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HARYANA VIDHAN SABHA
PUBLIC ACCOUNTS COMMITTEE
(1970-71)

(THIRD REPORT)

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REPORT

ON THE

Appropriation Accounts of the Haryana Government
for the years '66 67 and 1967 68 and the
Audit Reports, 1968 and 1969



VIDHAN SABHA SECRETARIAT
CHANDIGARH

February, 1971

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE 1970-71

CHAIRMAN

- 1 *Khan Abdul Ghaffar Khan
- 2 **Chaudhri Raj Singh Dalal

MEMBERS

- 3 *Shri Banarsi Dass Gupta
- 4 Rao Dalip Singh
- 5 Chaudhri Harkishan Lal Kamboj
- 6 Shri Katar Singh Chhokar
- 7 Dr Malik Chand Gambhir
- 8 Shri Om Parkash Garg
- 9 Shri Satya Narain Syngol
- 10 Shri S P Jaiswal

SECRETARIAT

- 1 Shri Raj Kumar Malhotra Secretary
- 2 Shri R C Mehta Accounts officer

*On his appointment as Minister, he resigned from the chairmanship and membership of the Public Accounts Committee with effect from the 17th April, 1970 and 1st May 1970 respectively

Initially elected as a Member and was appointed as Chairman in the resultant vacancy of Khan Abdul Ghaffar Khan with effect from the 20th April 1970

***Elected with effect from the 28th August 1970 for the unexpired period of the year 1970 71

INTRODUCTION

I the Chairman of the Public Accounts Committee having been authorised by the Committee in this behalf present this their Third Report on the Appropriation Accounts of the Haryana Government for the years 1966 67 and 1967 68 and the Audit Reports 1968 and 1969

2 The Committee for the year 1970 71 undertook the unfinished work of the previous Committee and also examined the representatives of the departments concerned

3 A brief record of the proceedings of each meeting of the Committee has been kept in the Haryana Vidhan Sabha Secretariat

4 The Committee also framed the questionnaires on the following paragraphs appearing in the Audit Report, 1969 —

Serial No	Name of Department	No of Paragraphs
<hr/>		
1	Technical Education	44
2	Public Works Department (Public Health Branch)	35
3	Public Works Department (Buildings and Roads)	30 33 39 40 41 42(2) 62 and 65
4	Irrigation	32 (i) , 32 (iii) 32(iv) and 42(i)
5	Bhakra Canals Administration	36 39 40 41 and 65
6	Industries	30 43 and 65
7	Animal Husbandry	28 and 30
8	Welfare of Scheduled Castes and Backward Classes	23
9	Excise and Taxation	30 46 (i) (a) 46 (b), 46 (i) (c) 46 (d) 46 (i) (f) 46 (i) (g) 46(ii) (a) 46 (ii) (b), 46(ii) (c) 47 48(a) 48 (b) and 48 (c)
10	Education	30 and 65
11	Cooperation	30 and 60
12	Haryana State Electricity Board	53 54 55 56 and 57

5 The Committee reviewed the progress in regard to the implementation of the recommendations/observations contained in the Reports of the Public Accounts Committee of Composite Punjab in so far as they relate to areas now forming part of Haryana. As the progress was not satisfactory the matter was discussed with the Chief Secretary and the Finance Secretary to devise ways and means to improve the situation. The observations of the Committee are contained in paragraph 53 of this Report. The action taken by the different departments to implement the recommendations/observations of the Committee was also examined in various sittings and further observations conveyed to the departments, where necessary.

6 The Committee place on record their appreciation of the valuable assistance given to them by the Accountant General Haryana and his staff and are thankful to the Secretary to Government Haryana Finance Department and his representatives and the representatives of various departments who appeared before the Committee from time to time. The Committee are also thankful to the Secretary Haryana Vidhan Sabha and his officers/staff and in particular the Reporters for their whole-hearted co-operation and assistance given by them.

Chandigarh,
The 2nd February 1971

RAJ SINGH DALAL,
Chairman

REPORT

The present Public Accounts Committee was constituted by the Haryana Vidhan Sabha by election,—vide notification No CB EC 1/70/24, dated the 28th March, 1970

2 The Committee have held 41 meetings so far All the meetings were held at Chandigarh

GENERAL

3 As in the past a number of departmental representatives who appeared before the Committee for examination were not fully prepared with facts and figures although sufficient notice was given to them in advance and answers given by them were vague or incomplete Quite often more time had to be given for the submission of the relevant information In certain cases the promised information was not submitted to the Committee by the time of drafting the Report or was submitted late as in the case of Agriculture Industries Social Welfare Development and Panchayat Departments, P W D (Public Health), Haryana State Electricity Board, etc , etc

4 There also appeared a tendency among some departmental representatives to avoid attendance at the scheduled meetings of the Committee or even to obtain the prior permission of the Committee for their absence The Committee took a serious view of such an attitude It needs no emphasis that the Public Accounts Committee is one of the most important organs of the House and it cannot play an effective role unless the departments extend full cooperation and assistance to the Committee in arriving at definite conclusions On more than one occasion the time of the Committee was wasted by the non appearance of the departmental witnesses who had been given adequate notice and the Committee had to be adjourned after transacting other business The Committee hopes that there would be no occasion in future for this kind of situation and that necessary instructions would be issued to inculcate the right attitude in the minds of the Secretaries of various departments

FINANCE

5 Paragraphs 54 and 55 of the Audit Report, 1968 and paragraphs 58 and 59 of the Audit Report, 1969—State Government Companies and Commercial/Quasi Commercial Undertakings

Government investments in Government Companies of the State as on 31st March 1967 and 31st March 1968 were as follows —

		<i>Amount Invested</i> (In lakhs of rupees)	
		As on 31st March 1967	As on 31st March 1968
1	Haryana Industrial Development Corporation Limited Chandigarh	18 25	54 53
2	Pig Iron Project Hissar	16 52	16 52
3	Agro Industries Corporation Limited	15 18	39 05
4	Haryana State Small Industries and Export Corporation Limited		5 00

For the year 1967 68, the accounts of only one Company had been certified by September 1968, a synoptic statement of the financial results of which was included as Appendix IX of the Audit Report, 1969

Besides, there were eight and nine departmentally managed Commercial and Quasi Commercial Undertakings in the State as on 31st March, 1967 and 31st March 1968 respectively (details of the Undertakings as on 31st March 1968 have been given in Appendix I of the Audit Report, 1969). The proforma accounts of these Undertakings are required to be finalised by the departmental authorities by the middle of July each year for incorporation in the State Audit Report. However, proforma accounts of only four Undertakings for the year 1966 67 and of one Undertaking for the year 1967 68 had been received by Audit by November, 1967 and September, 1968 respectively. The working results thereof were indicated in Appendix VI of the Audit Report 1968 and paragraph 59 of the Audit Report, 1969.

In regard to the State Government Companies the department stated in evidence that the accounts for the year 1967 68 had since been completed in respect of three Companies mentioned at serial numbers 1, 3 and 4 above as prescribed in the Companies Act. As regards the Pig Iron Project, Hissar the Punjab Government had not as yet (August, 1970) transferred its management to the State of Haryana and the matter had been referred to the Government of India under Section 65 of the Reorganisation Act. It was further stated that there was a special cell in the Finance Department which kept a watch on the activities of the Government Companies and their financial results.

As for Commercial/Quasi-Commercial Departmental Undertakings the Department stated that the proforma accounts had been completed in respect of three Undertakings for the year 1966 67 and in respect of five Undertakings for the year 1967 68. The following Undertakings had however not completed their proforma accounts (August, 1970) —

- (i) Colonisation Department
- (ii) Seed Depot Scheme (for 1967 68 only)
- (iii) Purchase and Distribution of Pesticides

The main reasons for the delay for non completion of the proforma accounts were stated to be that (a) the opening balances and figures prior to 1966 had not as yet been made available by the Punjab Government and that (b) there was shortage of experienced staff in certain cases. With regard to the first two schemes the Heads of Department concerned stated in oral evidence that they would be bringing the accounts up-to date by November, 1970 and December 1970 respectively.

As regards (a) above the Finance Department stated that the Administrative Departments concerned had been asked to prepare the accounts on the basis of the available figures with them. In regard to the Transport Department, the Committee were informed that the main reasons for arrears in the completion of proforma accounts were —

- (i) that the proforma accounts are, first, prepared separately for each unit got checked by Audit parties and then sent to State Transport Controller's office for consolidation

- (ii) that the department caters in certain respects to other State Roadways and before finally charging these Roadways for the services rendered to them the acceptances of the parties concerned have to be obtained. The entire process is time consuming.

The Finance Department further stated that a quarterly review of these Undertakings was proposed to be conducted by a High Powered Committee of the Secretaries to keep a watch over the Government interest in these investments.

From the data furnished by the Finance Department, the Committee observed that a number of Central Co-operative Consumer Stores had been set up at various stations in which Government had invested substantial amounts but all of them were running at a loss.

The Committee feel that the question of ascertaining the opening balances and figures prior to 1966 from the Punjab Government should have been taken up at the highest level and settled by now more so because a period of about 4 years has elapsed since the formation of Haryana. The Committee are not convinced with the reasons advanced by the Transport Department for the delay in completion of the Proforma accounts. As the accounts have first to be checked by Audit unitwise, it is all the more essential that these are completed well in advance to enable the remaining process to be completed in time. The second argument is also not tenable because any adjustments with other State Roadways for the service rendered or received should normally be accurately known to the department immediately after the service is rendered or received and in that case there should be no difficulty in reflecting the assets/liabilities position correctly in the accounts. In order to ensure that the financial interests of Government are safe, it is essential that the accounts of Government Companies/Undertakings are prepared in time and are not allowed to fall into arrears. These accounts should also be properly scrutinised to see that the Government Companies/Undertakings function on proper lines and that the Government would get sufficient return on such investments. To achieve these ends, some effective measures should be evolved by the Finance Department immediately and their strict compliance watched from time to time. The matter regarding the transfer of assets and liabilities of the Pig Iron Project, Hissar should also be got settled expeditiously.

The Committee would further recommend that a comprehensive review may be conducted into the working of each of the Co-operative Consumer Stores in order to assess the reasons for their running into loss and to ensure that there has been no pilferage, misappropriations, etc.

INDUSTRIES

6 Paragraph 19 of the Audit Report, 1968—Waiving of recovery of value of sheds, etc and revenue

Audit had pointed out that twenty seven silver smithy works centre sheds constructed at Gurgaon in 1949-50 were sold to the local Dronacharya Sanatan Dharam College in October 1952 for Rs 1.74 lakhs. According to the terms of sale the first instalment of Rs 20,000 was to be paid during October 1952 and the remaining amount in eight annual instalments with interest at 4 per cent per annum. The first instalment was actually paid in May

1954 and a further sum of Rs 25 000 was paid in June 1959 Government accorded sanction in January 1965 to the waiving of recovery of Rs 1 81 lakhs representing the following —

	(Rs in lakhs)
Balance price of land and building	1 29
Arrears of rent for the period from 1st March 1951 to May 1954 at Rs 30 per shed	0 09
Interest up to September 1961 when the case was moved for write off	0 43
Total	<hr/> 1 81 <hr/>

It was explained by Government in April 1965 and again in October 1967 that the amount due from the College could not be recovered despite all possible efforts because of its weak financial position and it was decided to waive the recovery in larger interest of the State. As the balance price of the property transferred exceeded Rs 1 lakh at the time the last instalment was paid the write off of the recovery was tantamount to free transfer of property of the value exceeding Rs 1 lakh and the matter should have been brought to the notice of the Legislature on the analogy of Government instructions issued in August 1961.

The department stated in evidence that the Government had initially agreed to transfer this property for Rs 1 74 lakhs. This institution being a refugee institution did not have sufficient funds or was unable to raise sufficient donations and considering the financial position of the institution and the noble cause for which the property was being used the Government reduced the amount. As such the case was stated to be not covered by the Government instructions of August 1961.

On a specific question from the Committee as to whether this transaction amounted to a sale at a reduced price, a sale on revised price or a free transfer of property to the College, the departmental representative only repeated that initially the transfer was for Rs 1 74 lakhs and the Government subsequently decided not to effect recovery of the balance amount.

When asked as to whether the financial position of the institution had been looked into at the time the Government decided to sell the property by deferred payments, the departmental representative stated that they had no record of that and since it was an old matter they would supply the information if they succeeded in tracing it out.

Representative of the Finance Department was required by the Committee to look into this case and convey the views of the Finance Department in the matter. The Finance Department reiterated that the transaction under discussion would not be covered by the Government instructions of 21st August 1961 because at the time of sale no free transfer or sale at concessional price was being made.

