979 to provide irrigation facilities to the cultivators.

3.9 A test-check in audit of 24 contracts awarded under the scheme disclosed that, against the period of 1 to 4 months for completion of work as per the contracts, extensions of time for periods ranging from 10 days to 15 months were granted for completion of the main items of work which were essential for the utilisation of the effluent water. The extensions were granted mainly due to delay in land acquisition, delay in communicating certain technical decisions, monsoons and additions to work.

3.10 *Okhla effluent irrigation.*—Against the total installed capacity of 78 MGD of the three units of the Okhla treatment plant, the average daily flow was about 40 MGD during summer months and 50 MGD during rest of the year and about 25 MGD was being utilised for irrigating 2,500 acres of land. In March 1968, it was proposed to extend irrigation facilities to an additional area of 900 acres in three more villages. The scheme estimated to cost Rs. 10.75 lakhs was approved in May 1969 for completion within two years. The execution of the scheme, however, was started in November 1971 only after the system was handed over to the Delhi Administration in April 1971. The estimate was revised to Rs. 13.84 lakhs in December 1975 due to change in scope of work to suit the site conditions and was sanctioned in February 1976. By March 1976, Rs. 13.70 lakhs had been spent and all the works were completed except procurement and installation of pumps before the scheme could be commissioned. The estimate was further revised in November 1977 to Rs. 20.33 lakhs to provide for (i) extension of the channel up to Haryana border to provide irrigation facilities to an additional area of 300 acres, (ii) escape to the feeder channel to divert the effluent water to Jamuna Canal in case of non-functioning of pumps and (iii) office accommodation and rest house for staff employed on pump house, etc. Sanction to the revised estimate was accorded in February 1978.

3.11 In paragraph 34 of the Report of the Comptroller and Auditor General of India for the year 1969-70, Union Government (Civil), mention was made of the Najafgarh Lift Irrigation Scheme which was abandoned in August 1969. It was mentioned therein that the Ministry had stated (November 1970) that the pumps purchased for that scheme (cost : Rs. 0.51 lakh) would be transferred to other schemes under the Delhi Administration. In February 1976, the Minor Irrigation Division approached the Mechanical Division for installation of these pumps in the Okhla treatment plant scheme. It was then noticed (September 1976) that the construction work of sump well, pump house and transformer room in the Okhla scheme was not got executed to suit the installation of these available pumping sets. The Chief Engineer stated (June 1979) that the pumps of the abandoned Najafgarh Lift Irrigation Scheme could handle only plain water and that for handling effluent water with solids as well as acidity, pumps were to be specially designed.

Although the civil works as per the revised scheme approved in February 1976 were completed by March 1976 and the work of pump house had been completed earlier in May 1975, the work of supply, installation and commissioning of three pumps was awarded to a contractor only in February 1977 at a cost of Rs. 1.00 lakh for completion by 15th May 1977. According to the Chief Engineer (January 1980), the delay in the award of the work was possibly due to awaiting of revised sanction of the scheme and designing new pumps for handling effluent water with solids. This reason is not convincing as the fact that the pumps were to handle effluent water was known even earlier.

The completion date of pumps was extended provisionally up to 17th November 1977 without prejudice to the right of Government to recover liquidated damages in terms of the contract at the time of final payment. No liquidated damages were, however, recovered (October 1979). The pumps were commissioned in May 1978, but certain defects were rectified by the contractor only in November 1978 and according to the Chief Engineer (October 1979), the total area brought under irrigation up to March 1979 was 2,604 acres.

3.12 The Chief Engineer stated (January 1980) that out of total quantity of effluent water of 106 to 113 MGD, 48 MGD was used and the remaining water flowed down unused into the Yamuna river and that Government was taking action for sharing of the Yamuna water with neighbouring states.

4.1 *Arrears of revenue*.—The revenue from the cultivators for supply of water from tube-wells and the effluent system was realised and directly credited to Government account through the revenue authorities. The division, which came into existence during November 1969 as a successor of the Assistant Engineer, Irrigation (which was under the charge of Development Department), had not kept any record of the arrears of revenue on account of tube-well irrigation at the time of taking over the irrigation schemes.

4.2 From the available records from 1969-70 onwards, it was noticed that against the total assessed revenue from tube-wells and effluent irrigation amounting to Rs. 28.39 lakhs, Rs. 12.29 lakhs (43 *per cent*) were in arrears on 31st March 1979. Information regarding the number of defaulters, amount in arrears and period from which these were due, was not available with the division. The Chief Engineer stated (June 1979) that the matter had been taken up with the revenue authorities for early realisation of dues and also for furnishing the details of arrears and defaulters ; a further sum of Rs. 0.77 lakh was stated (October 1979) to have been recovered up to July 1979. According to the Chief Engineer (January 1980), "no coercive measures have so far been taken or contemplated to realise the arrears".

5. *Construction of new bunds and restoration of old bunds*

5.1 There were 12 bunds in the Mehrauli block for soakage irrigation which were constructed over nallahs coming from hilly tract on the southern boundary of the territory and flowing through the Mehrauli Block. The rain water coming into the nallahs is collected by these bunds and the retention of water results in (i) soakage of soil (which helps in raising rabi crops), (ii) controlling soil erosion and (iii) raising of ground water table, besides helping reclamation of land for agricultural purposes in course of time.

On the creation of the Minor Irrigation Division in 1969, the work of restoration of 9 bunds was transferred to this division. Two bunds (Khetri and Tekhand) were acquired by the DDA and one bund (old Aya Nagar) was taken over by the Air Force. During the Fourth Plan, the division completed the restoration work of all these bunds (cost : Rs. 2.94 lakhs) and in addition constructed new bunds, *viz*. Deoli Bund extension, Zonapur bund and completed extension of Asola Bund and its new spill-way, at a cost of Rs. 14.69 lakhs.

At the close of the Fourth Plan, the division had 11 soaking irrigation bunds under its charge through which it could bring 700 additional acres of land under basin irrigation facilities.

5.2 The Fifth Plan provided an outlay of Rs. 35 lakhs for construction of 5 new bunds and an additional amount of Rs. 5 lakhs for the maintenance of the existing bunds. Rupees 1.13 lakhs, Rs. 1.26 lakhs, Rs. 1.15 lakhs, Rs. 1.26 lakhs and Rs. 1.16 lakhs were spent on the maintenance and repairs of bunds during 1974-75, 1975-76, 1976-77, 1977-78 and 1978-79 respectively against Rs. 2.94 lakhs spent during the four years 1970-71 to 1973-74. The following table shows the progress of construction of the 5 new bunds during the Fifth Plan :

Name of Bund	Estimated cost	Actual expenditure	Date of commencement	Date of completion
	(In lakhs of rupees)			
1. Aya Nagar Bund	6.62	8.36	February 1974	January 1978
2. Bhatti Bund	7.25	7.25	February 1977	August 1978
3. Rajokari Bund	3.25	3.13	January 1977	September 1977
4. Mandi Bund	7.47	7.63	December 1974	January 1977
5. Chattarpur Bund	1.00	Construction not taken up		

Although 500 acres, 40 acres, 20 acres, 256 acres and 15 acres of land were to be reclaimed through the construction of the five bunds respectively, information regarding the number of acres actually reclaimed was not available. No study had also been made by the division to know the number of villages and farmers actually benefitted by the scheme.

The Chief Engineer stated (June 1979) that no systematic study had been carried out regarding improvement in water table because carrying out experiments on the up-stream and down-stream would have involved expenditure for which no element was included in the estimates. The reasons, as to why this had not been done, have not been indicated.

5.3 *Asola Bund.*—In 1972, the Asola Bund in Mehrauli Block was extended on the left side and a new spill-way with waterway 100 feet against 160 feet of the old spill-way was provided at a cost of Rs. 0.58 lakh for the purpose of soil conservation and basin irrigation. The bund breached during rains in the same year (1972). The Chief Engineer, who inquired into the matter, observed (February 1973) that the structure was not designed on proper hydraulic considerations and suitable structure on the downstream side for proper dissipation of energy formed by "hydraulic jumps" was not provided. While considering reconstruction of the bund in 1974, including modifications to spill-way, it was observed that the latter was not according to the design requirements and that its safety could not be guaranteed. However, considering the investment already made, the bund was reconstructed in 1974-75 at a cost of Rs. 2.39 lakhs (breach closure : Rs. 0.44 lakh, strengthening of bund : Rs. 0.68 lakh and spill-way modification : Rs. 1.27 lakhs). The bund again breached during the rains in August 1975 and a substantial part of the spill-way as well as a portion of the bund was washed away. An inquiry conducted by the Delhi Administration into the causes of breach disclosed (December 1975) that :

— the design and specifications of the bund had not been reviewed by the Chief Engineer ;

— the spill-way was not properly designed ;

— the designs were not duly checked and approved before the contracts for execution of works were awarded ; and

— the works of restoration of old outlets, which would have helped in lowering the water level on the up-stream side of the spill-way, were not got executed, though these were provided in the approved estimates.

The Chief Engineer stated (December 1979) that no further action had been taken on the inquiry report because it was decided to close the case.

5.4 In view of the repeated failures, it was decided in June 1976 that the design of the spill-way and outlet works be got carried out by the Central Water Commission (CWC). In August 1976, the CWC called for the relevant drawings and the data regarding foundation conditions met with at the spill-way. In December 1976, the division informed the Chief Engineer that no data on soil details had been compiled earlier. The drawings of new and old spill-way at Asola Bund and data regarding foundation condition met with at the spill-way were sent to the CWC in January 1977. The design of the spill-way and outlet works had not been received from the CWC so far (October 1979). The reconstruction work of the Asola Bund remained suspended since August 1975.

5.5 *Aya Nagar Bund*.—The Aya Nagar Bund, 2,025 feet long was constructed at a cost of Rs. 6.99 lakhs in May 1975 downstream side of the old 2,350 feet long bund to reclaim about 140 acres of land below the existing bund. However, in the very first rainy season in 1975, a number of severe rain cuts had occurred on the upstream and downstream side slopes because of the sandy type soil used in the construction of the bund and absence of filter layers below the pitching. The capacity of spill-way of Aya Nagar Bund constructed at a cost of Rs. 0.60 lakh (included in Rs. 6.99 lakhs) and completed in June 1975 was also found quite inadequate in the light of experience gained by failure of Asola Bund.

On technical considerations, it was, therefore, decided (March 1976) to make some further modifications to provide new service spill-way etc. Revised estimates for the works for Rs. 13.21 lakhs (including Rs. 6.99 lakhs already incurred) were prepared and sent to the Delhi Administration in March 1976 for administrative approval and expenditure sanction for the whole scheme, which was awaited (November 1979).

After deletion of certain items, the division sought (April 1976) the technical sanction of the Chief Engineer (Floods), Delhi Administration for the estimate of Rs. 4.55 lakhs for providing and laying dry stone pitching on upstream side and protection of downstream side of Aya Nagar Bund including the construction of a new spill-way. In May 1976, the quantities of 8 out of 13 items were reduced and the work was awarded to contractor 'B' on 29th May 1976 at his negotiated rates for Rs. 1.89 lakhs in anticipation of sanction, for completion in 6 months. In the meantime, on a reference made by the Delhi Administration, the CWC observed (May 1977) that :

— no cost-benefit ratio seemed to have been worked out while preparing the original estimates or the revised estimates ;

— the bund was located at a site full of ravines with silty strata and there were no cultivable lands in the immediate vicinity of the downstream of the bund ; against 140 acres of land expected to be reclaimed, the land likely to be reclaimed at the average filling of the reservoir was reported to be about 80 acres only ;

— it might not be quite proper and justified to have such a bund at this location for irrigation development ; and

— in order to utilise fruitfully the expenditure already incurred and considering the long term utility from the soil conservation angle, the Delhi Administration might resort to minimum unavoidable expenditure for keeping the bund in safe position.

5.6 Rs. 1.13 lakhs had been spent on the work till November 1976 when the matter was referred to the CWC. The work was foreclosed in January 1978 after certain minimum works on spill-way were carried out at a cost of Rs. 0.24 lakh. The entire expenditure incurred on the scheme amounting to Rs. 8.36 lakhs (up to March 1979) had not yielded the expected benefits so far (October 1979).

The Chief Engineer stated (January 1979) that the construction of bunds in Mehrauli block was basically for improving water table and reclamation of land which had been provided by these bunds.

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

- — Against the provision of Rs. 18 lakhs made in the Fifth Plan for preparation of Master Plan for Irrigation for the Union Territory of Delhi, Rs. 0.32 lakh only was spent up to 1978-79 and the Master Plan has not been prepared (November 1979).
- — Twenty-two tube-wells only could be installed during the Fifth Plan against the target of 49, the area (4,000 acres) brought under irrigation fell short of the target (6,250 acres) both during the Fourth and the Fifth Plans.
- — Thirty-nine tube-wells (cost : Rs. 21.67 lakhs) were closed temporarily for periods ranging from 1 to 5 years and 14 tube-wells (cost : Rs. 10.84 lakhs) abandoned permanently ; the percentage of tube-wells which did not work during the Fifth Plan ranged from 32 to 44 *per cent* for kharif harvest and from 21 to 33 *per cent* for rabi harvest.

— The gross area irrigated per tube-well fell short of the norm (100 acres per tube-well) taken into account for installation of tube-wells ; this was stated to be due to the absence of a proper water distribution system. Thus, the aspect of coordination with water distribution system was neglected.

— The rates prescribed for water supply fixed in 1966 had not been revised thereafter ; while the expenditure on the annual repairs and maintenance of tube-wells was on the increase, the amount recoverable from the beneficiaries showed a decline over the years.

— Against the long term target of 35,000 acres to be brought under effluent irrigation within 5 to 10 years as per the recommendations made by the Committee set up for the purpose in July 1964, 15,700 acres were actually expected to be brought under irrigation as per the finally approved schemes and the area under irrigation rose from 3,500 acres in April 1971 to 4,329 acres only up to March 1979.

— No record had been kept by the division of the arrears of revenue on account of tube-well irrigation at the time of taking over the irrigation schemes from the Assistant Engineer, Irrigation ; Rs. 12.29 lakhs were outstanding for recovery on 31st March 1979 ; information regarding the defaulters of dues both in respect of tube-wells and effluent irrigation was not available with the division.

— Against target of 5 new bunds to be constructed during the Fifth Plan, 4 bunds were completed (cost : Rs. 26.37 lakhs). Although 500, 40, 20, 256 and 15 acres of land were to be reclaimed by the construction of 5 bunds, information regarding land actually reclaimed was not available.

- Although Rs. 26.37 lakhs were spent on the construction of new bunds during the Fifth Plan, no evaluation was done by the division to know the number of villages and farmers actually benefitted by the scheme nor had any systematic survey been carried out regarding improvement in water table as a result of construction of bunds.

- The extension of Asola bund completed at a cost of Rs. 0.58 lakh in 1972 was not designed on proper hydraulic considerations and the bund breached during the rains in the same year ; although the spillway was not according to the design requirement and its safety could not be guaranteed, Rs. 2.39 lakhs were spent on the reconstruction of the bund during 1974-75 ; the bund again breached in August 1975 ; in December 1976, it was noticed that no data on soil details had been compiled ; the reconstruction of bund had remained suspended after August 1975.

- The Aya Nagar bund constructed at a cost of Rs. 6.99 lakhs in May 1975 developed severe rain cuts in the very first rainy season in 1975 ; on reference, the CWC observed that no cost-benefit ratio had been worked out, there was no cultivable land in the immediate down-stream of the bund and its utility from the point of view of prevention of soil erosion due to siltation was also limited.

MINISTRY OF SHIPPING AND TRANSPORT

(Roads Wing)

10. Unnao by-pass and Kanpur by-pass

1.1 *Introductory.*—The old Ganga bridge at Kanpur constructed in 1875, having become unsafe for heavy vehicular traffic, the construction of the new Ganga bridge, 5.2 kilometres downstream of the old bridge, was taken up in February 1974 and completed in August 1976 at a cost of Rs. 424.56 lakhs. The Northern approach road to the new bridge called the Unnao by-pass (17.30 kilometres long ; estimated cost : Rs. 104.75 lakhs) and the Southern approach road (3.298 kilometres long ; estimated cost : Rs. 19.59 lakhs), were sanctioned by the Ministry of Shipping and Transport (MOT) in January 1972 and February 1972 respectively and were scheduled to be completed by September 1975 and March 1975 respectively. Another by-pass, *viz.* Kanpur by-pass (18.912 kilometres long ; estimated cost : Rs. 116.62 lakhs) was sanctioned in February 1972 for completion by September 1975 with a view to divert the heavy traffic passing through Kanpur city *via* the existing National Highway 2 (N.H.2).

The cost of the by-passes and the approach road was to be borne by the Government of India along with agency charges payable to the Public Works Department of Uttar Pradesh (UP PWD).

1.2 *Revision of estimates.*—The estimated cost of the Unnao by-pass was revised (January 1976 and February 1978) from Rs. 104.75 lakhs (1972) to Rs. 214.83 lakhs (actual expenditure : Rs. 277.81 lakhs including cost of four minor bridges) and that of the Southern approach road from Rs. 19.59 lakhs (1972) to Rs. 35.51 lakhs (July 1979) mainly due to the following :—

(a) changes in crust design of Unnao by-pass on detection of harmful salts and change from unsoaked California Bearing Ratio (CBR) basis to soaked CBR (Rs. 84.62 lakhs for Unnao by-pass and Rs. 11.83 lakhs for approach road) ;

(b) revision of the estimated cost of the minor bridges at kilometres 12 and 15 of Unnao by-pass from Rs. 19.78 lakhs to Rs. 56.95 lakhs (February 1978) mainly due to heavy protection works.

1.3 *Progress of work.*—The Unnao by-pass (including four minor bridges costing Rs. 60.76 lakhs) was completed by November 1978 against the original schedule of September 1975 at a total cost of Rs. 277.81 lakhs. The delay was attributed to change in crust design (see sub-paragraphs 2(i) and 2(ii) below), additional items of work and paucity of funds.

The Southern approach road had been completed to the extent of 80 *per cent* (June 1979) only (cost : Rs. 27.38 lakhs), delay being due to non-acquisition of land in a length of 1.02 kilometres (please see sub-paragraph 2(iii) below).

About 40 *per cent* of the Kanpur by-pass (including the minor bridges) had only so far (June 1979) been completed (expenditure : Rs. 97.50 lakhs) due to non-acquisition of land in a length of 4.963 kilometres, paucity of funds, etc. It was noticed in audit that various discussions held so far (December 1979) for expediting acquisition of land had not proved effective. It was also seen that provision to the extent of Rs. 71.56 lakhs was not made from 1974 to 1976 as lower priority was given to roads. Consequently, the traffic passing through the Ganga bridge and Southern approach road had been plying on the existing N.H.2 (Kanpur-Allahabad Section) through the Kanpur city and the objective that the traffic should by-pass this city had not been achieved so far (December 1979).

2. *Execution of works.*—The work on the two by-passes and the approach road was taken up in 1972. The following salient points were noticed (May 1978) in test-check in audit of these works.

(i) *Change in crust design due to presence of harmful salts and suspension of work for over* 2 *years.*—The soil survey on the proposed alignment of Unnao by-pass conducted in 1970 did not include tests to determine the presence of harmful salts. Subsequently, during the execution of earthwork the presence of harmful salts in the sub-grade soil was noticed (January 1973) in kilometres 0 to 6 of the by-pass. Consequently, the work was stopped in June 1973 when about 84 *per cent* of earthwork had been completed in this reach at a cost of Rs. 4.41 lakhs. The crust design was consequently modified and approved by the MOT in August 1974. Due to this change, the work in this reach remained suspended for over two years (June 1973 to July 1975) and some earthwork already executed had to be scrapped in lowering the subgrade to accommodate thicker pavement resulting in a wasteful expenditure of Rs. 0.22 lakh. It may be mentioned that the change in crust design became necessary as the original survey and investigation done by the department were not comprehensive in that they did not include tests to determine the presence of harmful salts. Besides, the damages caused to the embankment in kilometre 2 during the period of stoppage of work had to be restored (between April 1976 and March 1978) at a cost of Rs. 0.39 lakh.

(ii) *Change of crust design from unsoaked to soaked CBR*.—The crust design of both the by-passes and the approach road was based on unsoaked CBR, keeping in view the water table recorded in May and June 1970, *i.e.* during summer months when the water table is low. Although the work based on the original crust design was approved by the Chief Engineer (CE) UP PWD in January 1972, he observed in September 1973 that as the water table recorded in May and June 1970 was measured below the ground level and not below formation level, it did not serve the purpose and that the crust design should have been based on soaked CBR. The crust design of the by-passes and the approach road was revised (October 1975) accordingly providing for increased thickness of hard crust. Consequently, a portion of the sub-base already executed in kilometres 6 to 9 of the Unnao by-pass had to be dismantled to accommodate the revised crust design resulting in a wasteful expenditure of Rs. 0.38 lakh.

The MOT stated (May 1979) that the prolonged heavy rains subsequent to the preparation of the original estimate raised the water table alarmingly, which necessitated review of the pavement design and that prior to the Seventies, rainfall was neither so extensive nor so intense and as such the water table was not so high. The fact, however, remains that original crust design was based on unsoaked CBR due to recording of water table in summer months of 1970.

(iii) *Change in alignment*.—For the construction of the Southern approach road and the Kanpur by-pass, the Kanpur Development Authority (KDA) was to provide land free of cost to the PWD according to an agreement (March 1955) between the officials of the Government of India, UP PWD and KDA. However, land in a length of 1.02 kilometres on the Southern approach road could not be acquired (July 1979) due to opposition of the private land owners since 1972.

The alignment of the Southern approach road (in a length of 1.02 kilometres) had, therefore, to be revised by the UP PWD at the request of KDA and the revised alignment was sanctioned by the MOT in May 1978. The change in alignment necessitated abandonment of the work already done on the original alignment at a cost of Rs. 0.38 lakh.

The work on the revised alignment had not been started (July 1979) and in order to open the new bridge to traffic, the strengthening of the existing Nagar Mahapalika road, parallel to the approach road, was done at a cost of Rs. 2.81 lakhs (met from Central Road Fund). This additional expenditure became necessary due to abandonment of the original alignment.

The MOT stated (May 1979) that due to stiff opposition of the land owners the change in alignment was adopted. The expenditure of Rs. 0.38 lakh incurred on the portion of the original alignment even before acquisition of land became infructuous due to the subsequent change in alignment.

(iv) *Avoidable expenditure of Rs.* 1.35 *lakhs*.—As work on the Unnao by-pass remained suspended from June 1973 to October 1975 due to the revision in crust design and paucity of funds, premix carpet over water bound macadam could not be laid as per the revised crust design, by July 1976 when the new Ganga bridge was scheduled to be completed and opened to traffic. Therefore, first coat of painting was done (April and July 1976) in kilometres 5 to 17.30 of the by-pass at a cost of Rs. 6.32 lakhs for opening it to traffic by connecting it with N.H. 25 through the existing Unnao-Allahabad road. Heavy patches on the pavement occurred in this portion during the floods of 1977 and Rs. 1.35 lakhs were spent on their repairs between June and September 1977.

The Executive Engineer, National Highway Road Construction (NHRC) division, UP PWD, Kanpur stated (November 1978) that the expenditure of Rs. 1.35 lakhs on patch repairs could have been avoided if the second coat of painting had been applied soon after the first coat of painting.

(v) *Washing away of toe-walls (cost : Rs.* 0.55 *lakh) and earthwork on embankment (cost : Rs.* 0.45 *lakh)*.—The protective works of two minor bridges comprising toe-walls at the bottom of abutment, stone boulder pitching on the earth around the abutments and laying cement concrete floor between the toe-walls were entrusted to a contractor on 16th May 1976 for completion by 15th July 1976 at an estimated cost of Rs. 1.00 lakh. The progress of protective works was hindered due to construction of bridge at the same site during the same period and, therefore, only toe-walls and the boulder apron were completed by August 1976 when there was heavy flood discharge (700 cumecs). Due to heavy concentration and velocity of water, 7 metres deep scour was caused at the bridge site at kilometre 12 and the two toe-walls (2.5 metres and 3.0 metres deep) constructed on either side of the bridge and the boulder apron laid at a total cost of Rs. 0.55 lakh were washed away. Besides, earthwork on embankment executed in a length of 7 metres on either side of the bridges at kilometres 12 and 15 at a cost of Rs. 0.45 lakh was also washed away.

The officers of the MOT and UP PWD, while inspecting the site in September 1976, held that the protective works provided in the original estimate of the two bridges were insufficient and required heavy protective works ; these works, *viz.* toe-walls, wing walls, boulder apron, concrete flooring, etc. were, therefore, executed on the two bridges by January 1978 at a cost of Rs. 37.17 lakhs. Thus, the original designs of the bridges were faulty.

(vi) *Defective work and excess payment of Rs. 0.94 lakh on account of use of underweight boulders.*—Boulders of more than 40 kilograms each were required to be used in apron and for boulder pitching ; 9086 cubic metres of boulders were laid in the boulder apron and 2124 cubic metres used in pitching at the three minor bridges (at kilometres 10.836, 12 and 15) and other culvert sites of the Unnao by-pass between April 1977 and July 1977. While conducting sample tests of these works in June 1977, the Quality Control Division noticed that 19.2 *per cent* of the boulders supplied were underweight as compared to the size mentioned in the relevant specifications (Nos. 2501.3 and 2502.2) prescribed by the MOT for road and bridge works. The Executive Engineer, NHRC division, Kanpur contended (November 1978) that the final payments were made to the contractors after getting the defects removed in June and July 1977. However, these works were again checked in June and November 1978 by the Quality Control Division which stated (August 1978) that as these works had become quite old, the boulders which had settled in deep mud, could not be taken out and, therefore, sample tests to the extent possible had been carried out. According to this qualifying report, 12.1 *per cent* of the boulders supplied and laid in apron and 23.5 *per cent* of the boulders used in pitching were underweight (less than 40 kilograms each). The division worked out (November 1978) the amount recoverable from the contractors for substandard supply as Rs. 0.23 lakh after making necessary allowance for the rates of tolerance allowed by the CE UP PWD in his circular of October 1973. However, as under the specifications prescribed by the MOT, boulders of less than 40 kilograms each were not acceptable in the case of apron, the total amount recoverable from the contractor worked out to Rs. 0.94 lakh (Rs. 0.78 lakh for apron work and Rs. 0.16 lakh for pitching).

The MOT stated (May 1979) that the specifications laid down regarding the weight of the individual boulders were deviated from by the UP PWD without the Ministry's approval. This deviation had resulted in permanently defective work.

(vii) *Extra payment of Rs.* 11.13 *lakhs on earthwork by heavy earth-moving machines.*—Earthwork in forming body of the road embankment was got executed partly by the heavy earth-moving machines belonging to Government and partly through the contractors. A test-check (May 1978) in audit showed that the rates paid to the PWD for earthwork done by heavy earth-moving machines (Rs. 8 per cubic metre) at kilometres 11 and 13 to 17 of the Unnao by-pass was higher than the rates paid to the contractors (Rs. 4.50 per cubic metre) for the same item of work in the same portions. Consequently, there was an extra expenditure of Rs. 9.62 lakhs (Rs. 3.50 per cubic metre for 2.75 lakh cubic metres of earthwork) on earthwork done by heavy earth-moving machines.

Further, the cost of earthwork executed by heavy earth-moving machines at kilometres 1 and 15 to 18 of the Kanpur by-pass was higher than the cost worked out by the NHRC division, Kanpur as per the rates based on the current schedule of rates, resulting in an extra expenditure of Rs. 1.51 lakhs. The MOT stated (May 1979) that the matter was under scrutiny.

(viii) *Blocking of funds (Rs.* 7.10 *lakhs) on purchase of road material lying unutilised.*—Road material purchased between March 1973 and April 1976 at a cost of Rs. 7.10 lakhs for being used on the Kanpur by-pass had been lying unutilised reportedly due to non-availability of a portion of the land and paucity of funds. This had resulted in the blocking of funds to the extent of Rs. 7.10 lakhs. Moreover, the department had been incurring an expenditure of Rs. 300 per mensem on the watch and ward of the unused material since 1973, which had amounted to Rs. 0.25 lakh so far (October 1979).

The MOT stated (May 1979) that the aforesaid material, if collected now, would have cost much more than the original investment. The fact, however, remains that the purchase of material without possibility of its utilisation within a reasonable time was not justified.

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

— There was delay in completion of the Unnao by-pass of nearly three years and the increase in its cost to Rs. 277.81 lakhs from the original estimate of Rs. 104.75 lakhs and revised estimate of Rs. 214.83 lakhs. Changes in crust designs not only contributed to delay in completion of the by-pass but also involved wasteful expenditure of Rs. 0.99 lakh.

— About 40 *per cent* of the works had only been executed on the Kanpur by-pass till June 1979 (expenditure : Rs. 97.50 lakhs) and hence the objective that the traffic would by-pass the city had not been achieved (July 1979).

— Land in a length of 1.02 kilometres could not be acquired on the Southern approach road due to opposition of local residents. Consequently, Rs. 2.81 lakhs were spent on the strengthening of the existing Nagar Mahapalika road to serve as a temporary link road, besides abandonment of work done in original alignment at a cost of Rs. 0.38 lakh.

— Avoidable expenditure of Rs. 1.35 lakhs had to be incurred on repair of patches on the Unnao by-pass due to the second coat of painting not having been applied soon after the first coat.

— Inadequate protective works provided to minor bridges on the Unnao by-pass at kilometres 12 and 15 at a cost of Rs. 0.55 lakh and earthwork on embankment (cost : Rs. 0.45 lakh) were washed away during 1976 floods.

— There was an excess payment of Rs. 0.94 lakh to the contractors for laying and pitching of under-weight boulders in deviation of the specifications prescribed by the Ministry of Shipping and Transport.

— There was an extra expenditure of Rs. 9.62 lakhs on execution of earth work in forming body of the road embankment by heavy earth-moving machines at the rate of Rs. 8.00 per cubic metre against the rate of Rs. 4.50 per cubic metre paid to contractors for same item of work.

— Road material worth Rs. 7.10 lakhs purchased between March 1973 and April 1976 for being used on the Kanpur by-pass remained unutilised due to non-availability of a portion of land and paucity of funds and an expenditure of Rs. 0.25 lakh had been incurred on the watch and ward of unused material.

MINISTRY OF WORKS AND HOUSING

11. **Dry hydrated lime and clay pozzolana plants**

1. In view of the acute shortage of cement and non-availability of standard quality lime at Delhi, the National Buildings Organisation(NBO) proposed (August 1974) the setting up of two plants, one for production of dry hydrated lime (capacity : 60 tonnes per day) and the other for clay pozzolana (reactive surkhi) (capacity : 20 tonnes per day), at Sultanpur, Delhi, at a total cost of Rs. 18 lakhs. The use of dry hydrated lime in mortars and plasters in comparison to cement was considered to be economical involving less consumption of mortar and providing better resistance to rain penetration. Both the plants were commissioned at a cost of Rs. 16.73 lakhs (Rs. 4.78 lakhs for clay pozzolana plant and

Rs. 11.95 lakhs for the lime plant including civil works) in May 1976.

The plants were set up with the objectives of making good quality dry hydrated lime and clay pozzolana available to consumers, demonstrating the most efficient method of their production, testing and evaluating raw material samples, and training personnel deputed by prospective entrepreneurs.

2.1 *Working of the plant.*—Although the plants were commissioned in May 1976, actual production could not be started before December 1976 due to delay in procuring electric power from the Delhi Electric Supply Undertaking (DESU) and delay in standardisation of parameters like lime-stone to coal ratio and time-temperature effects. The plants for production of dry hydrated lime and clay pozzolana were, thus, expected to run (calculated from December 1976) 2,400 hours and 7,200 hours respectively during 1976-77 and 1977-78 onwards ; against this the former actually operated for only 619 hours in 1976-77, 229 hours in 1977-78 and 1,107 hours in 1978-79 and the latter for 268 hours in 1976-77, 543 hours in 1977-78 and 663 hours in 1978-79.

The Ministry stated (August 1979) that before installation of the plants, the potential annual demand for dry hydrated lime was assessed at approximately 20,000 tonnes through a survey conducted by the NBO in 1974 and it was estimated that if the demonstration plant went into full production, it would meet 2/3rd of the demand of lime for the three principal construction agencies at Delhi, *viz.* the Delhi Development Authority (DDA), the Central Public Works Department (CPWD) and Delhi Administration. The Ministry attributed the low utilisation of the plants to less demand than anticipated, non-availability of storage space and initial teething problems.

In a meeting held on 3rd January 1978, the Chief Engineer, CPWD, New Delhi Zone observed that in times of shortage of cement, CPWD would have thought of using composite mortar but that it was costlier by about 8 *per cent*. The Ministry stated (August 1979) that the CPWD and the DDA agreed (June 1979) to take dry hydrated lime as store item and use it for plasters, whitewashing and mortars.

2.2 *Production.*—The annual installed capacity of dry hydrated lime is 18,000 tonnes and of clay pozzolana is 6,000 tonnes. On the basis of actual utilisation of dry hydrated lime and clay pozzolana plants, the production of dry hydrated lime during 1976-77, 1977-78 and 1978-79 was 1,250 tonnes, 598 tonnes and 2,825 tonnes against the anticipated production (during the hours worked) of 1,547 tonnes, 572 tonnes and 2,772 tonnes respectively ; the production of clay pozzolana during 1976-77, 1977-78 and 1978-79 was 28 tonnes, 148 tonnes and 224 tonnes against the anticipated quantities of 223 tonnes, 452 tonnes and 553 tonnes respectively. The NBO stated (April 1978) that the total hours for which burner was operated included initial hours required for obtaining the optimum temperature before feeding could be done. As the calciner was operated intermittently when there was demand for the material, every time the burner had to be operated initially for a few hours to attain the optimum temperature before the actual production was started.

2.3 During 1976-77 and 1977-78, 1,848 tonnes of dry hydrated lime along with 1,406 tonnes of dust lime were produced out of 5,072 tonnes of limestone. According to the estimates prepared in August 1974, 5,072 tonnes of limestone should have yielded 3,019 tonnes of dry hydrated lime. The quantity actually produced was only 1,848 tonnes, *i.e.* 38.75 *per cent* less than the anticipated yield. During 1978-79, 2,825 tonnes of dry hydrated lime along with 908 tonnes of dust lime were production out of 4,923 tonnes of limestone against the anticipated yield of 2,930 tonnes of dry hydrated lime. The less production of dry hydrated lime was, thus, due to more wastage than anticipated. The Ministry stated (August 1979) that the low yield of lime from limestone was due to nonstandardisation of the method of production in the initial stages. This does not appear to be correct, as the actual yield in 1978-79 was also less than the anticipated one.

2.4 *Cost of production and financial results.*—As against an anticipated cost of production of dry hydrated lime and clay pozzolana of Rs. 127 and Rs. 80 per tonne respectively, the NBO had worked out (May 1974) the sale price of Rs. 146 and Rs. 90 per tonne respectively without packing charges. The sale price was, however, revised in May 1976 to Rs. 300 and Rs. 165 per tonne (inclusive of packing charges) respectively due to increase in cost of materials, labour, power and fuel, etc. The actual cost of production of both materials for 1977-78, however, worked out to Rs. 759 and Rs. 1,029 per tonne (inclusive of packing charges) respectively and that for 1978-79 to Rs. 367 and Rs. 615 per tonne (inclusive of packing charges) respectively.

2.5 During 15th May 1976 to 31st March 1979, against the total expenditure (including depreciation) of Rs. 26.69 lakhs, the value of production was Rs. 16.34 lakhs only involving a loss of Rs. 10.35 lakhs. Taking into account the interest on capital investment of Rs. 16.73 lakhs (Rs. 16.78 lakhs in 1978-79) and working capital of Rs. 0.75 lakh, the total loss till 31st March 1979 worked out to Rs. 13.67 lakhs.

3. As per an agreement (1975) the plants were to be taken over by the National Building Construction Corporation (NBCC) after a period of two years from the date of their setting up on mutually agreed terms subject to their becoming commercially viable. The plants had, however, not been handed over to the NBCC so far (November 1979).

One of the objectives of the plant was to impart in-service training to the technicians and entrepreneurs who desired to set up such plants in the country. No training courses were, however, conducted. The NBO only organised two appreciation programmes in December 1976 and September 1977 and also arranged demonstrations on 19 occasions till March 1978. The NBO stated (May 1978) that efforts were being made for conducting full-fledged training courses after obtaining sufficient number of trainees from the public sector as well as from the private sector and a syllabus for the same was under preparation. The Ministry stated (August 1979) that the plants set up were intended for demonstration-*cum*-training and not for commercial purpose and that this purpose had been served. The fact, however, remains that the new materials, *viz.* dry hydrated lime and clay pozzolana did not find favour with the principal construction agencies and that the plants were under-utilised, resulting in loss of Rs. 13.67 lakhs during 1976-77 to 1978-79. It may be mentioned that there was nothing on record to show that prior consultations were held with the principal construction agencies at the time of setting up of the plants. However, before the commissioning of the plants on 15th May 1976, consultations were held (17th March 1976) with the principal construction agencies in which only the DDA indicated its requirement of 9,000 tonnes of lime for 1976-77; subsequently in June 1979, the CPWD and the DDA agreed to take 150 tonnes and 200 tonnes of lime per month respectively. However, only 72.25 tonnes and 7.75 tonnes of lime were actually lifted by the CPWD and the DDA respectively since inception. Thus, the material did not find favour with these agencies.

12. **Infructuous expenditure on requisitioning of unsuitable accommodation.**—The Cabinet Committee on Accommodation decided (October 1976) that about one lakh square feet (sq. ft.) of office accommodation should be requisitioned in the private sector to meet the urgent requirements of some of the Government departments. While the Directorate of Estates was making efforts to locate certain compact accommodation, the Films Division of the Ministry of Information and Broadcasting (I&B) located (April 1977) the building of Vishal Cinema, Rajouri Garden, New Delhi. An *ad hoc* committee consisting of the representatives of the Ministry of Finance, Directorate of Estates and Central Public Works Department (CPWD) inspected the

accommodation on 9th May 1977, found it suitable and assessed its reasonable rent at Rs. 1.35 per sq. foot (carpet area) per month for the ground floor and Rs. 1.30 per sq. foot (carpet area) per month for the first and second floors ; the rent for the basement was not assessed. On 5th October 1977, a requisition order was issued and physical possession of the carpet area measuring about 40,054.36 sq. ft. (including 15,650.34 sq. ft. in basement and 15,712.85 sq. ft. in ground floor) was taken by the CPWD on 28th October 1977.

On 13th/14th October 1977, the Director of Estates requested 9 offices to inspect the accommodation with reference to their requirements. After obtaining their formal acceptance, accommodation on ground floor was allotted (5,000 sq. ft.) (27th December 1977) to the Films Division (actually taken possession of 5,404.23 sq. ft.) and the Directorate of Inspection, Northern India Circle of the Directorate General of Supplies and Disposals (8,500 sq. ft.). The Films Division took possession of the allotted accommodation on 30th December 1977 and stored therein certain laboratory equipment, but the Directorate of Inspection declined it on 28th January 1978. On 6th January 1978, the entire available accommodation on basement, ground, first and second floors (excluding the accommodation already allotted as above) was offered to two other offices, but both of them declined to accept as they had not asked for it.

In the meantime, 8,500 sq. ft. of accommodation on the first and the second floors were allotted to the Department of Statistics which took possession of it on 21st January 1978; on its further request, another about 3,000 sq. ft. on the ground floor were allotted to it on 21st February 1978, possession of which was taken by the department on 14th March 1978.

As accommodation, both in the basement and the ground floor, was not considered (9th February 1978) suitable for office use, notification for the de-requisitioning of the basement (15,650.34 sq. ft.) and the remaining portion of the ground floor (7,198.62 sq. ft.) lying vacant was issued on 26th May 1978 and possession was handed over to the owners on 20th June 1978.

The Department of Statistics, which had taken possession (11,801.17 sq. ft.) of the allotted portion of the building did not occupy it and on 1st August 1978, informed the Directorate of Estates about its unsuitability and finally vacated it on 17th November 1978. A part (699 sq. ft.) of this accommodation was allotted to the Directorate of Weights and Measures on 7th November 1978 which took possession of it on 21st November 1978, but vacated it on 31st March 1979. As no other department was willing to accept the accommodation, it was finally decided on 24th March 1979 to de-requisition 11,801.17 sq. ft. of the accommodation ; physical possession of this accommodation was handed over by the CPWD to the owners on 31st March 1979.

The Films Division had informed the Directorate of Estates on 14th June 1978 that it had initiated action for establishing a film processing laboratory in the premises and had asked the civil construction wing of the All India Radio to carry out necessary masonry and carpentry work of partitioning etc. As this could not be done under the Municipal bye-laws, the Films Division requested (April 1979) the Directorate of Estates to provide alternative accommodation for the laboratory. On 30th July 1979, the Films Division also vacated the accommodation (5,404.23 sq. ft.) taken possession of by it. This was, thereafter, allotted to the Ministry of Health and Family Planning with effect from 1st August 1979, but it was not actually occupied by them also as certain additions and alterations had to be made (October 1979).

Thus, the accommodation hired had not been utilised fruitfully by any department and the total liability of Government with reference to the rates of compensation worked out to Rs. 6.85 lakhs for the period from 28th October 1977 to

31st July 1979. Against this, Rs. 3.77 lakhs were actually paid to the owners in May 1979 as "on account" payment.

The case revealed that there would be infructuous expenditure of Rs. 6.85 lakhs due to :

— hiring of accommodation without the department fully satisfying itself about its suitability for office use ;

— acceptance by the Department of Statistics and the Films Division of the allotments of accommodation without adequate consideration of its suitability for their use ; and

— delay in de-requisitioning portions of building 34,650.13 sq. ft.).

13. **Extra expenditure due to delay in handing over site, drawings and designs.**—The work of construction of 124 type IV flats in DIZ area was awarded to firm 'A' in January 1970 at 28.90 *per cent* above the estimated cost of Rs. 29.98 lakhs with the condition that firm 'A' would have to make its own arrangements for procurement of steel required for the work. The work was to commence on 8th February 1970 and be completed on 7th October 1971. It was mentioned in the notice inviting tenders that site for 48 quarters was available immediately and that for the remaining ones would be made available within 3 months. A number of structures were then standing on the site and were to be demolished before the full site could be made available to the contractor.

The site for 92 quarters, out of 124 quarters, was made available to firm 'A' within the stipulated period but the site for the remaining 32 quarters could not be made available even by October 1971, *i.e.* the stipulated date of completion, due to a major change in the lay-out.

The first set of drawings was made available to firm 'A' only in November 1970, nearly nine months after the commencement of work. Some of the structural and architectural drawings were not made available even up to May 1971. Due to delay in handing over of site, drawings and designs and frequent changes made in plans, firm 'A' suggested (August 1971) negotiation for fresh rates or alternatively an amicable closure of the contract on the stipulated date of completion of work. The department did not agree to this suggestion and the work was suspended by firm 'A' in October 1971 when none of the quarters had been fully completed. Up to November 1971, firm 'A' had been paid Rs. 15.90 lakhs against the tendered amount of Rs. 38.65 lakhs. As firm 'A' did not resume the work, the Superintending Engineer levied a compensation of Rs. 3.00 lakhs in May 1972 on account of delay in completion of work. The contract was ultimately rescinded on 15th June 1972 after giving a notice to firm 'A' for getting the balance work executed at its risk and cost. The balance work was awarded in January 1973 to firm 'B' at 49.85 *per cent* above the estimated cost of Rs. 18.78 lakhs with the stipulation that steel would be supplied by the department.

Firm 'A' went in (January 1972) for arbitration. The arbitrator awarded (March 1973) Rs. 2.96 lakhs in favour of firm 'A' which included Rs. 2.78 lakhs for its claims on account of loss suffered by it due to delay on the part of the department in handing over site, drawings and designs, but rejected the claim of the department for Rs. 3.00 lakhs on account of compensation for delay as also for extra expenditure for getting the balance work executed by firm 'B'. The award was contested by the department in Court of law, but it was upheld by the Delhi High Court in May 1977 which also allowed interest at 6 *per cent* per annum on the amount of award till its payment. In consultation with the Ministry of Law, the case was considered as not fit for further appeal. The payment of Rs. 3 lakhs, including interest, was made to firm 'A' in July 1977. As a result of delay on the part of the department in handing over site, drawings and designs to firm 'A', Government had to incur additional expenditure of Rs. 9.37 lakhs as indicated below :

	(Rs. in lakhs)
Extra cost of balance work	4.16
Payments against arbitrator's award on account of delay in handing over site, drawings and designs *plus* interest	2.81
Difference in cost of procurement of steel and stipulated rate of recovery from firm 'B' in respect of steel issued	2.40
	9.37

The Ministry stated (January 1979) that "the contractor had been applying delaying tactics. Some drawings were available, but contractor had no arrangement to start the work.... ....it is not correct to conclude that Government had to incur extra expenditure due to delay on the part of the Department in giving site, drawings and designs". The fact remains that these were not given to the contractor in time and the award of the arbitrator also went against the department.

Besides, the work, which was required to be completed in October 1971, was actually completed in July 1975 resulting in loss of revenue (Rs. 7.75 lakhs) to Government due to delay in availability of accommodation. The final bill (February 1977) of firm 'A' was for a minus sum of Rs. 0.73 lakh (in cluding Rs. 0.41 lakh on account of secured advance allowed on steel which was removed by firm 'A' from the site). After adjusting the security deposit of Rs. 0.15 lakh, amount recoverable from firm 'A' worked out to Rs. 0.58 lakh. The Ministry stated (January 1979) that "the matter regarding recovery of the amount due from the contractor is being referred to arbitration to obtain a decree" ; no arbitrator had been appointed so far (September 1979).

The case disclosed the following main points :

- As a result of delay on the part of the department in handing over site, drawings and designs to firm 'A', Government had to incur extra expenditure of Rs. 9.37 lakhs.
- The work, which was required to be completed in October 1971, was actually completed in July 1975 resulting in loss of potential revenue of Rs. 7.75 lakhs due to delay in availability of accommodation.
- Rupees 0.58 lakh were recoverable from firm 'A' (September 1979).

14. **Extra expenditure.**—With a view to augmenting water supply arrangements at the Headquarters of VI battalion of Indo-Tibetan Border Police (ITBP), the Ministry of Home Affairs accorded (March 1974) administrative approval and expenditure sanction for Rs. 4.44 lakhs for permanent water supply scheme at Reckong Peo (Himachal Pradesh). The sanction was revised to Rs. 13.12 lakhs (including departmental charges) in September 1975 due to increase in cost of labour and material and the difficult terrain in which the work was to be executed. As the water was to be tapped from Pangi Nallah, flowing about 10 kms. away from the ITBP complex, it was necessary to obtain a 'No Objection Certificate' from the State Government and also to have the approval of the Himachal Pradesh Public Works Department (PWD) for laying pipe line along the road. Without completing these essential formalities and without obtaining technical sanction (accorded in February 1978 for Rs. 10.75 lakhs), the work was awarded (January 1975) to contractor 'A' at the negotiated amount of Rs. 11.29 lakhs against the estimated cost of Rs. 3.95 lakhs. The stipulated dates of commencement and completion of work were 1st February 1975 and 30th November 1975 respectively. The contractor could not commence the work as site was not available for laying the pipe line. The contractor, however, collected stock of pipes during February 1975 to August 1975 for which he was paid

secured advance of Rs. 3.28 lakhs. 'No Objection Certificate' for executing the water supply scheme, asked for in July 1974 and May 1975, was conveyed by the State Government on 25th March 1976; approval for laying pipe line along the road was given by the State PWD on 18th October 1975. The contractor was informed on 15th December 1975 (*i.e.* after the stipulated date of completion) that all the drawings showing the exact location of lines along with invert levels etc. were ready and could be collected by him. Structural drawings were issued by the Superintending Surveyor of Works on 24th April 1976 and handed over to the contractor in May 1976. The contractor executed work of value of Rs. 4.63 lakhs till 6th August 1976 and stopped it thereafter. As the contractor did not restart the work, despite requests, a show-cause notice was issued on 9th March 1977 and finally the contract was rescinded on 9th June 1977. In the meantime, the contractor had asked (7th March 1977) for appointment of an arbitrator for the settlement of the dispute; an arbitrator was appointed by the Chief Engineer on 28th May 1977.

The balance work, estimated to cost Rs. 1.58 lakhs, was awarded to firm 'B' on 23rd August 1977 at its tendered amount of Rs. 4.69 lakhs. The work, which commenced on 2nd September 1977, was stipulated to be completed by 1st March 1978; it had not been completed so far (August 1979).

A compensation of Rs. 0.39 lakh for delay in completion of the work was levied on contractor 'A' on 28th September 1977 in accordance with the terms of agreement. Contractor 'A' put in claims of Rs. 2.39 lakhs. The department preferred 5 counter-claims aggregating Rs. 1.60 lakhs including Rs. 0.92 lakh on account of estimated extra cost of balance work being done through firm 'B'. The arbitrator awarded Rs. 0.83 lakh (comprising Rs. 0.27 lakh on account of refund of security deposit due to the contractor, Rs. 0.05 lakh on account of damages sustained by him and balance for items of work done) in favour of contractor 'A' in January 1978 and rejected all the counter-claims of the department except Rs. 63 on account of outstanding secured advance. Contractor 'A' was paid Rs. 0.83 lakh (after deducting Rs. 63) in July 1978. The arbitrator, while rejecting the claims of the department, observed that there was ample proof on record that the site was not available to the contractor for work during the period between February and November 1975 and that the work could not be started for want of necessary permission of Himachal Pradesh Government because the site was within their jurisdiction.

Extra expenditure of Rs. 0.92 lakh could have been avoided had the department taken timely action to complete all the formalities. The department stated (July 1979) that contractor 'A' refused to execute the work due to delay in getting permission from the Himachal Pradesh Government and that the delay in handing over site was due to unavoidable factors which resulted in extra expenditure due to escalation of prices in the intervening period. The department, however, conceded that there was delay in supply of drawings.

The case revealed that :

— the work was awarded (January 1975) to contractor 'A' without technical sanction and completing other essential formalities;

— the department failed in meeting its contractual obligation to make site and drawings available to contractor 'A' on award of work resulting in extra expenditure of Rs. 0.92 lakh; and

— the work stipulated to be completed in November 1975, was still (August 1979) in progress and the ITBP at Reckong Peo continued to suffer for want of adequate and permanent water supply even though Rs. 9.42 lakhs had been spent so far (July 1979).

15. **Extra expenditure due to delay in giving site.**—The work of "strengthening of existing runway, apron, taxi track and its

extension from 5,400 to 6,000 feet at Civil Aerodrome, Udaipur" was administratively approved by the Ministry of Tourism and Civil Aviation in November 1972 for Rs. 61.56 lakhs. The detailed estimate was technically sanctioned (December 1972) by the Central Public Works Department (CPWD) for Rs. 47.03 lakhs. The work was split up in fourteen parts and one part estimated to cost Rs. 8.20 lakhs was awarded to firm 'A' in March 1974 at its tendered amount of Rs. 10.66 lakhs. The stipulated dates of commencement and completion of work were 31st March 1974 and 30th September 1975 respectively. The agreement for the work provided that if it was not possible for the department to make the entire site available on award of the work, the firm would have to carry its working programme accordingly and that no claim for not giving the site on award of work would be tenable. The department handed over the site measuring 1.03 lakh square feet at the time of award of work; the balance of 0.84 lakh square feet was acquired and made available to the firm in May 1975. The delay in acquiring land was attributed to State Revenue authorities. It may be mentioned that at the time of award of work, even preliminary notification for acquisition of land had not been issued.

The firm executed all the work required on the land made available to it on the award of work except for the last panel of concrete work and the carpeting work and stopped the work completely from 15th March 1975. The firm had earlier contended that the last panel of concrete could not be laid without doing earth work on land still to be acquired and that the carpeting work would be done in one spell on the entire land, including the portion of land which was to be acquired. The firm resumed the work after 26th April 1975 but could not make much progress due to setting in of monsoons, glider flights, etc. Owing to slow progress of the work, the department served a show-cause notice on firm 'A' on 14th August 1975. The firm stopped the work on 30th September 1975 (stipulated date of completion of work) and demanded 40 *per cent* increase over the agreement rates for the remaining work on account of considerable increase in the market rates of labour and material and on the plea that it was not bound to execute the balance work at old rates after the expiry of the currency of agreement. The department rescinded the contract (November 1975); firm 'A' applied for arbitration on 23rd January 1976 for settlement of the dispute.

The balance work estimated to cost Rs. 5.65 lakhs was awarded to firm 'B' in March 1976 at a negotiated amount of Rs. 12.38 lakhs. The stipulated date of completion of balance work was 20th March 1977 ; the work was completed by this date at an extra cost of Rs. 4.72 lakhs with reference to the amount that would have been payable to firm 'A' at its agreement rates. The extra cost on the basis of 40 *per cent* increase demanded by firm 'A' worked out to Rs. 2.09 lakhs.

The department appointed (August 1976) an arbitrator who awarded Rs. 0.54 lakh in favour of firm 'A' and rejected the counter-claims of the department totalling Rs. 6.03 lakhs on account of compensation for delay, forfeiture of security deposit and extra cost of balance work. The arbitrator observed that the delay in completion of the work before the stipulated date was due to non-availability of site and that provision in the agreement for making the site available in parts could not be a valid justification for effecting recoveries from firm 'A'. The department accepted (April 1977) the award and paid (September 1977) Rs. 0.54 lakh to firm 'A'. The failure of the department to make available the complete site on award of work resulted in extra expenditure of Rs. 4.72 lakhs to Government.

While confirming the facts, the Ministry stated (December 1979) that in view of the urgency of work and assurance of the collector, the department took action to award the work.

The case revealed that :—

— there was lack of proper planning as the work was designed and awarded without ensuring the availability of complete site in time resulting in extra expenditure of Rs. 4.72 lakhs; and

— the work, which was to be completed in September 1975, was actually completed in March 1977.

16. **Extra expenditure due to faulty design.**—In September 1973, the Ministry of Home Affairs accorded administrative approval and expenditure sanction for Rs. 3.76 crores for the project covering buildings for residential and non-residential accommodation for Central Reserve Police Force (CRPF) campus at Gandhinagar, Ahmedabad. The estimated cost of the project included Rs. 10.21 lakhs for construction of stores block, tailor shops and trade shops; with reduction in the scope of work, this amount (Rs. 10.21 lakhs) was reduced (September 1975) in the detailed estimate prepared by the Central Public Works Department (CPWD) to Rs. 3.97 lakhs. The work was awarded to firm 'A' at the negotiated amount of Rs. 5.03 lakhs (November 1975). The work scheduled for completion on 21st May 1976 was completed on 15th July 1976 at a total cost of Rs. 4.94 lakhs.

During inspections of the work in July and September 1976, the CPWD officers noticed major cracks in the walls. According to them, the cracks appeared due to over-loading of brick masonry and reduction of thickness of external walls from 13½ to 9 inches. The architectural drawings provided 13½ inches thick external walls, but in the structural drawings thickness was reduced to 9 inches.

The CRPF informed (November 1976) the CPWD that some of the cracks were of serious nature and cement plaster along the cracks was disintegrating and falling. The CPWD noticed (December 1976) that cracks had also appeared at the junction of the bed block and brick masonry.

Since the cracks appeared during the prescribed maintenance period of six months, notice was issued (December 1976) to firm 'A' to rectify the cracks. The firm disowned responsibility for the rectification of cracks (January 1977) as the work was carried out under the control of the CPWD according to their drawings and designs which did not provide for expansion joints.

The CPWD decided (February 1977) to provide buttresses to prevent these cracks and to carry out waterproof treatment. The department also came to the conclusion (August 1977) that the cracks were due to non-provision of expansion joints in the design of the building which were necessary in view of the excessive temperature stresses at Gandhinagar and the special design of the roof. Although according to Indian Standards Code (IS : 456—1957), the provision of expansion joints was essential for the structural soundness of the building, the department failed to make the said provision as per technical requirements.

If expansion joints had been provided in the first instance, additional expenditure based on the agreement rates would have been Rs. 0.17 lakh only as against Rs. 1.20 lakhs already spent on rectification of defects including provision of buttresses and waterproof treatment and an anticipated further expenditure of Rs. 0.21 lakh for providing wire mesh in cracks (September 1979).

The department stated (July 1979) that "after remedial measures, no new major cracks have developed except some minor cracks, which are also under observation"; and that "the growth of old cracks and development of new major cracks have been arrested and, as such, the normal life of building is not expected to be very much affected". The fact remains that total expenditure of Rs. 1.24 lakhs (excluding Rs. 0.17 lakh) could have been avoided, if expansion joints etc. had been provided *ab initio* in the design of the building.

17. **Injudicious rescission of contract.**—Construction of 120 barracks for Central Reserve Police Force (CRPF) at Durgapur was awarded by the Central Public Works Department (CPWD) to firm 'A' in December 1970 for Rs. 13.30 lakhs against the estimated cost of Rs. 14.08 lakhs. The work was to commence on 12th January 1971 and be completed by 11th March 1972. The date of completion was, however, extended (4th September 1972) by the Department to 31st March 1973. Due to slow progress of work, the CPWD rescinded the contract on 4th January 1973 (even before the extended date for completion) after work of the value of Rs. 3.82 lakhs had been done.

After the contract was rescinded, the Ministry of Law, which was consulted observed (22nd January 1973) that the contract could not be cancelled before the extended date of completion (31st March 1973), but no action was taken on this advice to restore the work to the contractor. On the other hand, the CPWD appointed (August 1973) an arbitrator for realisation of Rs. 1.93 lakhs (compensation of Rs. 1.41 lakhs for delay in the completion of work under clause 2 of the agreement and Rs. 0.52 lakh for forfeiture of security deposit under clause 3(a) of the agreement) and also for recovery of extra cost to be incurred on completion of residual work from firm 'A'. Meanwhile, firm 'A' requested the CPWD (June 1973 and November 1973) to withdraw the rescission order and allow it to complete the work at the old rates within 9 months. The department did not accede to the request of the firm as according to the department, the Ministry of Law advised that in the event of firm 'A' being allowed to work after the rescission of the contract, it would claim for withdrawal of the rescission order to avoid penal action.

The arbitrator rejected (9th May 1974) the department's claim of Rs. 1.93 lakhs for compensation for delay and forfeiture of security deposit as the delay was due to departmental lapses and no "legal injury" to the department justifying forfeiture of security deposit could be proved. The claim for extra cost was withdrawn by the department as the extra cost was not then known.

The residual work valued at Rs. 9.48 lakhs at the rates of firm 'A' was split up and awarded (21st October 1974, 4th November 1974, 26th November 1974 and 2nd January 1975) to other firms 'B', 'C', 'D' and 'E' and got completed (September 1976) at a total cost of Rs. 15.94 lakhs. For recovery of extra cost (Rs. 6.46 lakhs) the department stated (November 1979) that an arbitrator would be appointed soon. Thus, even after about 7 years of the rescission of the contract and 3 years after the completion of the work, the arbitrator is yet (November 1979) to be appointed and the extra cost remains unrecovered.

CHAPTER III

STORES PURCHASES

MINISTRY OF AGRICULTURE AND IRRIGATION

(Department of Food)

(Army Purchase Organisation)

18. **Purchase of oil hydrogenated.**—Indent for oil hydrogenated for the year 1978 was scheduled to be sent by the Army Headquarters (AHQ) to the Army Purchase Organisation (APO) by 25th July 1977. As the indent was still under examination, the AHQ requested the APO in August 1977 to proceed with preliminary action for procurement of 14,000 tonnes of oil hydrogenated for supply by 30th October 1977 (5,000 tonnes), by 30th November 1977 (5,000 tonnes) and by 15th December 1977 (4,000 tonnes). Accordingly, a tender enquiry was issued by the APO on 5th September 1977 and 16 offers for a total quantity of 28,950 tonnes were received at rates varying from Rs. 8,727 to Rs. 9,900 (excluding sales tax) per tonne. In the meantime, on 15th September 1977, the AHQ sent an additional demand for 12,000 tonnes of oil hydrogenated.

As the rates tendered indicated lower prices after October 1977 and the formal indent was not received from the AHQ, it was decided on 22nd September 1977 to hold negotiations with the tenderers with a view to obtaining reduction in rates. The formal indent was sent by the AHQ on 28th September 1977 for supply (as confirmed on 9th November 1977 and 2nd March 1978 and further amended on 19th April 1978) of 4,000 tonnes by 30th October 1977, 5,000 tonnes by 30th November 1977, 5,000 tonnes by 15th December 1977, 50 tonnes by 31st December 1977, 1,000 tonnes by 31st January 1978, 1,000 tonnes by 7th July 1978, 3,000 tonnes by 7th August 1978, 3,000 tonnes by 7th September 1978 and 3,950 tonnes by 7th October 1978.

The offers were valid up to 30th September 1977, but as a result of negotiations held on 28th September 1977, the firms agreed to keep their offers open up to 3rd October 1977 and also offered 8,750 tonnes, 10,650 tonnes and 10,000 tonnes of oil hydrogenated for delivery in October, November and December 1977 respectively. The rates offered for October, November and December 1977 deliveries in non-ISI marked tins ranged from Rs. 8,648 to Rs. 8,949, Rs. 8,548 to Rs. 8,800 and Rs. 8,500 to Rs. 8,800 (excluding sales tax) per tonne respectively and in ISI marked tins from Rs. 8,790 to Rs. 8,975, Rs. 8,750 to Rs. 8,968 and Rs. 8,700 to Rs. 8,968 (excluding sales tax) per tonne respectively.

According to voluntary price restraint agreed to in June 1977 by the representatives of Vanaspati Manufacturers Association (VMA), the ex-factory price of 16.5 kg. tin of vanaspati (based on the issue price of Rs. 6,500 and Rs. 6,100 per tonne of imported soyabean oil and palm oil respectively) was not to exceed Rs. 158 (excluding sales tax) or Rs. 9,576 per tonne. In August 1977, the VMA brought to the notice of the Ministry of Civil Supplies and Cooperation that the prices of oils in the indigenous as also the international markets had declined appreciably and suggested that the prices of imported oils be reviewed. On 4th October 1977, it was decided that with effect from 1st November 1977 the prices of soyabean oil and palm oil to be supplied by the State Trading Corporation (STC) be reduced to Rs. 5,950 and Rs. 5,500 per tonne respectively.

The rates quoted by the industry for oil hydrogenated for delivery in November and December 1977 were lower than those for delivery in October 1977. Without consulting the Directorate of Vanaspati, Vegetable Oils and Fats (DVVOF), which regulated the price of vanaspati, the APO placed eleven contracts (value: about Rs. 12 crores) for supply of 14,050 tonnes of hydrogenated oil on 3rd October 1977 (a day before the above decision for reduction of prices of oils) for delivery of 1,450 tonnes by 30th

October 1977, 2,550 tonnes by 31st October 1977, 5,000 tonnes by 30th November 1977, 3,050 tonnes by 15th December 1977 and 2,000 tonnes by 31st December 1977. The contracted rates ranged from Rs. 8,500 to Rs. 8,700 (excluding sales tax) per tonne for 6,000 tonnes conforming to ISI specification in non-ISI marked tins and from Rs. 8,700 to Rs. 8,972 (excluding sales tax) per tonne for 8,050 tonnes to be supplied in ISI marked tins.

On the basis of decision taken on 4th October 1977, instructions for reduction of prices of imported oil (with effect from 1st November 1977) were issued by the Ministry of Civil Supplies and Cooperation on 19th October 1977. The representatives of the industry also agreed to sell the products on ex-factory price not exceeding Rs. 8,485 (excluding sales tax) per tonne.

Supplies were completed in respect of seven contracts (7,550 tonnes). Out of the remaining four firms, two ('M'—300 tonnes; 'S'—200 tonnes) did not make any supplies; and of the other two firms 'J' and 'P', firm 'J' did not supply 1,050 tonnes (out of its contract for 2,000 tonnes) as scheduled in October and November 1977 and firm 'P' did not supply 1,000 tonnes (out of its contract for 4,000 tonnes) as scheduled in November 1977. These unsupplied quantities (2,550 tonnes) were cancelled (November-December 1977 and January 1978) and were repurchased in December 1977-January 1978 at lowest rates ranging from Rs. 8,349 to Rs. 8,398 (excluding sales tax) per tonne. Firm 'M' preferred on 10th April 1978 claims for damages (Rs. 1.45 lakhs) against the APO and the matter was referred (20th June 1978) to the arbitrator who rejected the claim (5th November 1979).

As the contract prices were firm and did not contain any price variation clause, the firms were allowed to complete the supplies (7,000 tonnes) of oil hydrogenated for November and December 1977 at rates ranging from Rs. 8,500 to Rs. 8,822 per tonne instead of Rs. 8,349 per tonne and, thus, got an undue benefit of Rs. 26.61 lakhs at the cost of Government.

The benefit of reduction of price of vanaspati with effect from 1st November 1977 could not be availed of by the APO for the following reasons :

—The contracts (valued about Rs. 12 crores) were finalised on 3rd October 1977 without ascertaining the price trend from the DVVOF, which had then under consideration a review of the prices of oils.

—The fact that the prices quoted by the industry for the months of November and December 1977 were lower than those for the month of October 1977 was not taken note of before finalising the contracts.

—After the price of oil to be supplied by the STC was reduced (1st November 1977), no efforts were made by the APO to negotiate with the firms for reduction in prices under voluntary control.

Even though the Department of Food stated (October 1979) that it was not obligatory for the department to finalise the contracts of oil hydrogenated in consultation with the DVVOF, it was noticed in audit that the APO had in actual practice been consulting the DVVOF in the past. On 18th November 1976, the APO consulted the DVVOF and then finalised 7 contracts for a total quantity of 1,550 tonnes of oil hydrogenated on 23rd November 1976 at rates ranging from Rs. 8,090 to Rs. 8,200 per tonne. Similarly, 13 contracts for 13,250 tonnes of oil hydrogenated were finalised at rates ranging from Rs. 8,140 to Rs. 8,500 per tonne after discussing the proposals with the DVVOF on 1st December 1976. On both these occasions, the DVVOF had clearly indicated the future market rates and advised to cover the maximum quantity against the offers received. The fact, therefore, remains that in view of the noticeable decreasing trend in prices, had the APO consulted the DVVOF before finalising contracts in the present case as was done in the past, extra expenditure of Rs. 26.61 lakhs could have been avoided.

19. **Purchase of rum.**—Rum is purchased by the Army Purchase Organisation (APO) of the Department of Food from the suppliers registered with it. The quality of rum is governed by Army Service Corps (ASC) specification No. 168. In January 1976, the Army Headquarters sent an indent to the APO for procurement of 27 lakh litres of rum by 31st October 1976. A tender enquiry for 9.56 lakh litres of rum, required during March 1976, was issued by the APO on 17th January 1976 and three contracts to cover 1.83 lakh litres to meet the urgent requirements of the Army, were placed (February-March 1976) at rates ranging from Rs. 5.16 to Rs. 6.06 per litre (exclusive of excise duty). All these supplies were completed during March, April and July 1976.

A fresh tender enquiry was issued on 12th March 1976 for 25.21 lakh litres of rum. On the basis of tenders received and negotiations held (13th April 1976), six contracts at rates ranging from Rs. 4.45 to Rs. 6 per litre (exclusive of excise duty) were placed on 15th April 1976 for 18.91 lakh litres; for the remaining quantity (6.30 lakh litres) it was decided (15th April 1976) to obtain the same by exercising the option of the purchaser to increase the contracted quantity by 50 *per cent* in the contracts placed on 3 firms 'K', 'M' and 'N' at the appropriate time; the decision to increase the quantities was communicated to the 3 firms on 2nd July 1976, 26th June 1976 and 4th November 1976 respectively.

The APO entered into contracts against some risk purchase tender enquiries at rates of Rs. 4.45 and Rs. 4.13 per litre in July 1976 and Rs. 4.25 per litre in October 1976 (exclusive of excise duty) on the basis of tenders received on 7th June, 30th June and 6th October 1976. Although the rates at which the contracts were placed against the risk purchase tender enquiries were lower than the rates of Rs. 4.49, Rs. 4.45 and Rs. 4.51 per litre (exclusive of excise duty) earlier contracted with firms 'M', 'K' and 'N', the APO exercised on 26th June, 2nd July and 4th November 1976 respectively its option to increase the contracted quantity by 50 *per cent* on these firms involving extra expenditure of Rs. 1.26 lakhs as compared to the lower risk purchase rates.

Had the APO, instead of exercising its option to increase the quantity of the contracts, exercised its option to decrease the quantities by 50 *per cent* on the firms 'M', 'K' and 'N' which was permissible under the terms of the contracts, and repurchased them at lower rates then prevailing in the market, another Rs. 1.08 lakhs could have been saved.

MINISTRY OF SUPPLY AND REHABILITATION

(Department of Supply)

20. **Purchase of charger clips.**—Against the indents received from factories 'A' and 'B' for procurement of 16.76 million and 13.95 million charger clips respectively, 7 tenders were received and opened by the Director General, Supplies and Disposals (DGSD) on 25th September 1971. Out of these, 2 firms 'X' and 'Y' quoted separate rates with and without raw material assistance to be given by the DGSD as under :

Firm	Rate	
	With raw material assistance	Without raw material assistance
	(In paise/each)	
'X'	9.5	11.5
'Y'	10.98	13.10

The DGSD decided (20th December 1971) to make purchases by giving raw material assistance and accordingly acceptances of tenders were placed (23rd December 1971) on firm 'X' for 10.71 million (value : Rs. 10.18 lakhs) and on firm 'Y' for 20 million (value : Rs. 21.96 lakhs) charger clips. On 1st January 1972, the DGSD issued import recommendation certificates for spring steel strips and cold rolled steel strips to both the firms.

In February 1972, the Joint Chief Controller of Imports and Exports (JCCIE), Calcutta informed the DGSD and firm 'Y' that as per Import Trade Control Policy for the year 1971-72, spring steel strips was a licensable item and for import of cold rolled steel strips in coils which was canalised through the Hindustan Steel Limited (HSL) only release order was to be issued instead of import licence.

Both the firms demanded issue of import licences for direct import of raw material and were reluctant to obtain cold rolled steel strips through the HSL as it would involve payment of commission and handling charges to the HSL which would increase the price of raw material. The DGSD referred (17th April 1972) the matter to the JCCIE, Calcutta for issue of import licence, but the latter reiterated (May 1972) that steel strips was a canalised item for which release order was to be issued in place of import licence and that the request for issue of import licence for canalised item could not be complied with. Accordingly, release orders were issued by the JCCIE, Calcutta to firms 'X' and 'Y' on 28th September 1972 and 14th/19th July 1972 respectively.

With a view to expediting supplies, after discussion with the representatives of firms 'X' and 'Y' on 19th December 1972, it was decided by the DGSD to allow price increase in c.i.f. value of raw materials beyond the estimated rate of their quotations, to pay commission chargeable by the HSL subject to production of relevant documents and to refix the date of delivery. Amendment letters to this effect were issued to both the firms by the DGSD on 7th February 1973.

The HSL floated global enquiries twice, in February 1973 and August 1973, and also sent details of offers received to firm 'X', but orders could not be placed because firm 'X' did not register its demand till September 1973. The possibility of obtaining raw material indigenously was also explored (February 1974) by the DGSD by issuing enquiries to eight firms, but without success.

On 22nd April 1974, firm 'X' claimed an increase of 9 paise per charger clip towards the manufacturing and labour cost only apart from the increase in steel price already agreed to. This request of firm 'X' was rejected by the DGSD on 31st May 1974 on the ground that the contract did not provide for the same.

After protracted correspondence and negotiations, the acceptance of tender was cancelled on 15th June 1976 on the advice of the Ministry of Law without financial repercussions on either side and a fresh contract was placed on it on 26th July 1976 for supply of 20.71 million charger clips at the rate of 20 paise per charger clip (value : Rs. 41.42 lakhs) without any raw material assistance.

Firm 'Y' got its demand registered (May 1973) with the HSL and on 13th June 1973 asked the DGSD for enhancement of the value of import recommendation certificate to cover the value of requisite quantity of raw material as desired by the HSL. The Department of Supply stated (February 1979) that "there was delay on the part of the DGOF in providing the foreign exchange despite the issue of several reminders" and "this resulted in the enhancement of the value of import recommendation certificate." Additional foreign exchange was, however, finally released on 14th January 1974. On 23rd February 1974, firm 'Y' agreed to supply the stores provided the contract price was suitably increased to meet the increased cost of chemicals, gas, fuel, labour, etc. Even though firm 'Y' agreed (19th March 1974) to price of 13.98 paise per charger clip, it did not make any supply of the stores. On 22nd October 1974, firm 'Y' was offered 21 paise against 26 paise per charger clip demanded by it. Firm 'Y accepted this offer on 29th March 1975 subject to certain reservations and kept the offer open up to 30th April 1975, subsequently extended up to 15th September 1975; it did not make any supply and ultimately the contract was cancelled on 15th June 1976 after obtaining opinion of the Ministry of Law. Half of the cancelled quantity (20 million) was covered on firm 'X' in July 1976 at the rate of 20 paise per charger clip and the balance on firm 'Z' at 19.68 paise per charger clip on 2nd September 1976.

Thus, since the DGSD did not take note of the Government Import Trade Control policy for the year 1971-72 (which was announced on 30th April 1971) nor did he consider the monetary implications of the two alternatives, *viz*. supply with raw material assistance and without raw material assistance, there was delay in getting the issues sorted out satisfactorily till June 1976 when both the contracts were cancelled without financial repercussions on either side. Had the offers without raw material assistance been accepted *ab initio*, extra expenditure of Rs. 22.58 lakhs could have been avoided.

21. **Purchase of bin steel portable.**—To meet the requirements of Defence Department, the Director General, Supplies and Disposals (DGSD) placed (March 1968) a contract on firm 'A' for supply of 2,863 numbers of bin steel portable at Rs. 175 each. As per terms of the contract, firm 'A' was to submit an advance sample by 31st March 1968 and, after its approval, to make supplies at the rate of 600 numbers per month. Firm 'A', however, submitted (27th April 1968) a sample which was rejected; fresh sample submitted on 14th November 1968 was also not according to specification (as welded construction in lieu of riveted construction had been used), but was finally accepted on 19th February 1969 and firm 'A' was asked to go ahead with bulk manufacture. At the request of firm 'A' (April 1969), amendments to the contract to provide for welded construction in lieu of riveted construction and for excise duty at the rate of 20 *per cent ad valorem*, which became effective from March 1968, were issued by the DGSD on 17th May 1969; the delivery period was also extended up to 30th September 1969. Firm 'A' did not commence supplies and obtained (October 1969) further extension in delivery period by four months up to 31st January 1970 on grounds of labour trouble in its manufacturing unit. On 8th October 1969, firm 'A' requested the DGSD for issue of essentiality certificate on priority operational basis to enable it to obtain steel; the DGSD decided (November 1969) to issue essentiality certificate to the firm, but the certificate was not issued. On 11th June 1970, delivery period was extended from 31st January 1970 to 31st October 1970. Firm 'A' supplied only 168 numbers of bin steel portable during this extended period and on 15th December 1970 obtained further extension in delivery period up to 20th January 1971 on the ground that its manufacturing unit was facing strike in its factory. In a meeting held on 11th January 1971,

firm 'A' gave an assurance to complete the supplies by 31st March 1971 and the delivery period was, therefore, extended up to this date. Firm 'A' failed to make any further supplies and again sought (March 1971) extension of 90 days on ground of unprecedented acute shortage and non-availability of requisite quality of raw material. As the supply was considered to be doubtful, even if the extension of time was granted, the contract was cancelled on 18th May 1971 at the firm's risk and cost, treating 31st March 1971 as the date of breach.

Risk purchase tender enquiry was opened on 29th June 1971; 12 quotations were received including the lowest one from defaulting firm 'A' which quoted the same rate, *viz.* Rs. 175 each exclusive of excise duty, but had asked for price variation and essentiality certificate for steel. Firm 'A' was asked (9th/12th July 1971) to deposit 10 *per cent* of the total cost of the stores as security deposit and also offered essentiality certicate for steel on replenishment basis. Without making the security deposit firm 'A' sought clarifications from the DGSD on points like sample, essentiality certificate, etc. On 6th September 1971, the DGSD wrote to firm 'A' to make the security deposit by 20th September 1971 failing which its tender would be ignored. Firm 'A' did not make the deposit. On 23rd October 1971, a meeting was held by the DGSD at which the representative of firm 'A' promised to send a reply regarding security deposit, guaranteed delivery date and essentiality certificate on replenishment basis; he also promised that in case a settlement was not reached before 27th October 1971, the offer would be extended up to 27th November 1971. Firm 'A' did not keep either of the promises. On 11th November 1971, firm 'A's counsel intimated the DGSD that he had obtained an *ad interim injunction* from the Delhi High Court maintaining *status quo* until further orders. The Ministry of Law, which was consulted in the matter, opined (January 1972) that there was no objection to purchasing the stores from another source, but the DGSD could not recover any amount from the defaulting firm.

The second lowest offer from firm 'B' was ignored as it was not according to specifications. The next lowest offer from firm 'C' at Rs. 285 each plus excise duty at the rate of 20 *per cent* stipulated variation on price of steel and also essentiality certificate on priority and replenishment basis for its procurement. Both these were new conditions, but firm' C' subsequently (November 1971) withdrew the stipulation regarding price variation. As a valid risk purchase was not possible due to six months having expired since breach of contract and the terms being different, order for the balance quantity of 2695 Nos. at Rs. 342 each, (firm price inclusive of excise duty) was placed on firm 'C' on 24th January 1972 involving an extra expenditure of Rs. 3.66 lakhs.

After the cancellation of the contract, firm 'A' claimed (February 1972) Rs. 3 lakhs from Government; a counter-claim for Rs. 3.66 lakhs was made by the DGSD against the defaulting firm 'A' towards risk purchase. Firm 'A' alleged that the DGSD had failed to make available raw material to it for performing the contract and thereby committed a breach of contract. On the other hand, the DGSD denied the allegations stating that supply of raw material was not a condition of the contract. The sole arbitrator in his award dated 28th July 1975 rejected the claims and counter-claims of both the parties without recording any reasons. On the advice of the Ministry of Law, the award was finally accepted (August 1975) by the DGSD.

The case revealed that :

—despite continued poor performance of firm 'A' from 27th April 1968 onwards, both with regard to submission of advance sample and supply of stores, it was given repeated extensions in delivery period up to 31st March 1971 ;

—essentiality certificate for steel on priority operational basis was not issued to firm 'A' although the stores were urgently needed and decision to issue it was taken in November 1969, but not incorporated in the contract; and

—ultimately the stores were purchased from firm 'C' after six months of the breach of contract with firm 'A' on the basis of essentiality certificate which constituted a new condition rendering risk purchase invalid and involving extra expenditure of Rs. 3.66 lakhs.

22. **Purchase of outfit water sterilising.**—In February 1973, the Director General, Supplies and Disposals (DGSD) placed an acceptance of tender on firm 'J' for supply of 12.75 lakh numbers (value : Rs. 11.60 lakhs) of outfit water sterilising (OWS) to the Defence Services during April 1973 to June 1974 at Re. 0.91 per piece. In November 1973, the quantity on order was increased to 15,93,750 numbers (value : Rs. 14.50 lakhs) in exercise of option for additional quantity up to 25 *per cent*, with a stipulation for supply of the additional quantity (3,18,750 numbers) by 31st July 1974.

The contract did not provide for Government assistance for procurement of raw material. However, owing to shortage of corks and tin sheets in the market, firm 'J' approached the DGSD on 12th November 1973 and 11th December 1973 for assistance in procurement of raw material; this request was not accepted (16th January 1974) a there was no such condition in its tender. On 1st February 1974, firm 'J' stated that regardless of the terms of tender, it would stop manufacture of OWS unless raw material assistance was given. The DGSD sought (7th March 1974) the advice of the Ministry of Law which opined (14th March 1974) that, in the absence of provision in the contract, the DGSD was not legally bound to render assistance in procurement of raw material to firm 'J' and that cancellation of the acceptance of tender at the risk and cost of the firm could be made after expiry of the delivery period. Notwithstanding this advice, the DGSD issued (10th June 1974) recommendatory letters on two private firms for supply of corks after firm 'J' had given assurance in writing (18th March 1974) that such an assistance would not become part of the contract. The Department of Supply stated (October 1979) that the "issue of the letter was purely on *ex gratia* basis". It was noticed in audit that after issue of the aforesaid recommendatory letters, the matter was not pursued by the DGSD and it was not known whether firm 'J' actually got supply of corks against these recommendatory letters. Further, there was nothing on record to show that the question whether the purchase would have been cheaper with supply of raw material was examined by the DGSD.

On 4th July 1974, firm 'J' informed the DGSD that it had already despatched 6,82,300 numbers of OWS and that further production, which had been stopped due to non-availability of glass bottles, would start after arranging supply of bottles and getting extension of delivery date. This was not further pursued, nor was any formal request made by firm 'J' for extension of time. On 28th July 1975, firm 'J' was asked to intimate the supply position to which there was no response and on the advice of the Ministry of Law (27th August 1975), the contract for the outstanding quantity (9,11,450 numbers) was cancelled on 9th September 1975 at the firm's risk and cost, treating 31st July 1974 as the date of breach of contract. But as the contract was cancelled after expiry of six months from the date of breach of contract, no risk purchase at the expense of firm 'J' was possible.

After reinviting (17th January 1976) tenders (opened on 27th February 1976) for purchase of balance quantity, the lowest offer (Rs. 1.19 per piece) from the defaulting firm 'J' was accepted (7th July 1976) subject to advance security deposit of 10 *per cent* (Rs. 1.09 lakhs). This was deposited by the firm and fresh acceptance of tender (value : Rs. 10.85 lakhs) for 9,11,450 numbers was issued on 28th August 1976 for completion of supply by July 1977.

On the basis of the lowest rate of Rs. 1.40 per piece against another tender enquiry for the same store, opened on 30th April 1974 and valid up to 30th June 1974, the Ministry of Law advised (14th September 1976) that the rate of Rs. 1.40 could be taken into consideration for claiming general damages from firm 'J'. Accordingly, a demand notice for Rs. 4.94 lakhs (subsequently revised to Rs. 5.70 lakhs due to increase in the rates of excise duty, sales tax, etc.) was sent to firm 'J' on 22nd September 1976. Firm 'J' represented against the recovery and its plea for referring the case to arbitrator was accepted (29th October 1976) by the DGSD with the concurrence of the Ministry of Law. In the meantime, firm 'J' also obtained stay order (4th November 1976) from the Delhi High Court restraining the department from effecting recovery against the demand notice. The arbitrator dismissed (15th March 1979) Government's claim on the ground that there was no proof of the market rate on 31st July 1974 and that no reason was given by Government for effecting the risk purchase on 28th August 1976, *i.e.* about two years after the date of breach of the contract.

Firm 'J' completed supplies against the repurchase acceptance of tender within the stipulated delivery period (July 1977). The extra cost of Rs. 2.99 lakhs could not be recovered from the firm because of failure on the part of the DGSD to effect a valid risk purchase within six months from the date of breach of the contract.

23. **Purchase of aluminium conductors**.—For supply of 1600 kms. of aluminium conductors of various sizes to the Electricity Department, Government of Goa, Daman and Diu, the Director General, Supplies and Disposals (DGSD) placed a contract on firm 'A' on 21st January 1969 for Rs. 8.34 lakhs. Supplies were to be completed by 31st August 1969 or earlier, but no quantity was supplied within the stipulated period.

Due to shortage of raw material, firm 'A' sought (16th May 1969) an extension in delivery period and requested (6th August 1969) for raw material assistance. After protracted correspondence, the delivery period was extended on 25th May 1970 from 31st August 1969 to 31st July 1970. As regards raw material assistance, firm 'A' was asked (21st August 1969) to take up the matter direct with the authorities concerned as there was no such provision in the contract for raw material assistance.

After May 1970, the case was neither pursued by the DGSD for 2 years, nor was there a reminder from the indentor; on 19th June 1972, firm 'A' sought extension in delivery period, which had expired on 31st July 1970, and also assistance for raw material. At this stage, on a reference being made (5th July 1972), the indentor stated (14th July 1972) that the stores were still required. Thereafter, the question of grant of extension of time to firm 'A' was not considered, but the Ministry of Law, which was consulted (16th August 1972), advised (30th August 1972) that the contract could be cancelled at the risk and cost of firm 'A' taking 31st July 1970 as the date of breach of contract. However, as six months from this date had already elapsed, valid risk purchase was not possible.

On 7th August 1973, the indentor again stated that he still required the stores and that the date of delivery might be extended. The DGSD informed (25th September 1973) the indentor that due to difficulty in getting raw material, the supply was doubtful even if extension of time was granted and, therefore, sought for advice whether the contract be cancelled at the risk and cost of firm 'A'. The indentor was also asked to furnish fresh indent in case the stores were still required. On 4th December 1973, the indentor agreed (telegraphically) to the proposal for cancellation of the contract; the contract was cancelled on 25th February 1974 (*i.e.* $3\frac{1}{2}$ years after the date of its breach).