The Committee feel that mere quibbling with the words of an executive instruction cannot change the nature of a transaction and that the present case was in its ultimate effect clearly one of sale at a concessional price. The Committee

therefore, would like the Government to issue clear instructions that all cases of transfer of Government property valuing more than Rs 1 lakh to an outside party whether this was so visualised at the time of the deal or becomes as such at a subsequent stage due to a proposal to waive recovery of the whole or part of the sale value should be brought to the notice of the Legislature and that no distinction should be drawn between the two types of cases

7 Paragraph 20 of the Audit Report, 1968—Extra Expenditure

Audit pointed out that in October 1963 an order was placed with a firm A for the supply of 1 219 metres of brass slotted tubes of sheets manufactured by a particular concern or its equivalent at Rs 1 37 79 per metre to meet the requirements of the Executive Engineer Mechanical Public Health Division Ambala According to the purchase order the firm was to submit a sample within a month of receipt of the order and to complete the supplies at the rate of 155 metres per month commencing one month after the approval of the sample failing which the department was entitled to purchase the materials at the firm's risk from elsewhere The sample was approved by the Executive Engineer on 3rd January 1964 The firm supplied only 288 metres of tubes during the period from May 1964 to November 1964 after which no supplies were received

Fresh tenders were invited in March 1964 for the purchase of 610 metres of brass slotted tubes of the above specifications at the instance of the indenting officer In response firm A quoted Rs 158 per metre and another firm B quoted Rs 164 per metre for material conforming to advertised specifications While these tenders were under examination, firm B offered on the 1st April 1964 to reduce their rate by Rs 10 per metre if tubes made of locally manufactured brass sheets which were categorically stated by them as of quality much inferior to those specified in tender notice were acceptable In view of this belated offer to make supply at a lower rate the Store Purchase Department on the advice of the indenting officer decided in May 1964 not to consider the tenders already received but to re invite fresh tenders In response to tenders re invited in August 1964 for tubes of the same specifications as those laid down for tenders invited earlier in March 1964, the firm B quoted rate of Rs 184 per metre which was accepted after ignoring the lower rate of Rs 173 per metre of firm A The order was placed for 610 metres of brass slotted tubes on firm B during December 1964 and the supplies were completed by September 1965 The following points were mentioned by Audit —

- (i) The decision to re invite tenders in August 1964 resulted in an avoidable expenditure of Rs 16 177 (inclusive of sales tax)
- (ii) No risk purchase was made in terms of the agreement with firm A which failed to execute fully the order placed in October 1963 though the subsequent purchase of 610 metres of tubes involved an extra expenditure of Rs 28 752 and the Superintending Engineer Drainage Circle Patiala recommended this action against the firm as early as July 1964

The department stated in evidence that the office of the indenting officer i.e. Executive Engineer Mechanical Public Health Division Ambala, had been allocated to the Punjab State on re organisation and shifted to Patiala along with the old record pertaining to the period of purchase The indenting

officer had also retired from service in April 1966, i.e., before the re organisation and the Haryana Government was not in a position to fix responsibility in the case. The department was however asked by the Committee to furnish whatever information was available on the basis of the record with it. Subsequently the department stated in a written memorandum that according to the terms of the supply order issued in October 1963 the sample was to be approved within one month but the same was conditionally approved on the 3rd January 1964 and was finally approved on the 20th June 1964. The department admitted that the indenting department was solely responsible for the delay in the approval of the sample. It was further stated that the risk purchase notice was issued to the firm on the 21st July 1964 and the risk purchase quotations received in response thereto were opened on the 6th August 1964. However a letter was received from firm A on the 4th August, 1964 wherein they pointed out the fact of the delay in the approval of the sample and also requested that the schedule of delivery at the rate of 155 metres per month should be counted from the date of receipt of final approval of the sample by them. The Executive Engineer Mechanical Public Health Division, Ambala was asked to offer his comments in the matter on the 5th October 1964 and the Superintending Engineer Ambala was also informed that further necessary action towards risk purchase would be taken on receipt of the reply from the Executive Engineer. However the reply of the Executive Engineer was not received and the file also contained no further correspondence on the subject. As a result no risk purchase action could be taken against the firm.

It was further mentioned that the revised offer of firm B made on 1st April 1964 could not be accepted in view of the provisions contained in Rule 16 of the Stores Purchase Rules and the indenting officer had also insisted that the quotations be re invited.

The Committee decided that the Haryana Vidhan Sabha Secretariat should write to the Vidhan Sabha Secretariat of Punjab and convey through the latter the Committee's request to the Punjab P A C to consider the Audit paragraph, examine necessary witnesses and make its recommendation to the Government of Punjab. The Committee has come to the conclusion that the Punjab P A C is the appropriate authority to investigate this irregularity in view of the fact, though the Audit paragraph figures in the Audit Report, 1968 of Haryana, that the paragraph is actually based on an audit of purchases made by the organization of Controller of Stores of composite Punjab for the Mechanical Public Health Division, Ambala conducted prior to 1st November, 1966 and in view of the fact that the division had been shifted to the new Punjab area prior to 1st November, 1966.

8 Paragraph 21 of the Audit Report, 1968—Surplus accommodation in Industrial Training Institutes Hostels

Audit had pointed out that two hostels one at Sirsa and the other at Palwal for Industrial Training Institutes were constructed at a cost of Rs 1.67 lakhs and Rs 2.25 lakhs (excluding cost of land etc.) during March 1965 and September 1964 respectively. The maximum number of students residing in these hostels at any time up to January 1967 and March 1967 was 60 and 53 respectively against the available intake capacity of 127 and 180. 53 per cent and 71 per cent of the total available accommodation thus remained unutilised. The Director Industrial Training informed Audit in January 1968 that it was initially envisaged that a large number of trainees

would avail themselves of the opportunity to join the hostel but that the trainees actually preferred to live in their villages while attending the training classes in view of the high cost of living in the two towns

The department stated in evidence that according to the norms laid down by the Government of India hostel accommodation was to be provided at the Industrial Training Institutes equalling 30 per cent of the seating capacity of each institution. However during the 3rd Plan period it was found that the allocation of seats to Punjab was inadequate to meet the requirements and Punjab Government formulated a special scheme for providing 10 000 additional seats. As it was expected that more trainees would seek hostel accommodation it was decided to provide hostel accommodation equalling 50 per cent of the seats. At that time a large number of trainees was applying for admissions in the Industrial Training Institutes and it was felt that the hostel accommodation would all be utilised. However subsequent slump in the industry altered the position. It was further stated that the surplus accommodation in the hostels of the two Institutes was utilised as lecture rooms and store rooms.

The departmental representative admitted during the course of oral evidence that the Government did suffer a loss to the extent that the hostel accommodation had not been fully utilised although it could not be assessed in terms of money.

In reply to a question from the Committee as to whether any field survey had been conducted about actual requirement before undertaking the construction of hostel accommodation the departmental representative stated that no such survey had been conducted but that the department had made an assessment that hostel accommodation would be required for 50 per cent of the seats.

The Committee are unable to appreciate the reasons advanced for the increase in the percentage of hostel accommodation to be provided at the Industrial Training Institutes and for disregarding the norms laid down by the Government of India. The fact that full accommodation was subsequently not utilised goes to show that the increase in the percentage of hostel accommodation was not at all justifiable. Apart from these two Institutes, the Committee would urge that the position may be examined in respect of other Industrial Training Institutes in order to see whether the hostel accommodation has been fully utilised up to the sanctioned strength and, if not, what are the detailed reasons therefor. The Committee would also recommend that in future the requirements of hostel accommodation should be worked out on a need oriented and realistic assessment instead of being based on guess work so that Government money is not unnecessarily blocked and is utilised more profitably on other development schemes.

9 Paragraph 22 of the Audit Report, 1968—Establishment of Industrial Estate, Hissar

With a view to establish an industrial estate at Hissar the Public Works Department constructed 40 industrial sheds and developed 49 plots at a cost of Rs 13.26 lakhs during July, 1962 to September 1965 on behalf of the Industries Department. The sheds were to be rented to prospective tenants and plots were to be sold to interested parties. The possession of these sheds and plots was handed over to the District Industries Officer with effect from 7th September 1965.

The following points were noticed in Audit —

- (a) 31 sheds remained vacant for period ranging from 4 to 19 months resulting in loss of rent amounting to Rs 78 800 (upto March 1967) Government stated in August 1967 that the sheds remained vacant because power connections were not available and since there was practically no demand from private industrialists for allotment of sheds in the beginning
- (b) A sum of Rs 72 264 was outstanding as arrears of rent on 31st March 1967 in respect of 30 sheds allotted during March 1965 to November 1966 Besides penal interest of Rs 3 710 at 9 per cent per annum was recoverable from the tenants on these arrears Government stated in August 1967 that notices were issued to the defaulters during August 1965 to February 1967 for cancellation of allotment of sheds due to their failure to clear the arrears of rent but subsequently they decided in September 1966 not to take action for dispossessing the occupants of sheds The allottees decided not to pay rent pending finalisation of proposals for charging economic rent and determination of the terms and conditions for sale of sheds on hire purchase basis and supply of power connections

The department stated in evidence that all the 40 sheds in the Industrial Estate Hissar stood allotted at present As the sheds were proposed to be sold on hire purchase basis by charging full assessed value and adjusting the rents paid, if any, towards hire purchase instalments there will be no question of any loss on this account It was mentioned that the Industrial Estate at Hissar was decided to be established by the Sub Committee on the development of Bhakra Nangal area on the recommendations of the District Industries Officer Hissar It was visualised that 30—50 new entrepreneurs would like to have sheds in the Industrial Estate The matter regarding disposal of the sheds on hire purchase basis was stated to be nearing finalisation

In regard to the delay in the allotment of sheds due to non availability of power connections it was stated that the matter was taken up with the State Electricity Board quite a number of times However the State Electricity Board informed in August 1966 that the work of electrification of the Industrial Estate Hissar was held up due to shortage of power On persuasion of the department the restriction for supply of power connections was removed by the Board in the same month and the power was made available ultimately in September 1966

As regards the arrears in the recovery of rent it was stated that the total arrears of rent including penal interest for the period ending 31st October 1970 amounted to Rs 3 96 lakhs The Hissar Industrial Estate Manufacturers Association made representations that the tentative rents being charged by the department were too high and were not in consonance with the construction of the sheds They further represented that the facilities viz Bank Post Office Power Sub Station Telephones Transport Labour Housing and Raw Materials etc were not available to them and as such the rents should not be charged from them till the hire purchase matter was finalised and requested for withdrawal of notices issued to them for recovery of arrears Keeping in view these factors it was decided to revise the earlier decision

During the course of oral evidence the Committee suggested to the departmental representatives that a suitable provision should be made whereby the Government should continue to have legal control to ensure that a person who is allotted shed in the Industrial Estates puts up the shed only for industrial use after he has paid for the same. The departmental representatives agreed with the suggestion of the Committee and assured that such a provision would be considered. On an enquiry from the Committee as to whether it was possible for the department to have some sort of statutory powers in the present cases of Hissar and Sirsa Industrial Estates (and also for future cases) to invoke the provisions of the Town and Country Planning Act prohibiting the occupant from utilising the premises for a purpose other than for industrial use, the departmental representative promised to examine the issue in detail in consultation with the Law Department and submit a note to the Committee.

During oral evidence, it also transpired that a buyer could dispose of the property after five years. On enquiry as to whether the department maintained any control over the buyer in regard to the use of the premises after five years the departmental representative could not give any categorical reply and therefore promised to check up the position.

The Committee are unhappy to observe that very little foresight was shown in the framing and implementation of the scheme. Had some kind of survey of the likely utility of the scheme been made and had proper co-ordination between the various Government Departments been ensured before the Government was committed to incur expenditure on this scheme, there was no reason why the sheds should have remained unutilized and the scheme practically dormant for so many years.

The Committee are further unhappy that arrears of rent for the sheds have been allowed to assume such huge proportions. The Committee do not consider that it is a prudent financial measure to convert the arrangement with the parties occupying the sheds retrospectively into a hire purchase agreement based on the original cost of the sheds. The Committee feel that the proper course would be to recover the rent and then enter into an agreement with the parties for the future based on the present market value of the sheds. This would be the position if any present shed holder should vacate the premises and another given his place and there is no reason why a different approach should be adopted in the case of those who have fallen into arrears and continued to occupy the sheds. The Committee would like the Government to seriously consider this aspect before taking a final decision. The Committee would like to be informed of the final decision and the detailed formula along with the concrete instances proposed to be adopted for the calculation of hire purchase price.

The Committee were surprised that the departmental representatives were in a considerable doubt as to the power of the Government to compel those who are given the sheds to put them to industrial use only. The note on this explaining the legal position promised by the departmental representatives has, unfortunately not reached the Committee till the time of making their recommendations. The Committee suggest that when Government frame schemes of this kind, they should ensure that the private individuals who are benefitted by such schemes should continue to serve the purpose and fulfil the objectives of the schemes and, if necessary, this should be achieved through necessary legislation.

or through rules having statutory force In this particular case, the Government should ensure that —

- (a) the sheds are put to industrial use ,
- (b) the Government have some control over the nature of the industry and
- (c) the Government will be able to prevent disposal of the sheds to new parties who may use the property for a purpose not contemplated in the scheme

The Committee would like the department to give a very detailed note on this legal aspect

10 Paragraph 60 of the Audit Report, 1968—Unutilised grants

Grants in aid aggregating Rs 7 81 lakhs were disbursed to the State Orphanage Madhuban during 1957 58 to 1961 62 for starting training cum-production centres for carpentry leather goods tailoring and foundry work shop with the object of imparting training to the inmates of the Orphanage. The amounts were required to be utilised for the purposes for which they had been sanctioned and a certificate to this effect was to be furnished to Government at the close of the financial year. The following points were noticed in Audit —

- (i) Only an amount of Rs 56 897 (Rs 28,866 on establishment and contingencies and Rs 28,031 on machinery and stores) had been incurred during 1957 58 to 1961 62 for implementing the scheme. No expenditure was incurred thereafter
- (ii) The unutilised amount (Rs 7 24 lakhs) was lying with various banks in the name of the Orphanage by way of fixed deposit

The Industries Department asked the State Orphanage Advisory Board in May 1967 to refund the unutilised grants and to furnish utilisation certificate for the rest of the amount

The department stated in a written memorandum that the Commissioner Ambala Division who was also the Vice-Chairman of the State Orphanage, Madhuban had intimated in January 1967 that the matter regarding the reorganisation of the Industrial Training Centre of the State Orphanage was pending with the State Orphanage Advisory Board for some time past. However with the reorganisation of the State of Punjab, the State Orphanage, Advisory Board was under re constitution and no action could be taken in the matter until a new Board was formed

The General Manager of the State Orphanage Madhuban who was asked by the department in April, 1967 to send the utilisation certificates had given no reply in the matter

As recommended in paragraph 34 of this Report, the Committee would impress that the question of transfer of the control of the Board to the State of Haryana is settled as expeditiously as possible and the unspent amount of Rs 7 24 lakhs lying with the Orphanage got refunded as soon as the control of the Board is transferred to Haryana. The Committee would further like to know as to

why the utilisation certificates in respect of the expenditure actually incurred by the Orphanage were not obtained by the department soon after these had become due. The certificates should now be obtained quickly.

AGRICULTURE

11 Paragraph 18 of the Audit Report, 1968—Withdrawal of funds to avoid lapse of grant

Audit pointed out that according to Financial Rules no money should be drawn from the Treasury unless it is required for immediate disbursement. However the Assistant Soil Conservation Officer Gurgaon had been with drawing money from the Treasury towards the close of each of the financial years 1962-63 to 1965-66 and spending or refunding it into the Treasury in subsequent years. Apparently these withdrawals were made to avoid lapse of budget grants and were, therefore, irregular. The following details of the drawings during each of the financial years and how the money was utilised were given by Audit:—

Month	Amount drawn	When spent or refunded into Treasury
March, 1963	Rs 13,247	Rs 10,530 disbursed during May to November 1963 for labour employed from April to September 1963. Balance amount of Rs 2,717 refunded into Treasury during May, 1963 to January, 1964.
March 1964	29,093	Rs 26,971 disbursed in 1964-65 and 1965-66 which included expenditure of Rs 5,175 incurred on works commenced during April—August, 1964 and completed upto November, 1965. Balance amount of Rs 2,122 was refunded into the treasury in September and November, 1965.
March 1965	39,473	The entire amount was spent in the subsequent year for labour employed or supplies arranged during April—November, 1965.
March, 1966	8,929	Payment was made to the firm on 31st March 1966 without waiting for the receipt of goods, although the rate of contract did not provide for any advance payment. The goods were actually received in June, 1966.

The department admitted in a written memorandum that the action of the Assistant Soil Conservation Officer in drawing the money in advance and getting the work done at a much later date and also payment of the amount in advance of the receipt of the materials was considered as a financial irregularity by Government and a severe warning had been issued to the officer concerned.

During the course of oral evidence, the departmental representative was asked to clarify whether the officer who had been warned was the only officer involved or some other officers were also responsible in committing the irregularity pointed out in the Audit paragraph. The date on which the order was placed for the purchase of goods in respect of the drawal of Rs 8,929 in March, 1966 and whether the officer concerned was competent to sanction the expenditure in question was asked for. The departmental representative promised to look into these aspects and to send a further report to the Committee.

The Committee would like to know whether any other officers were also responsible for the irregularity and, if so, whether any action has been taken against them. The Committee would further like to be informed as to whether the Assistant Soil Conservation Officer was competent to sanction the expenditure or the sanction of any higher authority was required. In case, the sanction of a higher authority was necessary, the Committee would like to know whether the same was obtained.

The Committee feel that apart from adversely affecting budgetary control and the State's ways and means position, drawal of funds towards the end of March to avoid lapse of budget grant with the specific intention of incurring the expenditure in the subsequent year or years, leads to the dangerous habit of keeping large sums of cash or drafts in Government offices or making payments to third parties in advance of receiving goods or services or even in the absence of proper agreements or contracts. This is all contrary to the provisions of the Rules. The Committee feel that irregularities of this kind are not being viewed by the Government with the seriousness that they deserve. The Committee desire that strict instructions should be issued to all the departments to avoid irregularities of this kind and that deterrent action should be taken against those responsible for violating such instructions.

12 Paragraph 23 of the Audit Report, 1968—Misappropriation of Government money and stores

As a result of departmental check of the accounts of the Seed Depot, Sohana in April/May 1966 followed by detailed investigation in August 1966 it was observed by the District Agricultural Officer Gujraon that several irregularities had been committed by the Agricultural Inspector in the maintenance of accounts of the depot during 1962-63 to 1965-66 and that sums aggregating Rs 11,915 had been misappropriated in a number of transactions besides a sum of Rs 7,100 which was deposited by the Inspector in May 1966 after the irregularities had been noticed. Agricultural implements valued at Rs 2,582 were also found short. Besides fertilizer loanee files for amounts of Rs 24,858 in respect of which permits had been issued by the Agricultural Inspector and five receipt forms of a Receipt Book were not forthcoming. The Agricultural Inspector committed suicide on the night of 19th/20th July, 1966.

The *modus operandi* of the misappropriation was that (i) bogus entries about the sale of seed were shown in the accounts which could not be supported from other relevant records, (ii) certain receipt entries in regard to seed transferred from other entries were not made, (iii) some quantities of seed were shown to have been issued to the Commission Agents who denied their receipt, (iv) entries about the receipt and disposal of certain quantities were

not available (v) amounts realised from the Commission Agents, etc towards sale of seed were not accounted for or deposited and (vi) amount received in advance for purchase of seed was not actually spent

Action taken by Government to make good the loss or to fix responsibility for laxity of control on the part of officers was awaited by Audit till February, 1968

The Director of Agriculture informed Audit in February 1968 that the loss could have been avoided if the District Agricultural Officer had regularly reviewed the position of outstanding dues from Commission Agents and submission of fertilizer loanee files

The department stated in evidence that in addition to the Agricultural Inspector who had been held responsible for the various irregularities mentioned in the Audit paragraph, two District Agricultural Officers were also responsible for laxity of control and for not checking the stores and accounts properly. The explanation of one of the officers had been received while the final explanation of the other officer had not as yet been received. As there was no likelihood of the recovery of the amount of Rs 9 000 the amount of shortages found in the Seed Depot and the Agricultural Inspector had also committed suicide, the matter regarding writing off of this amount was under consideration in consultation with the Finance Department.

As regards the fertilizer loanee files the departmental representative stated during the course of oral evidence that these were still incomplete and that efforts were being made to complete them or to fix responsibility for the recovery of the amount. The departmental representative also informed the Committee that a further enquiry was proposed to be held by the Director of Agriculture for the purpose of fixing responsibility at various levels. Regarding the amounts shown in the departmental inspection report as due from the various parties it was stated that some of the amounts had since been recovered while action for the recovery of the remaining amounts was being taken. In one case the party had denied the receipt of the implements shown to have been issued to it.

The Committee are pained to observe that the Agricultural Inspector had committed various irregularities and misappropriated sums aggregating Rs 11,915 over the period from 1962-63 to 1965-66 and that supervisory officers had failed to detect all this although they were required to check the stores and accounts of the Depot at the prescribed intervals.

The Committee would like to know the results of the high level enquiry proposed to be conducted into the matter. The Committee would further like to know the progress in regard to the completion of the fertilizer loanee files and the recovery of the amounts shown as due from the various parties.

MEDICAL

13 Paragraph 24 of the Audit Report, 1968—Arrears of contributions due from local bodies on account of provincialized Rural Dispensaries and Hospitals

The scheme of provincializing rural dispensaries and hospitals of local bodies was undertaken by the State Government in 1947-48. One of the

conditions for provincialization was that the local body concerned should pass a formal resolution to this effect and should agree to pay to Government an annual contribution equal to the average expenditure incurred on the maintenance of such dispensaries and hospitals during the two years immediately preceding the date of their taking over by the Government. It was noted by Audit that a sum of Rs 10.72 lakhs was outstanding as on 31st May, 1967 on account of arrears of contributions for the period from 1947-48 to 1966-67 from 51 local bodies. The year wise break up of the outstanding amount was as under —

Period	Number of Local Bodies	Amount outstanding (Rs in lakhs)
Less than 1 year	48	3.49
More than 1 year but less than 3 years	33	4.06
More than 3 years	17	3.17

(There were certain local bodies which were in arrears for less than one year for certain amounts and for more than one year for other amounts)

The department informed Audit in July, 1967 that the arrears were not being cleared by the local bodies due to their lean financial position and that the matter had been taken up with the State Government.

The department stated in evidence that the accumulation of arrears on account of annual contribution from the various local bodies was mainly due to their lean financial resources and in a few cases the local bodies had explained that the major share of local rates collections was taken over by the respective Zila Parishads leaving a very small amount with them which was insufficient to meet their commitments in this behalf. However the department had been able to recover an amount of Rs 5.08 lakhs out of the total outstanding amount of Rs 10.72 lakhs. The balance now left was Rs 5.64 lakhs. The Finance Department was stated to have been moved to write off the old arrears. During oral evidence, it was also stated by the Administrative Secretary that the State Government was now taking over such dispensaries under different conditions i.e. the local bodies would not be required to contribute anything annually on account of running expenses. In the case of three such dispensaries the State Cabinet was stated to have already decided that these should be taken over without the condition of contribution.

The Committee would like to be informed of the final decision taken in regard to the writing off of the unrecovered balance of Rs 5.64 lakhs.

14 Paragraph 43 of the Audit Report, 1968—Idle Machinery

Audit had pointed out that a laundry plant costing Rs 21,293 and a steam sterilizer costing Rs 48,329 were purchased and paid for in March 1963 and March 1964 respectively, for installation in the Medical College

Hospital Rohtak. A boiler required for running the plant and sterilizer was purchased in April 1965 at a cost of Rs 5 548 but was installed only in January 1967. The boiler had not been commissioned for want of its inspection by the Chief Boiler Inspector. The staff required for operating the equipments had also not been sanctioned. This resulted in blocking up of Government funds to the extent of Rs 75 170. The College incurred an expenditure of Rs 81 605 on account of washing charges for the period from May, 1963 to May 1967.

The department stated in evidence that an indent was placed with the Controller of Stores in February 1963 for the purchase of the laundry plant sterilizer and boiler. While he was able to arrange the purchase of laundry plant and sterilizer but the order for the purchase of the boiler could not be placed by the Controller of Stores. In 1964 the department again repeated the request and indented for the boiler. The Controller of Stores asked for specifications of the boiler which was to be purchased. The department consulted the suppliers of the laundry plant and sterilizer and also the other literature available and they were able to give the specifications in 1965. The order was accordingly placed for the boiler in March 1965. Then the Site Committee consisting of the Medical Superintendent, Professor of Surgery and the Executive Engineer, P W D B & R decided in August 1966 about the place where this whole plant was to be fixed.

It was further stated that the manufacturers of the boiler which was originally purchased had given an explicit undertaking that it did not fall under the purview of the Boiler Act. However, the Medical Superintendent insisted on its inspection by the Chief Boiler Inspector for reasons of safety. Accordingly the Chief Boiler Inspector was requested in February 1967 to consider the desirability of using this boiler for the plant. On inspection in October 1967 he held that this boiler could not feed this plant and it was not fit for use for this purpose. Therefore on the advice of the Chief Boiler Inspector another boiler had to be purchased for Rs 40 170 which was commissioned into service in 1968.

The staff required for the running of the plant was stated to have since been sanctioned. The Controller of Stores was stated to have been moved to effect recovery of the defective boiler from the suppliers. It was mentioned during oral evidence that standard material had not been used in the construction of the boiler nor it had been constructed in accordance with the boiler regulations.

The department further maintained that it had not been put to any financial loss due to non operation of the plant during June 1963 to March 1967 as the working cost of the plant was estimated to be Rs 1 lakh against the washing charges of Rs 75,306 actually paid by the College/Hospital.

The Committee are pained to observe that there was utter lack of foresight planning and co ordination in the purchase and installation of this machinery which contributed to considerable delay at each stage. The Committee feel that the specifications for the boiler to be purchased should have been finalised before the laundry plant and the sterilizer were purchased and technical advice about its suitability should also have been obtained beforehand. This omission had resulted in inordinate delay of about two years in the purchase of the first boiler which was also subsequently found to be defective and unsuitable.

Even after the first boiler was purchased in April, 1965 there was a further delay of about two years in getting it inspected by the Chief Boiler Inspector. The fact that the Chief Boiler Inspector declared this boiler to be unfit for use in the plant and another boiler had to be purchased for a sum of Rs 40,170 against the price of Rs 5,548 paid for the first boiler shows that the purchase of the first boiler was wholly injudicious.

The Committee further observe that the site for the installation of the plant was also selected at a much belated stage. In fact, the selection of the site should have been made before effecting purchase of the plant.

The Committee would like to know as to how the first boiler is proposed to be disposed of and whether the recovery of its cost has been effected from the suppliers. The desirability of taking legal action against the suppliers for furnishing incorrect information about its suitability without inspection may also be considered.

HEALTH

15 Paragraph 25 of the Audit Report, 1968—Primary Health Centres

For the establishment of Primary Health Centres, a centrally aided scheme was launched in the First Five Year Plan, to provide integrated preventive and curative health services in rural areas. The quantum of Central Government assistance was —

- (i) 75 per cent of the actual expenditure on buildings and equipment subject to ceilings of Rs 60 000 and Rs 75 000 respectively
- (ii) Rs 6 500 and Rs 2 000 for staff and drugs respectively per annum for each Centre

A review of the scheme conducted by Audit in July 1967 revealed that out of 89 Primary Health Centres only 66 Centres had their buildings completed or nearing completion. In 2 cases buildings completed in August 1962 and July 1966 at a cost of about Rs 0.62 lakh and Rs 0.88 lakh respectively had not been occupied till July 1967. The department stated in July 1967 that these buildings were lying unoccupied owing to the absence of essential amenities like water supply and sanitary fittings.

The department stated in a written memorandum that the construction of the buildings for the Primary Health Centres depended upon the availability of funds. The scheme for providing buildings for these Centres was first included in the 1st Five Year Plan and was subsequently extended to the 2nd and 3rd Plans also. As regards the buildings for two Centres completed in August 1962 and July 1966 it was mentioned that these related to the Primary Health Centres at Chhara and Mulana and that the matter for provision of sanitary fittings and electric installations was taken up with the P.W.D. authorities immediately after the building portion was completed. These buildings had been occupied in September 1969 and November 1967 respectively the former being without water supply. The work for the provision of water supply at the Primary Health Centre, Chhara was stated to have since been started.

The Committee are constrained to observe that the two buildings constructed for the Primary Health Centres at Chhara and Mulana remained unoccupied for about 3 to 5 years due to lack of co-ordination between two departments of

Government namely the Public Health and Public Works Departments. In one case the work for the provision of water supply is still in progress. Had there been proper co ordination in these cases, there would have been no time lag between the completion of the buildings and their actual occupation after provision of sanitary fittings and electric installations. This seems to be only one of many instances where buildings completed by one wing of the P W D cannot be occupied for long periods because of non provision of essential amenities by the other wing. The Committee would, therefore, recommend that Government should devise some effective and workable means to ensure that there is complete co ordination between the different wings of the P W D at each stage of construction activity and that the work on the connected amenities is completed simultaneously with the completion of the buildings. The feasibility of making one department responsible for the entire construction complete with all amenities may also be examined by Government. The Committee further suggest that in the case of every such scheme a time schedule should be laid down, right when drawing up the scheme, for the completion of each and every stage of the scheme and deviations from such time schedule should be seriously noted and responsibility fixed.