In order to claim general damages, the DGSD issued a trade enquiry on firms 'B' and 'C' in November 1976, but the market prices of high carbon steel on the date of breach of contract could not be ascertained. The indentor was also addressed (21st February 1978) to intimate whether the cancelled quantity was purchased by him afterwards and whether any loss was suffered by him due to non-supply of the stores. The indentor intimated (14th March 1978) that the cancelled quantity was purchased by him against fresh indent dated 21st September 1970 before the cancellation of contract and that the same quantity was procured from three other firms, viz. 'X', 'Y' and 'Z' at extra cost of Rs. 4.71 lakhs. On 6th June 1978, the DGSD informed the indentor that the purchase of stores against another indent before cancellation of the defaulted contract was irregular and that only general damages amounting to Rs. 0.22 lakh as per advice of the Ministry of Law, were recoverable from firm 'A'. The indentor, who initially insisted (1st July 1978) for recovery of full extra cost of

Rs. 4.71 lakhs, subsequently (7th April 1979) asked for the recovery of general damages of Rs. 0.22 lakh. The DGSD asked the firm on 1st May 1979 to pay the general damages (Rs. 0.22 lakh) by 31st May 1979, which had not been recovered so far (November 1979). The Department of Supply stated (October 1979) that the delay in claiming the general damages was mainly because the indentor had to be convinced that loss of Rs. 4.71 lakhs was not legally recoverable.

The case revealed that :

—the DGSD failed to pursue the case after the expiry of delivery period (31st July 1970) and to effect valid risk purchase within six months of the date of breach of contract resulting in extra expenditure of Rs. 4.71 lakhs in purchase of the same quantity against a fresh indent dated 21st September 1970; and

—though the contract was cancelled on 25th February 1974 after 3½ years of the breach of contract on 31st July 1970, it took more than 5 years after cancellation of contract to assess and claim general damages (Rs. 0.22 lakh) from firm 'A', which were yet to be recovered (November 1979).

24. **Purchase of duck cotton.**—An order for supply of 2.39 lakh metres of duck cotton (91 cms. width) required by an Ordnance Equipment Factory for manufacture of bag kits universal black, was placed by the Director of Supplies (Textile), Bombay (DSB) on firm 'A' on 27th December 1971 for Rs. 31.94 lakhs (2 lakh metres at Rs. 13.45 per metre and 0.39 lakh metres at Rs. 13 per metre). The supplies were to be made during January 1972 to April 1972, but this period was extended twice, up to 10th July 1972 and up to 15th November 1972. By 15th July 1972, the firm had supplied 1.40 lakh metres. Owing to downward trend in prices, the contract rate for the balance quantity (0.99 lakh metres) was reduced to Rs. 11.65 per metre on 11th August 1972 with the consent of firm 'A', for completion of supplies by 15th November 1972.

A lot of 0.50 lakh metres, offered by firm 'A' for inspection on 17th August 1972, was rejected by the Defence Inspectorate on 15th September 1972 as it was dyed with sulphur dyes or with vat dyes in conjunction with sulphur dyes (which was totally prohibited for use by the Defence Department). On re-testing of the cloth already supplied (1.40 lakh metres), the Inspectorate found (October-December 1972) that almost the entire supplies made by firm 'A' earlier were dyed either with sulphur dyes or with vat dyes in conjunction with sulphur dyes. The Defence Inspectorate, therefore, informed the DSB in December 1972 that "the occurrence of such serious irregularity and on such a large scale............................has thrown the credibility of this firm very much in doubt.............. It has put the Government to loss not only on account of substandard material as such but also on account of fabrication cost spent in making bags from such unacceptable material". In May 1973, the Defence Inspectorate recommended a price reduction of Rs. 2.52 lakhs in respect of 1.40 lakh metres of cloth already accepted. The Defence Inspectorate stated (July 1973) that it had been established beyond doubt that almost entire supplies made were dyed either with sulphur or sulphur in conjunction with vat dyes, but unfortunately this defect remained undetected in the normal process of inspection in the early stages and was detected at subsequent stage during check of samples drawn from the accepted supplies and that both, the supplying firm and the inspection staff, were responsible for this. Obviously, no samples seemed to have been drawn and tested at the time of inspection or the tests were not properly made.

On the question of price reduction being taken up (December 1975) with firm 'A', it did not agree to the reduction and wanted the matter to be referred to arbitration. Later in October 1977, it was felt that the department had no legal standing in claiming price reduction on 90,683 metres which were not only accepted but also consumed and that price reduction be claimed on the remaining quantity of 49,136 metres which, though accepted, was not consumed. According to the basis already suggested by the Defence Inspectorate, the amount of price reduction for this quantity worked out to Rs. 1.05 lakhs. Firm 'A', however, offered to pay only Rs. 1.10 lakhs in full and final settlement of all claims against the contract including liquidated damages for late delivery which alone worked out to Rs. 1.44 lakhs. The department accepted this settlement without pressing for recovery of Rs. 1.47 lakhs as price reduction in respect of 0.91 lakh metres of cloth already consumed.

In December 1972, the Defence Inspectorate had informed the DSB that it had been decided on certain economy considerations to switch over from black to olive green shade (which was cheaper) for canvas required for kit bags and requested the DSB to obtain the material in olive green shade against the indents in hand as well as the quantities outstanding against the current orders.

Firm 'A' failed to supply the balance quantity of 0.99 lakh metres by 15th November 1972. The Ministry of Law advised (February 1973) that the order for the remaining quantity could be cancelled at the risk and expense of the firm. No cancellation was, however, done and firm 'A' was allowed to complete the remaining supply of 0.99 lakh metres in black shade. Regarding non-cancellation of order, the department stated (March 1976 and December 1979) that at that time there was an intention to conduct negotiations with the firm to get a sizeable reduction against the earlier despatches of substandard material and that it would have been difficult to achieve it if the outstanding quantity was cancelled.

By not cancelling the order for 0.99 lakh metres and not obtaining equivalent quantity in olive green shade at a lower rate (Rs. 10.19 per metre) extra expenditure of Rs. 1.44 lakhs was incurred.

The case disclosed the following main points :—

—substandard cloth measuring 1.40 lakh metres (cost : Rs. 18.81 lakhs) was accepted without noticing the manufacturing defects at the time of supply and inspection;

—on detecting the defects subsequently, (October-December 1972) compensation amounting to Rs. 1.10 lakhs was obtained from the firm only for 0.49 lakh metres which had not been consumed, thereby sustaining a loss of Rs. 1.47 lakhs on 0.91 lakh metres of cloth which had already been consumed; and

—extra expenditure of Rs. 1.44 lakhs was incurred by not cancelling the order for 0.99 lakh metres of cloth in black shade (even though the firm had failed to make the supply in time) and not procuring an equivalent quantity in olive green shade at a lower rate.

25. **Extra expenditure on purchase of Ammonium Ichthosulphonate (ICHTHAMMOL).**—In January 1971, the Director General, Supplies and Disposals (DGSD) placed an acceptance of tender (A/T) (value : Rs. 1.68 lakhs) on firm 'A' for supply of 11,300 kgs. of ICHTHAMMOL at Rs. 14.48/Rs. 14.98 per kg. to the Director General, Health Services (DGHS) by 31st July 1971 in three instalments commencing from 31st March 1971.

Firm 'A' did not make any supply and asked (14th April 1971) the DGSD for cancellation of the A/T for the reason that ICHTHAMMOL was an imported item and foreign suppliers had declined to book orders due to non-availability of raw material even though the A/T indicated the country of origin of the material as "India". The DGSD did not agree (May 1971) to the firm's request as availability of raw material was not a condition for supply as per the contract. Firm 'A', however, insisted (10th June 1971) on cancellation of the contract as the item was not available in India and its import was not possible. As the supplies were not effected till 31st July 1971, the contract was cancelled on 24th September 1971 in consultation with the Ministry of Law (29th August 1971), at firm's risk and cost taking 31st July 1971 as the date of breach of contract and risk purchase tender enquiry was issued on 10th November 1971 (*i.e.* 1½ months after the cancellation of the contract) without recording any reasons for delay. The risk purchase tenders were opened on 30th December 1971 and on 31st January 1972 (the last date for finalising the risk purchase), it was decided to accept the rate of Rs. 23.90 per kg. quoted by firm 'C' and advance A/T was issued on 31st January 1972; formal A/T (value : Rs. 2.70 lakhs) was issued on 3rd February 1972 in continuation of the advance A/T.

Though it was a case of valid risk purchase, it having been finalised within 6 months of the breach of the contract *i.e.* 31st July 1971, the DGSD was doubtful (January 1972) about recovery of extra expenditure from firm 'A' as the first lowest offer (Rs. 14.48/Rs. 14.98 per kg.) of firm 'A' received in response to risk purchase tender enquiry had been ignored for want of confirmation from it to provide 10 *per cent* security deposit and the second lowest offer (Rs. 22.90/Rs. 23.40 per kg.) of firm 'H' was not found acceptable due to incomplete tender documents. It was, therefore, decided (January 1972) to process the case for recovery of general damages from firm 'A', equivalent to the difference between the price in the cancelled A/T and the market price around the date of breach of contract. A trade enquiry was issued first on 29th March 1972 and again on 6th May 1972, but there was no response; a third enquiry was issued on 7th October 1972 and information regarding market price was received (October 1972) from five firms, but no action was taken by the DGSD to assess and recover general damages from firm 'A', for over $2\frac{1}{2}$ years. On 2nd June 1975, the case was referred to the Ministry of Law for advice regarding the market price to be adopted for the purpose of calculating general damages. The Ministry of Law advised (9th June 1975) that the rate of Rs. 28 per kg. quoted by firm 'D' in its letter of 19th October 1972 might be taken as the market price.

Accordingly, the demand notice for payment of Rs. 1.57 lakhs on account of general damages was sent on 27th March 1976, but it was repudiated (29th April 1976) by firm 'A's solicitors. In consultation with the Ministry of Law (31st August 1976), the case was referred to an arbitrator (March 1977). The arbitrator, in his award made on 20th September 1977, held the Government's claim for general damages as untenable since the date of breach of contract was 31st July 1971 and the formal risk purchase A/T was despatched to firm 'C' on 3rd February 1972 which was beyond the prescribed period of six months from the breach of contract (31st July 1971). Further, though in the formal A/T issued on 3rd February 1972, there was a reference to the advance A/T issued on 31st January 1972, its copy was not produced, nor was any proof given that the same was put in the course of communication before the expiry of the said six months' period. The DGSD, however, informed Audit on 14th September 1979 that its copy had since been obtained (July 1979) from firm 'C' and placed on record. Had this copy been obtained and produced before the arbitrator, the department would not have lost the case in arbitration.

Although decision (1st November 1977) to file objection to the award in the court of law was taken in consultation with the Ministry of Law, it was not implemented since action in this behalf could not be completed within the limitation period (up to 10th July 1978). The award was finally accepted in November 1978.

Government, thus, suffered a loss of Rs. 1.02 lakhs (exclusive of taxes), initially due to the DGSD's inability to produce complete papers before the arbitrator and subsequently due to non-filing of objection to the arbitrator's award in the court of law.

26. **Purchase of tables bedside collapsible.**—To cover an indent received from the Director of Ordnance Services, New Delhi in September 1966, the Director General, Supplies and Disposals (DGSD) placed an acceptance of tender (A/T) on firm 'A' on 6th March 1967 for supply of 2,212 tables bedside collapsible at the rate of Rs. 25 per table to be supplied by 7th July 1967. As the firm failed to supply the stores, after protracted correspondence with the indentor and the firm, the contract was cancelled on 21st October 1969 at its risk and cost.

To effect the risk purchase, another A/T was placed by the DGSD on 25th April 1970 on firm 'B' for supply at the rate of Rs. 38.60 per table by 20th November 1970. The contract had the discrepancy that while clause 15(a) of the contract provided for delivery of stores in loose to the Inspectorate of General Stores (IGS), Anand Parbat, New Delhi for inspection, clause 17(c) stipulated inspection at firm's premises. On this discrepancy being pointed out by the Defence Inspectorate on 30th June 1970, the DGSD issued (27th July 1970) an amendment letter changing the place of inspection to the IGS, Anand Parbat as the firm had agreed to this before placement of contract. The firm protested repeatedly (31st July, 26th September, 10th November and 22nd December 1970) against the DGSD's unilateral decision and requested for withdrawal of the disputed amendment. On 19th November 1970, the Defence Inspectorate agreed to the inspection at the firms' premises as originally stipulated in the A/T. However, instead of cancelling the disputed amendment, the DGSD cancelled the contract on 26th February 1971 at the risk and cost of the firm as according to the department (November 1979), the stipulated delivery period had expired on 20th November 1970 and certain defects and discrepancies were found by the IGS in the advance samples supplied by the firm.

Risk purchase tenders were invited again by the DGSD and opened on 4th May 1971. Two offers were received, of which the lower offer (Rs. 38.60 per table) was from the defaulting firm 'B', which was asked to pay 10 *per cent* security deposit by 17th May 1971. As the firm failed to furnish requisite security deposit by the due date, the A/T was placed with the second firm 'C' on 19th May 1971 at Rs. 85 per table. This resulted in extra expenditure of Rs. 1.08 lakhs.

A demand notice calling on firm 'B' for payment of Rs. 1.08 lakhs was issued by the DGSD on 26th July 1971. Firm 'B', while refuting this claim, filed a counter-claim of Rs. 0.53 lakh and also requested that the dispute be referred for arbitration. The arbitrator in his non-speaking award (28th February 1974) rejected the claims of both, Government and firm 'B'.

Thus, Government were saddled with an extra expenditure of Rs. 1.08 lakhs mainly due to the discrepancy in the contract regarding the place of inspection of stores.

27. **Purchase of ferrous sulphate and folic acid tablets.**—To cover an indent of January 1976 from the Department of Family Planning (now Department of Family Welfare) for supply of 43 crore ferrous sulphate and folic acid tablets (25 crores large and 18 crores small) and 2 lakh bottles of 100 milli litre (ml.) each of liquid preparation of iron and folic acid by 31st December 1976 and 30th September 1976 respectively, the Director General, Supplies and Disposals (DGSD) got (24th March 1976) the following first two lowest acceptable offers :—

(Rates inclusive of excise duty)

Name of the firm	Tablets (per 1,000)		Liquid preparation
	(Large)	(Small)	(100 ml. bottle)
	(In rupees)		
'W'	7.25	3.80	..
'J'	7.25	3.87	..
'N'	..	..	2.70
'E'	..	..	2.81

For tablets (large and small), the DGSD decided on 18th May 1976 to cover 50 *per cent* of the requirement on firm 'W' and to reserve balance 50 *per cent* for firm 'J' pending verification of its performance against the contract for the same item awarded in November 1975.

Meanwhile, on 30th April 1976, the Central Government Health Scheme (CGHS) Organisation informed the DGSD about the poor performance and supply of substandard medicines by firm 'J' leading to deletion of its name from the purview of the CGHS rate enquiry. Thereafter, on 7th June 1976, the DGSD decided to ask other firms to quote their best rates for uncovered quantity of the tablets as the earlier offers had expired on 24th May 1976.

For liquid preparation, firm 'N' also quoted (Rs. 2.80) for 120 ml. packing. As this worked out cheaper (Rs. 2.33 per 100 ml.), after obtaining (8th June 1976) acceptance of the indentor, contracts were placed (June 1976) for 1 lakh bottles of 120 ml. each at Rs. 2.80 per bottle on firm 'N' and for another 1 lakh bottles of 100 ml. each at Rs. 2.81 per bottle on firm 'E' although firm 'E' was not the lowest for 100 ml. packing. The decision to place order on firm 'E' was taken under the erroneous assumption that each packing would be of 112 ml. instead of 100 ml. quoted by the firm. Had the contract for full quantity of 2 lakh bottles been placed on firm 'N' (in 120 ml. packing), extra expenditure of Rs. 0.48 lakh could have been avoided.

Fresh tenders for the balance requirement of 21.5 crore tablets (12.5 crores large and 9 crores small) were opened on 16th June 1976. For tablets large, the lowest acceptable offer was Rs. 7.62 per 1,000 tablets from firm 'E' and for tablets small, Rs. 3.74 per 1,000 tablets from fiim 'M'. Since the fresh offer for tablets la.ge was higher, the DGSD proposed (17th June 1976) to cover the balance .equirement of 12.5 crore tablets on firm 'W' at its previous rate of Rs. 7.25 per 1,000 tablets. But, on 22nd June 1976, firm 'W' revised its rate to Rs. 8.03 per 1,000 tablets. Consequently, order for 12.5 crore tablets large was placed on firm 'E' at Rs. 7.62 per 1,000 tablets. Had the adverse report (received on 4th May 1976) on the performance of firm 'J' been considered at the time of processing the original purchase proposals (18th May 1976) and had the entire quantity been covered on firm 'W', Government would have saved Rs. 0.46 lakh.

Thus, there was an extra expenditure of Rs. 0.94 lakh in both the cases.

28. **Purchase of chloroprene proof nylon fabrics.**—To cover an operational indent of May 1972 from the General Manager, Ordnance Factory 'A', the Director General, Supplies and Disposals (DGSD) placed (16th March 1973) an acceptance of tender (A/T) for supply of 30,100 metres of chloroprene proof nylon fabrics on firm 'X' at the rate of Rs. 172 per metre, by 31st

December 1973. As the indentor desired deferment of supplies beyond the due date of delivery, the rate per metre was revised (September 1974) to Rs. 172 (for 4,475 metres already supplied), Rs. 205 (for next 5,000 metres) and Rs. 243 (for balance 20,625 metres). The firm supplied 14,262.60 metres by 31st March 1977 (extended delivery date). After obtaining advice of the Ministry of Law (8th June 1977), the balance quantity of 15,837.40 metres was cancelled on 21st June 1977 at the risk and cost of firm 'X' treating 31st March 1977 as the date of breach of contract.

For effecting risk purchase fresh quotations were opened on 20th July 1977; of the three offers received, the lowest one from firm 'Y' at Rs. 275 per metre (increased to Rs. 280 per metre during negotiations in August 1977) was accepted and A/T for supply of 8,000 metres was placed on firm 'Y' on 13th September 1977; the 2nd lowest offer (Rs. 323 per metre) was from the defaulting firm 'X' which was ignored as the firm failed to give requisite 10 *per cent* security deposit; the third lowest offer from firm 'Z' (Rs. 375 per metre later (23rd August 1977) revised to Rs. 355) was passed over as it was considered high as compared to the rate of firm 'Y'.

In August 1977, considering that delivery of stores from the indigenous sources would not be possible as required by the indentor, the DGSD decided to procure the uncovered quantity (7,837.40 metres) through imports, but this did not materialise. The orders for the uncovered quantity (7,837.40 metres) were placed on firm 'Z' (3,000 metres) at Rs. 355 per metre on 10th February 1978 and on firm 'Y' (4,837.40 metres) at Rs. 320 per metre on 30th June 1978. The delay on the part of the DGSD in arriving at the purchase decision for the uncovered quantity resulted in an extra expenditure of Rs. 7.08 lakhs, as compared to the original rate of Rs. 243 per metre of firm 'X'. As the purchase was made after the expiry of prescribed period of 6 months from the date of breach of contract, this extra cost (Rs. 7.08 lakhs) could not be recovered from the defaulting firm 'X'. Besides, a sum of Rs. 4.36 lakhs due from the defaulting firm 'X' on account of extra cost on risk purchase of 8,000 metres from firm

'Y' in September 1977 had also not been recovered so far (November 1979); however, Rs. 2.38 lakhs are stated to be withheld from the pending bills of firm 'X'. Government stated (December 1979) that a claim of general damages for Rs. 10.33 lakhs had been lodged with firm 'X' on 5th December 1979.

29. **Purchase of cough tablets.**—In October 1974, the Director General, Supplies and Disposals (DGSD) awarded a contract (value : Rs. 3.91 lakhs) to firm 'Q' for supply of 1.30 crore cough tablets at the rate of Rs. 30 per 1,000 tablets (excise duty 10 *per cent* extra) to the Director General, Armed Forces Medical Services (DGAFMS) by 30th June 1975 in four equal monthly instalments commencing from 30th March 1975. In January 1975, the quantity was increased to 1.63 crore tablets (value : Rs. 4.89 lakhs); the additional quantity (33 lakh tablets) was to be delivered by 31st August 1975.

Firm 'Q' failed to make any supply by 30th June 1975 as it did not receive codeine phosphate from the Narcotic Commissioner, Gwalior, and asked (20th August 1975) for extension in delivery period which was granted (15th September 1975) by the DGSD up to 15th December 1975 with reservation of rights to recover liquidated damages.

On 10th November 1975, firm 'Q' informed the DGSD that it was expecting supply of 150 kgs. of codeine phosphate allotted to it by the Food and Drug Administration, Maharashtra, by the end of November 1975 and requested for extension in delivery period till 29th February 1976. With the concurrence of the DGAFMS (20th November 1975), the DGSD extended (4th December 1975) the delivery period up to 31st January 1976. On 15th January 1976, firm 'Q' sought permission to offer tablets for inspection, packed in tins instead of in amber bottles as stipulated in the contract; the DGSD agreed to this on 28th February 1976 and simultaneously extended the delivery period up to 15th March 1976 without any request from firm 'Q' which did not convey its acceptance of it even later.

After supplying 6.57 lakh tablets up to 9th March 1976, firm 'Q' asked (19th March 1976) for increase in excise duty from 10 to 20 *per cent* with effect from 16th March 1976 according to the new rates effective from that date under the budget proposals for 1976-77. Without taking any decision on firm's request, the DGSD issued (29th April 1976) a notice-cum-extension letter requiring firm 'Q' to complete supplies by 31st May 1976; firm 'Q' did not convey its acceptance of the extension in delivery period, but on 19th May 1976 reminded the DGSD for the enhanced rate of excise duty.

The DGSD referred (17th June 1976 and 3rd July 1976) the matter to the Ministry of Law, which advised (21st July 1976) that since the firm had not accepted and acted on the extensions beyond 31st January 1976, the date of breach of contract for the unsupplied quantity would be 31st January 1976 and that a performance notice would require to be issued before cancellation of the contract. Accordingly, the DGSD issued a performance notice (3rd August 1976) to the firm extending the delivery period up to 31st August 1976. The firm, however, neither acknowledged the performance notice nor did it make any supply. The contract was cancelled by the DGSD on 15th December 1976 in consultation with the Ministry of Law (29th October 1976) at firm's risk and cost.

Repurchase contract for the unsupplied quantity of 1.57 crore tablets (value : Rs. 9.33 lakhs) was placed by the DGSD on firm 'C' in July 1977 at Rs. 59.60 per 1,000 tablets (inclusive of excise duty) at an extra cost of Rs. 4.16 lakhs. Since the repurchase was made after expiry of prescribed period of six months from the date of breach of contract (31st January 1976), the defaulting firm 'Q' could be liable to pay only general damages representing the difference between the contract rate and the market rate as on the date of breach of contract. For this purpose, the DGSD issued a rate enquiry circular to 120 firms on 4th July 1977, to which only firm 'C' intimated (20th August 1977) that the price of tablets around 31st January 1976 was Rs. 59.60 per 1,000 tablets. The Ministry of Law advised on 29th October

1977 that firm 'C' might be asked to furnish evidence of any transaction to support its quoted rate of Rs. 59.60 ; firm 'C' did not do so. It also could not furnish (9th January 1979) cost break-up to support the rate of Rs. 59.60 per 1,000 tablets when specifically asked to do so.

Firm 'C' completed supplies by 24th October 1978. The DGSD could not recover the extra expenditure (Rs. 4.16 lakhs) from the defaulting firm 'Q' as action to cancel the contract was not taken immediately on the firm's failure to acknowledge extension letters issued on 29th February 1976 and 29th April 1976 and to effect risk-purchase within six months from 31st January 1976. In view of the non-availability of reliable evidence of the market rate around the date of breach of contract (31st January 1976), the DGSD proposed (May 1979) to recover only $7\frac{1}{2}$ *per cent* (Rs. 0.34 lakh) of the value of the cancelled contract by way of general damages from firm 'Q' ; no recovery has been made so far (November 1979).

MINISTRY OF TOURISM AND CIVIL AVIATION

30. **Purchase and fabrication of water bowzers.**—With a view to augmenting the water capacity of fire tenders to meet fire fighting requirements as prescribed by the International Civil Aviation Organisation (ICAO) at various airports, the then Ministry of Transport and Communication accorded (October 1966) administrative approval for purchase of 68 water bowzers at an estimated cost of Rs. 58.90 lakhs. These water bowzers were to be fabricated on chassis.

Procurement of chassis.—The Director General, Civil Aviation (DGCA) placed an indent on the Director General, Supplies and Disposals (DGSD) in October 1969 for purchase of two water bowzers (chassis as well as body building). On the basis of a single tender enquiry, an acceptance of tender was placed (17th July 1970) by the DGSD on firm 'A' for supply of two chassis at a cost of Rs. 1.45 lakhs by 20th November 1970 (extended to 25th January 1972). The contract stipulated that order for supply of Power Take-off (PT) units to be fitted to chassis, would be placed separately on receipt of firm's quotation. Another contract for supply of 29 chassis (without PT units) at a cost of Rs. 26.97 lakhs was placed on firm 'A' on 4th September 1971. Against the first contract, two chassis were produced by the firm without PT units and were accepted by the department after inspection on 17th November 1971. These were delivered to firm 'B' for fabrication of bowzers on 16th February 1972. In September 1971, firm 'A' informed the DGSD that the PT unit would not be suitable and that, instead, full torque PT unit was required. Again in June 1973, firm 'A' informed that it had not yet started production of torque PT units, but it had manufactured 2 other PT units by general engineering methods as proto-types which were considered suitable. These two PT units were obtained by the department at a cost of Rs. 0.05 lakh plus sales tax and were fitted on 19th October 1973 to chassis already delivered to firm 'B' for necessary testing and fabrication of water bowzers ; these were not found suitable as mentioned later in the paragraph.

Twentynine chassis without PT units were supplied to the department in April and May 1974. Out of these, 10 were stored at Nagpur Aerodrome, 13 at Safdarjang Airport and 6 were issued (February 1978) to firm 'D' for fabrication of bowzers. The Assistant Fire Officer of Safdarjang Airport, New Delhi, stated (May 1979) that 13 chassis (cost : Rs. 12.09 lakhs) were lying in open space without any watch and ward facility and that costly tyres and accessories were exposed to adverse effects of weather. The department stated (December 1979) that there had been no damage to the chassis so far (December 1979).

Fabrication of water bowzers.—Two contracts for fabrication of 2 numbers and 29 numbers of water bowzers on Leyland chassis were placed by the DGSD on firm 'B' in July 1970 and July 1971, valuing Rs. 0.79 lakh and Rs. 13.93 lakhs respectively. The work of fabrication could not be started by firm 'B' as the two chassis were supplied by firm 'A' only on 16th February 1972 and the PT units were fitted to the chassis on 19th

October 1973. The PT units fitted to the chassis remained under test which could not be completed due to power cut in the intervening period. On 22nd April 1975, firm 'B' informed the DGSD that on the basis of tests conducted, the PT units supplied by firm 'A' were not found suitable for operating fire fighting pumps. Firm 'A' tried to rectify the defects pointed out by firm 'B', but it did not succeed and the PT units did not give satisfactory performance even in the final test. On 13th November 1975, the contracts placed on firm 'B' were cancelled without financial repercussions on either side on the advice of the Ministry of Law. The 2 chassis delivered to firm 'B' were received back in December 1975 after joint inspection. The PT units supplied by firm 'A' were finally tested on 16th February 1976 by the representatives of the DGCA, the DGSD and firm 'A' and were not found satisfactory. The department then decided on 4th March 1976 to place a fresh indent with revised specifications replacing the PT units by diesel engines for pump drive.

Two contracts were placed by the DGSD in September 1976 on firms 'C' and 'D' for fabrication of 6 numbers and 25 numbers of water bowzers with provision of separate diesel engines for pump drive and certain accessories at a cost of Rs. 7.50 lakhs and Rs. 28.75 lakhs respectively. In both the cases, the firms were required to produce acceptable proto-type to the Inspecting Officer within three months of the receipt of chassis failing which the contracts were to be cancelled at their risk and cost.

One chassis was handed over to firm 'C' in March 1977. Firm 'C' failed to supply the proto-type vehicle within the extended period of delivery (up to 30th September 1977). The contract was, ther fore, cancelled by the DGSD on 9th January 1978 at the risk and cost of firm 'C'. Firm 'C' had, however, not returned the chassis (cost : Rs. 0.92 lakh) so far (November 1979).

The contract with firm 'D' was amended on 10th February 1978 increasing the number of water bowzers from 25 to 31. Firm 'D' produced (May 1977) the proto-type which, on testing and inspection by the representatives of the DGSD and the indentor, was found to have certain manufacturing defects and the proto-type was rejected in October 1977. Firm 'D' represented that the rejection was not justified as the design and drawing had the prior approval of the indentor. In a meeting held on 6th December 1977, it was decided by the DGSD to accept the proto-type after reducing the cost (total reduction : Rs. 3.43 lakhs for 25 nos.) due to deletion of certain items. The proto-type was positioned at Safdarjang Airport to facilitate inspection and acceptance of the remaining units when fabricated. In February 1978, six more chassis were handed over to firm 'D' for fabrication of water bowzers; the fabrication required 'colt' diesel engines to be supplied by another firm 'E'. Due to lock out in the factory of firm 'E', the supply of 'colt' diesel engine became uncertain and the DGCA requested the DGSD in March 1979 to explore the possibility of using petrol engines. On 25th May 1979, firm 'E' informed the DGCA and the DGSD that as the lock out had since been lifted, it would supply 'colt' diesel engines at 6 units per month from July 1979 onwards. However, no further engine had been supplied by firm 'E' (October 1979) and no water bowzers had been fabricated and supplied by firm 'D' so far (November 1979).

The Regional Director of Civil Aviation, Delhi Region reported to the DGCA on 23rd July 1979 that the proto-type (cost : Rs. 1.75 lakhs) at Safdarjang Airport had not worked since its purchase (December 1977) due to several manufacturing defects and had been lying idle in unserviceable condition. The DGCA stated (June 1979) that the department had been continuously pursuing the matter at all levels to expedite the supply of water bowzers, but that it was helpless as the purchase had to be regulated through the DGSD only. The department added that it continued to suffer the shortage of this equipment in its safety services.

The case revealed that :

—orders for the PT units were placed on firm 'A' without verifying its manufacturing capacity and technical suitability with the result that the 2 units supplied were not found suitable later (April 1975 and February 1976) and thus, fabrication of bowzers was delayed;

—orders for fabrication of water bowzers with 'colt' diesel engine for pump drive were placed on firms 'C' and 'D' without verifying the suitability of the equipment offered with the result that the proto-type (cost : Rs. 1.75 lakhs) did not work since its purchase (December 1977);

—the water bowzers which were urgently required for fire fighting purposes as per requirements of ICAO could not be procured so far (November 1979);

—amounts of Rs. 1.45 lakhs and Rs. 26.97 lakhs spent for procurement of 2 chassis and 29 chassis had remained blocked since February 1972 and May 1974 respectively; and

—a chassis valued at Rs. 0.92 lakh had been lying with firm 'C' (since March 1977) which refused to return it.

CHAPTER IV

FINANCIAL ASSISTANCE GIVEN BY GOVERNMENT

31. (i) *Loans and advances.*—Details of loans and advances outstanding against State Governments, Foreign Governments, etc. at the end of 1977-78 and 1978-79 are given below :—

To whom lent	Amount outstanding on 31st March 1978	Loans paid during 1978-79	Loans repaid during 1978-79	Amount outstanding on 31st March 1979
				(Crores of rupees)
State Governments	11498.50	3260.48	882.62	13876.36
Union Territory Governments	179.23	63.92	9.09	234.06
Foreign Governments	337.23	294.48	380.58	251.13
Government Corporations, Non-Government Institutions, Local Funds, Cultivators, etc.	7648.10	1899.33	750.92	8796.51
Government Servants	*123.88	147.28	56.69	214.47
Total	*19786.94	5665.49	2079.90	23372.53

*Differs from the figures shown in the last year's Report due to subsequent corrections.

(ii) *Grants.*—During 1978-79, Rs. 33,09.54 crores were paid as grants by Union Government to State and Union Territory Governments, statutory bodies, registered and private institutions, etc. as detailed below :

	(Lakhs of rupees)
(a) Grants to State and Union Territory Governments:	
(i) Grants to State Governments under proviso to Article 275(i) of the Constitution	86,51.33
(ii) Other grants to State Governments	24,46,59.94
(iii) Grants to Union Territory Governments	1,01,38.13
(b) Grants to statutory bodies, non-Government institutions or bodies and individuals (the details of grants Ministry/Department-wise are given in Appendix II to the Report).	6,75,04.44

MINISTRY OF EDUCATION AND SOCIAL WELFARE

(Department of Education)

32. National Council of Educational Research and Training

1. *Introductory* :—The National Council of Educational Research and Training (NCERT), a registered society, was established in 1961 with the object of assisting and advising the Ministry of Education and Social Welfare in the implementation of its policies and major programmes in the field of education, particularly school education. For the realisation of its objectives, the NCERT was, *inter alia*, to :

—undertake, aid, promote and coordinate research in all branches of education;

—organise pre-service and in-service training, mainly at an advanced level;

—organise extension services for institutions engaged in educational research, training of teachers, etc;

—develop and disseminate improved educational techniques and practices in schools;

—co-operate with, advise and assist the State Governments' educational institutions for the furtherance of its objects; and

—undertake preparation and publication of books, etc.

The Council consists of 56 members with the Minister of Education and Social Welfare as Chairman. The Executive Committee, which is the governing body of the NCERT consists of 13 members presided over by the Minister of Education and Social Welfare and is vested with the task of management of its affairs and funds. The Director of the NCERT is the principal executive and academic officer responsible for the proper administration of its affairs. The constituent units of the NCERT are the National Institute of Education, the Centre for Educational Technology and 4 Regional Colleges of Education. The NCERT has 18 Field Advisers located in various States to serve as a link with the State Agencies.

2. *Finance, accounts and audit*

2.1 The NCERT is mainly financed by grants from Government. Its receipts and payments for the five years ended 1978-79 were as under :—

	1974–75	1975–76	1976–77	1977–78	1978–79
			(In lakhs of rupees)		
Receipts					
Opening balance	29.21	13.99	£56.97	26.46	37.14
Grants received from Government	430.57	480.99	497.13	505.34	564.30
Grants received for specific projects from Government and other agencies	20.57	37.48	43.51	64.77	56.74
Sale proceeds of books and journals	25.90	59.57	68.58	48.40	101.31
Miscellaneous receipts	18.34	47.76	50.83	82.95	72.13
Provident fund and compulsory deposit accounts	21.68	47.51	85.62	45.82	58.01
Deposits, advances, suspense and remittances	127.89	176.33	224.56	299.64	303.42
Centre for Educational Technology	£	£	45.40	27.31	£
Total	674.16	863.63	1072.60	1100.69	1193.05

	1974-75	1975-76	1976-77	1977-78	1978-79
			(In lakhs of rupees)		
Payments					
Pay and allowances	165.75	214.14	225.17	237.08	266.08
Other charges	35.80	49.73	53.92	60.10	68.55
Programmes and scholarships	158.40	175.04	242.61	202.85	278.90
Lands, buildings, furniture, fittings, etc.	19.38	81.35	71.62	96.34	77.87
Expenditure out of specific grants	28.76	33.72	33.17	49.05	22.43
Miscellaneous expenditure	87.25	25.86	28.17	45.45	20.19
Provident fund and compulsory deposit accounts	27.40	43.95	74.87	69.31	51.96
Deposits, advances, suspense and remittances	136.79	184.06	270.88	278.65	322.33
Centre for Educational Technology	£	£	45.17	21.91	£
Refunds to Government and other agencies	0.64	1.01	0.56	2.81	10.19
Closing balance	13.99	54.77	26.46	37.14	74.55
Total	674.16	863.63	1072.60	1100.69	1193.05

(£ Prior to 1976-77, the receipts and expenditure of the Centre for Educational Technology were kept outside the accounts of the NCERT; in 1976-77 and 1977-78 they were shown distinctly in the NCERT's accounts and in 1978-79 they were merged with the figures under the various heads of account).

2.2 The audit of the accounts of the NCERT is entrusted to the Comptroller and Auditor General of India under section 20(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The NCERT is also a substantially financed body in terms of section 14 of the said Act. Some points noticed as a result of test-check in audit are given in the succeeding paragraphs.

2.3 The annual estimates of expenditure were prepared and presented to the Finance Committee of the NCERT in abstract statements (separately for Plan and non-Plan) which indicated the figures of revised estimates for the current year and budget estimates for next year under 10 broad heads of expenditure along with a brief introductory note explaining variations between the different estimates. Detailed explanatory notes listing the new and continuing schemes with justification were, thus, not available to the Finance and Executive Committees, nor were such details furnished to Government which approved the budget proposals and released grants to the NCERT.

2.4 A considerable portion of Plan expenditure was incurred by the NCERT mainly in the month of March; such expenditure in March during 1974-75 to 1978-79 varied from 31 to 63 *per cent* of the total expenditure. Further, the advances paid for carrying out various Plan and non-Plan programmes were treated as final expenditure in accounts and advances amounting to Rs. 49.43 lakhs, which had been booked as final expenditure in 1978-79, were stated by the NCERT to be outstanding (October 1979). The refunds of unutilised advances after the close of the year were treated as non-Plan miscellaneous receipts, such refunds having amounted to Rs. 68.57 lakhs during 1974-75 to 1978-79.

2.5 Estimates of receipts during 1975-76 to 1978-79 were far below the actual realisations which were 85, 58, 45 and 4 *per cent* respectively above the revised estimates in those years. The expenditure during 1975-76 to 1977-78 was in excess of the budgeted amounts and the NCERT utilised the surplus receipts to cover these excesses to the extent of Rs. 29.41 lakhs in 1975-76, Rs. 29.13 lakhs in 1976-77 and Rs. 15.34 lakhs in 1977-78.

2.6 There were substantial variations between actual expenditure on programmes and outlays provided in revised estimates for the units and departments of the NCERT. It was noticed in test-check in audit that no procedure had been prescribed for watching the progress of expenditure. While some departments (*e.g.* publications, workshop) repeatedly incurred expenditure on programmes in excess of allocations, others (*e.g.* school education, educational psychology, teaching aids) were unable to utilise the funds provided. The savings and excesses were not reported to the Finance or Executive Committee, nor were the reasons for the savings placed on record nor the excesses regularised.

The NCERT stated (August 1979) that control registers were being maintained only for expenditure on programmes and purchases. The excesses during 1974-75 to 1978-79 over the final provisions under the head 'Programmes', varying from 10 to 84 *per cent* and 21 to 47 *per cent* for non-Plan and Plan expenditure respectively and 'Other charges, varying from 4 to 19 *per cent* for non-Plan expenditure would indicate that the control exercised over these items was not quite effective.

2.7 Though the regulations of the NCERT stipulate that without prior approval of Government, there should not be any diversion of funds from Plan to non-Plan expenditure or *vice-versa*, the statements accompanying the utilisation certificates submitted to Government disclosed unauthorised diversion of funds from non-Plan to Plan expenditure to the extent of Rs. 9.29 lakhs, Rs. 41.15 lakhs, Rs. 24.10 lakhs and Rs. 16.56 lakhs in 1973-74, 1975-76, 1976-77 and 1977-78 respectively. These diversions were not brought to the notice of the Finance Committee and Executive Committee, nor were these noticed by Government and necessary action taken.

3. *Review of the work and progress of the NCERT*

In accordance with the provisions of the NCERT's Memorandum of Association, the functioning of the NCERT was last reviewed in 1968 by a committee appointed by Government. Some of the committee's recommendations were accepted by Government, while others were referred (August 1969) to the Executive Committee for examination and decision; the latter directed (November 1969) the Director to consider those items which were not implemented. The NCERT stated (July 1979) that the contents of the report as well as decisions of Government had been kept in view in deciding the policies and programmes of the Council. Although the NCERT's expenditure had increased and its activities had expanded since 1968, Government had not undertaken any fresh appraisal of its working so far (October 1979).

4. *Library*

Physical verification of library books conducted in 1970 and 1973-74 revealed that over 14,000 books were missing. An enquiry officer appointed to look into the matter concluded (October 1974) that the earlier verification did not give a firm figure of loss of books. Finding that fresh accessioning of all books acquired by various departmental libraries up to 1967 and classification of all books purchased thereafter, was a pre-requisite for determining the actual loss of books, the Executive Committee decided (November 1974) that library staff should be deployed to complete, within 10 months, classification of 15,000 books and re-accessioning of 60,000 books. The work had not been completed and, consequently, the actual loss of books had not been determined so far (December 1979).

5. *Regional colleges of education*

5.1 The NCERT drew up (November 1976) a 5-year programme for training 2000 elementary school teacher educators each year in the regional colleges in courses consisting of theoretical training through correspondence lessons for 6 months followed by a contact programme for 15 days at the colleges, which were to provide the trainees free boarding and lodging. The correspondence lessons (100) were prepared, printed and supplied to the colleges (cost: Rs. 0.85 lakh); due to delay in the preparation of the lessons (the first lesson was prepared by November 1976 and the last in March 1978), the courses scheduled to start by 1st January 1977 started 7 months later. Against a planned annual enrolment of 2000 trainees in the first course, the actual enrolment was 769 trainees of whom only 561 paid the prescribed enrolment fee (Rs. 25 each) and only 134 educators had completed the course so far (September 1979). The second course had not been started as the State Governments did not depute trainees (October 1979). The NCERT stated (October 1979) that as most of the State Governments were not willing to bear the travel expenses of the trainees, the response to the course was poor.

5.2 In September 1976, the NCERT drew up another programme for training 12,000 secondary school teachers annually (from January 1977), in content, methodology and evaluation in subjects of the new 10-year school curriculam. The courses were to consist of correspondence lessons for 6 months followed by a contact programme of 15 days at the regional colleges and were expected to cost Rs. 22.20 lakhs per year. Out of 11,382 teachers, who had been enrolle d for the first course, 3,374 (30 *per cent*) completed the course. Net expenditure on the course was Rs. 2.50 lakhs (including Rs. 0.90 lakh on salaries of additional staff) at 3 regional colleges; the NCERT did not have the corresponding data for one college (Bhubaneswar) (January 1980). In August 1978, the NCERT decided that the correspondence lessons should be modified to conform to a new syllabus and made available to the States for their in-service training programmes and that the colleges were to continue the course only for teachers of those States which desired to avail of the programme; modification of the lessons had not been completed, nor had any further course been held at 2 colleges so far (November 1979).

5.3 A committee appointed by the NCERT had reported (January 1974) that equipment costing Rs. 7.42 lakhs and books costing Rs. 1.10 lakhs were lying surplus to requirements in the regional colleges. These facts had not been brought to the notice of the Executive Committee, nor had action been taken so far (October 1979) to dispose of the surplus equipment and books.

5.4 Having noticed that the enrolment to the one-year course in agriculture was very low, the review committee referred to in sub-paragraph 3 above expressed doubts about continuance of the courses (August 1968) and recommended that the course should be conducted at only one of the colleges and that too, only if there was adequate demand. The one-year courses at Mysore and Bhubaneswar were thereupon wound up, but those at Ajmer and Bhopal were continued. In view of the persistent discouraging enrolments at Bhopal (where against an intake capacity of 30 students, 20 16 and 18 students had been enrolled in 1969-70, 1970-71 and 1971-72 respectively), the Executive Committee decided (March 1973) that the course should be run only at Ajmer. Accordingly, admissions to the courses for the academic session 1973-74 were not made by the college at Bhopal; the college, however, restarted the course in 1974-75 without obtaining the approval of the Executive Committee. The number of students admitted since then had been only 19 (1974-75), 21 (1975-76), 16 (1976-77), 13 (1977-78) and 5 (1978-79). Even at Ajmer, the admission to the course had fallen from 42 students in 1975-76 to 8 in 1976-77, 14 in 1977-78 and 8 in 1978-79. A committee, which reviewed the courses at the colleges, reported in February 1976 that at Bhopal "the course was running for a small number of students which makes it rather uneconomic". These comments would be equally applicable to the Regional College, Ajmer as well.

5.5 In 4 southern States, from the academic session 1971-72 with the introduction of the 2-year pre-university course, a large number of higher secondary schools were converted into junior colleges and the master's degree was prescribed as the minimum educational qualification for teachers in these colleges. This resulted in paucity of qualified teachers in these institutions. For training science teachers to man the junior colleges, a 2-year full time post-graduate course leading to M.Sc.Ed. degiee of Mysore university was started from the academic year 1974-75 by the regional college at Mysore. Two posts of piofessors, 3 posts of readers and 9 posts of lecturers in addition to 5 posts of ancillary staff were created for running the course. During the 4 years 1974-75 to 1977-78, total expenditure of Rs. 18.74 lakhs had been incurred on the course, in which 70 students had qualified. In the academic years 1974-75, 1975-76, 1976-77 and 1977-78 the number of students enrolled were 25, 36, 47 and 44 respectively against an intake capacity of 60 per year. Even in relation to the requirements of Karnataka alone, where 25,00 additional qualified teachers were estimated to be required during 1972–77 to man its junior colleges, the contribution which the college could make at this rate was negligible.

6. Department of Teaching Aids

6.1 The review committee referred to in sub-paragraph 3 above had observed (August 1968) that the Department of Teaching Aids (DTA) suffered from several weaknesses and recommended that its main function should be to provide services to other departments. Accordingly in 1974-75, the DTA was designated as one of the service/production departments of National Institute of Education. The DTA has a Departmental Advisory Board which meets every year to formulate and plan its activities.

During the 5 years ending 31st March 1979, budget provision for DTA's programme (Plan and non-Plan) amounted to Rs. 24.71 lakhs against which actual expenditure incurred was Rs. 12.84 lakhs (52 *per cent*). The expenditure on Plan programmes was proportionately less; against the provision of Rs. 7.55 lakhs, only Rs. 2.97 lakhs (39 *per cent*) were spent. During the same period expenditure other than on programmes (mainly pay and allowances and other charges) amounted to Rs. 50.90 lakhs.

6.2 The achievements in training, research and production activities, budgeted for completion during the 5 years ending 31st March 1979 were as under:—

Type of programme	Number of approved programmes	Number completed	Number dropped or not taken up	Number in progress
Training courses	35	31	4	—
Research studies	7	2	3	2
Films	25	4	17	4
Film strips, slides	48	7	15	26
Graphic aids	23	9	14	—
Picture books	8	2	6	—
Dubbing of films	4	3	—	1
Books/journals	2	1	1	—
Total	152	59	60	33

Reasons for non-completion of programmes were generally not reported to the Departmental Advisory Board except in regard to films which were stated to be delayed because of shortage of staff and pre-occupation with other assignments.

6.3 Physical verification of technical stores done (May 1978) after a lapse of 10 years showed that 157 items costing Rs. 1.82 lakhs were unserviceable or obsolete, 34 items costing Rs. 0.94 lakh were either surplus or not utilised at all, 24 items costing Rs. 0.63 lakh were lying in defective condition and 82 items costing Rs. 0.37 lakh were not available. Government stated (January 1980) that a committee had been formed in September 1979 to analyse the physical verification report.

6.4 The film library, which was intended to cater to educational institutions, had an establishment (recurring annual expenditure: Rs. 0.98 lakh) of 12 persons in 1978-79 and a mobile cinema van. The library with 3245 members had 8035 films and 2804 film strips, which, on an average, were screened less than once a year. Out of 96 titles (films) purchased for Rs. 1.45 lakhs during the years 1973-74 to 1977-78, more than three-fourths had not been screened at all (October 1979). The mobile van was utilised for an average of only 7 shows a year from 1974-75 to 1976-77 and remained idle from February 1977. Government stated (January 1980) that on account of high consumption of petrol, it was too uneconomical to utilise the van.

7. *Centre of Educational Technology*

7.1 In 1972-73, Government started the educational technology project for making integrated use of mass media and educational technology at all levels of education; as part of the project, the Centre for Educational Technology (CET) was set up under the NCERT in collaboration with an international organisation by an agreement which envisaged that CET would provide training programmes for a wide variety of personnel at Centre and State levels, produce materials to support educational uses of media and do research and experimental work. The NCERT constituted (September 1972) a managing committee under the chairmanship of its Director to manage the affairs of CET. In its first meeting (April 1973), the managing committee decided that the long term and short term goals, appropriate strategies and suitable programmes for CET should be laid down; these had not, however, been prescribed so far (October 1979).

7.2 To make a study of the roles of CET and the Department of Teaching Aids (DTA), which were carrying out similar functions with consequent duplication of staff and equipment, the NCERT appointed (August 1975) a committee which suggested that DTA and CET should be merged. The NCERT, thereupon, decided (July 1977) that the merger should take place as early as possible, but postponed the actual merger till the construction of a building for CET. Pending their merger, CET and DTA were to plan their work jointly for proper utilisation of resources.

7.3 In 1972-73, Government sanctioned Rs. 5 lakhs to provide accommodation for installation and use of equipment to be supplied to the CET by the international organisation. Before obtaining the approval of its Executive Committee, the NCERT proposed to Government in July 1974 the construction of a separate building within its campus for both CET and DTA for which Government released Rs. 10 lakhs in March 1976, though no detailed estimates had been prepared by then. The NCERT had asked a private architect to prepare in July 1974 a master plan and in February 1975, a blue print for the building. So far (October 1979) no agreement had been entered into with the architect, who had been paid Rs. 0.54 lakh "on account" and whose bill for Rs. 0.64 lakh was pending with the NCERT since January 1977. The CPWD, with whom Rs. 10 lakhs were deposited in March 1976 for undertaking the construction work, was unwilling (October 1977) to share responsibility for the work with a private architect. The work of construction had not commenced so far (October 1979) and, in the meantime, the CET had been accommodated in 2 rented private buildings since March 1976 on a monthly rent of Rs. 0.08 lakh (aggregating to Rs. 2.81 lakhs till March 1979). The private accommodation could provide only half of the assessed requirement of space (September 1978) to the CET and an expenditure of Rs. 2.17 lakhs had been incurred to set up a temporary sound studio in the private premises.

7.4 According to the programme, the CET needed 27 technical posts of film editors, cameramen, etc. from the first year of operation; no technical staff was appointed till the fifth year, i.e. 1977-78 and only 6 out of the 49 technical posts sanctioned in June 1978 had been filled in so far (September 1979). Out of equipment worth Rs. 12.59 lakhs received in 1975 and 1976 by the CET from an international organisation, equipment worth Rs. 1.93 lakhs was commissioned after a delay of 2 to 3 years while equipment worth Rs. 5 lakhs was commissioned after a delay of more than 3 years. The delays in utilisation of equipment were due to inadequate space, shortage of technical staff and inadequate electric power supply. Government stated (January 1980) that the delay in filling up the sanctioned posts had been due to the lengthy processes involved in finalising recruitment rules and selection procedures.

8. *Third All India Educational Survey*

In June 1969, Government decided that the third educational survey of the country (as on 31st March 1972) should be taken up by the NCERT to ensure that the results were available in 1972-73 for the preparation of the Fifth Five Year Plan; a provision of Rs. 10 lakhs was made for the purpose in the NCERT's budget for 1972-73, but the NCERT did not take up the work during that year. In April 1973, Government decided that the survey should be carried out with the co-operation of the State Governments as a central scheme. In June 1973, the NCERT was made responsible for survey of school education and it was decided that basic statistics required for the 5th Plan should be collected by 31st March 1974 and the entire survey completed by 28th February 1975.

Against an allocation (January 1974) of Rs. 50 lakhs for the job, the NCERT had (September 1979) incurred an expenditure of Rs. 69.96 lakhs (including Rs. 53 lakhs paid to survey officers of State Governments) and in addition an expenditure of Rs.30.69 lakhs had been incurred by the Registrar General of India (up to December 1977) on the computer processing of data.

Though the Ministry had desired (June 1973) that separate reports should be published on each important theme of the survey, it was only in March 1976 that it was decided that on the subject of school education 11 statistical reports, 7 thematic studies and 6 in-depth studies would be prepared. By October 1979, only 3 reports had been published while 8 other reports were stated to be in various stages of printing.

In July 1977, Government recognised that the data on school education collected in the third survey (at a cost of Rs. 1.01 crores) had become too old for effective use in planning and that for formulation of the Sixth Five Year Plan, it was necessary to undertake the fourth educational survey. The States were, therefore, asked (November 1977) to set up survey units with central assistance and the conduct of the survey had been entrusted to the NCERT, to which an amount of Rs. 59.4 lakhs had been released for the purpose so far (September 1979). The primary objective for which expenditure (Rs. 1.01 crores) was incurred on the third survey had, thus, not been achieved. Government stated (January 1980) that the data collected in the third survey had been used by various agencies including the Seventh Finance Commission and that it would be used in future also by various agencies.

9. *Supply of science kits*

In 1976, the UNICEF placed an order for the supply of 9018 primary science kits during 1976-77 with the NCERT at the quoted rate of Rs. 210 (including forwarding charges) per kit. The NCERT also accepted (1976-77) orders from 5 State Governments for supplying 1623 science kits at the same rate. A scrutiny in audit of the records of the NCERT, however, revealed that the price of Rs. 210 per kit for supply to the UNICEF had been erroneously worked out; the total price per kit worked out to Rs. 223.39. The incorrect price fixation resulted in a loss of Rs. 1.42 lakhs on the supply of 9018 kits to UNICEF and 1623 kits to the States.

10. *Summing up*

The following are the main points that emerge:

— The budget had been got approved without furnishing data on new and continuing schemes with justification therefor and the several variations between budget and actuals had not been analysed, nor had action been taken to regularise excesses.

— The functioning of the NCERT had not been got reviewed by Government for over 10 years, the last review having been done in 1968.

— The actual loss of books from the library had not been determined though loss of over 14,000 books came to notice in 1970.

— The regional colleges of education undertook 2 training programmes for a period of 5 years from 1976-77 to train 14,000 persons annually. So far only 134 in one programme and 3,374 in another had been trained.

— The regional colleges of education had accumulated excess equipment and excess books worth Rs. 8.52 lakhs.

— Despite the directive of the Executive Committee for its closure, the one-year courses in agriculture were conducted annually in a regional college of education, where it attracted only 21, 16, 13 and 5 students during 1975-76 to 1978-79. The courses had also attracted only 42, 8, 14 and 8 students during 1975-76 to 1978-79 at the college of education authorised to conduct the courses.

— The decision taken in July 1977 for the merger of CET and DTA had not so far (November 1979) been implemented for want of proper accommodation and despite payment of advance of Rs. 10 lakhs to the CPWD in 1975-76, the construction of accommodation had not commenced so far (November 1979). Due to paucity of accommodation, there was delay up to 3 years in commissioning equipment costing Rs. 6.93 lakhs by the CET.

— Against 152 programmes approved for execution by the DTA during the 5 years ended 31st March 1979, only 59 were completed, 60 were not taken up and 33 were in progress. The film library together with the mobile cinema van had been sparingly used.

— The third all-India educational survey was not taken up and completed in time with the result that the data compiled at a cost of Rs. 1.01 crores were not available fcr the preparation of the Fifth Plan and a fresh survey had to be undertaken for preparation of the Sixth Plan.

— Due to incorrect price fixation, the NCERT incurred a loss of Rs. 1.42 lakhs in supply of science kits.

MINISTRY OF EDUCATION AND SOCIAL WELFARE

(Department of Social Welfare) and Delhi Administration

33. Grants paid by the Department of Social Welfare, Delhi Administration

1. The Department of Social Welfare, Delhi Administration disburses grants to voluntary organisations engaged in the field of women's welfare, child welfare, welfare of physically and mentally handicapped persons and other social welfare work in the Union Territory of Delhi in accordance with the provisions of the "Delhi Grants to Social Welfare Institutions/Organisations Rules 1975". A summary of the grants disbursed by the department under major schemes of financial assistance, from 1971-72 to 1978-79 is given below:—

S. No.	Scheme	1971-72 to 1974-75	1975-76	1976-77	1977-78	1978-79	Total
				(In lakhs of rupees)			
1.	Women's welfare	8.08	2.78	3.15	2.62	3.28	19.91
2.	Family and child welfare	5.79	1.52	1.65	1.94	1.06	11.96
3.	Welfare of handicapped	15.19	1.62	1.78	2.24	2.36	23.19
4.	Mid-day meal	..	11.50	..	23.60	15.00	50.10
5.	Integrated child development service scheme	..	..	1.19	1.20	..	2.39
6.	Welfare of destitute children	1.66	1.53	0.45	2.18	1.25	7.07
7.	Others	5.39	1.69	2.08	1.95	2.01	13.12
	Total	36.11	20.64	10.30	35.73	24.96	127.74

Some of the points noticed in the course of scrutiny in audit under the provisions of section 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, of the procedure followed by the Department of Social Welfare, Delhi Administration in this regard and scrutiny of the books and accounts of some of the bodies which were given grants for specific purposes are detailed in the succeeding paragraphs.

2. *Register of grants*

The register of grants had not been generally maintained in accordance with the financial rules and particulars relating to receipt of audited statements of accounts and submission of utilisation certificates had not been noted. Although the Delhi Administration had stated in February 1979 that steps were being taken to complete the register in all respects and the rules would be observed in future, a test-check in audit of the records for 1977-78 conducted in July 1979 disclosed that:

- the dates of receipts of accounts had been recorded only in 6 out of 18 cases and even in those cases, reasons for delay had not been recorded;
- columns showing particulars of grant had not been attested by a section officer in 17 out of 18 cases; and
- the register had not been reviewed by an officer of the rank of Deputy Secretary as required under the financial rules.

3. *Rush of payments of grants in March*

As per the rules framed by the Delhi Administration, grants are required to be released in 3 instalments, first one in April, second in May and third on receipt of all documents required for the purpose. A review of the grants released during the past 8 years, however, revealed that the first instalment of grants was paid in a number of cases between May and July each year, the second instalment after the month of September and the last instalment, almost in every case in March. Out of Rs. 127.74 lakhs paid as grants from 1971-72 to 1978-79, Rs. 85.27 lakhs were paid during March and out of this, Rs. 46.01 lakhs were drawn and disbursed on the last day of March. The release of grants to a substantial extent in the last month of the financial year had apparently been done to avoid lapse of budget grant as such releases towards the fag end of the year could hardly leave any time for the grantee institutions to utilise the grant within that year.

Although in reply to an audit enquiry, the Delhi Administration stated (February 1979) that proper steps would be taken to ensure the release of grant in instalments as laid down under the rules, it was noticed in audit in July 1979 that the first and second instalments of grants due in April and May 1979 had not been released to any institution in those months and only Rs. 0.53 lakh were released to one institution as the first instalment of grant during June 1979.

The Delhi Administration stated (January 1980) that the voluntary organisations did not submit their applications supported by statement of accounts in time and that in one case only, where the documents were complete, the grant could be released.

4. *Grants paid in excess*

Though the rules regulating the payment of grants stipulate the manner of determination of the amount of grant payable, these were not followed properly resulting in over-payment of grants as indicated below:

(a) Grants (Rs. 0.43 lakh) were paid to 2 institutions in 1975-76, 1976-77 and 1977-78 on the basis of deficits exhibited by them in their annual accounts. In March 1978 and February 1979, the auditor of the institution, viz. Examiner, Local Fund Accounts pointed out that unapproved items of expenditure amounting to Rs. 0.86 lakh had been included in the accounts. If these unapproved items had been excluded, the entire grants of Rs. 0.43 lakh paid would have become inadmissible. A proposal of the Department of Social Welfare to regularise the expenditure was rejected by the Finance

Department (June 1979). Action to recover the overpaid amount (Rs. 0.43 lakh) had not, however, been taken by the sanctioning authority so far (November 1979).

(b) A voluntary organisation working in the field of women and child welfare had been paid Rs. 6.43 lakhs as grants to meet establishment cost on the basis of half of the budgeted amount on an *ad hoc* basis from 1966-67 to 1978-79. The pattern of assistance had not, however, been finalised (November 1979) by Government.

(c) Recurring grants totalling Rs. 5.95 lakhs were paid to a voluntary organisation during 1966-67 to 1976-77 for running a home (residential activity) and other non-residential activities. The organisation was also engaged in 2 remunerative activities, *viz.* running of a cafetaria and a boat club. The question whether the income from these activities should be taken into account while regulating grants to the organisation was referred by the Delhi Administration to Government in August 1969 and again in January 1973 and November 1974. Government conveyed (March 1975) the decision that the income from the aforesaid activities should be taken into consideration while computing the deficit of the organisation. In the meantime, however, the sanctioning authority continued to pay grants without taking into account this income resulting in payment of excess grants to the organisation up to 1975-76 to the extent of Rs. 1.09 lakhs. Government stated (January 1980) that decision to recover the amount from the organisation had been taken; recovery was, however, awaited (January 1980).

5. *Watch over utilisation of grants*

(a) The sanctioning authority is required to furnish ordinarily within 18 months of the date of sanction of the grant, a certificate that it has satisfied itself about the utilisation of the grant and fulfilment of the conditions of the grant. In 91 cases involving grants totalling Rs. 64.99 lakhs disbursed from 1969-70 to 1977-78 the utilisation certificates are awaited (August 1979) as indicated below:—

Year	No. of institutions	No. of utilisation certificates awaited	Amount (In lakhs of rupees)
1969-70 to 1973-74	8	26	13.80
1974-75	4	5	2.80
1975-76	5	5	13.13
1976-77	9	17	3.48
1977-78	17	38	31.78
	43	91	64.99

An analysis of 36 cases involving Rs. 29.73 lakhs outstanding till 1975-76 showed that the utilisation certificates were pending (September 1979) for the following reasons:—

No. of cases	Year	Amount (Rs. in lakhs)	Reasons
1	2	3	4
2	1969-71	0.05	Relevant files relating to release of grants to 2 institutions were not traceable.
10	1971-76	14.36	Recovery/regularisation of the excess grant amounting to Rs. 0.78 lakh paid to 2 institutions was pending.
18	1971-76	7.81	Regularisation of the utilisation of grant for the purpose other than the one for which it was sanctioned was under examination.
3	1973-75	0.79	Report of the Examiner, Local Fund Accounts received in March 1976 was under examination.
2	1974-75	6.00	Audited accounts were awaited.
1	1975-76	0.72	Detailed accounts and completion certificate of the building for which non-recurring grant of Rs. 0.41 lakh was paid to an institution were awaited.

(b) The department (Directorate of Social Welfare) created an inspection unit in 1970-71 which, *inter alia,* was to conduct detailed inspection of grantee institutions. As the inspection work was not being done as required, the department decided (November 1976) to depute certain officers engaged on other duties to inspect the grantee institutions periodically and to submit quarterly reports within the first week of the close of each quarter. Excepting certain *ad hoc* inspections, periodical inspection of the grantee institutions had not been conducted by the officers designated for the purpose. There were no records to indicate that the sanctioning authority had taken steps to satisfy itself about the periodical inspections of the grantee institutions to ensure that the conditions of the grant were fulfilled.

The Delhi Administration stated (January 1980) that periodical inspections had not been carried out regularly due to shortage of staff and that a proposal for sanctioning of additional staff was under examination with the Finance Department.

(c) According to the rules, the sanctioning authority was required to review the quantum of grants paid to the grantee institutions every third year with a view to make the institutions gradually self-sufficient in their finances and thereby to reduce the grants progressively. It was noticed in audit that no review of the quantum of grants paid to voluntary organisations had been undertaken so far (September 1979). Further, though the following schemes of financial assistance had been in operation for 18 to 22 years, there had been no appraisal or evaluation of these schemes with reference to the achievement of their objectives.

	Grants paid during 1971-72 to 1978-79 (Rs. in lakhs)
(i) Women welfare (from 1955-56)	19.91
(ii) Child welfare (from 1959)	11.96
(iii) Welfare of handicapped (from 1959-60)	23.19

In respect of 4 voluntary organisations, the Finance Department of Delhi Administration had proposed in June and July 1973 that an evaluation of their activities be undertaken. Such evaluation had not, however, been undertaken by the department in respect of 2 organisations (September 1979). The Delhi Administration stated (January 1980) that the department was not having sufficient staff to undertake the evaluation work pertaining to voluntary ogranisations.

6. *Grants for maintenance of homes for leprosy patients.*— A voluntary organisation was paid grants (Rs. 8.05 lakhs during 1971-72 to 1978-79) for running a home for persons suffering from leprosy. In the same locality, there were 2 other homes for the same purpose—one run by the Delhi Administration itself and another by the Municipal Corporation of Delhi (MCD). As there was duplication of efforts and under-utilisation of resources in the home run by the voluntary organisation, committees were appointed in March 1973 and August 1978 to examine the possibility of unifying the 3 homes being run in the same locality. Though these committees recommended that all the 3 institutions should be brought under unified management and control to effect economy of Rs. 1.05 lakhs *per annum* by way of pay and allowances as estimated in March 1975, the 3 homes continued to function independently (September 1979).

Inspections of the institution conducted by the department (November 1974 and November 1976) disclosed that the performance of the institution was unsatisfactory in that out of 260, only 8 inmates were gainfully employed and that there was no rehabilitation programme for the inmates. A further evaluation of the activities of the institution conducted by the department in March 1979 also disclosed that there was hardly any activity for the rehabilitation of the residents of the locality which was to be the main aim of the institution.

The Delhi Administration stated (January 1980) that the details of unification had been chalked out and sent to the Finance Department for concurrence.

7. *Grants paid to a custodial institution* .— Grants totalling Rs. 18.18 lakhs were paid during 1971-72 to 1978-79 for meeting the entire expenditure of an institution which provided correctional services to women held under the Suppression of Immoral Traffic Act, 1956 or otherwise convicted by court. The take-over of the institution by the Delhi Administration had been under consideration since 1968 and Government agreed in July 1975 to the taking over of the institution by Delhi Administration. The Delhi Administration reported (January 1980) that the institution had since been taken over from 1st December 1979. It was seen in audit that :—

— the performance of the activities of the institution had not so far been reviewed; and

— no action had been taken to rectify certain serious financial irregularities pointed out by the Examiner, Local Fund Accounts in the accounts of the institution in the past years.

8. *Grants under mid-day meals programme* .— To meet the nutritional deficiency of undernourished school going children in the age group 6—11 years, grants totalling Rs. 50.10 lakhs were paid to the New Delhi Municipal Committee (NDMC) (Rs. 23.58 lakhs) and the MCD (Rs. 26.52 lakhs) during 1975-76 to 1978-79 under a Fifth Plan scheme.

An examination of the accounts of the grants paid to the MCD by the Examiner, Local Fund Accounts (May 1979) disclosed excess payment of grants aggregating Rs. 2.02 lakhs, non-maintenance of prescribed accounts and undisposed stock of goods of the value of Rs. 0.59 lakh. The Delhi Administration stated (January 1980) that the comments from the Municipal Corporation of Delhi had been received and that the report of the Examiner, Local Fund Accounts was under examination.

Fresh grants of Rs. 12.52 lakhs were paid to the MCD in March 1978 though utilisation certificate for the earlier grant of Rs. 6 lakhs paid in March 1976 was awaited (November 1979). Audited statements of accounts in respect of the grants amounting to Rs. 11.50 lakhs paid during the year 1975-76 were neither furnished by the grantee nor were they called for by the sanctioning authority (September 1979).

In respect of grant paid to the NDMC, the Examiner had pointed out (March 1977) inadmissible expenditure amounting to Rs. 0.94 lakh debited to the grantee's account. No action to recover the amount had been taken by the sanctioning authority so far (July 1979).

An evaluation of the programme implemented by the MCD conducted (1978) by Delhi Administration indicated that :

- "the programme was a flop";
- the programme had not made any significant contribution in reducing the nutritional deficiency of the school going children; and
- the programme was implemented in an unplanned manner.

9. Grants for welfare of destitute children.—Under a scheme of welfare of destitute children in need of care and protection, introduced during the Fifth Plan, existing child welfare institutions were to be entrusted with a number of units consisting of 25 children each, each institution according to its capacity and pattern of assistance; 10 *per cent* of the expenditure was to be borne by the institution and 90 *per cent* by Government.

Grants totalling Rs. 7.07 lakhs were paid to 8 voluntary institutions during 1974-75 to 1978-79 for maintaining 360 children of the age of 5 years and above. Information regarding the activities of the 8 institutions, which were paid grants in the field of child welfare, was, however, not available with the department. Of the 8 institutions, 4 started homes in 1976, 3 in 1978 and one which could not start the home refunded the grant (Rs. 0.21 lakh) in March 1979. Further, out of the 7 institutions, which started the homes, cnly 4 institutions had applied for licences for establishing the homes and licences were issued to 3 of them so far (January 1980). The case of the remaining institution was under examination.

The following other points were also noticed in audit in respect of these grants :

(i) Non-recurring grants totalling Rs. 2.85 lakhs were paid to 3 institutions during 1974-75 to 1977-78 for construction of 7 cottages. Though one of the institutions was paid a grant of Rs. 0.41 lakh in March 1975, plans and estimates of the building were got approved by Central Public Works Department (CPWD) only in May 1977 and the construction commenced only in December 1978. In the case of the other 2 institutions (grants paid : Rs. 2.44 lakhs), the department had no information on the action taken for construction of the cottages. The Delhi Administration stated (January 1980) that the first institution had almost completed construction of a building but accounts were awaited, in the second case, the matter regarding utilisation of grant was under consideration of Government and the third institution had purchased a built house and its accounts were awaited.

(ii) Although the Examiner, Local Fund Accounts had pointed out in March 1978 that the maintenance of the admission and withdrawal register in a home was "not based on facts" and that the entries of admission and withdrawal of certain inmates created "doubts", the department without getting the facts examined, released further grant of Rs. 0.27 lakh in March 1979; the department informed Audit (February 1979) that the matter was being looked into. In September 1979, however, the Administration stated that "the investigation could not be made as the records were destroyed in the flood waters".

(iii) During 1976-77, 1977-78 and 1978-79 19, 33 and 39 children respectively were admitted to the homes even though they did not satisfy the prescribed criteria for admission. An amount of Rs. 0.65 lakh paid as maintenance grant for these children till March 1979 was, therefore, inadmissible.

(iv) Consumable articles valuing Rs. 1.03 lakhs purchased by 3 institutions during 1974-75 to 1977-78 were not taken on stock and the periodical verification, required to be conducted once in a year, was not conducted in any institution since inception.

10. *Integrated child development service scheme and functional literacy programme*.—With a view to improving the nutritional and health status of children in the age group up to 6 years and enhancing the capability of the nursing and expectant mothers, Government launched an integrated child development service scheme and functional literacy programme during the Fifth Plan. In the Union Territory of Delhi, one thickly populated area (Jama Masjid) was selected for an experimental project comprising 100 centres. Although the scheme prescribed that the running of the centres would be entrusted to voluntary organisations, local bodies, etc. the Delhi Administration started running 69 centres and entrusted the remaining 31 centres to 2 voluntary organisations which were paid Rs. 2.33 lakhs (30 centres) and Rs. 0.06 lakh (one centre) during 1976-78, including Rs. 0.63 lakh (Rs. 0.62 lakh to one organisation and Rs. 0.01 lakh to the other) for meeting the expenditure on functional literacy programme. The organisations maintaining 31 centres did not apply for grants for 1978-79 and pending receipt of such applications, the department decided (September 1978) to meet the expenditure on running of these centres from April 1978 to September 1978 direct from Government funds. Although no decision was

taken to regulate the expenditure on the centres from October 1978 onwards, the expenditure had been met by the department directly without specific approval of Government of India.

The progress reports of activities required to be submitted by the grantee institutions at the end of each financial year were neither submitted by them for the years 1976—78 nor were they called for by the sanctioning authority; utilisation certificates for grants amounting to Rs. 2.39 lakhs paid during 1976—78 were awaited (July 1979) by the sanctioning authority.

An evaluation of the scheme conducted by the National Institute of Health and Family Welfare (March 1979) disclosed that there was a big gap between the targets laid down and the services actually given. The evaluation report was stated to be under examination of the department (September 1979). Government stated (January 1980) that the Delhi Administration had taken over all the 100 *Anganwadies* as the voluntary organisations were unable to run these centres and that the sanction regularising the expenditure had been issued.

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

— The register of grants which is intended to keep watch over payment and utilisation of grants had not been properly maintained.

— Grants, though required to be released in 3 instalments, were not so paid and out of Rs. 127.74 lakhs paid during 1971-72 to 1978-79, Rs. 85.27 lakhs were paid in March each year, of which Rs. 46.01 lakhs were disbursed on the last day of the financial year.

— The grants admissible had not been determined correctly as per rules, resulting in overpayment of Rs. 1.52 lakhs in 2 cases; in another case *ad hoc* grant amounting in all to Rs. 6.43 lakhs had been paid since 1966-67, without deciding the pattern of assistance.

— Utilisation certificates were yet to be issued in 91 cases amounting to Rs. 64.99 lakhs, of which 36 cases (Rs. 29.73 lakhs) related to period from 1969-70 to 1975-76.

— Despite provisions in financial rules of Government and instructions of Ministry of Finance, no adequate arrangement for inspection of grantee institutions had been made; no review of the scheme of assistance had also been conducted.

— In one locality of Delhi, 3 homes for persons affected by leprosy were being run and despite a decision taken in March 1975 to unify them and to effect economy in expenditure of Rs. 1.05 lakhs *per annum*, the decision had not been implemented.

— Grants under mid-day meals programmes had been overpaid to the extent of Rs. 2.96 lakhs and the programme of assistance (Rs. 50.10 lakhs) had failed to achieve its objective.

— Grants for welfare of destitute children had been paid to the extent of Rs. 6.86 lakhs to 7 institutions during 1974-75 to 1978-79, to maintain 360 children of the age of 5 years and above, though only 3 possessed licence for running the home. Action had not been taken to investigate various other irregularities in their working and to adjust the grants according to rules.

MINISTRY OF INDUSTRY

(Department of Industrial Development)

34. Khadi and Village Industries Commission

1. Introductory :

1.1 The Khadi and Village Industries Commission (hereafter Commission) is a body corporate established under the Khadi and Village Industries Act, 1956. It replaced the All India Khadi and Village Industries Board which was earlier set up by Government by a resolution in 1953. The Commission implements its programmes of development of khadi and village industries through departmental activities directly and by assisting State Khadi and Village Industries Boards and directly-aided institutions/co-operative societies.

1.2 There are 24 State Boards (20 Statutory and 4 Advisory) one in each State or Union Territory. The actual implementation of the development work in respect of khadi and village industries was mainly carried out by registered institutions, co-operative societies and individuals in various States; the institutions, which are mostly engaged in production of khadi, are generally directly financed by the Commission and the co-operative societies, which are mostly engaged in village industries, are financed by the State Boards out of funds received by them from the Commission. The accounts of the State Boards are not subject to direct scrutiny by the Commission. The State Boards are accountable to the State Governments and State Legislatures.

1.3 In paragraph 4.64 of 49th Report, the Public Accounts Committee (P. A. C.) (Third Lok Sabha : 1965-66) recommended that besides exercising financial control, the Commission should also have an efficient machinery at its disposal to watch the progress made by the State Boards in their spheres. The Commission had informed the P. A. C. (Fourth Lok Sabha : 1967-68: 8th Report) that system of inspection of the State Boards by its officers had been introduced.

1.4 The Administrative Staff College of India, Hyderabad, in its report on "Village Industry Profile and Organisation Study", submitted (1974-75) to the Commission and Government, commented, *inter alia,* on inadequate data base for formulation of development programmes and faulty loan appraisal methods in the set-up of the State Boards. In its 252nd meeting held in January 1978, the Commission observed that very little was known about the functioning of the various State Boards not only with regard to the pace of expenditure from out of the funds released to them by the Commission, but also with regard to actual implementation of the programmes and that this called for strengthening of the Commission's machinery for periodical inspection of the State Boards. In December 1979, the Commission stated that inspection parties were deputed from time to time to the State Boards for conducting study of the procedures for processing applications for financial assistance, releasing funds, working of some of the aided institutions and general functioning of the Boards and added that a system of quarterly reporting by the State Boards had also been introduced. It was seen (January 1980) in audit that only 5 out of 24 boards had so far (December 1979) been inspected in detail.

2. *Finance and Accounts* :

2.1 From 1957-58 to 1978-79, Government gave financial assistance to the Commission in the form of loans (Rs. 369.22 crores) and grants (Rs. 323.23 crores) out of which loans (Rs. 297.92 crores) and grants (Rs. 192.95 crores) were paid to the State Boards and institutions. As on 31st March 1979, Government loans outstanding against the Commission amounted to Rs. 183.14 crores.

The accounts of the Commission are audited and certified by the Comptroller and Auditor General of India under section 23 of the Khadi and Village Industries Act, 1956 read with section 19 (2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, and the certified accounts together with the Audit Report thereon are forwarded annually to Government for being laid before the Parliament.

A summary of the receipts and payments of the Commission (excluding those pertaining to loans raised from banks) during 1957-58 to 1978-79 is given below:—

	1957-58 to 1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
			(In crores of rupees)			
Receipts:						
Opening balance	0.57	6.69	5.05	4.37	3.99	5.26
Loans from Government	171.62	47.94	34.22	29.95	36.94	48.55
Grants and interest subsidy from Government	211.90	15.09	16.53	20.37	26.14	33.20
Repayment of loans and refund of unutilised grants by State Boards and institutions	135.12	2.40	5.13	4.16	5.21	4.10
Miscellaneous receipts	6.05	2.36	1.24	0.74	1.12	1.34
Total	525.26	74.48	62.17	59.59	73.40	92.45
Payments:						
Repayment of loans to Government	82.54	42.73	19.22	17.35	13.16	8.45
Loans to State Boards and institutions	193.32	8.04	18.36	15.05	24.69	38.46
Grants to State Boards and institutions	137.38	7.59	9.40	9.53	13.03	16.02
Interest on Government loan	48.26	5.31	5.99	7.44	9.88	11.65
Administrative expenses	30.78	4.33	4.62	4.56	4.70	4.91
Miscellaneous payments	26.29	1.43	0.21	1.67	2.68	3.94
Closing balance	6.69	5.05	4.37	3.99	5.26	9.02
Total	525.26	74.48	62.17	59.59	73.40	92.45

2.2 The break-up of the assistance (Rs. 490.87 crores) paid by the Commission during 1957-58 to 1978-79 to the State Boards and institutions for development of khadi and village industries programme is given below:

	Khadi	Village industries	Total
	(In crores of rupees)		
Loans	188.96	108.96	297.92
Grants	152.71	40.24	192.95
	341.67	149.20	490.87

Out of Rs. 436.39 crores of loans and grants disbursed up to 1977-78 to the State Boards and institutions, utilisation certificates for Rs. 50.68 crores were awaited (September 1979) (refer to sub-paragraph 2.7 and annexure I). Out of the grants and loans of Rs. 157.77 crores disbursed to the State Boards up to 1977-78, utilisation certificates for Rs. 20.71 crores were awaited (December 1979).

2.3 Loans paid for khadi programme were interest-free, while those paid for village industries carried interest at the rate of 4 *per cent* per annum. Periods of repayment of loans generally ranged from six months to ten years. Out of loans totalling Rs. 297.92 crores paid by the Commission to the State Boards and institutions for implementation of 'khadi and village industries' programmes, recoveries totalling Rs. 127.09 crores only were effected leaving a balance of Rs. 170.83 crores as on 31st March 1979; out of this, confirmation of balances of Rs. 66.88 crores only had been received from the Boards and the institutions till September 1979.

The Commission had no system of its own to ascertain details of loans which had become overdue for recovery from the State Boards; according to the default statements submitted by the State Boards themselves to the Commission, Rs. 9.14 crores were overdue for recovery from them in September 1979. As regards the institutions to which loans were given by the Commission, the overdue loans, as worked out by the Commission in September 1979, were Rs. 4.70 crores. Information regarding interest recoverable on the overdue loans could not be ascertained from the Commission's records.

2.4 The Commission had been pressing the State Governments to give guarantees for loans paid by it to the State Boards. Against loans of Rs. 89.14 crores outstanding against 23 State Boards as on 31st March 1979, guarantees to the extent of Rs. 68.35 crores only had been received, leaving the balance of Rs. 20.79 crores uncovered.

In September 1972, the Commission had decided to obtain equitable mortgages to secure loans paid to the institutions. No mortgage deeds had, however, been obtained till September 1979 from 1,132 institutions against which loans totalling Rs. 33.57 crores were outstanding (March 1978). The Commission stated (December 1979) that loans paid to the institutions, which had not created equitable mortgages, were covered by security in the form of hypothecation of their movable assets and that "besides most of the institutions being small and not having sizable immovable assets for mortgage in favour of the Commission,..........the process of obtaining the title deeds from them was complicated and slow".

Further, 468 institutions, which owed Rs. 2.02 crores, were reported to be defunct or under liquidation and according to the Commission (August 1979), it might not be possible to recover these loans in full. Out of 468 defunct institutions, 113 (owing Rs. 1.37 crores) were engaged in khadi and 355 (owing Rs. 0.65 crore) in village industries. The Commission stated (December 1979) that these institutions were small and that priority was given for obtaining equitable mortgages from larger institutions. However, legal action to recover the amounts was stated to have been initiated.

2.5 Out of the loans received from the Commission, the State Boards, in turn, had been granting loans to the institutions recognised by them. According to the information supplied by 19 State Boards to the Commission, 13,458 institutions, from which Rs. 8.42 crores were due, were no longer functioning in August 1979.

2.6 The interest paid by the Commission on loans received from Government was reimbursed by the latter in the form of interest subsidy. Such subsidy to the Commission during 1957-58 to 1978-79 amounted to Rs. 86.06 crores. In addition to this, Government gave subsidy since 1977 on interest on loans raised by the Commission from banks and financial institutions or loans raised by the State Boards and institutions themselves with the approval of the Commission for meeting their working capital requirements. Till 1978-79, the loans so raised by the Commission amounted to Rs. 8.78 crores at rates of interest varying from 12 to 15 *per cent per annum* and those raised by the Boards and institutions were Rs. 6.43 crores at rates of interest varying from 12 to 16.5 *per cent per annum*. The amount of subsidy was restricted to the difference between the actual rate of interest charged by the financing institutions and 4 *per cent per annum* to be borne by the borrowers themselves. Total amount of subsidy so paid up to 1978-79 was Rs. 42.86 lakhs.

2.7 *Utilisation Certificates*.—In respect of grants and loans disbursed to the State Boards and institutions up to 1977-78, utilisation certificates for Rs. 50.68 crores were awaited (September 1979). Year-wise details are given in Annexure 'I'. According to the Commission (January 1980), the position of outstanding utilisation certificates was reviewed every month and cases were pursued with the State Boards and institutions. The fact, however, remains that there were outstanding utilisation certificates for Rs. 17 lakhs for the period even up to 1960-61 and Rs. 13.74 crores for 1961-62 to 1976-77.

Rupees 4.67 crores disallowed by the Commission, while scrutinising the utilisation certificates for grants and loans paid to the institutions, were yet to be recovered or regularised (September 1979); of this amount, Rs. 1.34 crores pertained to the period up to 1961-62, Rs. 0.88 crore to 1962-63 to 1966-67, Rs. 1.61 crores to 1967-68 to 1971-72 and Rs. 0.84 crore to 1972-73 to 1975-76. Similar information with regard to grants and loans paid to State Boards was awaited from the Commission (November 1979).

As per utilisation certificates furnished by the State Boards to the Commission, Rs. 15.32 crores (loans) and Rs. 3.51 crores (grants) were stated (from time to time) to have been refunded to the Commission. The Commission had not reconciled these amounts with the amounts actually received back by it from the State Boards from time to time.

2.8 *Pending recoveries.*—As on 31st March 1979, proceedings for recovery of Commission's dues amounting to Rs. 433.18 lakhs were pending against 532 institutions/co-operative societies, as detailed below:—

	Number of cases	Amount (In lakhs of rupees)
Co-operative societies under liquidation	159	22.36
Suits decreed	12	1.32
Suits pending	2	0.12
Decrees obtained on arbitration awards	14	25.11
Awards pending with courts	15	11.71
Cases referred to revenue authorities for recovery of Commission's dues as arrears of land revenue	272	157.79
Cases in the process of being referred to revenue authorities	54	214.34
Dispute applications pending with the Registrar of Co-operative Societies in Madhya Pradesh	4	0.43
Total	532	433.18

A few instances, where adequate action had not been taken by the Commission to effect recoveries, are mentioned below:—

(i) In respect of Rs. 15.77 lakhs due for recovery on account of loans and unspent grants from institution 'A' in Uttar Pradesh (U.P.), the Commission issued a notice in September 1974 for recovery. The institution failed to pay the amount. However, it executed an equitable mortgage (August 1975) of its property in favour of the Commission to the extent of Rs. 7.08 lakhs. In December 1976, as per the prescribed procedure the Commission referred the case to the Collector, Bombay for recovery of the amount as arrears of land revenue by issue of recovery notice through the concerned Collector in U. P. In June 1977, on the request of the institution, the Commission decided to stay the revenue proceedings, pending a review of the institution's performance *vis-a-vis* its financial position in April 1978. The Commission stated (January 1980) that out of Rs. 15.77 lakhs due from the institution, a sum of Rs. 0.52 lakh had since been recovered and that the institution had agreed to transfer its land and buildings to the Commission.

(ii) An amount of Rs. 11.21 lakhs towards repayment of loans and refund of unspent amounts of grants paid by the Commission from time to time was outstanding (April 1973) against institution 'B' in U. P. A notice was issued in April 1973 to the institution to pay the amount within a period of 30 days, failing which proceedings to recover the amount as arrears of land revenue would be initiated. In 1977-78, the Commission decided to allow the institution to revive its activities and also gave further assistance of Rs. 0.75 lakh. After adjusting (in July 1973 and April 1976) certain dues of the institution, the net amount recoverable from it in December 1979 was Rs. 10.81 lakhs. The Commission's dues were secured by a mortgage deed (executed by the institution in June 1975) to the extent of Rs. 8.50 lakhs only.