DEVELOPMENT AND PANCHAYAT

16 Paragraph 26 of the Audit Report, 1968—Embezzlement of Government money

Audit had reported that a Cashier of the office of the Assistant District Development and Panchayat Officer Hissar proceeded on two days leave in April 1962 and did not return to duty. On 31st August 1962 the cash safe was broken open in the presence of a Magistrate 1st Class but it did not contain any cash and the cash book was also found missing. A special check of the accounts by the Departmental Auditor in September/October, 1963 revealed that a sum of Rs 13,344 had been embezzled by the Cashier during the period from June 1960 to April 1962. No security had been taken from the official. The embezzlement was stated to have been facilitated by the following —

- (a) withdrawal of cash without immediate necessity for disbursement
- (b) non observance of checks prescribed in the rules for verification of entries made in the cash book,
- (c) non maintenance of various accounts/records registers and
- (d) non verification of cash balance at the end of each month as required under the rules.

Responsibility for the above lapses on the part of supervisory officers had not been fixed till September, 1967.

The case was reported to the Police in October, 1962 and was also filed in the Court in November, 1964 but the accused was reported to be absconding. The decision of the Court was awaited.

The department stated in evidence that the case had not as yet been decided by the Court and proceedings under section 512 Cr P C were in progress against the then Cashier who was still a proclaimed offender. It was mentioned that during the interval between the period when the Cashier proceeded on two days leave in April, 1962 and when the cash safe was broken

open in August, 1962 efforts were made to contact the ex official and registered letters were also sent to him which were received back undelivered. Eventually the safe was broken open in the presence of Magistrate 1st Class on 31st August 1962. The duplicate keys of the safe did not appear to have been deposited in the Treasury as required under the rules. The departmental check in this case was, however conducted in September/October, 1963 only.

As for action against the supervisory officers it was stated that since the case was *sub judice* it was not considered advisable to take action against them before a verdict was given by the court. The then Assistant District Development and Panchayat Officer had however since retired from service and his pension and gratuity had also been released.

It was brought to the notice of the Committee by the Accountant General Haryana that according to the Departmental Auditor's Report various amounts totalling Rs 50,000 had been advanced by the then Cashier to certain officers/officials. The departmental representative stated that the position about the recovery or adjustment of this amount will be checked up and intimated to the Committee.

The Committee would like to be apprised of the final decision of the Court as and when it is announced. However, the Committee do not feel satisfied with the delay of more than a year in conducting the departmental check and the reasons given for not taking action against the supervisory officers. The instructions contained in the Punjab Financial Rules clearly stipulate that departmental action in such cases should not be deferred on the ground that the case is pending in the Court. Departmental action has to be taken independent of the proceedings launched in the Court. The Committee would, therefore, recommend that necessary action against the supervisory officers for the various lapses should be finalised without further delay.

The Committee would further recommend that the Finance Department may examine the position threadbare in regard to the finalisation of departmental action in such cases vis a vis the instructions contained in the Punjab Financial Rules and issue suitable instructions to all the departments in this behalf.

The Committee also regret to note that the then Assistant District Development and Panchayat Officer in whose office this defalcation had taken place was allowed to retire from service and his pension and gratuity were also released, while this case was still pending in the Court and departmental proceedings had also yet to be finalised. The Committee would recommend that responsibility for this lapse should be fixed and they may also be informed whether any action can be taken against the retired official at this stage.

The Committee would also like to know the position about the recovery/adjustment of the amount of Rs 50,000 stated to have been advanced by the Cashier to the various officers/officials.

17 Paragraph 58 of the Audit Report, 1968—Loans to Panchayats for revenue earning scheme

(1) To enable Panchayats to establish sources of recurring income and to achieve self sufficiency in finances for undertaking rural uplift work, interest free loans amounting to Rs 32.38 lakhs were disbursed to 345 Panchayats in the State during the period from 1957-58 to 1965-66 for execution of specific

revenue earning schemes relating to irrigation, village industries etc. The amount of loans for each Panchayat varied from Rs 30 000 to Rs 1,000 repayable in annual instalments over a period of 30 years. A review of the departmental reports with the Director of Panchayats Haryana conducted by Audit in regard to the progress in the utilisation of loans, indicated that—

- (i) a sum of Rs 8.63 lakhs had not been spent by the various Panchayats within the period of utilisation prescribed in the agreement deeds and was lying unspent as on the 31st March 1967
- (ii) three Panchayats had utilized loans amounting to Rs 15,500 out of loans of Rs 18 000 granted in 1959-60 for installation of three tubewells. The schemes for providing irrigation facilities however failed because either the water was found unsuitable for irrigation or the people were not interested to take water on payment
- (iii) four Panchayats had utilised loans amounting to Rs 13,300 out of Rs 19,000 granted during 1958-59 to 1960-61 for sinking of wells, but the pumping sets had not been installed till July 1967, with the result that the schemes were not yielding any revenue
- (iv) ten Panchayats had utilised loans amounting to Rs 49,067 granted during 1958-59 to 1965-66 for installation of tubewells and pumping sets. The schemes have not started yielding any revenue, as the tubewells and pumping sets were not functioning for want of electric connection
- (v) in Ambala District a sum of Rs 15 000 was advanced in 1960-61 to Panchayat Raipur Rani for setting up a brick kiln. The amount was misutilised by the Sarpanch. No kiln was established. A sum of Rs 2 500 could only be recovered from the Panchayat. The Block Development and Panchayat Officer informed the Director of Panchayats in March 1967 that the Panchayat had no funds to repay the balance amount of loans and was unable to execute the scheme

(b) A sum of Rs 13.77 lakhs was disbursed to 84 Panchayats during the period from 1956-57 to 1962-63 for the purchase of tractors with a view to boost their agricultural income.

The following points were noticed during the course of audit —

- (1) The department had no consolidated record to show whether the tractors were actually utilised by the Panchayats and agricultural income increased as envisaged by the scheme
- (2) The statements of assessment of utilisation of tractors prepared by the Deputy Commissioners in 65 cases showed that —
 - (i) eight Panchayats to whom funds to the extent of Rs 1,25 000 were advanced during 1959-60 to 1961-62, had not utilised the amounts for the purchase of tractors and had refunded the same within 2 to 5 years after the date of disbursement. A sum of Rs 13 000 was still outstanding for recovery. Of the remaining 57 cases where the amounts were actually utilised,

only 11 cases of schemes were reported to have been successful. The schemes failed in respect of 46 cases involving loans to the extent of Rs 7 48 000

- (ii) in six cases the tractors had been sold but a sum of Rs 45 500 out of the total amount of Rs 96 000 was still outstanding for recovery
- (iii) a sum of Rs 1 31 lakhs was outstanding for recovery in July 1967 on account of instalments of loan from various Panchayats out of the total amount of Rs 2 44 lakhs which fell due for recovery on the 31st March, 1967

In regard to the various points mentioned in item (a) of the Audit paragraph, the department explained the position in a written memorandum as under —

Point (i)

It was stated that the amount of Rs 8 63 lakhs could not be utilised by the Gram-Panchayats concerned within the specified period due to the fact that in respect of the schemes relating to minor irrigation the Panchayats had to face many problems like unsuitability of water found during boring of tubewells, non availability of building material non supply of electric connections etc. Such difficulties were common in these operations and the Gram Panchayats which had no executing staff took a long time in completing the works. However as a result of vigorous efforts by the department balance of unutilised amount had been reduced to Rs 1 26 lakhs as on 1st July, 1970. The remaining amount of loan was stated to have either been utilised or refunded by the Panchayats.

Point (ii)

The three Panchayats in question were stated to have been given loans for installation of tubewells because the tubewells installed by a number of proprietors in the vicinity of their area were successful and the water was suitable for irrigation purposes. This was the only care that could be exercised by the department before sanctioning loans. It was however, not unusual that the tubewell scheme at one place failed because of unsuitable water while it was found successful at another nearby place in the same area. In the case of one Panchayat three attempts for boring were made before the scheme failed. The second Panchayat had combined its tubewell scheme with its revenue earning scheme of tractors with a total loan outlay of Rs 22 000 on both the schemes. The tubewell scheme of this Panchayat was successful whereas the tractor scheme had failed. This Panchayat had earned Rs 20 069 from this scheme and was also stated to have refunded Rs 5 871 by way of instalments of loan. The third Panchayat could not carry out the work successfully in the beginning but subsequently had made its scheme successful and it was getting good auction money now.

Point (iii)

The four Panchayats were stated to have since utilised the entire amount of loan and the schemes completed by them were successful. An amount of Rs 7 372 had been refunded by them as instalments of loan.

Point (iv)

Out of 10 Panchayats, 6 Panchayats were stated to have since secured electric connections and completed the scheme which had started functioning. 3 Panchayats had not so far been able to get the electric connections. However they had been able to utilise the entire loan. As regards the remaining 10th Panchayat it was stated that according to the record of the department no loan had been given to this Panchayat under the revenue earning scheme. The Audit is however stated to have supplied the details of this case to the department in November 1970.

Point (v)

The Sarpanch of the Panchayat Raipur Rani was stated to have been placed under suspension and action under Section 105 (2) of the Punjab Gram Panchayats Act 1952 to recover the loan from the Sarpanch and Panches had also been ordered. A sum of Rs 4 000 was stated to have since been recovered and it was mentioned that the entire loan would be recovered by instalments.

As for item (b) of the Audit paragraph the position was explained by the department as follows —

Point (1)

It was mentioned that the requisite information was maintained by the District Development and Panchayat Officer and the Block Development and Panchayat Officer. At the State headquarters the schemes of the district staff were scrutinized at the time of initial formulation and after obtaining sanction from the Finance Department the funds were placed at the disposal of the District Development and Panchayat Officers for disbursement to the Panchayats. However the consolidated record showing the latest position was stated to have now been started at the headquarters also.

Point (2) (i)

The 8 Panchayats could not utilise the loan disbursed to them because tractors were at that time not available and they had no option but to refund the loans. Out of Rs 13,000 outstanding for recovery a sum of Rs 6,400 was stated to have since been recovered and steps were being taken to recover the balance of Rs 6 600. It was further stated that the Panchayats whose tractors scheme had failed had been asked to sell the tractors by auction in the presence of Block Development and Panchayat Officers after giving full publicity and deposit the sale proceeds to clear the loan. 29 Panchayats had already sold their tractors and deposited Rs 4.39 lakhs in this manner with the sanction of the Government. In the remaining cases the matter was being pursued so that either the Panchayats repaired the tractors in order to utilise the same or dispose of the machinery. It was further stated that a policy decision has since been taken by the Government not to give loans for tractors in future.

Point (2) (ii)

Against the outstanding amount of Rs 45 500 a sum of Rs 7,700 now remained to be recovered from two Panchayats. The matter for the recovery of this amount was being pursued.

Point (2) (iii)

The department stated that they were not clear whether the outstanding recovery of Rs 1.31 lakhs referred only to the tractor scheme or to all the 345 schemes in which loans had been given to the Panchayats by the time of audit. However the position of the recovery of loans was stated to have improved considerably and the Panchayats had refunded Rs 4.67 lakhs in lumpsum by selling their tractors and other machinery etc., and deposited another sum of Rs 5.88 lakhs by way of instalments of the loan.

The Accountant General informed the Committee that draft rules specifying the terms and conditions on which the loans could be given had been initially framed by the department but these had not been finally issued. The departmental representative stated that the draft rules in question could not be issued as the Law Department had expressed the opinion that there was no substantive provision in the Gram Panchayats Act whereby this could be done. The department further stated that they contemplated to amend the Act making necessary provision in it for the grant of loans to Panchayats. The Committee could not be satisfied as to how in the absence of the rules regulating the payment of such loans the scheme had been functioning. The Committee desired that the department should take all necessary steps quickly to ensure that the scheme functioned under certain specified set of Rules without any further loss of time.

Besides, the department was asked to furnish information on the following further points —

- (1) Out of 345 Panchayats to whom loans had been disbursed in how many cases did the Panchayats get the expected revenue of 8 per cent or of any other percentage that might have been fixed
- (2) Which of the Panchayats had been given loans for the repair of tractors and how much expenditure had been incurred by them on the repairs. The information should be year wise and Panchayats wise
- (3) In how many cases the loan given was not utilised in accordance with the agreement or was utilised for a purpose other than that for which it was given
- (4) The names of those Panchayats by whom the loan had since been utilised or the unspent balance repaid should also be given
- (5) The total amount of loan paid was Rs 32.38 lakhs. The department should give up to date details with dates of the amounts utilised by the Panchayats

The Committee were distressed to note the manner in which the scheme for advancing loans to Panchayats for various revenue earning schemes had been handled. The Panchayats are one of the basic and important institutions in the democratic set up and it is their duty to see that the public money is utilised in the best possible manner and to the best advantage of the people. The large-scale defaults in the working of the scheme and instances of mis utilisation of loans by the Panchayats, however, led the Committee to believe that both the Development and Panchayats Department and the Panchayats themselves had

not taken pains to see that the money advanced was utilised within the framework of the scheme and that the objects for which the loans had been given were made successful for the benefit of the people. In certain cases, the loans remained unutilised for long periods while in others the recovery of the loans had to be effected by the sale of the tractors and other machinery initially purchased by the Panchayats.

Further, the Committee regret to observe that there was no co-ordination between the department and Panchayats on the one hand and between the department and the Electricity Board on the other as a result of which the tubewells and pumping sets installed by certain Panchayats could not function for want of electric connections in a number of cases.

The Committee also recommend that the working of the scheme may be investigated thoroughly and responsibility fixed for the various defaults and shortcomings, particularly in cases involving misutilisation of loans, both on the part of the departmental officers and the Panchayats.

Adequate and effective steps may also be taken to recover the outstanding balances of loans which had not as yet been spent by the Panchayats.

The Committee would further like that the information on the points mentioned above be furnished to them as early as possible.

REVENUE

18 Paragraph 3(b) of the Audit Report, 1968—Arrears of collection of revenue and other receipts

According to the information furnished by the department to the Audit the arrears in collection of revenue amounted to Rs 59 lakhs (Betterment Charges—Rs 31 lakhs Abiana—Rs 19 lakhs and Land Revenue—Rs 9 lakhs).