(iii) Rupees 4.94 lakhs were outstanding (February 1977) with institution 'C' in U. P. on account of non-repayment of loans and non-refund of unspent balances of grants paid by the Commission from time to time. A notice was issued in February 1977 to the institution for payment of the dues within a period of 30 days, failing which action to recover them as arrears of land revenue would be initiated. The institution paid Rs. 0.10 lakh and also deposited with the Commission in July 1979 the title deeds of its immovable property valued at Rs. 1.91 lakhs with a view to creating an equitable mortgage to secure the Commission's dues. The recovery of Rs. 4.84 lakhs was still outstanding against the institution (December 1979).

(iv) Institution 'D' in West Bengal, which had failed to pay the Commission's dues amounting to Rs. 6.11 lakhs (paid to it prior to 1960), came under liquidation in October 1962. The Commission recovered Rs. 2.40 lakhs during 1967-68 to 1972-73, leaving a balance of Rs. 3.71 lakhs which was still outstanding (December 1979).

(v) Rupees 3.13 lakhs were outstanding (December 1970) with institution 'E' in Rajasthan on account of non-repayment of loans and non-refund of unspent balance of grants paid by the Commission from time to time. The institution created an equitable mortgage of its property (valued : Rs. 2 lakhs) in favour of the Commission in August 1966. A reference was made to the revenue authorities in December 1970 for recovery of Commission's dues. The revenue authorities could, however, recover only Rs. 0.13 lakh leaving a balance of Rs. 3.00 lakhs which was still outstanding against the institution (December 1979).

3. Over-payments aggregating Rs. 32.10 lakhs, pointed out in internal audit of the claims of rebates and subsidies of the institutions from time to time, remained to be recovered as on 31st March 1979; out of this amount, Rs. 9.79 lakhs pertained to the period up to 1966-67, Rs. 14.47 lakhs to 1967-68 to 1971-72, Rs. 7.60 lakhs to 1972-73 to 1976-77 and Rs. 0.24 lakh to 1977-78 to 1978-79.

The Commission stated (January 1980) that the State Directors of the Commission had already been instructed to recover the amounts which were finally found to be due from the institutions.

4. *Development of khadi.*—In its 93rd Report, the Public Accounts Committee (Fifth Lok Sabha : 1972-73) had expressed disappointment and dis-satisfaction on the performance of the Commission. The Commission's performance as seen in a further review in audit conducted in September 1979 is given in the succeeding paragraphs.

4.1 The Commission had given (1953-54 to 1978-79) financial assistance totalling Rs. 356.25 crores (Rs. 158.96 crores as grants and Rs. 197.29 crores as loans) to various State Boards, institutions, etc. for implementing the khadi programmes. Nearly Rs. 308.91 crores (about 87 *per cent* of the total assistance) were paid to the implementing agencies in 9 States alone, viz. Uttar Pradesh (20 *per cent*), Bihar (13 *per cent*), Tamil Nadu (13 *per cent*), Rajasthan (9 *per cent*), Punjab (9 *per cent*), Gujarat (7 *per cent*), Andhra Pradesh (6 *per cent*), Maharashtra (6 *per cent*) and Karnataka (4 *per cent*). The disbursements in the remaining 12 States and Union Territories amounted to Rs. 47.34 crores only.

The annual level of production of khadi attained in 1978-79 was 715.05 lakh square metres of cloth. About 637.65 lakh square metres (89 *per cent* of the total production) were accounted for by the 9 States mentioned above and the balance 77.40 lakh square metres by the remaining 12 States and Union Territories.

This imbalance in the development of khadi among different States had also been brought out earlier in the reports of Khadi Evaluation Committee (1960), Estimates Committee (1961-62) and Ashoka Mehta Committee (1966). However, not much progress seemed to have been made in this behalf inasmuch as out of 1,227 implementing agencies functioning in the country in 1978-79, 924 were operating in the aforesaid 9 States. The remaining 12 States and Union Territories together had only 303 agencies. In Nagaland, no implementing agency had been set up till 1978-79. The Commission stated (December 1979) that noticing this lopsided development some special programmes had been sponsored in recent years in some uncovered areas.

4.2 *Progress.*—The following table indicates the progress of khadi development in terms of production and employment, during the successive Plan periods under the All India Khadi and Village Industries Board up to March 1957 and thereafter the Commission.

Annual level attained at the end of	Production		Employment		
	Quantity (In lakh square metres)	Value (In crores of rupees)	Full time	Part time	Total
			(In lakhs of persons)		
First Plan (1955-56)	239.90	5.54	0.61	5.96	6.57
Second Plan (1960-61)	537.65	14.23	2.06	15.08	17.14
Third Plan (1965-66)	848.54	26.81	1.82	17.13	18.95
Annual Plan (1968-69)	600.19	23.38	1.32	12.03	13.35
Fourth Plan (1973-74)	557.19	32.72	1.07	7.77	8.84
Fifth Plan (Up to 1977-78)	684.12	64.89	2.39	6.83	9.22
(Up to 1978-79)	715.05	76.54	2.43	7.91	10.34

(i) It would be seen from the above table that the production of khadi went up to a peak level of 848.54 lakh square metres of cloth in 1965-66, but there was a sharp decline in production to 557.19 lakh square metres in 1973-74. In 1978-79, however, it rose to 715.05 lakh square metres, but was still lower than that achieved in 1965-66. To arrest the decline in production, the Commission introduced new model charkhas of which 3 lakh units were to be introduced by 1973-74. However, only 1.15 lakh new model charkhas were actually introduced up to 1978-79 at a cost of Rs. 8.01 crores. In addition, the industry was already having 0.87 lakh traditional and 3.78 lakh amber charkhas distributed by the Commission during 1953-54 to 1962-63. Information about the extent of utilisation of these charkhas was not available with the Commission, but according to a study by the Indian Institute of Management, Ahmedabad (April 1976), "...........charkhas and looms in the khadi sector were utilised at levels not higher than 30 *per cent*". The Commission stated (December 1979) that due to steep rise in cost, it became necessary to contain production in "less efficient and less remunerative traditional charkhas" and to switch over to the improved models of charkhas and that the switch-over had, necessarily to be gradual.

(ii) After having reached the highest level of employment of 18.95 lakh persons in 1965-66, there was a steep fall to 8.84 lakh persons in 1973-74. According to the targets fixed for the Fifth Plan, it was proposed to increase employment to 10.23 lakh persons by 1977-78, against which persons actually employed in 1977-78 were 9.22 lakhs only. In 1978-79, against the target of 11.28 lakhs, the actual employment was 10.34 lakhs only.

5. *Village Industries.*—During 1953-54 to 1978-79, the Commission disbursed Rs. 153.60 crores (Rs. 42.33 crores as grants and Rs. 111.27 crores as loans) to the State Boards, registered institutions, co-operative societies and individuals for assisting 21 industries in the various States. The following table shows

the performance under village industries in regard to production and employment during various Plan periods.

Annual level attained at the end of	Production (In crores of rupees)	Employment Full time	Employment Part time	Total
		(In lakhs of persons)		
First Plan (1955-56)	10.93	0.08	2.98	3.06
Second Plan (1960-61)	33.16	0.73	6.08	6.81
Third Plan (1965-66)	55.87	0.81	7.96	8.77
Annual Plan (1968-69)	75.12	0.79	6.93	7.72
Fourth Plan (1973-74)	122.40	1.31	7.96	9.27
Fifth Plan				
(Up to 1977-78)	192.54	3.15	11.79	14.94
(Up to 1978-79)	242.97	5.04	9.92	14.96

As against the total investment of Rs. 153.60 crores, the level of production in 1978-79 was Rs. 242.97 crores. Like khadi, about 90 *per cent* of the total production was accounted for by 11 States alone, viz. Uttar Pradesh (18 *per cent*), Tamil Nadu (17 *per cent*), Maharashtra (14 *per cent*), Karnataka (7 *per cent*), Bihar (6 *per cent*), Rajasthan (5 *per cent*), Haryana (4 *per cent*), Punjab (4 *per cent*), Kerala (5 *per cent*), Andhra Pradesh (5 *per cent*) and Gujarat (5 *per cent*). The production in the remaining States ranged from less than 1 *per cent* to 3 *per cent*.

5.1 Level of production and employment of persons in respect of two major village industries, viz. *ghani* oil and hand made paper are indicated in Annexure II. Some of the main points noticed in test-check in audit are given below :—

(i) *Ghani oil* : During 1953-54 to 1978-79, the Commission disbursed Rs. 31.69 crores (Rs. 4.46 crores as grants and Rs. 27.23 crores as loans) to the State Boards, co-operative societies and registered institutions for development of *ghani* oil industry using bullock driven, manually operated or power *ghanis;* this accounted for 21 *per cent* of the total assistance given by the Commission for development of 21 industries within its purview.

Up to 1978-79 the Commission had assisted operation of 23,094 improved and 7,144 power *ghanis* in various States.

It would be seen from Annexure II that the production of oil and oilcakes had decreased from 5.87 lakh quintals and 8.44 lakh quintals in 1960-61 to 5.06 lakh quintals and 5.99 lakh quintals in 1978-79 respectively even though 7,144 power *ghanis* (involving a loan of Rs. 3.35 crores approximately to the implementing agencies) were introduced during 1971-72 to 1978-79. The decline in production was attributed (December 1979) by the Commission mainly to non-utilisation of the *ghanis* to full capacity, under-utilisation being 25 to 30 *per cent.*

As against 4,498 co-operative societies and 783 registered institutions assisted, only 1,489 co-operative societies and 212 registered institutions reported about their functioning at the end of 1978-79. As on 31st March 1977, the Commission's funds amounting to Rs. 176.32 lakhs were locked up with the defunct units. Legal action was, however, stated to have been initiated for recovery of Rs. 80.99 lakhs up to February 1978. The level of employment decreased from 0.51 lakh persons (1960-61) to 0.41 lakh persons (1978-79).

While reviewing the working of this industry, the Commission in its 253rd meeting held on 27th February 1978, observed that "this programme had to face innumerable difficulties due to paucity of working funds and risks involved because of the highly monopolised character of the trade in oil seeds........".

(ii) *Hand made paper* : During 1953-54 to 1978-79, the Commission disbursed Rs. 4.41 crores (Rs. 1.28 crores as grants and Rs. 3.13 crores as loans) to the State Boards for the manufacture of hand made paper by utilising locally available raw material like rags, tailors' cuttings, grass, etc. The total installed capacity in 1977-78 was 10,000 tonnes per annum on two shift basis. Against this, the maximum production was 4,370 tonnes in 1977-78. The reasons for under-utilisation of the capacity were stated (April 1978) to be (a) defective machines and equipment and their improper handling, (b) general power shortage and frequent power break-downs, (c) price rise of raw material and chemicals, (d) lack of technical personnel, trained and efficient managers and (e) inadequate financial resources with the units in some cases. These reasons are not convincing as even in earlier years the production ranged from 3071 tonnes (1970-71) to 4195 tonnes (1976-77).

Further, out of 348 units assisted by the Commission during five Plans, only 230 were reported to be functioning at the end of 1978-79, 23 units being under erection and the remaining 95 units having become defunct.

The quantum of investment up to and the level of production in 1978-79 in various States showed that there was no correlation between the quantum of assistance provided by the Commission and the performance in terms of production and employment. A few instances are given in the table below :—

State	Investment upto 1978-79 (In lakhs of rupees)	Level of production in 1978-79 (In lakhs of rupees)	Productivity per rupee of investment	Number of persons employed in 1978-79
Maharashtra	72.34	66.34	0.91	1,007
Gujarat	52.77	19.04	0.36	323
Uttar Pradesh	46.04	30.66	0.67	656
Tamil Nadu	34.60	30.72	0.89	901

6. *Gobar* (*methane*) *gas*.—For installing *gobar* gas plants, subsidies and loans disbursed by the Commission during 1961-62 to 1978-79 amounted to Rs. 490.03 lakhs and Rs. 199.28 lakhs respectively (total Rs. 689.31 lakhs). Loans by the banks during 1974-75 and 1975-76 amounted to Rs. 501.86 lakhs.

During the period of 12 years from 1961-62 to 1973-74, only 0.07 lakh plants were installed in the country. In view of the oil crisis and relatively slow rate of growth of rural electrification, Government approved in 1975 a comprehensive programme envisaging installation of one lakh plants in the country during 1974-75 to 1978-79. However, as against this target, 0.69 lakh plants were installed up to 1978-79.

According to the Commission (March 1979), "there are 5,70,000 villages in India. Even assuming that, on an average, 5 gas plants can be constructed in each village, there is possibility of constructing 28.5 lakh gas plants. As against this, 0.60 lakh gas plants have been installed, which represents 2.14 *per cent* of the total potentiality". Considering the immense prospects of this industry, the progress so far made in setting up the gas plants was very slow.

Apart from problems of high cost of installation of *gobar* gas plants and availability of sufficient dung, the slow progress was stated by the Reserve Bank of India (1976) to be due to :

— lack of awareness about the programme by certain agencies in some State Boards, financing banks and State Governments and deficiency in follow-up services;

— non-availability of technical help and guidance at different stages of construction and operation of the plants;

— occasional short supply of material and components needed for construction of the plants, delay in sanction and disbursement of loans; and

— above all, lack of co-ordination among the concerned agencies.

It was seen in audit that although 0.69 lakh gas plants had been installed up to March 1979, the persons trained by the Commission under the *gobar* gas scheme were only 1130. No information was available (December 1979) as to whether there was any coordination with the rural development and block staff.

7. *Trading activities.*—A summary of the balance sheets as on 31st March 1969, 1974 and 1979 is given below :

BALANCE SHEET AS AT 31ST MARCH

	Khadi			Village Industries		
	1969	1974	1979	1969	1974	1979
				(In lakhs of rupees)		
Assets :						
Fixed assets	10.76	16.59	47.08	5.99	9.68	17.32
Sundry debtors	267.39	381.33	896.23	13.49	69.82	68.70
Stock deficits	4.07	12.43	13.63	0.11	0.97	1.17
Thefts and losses	0.35	1.27	1.53	—	0.18	0.21
Closing stock	234.71	234.13	686.76	14.94	37.02	110.68
Cash balance	72.68	156.08	314.27	24.12	46.18	87.30
Other assets	183.68	155.20	443.34	25.04	24.03	142.68
	773.64	957.03	2402.84	83.69	187.88	428.06
Liabilities :						
Capital	591.29	696.33	1356.24	58.99	137.55	261.94
Cumulative profit(+)/ loss (—)	—42.84	—57.37	—26.08	—0.33	+0.63	+21.21
Net capital	548.45	638.96	1330.16	58.66	138.18	283.15
Sundry creditors	90.66	172.96	676.26	20.06	27.84	51.3
Other liabilities and provisions	134.53	145.11	396.42	4.97	21.86	93.56
	773.64	957.03	2402.84	83.69	187.88	428.06
Net profit (+)/loss —)	1968-69	1973-74	1978-79	1968-69	1973-74	1978-79
	—7.70	—15.77	+10.31	—0.32	+1.39	+8.22

7.1 Under khadi, on capital of Rs. 591.29 lakhs and Rs. 696.33 lakhs invested in 1968-69 and 1973-74 respectively, there were losses of Rs. 7.70 lakhs (1.30 *per cent*) and Rs. 15.77 lakhs (2.26 *per cent*) respectively; on capital of Rs. 1,356.24 lakhs invested in 1978-79, there was profit of Rs. 10.31 lakhs (0.76 *per cent*) only. Under village industries also, on capital of Rs. 58.99 lakhs invested in 1968-69, there was loss of Rs. 0.32 lakh (0.54 *per cent*); on capital of Rs. 137.55 lakhs and Rs. 261.94 lakhs invested in 1973-74 and 1978-79, there was profit of Rs. 1.39 lakhs (1.01 *per cent*) and Rs. 8.22 lakhs (3.14 *per cent*) respectively.

Cumulatively, as in March 1979, there was a net loss of Rs. 26.08 lakhs on khadi and a net profit of Rs. 21.21 lakhs on village industries.

7.2 *Capital with closed/transferred trading unit.*— As on 31st March 1979, there were about 30 trading units (total capital investment as on 31st March 1979 : Rs. 47.00 lakhs), which had either been closed down or transferred to various private institutions, but the accounts of which had not been finalised by the Commission. Substantial capital investment by the Commission outstanding against some of these trading units (March 1979) is shown below :—

Name of the units	Date of closure/ transfer	Capital investment (In lakhs of rupees)
Director of Trading Activities, Calcutta	October 1962	12.62
Trading operations, Kakinada	March 1967	14.00
Cannanore scheme	March 1968	1.60
Khadi Gramodyog Bhawan, Bangalore	October 1969	2.33
Hand made paper, Dehradun	January 1974	1.23
Khadi Production Centre, Rampur (Assam)	May 1974	5.01
Processing of Cereals & Pulses Industry, Sonepur	N.A.	5.81

8. *Exhibitions*:

During 1957-58 to 1978-79, the Commission paid grants totalling Rs. 274.34 lakhs for organising exhibitions, but it had no consolidated record indicating the number of exhibitions actually held from time to time, accounts and reports received in respect of the exhibitions and the unspent balances, if any, refunded or to be refunded to the Commission. A test-check in audit (Sep-

N. A.—Not available

tember 1979) of individual files dealing with about 100 exhibitions disclosed the following points:—

- Although one of the conditions of grants was that the reports of the exhibitions should be sent within one month of the holding of the exhibition, followed by audited statements of accounts within six months, no reports and accounts had been received in respect of 45 exhibitions (total grant paid : Rs. 29.13 lakhs). Of these, grants of Rs. 15.75 lakhs for organising 25 exhibitions were released prior to 1968-69.
- During 1971-72 to 1973-74, grants totalling Rs. 8.69 lakhs were released by the Commission to five State Boards, despite the fact that these State Boards had not rendered any accounts for grants amounting to Rs. 15.14 lakhs released to them during 1956-57 to 1969-70.
- In 4 cases, the State Boards had neither rendered the accounts nor refunded the unspent balances to the Commission so far (December 1979) in respect of the grants amounting to Rs. 1.69 lakhs paid to them during 1958-59 to 1972-73. Of this, Rs. 1.43 lakhs related to exhibitions held prior to 1969–70.
- An institution, which participated in one of the exhibitions organised by the Commission itself (on a site belonging to the Ministry of Education) during July 1969 to October 1970, was paid a loan of Rs. 6.86 lakhs. It incurred a trading loss of Rs. 1.65 lakhs. It had constructed, at a cost of Rs. 2.82 lakhs, a sale pavilion, residential quarters, canteen, etc. at the exhibition site. On the conclusion of the exhibition, the institution transferred these assets to the Ministry of Education without the prior permission of the Commission. At the request of the institution, the Commission converted into *grant of loan* to the extent of Rs. 2.23 lakhs(Rs. 0.82 *lakh in January* 1976 and Rs. 1.41 lakhs in November 1977) representing 50 *per cent* of the trading loss of Rs. 1.65 lakhs and construction cost of Rs. 2.82 lakhs. After adjusting this grant of Rs. 2.23 lakhs

and part repayment of the loan of Rs. 2.34 lakhs by the institution, the amount still recoverable from the institution was Rs. 2.29 lakhs. This amount had not been recovered so far (September 1979).

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

— From 1957-58 to 1978-79, Government gave loans of Rs. 369.22 crores and grants of Rs. 323.23 crores to the Commission which, in turn, disbursed loans of Rs. 297.92 crores and grants of Rs. 192.95 crores to the State Boards and institutions; out of Rs. 297.92 crores of loans, Rs. 188.96 crores were given for development of khadi and Rs. 108.96 crores for village industries; similarly, out of Rs. 192.95 crores of grants, Rs. 152.71 crores were for development of khadi and Rs. 40.24 crores for village industries.

— Out of Rs. 170.83 crores of loans outstanding as on 31st March 1979 against the State Boards and institutions, the Commission had received confirmation of Rs. 66.88 crores till September 1979.

— The Commission had no machinery of its own to ascertain details of the loans which had become overdue for recovery from the State Boards; according to statements submitted by the Boards, Rs. 9.14 crores were overdue in September 1979.

— The overdue loans, recoverable from the institutions to which loans were given by the Commission, amounted to Rs. 4.70 crores in September 1979.

— Information about interest recoverable on overdue loans could not be ascertained from the Commission's records.

— Against loans of Rs. 89.14 crores outstanding against 23 State Boards as on 31st March 1979, guarantees of the State Governments were received only for Rs. 68.35 crores leaving the balance of Rs. 20.79 crores uncovered.

— No mortgage deeds had been obtained (September 1979) from 1,132 institutions against which loans aggregating Rs. 33.57 crores were outstanding (March 1978).

— 468 institutions, which owed Rs. 2.02 crores of loans, were reported to be defunct or under liquidation and according to the Commission (August 1979), it might not be possible to recover these loans in full.

— According to the information given by the State Boards to the Commission, 13,458 institutions, from which Rs. 8.42 crores were due, were no longer functioning in August 1979.

— Interest subsidy paid by Government to the Commission during 1957-58 to 1978-79 amounted to Rs. 86.06 crores.

— Utilisation certificates for Rs. 50.68 crores in respect of grants and loans disbursed to the State Boards and institutions up to 1977-78 were awaited by the Commission (September 1979); of this, Rs. 17 lakhs pertained to the period up to 1960-61.

— As on 31st March 1979, proceedings for recovery of Commission's dues amounting to Rs. 4.33 crores were pending against 532 institutions.

— Overpayments aggregating Rs. 32.10 lakhs pointed out in internal audit of claims of rebates and subsidies of institutions were outstanding as on 31st March 1979; of this, Rs. 9.79 lakhs pertained to the period up to 1966-67.

— Out of loans and grants aggregating Rs. 356.25 crores paid during 1953-54 to 1978-79 to the State Boards and institutions for development of khadi, Rs. 308.91 crores (87 *per cent*) were paid to the agencies in 9 States.

— The production of khadi declined from 848.54 lakh square metres of cloth in 1965-66 to 557.19 lakh square metres in 1973-74 and 715.05 lakh square metres in 1978-79. Similarly, the employment in khadi declined from 18.95 lakh persons in 1965-66 to 9.22 lakh persons in 1977-78. In 1978-79, against the target of 11.28 lakhs, the actual employment was 10.34 lakhs only.

— During 1953-54 to 1978-79, the Commission disbursed Rs. 31.69 crores to the State Boards and other institutions for development of *ghani* oil industry. The production of oil and oilcakes had decreased from 5.87 lakh quintals and 8.44 lakh quintals in 1960-61 to 5.06 lakh quintals and 5.99 lakh quintals in 1978-79 respectively even though 7,144 power *ghanis* involving loan of Rs. 3.35 crores approximately were introduced during 1971-72 to 1978-79.

— During 1957-58 to 1978—79, Rs. 2.74 crores were spent for organisation of exhibitions, but no consolidated record of evaluation, accounts, reports, etc. is kept by the Commission.

ANNEXURE I

(Para 2.7, page 184)

Year-wise break-up of utilisation certificates still awaited :

Year	Institutions	State Boards	Total
	(In crores of rupees)		
Upto 1960-61	0.03	0.14	0.17
1961-62	—	0.15	0.15
1962-63	0.02	0.10	0.12
1963-64	0.04	0.23	0.27
1964-65	0.01	0.25	0.26
1965-66	0.01	0.38	0.39
1966-67	0.01	0.41	0.42
1967-68	0.06	0.40	0.46
1968-69	0.04	0.33	0.37
1969-70	0.06	0.36	0.42
1970-71	0.03	0.30	0.33
1971-72	0.08	0.57	0.65
1972-73	0.02	0.70	0.72
1973-74	0.03	0.48	0.51
1974-75	0.03	0.99	1.02
1975-76	0.11	2.28	2.39
1976-77	0.42	4.84	5.26
1977-78	—	—	36.77*
	1.00	12.91	50.68

*Break-up between institutions and the State Boards was not available.

ANNEXURE II

(Para 5.1, page 191)

Statement showing level of production and employment at the end of various Plan periods.

Village industry	First plan (1955-56)	Second plan (1960-61)	Third plan (1965-66)	Annual plan (1968-69)	Fourth plan (1973-74)	Fifth plan (up to 1977-78)	Fifth plan (upto 1978-79)
· *Ghani oil*							
(a) Assistance paid during the plan period (In lakhs of rupees)							
Loan	19.47	374.99	650.16	380.35	594.29	517.47	186.07
Grant	11.53	157.51	165.65	39.56	31.90	28.77	11.54
(b) Production (In lakhs of quintals at end of plan period)							
(i) Oil	N.A.	5.87	5.01	3.84	3.23	3.35	5.06
(ii) Oilcakes	N.A.	8.44	7.30	5.34	5.31	4.86	5.99
		14.31	12.31	9.18	8.54	8.21	11.05
(c) Employment (In lakhs of persons at end of plan period)							
(i) Full time	N.A.	0.34	0.22	0.23	0.23	0.19	0.22
(ii) Part time	N.A.	0.17	0.12	0.11	0.10	0.15	0.19
		0.51	.34	0.34	0.33	0.34	0.41
II. *Hand made paper*							
(a) Assistance paid during the plan period (In lakhs of rupees)							
Loan	6.52	55.00	71.35	31.46	30.49	94.79	23.44
Grant	5.82	46.79	40.91	9.28	9.82	13.07	2.37
(b) Production (in lakhs of quintals at end of plan period)	0.07	0.13	0.20	0.28	0.33	0.43	0.56
(c) Employment (in persons at end of plan period)							
(i) Full time	2,347	4,127	3,773	3,901	3,382	3,770	4,191
((ii) Part time	—	1,840	981	610	740	766	850
	2,347	5,967	4,754	4,511	4,122	4,536	5,041

N.A.—Not available.

MINISTRY OF RURAL RECONSTRUCTION

35. Tribal Area Development Programme:

1. *Introductory.*—With a view to bring the tribal areas within [the] mainstream of economic development and to accelerate the pace of agricultural development, Government sanctioned 8 Pilot Tribal Development Projects in 4 States, 6 in 1971-72 and 2 in 1973-74. Six projects were continued up to 30th June 1979 and 2 up to 30th September 1979. The projects were implemented through societies (known as Tribal Development Agencies—hereafter TDAs) registered under the Societies Registration Act, 1860 with the Collector of the district concerned as the chairman and other connected district level officers, Members of Parliament and Members of Legislative Assembly as members. The programme to be implemented out of Government grants by each TDA consisted of:

(a) core programme of economic development comprising agriculture, horticulture, land reclamation, soil conservation, minor irrigation, debt redemption, etc. schemes and

(b) construction of arterial roads.

Government constituted a Committee of Secretaries consisting of Secretaries/representatives of the Ministries of Finance, Home Affairs, Agriculture, Co-operation, Social Welfare and the Planning Commission for the purpose of sanctioning and reviewing the projects. For each project, an action plan containing details of the schemes to be implemented in the area was formulated and approved by the Committee of Secretaries.

2. *Finance, accounts and audit.*—The grants paid by Government to the TDAs from the inception up to March 1979 amounted to Rs. 17.38 crores. According to instructions of Government, the TDAs were required to adopt commercial accounting procedure as followed by the Small Farmers Development Agencies and Marginal Farmers and Agricultural Labourers Agencies. The accounts so maintained were required to be audited by chartered accountants and

forwarded to Government with the Audit Reports thereon. Results of test-check in audit of the TDAs under section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service)Act, 1971 and of scrutiny of records available with Government are mentioned in the succeeding paragraphs.

3. Utilisation of grants :

3.1 Under the programme, the execution of the schemes was entrusted by the TDAs to the various departmental officers of the State Governments and other bodies to which funds were provided in advance by the TDAs. The executing agencies, after utilisation of the funds, were required to submit utilisation certificates to the TDAs which were responsible to report progress of achievement and submit the utilisation certificates periodically to Government. According to records of Government (June 1979), utilisation certificates for grants amounting to Rs. 274.78 lakhs were awaited as indicated in the table below:

Name of the TDA	Total amount of grants released by Government up to 31st March 1979	Expenditure shown in accounts of the TDAs up to 31st March 1979	Amount for which utilisation certificate sent	Balance for which utilisation certificate to be sent
			(In lakhs of rupees)	
Srikakulam (Andhra Pradesh)	266.50	256.50	231.50	35.00
Chakradharpur (Bihar)	219.35	213.99	212.81	6.54
Dantewada (Madhya Pradesh)	221.32	185.51	185.51	35.81
Konta (Madhya Pradesh)	242.52	229.45	190.35	52.17
Gunupur (Orissa)	268.18	270.17	217.83	50.35
Parlakhemundi (Orissa)	271.24	265.37	228.21	43.03
Keonjhar (Orissa)	138.58	137.92	118.03	20.55
Balliguda (Orissa)	110.25	107.37	78.92	31.33
Total	1737.94	1666.28	1463.16	274.78

3.2 A scrutiny in audit of the records of the TDAs and some of the executing agencies disclosed the following points:

— No records were available with the TDAs to indicate the break-up of the amounts for which reports of utilisation were awaited from the executing agencies.

— The advances given to the executing agencies were shown as final expenditure against the respective works and utilisation had been certified by the TDAs with reference to the release of such advances. (Instances have been quoted in subsequent paragraphs).

— The TDA, Balliguda furnished utilisation certificate in April 1979 for the entire amount shown in its books as expenditure even though, according to its records, it was yet to receive utilisation certificates for Rs. 20.45 lakhs from the executing agencies.

— A test-check in audit of the records of executing agencies revealed 7 cases (relating to 2 TDAs) wherein as on 31st March 1979, Rs. 22.79 lakhs were lying unutilised with them though the advances had been taken as utilised by the TDAs and so reported to Government. Further, the TDA, Keonjhar had furnished utilisation certificate for subsidies amounting to Rs. 1.48 lakhs paid for construction of godowns (Rs. 0.48 lakh) and managerial subsidy (Rs. 1.00 lakh) even though no expenditure had been incurred by the executing agencies.

3.3 According to financial rules of Government, the authority sanctioning grants is required to maintain a register of grants in a prescribed form to watch utilisation of grants and the regis er is required to be reviewed periodically. This register was not maintained in the prescribed form by the sanctioning authority for grants to TDAs and the register kept did not contain basic data to watch utilisation. The entries had not also been made in the register regularly and correctly as for instance for the year 1973-74, the grants paid amounted to Rs. 180 lakhs whereas the register showed payment of Rs. 91 lakhs only.

Thus, the sanctioning authority did not maintain proper records to satisfy itself about utilisation of grants and to issue utilisation certificates in respect of them. The sanctioning authority stated (December 1979) that entries made in 1973-74 appeared to be incomplete and were being updated, that a strict watch on utilisation was kept through periodical progress reports and that grants were released only after review of the progress of expenditure.

3.4 The financial rules of Government also provide for maintenance of a register of permanent and semi-permanent assets created by the grantees out of Government grants, for receipt of an annual return from the grantees and maintenance of block accounts of such assets by the grant sanctioning authority. This register was not kept by the sanctioning authority, nor was any return obtained from the TDAs with the result that the sanctioning authority had no information on such assets having been created. Though the sanctioning authority reported (November 1979) that the returns had since been obtained and the register maintained, it was noticed in test-check in audit (December 1979) that the returns obtained and the register maintained were not complete in as much as they did not include all assets, but included in 7 (out of 8) TDAs the information relating essentially to office equipment and in one TDA (Chakradharpur) included buildings like garrages, godowns, etc. only. Besides, the register had also not been prepared in the prescribed form.

4. *Identification of participants.*— Government had prescribed in September 1973 the criteria for identifying the deserving tribals as those who were either landless or possessed operational holdings not exceeding 2 hectares of irrigated land or 4 hectares of unirrigated or dry land. According to reports received by Government, in 6 TDAs, 3.56 lakh tribals had been identified against a target of 3.55 lakh tribals and in remaining 2 TDAs (Parlakhemundi and Balliguda) 0.47 lakh tribal families, against a target of 0.24

lakh families. In a test-check in audit of the records of the TDAs, the following points were noticed:

—The TDAs at Gunupur and Parlakhemundi had not maintained any record of identified participants to whom benefits under the schemes could be extended.

—The record of identification kept by the TDA at Keonjhar revealed that it had identified only 14, 353 families (71,765 participants) whereas it intimated to Government identification of 79,440 participants.

— The identification of participants was done by the TDA at Balliguda only between July 1977 and May 1978 (more than 3 years after the TDA came into existence in March 1974) and the records did not indicate the holdings of the identified participants which would qualify them for benefits under the scheme.

5. *Beneficiaries under the programme.*—According to the programme, a single identified family should not be allowed to avail of multiple benefits (under various schemes taken up by the TDAs) and a limit of Rs. 3,000 (Rs. 2,500 up to August 1975) for each identified participant had been prescribed. Though no records had been maintained by any of the TDAs to indicate the extent of benefits availed of by various families, they had furnished progress reports to Government indicating that benefits had been derived by 4.11 lakh participants (gross figure) in the 8 TDAs from the various schemes up to December 1978. Thus, these figures were not based on any authentic records.

6. *Targets and achievements:*

6.1 The targets to be achieved by each TDA under variou development schemes had been determined in advance in the action plan with the approval of the Committee of Secretaries.

It was noticed in audit that achievements by the TDAs in several sectors had been much less than the targeted outlay as shown in the instances given below :—

Location of TDA	Number of sectors	Provision	Actual up to 31st March 1979
		(In lakhs	of rupees)
Chakradharpur	5	49.82	24.31
Parlakhemundi	6	113.55	82.56
Balliguda	7	105.00	64.43
Dantewada	5	57.96	15.93
Konta	7	73.23	21.75
Total	30	399.56	208.98

6.2 Despite shortfall in achievements on approved schemes, as mentioned above, the TDAs at Konta, Dantewada and Parlakhemundi incurred till March 1979 an expenditure of Rs. 16.98 lakhs on several unapproved works and schemes. The expenditure incurred on unauthorised works by the TDAs at Konta and Dantewada (Rs. 13.19 lakhs) related to construction of office buildings, rest house and quarters for which purposes funds were diverted from development projects. No action was also taken by the TDAs (June 1979) to approach Government for regularisation.

6.3 According to instructions of Government, the expenditure on administration was to be restricted to 5 to 7.5 *per cent* of the total outlay on the core programme. The table given below would show that the expenditure on administration up to 31st

March 1979 had exceeded this limit in the TDAs; the excesses were not got regularised by Government (September 1979).

Name of TDA	Total expenditure	Expenditure on administration	Percentage of column 3 to column
(1)	(2)	(3)	(4)
	(In lakhs of rupees)		
Chakradharpur	213.99	23.65	11.1
Dantewada	185.51	15.11	8.1
Konta	229.45	18.12	7.9
Gunupur	270.17	21.94	8.1
Parlakhemundi	265.37	20.40	7.8
Keonjhar	137.92	14.94	10.8
Balliguda	107.37	15.04	14.0

7. *Land reclamation and agriculture :*

7.1 *Land reclamation.*—Against a target of 14,470 acres for reclamation of land and distribution to identified participants, the 4 TDAs in Orissa reclaimed 14,154 acres by 31st March 1979 and the cost of reclamation per acre amounted to Rs. 433 at Keonjhar, Rs. 536 at Gunupur, Rs. 611 at Parlakhemundi and Rs. 734 at Balliguda. At Balliguda, 556 acres were got reclaimed through a State Government company at the rate of Rs. 750 per acre against Rs. 600 to Rs. 500 (up to 1976-77) per acre charged by the company to the State Government for the work. The consequential extra expenditure amounted to Rs. 0.83 lakh.

The following other points were also noticed in audit.

- The land reclaimed at Parlakhemundi and Keonjhar included 119 acres (expenditure: Rs. 0.89 lakh) belonging to private parties which should not have been included in the scheme.

- Rupees 1.72 lakhs were also spent by the TDA, Keonjhar on ploughing, lining, levelling, etc. after initial reclamation; this expenditure could have been avoided had the land been distributed immediately after reclamation.

- Out of 14,154 acres reclaimed, 2,406 acres (expenditure: Rs. 14.55 lakhs) remained to be distributed (June 1979). Government stated (January 1980) that out of 2,406 acres, 1,481 acres had since been distributed; this could, however, not be verified in audit.

- The TDAs attributed the inability to make the allotment to failure of eligible participants to raise adequate loans to meet 25 *per cent* of the cost of reclamation. However, in the case of TDA, Balliguda, Government approved (August 1979) grant o: 100 *per cent* subsidy.

- The TDA, Parlakhemundi had not so far (September 1979) recovered from the participants Rs. 1.28 lakhs towards their share of expenditure on reclamation in respect of land already distributed.

7.2 *Scheme of sawai loan* .—The TDA, Chakradharpur introduced (1973-74) a scheme for advancing seeds known as *sawai* loan to the tribal farmers by creating a revolving fund o Rs. 1 lakh and the recovery was to be effected from the farmers in kind with 25 *per cent* more quantity. The scheme, however, did not work as expected due to shortfall in recovery of seeds and their inferior quality. As on 31st March 1979, against a recovery demand for 3,095 quintals of seeds, only 1,701 quintals had been recovered. Computed with reference to prevailing market rates (Rs. 90, Rs. 130 and Rs. 200 per quintal of paddy, wheat and gram respectively) the value of seeds due for recovery worked out to Rs. 1.73 lakhs. The TDA stated (April 1979) that as it had no field staff, it had to depend on the block level staff who were busy with other assignments and hence could not devote adequate time for this scheme.

7.3 *Demonstration*.—In order to propagate new ideas, methods of cultivation, improved seeds, etc. the TDA, Chakradharpur spent Rs. 2.87 lakhs on 3,174 demonstrations reported to have been conducted up to 31st March 1979. The registers maintained by the Block Officers showed that not more than 2,150 such demonstrations had been conducted. Though the TDA attributed the discrepancy to demonstrations conducted directly by the TDA, there were no records to show such demonstrations having been conducted.

7.4 *Treatment of Soil.*—The action plan of the TDA, Chakradharpur provided for treatment of 10,000 acres of land with lime at the rate of Rs. 52 per acre with 75 *per cent* subsidy (amount: Rs. 4.00 lakhs). The revised action plan prepared in November 1976 provided for the same subsidy of Rs. 4 lakhs, but the area to be treated was reduced to 4,000 acres and the cost raised to Rs. 100 per acre. The land actually treated was 1,166 acres only at a cost of Rs. 2.20 lakhs (at the rate of Rs. 188 per acre against the ceiling of Rs. 100 per acre). The increase in cost had not been got approved by Government so far (April 1979).

7.5 *Coffee plantation*.—The TDAs, Gunupur and Parlakhemundi executed schemes of coffee plantations, which were intended to benefit 300 tribal families, at a total cost of Rs. 6.63 lakhs without obtaining prior approval of Government. The scheme at Gunupur (cost : Rs. 5.78 lakhs) was later approved by Government in November 1976 and in regard to that at Parlakhemundi, Government observed (February 1976) that the cost should be borne by the State Government.

The plantation initially done (200 acres) at Gunupur in 1972-73 and 1973-74 at a cost of Rs. 1.51 lakhs failed totally as the work had been done without proper planning; the replantation done in 1974-75 (cost: Rs. 4.27 lakhs) was to have started yielding results from 1976-77. Government stated (January 1980) that fruiting had started over 50 acres of coffee plantation during 1979-80.

At Parlakhemundi, plantation was done in 40 acres (cost: Rs. 0.85 lakh) against target of 200 acres, of which plantation in 30 acres failed due to adverse climatic conditions. The TDA also incurred further expenditure of Rs. 0.20 lakh during 1977-78 out of provision for horticulture.

No part of the land had been allotted to any tribal family by both the TDAs on the ground that coffee plantation needed considerable care, skill and high technical attention. The entire expenditure of Rs. 6.83 lakhs on coffee plantations was, thus, of no benefit to the tribal families.

8. *Horticulture* :

8.1 The TDA, Chakradharpur undertook during 1972-73 to 1974-75 distribution of 1.10 lakh fruit grafts at a cost of Rs. 1.69 lakhs through executing agencies who were required to supervise the plantation, provide fertilisers, pesticides, technical guidance, etc. It was noticed in audit that the executing agencies had not produced any record to indicate actual distribution of the plantation grafts among the tribals. According to the TDA (April 1979) 40 *per cent* of trees planted (cost : Rs. 0.67 lakh) were destroyed due to non-sterilisation of beds, inadequate irrigation, lack of fencing and also being eaten by white ants and animals.

8.2 The TDA, Gunupur undertook a scheme of plantation in 250 acres of devastated area to enable the tribals to benefit from it and spent Rs. 1.43 lakhs through 3 executing agencies. One agency reported (February 1979) after spending Rs. 0.22 lakh that plantation in 19 out of 64 acres had failed due to lack of water supply and defective site. Though maintenance under the scheme, was the responsibility of the State Government, the funds released by the TDA included, in respect of 2 agencies, Rs. 0.32 lakh for maintenance.

8.3 The TDA, Parlakhemundi undertook (December 1977) a scheme of general horticulture activities and disbursed Rs.7.96 lakhs to 2 executing agencies for establishment of 3 progeny orchards in 15 acres of land at a cost of Rs. 8.75 lakhs. It was noticed in audit that up to June 1979, only Rs. 1.38 lakhs had been spent by the agencies, but no orchard had been established due to non-availability of land. The expenditure incurred, included Rs. 0.88 lakh spent on general horticulture and Rs. 0.50 lakh on raising seedlings of orange, guava, bichu coffee and cotton in a private land of 1/2 acre taken on lease. Thus, the expenditure of Rs. 1.38 lakhs did not prove to be fruitful and the balance of Rs. 6.58 lakhs was lying unspent (June 1979) with the executing agencies.

8.4 The action plan of the TDA, Keonjhar provided Rs. 4 lakhs for coverage of 1,000 acres by plantation of forest species, commercial crops and fruit bearing trees. The plantations were to be transferred to tribal gram panchayats or tribal co-operatives so as to confer rights over usufructs to tribals. Although the entire provision of Rs. 4 lakhs was shown in the accounts as spent, plantation over 690 acres only was reported as achieved-340 acres under fruit bearing trees and 350 acres under forest species. Of this again, coverage of 300 acres was on rehabilitation of degraded forest at a cost of Rs. 0.59 lakh although there was no provision in the action plan for rehabilitation. Initially, the TDA had turned down a scheme for rehabilitation of 200 acres proposed by the Divisional Forest Officer on the ground that no benefits would accrue to tribals therefrom. The Divisional Forest Officer commenced the work and the TDA also released funds for the purpose from November 1975. No part of the area covered had been made over (June 1979) to any tribal gram panchayat or tribal co-operative. Government stated (January 1980) that the question of giving usufructory rights on the plantations to the tribals was under their active consideration.

9. *Animal Husbandry* :

9.1 The TDA, Chakradharpur constructed (1972-73 to 1974-75) 75 poultry houses (target—120) on *cent per cent* basis, supplied 6,790 birds to the farmers and provided poultry feed free of cost for 3 months. The total expenditure incurred amounted to Rs. 2.23 lakhs. The scheme, however, failed due to apathy of tribals towards poultry keeping and the birds were either disposed of by farmers or faced mortality on account of non-feeding of balanced diet. The scheme was, thereafter withdrawn from operation from December 1975.

9.2 The TDA, Dantewada established 19 poultry units (cost : Rs. 1.02 lakhs) with 1,877 birds of which only one unit with 95 birds was in existence on 31st March 1979. The TDA stated (May 1979) that the scheme was not successful as the tribals did not take interest in scientific and sophisticated way of poultry keeping.

9.3 During 1974-75, 12 poultry units with 1,178 birds were established in 3 villages in Konta project area at a total cost of Rs. 0.60 lakh. The scheme, however, was found uneconomical due to high cost of feed, lack of marketing facilities, damage in transportation of eggs and inability of the tribals to run the units.

Thus, the above scheme on which Rs. 3.85 lakhs were spent by the 3 TDAs proved a failure.

9.4 The establishment of a small milk unit with each of the selected tribal farmers was taken up for execution by the TDA, Konta with subsidy of 50 *per cent* of cost. Up to February 1978, expenditure of Rs. 0.46 lakh was incurred on purchase of 17 cows and 2 buffaloes, construction of shed and cattle feed. Out of 19 animals, one was supplied (July 1977) to one beneficiary and 5 died before distribution. The remaining animals were not distributed as the beneficiaries declined to take possession of the animals and a model milk unit was run by the TDA itself by undertaking repayment of the loans raised by the farmers. Loan of Rs. 7,400 (out of Rs. 0.30 lakh) was repaid till February 1979 from the sale proceeds of the dairy. Thus, the running of the model unit by the TDA at a cost of Rs. 0.46 lakh did not serve the main purpose of the scheme.

10. *Minor Irrigation* :

10.1 Thirty-four minor irrigation projects were taken up for execution by the TDAs at Gunupur (7), Parla khemundi (17), Keonjhar (8) and Balliguda (2) at an estimated cost of Rs. 110.96 lakhs to provide irrigation for 9,497 acres of land during the project period ended 30th June 1979. Up to March 1979, a total expenditure of Rs. 89.14 lakhs had been incurred, 21 projects completed and an area of 3,121 acres (30 *per cent*) covered. In a test-check in audit of the records of the TDAs, it was noticed that although according to Government orders, no new work should have been taken up, if it could not be completed by September 1978, 13 out of the 34 projects remained incomplete (amount released : Rs. 46.52 lakhs) even on 31st March 1979. Out of these 13 projects, 4 (amount released: Rs. 16.34 lakhs) commenced only in March 1979 and one (amount released : Rs. 6.61 lakhs) still remained to be commenced even by June 1979 when the TDA was wound up.

10.2 A minor irrigation project at Dukum was approved for execution in January 1979 by the TDA, Gunupur with the technical sanction (December 1978) of the Superintending Engineer, although in January 1977, it was rejected by the State Chief Engineer as it would be eventually submerged by Leelabadi medium irrigation project. Expenditure incurred till March 1979 amounted to Rs. 0.47 lakh out of Rs. 4.94 lakhs paid in January 1979 to the Executive Engineer by the TDA ; the balance of Rs. 4.47 lakhs was lying (March 1979) unspent with the Executive Engineer.

10.3 The TDA, Gunupur approved (February 1979) execution of Putta minor irrigation project at a cost of Rs. 6.61 lakhs though the cost-benefit ratio of the project was assessed at (1 : 1.09) against the minimum cost-benefit ratio of 1 : 1.15 prescribed by Government; no special relaxation of Government was obtained for this purpose. Although the accounts of the TDA showed an expenditure of Rs. 6.61 lakhs for the project up to March 1979, only Rs. 3 lakhs had been paid (February 1979) to the Executive Engineer for execution of the project and bank drafts for Rs. 3.61 lakhs drawn (March 1979) in favour of the Executive Engineer were still (June 1979) lying with the TDA. The records of the Executive Engineer revealed that Rs. 0.29 lakh only had been spent (March 1979) out of Rs. 3 lakhs and that too on cost of land acquired for another project. Thus, although Rs. 6.61 lakhs were accounted for as expenditure on the project, no amount was actually spent on the project.

10.4 The TDA, Keonjhar undertook (February 1977) improvement of 3 minor irrigation projects at an estimated cost of Rs. 0.43 lakh and incurred expenditure of Rs. 0.33 lakh (April 1977). The work done in 2 of them (expenditure : Rs. 0.28 lakh) was washed away during rain immediately after completion (April 1977) and the third was abandoned after spending Rs. 0.05 lakh in June 1977 due to inability to stop percolation of water. The expenditure of Rs. 0.33 lakh thus proved to be infructuous. The loss was attributed (June 1979) by the Executive Engineer to defective design and execution.

10.5 The TDAs at Gunupur, Parlakhemundi and Keonjhar undertook 26 lift irrigation projects at an estimated cost of Rs. 37.74 lakhs and spent Rs. 30.97 lakhs up to March 1979 and completed 24 projects (March 1979). Against a target of 4,455 acres, the area actually irrigated was only 893 acres and the low utilisation was attributed by Government (January 1980) to combination of several factors like non-completion of distribution channels, frequent power failure, reluctance of the tribals to pay water rates and to use water during kharif.

10.6 The TDAs at Gunupur and Parlakhemundi released Rs. 1.76 lakhs during 1973-74 for construction of 5 water harvesting structures to provide irrigation to reclaimed lands. Two structures taken up for execution for TDA, Gunupur (cost : Rs. 0.69 lakh) were abandoned as in one case, the lands to be irrigated were at a higher level and in the other, no water could be stored due to the peculiarity in the bed of the reservoir. Work on the structures taken up for the TDA, Parlakhemundi was stopped in May 1974 after incurring an expenditure of Rs. 0.15 lakh and the balance of Rs. 0.92 lakh was diverted for other reclamation works. Thus, the entire expenditure of Rs. 0.84 lakh did not serve the intended purpose. Government, however, stated (January 1980) that the structures (partially executed) served other purposes like protection of adjoining *gullied* land, prevention of erosion and sand casting.

10.7 Under the scheme approved (January 1972) for the TDA, Dantewada, only flow irrigation at an estimated cost not exceeding Rs. 2 lakhs was to be taken up after proper investigation. However, 4 works relating to lift irrigation scheme were taken up (January 1975 and August 1975) without prior approval. An expenditure of Rs. 12.62 lakhs had been incurred upto 31st March 1979 ; the works were still (September 1979) incomplete.

11. *Co-operation* :

11.1 A test-check in audit (March-April 1979) of the records of the TDAs at Chakradharpur, Gunupur, Parlakhemundi, Keonjhar and Balliguda disclosed that a sum of Rs. 24.94 lakhs advanced in 11 cases was overdue for recovery (excluding interest) from co-operative societies which had been given (till March 1979) funds (Rs. 54.71 lakhs) by the TDAs for implementation of various programmes. This included a loan of Rs. 3.60 lakhs paid by the TDA, Chakradharpur to a co-operative bank as "non-overdue" cover advance to enable the bank to advance funds to the co-operative societies for assisting the tribal participants. No loan was advanced to any tribal by the societies and the bank was not willing to repay it as it stated that it had disbursed the funds to the co-operative societies which denied receipt of any money from the bank. Thus, the very purpose of the loan (Rs. 3.60 lakhs) was not served and its end-use was not known.

11.2 *Price fluctuation subsidy*.—One of the normal concessions allowed to co-operative marketing institutions, which received ways and means advances, was a contribution to the price fluctuation fund of the institutions at 5 *per cent* of the turnover on minor forest produce collected from the tribals in the project area. The following irregularities were noticed in test-check in audit in regard to such contributions made by the TDAs.

— In the TDA, Balliguda subsidies totalling Rs. 1.24 lakhs were paid during 1974-75 and 1975-76 on turnover of agricultural produce like paddy, rice, ragi and pulses which do not come under the category of minor forest produce.

— Subsidy of Rs. 3.53 lakhs was paid to 2 societies by the TDA, Keonjhar (Rs. 0.83 lakh in 1975-76 and 1977-78) and the TDA, Parlakhemundi (Rs. 2.70 lakhs in December 1974) with reference to the gross turnover of the co-operatives on forest produce without ascertaining the component pertaining exclusively to procurement from tribals only.

11.3 The scheme of assistance to co-operatives provided for payment of subsidy at 25 *per cent* of the cost of construction of godowns. A test-check in audit disclosed that the TDA, Keonjhar released Rs. 0.48 lakh in February 1979 in favour of 3 co-operative societies for construction of 3 godowns. According to the TDA (June 1979), construction of the godowns had not been commenced even up to June 1979 and finalisation of plans and estimates was still (June 1979) awaited.

12. *Communication.*—In a test-check in audit of some of the road works taken up for execution, the following points were noticed.

12.1 *Improvement of Kichling Kainpur Road.*—In Parlakhemundi area, Rs. 4.05 lakhs were released by the TDA to the Executive Engineer, Rural Engineering Organisation in 2 instalments (Rs. 1.50 lakhs in 1972-73 and Rs. 2.55 lakhs in 1974-75) for improvement of Kichling Kainpur Road (8 kms.) estimated to cost Rs. 4.43 lakhs. Although the improvement work was commenced in 1972 and Rs. 4.22 lakhs had been shown as spent out of the TDA funds, work on only 6 kms. was shown to have been completed by October 1976 leaving a length of 2 kms. in ghat portion due to which the road completed on either-side thereof could not be put to use for through traffic. Thus, the expenditure of Rs. 4.22 lakhs had not served the intended object.

12.2 *Pokharibandh Mahangiri Road.*—In Balliguda area, Rs. 3.15 lakhs were placed (Rs. 1 lakh in 1976-77 and Rs. 2.15

lakhs in 1977-78) by the TDA at the disposal of the Phulbani Roads and Buildings Division for construction of Pokharibandh Mahangiri Road. Although Rs. 3.15 lakhs were spent, out of 5-1/2 kms. of road length, only 2 kms. were stated to have become motorable. In the remaining 3-1/2 kms. of road length, although 2 hairpin bends had been widened, metalling the road and provisions of cross drainage works were yet to be undertaken. In February 1979, the division indicated to the TDA the total requirement of Rs. 14.35 lakhs for completion of the work. Further developments were awaited (June 1979). The investment of Rs. 3.15 lakhs had not served (June 1979) the intended object as the road remained uncommunicable pending completion of work on major portion thereof.

12.3 *Improvement to Subarnagiri Budaguda Road.*—On the basis of an estimate of Rs. 7.49 lakhs technically sanctioned for improvement to Subarnagiri Budaguda Road and also administratively approved by the TDA, Rs. 7.49 lakhs were placed at the disposal of the Executive Engineer, Rural Engineering Division, Phulbani in instalments during 1974-75 (Rs. 1 lakh), 1975-76 (Rs. 4.50 lakhs) and 1976-77 (Rs. 1.99 lakhs). Rupees 7.39 lakhs were spent up to March 1979, but the work was incomplete pending further improvement to ghat portion over a length of 4 kms. for which additional funds of Rs. 4 lakhs were asked for from the TDA. Since no communication was possible pending improvement to the ghat portion, the investment of Rs. 7.39 lakhs had not achieved the intended purpose so far (March 1979).

13. *Miscellaneous* :

13.1 The TDA, Gunupur invested Rs. 1.00 lakh in a co-operative society for establishment of a rope and mat making unit at Muniguda. The unit was expected to provide direct employment for 20 to 30 tribals and indirect employment for 100 tribals. The unit started in 1973-74, continued in a rented building up to December 1977 and shifted to the regular factory building in January 1978. Even after 5 years of its commencement, it had only 6 workers against the target of 30 tribals to be employed and production of mat making had not been commenced till June 1979. According to the Project Director (November 1977), the materials available locally had been already leased out to private firms on long term basis from 1977-78. The loss incurred on operations during 1977-78 and 1978-79 aggregated to Rs. 0.17 lakh (including shortages of Rs. 0.04 lakh of materials noticed) reportedly due to non-sale of finished goods produced. The investment of Rs. 1 lakh since 1974 had, thus, not yielded the desired results.

13.2 The TDA, Chakradharpur established two *tassar* training centres, two rope making centres, one carpentry training centre and one wool weaving training centre during December 1974 to January 1977 at various places in the project area. Training was imparted to tribals for 6 months in *tassar* and carpentry trade and for 3 months in rope making.

From inception to March 1979, 515 persons had been trained at a cost of Rs. 3.20 lakhs. The action plan provided for payment of a working capital of Rs. 0.10 lakh per society to be formed by the trained persons; no such society had yet (June 1979) been formed. There was also no programme for providing the trained tribals with employment with the result that the trained persons were without work. The entire expenditure of Rs. 3.20 lakhs had, thus, not proved fruitful.

13.3 With a view to providing research support of economically viable technology for rainfed upland and high altitude regions of Koraput and Ganjam districts, an outlay of Rs. 10 lakhs was earmarked for establishment of a reasearch sub-station by the Central Rice Research Institute(CRRI), Cuttack at Similiguda (District Koraput) to take up research on upland paddy and ragi. A sum of Rs. 6 lakhs was released (1976-77) by the 2 TDAs, Gunupur (Rs. 4 lakhs) and Parlakhemundi (Rs. 2 lakhs). The expenditure incurred by the CRRI to end of March 1979 was Rs. 4.68 lakhs. It included Rs. 0.96 lakh towards cost of 2 buses purchased in August 1978 of which only one was put to use at Similiguda and the other was retained at Cuttack. Neither of the

TDAs had received any reports on the results of the research conducted for implementation in the project area. According to the field scientist in charge, Similiguda, slow progress was due to non-availability of basic equipment such as power tillers, water lift pumps, grain moisture tester, non-posting of field staff and lack of residential accommodation, vehicles, etc. The programme remained unproductive although an investment of Rs. 4.68 lakhs had been made.

13.4 To provide electricity to the fields of tribal farmers for energisation of pumping sets and establishment of rural industries etc., the Sanctioning Committee, in anticipation of submission of project report on the scheme, decided (April 1973) that the TDAs, Dantewada and Konta would bear one third of the cost of the scheme subject to a maximum of Rs. 25 lakhs (for both). The 2 TDAs deposited (1973-74) Rs. 25 lakhs in advance with the State Electricity Board. Rupees 58.76 lakhs had been spent (January 1979), but the work had not been completed and only four pumping sets had been energised.

The funds of the TDAs amounting to Rs. 25 lakhs (their share to the expenditure incurred on above works out to Rs. 19.59 lakhs) had remained blocked for over 5 years without the intended benefit reaching the tribals.

14. *Termination of operations :*

14.1 The TDAs having been created for a specified object to be achieved within a scheduled date, Government had decided (July 1976) that no new work, which would not be completed by September 1978, should be taken up so as to ensure that during the project period actual benefit be extended to the eligible participants. Despite this decision, many new works were sanctioned and taken up for execution even as late as March 1979. (Please see sub-paragraphs 10.1, 10.2, 10.3 and 11.3). At the time of closure (June/September 1979) of the programme, there were 98 works in progress in the TDAs at Srikakulam, Gunupur, Parlakhemundi, Balliguda, Dantewada and Konta on which a total expenditure of Rs. 476.50 lakhs (September 1979) had been incurred, but benefits had not accrued to the identified participants. Although the Ministry of Rural Reconstruction considered (September 1978) that the responsibility for completion of these works would be taken over by the Ministry of Home Affairs and issued instructions to that effect, the latter Ministry had reported to the former in March 1979 that no allocations had been made in the budget of 1979-80 for meeting the continued liabilities of the TDA programme. In respect of incomplete works in the TDAs in Orissa, Government stated (January 1980) that the State Government had decided to complete the same from its own resources and hence the assets and liabilities had been transferred to them.

14.2 It was seen in audit that an evaluation of the implementation of the 6 projects started in the Fourth Five Year Plan had been carried out by the Agro-Economic Research Centres and the evaluation reports had been submitted during 1976 and 1977. According to these reports, the projects had more or less been successful in inducing the desired response from tribals, State Governments, etc., but there had been some organisational deficiencies as a result of which the schemes had not progressed to the desired extent. These deficiencies were stated to have been identified and remedial measures were contemplated. The Ministry of Rural Reconstruction stated (January 1980) that one more project had also been recently evaluated, but that its evaluation report had not yet been finalised. The Ministry added that apart from the above independent evaluation study of the implementation of the TDA Programme, no general evaluation of the programme showing its overall impact on the tribals in general in regard to literacy, improvement in sanitation, living conditions, etc. had been made by the department as these welfare aspects were not covered under the programme.

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

— Though the TDAs had reported utilisation of Rs. 14.63 crores out of Rs. 17.38 crores received by them, it included advances released to executing agencies without their actual utilisation in respect of several schemes.

— The basic records of identified participants had not been properly kept and though the TDAs reported that benefit had been extended to 4.11 lakh participants, they had maintained no records for the purpose.

— In 30 sectors, provision of Rs. 399.56 lakhs had been utilised to the extent of Rs. 208.98 lakhs only. On the other hand, several unapproved schemes and works were undertaken for execution. The expenditure on administration was in excess of the prescribed ceiling.

— Several schemes like land reclamation, *sawai* loan, demonstration, training centres, research support, electrification, etc. (expenditure : Rs. 53.62 lakhs) were undertaken, but no benefit accrued to the tribals.

— Some of the schemes failed due to defective planning/execution, *e.g.* non-sterilisation of beds and inadequate irrigation, lack of provision for watering, non-availability of land, etc. Some schemes like poultry, milk dairy were taken up though the tribals had no interest in them and consequently, they failed. After taking up scheme of coffee plantation for benefit of tribals, it was realised that they would not be able to take care of the plantations and they were not handed over to them (expenditure on these items amounted to Rs. 15.44 lakhs in the instances cited).

— Out of investment of Rs. 54.71 lakhs in co-operation sector, Rs. 24.94 lakhs were over-due for recovery.

— The TDAs having been created for a specified period, no scheme that could not be implemented by September 1978 should have been undertaken. However, many new schemes were taken up even after September 1978 and 98 works with an investment of Rs. 476.50 lakhs were incomplete up to September 1979. Alternate arrangements for their completion had not been finalised and no provision therefor was also made in the budget of 1979-80.

— No general evaluation of the programme showing its overall impact on the tribals in general in regard to literacy, improvement in sanitation, living conditions, etc. had been made by the department.

MINISTRY OF SHIPPING and TRANSPORT

(Transport Wing)

36. Calcutta Port Trust

1. *Introductory*

1.1 The Calcutta Port complex which at present comprises Calcutta dock system, riverside jetties and moorings in Calcutta and Buj Buj, Haldia dock system and oil jetty at Haldia has been one of the major ports in India for more than a century. The administration of the port is now vested in a Board of Trustees constituted by Government under section 3 of the Major Port Trusts Act, 1963.

1.2 During the first three Plan periods, development expenditure amounting to Rs. 45.15 crores (excluding debt charges) was incurred by the Port Trust mostly on modernising the equipment in addition to building 2 general cargo berths inside the dock. As the continued siltation in the river Hooghly had reduced the navigable depth, a barrage across the river at Farakka (conceived in 1961) was constructed at a cost of Rs.62.70 crores by 1974-75 to ensure regular head water flow into the river throughout the year and to increase and maintain the river depth. A team of experts set up by Government estimated (1965) a total traffic of 19.4 million tonnes for Calcutta Haldia complex by 1970-71. To meet this need and to attract ships of big size, it was decided in 1965 to establish a new port at Haldia nearer the sea with modern facilities to be completed in 1970-71 at an estimated cost of Rs. 36.92 crores; it was completed at a cost of Rs. 203.81 crores and opened to traffic in February 1977, though a river side oil jetty at Haldia started functioning from August 1968 itself. At the beginning of the Fourth Plan period the handling capacity of the Calcutta Port complex had been increased to 15 million tonnes [Calcutta (12.5), Haldia (2.5)]; it was 22.58 million tonnes in 1978-79.

2. *Finance, accounts and audit*

2.1 A summary of the capital and revenue account of the Port Trust for the 5 years 1974-75 to 1978-79 is given below :—

	1974-75	1975-76	1976-77	1977-78	1978-79
			(In crores of rupees)		
Assets at the end of each year					
1. Capital assets at cost including works-in-progress	241.88	280.05	329.98	362.32	322.09
2. Deferred charges	1.40	1.36	1.34	1.31	62.64
3. Investments	14.86	14.57	14.42	14.89	16.02
4. Current assets	23.54	33.12	40.57	60.06	71.10
5. Uncovered revenue deficit	36.16	26.04	19.69	26.68	29.43
	317.84	355.14	406.00	465.26	501.28
B. Liabilities at the end of each year					
1. Capital debts	194.72	225.17	265.66	291.88	306.33
2. Current liabilities	45.75	50.73	57.02	81.99	94.73
3. Depreciation of capital assets	47.90	50.38	50.88	55.79	61.29
4. Reserve and surplus	29.47	28.86	32.44	35.60	38.93
	317.84	355.14	406.00	465.26	501.28
Revenue and expenditure					
Revenue income for the year	42.14	55.68	59.16	59.33	71.46
Revenue expenditure for the year					
(i) Cost of rendering services	38.31	39.16	39.40	49.76	44.57
(ii) Management & general administration	3.69	4.10	4.42	5.92	13.71
(iii) Financial & miscellaneous expenditure	6.26	10.75	11.82	9.38	16.37
Total of (i), (ii), (iii)	48.26	54.01	55.64	65.06	74.65
Net surplus (+) Net deficit(—)	—6.12	+1.67	+3.52	—5.73	—3.19

2.2 Commencing from 1965-66, the revenue account of the Port Trust showed sizable deficit (Rs. 47.16 crores) for 10 years consecutively. To implement the recommendations of the Commission on Major Ports (June 1970) that the Port Trusts should achieve an annual rate of return of 12 *per cent* on capital employed, the port charges were revised upwards on several occasions (9 times during 1974-75 to 1978-79). As a result, the revenue account showed a total net surplus of Rs. 5.19 crores for the year 1975-76 and 1976-77, but thereafter there were again deficits during 1977-78 and 1978-79 aggregating Rs. 8.92 crores. The return achieved with reference to capital employed worked out to (+) 4.27, (+)9.08, (—)4.55 and (—)2.46 *per cent* respectively during the 4 years 1975-76 to 1978-79. In computing the financial results, the progressive loss of the Port Trust had been understated to the extent of Rs. 28.98 crores as a result of diversion of provision made for depreciation to provision for (i) repayment of loans (Rs. 13.18 crores) and (ii) general sinking fund (Rs. 15.80 crores); these provisions were to have been made directly from the revenues according to the Act.

2.3 Till March 1979, the Port Trust had defaulted in payment of debt charges amounting to Rs. 22.95 crores for want of adequate return. Further, as and when necessity arose, the Port Trust obtained ways and means loans from Government which amounted to Rs. 13 crores in 1977-78 and Rs. 4.50 crores in 1978-79.

2.4 The aggregate operating results of the various activities of the Port Trust for the 5 years 1974-75 to 1978-79 are shown below :—

	Revenue income	Revenue expenditure	Surplus(+) Deficit(—)
	(In lakhs of rupees)		
1. Cargo handling and storage	13,555.37	8,125.84	(+)5,429.53
2. Port and dock services	8,757.03	8,988.70	(—)231.67
3. Port railway	2,103.43	3,136.85	(—)1,033.42
4. Estate management	1,897.96	868.67	(+)1,029.29

It would appear from the above table that while the Port Trust had surplus in cargo handling and storage and estate management, it had deficits in port and dock services and particularly in port railway.

2.5 The Port Trust maintains its accounts and prepares its annual statement of accounts including balance sheet in the form prescribed by Government in consultation with the Comptroller and Auditor General of India. The accounts are audited by the Comptroller and Auditor General of India and the audited accounts together with the report thereon are forwarded to Government for being laid before both the Houses of Parliament.

3. *Traffic handled*

3.1 In 1964-65, the traffic handled at the port was 11.06 million tonnes (23 *per cent* of the total traffic of 48.19 million tonnes handled at all the ports together). Thereafter, the volume of traffic handled had steadily declined and it was only 7.55 million tonnes (against capacity: 22.58 million tonnes) against total traffic of 66.55 million tonnes in all ports in 1977-78 (i.e. 11 *per cent*). The traffic in Calcutta docks (*i.e.* after excluding traffic at Haldia which was opened to traffic in February 1977) stood at 4.13 million tonnes in 1978-79 as against 11.06 million tonnes in 1964-65. Further, the number of ships that called at the port during the year was 938 (coastal 165, foreign 773) as against 1,807 (coastal 568, foreign 1,239) in 1964-65, showing a marked decline.

3.2 A summary of the main items of cargo traffic handled during 1974-75 to 1978-79 is given below :—

Year	Petroleum products	Iron ore	Coal	Fertilisers including raw materials	Foodgrains	Other dry cargo	Total
				(In million tonnes)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1974-75	2.28	0.11	0.90	0.49	1.12	2.64	7.54
1975-76	2.89	0.12	0.92	0.40	1.09	2.28	7.70
1976-77	3.06	..	0.81	0.43	1.03	2.69	8.02
1977-78	3.41	0.13	1.03	0.40	0.11	2.47	7.55
	(3.30)	(1.75)	(1.55)	(0.50)	(0.60)	(2.80)	(10.50)
1978-79	3.91	0.10	0.80	0.69	0.06	2.42	7.98
	(3.30)	(1.50)	(1.45)	(0.50)	(0.15)	(3.30)	(10.20)

(Figures in brackets indicate the figures of budgeted traffic for the 2 years)

It would appear from the above table that the traffic actually handled in various commodities substantially varied from the budgeted traffic in 1977-78 and 1978-79 and the actual traffic was only about 75 *per cent* of the estimated traffic. One of the main reasons for the declining trend in the traffic had been the loss in draft available in the river Hooghly. Whereas in 1938-39, the maximum and minimum draft available were 30 feet and 22.5 feet respectively with a draft of 26 feet and above for 273 days, the corresponding figures in 1978-79 were only 28.5 feet and 18.05 feet respectively with a draft of 26 feet and above for 49 days.

3.3 Apart from the Farakka Barrage Project, other schemes taken up for execution to increase the navigability of the river Hooghly were (a) river training and protective works above and below Diamond Harbour, and (b) dredging of the channels leading to Haldia with a view to deepening it to have a draft of 40 feet for at least 320 days a year by 1980.

3.3.1 The river training and protective works above the Diamond Harbour undertaken between 1966-67 and 1978-79 at a cost of Rs. 11.80 crores, reinforced by assured supply of upland water from the Farakka Barrage Project, led to some improvement in the maintenance of navigability of the shipping channel up to Diamond Harbour. The work was still in progress (December 1979).

3.3.2 The main objectives of the river training and protective works below Diamond Harbour, undertaken at an estimated cost of Rs. 14.85 crores (revised to Rs. 12.17 crores in April 1978 for part of the works originally estimated to cost Rs. 5.58 crores) were to prevent excessive siltation, to bring stability in the channel and to control properly the major changes in the river behaviour. These works, which were taken up in phases from 1970, were scheduled to be completed by 1978. In the first revised estimate of April 1978, the scheduled date of completion was deferred to March 1983. By March 1979, Rs. 6.91 crores had been spent on these works. As a part of this work, the closure of a secondary channel was taken up and partially completed up to 3 metres below datum by 1976 (expenditure : Rs. 3 crores). This resulted in improvement of draft in the shipping channel by 1.5 metres as more water could be diverted to the channel. Despite the encouraging results, the work of complete closure of the secondary channel was not taken up till March 1979 reportedly owing to financial constraints. The work completed in 1976 had not also been maintained for want of funds, thus, endangering even the benefits already achieved at a cost of Rs. 3.0 crores.

3.3.3 The work of dredging of the shipping channel leading to Haldia was initially (July 1971) planned to lift 59.5 million cubic metres of spoils during 1971 to 1980. However, due to deterioration of the estuary and increase in the designed width of the channel from 1,000 feet to 1,500 feet in the inner estuary and 2,000 feet in the outer estuary, the quantity to be dredged increased to 69 million cubic metres in June 1973; in January 1978, the quantity further increased to 76 million cubic metres to provide for greater under-keel clearance for safe navigation. In the revised estimates, no provision for re-shoaling was made. The estimated cost of the work was correspondingly revised from Rs. 12.5 crores in May 1973 to Rs. 31.26 crores in June 1973 and Rs. 60.19 crores in January 1978; an expenditure of Rs. 43.07 crores had been incurred till March 1979.

The actual quantity dredged up to March 1979 was 90.16 million cubic metres, of which 78.83 million cubic metres were dredged in the inner estuary. Though the quantity dredged in the inner estuary was more than twice the estimated quantity (37.56 million cubic metres), the draft achieved was only 29 feet in 1978-79 for 221 days against draft of 35 feet anticipated by 1975 and 40 feet by 1980 for at least 320 days. The shortfall in achieving the desired level of draft was attributed (January 1978) to :

— shoaling in the lower Haldia and upper Jeelingham channels due to morphological changes;

— lack of effective measures of dredging due to absence of suitable dumping ground;

— use of Black point as dumping point of spoils; and

— delay in commissioning of the second esturian dredger "Mahaganga".

In this connection the following points were noticed in test-check in audit.

(i) On the basis of hydrological studies, 4 dumping grounds for free dumping in the estuary were considered suitable for depositing the dredged spoils. Out of the 4 points, the nearest one which was capable of absorbing 1.6 million cubic metres of dredged spoils was selected with a view to decreasing the turn round time of the dredgers. It was also expected that the spoils dumped would be carried away into the sea. In practice, this was the only ground utilised for dumping and 50.48 million cubic metres were dumped at this site up to March 1979. The excess dumping at one site resulted in heavy reshoaling; the incidence of reshoaling, which was estimated at 25 *per cent* in 1970-71, actually rose to 50 *per cent* in 1972 and varied from 59 to 91 *per cent* during 1973-74 to 1977-78. Although heavy reshoaling was noticed at the nearest point, dumping was continued to be made at this point and not at the other 3 points to decrease the turn round time of the dredgers.

(ii) In order to arrest this heavy recirculation of dredged spoils, the Port Trust formulated (December 1975) a scheme for dumping the spoils on shore without greatly affecting the turn round time of the dredgers. However, up to March 1979, 0.58 million cubic metres of spoils were only dumped on shore.

(iii) Despite expenditure of Rs. 61.78 crores on various river training works and dredging up to March 1979, the desired level of draft (35 feet in 1975 and 40 feet by 1980) could not be achieved in the shipping channel for Haldia preventing the Haldia port from attracting big size ships for which it was designed. Further, the oil jetty at Haldia completed in August 1968 had been designed to accommodate super tankers with overall length of approximately 820 feet. The draft restriction, however, prevented the super tanker from arriving at Haldia with full load. Consequently, the Indian Oil Corporation incurred extra expenditure estimated at Rs. 6.43 crores during April 1974 to May 1976 towards dead freight of the tankers which came to Haldia with half load only.

3.4 The maximum bed level in the oil jetty area at Haldia had been assumed at 12.19 metres below the datum-line at the time of the construction of the jetty and piles driven to a depth of 22 metres. Opposite the jetty at Nayachara, as part of river training works to enable more water to flow through the Haldia channel, spurs were constructed. There was changed angle flow with increased velocity at the oil jetty and scouring took place in and around the piles with the result that the bed level went down to 20 metres below the datum-line by July 1978. The port authorities observed (July 1978) that overacting of the spurs and the location of the jetty on the concave side of the river bank where the flow of water was very fast might have contributed towards the occurrence of scouring, amongst other factors. Though the depth available at different points was being ascertained by the survey department, the engineering department was not informed of the scouring as the former had no knowledge of the safe depth for the jetty due to lack of coordination. In July 1978, the safety of the jetty was found to be jeopardised and the jetty had leaned forward leaving a gap of 5-1/2 inches between the jetty and the pathway leading to the jetty. Corrective measures were, thereafter, taken up by December 1978 at an estimated cost of Rs. 24.97 lakhs. Again in March 1979, deep scour at the northern end was noticed and protective measures were proposed at an estimated cost of Rs. 13.14 lakhs in the first stage to be followed by further works at an estimated cost of Rs. 34.86 lakhs for permanent repairs.

4. *Estate department*

4.1 The Calcutta Port Trust has 3,735 acres of land in Calcutta area, of which 1,529 acres were utilised for rental purposes. This includes 132 acres of land covered by sheds, warehouses, godowns, etc. as on 31st March 1979 for letting out on rent, out of which 12.65 acres were lying vacant (nearly 10 *per cent*).

4.2 The tenants for letting out the port estates are selected on the basis of recommendations of a standing committee on the applications received. In its 175th Report (1974-75), the Public Accounts Committee had recommended that the properties should be let out on obtaining *salami* (royalty) and after inviting sealed tenders and quotations through advertisements. In 1975-76, the Port Trust tried to follow these recommendations and offers of about 400 *per cent* above the prescribed schedule of rates of 1973 were received. However, in a number of cases the allotments could not be made to the highest bidder as the courts held that there could be no deviation from the rates of rents fixed in exercise of powers under section 49(i)(d) of the Major Port Trusts Act, 1963. The appeal by the Port Trust against this judgment was pending in the High Court of Calcutta (September 1979). The request by the Port Trust to Government in August 1977 for suitable amendment to section 49 of the Act also still remained to be disposed of by Government (September 1979).

4.3 The Public Accounts Committee had also recommended (175th Report : 1974-75) that the procedure for fixation of rentals should be specifically laid down by a committee. Accordingly, a committee was constituted in November 1976 which submitted its recommendations in April 1978 for revising the rent schedule of 1973. The average increase suggested in the committee's report was 25.55 and 13.48 *per cent* for land and building respectively over the rates of 1973. In May 1978, a special committee was constituted to study the reports of the earlier committee and this committee also submitted its report in December 1978. The special committee's report was sent to Government for approval only in May 1979. According to the Port Trust, the implementation of the recommendations of the 2 committees would have fetched an additional annual income of Rs. 15 lakhs and Rs. 31.33 lakhs for land and buildings respectively.

4.4 Agreement for tenancy/lease of the properties of the Port Trust were not always executed before handing over the possession of the property, but action was taken to execute the lease deeds and their registration only after receipt of possession certificate from the party. Generally, in the case of licences for short duration of less than 3 months, no agreements were executed. The Port Trust stated (November 1979) that there was no requirement under section 52 of the Act to allow use of Port's land and godowns on execution of an agreement in the prescribed form.

4.5 Test-check in audit further revealed that there were considerable delays in renewal of old leases and tenants continued to occupy the properties either without payment of rent or on payment of rent at old rates till the renewals were granted. Out of 123 cases due for renewal in 1976-77 and 1977-78, renewals were made in 23 cases only in time and renewals were still pending in 2 cases (September 1979). The delays in renewal amounted to more than 3 years in one case, over 2 years but less than 3 in 2 cases, over one year but less than 2 in 25 cases and over 6 months but less than one year in 43 cases. The Port Trust stated (December 1979) that the delay in processing the renewal of leases was due to the procedure to be followed requiring approval of various committees and authorities.

4.6 The outstanding dues on account of estate rental have been increasing from year to year as shown in the table below :

(In lakhs of rupees)

the end of	1975-76	378.67
,,	1976-77	456.56
,,	1977-78	502.22
,,	1978-79	651.29

The Port Trust stated (December 1979) that the reasons for non-recovery and increase in the outstanding balance was mainly due to non-payment of rent for several years by some of the

Government parties including Government undertakings and impact of the imposition of 10 *per cent* surcharge on rent in 1978-79. To watch recovery of rent, demand registers are to be maintained by the land department of the Port Trust indicating the amount of rent realisable from month to month. After posting the registers for the month, they were to be sent to the accounts department for preparing bills and raising demands. The accounts department in turn was to maintain the record of recoveries made and intimate to the land department the details of defaulters for further action. It was, however, noticed in audit that the records had not been properly posted and kept current with the result that inordinate delays had occured in instituting legal proceedings and in effecting recoveries. Further, due to delay in filing suits, the claims had become barred by limitation in several cases and Port Trust had to resort to ejectment suits which were costlier. Although the lease agreements contained a specific provision to the effect that in the event of failure of the tenant to pay rent or causing other breach, the Trustees could re-enter the premises and re-possess it, the Port Trust stated (November 1979) that the Trustees had to obtain an ejectment decree before they could remove the tenant. A few such cases are mentioned below :

(i) A tenant occupying an area of land measuring 365.11 square metres at a monthly rent of Rs. 349.41 (enhanced to Rs. 403.13 in April 1955) failed to pay the rent from April 1955. The land department advised the legal department in January 1956 for filing a suit. The suit was filed only in May 1960. In September 1970, an *ex parte* decree was passed in favour of the port authorities for Rs. 0.13 lakh as rent for the period from May 1957 to May 1960. The decretal amount did not include the dues from April 1955 to April 1957 as the claims were held to be time-barred. The arrears of rent up to September 1970 were Rs. 0.43 lakh.

The party did not pay the decretal amount and the legal department did not file the execution petition till

June 1979. The outstanding decretal amount with arrears due up to September 1978 as calculated by the port authorities amounted to Rs. 1.14 lakhs.

(ii) A tenant occupying land measuring about 14,396 square metres did not pay rent from November 1970 to February 1972 amounting to Rs. 0.99 lakh. The port authorities filed a suit in March 1972. In April 1973, the suit was decreed (Rs. 0.99 lakh) in favour of the port authorities for payment of the arrear rent along with interest thereon in monthly instalment of Rs. 0.16 lakh starting from October 1973. In default of payment of 2 consecutive instalments, the port authorities were empowered by the decretal order to realise the entire decretal dues less the payment already made.

The party did not pay any of the instalments. The execution case was filed in 1974. The rent accrued up to September 1978 including decretal amount as given by the port authorities was Rs. 6.77 lakhs. Records did not indicate any pursuance of the case made by the legal department since October 1974.

(iii) A tenant occupying land, measuring about 1,168 square metres did not pay rent and taxes (Rs. 0.52 lakh) from December 1970 to November 1971. As per advice of the land department (April 1972), the port authorities filed a suit in November 1972 after taking preliminary steps, but the counsel for conducting the suit was not selected till August 1975. Thereafter, the solicitor did not take any action up to July 1977 when the port authorities requested him to hand over the suit to another solicitor. There had been no further development in this case (May 1979).

How far the non-pursuance of these cases was due to inadequacy or otherwise of manpower to deal with them could not be ascertained in audit. Information regarding manpower of the estate and law departments for pursuing these lease cases was awaited (January 1980) from the Port Trust.

4.7 Calcutta jetty sheds have a covered area of 55,463.10 square metres of which 3,994.83 square metres had been let out and 15,050.29 square metres were in use with the Port Trust as godown, leaving vacant space of 36,417.98 square metres. A committee on the working of the Port Trust recommended (June 1976) closure of the jetties after retaining one or two only for inland river traffic and the leasing out of the structures and godowns after closure of the jetties. Though the jetties were formally closed for traffic from March 1978, the godowns occupied by the Port Trust had not been vacated so far (July 1979). According to the port authorities (August 1978), an additional income of Rs. 10 lakhs would have accrued annually, had the contents of the godowns been shifted to the Kantapukur sheds where 7,026.98 square metres were lying vacant and elsewhere. The Port Trust stated (December 1979) that allotment of an area of 13,707 square metres had so far been processed through the Land and Buildings Allotment Committee. The areas were likely to be occupied shortly and would earn an income of Rs. 7.33 lakhs annually.

5. *Port railway*

5.1 The railway system of the Calcutta port has a route length of 37 kms. with track length of about 350 kms. Against a capacity of 10 million tonnes per year, the maximum traffic handled by the railway was 8.28 million tonnes in 1964-65. Thereafter, their utilisation had been barely 50 *per cent* of the capacity as shown in the details for the years 1975-76 to 1978-79 given below :

	Traffic (In million tonnes)	Loss (In crores of rupees)
1975-76	5.37	2.60
1976-77	5.25	3.81
1977-78	4.48	2.92
1978-79	3.58	4.59

Information regarding manpower available for handling traffic and staff surplus due to under-utilisation of capacity was awaited (Januaιy 1980) from the Port Trust.

5.2 The port railway had 900 wagons in 1974-75. In 1975-76, the demand for the wagons was assessed at 550 and it was decided that the balance of 350 wagons should be disposed of in the next 5 years; but up to 1978-79, 77 wagons only had been disposed of. The Port Trust stated (December 1979) that out of the balance 273 wagons, 93 wagons were condemned and awaiting disposal and another 100 wagons were expected to be condemned and disposed of during 1980-81 to 1981-82. The Port Trust added that the remaining 80 wagons of the ballast section were proposed in 1975-76 for disposal but were not disposed of and that these would be disposed of when not required. The demand and supply position of the wagons was, however, far less than that anticipated over the years (as shown in the particulars below) resulting in expenditure ranging from Rs. 8.24 lakhs to Rs. 11.82 lakhs during 1975-76 to 1978-79 on their maintenance.

Year	Number of wagons available	Average demand per day	Average supply per day	Earnings from the wagons	Expenditure on maintenance of wagons
				(Rupees in lakhs)	
1975-76	900	86	72	25.56	10.24
1976-77	900	75	60	15.92	9.25
1977-78	900	66	55	9.89	8.24
1978-79	823	53	42	15.75	11.82

5.3 The Indian Railways allow their wagons to remain in the port area for a specified period free of hire charges and, thereafter, hire charges are paid by the Port Trust at the prescribed rates. These charges are, in turn, collected by the Port Trust from the users of the wagons as demurrage charges. It was noticed in test-check in audit that the earnings from the users under demurrage charges had been one of the major sources of income, thereby, indicating chronic detention of wagons by the users in the Port Trust as shown below :

	Hire charges paid to Indian Railways		Detention charges recovered	
	Amount (In lakhs of rupees)	Percentage to total expenditure of port railway	Amount (In lakhs of rupees)	Percentage to total income of port railway
1974-75	72.87	12.43	95.58	30.97
1975-76	50.33	8.62	138.80	31.85
1976-77	30.02	5.13	115.50	28.67
1977-78	40.16	6.45	121.66	26.88
1978-79	63.60	10.98	129.09	32.86

5.4 As on 31st March 1979, Rs. 41 lakhs were overdue for recovery by the Port Trust from the users of the wagons though the Port Trust had paid the hire charges to the Indian Railways. Of this, Rs. 19.51 lakhs were due from the Railways and other Government departments including Government undertakings and balance of Rs. 21.49 lakhs from private parties. Further according to an agreement finalised in 1970, no charges were payable by the Port Trust if detention of the wagons was beyond its control. The agreement had not, however, been signed by the Indian Railways and the Port Trust and as a result the latter had paid Rs. 59 lakhs to the Railways for detention of wagons for reasons beyond its control during August 1971 to March 1979.