The department stated in its written reply that out of the total arrears of revenue of Rs 59 lakhs a sum of Rs 52 lakhs had since been recovered leaving the balance at about Rs 7 lakhs. Of this a sum of Rs 1.81 lakhs was recoverable from Government departments and Rs 0.14 lakh from the Custodian Evacuee Property. The recovery of a sum of Rs 0.46 lakh had been stayed by the courts of law. A sum of Rs 1.32 lakhs was shown as un-realizable as the whereabouts of the lambardars/persons concerned were not known.

It was further stated that a special drive was launched to recover the outstanding dues and the progress of recovery was also considered in periodical meetings held at district level and at headquarters level.

The Committee would recommend that effective steps may be taken to recover the amount still outstanding as quickly as possible. The timely recovery of revenue from various sources is very important from the point of view of budgeting and fiscal position of the Government. They would like to be informed of the progress in the recovery of the outstanding dues.

19 Paragraph 27 of the Audit Report, 1968—Taccavi Loans

The total amount of taccavi loans outstanding as on the 31st March

1967 in Ambala District was Rs 45 67 lakhs. The detailed accounts of the loans are maintained by the Tehsildars/Deputy Commissioners. The following points were noticed by audit during a test check of the loan accounts

(a) In 67 cases loans amounting to Rs 1 36 lakhs granted during November 1951 to March 1965 were reported by the Tehsildar to the Collector to have been misutilised. Lump sum recoveries were ordered during December 1962 to April 1966 in 25 of these cases involving loans of Rs 52 450. In 42 cases involving loans of Rs 83 519, recoveries to the extent of Rs 14,473 were made in instalments instead of lump sum as required under the rules. Government informed Audit in January, 1968 that instructions had been issued to the Tehsildars for obtaining orders of the Collector to effect recoveries in lump.

(b) In 271 cases involving loans of Rs 8 33 lakh verification of utilisation of loans disbursed during 1951-52 to 1965-66 has not been conducted after the expiry of the prescribed period of utilisation as indicated below —

Year in which loans were paid	No. of cases	Amount paid
		Rs
1951-52 to 1961-62	44	1 06,525
1962-63 to 1964-65	117	3 08,901
1965-66	110	4 18 000

(c) A sum of Rs 3 37 341 (principal Rs 2,38 645 and interest Rs 98 696) was pending recovery as on the 31st March 1967 out of the total amount of Rs 6 58 940 (principal Rs 4 39 275 and interest Rs 2 19 665) which had fallen due for recovery by that date. Government informed Audit in January 1968 that instructions had been issued to the officers/officials concerned to carry out regular inspections for verification of utilisation of loans and for effecting recoveries with great promptitude.

The department stated in its written reply that orders for lumpsum recovery in the remaining 42 cases could not be issued earlier as the original loan files were not available. However orders for lump sum recoveries in these 42 cases had also since been issued. On being pointed out by the Committee that why loan files could not be completed and passed on to the Revenue Department within the fixed time limit of 15 days, the department conceded that to that extent there had been lapse. In regard to verification of utilisation of loan it was stated that the utilisation of loans in these cases had since been done and it was found that in 87 cases the loanees had misutilised the loan and that lumpsum recovery had since been effected in these cases. Out of the arrears of Rs 3 37,341 outstanding as on 31st March 1967 it was

stated that a sum of Rs 2 31 722 had since been recovered uptill June, 1970 and efforts were being made to recover the balance amount of R, 1,05 619 as early as possible. In reply to an enquiry from the Committee as to what was the position of these loans in the entire State it was stated that the total recoverable arrears at the end of March 1970 stood at Rs 2 69 crores out of which a sum of Rs 1 04 crores had since been recovered during the period from 1st November 1966 to 31st March 1967 leaving the balance at Rs 1 65 crores.

It was also mentioned that various steps had been taken to plug loopholes in the existing system and to ensure that irregularities of this type did not occur in future.

The Committee wanted to know the total expenditure on the non gazetted staff employed for the collection of revenue from year to year and the total revenue collected. The departmental representatives promised to furnish this information.

The Committee feel that an effective machinery needs to be devised to ensure that the proper utilisation of taccavi loans is verified by the officers concerned within due time and that cases of misutilization are reported as expeditiously as possible. In cases where the loans are found to have been misutilised, lump-sum recoveries may be made from the persons concerned immediately.

The Committee would like to know whether full recovery of the loan has been made in 42 cases in which orders for lump sum recovery are now stated to have been passed.

The Committee would also like to be informed about the progress in the recovery of outstanding arrears of Rs 1 65 crores pertaining to the whole State as on 31st March, 1967 and in regard to the recovery of the balance amount of Rs 1,05,619 in so far as Ambala District is concerned. The information about the total expenditure on the non-gazetted establishment employed on the collection of revenue vis a-vis the total revenue collected may also be furnished to the Committee early.

EXCISE AND TAXATION

20 Paragraph 45 of the Audit Report, 1968—Under assessment of tax

(i) Central Sales Tax Act, 1956

(a) Levy of tax at lower rate without prescribed declaration

Audit had pointed out that under the Central Sales Tax Act, all inter state sales which are not supported by declarations in the prescribed form are taxable at 7 per cent up to 31st March 1963 and at 10 per cent thereafter. In one case of Gurgaon District inter state sales which were not supported by the prescribed declaration were taxed at 7 per cent for the year 1963 64 instead of 10 per cent. This resulted in an under assessment of tax to the extent of Rs 12 770.

The department was stated to have informed Audit in January 1968 that an additional demand of Rs 12 770 had been created.

It was stated by the department in a written memorandum that the assessing authority was under the wrong impression that the rate of tax during the year 1963 64 was 7 per cent under the Central Sales Tax Act and not 10 per cent as from 1st April 1963. The assessing authority was warned to be careful in future. As regards the recovery of under assessed tax of Rs 12,770 it was initially stated that the recovery had been stayed by the Sales Tax Tribunal in March 1969. However, it was subsequently intimated by the department that the appeals of the firm had been rejected by the Sales Tax Tribunal vide judgment dated 25th May, 1970.

The Committee desired the department to verify whether there had been any other cases where the same assessing authority had under assessed tax due to ignorance of the correct rate of sales tax. The department informed the Committee that in two other cases also the same assessing authority had under assessed tax to the extent of Rs 119 and Rs 188 and that *suo motu* action had been initiated to rectify the mistakes.

In reply to an enquiry from the Committee as to whether there was any machinery with the department through which such lapses could be detected it was stated that there was an inspection unit consisting of two Excise and Taxation Officers who were concerned with the examination of assessment orders passed by the assessing authorities. These officers, however, conducted only test checks.

The Committee are constrained to observe that the assessing authority and/or the technical staff working under him, did not take even the elementary precaution of applying the correct rate of tax while passing assessment orders. The Committee recommend that the Government should ensure that responsibility has been determined at all levels and suitable action taken.

The Committee would also like to know whether the under assessed amounts of Rs 12 770 mentioned in the Audit paragraph and Rs 119 and Rs 188 stated to have been short-assessed in two other cases have since been recovered.

The Committee further feel that the test check performed by the Inspection Unit is not adequate keeping in view the magnitude of the revenue involved and the omissions/shortcomings detected by Audit. The Committee recommend that the State Government may consider the desirability of strengthening the Inspection Unit so that the leakage of revenue is reduced to the minimum possible.

21 Paragraph 45 (i) (b)—Turnover escaped from tax

On an appeal filed by a dealer of Gurgaon District against the assessment order for 1963 64 framed under the Punjab General Sales Tax Act 1948 the case was remanded for *de novo* assessment. In the remanded assessment an allowance of Rs 2 19 087 was given for sales in the course of inter state trade or commerce as against Rs 1 77 084 in the original assessment order. Assessment under the Central Sales Tax Act 1956 for enhanced turnover was not, however revised and this resulted in under assessment of Rs 5 112. The Excise and Taxation Commissioner informed Audit in October 1967 that the case was being entrusted to the Revisional Authority for *suo motu* action.

The department stated in a written memorandum that the Assessing Authority Gurgaon who was entrusted with the *de novo* assessment of the case framed assessment under the Punjab General Sales Tax Act only and he had no powers

to re assess the case under the Central Sales Tax Act. He should have referred the case to the Excise and Taxation Commissioner for *suo motu* action under the Central Sales Tax Act which he failed to do. The Revisional Authority passed the revisional orders in May 1968 and created an additional demand of Rs 1,958 (including Rs 200 as penalty under Section 10(6) of the Act). The amount was stated to have been deposited by the dealer in June, 1968. It was further stated that the goods were liable to tax at the rate of 2 per cent instead of at 10 per cent taken into account by Audit.

As regards action against the assessing authority it was stated that he had been allocated to Punjab and the matter had been brought to the notice of Punjab Government for taking suitable action against him.

The Committee find that this was not the only case where the assessing authority had failed to take proper action to levy tax correctly under the provisions of the Punjab or Central Sales Tax Act. The same officer was responsible for under assessment of tax in the cases mentioned in paragraphs 45(i)(c) and 45(i)(d) also. The Committee would, therefore, like Government to ascertain and intimate to the Committee the action taken against the assessing authority by the Punjab Government in all these cases.

The Committee did not feel satisfied with the reasons advanced for the late discovery of the fact that the goods were liable to tax at a lower rate than that taken into account by Audit. The Committee feel that in order to avoid unnecessary wastage of time and labour all round, it is of the utmost importance that all the relevant facts are properly investigated within the usual period of six weeks from the date on which audit objection is conveyed to the department. The Committee would, therefore, recommend that suitable instructions may be issued in this behalf to all concerned and a time limit of six weeks also laid down within which all the connected processes (including the verification of facts in such cases) should be completed so that facts may be established beyond dispute well in advance before the Audit Report is finalised.

22 Paragraph 45(i)(c)—Intra-State sales incorrectly shown as Inter-State sales

Under the Central Sales Tax Act goods are said to be sold in the course of inter State trade or commerce if the sale occasions the movement of goods from one State to another. In one case of Gurgaon district the assessing authority detected that the goods shown to have been sold during 1963-64 to a party in the course of inter State trade or commerce were in fact intra State sales as the goods did not move out of the State. Accordingly, additional demand was created by the assessing authority. No action was however taken to re assess the dealer by the Revisional Authority to set right similar inadmissible transactions with the same party in the preceding years 1960-61 to 1962-63 with the result that under assessment of tax amounting to Rs 20,707 remained to be rectified. Audit was informed by the Excise and Taxation Commissioner in October, 1967 that the case was being entrusted to the Revisional Authority for taking *suo motu* action in order to examine the legality and propriety of the assessment order.

The department stated in a written memorandum that the Revisional Authority decided the case in July, 1968 and remanded the same to the assessing authority with the direction that the correct tax due should be worked

out for the years 1960-61, 1961-62 and 1962-63 treating these sales as Intra State sales liable to be taxed at the rate of 4 and 5 per cent. Thus, whereas additional demand was created under the State Act, refund was to be allowed under the Central Sales Tax, Act. For the assessment year 1960-61, an additional demand of Rs 506 and Rs 592 was created under the Punjab and Central Sales Tax Acts while for 1961-62 and 1962-63 additional demands of Rs 2,614 and Rs 14,287 were created under the Punjab General Sales Tax Act and refund of Rs 1,923 and Rs 2,484 was allowed under the Central Sales Tax Act. It was further stated that the additional demand stood recovered. In the course of oral evidence the department stated that out of the three assessing authorities who did not assess the sales as intra State sales in the first instance for the years 1960-61, 1961-62 and 1962-63 two had already retired and the third had been allocated to Punjab. Explanation of the officer allocated to Punjab had been called for through the Excise and Taxation Commissioner, Punjab.

The Committee observe that it was a serious omission on the part of the assessing authorities not to assess the dealer for transactions in respect of the years 1960-61, 1961-62 and 1962-63 correctly in the first instance. Moreover when it had been detected by the assessing authority at the time of finalising assessment for the year 1963-64 that the goods shown to have been sold to a party in the course of inter-State trade or commerce were, in fact, intra State sales, he could have very well thought of re-assessing the dealer for similar transactions in respect of earlier years also.

The Committee also find that the assessing authority for the year 1963-64 was the same as was involved in the case mentioned in paragraphs 45(i)(b) and 45(i)(d). The Committee would like to know the action taken against the officer concerned for these serious lapses. The Committee would also like to know the final action taken against the assessing authority for the year 1962-63 through the Punjab Government.

23 Paragraph 45(i)(d) — Inter State sales treated as exports out of India

A dealer of Gurgaon District was allowed deduction of Rs 7,08,861 during the assessment year 1963-64 on account of exports out of India from his gross turnover by the assessing authority. These exports however included an amount of Rs 4,340 on account of sales in the course of inter-State trade or commerce to a dealer in Goa which were taxable at the rate of 10 per cent. Those resulted in under assessment of tax of Rs 4,134. It was intimated to Audit by the Excise and Taxation Commissioner in October 1967 that the case was being entrusted to the Revisional Authority for taking *suo motu* action.

The department stated in a written memorandum that the dealer had initially shown these sales as export out of India in the break up of transfers from Faridabad to Delhi during the year 1963-64. The Revisional Authority viz, the Excise and Taxation Commissioner while deciding the revision petition filed by the dealer against the orders of the assessing authority as well as the *suo motu* action initiated by the department came to the conclusion in June 1968 that the sales made by the dealer to Goa in 1963-64 were from the dealer's Head Office at Delhi and not from the dealer's factory at Faridabad. The sales tax on the sales in question was also stated to have been deposited with the Delhi State Sales Tax Authorities.

The Committee are unable to appreciate the reasons due to which the sales made to a firm in Goa were treated as exports out of India. By no stretch of imagination could Goa be treated as a foreign country. It is strange that the officer concerned did not know even this historical fact that Goa was part and parcel of India.

The Committee would recommend that suitable action for this serious lapse may be taken against him. The Committee also observe that the same officer was involved in the cases mentioned in paragraphs 45(i)(b) and 45(i)(c) as well.