5.5 The port railway comprises three distinct sections, *viz.* northern, Shalimar and southern. The entire rail-borne import and export traffic is dealt with by the southern section only; the remaining 2 sections have no contribution for essential port operations, but mainly cater to the wholesale market in merchandise of Calcutta and nearby places. The Port Trust incurred direct operational loss of Rs. 52.28 lakhs (out of the total operational loss of Rs. 683.47 lakhs of the entire railway system) in respect of these 2 sections during the years 1975-76 to 1978-79. The Port Trust stated (November 1979) that the northern section could not be closed due to court's injunction and that the question of transfer of Shalimar section to Indian Railways was being pursued.

6. Dry docking facilities

6.1 The Port Trust maintains 5 dry docks to provide repair facilities to both port vessels and other commercial vessels. The hire charges for dry docking were increased 3 times since 1974-75 and the income therefrom, the direct expenditure and surplus during 1974-75 to 1978-79 were as under :—

Year	Income	Direct expenditure	Surplus
	(In lakhs of rupees)		
1974-75	64.22	27.29	36.93
1975-76	129.55	31.09	98.46
1976-77	179.13	31.77	147.36
1977-78	192.80	33.18	159.62
1978-79	145.84	35.50	110.34

6.2 A test-check in audit of utilisation of the dry docking facilities disclosed the following points :—

— The fall in income in 1978-79 had arisen mainly because commercial vessels occupied the 5 dry docks for a total period of 676 days only as against 923, 840, 924 and 956 days during the years 1974-75 to 1977-78.

— The number of days for which the dry docks had been lying vacant were 145, 262, 277, 316 and 478 days for each of the years 1974-75 to 1978-79, thus, showing an increase year after year; out of these periods, the dry docks were stated to be lying vacant for 88, 160, 228, 219 and 421 days in the years 1974-75 to 1978-79 for want of demand. The Port Trust stated (December 1979) that the shipping companies did not offer their vessels for dry docking due to unsettled labour conditions though dry docks were available. A test-check in audit (April 1979), however, revealed that for 1977-78 and 1978-79, the balance number of booking days awaiting allotment were 287 and 461 days respectively.

6.3 A study group appointed by Government in September 1976 to examine in detail the feasibility of a dry dock-cum-ship repair complex in Calcutta region had observed that :—

— ship owners' representatives had brought to the notice of the study group that the vessels of the Port Trust frequently occupied 2/3rd dry docks for a long period, adversely affecting their availability for commercial ships; and

— the commercial ships often had to wait many days to get to dry dock and several ships had to be docked abroad because of non-availability of dry dock at Calcutta.

The study team had recommended the establishment of a single dry dock authority under the Port Trust to improve the position. The recommendation is still under the consideration of the Port Trust and Government (December 1979).

7. *Construction and supply of a new estuarian dredger 'Mahaganga'* :—Restricted tenders were invited by the port authorities in March 1970 for building and supply of an estuarian dredger. Out of 2 firms 'A' and 'B', which submitted tenders, orders were placed with firm 'B' on 15th July 1971 for supply of the dredger in 36 months at a cost of Rs. 899.20 lakhs; the contract contained provision for escalation in price of steel, rate of exchange and liquidated damages, etc. The dredger was actually supplied by firm 'B' in July 1978 only and in this connection following points were noticed in test-check in audit :

— Initially the offer of firm 'A' was less than that of firm 'B' by Rs. 77 lakhs, but after withdrawal of clause on escalation of labour and materials by firm 'A' and after reducing the rate quoted by firm 'B' by Rs. 12.52 lakhs on the assumption that free foreign exchange would be made available for import of components, the rate of firm 'B' worked out less than that of firm 'A' by Rs. 1.05 lakhs.

— While firm 'A' had adequate equipment with modernised shipyard and large scale berths for building vessels of large dimansions, firm 'B' did not possess a dry dock and slipways and was expected to procure them by December 1972.

— The consultants of the Port Trust had recommended acceptance of offer of firm 'A', as it was technically acceptable and financially lower in cost. In an inter-ministerial meeting held in April 1971, it was decided to award the contract to firm 'B' on technical considerations and in view of the vital importance of getting a suitable dredger for dredging in the Haldia estuary. The exact technical considerations on which the contract was given to firm 'B' were not, however, spelt out.

— Firm 'B' put forth a claim for revision of price to Rs. 13.56 crores in October 1975 and again to Rs. 15.71 crores in July 1976 mainly on the ground of unprecedented increase in prices. A committee set up by Government (April 1976) recommended (December 1976) acceptance of the claim at Rs. 13.24 crores. The Port Trust did not agree to the recommendation and decided (May 1977) to settle the matter through arbitration which had not started so far (November 1979). The firm was paid a sum of Rs. 889.55 lakhs up to November 1979.

— The dredger supplied in July 1978 was out of commission till March 1979 for 186 days due to repairs and 4 days due to crew strike; during the balance period it lifted only 2.01 million tonnes as against its declared capacity of 8.5 million tonnes. The Port Trust assessed in July 1978 that it could have saved Rs. 860.00 lakhs, had the dredger been supplied by July 1974.

8. *Maintenance dredging*

8.1 The port has been maintaining a fleet of 10 dredgers—5 for dredging operations within the port area and 5 for dredging in the river, which included a river dredger received in July 1978. As per norms fixed by Government, a dredger could work 5000 hours per year on the basis of 24 hours per day for 220 days. But during 1976-77 to 1978-79, the 5 port dredgers worked for only 11,577, 12,238 and 10,340 hours respectively against the available 25,000 hours for each year. During the same period, the river dredgers, however, worked for 16,572, 13,666 and 18,401 hours against the available 20,000, 20,000 and 23,333 hours respectively.

According to the Port Trust (November 1979) the under-utilisation of the dredgers was due to:

— 2 port dredgers being 28 and 51 years old and subject to heavy wear and tear; non-availability of spare parts for the repairs taking more than stipulated period of 60 days;

— one port dredger having been de-commissioned from November 1978;

— 5 dredgers (3 port and 2 river) being available for operation during one shift/day time; and

— inherent forced idleness due to various factors.

9. *Other points of interest*

9.1 *Legal expenses*.—For conducting cases in court, the Port Trust engaged the services of solicitors from a panel approved by the port authorities. For engagement of counsels/advocates there was, however, no such approved panel and they were being engaged from a list prepared by the Legal Adviser. The rates payable to the various counsels had not been fixed by the Port Trust and a test-check in audit (March 1979) revealed that the payments made to the counsels for conducting cases in the High Court were considerably in excess (100 to 1100 *per cent*) of the rates fixed by Government for conducting suits of Government cases in Calcutta. A table showing the comparative position is given below:—

	Category of lawyers	Year	Fees for consultation	Fees for written statement	Fees for drafting	Fees for appearance
			(In rupees)			
High Court, Calcutta						
(i) Fees payable to counsels (Ministry of Law and Justice)	Senior counsels Group-I	1975-76 to 1976-77	85	255	255	510
(ii) Fees paid by the Port Trust	Counsels	-do-	1020	1020	1020	1020 to 1360

9.2 15-*tonnes gantry type crane*.—The work of installation of a 15-tonne gantry type unloader crane was entrusted to firm 'C' in January 1970 at a cost of Rs. 24.56 lakhs. The crane was scheduled to be commissioned by January 1972 after appropriate test. Installation of the crane which was, however, started only in the middle of 1974 was done by August 1977. When it was almost ready for handing over to the Port Trust after testing, it rolled over and fell into the dock basin (on 18th April 1978) due to cyclonic storm. An enquiry committee constituted by the Port Trust under orders of Government, held (June 1978), that appropriate precautionary measures had not been taken by firm 'C'.

The port authorities demanded (August 1978) from firm 'C' immediate replacement of the crane, but the firm declined to do so on various grounds. The dispute between the Port Trust and firm 'C' was decided by Government (April 1979) to be referred to an arbitrator to fix responsibility for bearing the cost for setting right the damages including the cost of salvage. A sum of Rs. 15.83 lakhs had been paid up to October 1979 by the Port Trust to the firm 'C' for the work.

As the sunken crane had become a navigational hazard, it was being salvaged by the Port Trust (November 1979).

9.3 *Loss of revenue of Rs.* 295.79 *lakhs.*—A neighbouring country imported 7.80 lakh bags of cement through the Calcutta Port during December 1974 to September 1975 against which the port authorities had given a landing receipt for 6.64 lakh bags only. The consignee cleared 7.09 lakh bags leaving a balance of 0.71 lakh bags uncleared as the bags were in cut or torn condition and the cement was lying loose in the godowns.

The loose cement could not be delivered to the consignee, nor could it be sold through public auction as the Customs authorities considered this quantity of cement as excess cargo. As no out-turn reports were kept by the port authorities, they could not convince the Customs authorities that these formed part of the original consignment of cement. The condition of the cement deteriorated and the consignee did not find it worthwhile to clear the cement after paying heavy rent for the godowns. The cement having been exposed to adverse climatic conditions, had caked and 0.45 lakh bags had ultimately to be used for dumping scouring river bed near oil jetty at Haldia in August 1978. The original value of the cement dumped was assessed at Rs. 13 lakhs approximately. For the period the loose cement (0.71 lakh bags) was kept in port's godown, the rent dues accumulated to the tune of Rs. 295.79 lakhs up to July 1978, which could not be recovered from the consignee. The disposal of the balance quantity of 0.26 lakh bags was awaited (November 1979).

9.4 *Construction of mobile equipment repair shed.*—The work of construction of a mobile equipment repair shed at Netaji Subhas Dock with an overhead crane and ancillary work was sanctioned in 1966 by the Port Trust at an estimated cost of Rs. 7 lakhs. The work was divided into 3 parts, *viz.* (i) construction and erection of one mobile crane and structural steel work for repair shed; (ii) construction of column foundation and certain other allied works; and (iii) construction of boundary wall with gate and surface drain.

The work order for part (i) of the job was placed with a firm 'D' for Rs. 3.43 lakhs approximately in June 1970, for completion in 10 to 12 months. Essential steel materials were to be supplied by the Port Trust. The Port Trust, however, started supplying steel material only from March 1973 as they had no stock of steel materials at the time of placing orders and issued 154.613 tonnes of steel from March 1973 to September 1974. The Port Trust stated (December 1979) that the steel materials were scarce items and could not be procured and supplied to the contractor in time causing delay in the commencement of work and consequent rise in prices.

Out of 154.613 tonnes of steel supplied, the contractor used only 92.816 tonnes till April 1978. Thereafter, firm 'D' stopped work. Out of the unutilised balance quantity of 61.797 tonnes of steel, 43.904 tonnes valuing Rs. 1.10 lakhs were lying with firm 'D' and the cost of 17.893 tonnes of steel consumed by firm 'D' for its work elsewhere was recovered at the stipulated tender rate without reference to the issue rate or market rate together with supervision charges. Out of the gross value of the work done (Rs. 1.89 lakhs), firm 'D' had been paid about Rs. 1.80 lakhs (September 1979). The firm preferred a claim of Rs. 3.45 lakhs towards escalation cost and the Port Trust accepted the claim for Rs. 1.64 lakhs only; of this, Rs. 0.17 lakh had so far been paid (September 1979). The Port Trust stated (December 1979) that the recovery at the market rate of the cost of balance quantity of steel supplied to the contractor but not used for the work might be taken up during the course of litigation against the contractor.

An estimate of Rs. 8.61 lakhs was prepared (December 1978) by the Port Trust for execution of the work left incomplete by firm 'D'; but it had not yet been taken up for completion (November 1979).

Part (ii) of the job was entrusted to a firm 'E' in March 1970 for Rs. 0.69 lakh. The work was scheduled to be completed in 4½ months. In September 1971, after completing the foundation work, firm 'E' sought termination of contract in October 1971 as the structural steel work, entrusted to firm 'D' above, was not complete and the contract was terminated in May 1973.

Fresh tenders were invited and order was placed with firm 'F' for work left incomplete by firm 'E' along with other works. The accepted rate of firm 'F' in respect of the work left incomplete by firm 'E' was higher by Rs. 0.49 lakh.

In regard to part (iii) of the job, the lowest tender was of firm 'G' which quoted Rs. 1.30 lakhs in July 1975 valid for three months. As the work order was not issued within the validity period, it was entrusted to firm 'H' on the basis of fresh tender for Rs. 1.65 lakhs in January 1977. Finally, the work with reduced quantity was executed at a cost of Rs. 1.32 lakhs.

Thus, the Port Trust stood committed to incur an estimated total extra expenditure of Rs. 9.13 lakhs on items (i), (ii) and (iii) besides the cost of unrecovered materials valued Rs. 1.10 lakhs in respect of part (i). The extra expenditure was due to inordinate delay in procurement and supply of necessary steel, lack of control over the materials issued and delay in finalising tender. Apart from the extra expenditure, the delay of over 9 years in completion of the mobile equipment repair shed had adversely affected the smooth traffic operation of the port causing inconvenience.

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

— The revenue account of the Port Trust showed a substantial deficit (Rs. 47.16 crores) for 10 consecutive years from 1965-66 and after disclosing a total net surplus of Rs. 5.19 crores for the years 1975-76 and 1976-77, the Port Trust suffered total revenue deficit of Rs. 8.92 crores during 1977-78 and 1978-79. As a result the Port Trust could not achieve a net surplus of 12 *per cent* over capital employed as per recommendation of Major Ports Commission and pay debt charges to the extent of Rs. 22.95 crores up to 1978-79.

— Surplus earnings of the Port Trust were essentially in cargo handling and storage and estate management; deficits in the port and dock services and port railways aggregated Rs. 231.67 lakhs and Rs. 1033.42 lakhs respectively during 1974-75 to 1978-79.

— The volume of traffic at Calcutta Port complex declined from 11.06 million tonnes (1964-65) to 7.55 million tonnes (1977-78) and 7.98 million tonnes (1978-79) mainly due to loss in draft available in the river; thus, port handled 11 *per cent* of total traffic handled by all ports in 1977-78 as against 23 *per cent* in 1964-65.

— To attract ships of big size, a new port nearer the sea with modern facilities was constructed at a cost of Rs. 203.81 crores at Haldia. Despite expenditure of Rs. 61.78 crores on various river training works and dredging up to March 1979, the desired level of draft could not be achieved in the shipping channel for Haldia, thus failing to attract big size ships.

— In July 1978, heavy scouring at Haldia oil jetty was noticed and corrective measures at an estimated cost of Rs. 24.97 lakhs had to be taken up in December 1978 followed by further measures at estimated cost of Rs. 48 lakhs for permanent repair of deep scour noticed in March 1979.

— Non-implementation of the recommendations of 2 committees resulted in non-accrual of additional annual income of Rs. 15 lakhs and Rs. 31.33 lakhs for land and buildings respectively from its estate department.

— The port railways had been running at a deficit ranging from Rs. 2.60 crores (1975-76) to Rs. 4.59 crores (1978-79).

— The number of days for which the dry docks were vacant was 478 days in 1978-79 against 145 days in 1974-75.

- The Port authorities assessed in July 1978 that had the dredger "Mahaganga" been supplied to them by the due date of July 1974, it could have saved Rs. 860 lakhs.
- For conducting High Court cases the Port Trust paid to the counsels at rates 100 to 1100 *per cent* higher than the standard rates fixed by Government for conducting their suits in Calcutta High Court.
- A 15-ton unloader crane (cost : Rs. 24.56 lakhs) rolled over and fell into Haldia dock basin due to cyclonic storm in April 1978. The matter about bearing the cost of damages including that of salvage of the crane was in dispute with the supplier.
- Loss of Rs. 295.79 lakhs arose on account of rent of godown occupied for storing cement imported by a neighbouring country, which remained uncleared, as the cement had caked.
- The Port Trust stood committed to incur an estimated extra expenditure of Rs. 9.13 lakhs for construction of a mobile equipment repair shed with an overhead crane.

37. Visakhapatnam Port Trust

1. *Introductory.*—Visakhapatnam Port was opened for traffic in 1933. The administrative control of the port, which was initially under the Railway Board, came under the Ministry of Shipping and Transport in 1956 and a Port Trust was constituted by Government on 29th February 1964 under the Major Port Trusts Act, 1963 to control the management of the port. As against an outlay of Rs. 138.71 crores envisaged during the Plan periods 1951 to 1978 for development of the port, an expenditure of Rs. 135.56 crores was incurred; the important development projects undertaken by the Port Trust during 1969 to 1978 were (i) construction of an Outer Harbour (cost : Rs. 99.39 crores till March 1979) for providing berthing facilities to ships of 1 lakh D. W. T. (Dead Weight Tonne) with scope for providing facilities to vessels of 2 lakh D. W. T. and (ii) construction of a fishing harbour (cost : Rs. 3.70 crores till March 1979) so as to provide facilities for fishing industry at the port.

2. *Financial position and working results.*—

2.1 A summary of the capital and revenue account of the Port Trust for the years 1974-75 to 1978-79 is given below :

	1974-75	1975-76	1976-77	1977-78	1978-79
			(In lakhs	of rupees)	
A. *Assets as at the end of the year*					
1. Capital assets at cost	106,68.77	37,87.80	120,38.44	135,02.42	142,01.89
Less depreciation	*9,44.03*	*10,49.61*	*12,74.43*	*16,56.98*	*17,21.26*
Assets at depreciated value	97,24.74	27,38.19	107,64.01	118,45.44	124,80.63
2. Works-in-progress	—	86,79.98	14,55.13	8,34.73	2,18.74
3. Investments	2,83.57	3,28.11	3,67.20	4,48.70	11,36.64
4. Current assets	10,47.85	13,43.24	18,02.66	26,81.91	19,35.82
5. Deficit in working	—	—	4,23.02	5,32.60	17,35.92
Total	110,56.16	130,89.52	148,12.02	163,43.38	175,07.75
B. *Liabilities as at the end of the year*					
1. Capital debts					
(i) from Government	74,91.69	90,40.19	100,98.44	106,16.69	113,02.24
(ii) from other sources	5,57.10	5,40.21	5,13.85	4,95.00	4,95.00
	80,48.79	95,80.40	106,12.29	111,11.69	117,97.24
2. Current liabilities	5,43.47	6,15.97	9,59.96	17,74.72	21,02.58
3. Reserves, surplus, pensions, provident funds, etc.	24,13.90	27,57.15	30,19.34	31,24.54	31,79.33
4. Grants from Government	50.00	1,36.00	2,20.43	3,32.43	4,28.60
Total	110,56.16	130,89.52	148,12.02	163,43.38	175,07.75

	1974-75	1975-76	1976-77	1977-78	1978-79
			(In lakhs of rupees)		
C. *Revenue and expenditure for the year*					
1. Revenue income	10,87.77	17,76.54	17,23.16	31,67.47	18,87.88
2. Revenue expenditure					
(i) Cost of rendering services	7,71.64	10,24.42	11,90.99	16,76.73	15,93.89
(ii) Management and general administration	1,80.44	2,11.10	2,55.04	3,52.51	3,59.64
(iii) Finance and miscellaneous expenditure	1,96.22	4,62.79	7,81.12	12,42.89	11,20.32
Total (item No. 2)	11,48.30	16,98.31	22,27.15	32,72.13	30,73.85
3. Surplus(+)/Deficit(—)	(—) 60.53	78.23	(—) 5,03.99	(—) 1,04.66	(—) 11,85.97
4. Surplus on pilotage account (accounted for separately).	(—) 10.94	21.83	41.38	23.83	0.94

S/1 AGCR/79—17

2.2 Although the Port Trust had been constituted in February 1964, neither the amount of capital expenditure incurred by Government up to the date of formation of the Port Trust, nor the terms and conditions of its repayment including the rate of interest chargeable thereon had so far (December 1979) been determined. The Port Trust, however, provisionally adopted Rs. 1222.93 lakhs as the initial capital debt which was revised to Rs. 1190.69 lakhs from the accounts of 1970-71 by excluding Rs. 32.24 lakhs outstanding under "miscellaneous advances".

2.3 Pending fixation of the rate of interest on the capital debt, interest was paid up to 1966-67 at the rates notified by Government for its borrowings from year to year and thereafter at 4 *per cent* only in pursuance of a decision taken in an inter-departmental meeting held on 4th January 1966 in the Department of Transport. The decision taken in that meeting was not, however, accepted by Government which advised the Port Trust in June 1967 to continue to pay interest at the rates notified by Government for its borrowings from year to year till a final decision was taken. Nevertheless, interest was continued to be paid by the Port Trust at 4 *per cent* only. Further, the interest paid so far did not include interest on a sum of Rs. 89.14 lakhs which represented the capitalised interest portion of the outlay on the ground that it did not represent the original capital investment. The interest that remained to be paid on this account worked out to Rs. 53.80 lakhs at 4 *per cent* up to March 1979.

2.4 According to the recommendations of the Commission on Major Ports, the port should achieve a rate of return of not less than 12 *per cent* on the capital employed. The accounts of the Port Trust for the three years ending 31st March 1979, however, indicated that the port's operating surplus was not adequate even to cover interest charges as indicated below:

Year	Operational surplus	Interest charges
	(In lakhs of rupees)	
1976-77	269.05	371.39
1977-78	863.61	912.31
1978-79	691.31	853.93

In this connection, an analysis of the working results of the Port for the last 5 years (1974-75 to 1978-79) revealed the following position in respect of each of its major activities:—

	Revenue income	Revenue expenditure	Surplus(+) Deficit(—)
	(In lakhs of rupees)		
1. Cargo handling and storage	6445.70	3184.74	+3260.96
2. Port and dock services (including pilotage fees)	2383.06	2105.31	+277.75
3. Port railways	837.40	711.23	+126.17
4. Estate Management	317.34	256.39	+60.95
5. Management and general administrative expenses	..	1358.73	—1358.73
6. Finance and miscellaneous	— 340.68	3803.34	—4144.02
Total	9,642.82	11,419.74	—1,776.92

2.5 There had been revision of port charges from time to time (between 1st April 1968 and 8th January 1978) in the past; a 15 *per cent* surcharge was levied with effect from 30th December 1970 to meet the increase in wage bills effective from 1st January 1969, but implemented in 1970. This surcharge was, however, not levied on iron ore exports according to orders of Government. The loss sustained by the Port Trust due to non-levy of surcharge of 15 *per cent* on iron ore during the Fourth Plan period amounted to Rs. 2.5 crores.

2.6 One of the main factors for the deficits in the working of the Port, was the low rate fixed by Government in respect of iron ore loaded from Outer Harbour. On the basis of an anticipated annual export of 6 million tonnes of iron ore from the Outer Harbour, the port authorities fixed a cost based all inclusive rate of Rs. 41.90 per tonne of iron ore loaded from the Outer Harbour as against the all inclusive rate of Rs. 12.10 per tonne of iron ore loaded from Inner Harbour. Government however, decided (October 1978) to fix a rate of Rs. 15.55 per tonne for 1976-77, Rs. 18.15 per tonne for 1977-78 and

Rs. 21.07 per tonne from 1st April 1978 based on the quantum of increase in price of iron ore agreed to by the foreign importers from time to time.

2.7 A summary of the income for pilotage and the surplus on that account for the years 1974-75 to 1978-79 is given below:—

Year	Income by way of pilotage fee	Surplus on pilotage account
	(In lakhs of rupees)	
1974-75	12.82	(—)10.93
1975-76	59.88	21.83
1976-77	84.61	41.39
1977-78	1,61.59	23.83
1978-79	1,07.20	0.94

Although the income in 1977-78 had increased almost by 100 *per cent* as compared to that in 1976-77, the surplus had come down by nearly 50 *per cent*. During 1978-79, there was a steep fall in income as well as surplus. The steep increase in the income during 1977-78 and the steep reduction on this account in 1978-79 were attributed (September 1979) by the Port Trust to rendition of bills for pilotage during 1977-78 at the notified rates relating to the Outer Harbour and withdrawal of demands in 1978-79 as the rates could not be implemented as the foreign importers were not prepared to pay the increased pilotage rates.

2.8 The first stage of the fishing harbour project sanctioned by Government in February 1975 at an estimated cost of Rs. 324 lakhs for providing facilities for fishing industry was completed by April 1978. The cost of the project rose to Rs. 446.15 lakhs and a revised estimate was sanctioned (September 1979) by Government.

During the first year of its operation, the harbour handled 44 trawlers and 300 small boats as against the anticipated handling of 15 trawlers and 150 small boats only. Nevertheless, its operation resulted in substantial deficit as indicated below:

	Revised estimates	Actuals
	(In lakhs of rupees)	
Revenue	8.69	14.96
Expenditure	18.54	31.23
Deficit	9.85	16.27

It was noticed in audit that the port charges had been fixed by Government at rates much lower than the rates proposed by the Port Trust which were themselves far less than operational cost as indicated below:—

Particulars	Proposed rates	Operational cost without return on capital and interest	Existing rates charged
		(Figures in rupees)	
Berthing charges per boat per day	25.00	57.30	5.00
Wharfage charges per boat per month	250.00	955.00	50.00
Berthing charges per trawler per day	500.00	573.00	100.00
Wharfage charges per trawler per month	2500.00	9550.00	500.00

According to the Port Trust (December 1979) the low rates werefixed on the consideration of "what the traffic would bear".

2.9 Recovery of Rs. 64.22 lakhs of rentals was outstanding from tenants as on 31st March 1979. Out of this, for recovery of Rs. 23.12 lakhs from private parties cases were pending in courts; this included Rs. 21.89 lakhs relating to one party alone. The Port Trust stated (February 1980) that out of balance of Rs. 41.10 lakhs, Rs. 38.54 lakhs had already been realised and kept in suspense account.

3. *Facilities available at the port for handling traffic.—*

3.1 The following table gives a summary of various facilities available at the port at the end of each year during 1974-75 to 1978-79 for handling traffic :

	1974-75	1975-76	1976-77	1977-78	1978-79
(i) Number of berths	15	15	18	18	18
(ii) Transit sheds-capacity in tonnes	36,500	36,500	36,500	48,100	48,100
(iii) Storage sheds-capacity in tonnes	13,200	13,200	13,200	13,200	13,200
(iv) Warehouses-capacity in tonnes	30,500	30,500	30,500	30,500	30,500
(v) Open storage space-area in square metres	3,16,247	3,16,247	3,99,018	4,62,277	4,62,277
(vi) Railways-length in kilometres	135	135	135	135	150
(vii) Number of locos-diesel and steam	28	28	28	28	28

3.2 The traffic handling capacity of the port in the beginning of the Fourth Plan (1969-70) was assessed at 10.30 million tonnes; for 1978-79, it was 13.3 million tonnes. The traffic handled at this port, which stood at 0.8 million tonnes in 1951, gradually rose to 11.41 million tonnes in 1978-79. The commodity-wise traffic handled at the port during 1978-79 was as under :

Name of commodity	Actual traffic handled (In million tonnes)
Petrol, oil and lubricants	3.30
Iron ore	5.96
Fertilizers	0.84
Other cargo	1.31
Total	11.41

3.3 With a view to reducing freight and, thus, making Indian iron ore competitive in the international market, the Outer Harbour Project was sanctioned (December 1969) by Government for providing berthing facilities to ships of one lakh D. W. T (with scope for providing for vessels of 2 lakh D.W.T) at an estimated cost of Rs. 36.97 crores (revised in May 1978 to Rs. 109.45 crores). The project, scheduled for completion in June 1974, was commissioned in December 1976, trial loadings having commenced from July 1976. Till March 1979, Rs. 99.39 crores had been spent on the project. The port had not yet finalised the works accounts due to non-finalisation of claims (Rs. 159.00 lakhs under arbitration and Rs. 72.00 lakhs under consideration of the port authorities), non-completion of certain ancillary works, etc. (value : Rs. 170.00 lakhs).

The actual quantity of iron ore traffic handled at the Outer Harbour during 1977-78 and 1978-79 was 6.06 million tonnes and 5.96 million tonnes against the estimated quantity of 6 million tonnes and 7 million tonnes respectively. The shortfall in iron ore traffic handled in 1978-79 was stated (September 1979) to be due to recession in the steel industries in the country of import.

3.4 The overall percentage of berth occupancy in the Inner Harbour rose to 74.08 in 1978-79 from 55.20 in 1976-77 and that in the Outer Harbour from 29.60 in 1976-77 to 36.30 in 1978-79. While in respect of certain individual berths, the occupancy was even higher than 90 *per cent* in 1978-79, in respect of some it was less than 50 *per cent* in 1977-78 and 1978-79. The high rate of occupancy resulted in considerable waiting for the ships in the stream, neglect of maintenance at the berths and delays in sheds.

A test-check in audit showed that during 1974-75 to 1978-79 the traffic handled at the port ranged from 62.99 *per cent* to 76.89 *per cent* of the capacity. The Port Trust stated (December 1979) that it had the capacity to handle additional cargo and that the volume of traffic depended on several other factors over which the port had no control.

3.5 The following table compares the position of the average turn round time of the vessel during 1974-75 to 1978-79 together with the particulars of time spent at anchorage and at berths :

Year	Number of vessels	Total time spent at anchorage	Time spent at anchorage for want of berth	Time spent at berths	Average turn round time	
			(In hours)		(In hours)	(In days)
1974-75	563	22,220	17,397	80,475	185	7.71
1975-76	571	23,008	20,033	83,159	189	7.87
1976-77	549	9,076	7,173	62,308	133	5.54
1977-78	475	7,496	5,093	56,715	137	5.71
1978-79	522	21,262	18,249	84,197	205	8.54

The Port Trust stated (July 1979 and December 1979) that considerable time spent at anchorage by the vessels was mainly due to non-availability of a working berth for fertilizer vessels due to bunching of vessels on account of poor clearance arrangements by the importers and inadequate arrangements for clearance of fertilizers. It was also stated that as the scheduling of vessel was not done by the port, it had no control over bunching.

4. *Dredging*

4.1 To tackle siltation problem at the port arising out of littoral drift of sand along the coast from south to north to an extent of about 1 million tonnes per year, continuous dredging was necessary for the maintenance of all navigable waterways of the port and for this purpose the port had at its disposal 4 dredgers. According to the accepted standards, a dredger should normally work for about 220 days in a year. However, during 1974-75 to 1978-79, none of the 4 dredgers had worked for the prescribed period and there had been a progressive increase in the number of non-dredging days from year to year and steady decline in the quantities dredged (details in Annexure I). The poor performance of the dredgers was attributed by the Port Trust (September 1979) to their being old, use for rugged dredging beyond the designed depths, dredging in hard strata, etc.

4.2 The target fixed for dredging and the actual quantities dredged each year were as under :

	Target	Actual
	(In cubic metres)	
1974-75	890	677
1975-76	900	697
1976-77	1163	920
1977-78	1703	861
1978-79	1512	1093

The Port Trust stated (August 1979) that though the targets were fixed as per the anticipated siltation, dredging had been done according to actual needs, that effective utilisation of the dredgers had been achieved by maintaining the designed depths and that at no time did it become necessary to impose draft restrictions. However, the working group on ports had indicated in its report (September 1978) that the port had a backlog of 6.33 lakh cubic metres of dredging in 1978-79.

4.3 Although none of the dredgers was at work for 220 days in a year, the rates for recovery in respect of deposit works had been fixed on the assumption that they would work for 220 days a year. The table below compares the dredging rates as fixed by the Port Trust with those arrived at on the basis of actual working days of the dredgers during the preceding three years.

Name of the dredger	Average no. of days worked during preceding three years	Daily rates fixed for deposit dredging on the basis of 220 days working	Daily dredging rates for deposit works on the basis of actual working days	Shortfall
			(In rupees)	
D.D. Waltair	170	26,976	33,330	6,354
G.D. Mudlark	149	4,917	6,466	1,549
G.H.D. Durga	112	24,686	48,299	23,613
S.D. Visakha	165	56,303	75,086	18,783

In respect of deposit works executed from 1st April 1977 to 30th June 1979, the revenue lost amounted to Rs. 10.05 lakhs. The Port Trust stated (September 1979) that the rates were based on the present day cost of equipment and that actual operating expenditure per day on the basis of direct cost of operation even with reference to actual working days was lower than the rates fixed by the port and that consequently, there would be no short recovery. It was, however, noticed in test-check in audit that the dredging rates on the basis of original cost less depreciation etc. and actual number of working days worked out higher than the rates fixed by the Port Trust and even on this basis, the short recovery amounted to Rs. 6.42 lakhs.

4.4 The port had leased out land measuring 55.13 acres for 99 years with effect from 13th November 1940 to M/s Scindia Steam Navigation Ltd. (now Hindustan Shipyard Ltd). According to the terms of the lease executed in 1956, the Port Trust should carry out maintenance dredging in front of fitting out basin and launch ways during the lease period for maintaining water depths and recover dredging charges of Rs. 8,600 and Rs. 1,440 *per annum* respectively. The dredging charges stipulated in the agreement were based on the then prevailing rate of Rs. 18 per 1,000 cft and on the assumption that the average annual siltation would not be more than 1 foot. Revision of dredging charges in the subsequent period had not been provided for in the agreement.

The actual siltation, however, ranged from 2 feet to 2.5 feet *per annum* and there had been considerable increase in the cost of dredging; the actual cost of dredging up to 31st March 1979 was Rs.14.76 lakhs against which the total realisation from the company was only Rs. 2.31 lakhs involving loss of Rs. 12.45 lakhs. The Port Trust stated (December 1979) that in a meeting held on 10th September 1979, an acceptable formula had been evolved for gradually increasing the recovery of dredging charges from the shipyard so that in 5 years full dredging costs at actuals would be recovered. The rate of recovery had, accordingly, been revised to Rs. 25,100 *per annum* from 1979 -80 from the previous rate of Rs. 10,040 *per annum*.

5. *Port railway*

5.1 The traffic handled by the port railway during 1973-74 to 1978-79 was as under :

	(In lakhs of tonnes)
1973-74	56.30
1974-75	53.00
1975-76	73.20
1976-77	82.50
1977-78	84.60
1978-79	89.90

The net deficit as per *pro forma* accounts on the working of the port railway was Rs.8.28 lakhs in 1973-74, Rs. 53.22 lakhs in 1974-75, Rs. 111.47 lakhs in 1975-76, Rs. 131.83 lakhs in 1976-77, Rs. 258.14 lakhs in 1977-78 and Rs. 163.90 lakhs in 1978-79.

The deficit had been worked out in the *pro forma* accounts from 1975-76 onwards after taking into account the return on capital employed at 6 *per cent* and interest on capital investment at 9 *per cent*. The heavy deficit for 1977-78 was due to bringing into account for the first time the railway and rolling stock of the Outer Harbour Project amounting to Rs. 279.61 lakhs and taking for the first time the value of railway land at Rs. 229.9 lakhs (current market value, but not original cost) for computing the interest and return.

The port railway charges were fixed from time to time by the Port Trust and got approved by Government. The Port Trust worked out certain cost based rates for the various railway operations in 1976 and proposed (November 1976) for approval of Government, rates at 50 *per cent* to 100 *per cent* over the cost based rates; Government, however, approved (August 1977) rates at 69 to 80 *per cent* of the rates proposed by the Port Trust; the revised rates became effective from 15th October 1977. The approval to a further revision of rates proposed in May 1978 was still awaited (August 1979). Thus, the railway earnings had no relation to the costs.

5.2 According to a decision taken at an inter-ministerial meeting held on 5th November 1976, Government approved (March 1977) payment of terminal charges by the Indian Railways to the port railway from 1st April 1971 to 31st March 1976 at Rs. 1.18 per tonne of traffic other than iron ore, Rs. 1.21 per tonne of coal and at 80 *per cent* of the rate payable in respect of iron ore traffic handled at North holding yard. Separate orders were to follow in respect of the subsequent 5-year period. These were still awaited (August 1979) and payment of terminal charges continued to be received by the port railway at the rates prevailing before the decision of 5th November 1976 even after 1st April 1976.

6. *Other points of interest*

6.1 Based on the recommendations of a Committee in 1975, the Port Trust had assured its workers minimum guaranteed wages. Depending upon the number of engagements which the workers had during the preceeding 12 months and as per discussions between the Port Trust and the Union concerned, the number of minimum guaranteed days increased from 15 days to 21 days for

'A' category workers and from 12 days to 18 days for 'B' category workers during the period from September 1969 to May 1975. In this connection, following points were noticed in test-check in audit.

— In respect of ore handling labour, the percentage of idle hours during 1978-79 had risen to 22.8 as against 7.8 to 14 during 1974-75 to 1977-78; in respect of shore labour the percentage of idle hours ranged from 27.6 to 34.1 during 1974-75 to 1978-79.

— During 1974-75 to 1978-79, the wages paid to the workers for the days for which they could not be provided with work amounted Rs. 9.74 lakhs for shore handling labour and Rs. 29.81 lakhs for ore handling labour.

6.2 *Purchase of barges*.—The Port Trust invited (December 1969) global tenders for purchase of 3 barges and out of 5 tenders received (February 1970), accepted (March 1970) the tender of Garden Reach Workshop (GRW) at a cost of Rs. 74 lakhs per barge. The GRW offered a rebate of Rs. 3 lakhs per barge in case orders for 3 barges were placed on it; the offer was valid up to 15th April 1970. Orders were placed (March 1970) for only 2 barges for delivery by February 1971 and March 1971 and it was decided (March 1970) to procure one ready-built barge so that it could be used during the first working season commencing from December 1970 and ending April 1971. However, as no ready-built barge was available, no barge was actually procured and no work was done during the first working season. The consultants, who had been engaged by the Port Trust, recommended (30th April 1970) re-tendering for procurement of the third barge which could be used during the second working season commencing from December 1971. Fresh tenders were invited (May 1970) for the third barge with the same specification as those for earlier barges except for provision of a schuttle unit and order was placed (September 1970) on the GRW at its tendered cost of Rs. 83.60

lakhs. The increase in cost was due to the price of the schuttle unit (Rs. 8.08 lakhs) and enhanced taxes etc. (Rs. 1.52 lakhs). The request of the Port Trust to allow the rebate of Rs.3 lakhs per barge was not agreed to by the GRW because orders for 3 barges were not placed against the first offer of February 1970.

Had the port authorities placed the order for the third barge also before the offer of GRW expired on 15th April 1970 (which was considered necessary on 30th April 1970) they would have saved Rs. 10.52 lakhs (Rs. 9 lakhs by way of rebate and Rs. 1.52 lakhs by way of enhanced taxes). Government stated (January 1979) that the purchase of the third barge was to be viewed as a separate transaction and, therefore, the non-availing of the rebate could not be considered as a loss sustained. The fact, however, remained that as 3 barges were required by the port, had the purchase orders been placed on the GRW for 3 barges before 15th April 1970 extra expenditure of Rs. 10.52 lakhs could have been avoided.

6.3 A ship (S.S. Jag Sevak) owned by an Indian shipping company ran aground near the entrance channel of the port on 15th July 1965. The company abandoned the ship as a wreck in favour of an insurance company and the insurance company also notified (February 1966) to the port authorities that the wreck had been sold to firm 'A' in January 1966. Firm 'A' intimated (April 1966) the port authorities about its ownership of the wreck and requested for a piece of land near the beach for keeping the dismantled material of the wreck, which was made available (May 1966) to it by the Port Trust.

As firm 'A' failed to remove the wreck, the port authorities claimed (January 1969) from it dredging charges amounting to Rs. 70,500 at the rate of Rs. 20,000 *per annum* from 15th July 1965 and also proposed to take action under section 14 (1) of the Indian Ports Act, 1908 to remove the wreck at the cost of firm 'A'. A writ petition, filed (January 1969) by firm 'A' against the port authorities in the High Court of Andhra Pradesh for their proposed action was dismissed by the Court in September 1969. As firm 'A' did not remove the wreck even after the dismissal of the writ petition, tenders were invited by the Port Trust in October 1969, but there was no response. When tenders were re-invited in July 1972 *i.e.* after about 3 years, only one tender from a foreign firm was received and the work was awarded(March 1973) to it for Rs. 84.80 lakhs and the wreck was removed (July 1975) at a cost of Rs. 107.53 lakhs. A suit, filed by the Port Trust on 29th August 1978 for recovery of the charges (estimated at Rs. 181.53 lakhs) from firm 'A', the insurance company and the shipping company remained to be settled (July 1979). Due to the belated action taken by the Port Trust after October 1969 and then July 1975, the amount of Rs. 181.53 lakhs due to the port had not been recovered so far (December 1979.)

6.4 Out of the machinery procured at a cost of Rs. 655.56 lakhs for construction of the Outer Harbour Project and rendered surplus on its completion (December 1976), machinery valued at Rs. 453.72 lakhs was disposed of (January and February 1977) and machinery valued at Rs.201.84 lakhs (on which a sum of Rs. 37.83 lakhs was recovered from the construction contractor towards depreciation and hire) was yet to be disposed of (November 1979).

Further, certain items of machinery such as shiploaders (2) metal detectors (2) weighto-meters (2) and a sampling plant (total value : Rs. 22.08 lakhs) which became surplus to requirements after opening of the Outer Harbour for traffic in December 1976 had also not been disposed of (November 1979). The shiploaders (2) valued Rs. 16.14 lakhs, for which an offer for Rs. 8.00 lakhs was accepted (November 1979) by the Port Trust were yet (January 1980) to be lifted by the purchaser. The Port Trust stated (November 1979) that tenders for a number of remaining items had since been received (October 1979) and were under scrutiny.

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

— Even 15 years after the formation (1964) of the Port Trust, the initial capital provided by Government (adopted by Port Trust at Rs. 1190.69 lakhs provisionally), its terms and conditions and rate of interest applicable to it had not been determined by Government. The Port Trust paid interest at 4 *per cent* only on the capital, excluding a sum of Rs. 89.14 lakhs representing capitalised interest portion; such unpaid liability on interest to the end of March 1979 amounted to Rs. 53.80 lakhs.

— The operating income of the port was not even adequate to cover the direct operating expenditure. For handling of iron ore at the Outer Harbour, as against the cost based rate of Rs. 41.90 per tonne, the rate allowed by Government was only Rs. 15.55 per tonne for 1976-77, Rs. 18.15 per tonne for 1977-78 and Rs.21.07 per tonne from 1st April 1978.

— Loss sustained by the Port Trust during the Fourth Five Year Plan period due to non-approval by Government of the levy of 15 *per cent* surcharge on iron ore traffic was about Rs.2.5 crores which adversely affected the reserve position of the port.

— Out of Rs. 64.22 lakhs of rents outstanding from tenants as on 31st March 1979, Rs. 38.54 lakhs were stated (January 1980) to have been recovered and cases for recovery of Rs. 23.12 lakhs were pending in courts.

— Though the overall berth occupancy in the port was high, on the basis of current berth utilisation the port was still in a position to handle further traffic and, thus, the existing facilities were not fully utilised.

— None of the 4 dredgers of the port worked for 220 days in a year according to the norms recommended by the Commission on Major Ports and the Dredger Utilisation Committee and accepted by Government. The quantities dredged during 1977-78 and 1978-79 represented only 52.12 *per cent* and 66.06 *per cent* respectively of the port's capacity for dredging.

— The rates of recovery for deposit dredging had not been correctly fixed resulting in reduction in revenue to the extent of Rs. 6.42 lakhs for the period April 1977 to June 1979.

— The Port Trust could not recover the actual cost of dredging from the Hindustan Shipyard Ltd. in view of a provision in the agreement specifying a fixed amount towards payment for maintenance dredging resulting in excess of expenditure over income to the extent of Rs. 12.45 lakhs to end of 1978-79.

— The port railway had been showing deficits of Rs. 131.83 lakhs (1976-77), Rs. 258.14 lakhs (1977-78) and Rs. 163.90 lakhs (1978-79) as the rates approved by Government were far lower than the cost based rates.

— There has been heavy idle time in the case of shore labour during 1974-75 to 1978-79. Idle hours had also increased considerably in the case of ore handling labour in 1978-79.

— The Outer Harbour, which was originally anticipated to be completed by June 1974, was actually completed by July 1976. The estimated cost of the project which was originally Rs. 36.97 crores was revised (May 1978) to Rs. 109.45 crores and the expenditure incurred to the end of March 1979 was Rs. 99.39 crores.

— Extra expenditure of Rs. 10.52 lakhs was incurred due to delay in placing orders and consequent inability to avail rebate, etc. on the purchase of 3 barges.

— Recovery of a sum of Rs. 181.53 lakhs spent by the Port in the removal (July 1975) of a ship wrecked in July 1965 was pending in a court of law (November 1979).

— Surplus machinery costing Rs. 223.92 lakhs after completion of the Outer Harbour Project in December 1976 had not yet been disposed of.

ANNEXURE

(referred in para 4.1)

Statement showing the no. of dredging days, non-dredging days and quantity dredged during the 5 years 1974-75 to 1978-79

Name of the dredger	Year		No. of dredging days	No. of non-dredging days due to Mechanical repairs, Overhaul and Sundays & Holidays	Quantity dredged (in thousand cum.)
1	2		3	4	5
1. S.D. Visakha	1974-75		182	183	574.12
	1975-76		166	200	556.00
	1976-77		145	220	718.79
	1977-78		114	251	471.44
	1978-79		86	279	403.65
2. D.D. Waltair	1974-75		118	247	3.6
	1975-76		201	165	48.21
	1976-77		191	174	87.84
	1977-78		133	232	32.87
	1978-79		106	259	21.57
3. G.H.D. Durga	1974-75	F	78	287	83.60
		A	117	248	
	1975-76	F	128	238	84.74
		A	64	302	
	1976-77	F	131	234	106.80
		A	104	261	
	1977-78	F	75	290	89.33
		A	117	248	
	1978-79	F	42	323	88.52
		A	138	227	
4 G.D. Mudlark	1974-75		154	211	15.75
	1975-76		148	218	8.12
	1976-77		144	221	7.1
	1977-78		158	207	7.86
	1978-79		90	275	4.56
5. M.D. Varaha	1977-78		73	151	259.73
	1978-79		215	150	574.97

CHAPTER V

DEPARTMENTALLY MANAGED GOVERNMENT UNDERTAKINGS

38. **General.**—On 31st March 1979, there were 38 departmentally managed Government undertakings of commercial and quasi-commercial nature, as against 37 departmentally managed Government undertakings as on 31st March 1978; the addition being that of the Canteen Stores Department. Funds of Canteen Stores Department have been merged with the consolidated Fund of India from 1-4-1977 and transactions of the Department are to be included in the civil estimates grant of the Ministry of Defence.

The financial results of these undertakings are ascertained annually by preparing *pro forma* accounts outside the general accounts of Government. Trading and Profit and Loss Accounts and Balance Sheet are not prepared by two undertakings *viz.* Department of Publications, Delhi and Government of India Presses; instead stores accounts are prepared. In pursuance of the recommendation of the Public Accounts Committee, Government have agreed to prepare the Manufacturing, Profit and Loss Account and Balance Sheet in respect of Government of India Presses and the format of accounts for this purpose are under finalisation.

Pro forma Accounts for the year 1978-79 have been received so far (December 1979) for audit from only 4 undertakings (Serial Nos. 16, 18, 31 and 38 of Annexure 'A'). A synoptic statement showing the summarised financial results of all the departmental undertakings, on the basis of their latest available accounts, is given in Annexure 'A'.

ANNEXURE 'A'

SUMMARISED FINANCIAL RESULTS OF DEPARTMENTALLY MANAGED GOVERNMENT UNDERTAKINGS

(Figures in thousands of rupees)

Sl. No.	Name of the Undertaking	Period of accounts	Government Capital	Block Assets (Net)	Depreciation to date	Profit(+)/ Loss(—)	Interest on Government Capital	Total return	Percentage of total return to mean capital	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	MINISTRY OF FINANCE									
1.	India Security Press, Nasik Road.	1976-77	4,21,97	3,41,77	1,58,91	(+)3,02,40	99,42	(+) 4,01,82	21.83	
2.	Currency Note Press, Nasik Road	1977-78	7,07,01	5,94,98	1,79,45	(+)1,88,90	1,12,48	(+) 3,01,38	14.74	Figures are based on the unaudited accounts.
3.	Government Opium Factory, Ghazipur	1976-77	24,36	19,08	5,61	(+)10,28,30	..	(+)10,28,30	..	
4.	Government Opium Factory, Neemuch	1977-78	26,17	14,23	1,53	(+)12,89,35	..	(+)12,89,35	..	

5. Government Alkaloid Works, Neemuch	1976-77	2,65,77	2,65,67	3,17	(—)17,25	6,89	(—)10,36	..	The undertaking was in construction stage upto 31-10-76. It started operation from 1-11-76 and Proforma Profit and Loss Account and Balance Sheet have, therefore, been prepared for the period from 1-11-76 to 31-3-77.
6. Government Alkaloid Works, Ghazipur	1976-77	8,48	5,32	3,16	(+)27,55	4,48	(+)32,03	70.13	
7. India Government Mint, Bombay	1976-77	11,20,85	2,09,40	*7,88	(+)11,64,47	18,23	(+)11,82,70	63.09	
8. India Government Mint, Calcutta	1976-77	1,47,90	1,19,72	1,95,01	(+)10,17,46	1,00,48	(+)11,17,94	60.08	
9. India Government Mint, Hyderabad	1977-78	5,95,92	1,64,40	39,01	(+)36,26	57,23	(+)93,49	8.98	

*Depreciation for the year only.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
10.	Assay Department, Bombay	1976-77	1,70	1,42	*10	(+)4,17	..	(+)4,17	..	
11.	Assay Department, Calcutta	1976-77	74	63	*3	(+)51	..	(+)51	..	
12.	Silver Refinery, Calcutta	1975-76	59,49	46,98	66,96	(—)5,66	1,69,60	(+)1,63,94	5.12	
13.	Bank Note Press, Dewas	1976-77	17,87,69	19,29,04	1,27,63	(+)3,20,94	1,16,17	(+)4,37,11	19.72	
	MINISTRY OF INFORMATION AND BROADCASTING									
14.	All India Radio	1974-75	54,23,72	Capital Assets	16,67,31	(—)3,85,56	1,83,71	(—)2,01,85	..	
				37,06,64						
				Revenue Assets	*9,80					
				49,77						
15.	Radio Publications,									
	All India Radio	1974-75	1,36,67	19	*3	(—)15,22	20	(—)15,02	..	

16. Films Division	1978-79	1,99,06	1,26,77	1,14,65	(—)41,45**	17,56	(—)23,89**	..	**Before adjustment of notional value (Rs. 21,60,168) on films released for free exhibition.
17. Commercial Broadcasting Service, All India Radio	1974-75	89,63	Capital Assets 72,14 Revenue Assets 7,30	10,20 *97	(+)3,43,71	..	(+)3,43,71	..	
MINISTRY OF COMMUNICATIONS									
18. Overseas Communications Service, Bombay	1978-79	39,08,87	24,26,75	10,40,61	(+)32,60,89	2,20,24	(+)34,81,13	86.94	

*Depreciation for the year only.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	MINISTRY OF SHIPPING AND TRANSPORT									
19.	Lighthouses and Lightships Department	1976-77	*** 18,31,70	15,95,01	2,38,66	(+)12,26	@@ 30,00	(+)42,26	2.48	***This consists of the balances of Govt. Capital Account and Capital outlay Account. @@Interest in accordance with the instructions contained in the Ministry of Finance Office Memorandum No. F.1(35)-B 71 dated 23-1-1974 has not been charged.
20.	Shipping Department, Andamans	1972-73	43,58	56,80	*7,89	(—)80,15	4,47	(—)75,68	..	
21.	Ferry Service, Andamans@	1975-76	2,69	11,98	*2,11	(—)24,37	36	(—)24,01	..	

22. Marine Department (Dockyard). Andamans@	1975-76	73,26	4,41	*26	(—)4,62	4,50	(—)12	..
23. Chandigarh Transport Undertaking, Chandigarh	1977-78	1,54,52	1,27,29	27,23	(—)4,65	7,33	(+)2,68	2.01
24. State Transport Service, Andamans@	1976-77	35,87	26,83	39,30	(—)15,86	1,77	(—)14,09	..
MINISTRY OF AGRICULTURE AND IRRIGATION								
25. Central Fertilizer Pool	1969-70	58,31,29	..	..	(+)3,87,78	1,62,89	(+)5,50,67	15.63
26. Delhi Milk Scheme	1976-77	5,98,38	3,19,84	4,00,98	(—)6,36,48	37,11	(—)5,99,37	..
27. Forest Department, Andamans	1976-77	1,29,08	66,73	*14,90	(+)21,07	11,35	(+)32,42	11.86
28. Ice-cum-Freezing Plant, Ernakulam	1977-78	30,31	8,12	18,12	(—)1,13	77	(—)36	..

*Depreciation for the year only.

@Pro forma Accounts have not been prepared according to the revised procedure vide Ministry of Finance Office Memo No. F.1(35)-B/71 dated 23.1.1974.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	MINISTRY OF HEALTH AND FAMILY WELFARE									
29.	Central Research Institute, Kasauli	1977-78	19,76	6,70	**9,71	(+)10,37	2,56	(+)12,93	27.74	**Depreciation includes consumption on Live Stock for the year 1977-78 only.
30.	Medical Stores Depots@	1973-74	8,11,05	43,18	15,11	(+)31,34	43,63	(+)74,97	8.45	
31.	Bakery and Vegetable Garden of the Central Institute of Psychiatry, Kanke, Ranchi.	1978-79	31	28	*0.4	(+)3	2	(+)5	29.07	
	MINISTRY OF WORKS AND HOUSING									
32.	Department of Publications, Delhi	1976-77**								**Trading and Profit and Loss Accounts and Balance Sheet are not prepared, instead only stores accounts are prepared.
33.	Government of India Presses	** 1975-76								

MINISTRY OF ENERGY								
34. Electricity Department, Andamans@	1973-74	49,20	49,66	*3,10	(—)28,00	2,68	(—)25,32	..
35. Electricity Department, Lakshadweep	1977-78	59,12	41,49	13,66	(—)19,53	3,22	(—)16,31	..
DEPARTMENT OF ATOMIC ENERGY								
36. Atomic Power Authority	1975-76	1,20,90,16	52,35,89	15,22,89	(+)2,43,83	5,60,95	(+)8,04,78	6.67
37. Rajasthan Atomic Power Station-I	1977-78	61,81,43	49,76,93	8,82,63	(—)7,01,06	4,19,43	(—)2,81,63	..
MINISTRY OF DEFENCE								
38. Canteen stores Department***	1978-79	48,00	60,37	88,91	(+)3,53,00	..	(+)3,53,00	28.06

*Depreciation for the year only.

@Proforma Accounts have not been prepared according to the revised procedure *vide* Ministry of Finance Office Memorandum No. F.1(35)-B/71 dated 23-1-1974.

***1. From 1-4-77, the funds of the Department have been merged with the Consolidated Fund of India and the transactions are routed through the civil estimates in the grant relating to Ministry of Defence. The Accounts have been prepared in the old forms and the revision of the format is under consideration.

2. The instructions contained in the Ministry of Finance Office Memo No. F.1 (35)-B/71 dated 23-1-1974 have not been followed and neither the mean capital has been shown on the face of the Accounts, nor interest on the same charged in the Accounts. For the purpose of return on mean capital, the mean of opening balances and closing balances of (a) Capital (b) Funds and Specific Reserves and (c) Board of Control's General Purposes Fund has, therefore, been adopted.

MINISTRY OF ENERGY

39. Electricity Department of Andamans

Delay and deficiencies in the preparation of Proforma Accounts

The Andamans Electricity Department was declared Commercial in 1961-62. In order to ascertain the working results of the Department, the Proforma Accounts (in the form applicable to Electricity Boards) prescribed in 1972 were required to be drawn up every year.

The Department has compiled Proforma Accounts upto the year 1973-74 only. A scrutiny of these accounts which were made available to Audit on 6th June 1977 indicated the following defects and deficiencies :—

(a) The Department has not maintained initial accounts on double entry system; essential records like Journal, Ledger and Trial Balance have not been kept, nor have the Proforma Accounts been prepared in the prescribed form.

The Ministry stated (September 1979) that due to non-availability of qualified staff, double entry system, essential records, like Journal, Ledger, Trial Balance, etc. could not be maintained and the same will be introduced, when adequate qualified staff is posted by the Administration.

(b) Prior to March 1967, the charges for electricity consumed by Government employees used to be recovered from their pay bills and the respective drawing and disbursing officers were to inform the particulars of recoveries made to the Electricity Department. The dues from Government Departments used to be adjusted through book transfer bills upto 1973-74. Thereafter, the charges for electricity are being collected in cash. For the earlier periods, it was noticed in audit that necessary particulars of recoveries had not been recorded in the respective consumer ledgers in a number of cases, with the result that Audit could not verify the accuracy of the sundry debtors.

The electricity dues outstanding for realisation for the period upto March 1967 in cases of Government servants and upto 1968-69 in cases of private parties and Government Departments as on 1st December 1972 were Rs. 1,00,391. By deputing a special team to all the offices for collection of recovery particulars and on the basis of correspondence with offices, etc., the Department could adjust a sum of Rs. 48,056, leaving a balance of Rs. 52,335 as per details given below :—

Parties from whom due	Amounts outstanding as on 1-12-1972	Adjusted so far	Balance for adjustment/ realisation as on 1-12-1978
(i) Private parties	Rs. 14,062	Rs. 1,587	Rs. 12,475
(ii) Government servants	Rs. 79,426	Rs. 45,537	Rs. 33,889
(iii) Government departments	Rs. 6,903	Rs. 932	Rs. 5,971
	Rs. 1,00,391	Rs. 48,056	Rs. 52,335

The Ministry stated (September 1979) that efforts are being made to recover the outstanding dues and progress reports are being submitted to the Administration; the question of writing off of irrecoverable dues, due to death and other reasons, has been taken up with the Administration.

(c) The Department is authorised to make bulk purchases under "534—Capital Outlay on Power Projects—Suspense", for subsequent consumption under "334—Power Projects" and also under "534—Capital Outlay on Power Projects (other than suspense head)". Though the Department, as a whole, has been declared as commercial, the balance of closing stock under "534—Capital Outlay on Power Projects—Suspense" has not been incorporate d in the Proforma Accounts upto 1973-74. The transactions under suspense head for the three years ending 1973-74 were as follows :—

Year	Purchases during the year (Dr.)	Issues during the year (Cr.)	Closing balance
1971-72	Rs. 8,18,769	Rs. 7,06,738	(+)Rs. 1,12,031
1972-73	Rs. 7,50,546	Rs. 7,50,593	(—)Rs. 47
1973-74	Rs.10,22,888	Rs. 5,92,105	(+)Rs. 4,30,783

The Ministry stated (September 1979) that transactions relating to suspense head could not be incorporated in the proforma accounts due to dearth of qualified staff and non-maintenance of priced stores ledgers.

(d) The valuation of closing stock of materials was being made on the basis of data available at head-quarters only and the stock in various sub-divisions was not incorporated in the Proforma Accounts. Item-wise details of the closing stock with its valuation were also not produced for purposes of audit.

The Ministry stated (September 1979) that the value of closing stock at sub-divisions could not be incorporated due to non-maintenance of proforma accounts.

(e) Physical verification of stores was not conducted annually. After the physical verification was conducted from 10-12-1973 to 17-1-1974, the next verification was undertaken from 17-1-1977 to 29-1-1977. The physical verification conducted in 1977 revealed surpluses in 224 items and shortages in 152 items against 1503 items in stock.

The Ministry stated (September 1979) that with the physical varification of stores having been conducted upto February 1979, all surpluses and shortages are being regularised.

(f) The cost of articles issued on loan was not included in the proforma accounts.

In paragraph 2.35 of its 37th Report (5th Lok Sabha—April 1972), the Public Accounts Committee had referred to delay in compilation of the Proforma Accounts and also to the deficiencies in the maintenance of the accounts. The Committee had, *inter-alia*, recommended that the "dearth of qualified staff to compile the accounts, in perfect manner", should be remedied soon so that reliable working results were available promptly to the authorities to evaluate the performance and to take appropriate remedial measures. Although a period of over 7 years has elapsed, no improvement is noticeable in this regard, as not only the compilation of Proforma accounts continues to be delayed but also the Proforma accounts prepared so far suffer from the various shortcomings mentioned above mainly on account of non-maintenance of suitable records. Accordingly, the basic objective of compiling the Proforma accounts for ascertaining the working results of the Undertaking has not been achieved.

The Ministry stated (September 1979) that most of the defects/ deficiencies were due to non-availability of qualified staff and the question of creation/posting of additional staff was under consideration.

MINISTRY OF SHIPPING AND TRANSPORT

(Transport Wing)

40. Chandigarh Transport Undertaking

1. Introduction

Consequent upon re-organisation of erstwhile Punjab State, city routes operated by the erstwhile Punjab Roadways in Chandigarh were transferred to the newly formed " Chandigarh Transport Undertaking" with effect from 1st November 1966. Besides, the Undertaking runs services on inter-State routes.

The Undertaking is departmentally run by Chandigarh Administration and its day-to-day business is conducted by the General Manager.

2. Capital structure

The table below indicates the funds invested by Central Government during the last three years ending 1977-78 :—

Particulars	1975-76	1976-77	1977-78
		(Rupees in lakhs)	
Capital Account	89.57	124.52	154.52
Current Account	(—)11.22	(+)1.70	(+)5.03
	78.35	126.22	159.55

3. Working results

The *pro forma* accounts for 1978-79 are yet (December 1979) to be finalised by the Undertaking. The table below incorporates the working results for the years 1975-76 to 1977-78 :—

	1975-76	1976-77	1977-78
		(Rupees in lakhs)	
(i) Revenue	87.89	96.61	125.38
(ii) Expenditure	86.78	103.53	130.03
(iii) Profit(+)/Loss(—)	(+)1.11	(—)6.92	(—)4.65
(iv) Interest on mean capital	3.85	6.54	7.33
(v) *Total return* [*i.e.* (iii)+(iv)]	(+)4.96	(—)0.38	(+)2.68
(vi) Mean Capital	72.64	100.07	133.35
(vi) Percentage of return on mean capital	6.83	..	2.01

Note:—Simplified proforma accounts for 1977-78 appear in Appendix III

The profit earned in 1975-76 and losses incurred in 1976-77 and 1977-78 are after taking into account non-operating revenue (which mostly comprised rent receipts, parking fee, advertisement fee and sale proceeds of the buses and old parts) amounting to Rs. 10.80 lakhs in 1975-76, Rs. 11.51 lakhs in 1976-77 and Rs. 13.79 lakhs in 1977-78.

The Management attributed (June 1978) the losses to the following :—

1976-77

(i) Provision for *ex-gratia* payments at enhanced rates (Rs. 1.43 lakhs).

(ii) Increase in establishment expenditure on account of higher dearness allowance.

(iii) Decline in revenue on account of introduction of new route system with effect from 2nd October 1976.

(iv) Adjustment of interest on capital pertaining to previous years (Rs. 1.14 lakhs).

1977-78

(i) Rise in prices of diesel and lubricants.

(ii) High establishment charges on account of increase in dearness allowance.

(iii) Impact of the route system introduced from 2nd October 1976 for the first seven months of the year (*i.e.* upto 1st November 1977 when it was revised).

4. Operational Performance

The following table gives the details of operational statistics for the last three years :—

	1975-76	1976-77	1777-78
(i) Number of routes			
Local	22	28	31
Mofussil	11	10	11
Total	33	38	42
(ii) (a) Gross Kilometres performed (in lakhs)	57.64	66.28	79.31
(b) Effective kilometres operated (in lakhs)			
Local	33.10	39.52	47.91
Mofussil	20.27	22.01	27.04
Total	53.37	61.53	74.95
(c) Average effective kilometres operated per day			
Local	9,068	10,827	13,126
Mofussil	5,553	6,030	7,408
Total	14,621	16,857	20,534
(d) Average number of buses on road			
Local	48	68	79
Mofussil	20	22	30
Total	68	90	109
(e) Average effective kilometres operated per day per bus			
Local	189	159	166
Mofussil	278	274	247
Total	215	187	188
(f) Percentage of effective kilometres to gross kilometres	92.6	92.8	94.5
(iii) (a) Total cost per kilometre (in rupees)	1.63	1.68	1.74
(b) Total revenue per kilometre (in rupees)	1.64	1.57	1.67
(c) Profit (+)/Loss(—) per kilometre (in rupees)	(+)0.01	(—)0.11	(—)0.07
(iv) Break-even load factor			
(a) Local	85%	98%	110%
(b) Mofussil	93%	76%	79%
(v) (a) Seat-kilometre offered (in lakhs)	2,828.84	3,261.34	4,122.27
(b) Passenger kilometres occupied	1,601.23	1,846.04	2,623.26
(c) Occupancy ratio (per cent)	56.6	56.6	63.6

Notes: 1. Expenditure in respect of local routes and mofussil routes was not maintained by the Management separately.

2. Separate figures for local and mofussil routes in respect of (v) above were not available.

The following facts are relevant :—

(i) Even though there was increase in the effective kilometres operated and the percentage of effective kilometres to gross kilometres had also shown an improvement, the average effective kilometres per day per bus came down as follows :—

(a) Local routes—from 189 in 1975-76 to 159 in 1976-77 and to 166 in 1977-78.

(b) Mofussil routes—from 278 in 1975-76 to 274 in 1976-77 and to 247 in 1977-78.

Taking the local and mofussil routes together, the average effective kilometres per day per bus declined from 215 in 1975-76 to 187 in 1976-77 and to 188 in 1977-78. The reasons for decline in effective kilometres per day per bus have not been analysed.

The Ministry stated (January 1979) that the operation of 215 kilometres per bus per day in 1975-76 was abnormal as a large number of buses were given to the Police Department for the maintenance of law and order.

(ii) The Undertaking had not compiled the data relating to trips scheduled and trips missed. In its absence, no parametre was available to ascertain whether the operation of the buses was to the optimum. As a result, managerial control was ineffective.

(iii) The average occupancy ratio was 56.6 *per cent* in 1975-76 and 1976-77 and 63.6 *per cent* in 1977-78. The reasons for low occupancy had not been analysed.

(iv) The break-even-load factor in respect of local routes was showing a continuous increase and it stood at 110 *per cent* in 1977-78, thereby indicating that operation of local routes was uneconomical. The higher break-even-load factor in respect of local routes has been attributed by the Undertaking to decline in seating capacity and fares as compared with the data for 1975-76.

5. Fleet strength

The fleet strength of the Undertaking at the close of last 3 years was as follows :—

Buses as on	Ashok Leyland	Bedford	Tolat
31st March 1976	65	8	73
31st March 1977	73	25	98
31st March 1978	95	25	120

In this connection, following observations are made :—

(a) The addition of Bedford (mini) buses was made from 1973-74 onwards with a view to strengthening the local services and meeting contract demand for marriages, etc. The Special Traffic Committee appointed by the Chief Commissioner, Chandigarh Administration for reviewing the working of new route system and mini buses had concluded (August 1977) that these were a source of trouble to the public and were uneconomic as minimum revenue for their operation worked out to 83 paise per kilometre against an expenditure of Rs. 1.40 per kilometre.

(b) The Undertaking has fixed the life of leyland vehicles at a run of 4,00,400 kilometres. No life of Bedford (mini) buses in terms of kilometres to be covered was fixed. As on 31st March 1978, the Undertaking held 31 vehicles (leyland make) which had crossed the prescribed limit of 4,00,400 kilometres without incurring heavy maintenance expenditure on these buses.

6. Inventory control

The following table indicates the closing balance of tyres and other stores at the end of the last three years :—

Year	Tyres	Other stores
	(In terms of months' consumption)	
1975-76	0.6	7.5
1976-77	0.3	13.7
1977-78	0.9	11.9

The following aspects of the inventory control deserve mention :—

(a) No maximum and minimum levels of store holdings have been fixed.

(b) Analysis of slow/non-moving items has not been made.

(c) Records in respect of serviceable parts removed from condemned vehicles were being maintained only from 15th July 1978 when the question was raised in audit.

7. Workshop

The Undertaking operates a workshop for repairs and maintenance of its buses. The Workshop has a strength of 122 personnel (as on 31st March 1978) and operates on 2 shifts.

An analysis of its performance revealed the following features :—

(i) Estimates for labour hours required for completion of various jobs were not drawn up. The job cards were incomplete in as much as these did not indicate the time spent as well as stores and spares issued for repairs. No record was also maintained to indicate the time of arrival of a bus for repairs and its outshedding, after repairs. In the absence of above, the reasonableness of the period of detention of buses at the workshop could not be ascertained.

(ii) Norms for consumption of diesel oil or the life of new tyres and engines (new and re-conditioned) have not been fixed.

Thus, in the absence of proper management information system, appropriate managerial control and remedial measures were lacking.

The Ministry stated (January 1979) that it was not possible to fix up any norms for labour hours for various repairs, consumption of diesel oil (which depends upon the condition of engine) and that no such practice is prevalent in Punjab and Haryana Roadways.

No reasons have been given as to why it was not possible to prepare the estimates (not the norm) for labour hours as well as to fix the norm for consumption of diesel oil, etc. Besides, no records were available in support of the statement that such a practice was not prevalent in Punjab and Haryana Roadways.

8. Conclusion

It will be seen from paragraphs 4, 6 and 7 that management information system was lacking in vital areas of fleet operations, inventory control and workshop, thereby not only making the managerial control ineffective or inoperative but also making it difficult to initiate corrective steps at the appropriate time to improve the working.

CHAPTER VI

OUTSTANDING AUDIT OBSERVATIONS AND INSPECTION REPORTS

41. **Outstanding Audit Observations.**—Audit observations on financial transactions of Government are communicated to the departmental authorities from time to time. Half-yearly reports of such observations which remain outstanding for more than six months are also sent by Audit to Administrative Ministries for taking necessary steps to expedite their settlement.

(i) With the departmentalisation of accounts of Central Ministries/Departments and of the Union Territory of Delhi in a phased manner (with effect from 1st April 1976, 1st July 1976, 1st October 1976 and 1st March 1977), vouchers relating to these Ministries/Departments and the Union Territory of Delhi excepting other Union Territories and transactions the accounts of which have not yet been departmentalised, are not received in Audit Offices. The outstanding audit observations, therefore, represent the observations which were made prior to the date of departmentalisation of accounts and also those raised up to 31st March 1979 in respect of the Union Territories and transactions for which accounts have not been departmentalised. The number of such audit observations in respect of the Ministries/Departments and their attached and subordinate offices with comparatively large outstandings on 31st August 1979 was as follows :—

Ministries/Departments	Total number of observations made up to the date of departmentalisation of accounts but outstanding on 31st August 1979	Total amount (Lakhs of rupees)	Number of observations made prior to April 1976	Amount (Lakhs of rupees)
A. CIVIL DEPARTMENTS				
Agriculture and Irrigation	2,405	80.25	1,408	24.71
Commerce, Civil Supplies and Co-operation	462	397.79	372	18.19
Education and Social Welfare	2,010	96.41	1,274	60.17
Energy*	1,416	483.13	725	187.84
External Affairs	5,708	124.07	4,283	109.86
Finance	7,731	151.68	5,682	95.13
Health and Family Welfare	1,924	165.97	1,605	123.48
Home Affairs	4,297	331.70	3,220	204.74
Industry	189	31.85	173	31.37
Information and Broadcasting	1,131	40.42	733	30.72
Labour	411	15.33	271	12.44
Law, Justice and Company Affairs	446	14.05	374	10.50
Shipping and Transport	3,006	384.35	2,500	360.76
Steel and Mines	934	19.29	900	18.75
Supply and Rehabilitation	347	21.04	268	16.13
Works and Housing	4,351	453.48	2,579	302.96
Culture	2,045	125.97	1,852	111.97
Electronics	524	41.03	473	31.68
B. DEPARTMENTALLY MANAGED COMMERCIAL AND QUASI-COMMERCIAL UNDERTAKINGS				
Energy	147	13.33	57	1.55
Information and Broadcasting	11	0.06	9	0.05

*Includes audit observations raised up to March 1979 relating to Salal Hydro-Electric Project, Jyotipuram.

(ii) A broad analysis of the outstanding observations is given below:

Nature of observations	Number of items	Amount (Lakhs of rupees)
A. CIVIL DEPARTMENTS		
(a) Sanctions for establishment not received	479	11.37
(b) Sanctions for contingent and miscellaneous expenditure not received	1,855	126.20
(c) Sanctions to estimates not received	249	189.35
(d) Detailed bills for lump sum drawals not received	4,842	399.00
(e) Vouchers not received	3,035	145.63
(f) Payees' receipts not received	16,595	1,378.67
(g) Agreements with contractors/suppliers not received	204	325.00
(h) Payments to contractors/suppliers not in conformity with contracts and agreements	211	7.31
(i) Sanctions to write-off of losses, etc. not received	2	0.01
(j) Breach of financial propriety	73	3.61
(k) Shortage of materials, non-accountal/less accountal of materials, acceptance of material below specification, loss due to theft, damage, etc.	10	27.17
(l) Sanctions for reserve stock limit not received	3	66.26
(m) Other reasons	11,779	298.23
B. DEPARTMENTALLY MANAGED COMMERCIAL AND QUASI-COMMERCIAL UNDERTAKINGS		
(a) Sanction for establishment not received	1	..
(b) Sanction for contingent and miscellaneous expenditure not received	1	0.01
(c) Detailed bill for lump sum drawals not received	1	0.01
(d) Vouchers not received	30	0.34
(e) Payees' receipts not received	98	6.09
(f) Other reasons	27	6.94

The expenditure in respect of which detailed bills and vouchers had not been submitted to the Audit Offices in terms of the procedure existing prior to departmentalisation of accounts could not be subjected to detailed audit scrutiny. In such cases, as also in cases where payees' receipts, etc. had not been furnished, the possibility of misappropriation, fraud, etc. remaining undetected cannot be ruled out.

42. **Outstanding Inspection Reports.**—All important financial irregularities and defects in initial accounts noticed during local audit and inspection are included in inspection reports and sent to departmental officers for necessary action. Besides, copies of the inspection reports, where necessary, and half-yearly statements of outstanding inspection reports are also forwarded to the Administrative Ministries.

(i) The Ministries/Departments with comparatively large outstandings are shown below :

Ministries/Departments	Year of issue of the earliest outstanding reports	Number of outstanding	
		Reports	Paragraphs in the reports
1	2	3	4
A. CIVIL DEPARTMENTS			
Agriculture and Irrigation	1952-53	1,056	5,910
Commerce, Civil Supplies and Co-operation	1964-65	368	2,005
Education and Social Welfare	1955-56	1,242	3,548
Energy	1961-62	762	9,389
External Affairs	1960-61	220	968
Finance	1956-57	1,769	6,298
Health and Family Welfare	1957-58	306	1,178
Home Affairs	1960-61	882	2,865
Industry	1960-61	355	1,210
Information and Broadcasting@	1961-62	258	1,046
Labour	1962-63	339	1,099
Law, Justice and Company Affairs	1963-64	147	511
Planning@	1963-64	166	529
Shipping and Transport	1963-64	891	2,983
Supply and Rehabilitation	1957-58	389	1,433
Steel and Mines	1965-66	230	1,144
Tourism and Civil Aviation	1958-59	286	2,010
Works and Housing	1954-55	2,116	19,185
Culture	1958-59	121	498

@Due to inclusion of Inspection Reports relating to Bihar circle which were ommitted to be included earlier.

B. DEPARTMENTALLY MANAGED COMMERCIAL AND QUASI-COMMERCIAL UNDERTAKINGS

1	2	3	4
Agriculture and Irrigation	1968-69	11	86
Energy	1969-70	11	63
Health and Family Welfare	1959-60	25	93
Information and Broadcasting	1969-70	35	138
Labour	1960-61	13	51
Shipping and Transport	1966-67	10	60
Works and Housing	1972-73	11	107

Out of the above 12,019 inspection reports, even the first replies have not been received for 516 inspection reports issued till 31st March 1979 and remaining outstanding on 31st August 1979.

(ii) The more important types of irregularities noticed during inspection and local audit are summarised below :

	Number of offices in which irregularities were noticed
A. CIVIL DEPARTMENTS	
1. Public Works Offices—	
Number of offices inspected during 1978-79	633
(i) Wasteful and infructuous expenditure due to defective plans, designs and abandonment of works	46
(ii) Extra cost to Government due to rejection of lowest tenders or delay in accepting tenders	29
(iii) Excess payments due to non-observance of the conditions of contracts or non-provision of necessary safeguards in contracts	54
(iv) Splitting up of purchase orders	19
(v) Unauthorised financial aids to contractors	56
(vi) Delay in effecting recovery of security deposits from contractors and payment of contractor's bills	22
(vii) Arrears in maintenance and/or non-maintenance of initial accounts of road metal, material-at-site accounts, etc.	45
(viii) Other irregularities	272

	Number of offices in which irregularities were noticed
2. Treasuries and other Civil Offices—	
Number of offices inspected during 1978-79	1,627
(i) Non-observance of rules relating to custody and handling of cash, posting and maintenance of cash books, muster rolls, physical verification of cash, reconciliation of departmental receipts and remittances with the treasury records, recording of measurements, etc.	333
(ii) Securities from persons handling cash and stores not obtained, or if obtained not for the prescribed amount	65
(iii) Stores accounts not maintained properly and periodical verification not done	240
(iv) Defective maintenance and/or non-maintenance of log books of staff cars, etc.	94
(v) Local purchase of stationery in excess of authorised limits and expenditure incurred without proper sanctions	97
(vi) Delay in recovery and/or non-recovery of receipts, advances and other charges, etc.	233
(vii) General Provident Fund accounts of Class IV Staff not maintained properly	133
(viii) Payment of grant in excess of actual requirements	29
(ix) Sanctions to write-off of loans, losses, etc. not received	73
(x) Overpayment of amounts disallowed in audit not recovered	153
(xi) Non-disposal of surplus/unserviceable condemned stores	17
(xii) Other types of irregularities	1,427

B. DEPARTMENTALLY MANAGED COMMERCIAL AND QUASI-COMMERCIAL UNDERTAKINGS

Number of offices inspected during 1978-79	69
(i) Non-observance of rules relating to custody and handling of cash, posting and maintenance of cash books, muster rolls, physical verification of cash, reconciliation of departmental receipts and remittances with the treasury records, recording of measurements, etc.	10
(ii) Stores accounts not maintained properly and periodical verification not done	29
(iii) Delay in recovery and/or non-recovery of receipts, advances and other charges, etc.	9
(iv) Overpayment of amounts disallowed in audit not recovered	1
(v) Other types of irregularities	105

K. C. Das

(K. C. DAS)
Director of Audit, Central Revenues.

New Delhi :
The 29 FEB 1980

Countersigned.

Prakash

(GIAN PRAKASH)
Comptroller and Auditor General of India.

New Delhi :
The 29 FEB 1980

APPENDIX I

(*Vide* paragraph 7)

STATEMENT SHOWING LOSSES, IRRECOVERABLE REVENUE, DUTIES, ADVANCES, ETC. WRITTEN OFF/WAIVED AND *Ex Gratia* PAYMENTS MADE DURING THE YEAR

In 381 cases, Rs. 301.95 lakhs representing mainly losses due to theft, fire, etc. and irrecoverable revenue, duties, advances, etc. were written off/waived, and in 813 cases *ex gratia* payments aggregating Rs. 164.72 lakhs were made during 1978-79, as detailed below:

Name of the Ministry/Department	Write off of losses, irrecoverable revenue, duties, advances, etc.		Waiver of recovery		*Ex gratia* payments	
	No. of cases	Amount (Rs.)	No. of cases	Amount (Rs.)	No. of cases	Amount (Rs.)
Agriculture and Irrigation	29	4,48,778	..	..	4	60,76,823
Commerce, Civil Supplies and Co-operation	..	..	..	..	792*	1,02,87,756*
Defence	4	25,383	..	..	..	..
Energy	39	5,11,312	..	..	..	..
External Affairs	2	5,030	1	4,700	..	..
Home Affairs	2	5,032	..	..	..	..
Shipping and Transport	117	19,35,590	..	..	17	1,07,850
Steel and Mines	166	1,51,205	1	2,68,69,120	..	..
Supply and Rehabilitation	12	1,48,756	..	..	..	..
Works and Housing	3	62,703	..	..	..	..
Atomic Energy	3	15,720	..	..	..	..
Electronics	1	9,271	..	..	..	..
Space	1	2,440	..	..	..	..
TOTAL	379	33,21,220	2	2,68,73,820	813	1,64,72,429

*Represents payments to Indian nationals/companies for properties confiscated by Government of Pakistan during and after Indo-Pak conflict in 1965.

APPENDIX II

(*Vide* paragraph 31)

GRANTS-IN-AID TO STATUTORY BODIES, NON-GOVERNMENT INSTITUTIONS OR BODIES AND INDIVIDUALS

Ministry/Department	Amount
	(Lakhs of rupees)
Agriculture and Irrigation	1,67,03.79
Commerce, Civil Supplies and Co-operation	61,23.86
Defence	10.49
Education and Social Welfare	1,76,27.79
Energy	1,14.31
External Affairs	85.40
Finance	2,38.13
Health and Family Welfare	23,43.99
Home Affairs	34,98.95
Industry	37,22.41
Information and Broadcasting	2,05.97
Labour	1,67.69
Law, Justice and Company Affairs	40.94
Petroleum, Chemicals and Fertilizers	21,42.12
Planning	3,77.39
Shipping and Transport	27,16.98
Steel and Mines	20,36.13
Supply and Rehabilitation	0.51
Tourism and Civil Aviation	2,74.61
Works and Housing	98.62
Atomic Energy	8,03.14
Culture	14,50.30
Electronics	3,39.45
Science and Technology	63,45.54
Space	35.93
TOTAL	6,75,04.44

APPENDIX III

[*Vide* Paragraph 40(3)]

CHANDIGARH TRANSPORT UNDERTAKING, CHANDIGARH

Balance Sheet as at 31st March, 1978

Capital and Liabilities	1976-77 (Rs.)	1977-78 (Rs.)	Properties and Assets	1976-77 (Rs.)	1977-78 (Rs.)
Government Capital Account	1,24,52,384	1,54,52,247	Fixed Assets	1,24,52,384	1,54,52,247
Government Current Account	1,69,706	5,02,909	Current Assets (Stock in hand)	12,77,405	15,71,735
Motor Transport Reserve Fund	61,800	85,800	Sundry Debtors	5,21,085	8,12,824
Depreciation Reserve Fund	23,64,708	27,22,851	Income accrued but not deposited	18,93,900	20,42,932
Securities	2,19,806	2,19,806			
Other Liabilities	40,191	1,11,165	Cash in hand	74,926	1,47,913
Permanent Advance	2,200	2,200	Securities	2,19,806	2,19,806
Sundry Creditors	16,78,485	21,73,822			
Suspense	11,733	11,733	Amount prepaid	38,649	53,340
Income not accrued but deposited	8,545	..			
Undischarged liabilities on account of audit fee	51,095	59,145	Permanent advance	2,200	2,200
Passenger Tax	6,813	13,528	Accumulated losses	5,87,111	10,52,209
TOTAL	1,70,67,466	2,13,55,206	TOTAL	1,70,67,466	2,13,55,206

CHANDIGARH TRANSPORT UNDERTAKING, CHANDIGARH

Profit and Loss Account for the year ending 31st March, 1978

Debit *Credit*

Particulars	1976-77 (Rs.)	1977-78 (Rs.)	Particulars	1976-77 (Rs.)	1977-78 (Rs.)
To *Management*					
Salaries and Travel expenses	2,17,094	2,88,124	By Sale of tickets	83,22,807	1,08,41,780
To *Office Expenses*					
Postage, Uniforms, Printing & Stationery and other miscellaneous expenses	41,053	57,862	By Amount of passes	95,700	1,52,127
To *Operation*					
Salaries, Wages & Travel expenses	22,05,735	30,78,322	By Receipt from special booking	50,754	58,119
Rent, Rate and Tax	76,782	71,208	By Shortage of conductors	26,792	95,595
Material & Supplies			By Sale of Uniforms	2,218	1,268
(Diesel and M. Oil)	29,52,858	34,35,724			
To *Other Charges*					
Electricity & water charges, Advertisement charges and miscellaneous expenses	1,30,760	95,646	By Rent receipt	7,09,004	8,80,868
Uniforms	80,361	1,38,261	By Sale of buses and old parts	1,02,560	1,42,546
Ex-gratia	1,59,594	1,93,352	By Police vouchers	12,395	11,430

To *Repair and Maintenance*					
Salaries & Travelling expenses	5,47,775	6,77,471	By Clock room fee, shoe shining fee and coolie fee	13,527	12,270
Material and supplies (Tyres and tubes)	19,15,355	22,63,816	By Parking fee	2,80,910	2,99,125
To *Other Charges*					
Telephone, Uniforms and miscellaneous expenses	55,191	83,586	By Advertisement fee	28,843	35,000
Ex-gratia	41,929	47,170	By Other miscellaneous receipts	15,620	8,169
Depreciation Reserve Fund	8,63,236	13,08,037	By Loss	6,92,396	4,65,098
Motor transport Reserve Fund	17,514	23,340			
Audit Fee	8,050	8,050			
Accidental claims	58,444	65,972			
Interest on capital	6,54,162	7,33,414			
Pension contribution	2,364	2,699			
Contributory provident fund	85,873	91,631			
Road taxes	2,32,625	3,32,000			
Leave Salary	6,771	7,710			
TOTAL	1,03,53,526	1,30,03,395	TOTAL	1,03,53,526	1,30,03,395

MGIPRRND—S/1 AGCR/79—TSS-I—28-2-80—1950.