The Committee was not satisfied on the evidence tendered before it that Government had an effective machinery to ensure that transfers made from Faridabad to godowns in Delhi were genuine transfers and did not result in diversions enroute. The Committee desire that Government should examine this aspect as well as any other steps that can be taken to reduce transfers to Delhi to a minimum and thereby augment the revenues of the State.

24 Paragraph 45(i)(e)—Under-assessment/mistake in computation of tax—

In 9 cases (3 districts) tax amounting to Rs 9 229 was under assessed on account of—

- (i) Levy of tax at lower rates
- (ii) Incorrect computation of taxable turnover
- (iii) Mistakes in arithmetical calculation of tax assessed, and
- (iv) Turnover which escaped assessment

In 7 of these cases involving Rs 7 689 the objections had been admitted and *suo motu* action was being initiated by the department.

The department stated in evidence that out of the 9 cases the Revisional Authority did not uphold the audit objection in one case and vacated the notice initially issued for taking *suo motu* proceedings in two cases. Out of the remaining six cases additional demands had been created against the dealers concerned in five cases to the extent of Rs 5 187 which had since been recovered. In the remaining one case the dealer had filed special leave application in the Supreme Court which was dismissed in August 1969. *Suo motu* action was now being taken up against the dealer. During the course of oral evidence the departmental representative stated that one of the partners of this concern had not been appearing before the Revisional Authority because he was reported to be on tour of a foreign country. It was further mentioned that a large number of reminders including telegraphic reminders (seven in all) had been issued to the Revisional Authority to expedite the matter but no further information about the case had been received from the Revisional Authority (the Deputy Excise and Taxation Commissioner) after July 1970.

The Committee view with concern the delay in the finalization of *suo motu* action in the aforementioned case despite the lapse of about 1½ years.

after the judgement of the Supreme Court. In particular, it is distressing to note that the Revisional Authority has not taken any action despite the issue of seven reminders including telegraphic ones. The Committee would like that the reasons for delay in finalization of the case may be investigated and suitable action taken against the officers/officials found responsible. The Committee would also like to be informed of the final result of the *suo motu* proceedings.

25 Paragraph 45(i)(f)—Unauthorised deduction of freight

Under the Act the sale price *inter alia*, includes the cost of freight or delivery if it is not separately charged. In one case of Gurgaon District deduction of Rs 7,03,547 was allowed from the gross turnover for the year 1964-65 on account of freight charges. In the copy of the price list of the assessee effective from April, 1966 the sale price of goods fixed was F O R destination. If similar was the position in the earlier year 1964-65, the deduction of Rs 7,03,547 allowed from the gross turnover was not in order and it involved under assessment of tax amounting to Rs 70,354. The Excise and Taxation Commissioner stated (September 1967) that the matter had been examined and the audit objection was considered to be in order. It was further stated that the case would be taken up for *suo motu* action by the Revisional Authority to examine the legality and propriety of the assessment order.

(ii) In a similar case of the same district, a deduction of Rs 53,962 was allowed to a dealer in the assessment year 1960-61 involving tax effect of Rs 3,777.

(iii) In another case of Ambala District, the dealer was allowed a deduction of Rs 2,35,091 from his gross sales for the year 1960-61 on account of freight charges while determining his gross turnover. Since the freight when included in the sales price forms part of the sale price the deduction was not in order. This resulted in under assessment of tax of Rs 16,456. The case was under examination of the department (February 1967).

The department stated in evidence that of the 3 cases mentioned in the above paragraph the Revisional Authority had taken *suo motu* action in one case and remanded the same back to the assessing authority for *de novo* assessment. The assessing authority passed orders levying tax amounting to Rs 70,354. The firm made a review application before the assessing authority in November 1968. The review case was decided by the assessing authority in March 1969 when no tax liability was fixed on the firm. In the meanwhile an appeal pending before the Sales Tax Tribunal was decided in April 1969 and communicated to the assessing authority in May, 1969. The Sales Tax Tribunal had rejected the appeal of the dealer against which he filed an appeal in the High Court which was still pending. The explanation of the assessing authority for going beyond the guidelines laid down by the Revisional Authority was stated to have been called for.

In the second case the Revisional Authority had held that the deductions claimed by the dealer were on account of cash discount allowed by the dealer to the purchaser and not on account of freight charges. During oral evidence, the departmental representative was asked to verify and confirm whether the deduction of Rs 50,000 allowed to the dealer was on account of cash discount as the figure did not seem reasonable as compared to gross turnover.

of the dealer which was stated to be Rs 20 lacs. The departmental representative promised to look into the matter further.

In regard to the third case, the assessing authority re-assessed the dealer and imposed tax on the freight charges by including them in the turnover. The assessing authority in this case was stated to have been allocated to Punjab and the Punjab Government had been addressed to take suitable disciplinary action against him for this lapse.

As regards the question of levying penalty under the provisions of the Act, the department stated in their written memorandum that dealers were responsible for misstatement of facts to the extent the additional demand was created, but, the provisions for imposition of penalty were not invoked on the merits of each case. Since this was self contradictory the departmental representative was asked to examine the position further and let the Committee know whether the penalty was leviable in this case or not. The departmental representative promised to do so.

The additional demands of Rs 70,354 and Rs 5,098 in the first and third case respectively were stated to have been recovered from the dealers concerned.

The Committee feel that the action of the assessing authority in the first case in giving a second decision in March, 1969 holding that the dealer was not liable to any tax liability was entirely uncalled for and illconsidered in view of the fact that the Sales Tax Tribunal was already considering the appeal filed by the dealer. The Committee would like to be informed of the final decision of the High Court in the matter and the action taken against the assessing authority for going beyond the guidelines laid down by the Revisional Authority. The Committee would also like to know the result of further investigation in the second case about the correctness of the cash discount claimed by the dealer as also about the question of imposition of penalty.

26 Paragraph 45(ii) (a)—Under-assessment owing to levy of concessional rates of tax in excess of the admissible extent of sales

Under the Act, sales to all Government departments in the State were liable to sales tax at the rate of one per cent upto October 1964 and two per cent thereafter if these sales were duly supported by proper certificates obtained from the purchasing Government departments. In one case of Ambala District the concessional rate of tax was levied on sales of Rs 10,42,891 whereas total of the sales in the list on record giving details of 47 certificates given by the purchasing departmental officers was shown as Rs 10,19,715. The total of the details given in the list actually worked out to Rs 8,81,238. This had resulted in short assessment of tax to the extent of Rs 8,082 on the sum of Rs 1,61,653 @ 5 per cent (6 per cent—1 per cent already levied). The department intimated to Audit in February 1967 that the dealer had failed to turn up and produce his accounts books in response to the summons issued by the Excise and Taxation Officer and he was being summoned again.

The department stated in its written reply that the assessing authority had explained that although he checked the various D forms furnished by the dealer in support of his claim for concessional levy he did not tally the total of the transactions covered by D forms as it was not possible for the assessing authority to tally all the totals in each case as the figures may run into

lakhs and sometimes in crores. It was, however, admitted during oral evidence that the assessing authority was at fault in not having checked the total and linked the items with the 'D' forms and had acted in a careless manner. The Punjab Government to whom the officer had been allocated had been requested to take suitable action against him.

It was further stated that as a result of *suo motu* action an additional demand of Rs 813 in respect of sales of goods valuing Rs 10,261 had since been created and recovered. The dealer was stated to have furnished 'D' forms in respect of the remaining sales valued at Rs 1,45,192 during *suo motu* proceedings.

The Committee feel that it was an elementary precaution which an assessing authority should normally take to see that the totals of the 'D' forms furnished tallied with the figures taken in the assessment order and the details given in the lists furnished by the dealers. The plea taken by the assessing authority for not tallying the totals was not at all tenable. The Committee recommend that suitable action be taken against the officer concerned through the Punjab Government and intimated to the Committee.

27 Paragraph 45(ii) (b)—Under assessment/Mistakes in computation of tax,

In 44 cases (3 districts) tax amounting to Rs 24,038 was under assessed on account of—

- (i) Levy of tax at lower rates
- (ii) Incorrect computation of taxable turnover,
- (iii) Mistakes in arithmetical calculations of tax assessed, and
- (iv) Non/short levy of purchase tax

Audit had pointed out that in 36 cases involving Rs 19,264 additional demands had been created. In 8 cases involving Rs 4,774 *suo motu* action was being initiated by the department.

The department stated in a written memorandum that out of 44 cases mentioned in the audit paragraph 6 cases related to the reorganised State of Punjab and Union Territory Chandigarh. Of the remaining 38 cases additional demands had been created in 30 cases and 8 cases were pending *suo motu* action. In regard to these 8 cases it was stated that in one case audit objection had not been upheld by the revisional authority. Four cases were remanded by the revisional authority and in the remaining 3 cases additional demand of Rs 1,544 was created which stood recovered. Out of 4 remanded cases in 2 cases the assessing authority had created an additional demand of Rs 1,490 which had been recovered. In one case a refund of Rs 321 was allowed to the dealer by the assessing authority. In the 4th case, reassessment proceedings were in progress and the delay was due to the fact that the firm was lying closed since long and the dealer had not turned up with accounts.

Necessary action was also stated to have been taken or was being taken against the assessing authorities concerned, wherever necessary.

The Committee would like to know the outcome of the remaining one case where re-assessment proceedings are stated to be pending and the amount of the additional demand, if any, created and recovered in this case

28 Paragraph 46 of the Audit Report, 1968—Evasion of Central Sales Tax

Under the Act, a sale or purchase of goods shall be deemed to have taken place in the course of inter State trade or commerce if the sale or purchase occasions the movement of goods from one State to another. In two cases of Gurgaon District, the assessing authority detected in the course of assessment for 1963 64 (finalised in September 1966 and October, 1964) and 1964 65 that the alleged transfer of goods to head office outside the State (not taxable under the Act) were in fact sales in the course of inter State trade or commerce and assessed them for the years 1963 64 and 1964 65 accordingly. It was, however, noticed in July 1967, that no action was taken for the revision of assessments relating to similar sales wrongly shown as transfers to head office during the earlier years 1960 61 to 1962 63. The tax involved in these two cases was Rs. 3 03 496. The Excise and Taxation Commissioner intimated Audit in October 1967 that the cases were being entrusted to the Revisional Authority for taking *suo motu* action.

In another case of a dealer of the same district, the assessing authority detected while framing assessment for the year 1959 60 (remand case) on 3rd September 1966, that transfer of goods to head office outside the State as shown by the dealer were in fact inter State sales and accordingly liable for Central Sales Tax. Similar transactions during subsequent years 1960 61 to 1962 63 the assessments of which were framed earlier than 3rd September, 1966, escaped levy of sales tax.

It was noticed from the assessee's file that goods of Rs. 19 822, shown as transferred to head office outside the State during 1961 62 were actually despatched direct to a dealer outside the State and the same, therefore constituted inter-State sales liable for Central Sales Tax. The under assessment of tax of Rs. 1,388 in this one case of 1961 62 was admitted by the assessing authority. Audit was informed by the department that the two assessments for the years 1960 61 and 1962 63 involving tax effect of Rs. 4 137 along with that of 1961 62 were being referred to the Revisional Authority for *suo motu* action.

In a written memorandum, the department stated that out of the 3 cases mentioned in the audit paragraph, 2 cases remanded for re assessment had since been decided by the assessing authorities and the additional demands had been recovered from the dealers concerned. In the third case, the *suo motu* proceedings had not as yet been decided by the revisional authority. The dealer had filed special leave application in the Supreme Court which had been dismissed in August, 1969, and thereafter *suo motu* proceedings were initiated.

The dealer involved in this case is one of the parties whose case has been discussed in paragraph 24 of this Report where the revisional authority, i.e., the Deputy Excise and Taxation Commissioner, has taken an unusually long time to finalize the *suo motu* proceedings despite repeated reminders. The observations made in that paragraph equally apply in this case and the Committee would like to be informed of the decision taken in both the cases as early as possible.

29 Paragraph 47 of the Audit Report, 1968—Arrears in assessment and collection of sales tax etc

(a) *Arrears in assessments*—Audit had pointed out that the progress of assessment of sales tax during the years 1965 66 and 1966 67 was as under —

Year	Total number of assessment cases	Number of assessments completed		Total	Number of assessments pending at the end of the year
		Out of current	Out of arrears		
1965 66	36,143	19 844	16 170	26 014	10,129 (28 per cent)
1966 67	39 448	20 943	7,687	28 630	10 818 (27 per cent)

The following was the year wise break up as furnished by the department of the outstanding cases —

Year	At the end of March, 1966
1962 63	217
1963 64	1 366
1964-65	6,532
1965 66	2,014
1966 67	
Total	10,129

The approximate amount of tax involved in these cases could not be ascertained

The department stated in a written memorandum that at the time of the compilation of the information for the Audit Report 1970, it was noticed that the information regarding assessment cases supplied by the local officers was in respect of all Acts administered by the department. However, as a result of the discussions between the Accountant General and Excise and Taxation Commissioner, it was stated that the figures in regard to the arrears in

assessment under the Punjab General Sales Tax Act and the Central Sales Tax Act for the years 1965 66 to 1968 69 were as follows —

Year	Total number of assessment cases in the State	Number of assessments completed			Number of assessments pending at the end of the year
		Out of current	Out of arrears	Total	
1965 66	32 356	21 865	6 922	28 787	11,664
1966 67	33 085	23,470	8 858	32 329	12 420
1967 68	36 066	26 140	10 194	36,334	12 152
1968 69	36 697	26 054	10 360	36 414	12 435

The year wise break up of these outstandings was given as under —

Year to which assessment pertains	At the end of			
	March 1966	March, 1967	March, 1968	March, 1969
1961 62	24	16	2	2
1962 63	336	59	4	4
1963 64	2 685	762	43	4
1964 65	8 619	3 421	260	31
1965 66		8 162	2,511	187
1966 67			9 332	2 092
1967 68				10,115
1968 69				
Total	11,664	12 420	12,152	12,435

It was explained during oral evidence that the main reason for the accumulation of these arrears was due to shortage of staff. Because of non-availability of suitable candidates it had not been possible to make recruitment to a number of posts of assessing authorities.

The Committee are not at all convinced with the reasons advanced for the accumulation of these heavy arrears in assessment cases. The delay in making assessments is obviously fraught with serious complications and is also likely to lead to the non recovery of tax due from the dealers concerned. It is imperative that the assessment proceedings should be finalized within the minimum period possible so as to ensure recovery of tax, wherever due, as early as possible.

The Committee would recommend that the reasons for the non recruitment of staff may also be properly looked into and remedial measures taken, if necessary, so that the bottle-necks are removed. The Committee would like to be informed of the steps taken in this behalf and to know the progress made in the clearance of these arrears.

30 Paragraph 3(b) of the Audit Report, 1968—Arrears in collection of revenue and other receipts and paragraph 47(b)—Arrears in collections

Audit had pointed out that the tax assessed but not realised amounted to Rs 29.05 lakhs at the end of 1966-67. The following yearwise break up of the amount outstanding for recovery was given —

	Outstanding on 31st March 1967 (In lakhs of rupees)
Up to 1960-61	1 11
Up to 1961-62	4 72
Up to 1962-63	2 82
Up to 1963-64	2 52
Up to 1964-65	1 67
Up to 1965-66	6 46
Up to 1966-67	9 75
Total	29 05

The department stated in evidence that out of the total outstanding arrears of Rs 29.05 lakhs a sum of Rs 18.26 lakhs had since been recovered leaving the balance at Rs 10.79 lakhs. Out of this recovery for a sum of Rs 5.92 lakhs had been stayed by various courts/authorities and cases involving an amount of Rs 2.72 lakhs were being examined or had been sent to competent authorities for write off as the amount had become irrecoverable due to the dissolution of the firms/companies/disappearance of assessee leaving behind no movable or immovable properties. The recoverable balance amounted to Rs 2.15 lakhs and efforts were being made to liquidate these arrears. It was further stated that the arrears position was reviewed every month and the assessing authorities had also been vested with the powers of the Assistant Collector Grade I under the Land Revenue Act.

While going through the data furnished by the department it was observed that in the case of Ambala District the total arrears existing on 31st March 1967 amounted to Rs 4.97 lakhs and the amount recommended to be written off was shown as Rs 1.63 lakhs. This was indeed a very high percentage of arrears to be written off and the department was asked to clarify the special reasons for recommending such a high percentage to be written off. The departmental representative promised to look into this aspect of the matter further.

The Committee view with concern the accumulation of heavy arrears in the collection of revenue and feel that these arrears are indicative of the inadequate action being taken towards recovery of the Government dues. Apart from the fact that the non-recovery of tax in proper time affects the budgetary forecasts, there is also the risk of the amounts ultimately proving to be irrecoverable as has already happened. The Committee would urge that immediate and effective steps should be taken to liquidate all the outstanding arrears and a suitable machinery be devised to see that these arrears do not accumulate in future.

The Committee would also like to be informed of the result of the examination of the high percentage of the amount recommended to be written off in Ambala District and also desire that similar examination may be conducted in other cases also where the percentage of irrecoverable amount is substantially high.

WELFARE OF SCHEDULED CASTES AND BACKWARD CLASSES

31 Paragraph 28 of the Audit Report, 1968—Land Purchase Scheme

The scheme envisages the settlement of landless agricultural workers belonging to Harijan families on agricultural land. For this purpose superior agricultural land of not less than 5 acres per beneficiary estimated to cost about Rs 4,500 is purchased on behalf of the beneficiaries by the District Welfare Officer, with the approval of the Land Selection Committee constituted by the Government. A sum of Rs 2,000 per beneficiary is given as subsidy and the balance amount of Rs 2,500 is to be contributed by the beneficiary himself if necessary, by raising loans from the Land Mortgage Bank. This scheme does not envisage the payment of subsidy to the same persons twice over. Mention was made in para 33 of Audit Report, 1963 regarding the irregularities noticed in the disbursement of subsidies under the scheme and purchase of agricultural land for settlement of beneficiaries. A further review of the scheme in Ambala District by Audit had revealed that 50 acres of land was

purchased in February 1963, for settlement of 10 beneficiaries at a cost of Rs 45,000. A sum of Rs 20,000 representing the amount of subsidy was paid to the vendor and the possession taken in May, 1963. No formal agreement was executed by the department with the land owner. The beneficiaries failed to make payment of the balance amount of Rs 25,000 and were consequently ejected by the seller in June, 1964. The land owner informed the department in December 1964, that she was no longer bound to sell the land and the advance of Rs 20,000 stood forfeited. The department stated in October 1965 that the ejection of the beneficiaries and non recovery of the amount of Rs 20,000 was due to non execution of agreement in the proper form. The Government informed Audit in August 1967 that action to recover the amount from the vendor and for fixing the responsibility on the defaulting officials was being taken. Out of 10 beneficiaries 4 were again allowed the benefit under the scheme and a sum of Rs 8,000 was paid on their behalf as subsidy in November, 1964 to August, 1965. Government informed Audit in February 1968, that it had been decided to make good the amount by recovery of Rs 17,000 from the vendor and Rs 3,000 from the beneficiaries. The then District Welfare Officer Ambala, had been issued a warning for his lapse in making payment of subsidy for the second time.

The department stated in its written memorandum that the payment of Rs 20,000 was made by the then District Welfare Officer, Ambala, in February 1963, after obtaining from the seller a written deed (executed on stamped paper of Rs 2.25 duly attested by the Deputy Commissioner Ambala) which read that she had received the payment as advance money of subsidy for the settlement of 10 Harijan beneficiaries against the sale of agricultural land and had given a clear physical possession and surrendered all claims on the land except the standing crops which were to be cleared by April, 1963. Model agreement form was stated to have been sent to all District Welfare Officers in June 1964, and that was why the District Welfare Officer failed to execute an agreement between the vendor and the beneficiaries. However instructions had been issued by the department to all the District Welfare Officers in May 1962, indicating the points to be incorporated in the agreement to be entered into between the vendor and the beneficiaries. It was further stated that the District Welfare Officer Ambala failed to comply with these instructions.

As regards action for fixing responsibility it was mentioned that it was initiated by the Director of Welfare of Scheduled Castes and Backward Classes in September 1965, and the Regional Welfare Officer Rohtak was asked to make preliminary enquiries to find out the name of the District Welfare Officer responsible for the purchase and to lodge a case for recovery of Rs 20,000 from the seller. The Regional Welfare Officer did not take any action to intimate the name of the defaulter and it was only in October, 1967 that the name of the defaulting officer became known. As the officer had been allocated to the Punjab Government, the Director of Welfare of Scheduled Castes and Backward Classes, Punjab was requested in May, 1970 to consider the desirability of taking disciplinary action against the officer concerned. He had called for the explanation of the officer concerned in June, 1970.

Out of the amount of Rs 20,000 paid to the vendor, a sum of Rs 17,000 was stated to have since been recovered from her and deposited in the treasury in June 1968. Of the remaining amount of Rs 3,000 a sum of Rs 611 had been recovered from the beneficiaries in July 1968 and efforts were being made to recover the balance amount from them.

As regards the payment of the amount of Rs 8,000 to four beneficiaries for the second time, it was stated that in 1964 the concessions under this

scheme were extended to persons who purchased evacuee agricultural land in open auction. The 4 beneficiaries in question also gave bids in auction and purchased the land in auction and as they were the victims of the circumstances and deserved resettlement the District Welfare Officer Ambala, again allowed the subsidy of Rs 2 000 each.

During the course of oral evidence the departmental representatives were asked to supply information to the Committee about the working of the scheme since the information of Haryana showing —

- (i) the number of people who were given subsidy ,
- (ii) the number of people to whom loans were given under the New Scheme ,
- (iii) the number of cases in which loan had been recovered , and
- (iv) the number of cases in which it was yet to be recovered

The Committee regret to observe that although the scheme was originally introduced in 1957 the model agreement form to be executed between the vendor and the beneficiaries was prescribed only in 1964, i.e., after about 7 years. The Committee are unable to understand the reasons due to which the model agreement form was not devised at the time when the scheme was first introduced and why it was prescribed so late. The Committee also feel that it was a grave omission on the part of the then District Welfare Officer, Ambala, not to have executed any agreement with the vendor at the time of payment of the amount of Rs 20,000 as stipulated in the instructions issued in May, 1962. The Committee would like to be informed about the action taken against the defaulting officer in this behalf and would further recommend that it may be verified that non furnishing of the name of the defaulting officer by the Regional Welfare Officer, Rohtak, was not deliberate.

The progress in the recovery of the balance amount of Rs 2,389 from the beneficiaries may also be intimated to the Committee.

The information relating to the working of the scheme after 1st November, 1966, as mentioned above, may also be furnished to the Committee as early as possible.

HOUSING

32 Paragraph 59 of the Audit Report, 1968—Land Acquisition and Development Scheme

Audit had pointed out that the scheme for acquisition and development of land for the setting up of composite and self contained colonies and townships in and around existing cities, sponsored by the Government of India in October 1959 was taken up by the State Government during the year 1961-62. The expenditure on the acquisition and development of land undertaken by the State Government itself or through local bodies or other semi Government agencies was to be met out of loans from the Government of India and Life Insurance Corporation of India repayable over a period not exceeding 10 years and 25 years respectively.

Loans amounting to Rs 21 50 lakhs were disbursed by the State Government to the Improvement Trusts of Jagadhri, Yamunanagar Gurgaon Bhiwani Ambala, Karnal Panipat and to the Municipal Committee, Hissar for the implementation of the scheme during 1961 62 to 1966 67

The following points were noticed in audit in regard to the disbursement and utilisation of loans amounting to Rs 17 50 lakhs up to 1965 66 —

- (a) No rules prescribing the conditions of eligibility for loan period of utilisation and repayment of loans and the manner in which the sale price of developed plots was to be fixed, were framed by the State Government, as required by the scheme
- (b) Loans amounting to Rs 11 50 lakhs were disbursed without ensuring that the implementing agency had drawn up detailed scheme for the development of land
- (c) The implementing agencies have neither utilised any amount of loan nor initiated action for implementing the scheme. A sum of Rs 2 78 lakhs was refunded by the Improvement Trusts of Jagadhri, Yamunanagar and Municipal Committee Hissar during 1962 63 to 1965 66 against the amount of Rs 8 lakhs advanced during 1961 62. Government informed Audit in November, 1967, that the loans were disbursed on the presumption that those would be utilised by the local bodies concerned before the close of the financial year and that the matter regarding finalisation of rules was under their consideration

The department stated in evidence that any organisation which could prepare a Project to achieve the objective of the Land Acquisition and Development Scheme was eligible for the loan under the scheme. The local bodies and Urban Estates Department were considered to be the best agencies for the purpose and the loans were accordingly advanced to them. Prior to 1st November 1966, the loans under the scheme were advanced by the erstwhile Punjab Government and the reasons for not mentioning the period of utilisation of loan in their sanctions were not known to the Housing Branch of Haryana. However, from 1st November, 1966 onwards it was always mentioned in the agreement executed by the executing agencies with the Government that the amount of loan would be utilized within one year for the purpose of acquisition and/or development of land. It was also provided therein that the loan with interest was repayable in 25 annual equated instalments.

In regard to the question of framing rules by the State Government, it was stated that no such rules were framed by the erstwhile Punjab Government presumably because the Land Acquisition and Development Scheme contained the requisite terms and conditions for its implementation. It was also mentioned that Government had now decided that no separate rules for the purpose be framed. However, from 1st November, 1966 loans were granted on the basis of schemes sanctioned by the Local Government Department.

It was further stated that both the local bodies and Urban Estates Department had made their own rules for the purpose of execution of the scheme. It was also stated that no local body had sold any plot so far under the Land Acquisition and Development Scheme. Although some of the Improvement

Trusts had notified certain areas for acquisition, the area actually acquired was 27 acres at Yamunanagar, nearly 4 acres at Bhiwani, 16 acres and 10 biswas at Ambala and 9 acres at Panipat

As regards the fixation of sale price of the developed plots, it was mentioned that the Land Acquisition and Development Scheme aimed at selling the plots on no profit no loss basis subject to the following other terms and conditions —

- (a) Plots intended for commercial or commercial cum residential purposes as well as plots intended for persons not covered by any of the housing schemes were sold by public auction or by open tenders
- (b) The agency utilised the entire profit gained by sale of land by public auction or open tenders for the purpose of reducing the price of the land to be utilised for public housing and to be sold to persons and co operatives in the lower groups

To an enquiry from the Committee as to whether any rules had been framed for the proper costing of the plots by the local bodies, the departmental representative stated that the stage of sale had not yet arrived and that the Government would consider the desirability of taking such an action if a recommendation to this effect was made by the Committee

Out of the total loan of Rs 21 50 lakhs given to the local bodies upto 1966 67, a sum of Rs 10 56 lakhs was stated to have been utilised. The Committee were informed that after the formation of Haryana also Rs 9 50 lakhs had been advanced under the scheme to the Improvement Trusts at Ambala and Panipat and the Municipal Committee Ambala

During the course of oral examination, the departmental representative admitted that the Improvement Trusts etc., to whom loans were sanctioned had been slow in implementing the scheme but mentioned that they had not defaulted in returning the loans as required under the rules

The Committee regret to observe the extreme apathy and slow progress in the implementation of the scheme which had been introduced by the Government of India in 1959 with the idea of setting up composite and self-contained colonies in view of the high land values and general scarcity of building sites. Although loans had been granted to the various Improvement Trusts/Municipal Committees from 1961-62 onwards none of them had been able to sell even a single plot of land and only a negligible area had been acquired uptill now. The Committee strongly feel that this pace of progress is hardly satisfactory and the local bodies should not have been allowed further loans of Rs 9 50 lakhs after the formation of Haryana. It seems to the Committee that instead of utilising these funds for the purposes of the scheme itself these bodies had ostensibly diverted these funds to augment their general resources

The Committee would recommend that a detailed review of the working of the scheme should be undertaken in order to devise some effective measures for the expeditious implementation of the scheme and to remove bottlenecks, wherever these may be. They would urge that the local bodies concerned should be pressed to implement the scheme without any further delay and that the local bodies should be clearly told that if they are not able to show better results they would not be given any further loans under this scheme

The Committee would also recommend that a uniform policy may be laid down by Government for the calculation of sale price of developed plots so as to avoid adoption of different norms and patterns by the individual local bodies

33 Paragraph 61 of the Audit Report, 1968—Low Income Group Housing Scheme

(a) A loan of Rs 2,65 000 was granted to a House Building Co operative Society at Hissar for the construction of 65 houses under this scheme. According to the rules, the first instalment of loan was to be released on execution of agreement deed while the second and third instalments were to be released on production of evidence of completion of the relevant houses up to the plinth and roof level respectively. The agreement deed executed by the Society stipulated that the construction of houses should be commenced within three months and completed within one year of the date of payment of the first instalment of loan. The first instalment of loan amounting to Rs 53 000 was released in June 1961. The second and third instalments of loans amounting to Rs 1,32,500 and Rs 79,000 were released on different dates during 1962-63 on receipt of certificates of the President of the House Building Co operative Society. The following points were noticed in Audit —

- (i) According to the report of the Deputy Commissioner Hissar the entire amount of loan was disbursed to 63 persons instead of 65 persons by the co-operative society. This resulted in excess payment of Rs 8,154 which had not been refunded to Government. In 2 cases involving loans of Rs 8 254 the loans were utilised for construction of a factory accommodation and for a shop cum residence instead of residential accommodation as envisaged by the scheme. No action had been taken by the department for lumpsum recovery for the misutilised amount till September 1967.

- (ii) A sum of Rs 41 777 which had fallen due for recovery was outstanding against the co-operative society on account of annual instalments including penal interest as on the 31st March, 1967.

(b) The same society was granted another loan of Rs 35 000 for the construction of 10 houses on the 31st March, 1965. The first instalment of Rs 7 000 was released in April 1965. The second instalment of Rs 17 500 was released in May 1965 on receipt of a certificate from the President of the society that the construction had been completed upto plinth level and without any further verification from the Assistant Registrar, Co operative Societies as required under the rules. On departmental verification in August 1965 it was noticed that the certificate given by the President of the Society was incorrect, as only one house had been constructed upto plinth level. The Deputy Commissioner Hissar, reported the matter to the Superintendent of Police in September, 1965, for investigation into the alleged misrepresentation of facts. The third instalment of loan amounting to Rs 10 500 was released to the Society in April 1967. The results of the findings of the police were awaited by Audit till March 1968.

The department stated in a written memorandum that according to the list of members originally supplied by the Society in March 1961 the loan was proposed to be advanced to 65 members. Subsequently, however, when the first instalment of loan was released by the Deputy Commissioner in June,

1961, there was acute shortage of building materials in the open market and some of the members dropped the idea of taking the loan. Therefore the original list of 65 members was reduced to 61 and the loan was accordingly distributed among 61 members but this fact escaped notice in the office of the Deputy Commissioner Hissar. It was further stated that out of 61 members 59 members had since completed and occupied their houses on different dates and the loan advanced to them had been properly utilized. The remaining two cases had been referred by the Society for arbitration out of which one case had been decided by the Arbitrator in January, 1969 but the award in the second case was yet to be announced.

In regard to the two cases involving loans of Rs 8,254 which were stated to have been misutilized, it was stated that the Society had asked the member involved in one case in January 1963 to dismantle the hall for factory accommodation and also requested the Electricity Authorities not to sanction any electric connection for the running of a factory if applied for. However the member converted the hall into residential accommodation in 1968. As for the second case it was stated that in accordance with the instructions of the Government of India issued in February, 1967 loan for the construction of shop cum residence was admissible subject to the condition that no part of the loan was utilized by the borrower for the construction of the shop portion. The loanee in this case had constructed four rooms for residence and three rooms for shops. Two of the shops had since been included into the residence and he had promised to include the third room also for residential purposes. The member was reported to have spent Rs 25,500 against the loan of Rs 5,000 given to him.

The Committee were further informed that 39 loanees had taken more than one year for the completion of their houses and according to the terms of the agreement deed executed by them the Government sanction for extension beyond one year was necessary. However the Deputy Commissioner had reported that Government sanction could not be obtained as the Society did not indicate any specific period during which the loanees would be able to complete their houses.

As regards the outstanding amount of Rs 41,777 which had fallen due for recovery (including penal interest) by 31st March 1967 the department stated that a sum of Rs 13,000 was deposited by the Society on 7th February 1968 and now only an amount of Rs 17,225 which had fallen due on the 31st March, 1970 was outstanding. After repeated reminders the President of the Society had assured that this amount would be deposited within two months.

In respect of item (b) it was stated that under the Low Income Housing Scheme the Society was required to submit the certificates in regard to the stages of construction of the houses through the Assistant Registrar Co-operative Societies but the Deputy Commissioner's Office interpreted these instructions wrongly and did not insist for their compliance. It was further stated that out of 10 loanees who had been advanced loan 9 persons had since completed their houses. However the tenth loanee did not construct the house beyond plinth level. The Society cancelled his loan in August, 1968 and asked him to refund the amount. On his non compliance the case was referred by the Society for arbitration. The Arbitrator had given his award in January 1969 and necessary steps for its execution in the civil court was being taken. It was also stated that the Superintendent of Police, Hissar to whom the matter regarding the submission of wrong certificate by the Society was referred in

September, 1965 had sent his report in October 1968 i.e. after about 3 years stating that the Society had no dishonest intention of misappropriation of Government money nor any amount advanced to the Society was misappropriated. He also reported that no criminal case could be made against the President of the Society. The third instalment of loan amounting to Rs 10,500 was stated to have been released to the Society in April 1967 on the basis of certificate furnished by the President of the Society certifying about the construction of the houses upto roof level. The Deputy Commissioner who was asked to fix responsibility in the matter had recommended that the irregularity be condoned so far as his office was concerned.

The Committee find that there had been serious lapses in the office of the Deputy Commissioner, Hissar in the release of instalments of loans at different stages. It appears that the Deputy Commissioner's office depended solely on the certificates furnished by the President of the Society without obtaining proper verification reports. Government sanction was also not obtained for extension in the prescribed period of one year (in 39 cases) within which the houses were to be constructed. The Committee are of the view that it was highly irregular to release the third instalment of Rs 10,500 (against the loan of Rs 35,000) when the matter was still pending investigation with the Superintendent of Police, Hissar particularly when the previous certificate furnished by the President of the Society was not found correct. The Committee would recommend that a proper investigation into the matter may be conducted and suitable action taken against the officials at fault.

The Committee also observe that there was unusual delay on the part of the Superintendent of Police, Hissar in completing investigation into the alleged misrepresentation of facts by the President of the Society. The Committee feel that in cases where financial interests of Government are at stake, the Police Department should act with greater promptitude.

The final position in respect of the amount still recoverable from the society and the cases pending arbitration proceedings may also be intimated to the Committee.

WELFARE

34 Paragraph 62 of Audit Report, 1968—Non refund of unutilised grants in aid

(a) Audit had pointed out that a grant of Rs 80,000 was paid to the State Orphanage Advisory Board in March 1962 for maintenance, expansion and reorganisation of Bal Bhawan (State Orphanage) Madhuban, Karnal for handicapped children. The grant in aid was to be supplemented by the Board on matching basis from their own funds. The grant in aid was to be utilised within one year from the date of issue of sanction. The total expenditure incurred by the Board during 1961-62 amounted to Rs 1,34,089 qualifying for a grant in aid amounting to Rs 67,045. The balance of Rs 12,955 had not been refunded by the Board. Government informed Audit in January, 1968 that the recovery could not be made as the Board was unable to function for want of quorum and the question of reconstituting the Board was under examination of Law Department.

(b) Audit also pointed out that another grant in aid of Rs 51,000 was paid to the same Board in March 1965 for the expansion of Bal Bhawan subject to the condition that an equal amount of Rs 51,000 would be spent by the Board from its own funds. The amount was placed at the disposal of the

Public Works Department in March 1965 without adding the Board's contribution for execution of work. The total expenditure incurred against this grant could not be ascertained by Audit as the account of works executed had not been furnished by the Public Works Department to the Board till September 1967. As the Board did not make any contribution from its own funds audit was of the view that the total amount of grant in aid was inadmissible. The extension for its utilisation had been granted up to 30th June 1967 but no amount of grant in aid had been recovered by January, 1968.

The department stated in evidence that the Bal Bhawan (State Orphanage) Madhuban Karnal was established in 1956 and the State Orphanage Advisory Board was got registered under the Societies Registration Act 1860 in 1957. Prior to reorganisation, the Board was headed by the Chief Minister Punjab as its Chairman while day to day running of the institution and management of its affairs was done by the Commissioner of the Ambala Division in his capacity as Vice Chairman (However this could not be supported by the department by any rules or regulations of the Board). The Director Social Welfare Punjab acted as its Secretary. It was further stated that according to the rules and regulations of the Board its control vested with the officers of the Punjab Government except for Commissioner, Ambala Division and no amendment to the rules and regulations to transfer the control of the Board to the officers of Haryana Government had been put into effect. However according to the advice tendered by the Law Department the control and assets and liabilities could be transferred legally by convening a meeting of the old Board wherein a resolution to this effect was passed.

It was also stated that the matter in regard to the refund of Rs 12,955 was taken up with the Commissioner, Ambala Division in his capacity as Vice Chairman of the Board in the year 1964 who moved Government for extending this amount as additional grant. However the Finance Department considered that any relaxation of matching contribution would create an awkward precedent and advised that the amount of Rs 12,955 be deducted from the grant to be released to the Board in future. But no action appeared to have been taken to recover this amount prior to reorganisation. It was further stated that action for its refund was initiated by the Social Welfare Department Haryana in June 1967 but the Commissioner Ambala Division expressed his inability in August 1967 to refund this amount as he considered that such a power did not vest with him. During the course of oral evidence the departmental representative deposed that the General Manager of the Board also requested the Commissioner, Ambala Division on 25th July 1967 to sign the cheque towards the refund of the amount of Rs 12,955. However he later refused to sign the cheque on the plea that he was not authorised to make such a payment.

As regards the grant of Rs 51,000 paid to the Board in March, 1965 it was mentioned that as two earlier grants were given to the Board in 1961-62 and 1962-63 for the construction work on a non-matching basis the Board could possibly be under a genuine impression that the condition of matching contribution would be waived off in respect of this grant too. A request to this effect was also stated to have been received in February 1967 from the Commissioner Ambala Division for treating this grant on non matching basis. However, the Finance Department did not agree to relax the condition of matching contribution though the time limit for its utilisation was extended upto 30th June 1967. It was further stated that the confirmation

of the accounts in regard to the utilisation of this grant was yet to be received from the Accountant General, Haryana and as soon as it was received the complete accounts of the grant would be submitted and the amount due to the Government recovered

The Committee were, however informed by the Accountant General that against the grant of Rs 51 000 a sum of Rs 62 000 had been spent by the P W D authorities The Committee were also informed during the course of oral examination that three more grants of Rs 45 000 each had been given to the Board during the years 1965 66 1966 67 and 1967 68 The Finance Department stated that the possibility of recovering the short falls from these grants just escaped notice

The Committee regret to observe that despite the clear advice of the Finance Department in 1964 for the recovery of the amount of Rs 12,955 from the future grants to be released to the Board, no action was taken to recover this amount from the grants paid to the Board from time to time in later years The Committee feel that since the Board was controlled by senior officers of Government there should not have been any difficulty in recovering the amount of Rs 12,955 immediately on receipt of the advice of the Finance Department The Committee do not also find any justification for the release of the grant of Rs 51,000 without first satisfying the condition of matching contribution by the Board and incurring of an expenditure of Rs 62,000 against this grant

The Committee would recommend that the above lapses may be investigated thoroughly and responsibility fixed on the defaulting officers The accounts of the expenditure against the grant of Rs 51 000 may also be finalised quickly and the balance due to the Government recovered and the Committee informed

The Committee would further urge that the question of transfer of control of the Board to the State of Haryana may be settled as expeditiously as possible The Committee would also like to know as to how in the absence of settlement of this question the grant of Rs 45,000 was released to the Board in the year 1967-68, i e , after the formation of Haryana

PUBLIC WORKS DEPARTMENT

IRRIGATION BRANCH

35 Paragraph 32 of the Audit Report, 1968—Overpayments to Contractors

Audit had pointed out that in Gauchu Division Faridabad earthwork in a reach of Gurgaon Canal was allotted by the Executive Engineer to 12 contractors in August, 1964, at negotiated rates without the approval of the competent authority The compaction work in this portion of the canal was also allotted during September and October 1964 to these contractors instead of getting it done departmentally as required under departmental instructions The Executive Engineer noticed in December 1964 that the compaction work was not being done according to the prescribed specifications and stopped further execution of work through the contractors The rest of the work was got executed departmentally An Inquiry Committee consisting of two Executive Engineers appointed by the Chief Engineer in July 1965 to enquire into the defective and sub standard compaction work and

resultant overpayments to the contractors reported in October, 1965 that (i) the compaction work done in the entire reach was sub standard although it had been measured and paid for as conforming to the prescribed specifications (ii) the work was got executed through the contractors while the departmental tractors had remained idle during this period (iii) an overpayment to the extent of Rs 66,550 had been made to the contractors as per details below —

	Rs
(a) Excessive payments on account of sub standard or defective compaction	30 296
(b) Excessive payments on account of wrong measurements of work actually executed at site (the percentage of excessive measurements varying from 0.7 per cent to 49.5 per cent)	36 254
Total	66 550

Against this, a sum of Rs 29 964 due to the contractors on account of security deposits and other claims was lying with the department. The Legal Remembrancer Punjab advised in October 1966 that a civil suit be instituted against the contractors for recovery of the balance amount of Rs 36 586. Final decision taken in the matter had not been intimated to Audit till April 1968. Action had also not been taken to fix responsibility against the defaulting officers who certified the work as conforming to specifications and made wrong measurements.

The department stated in evidence that the execution of work at Gurgaon Canal had suffered a big setback due to Chinese aggression in 1962. Sanction to resume work in this project was accorded in April 1964. Tenders for the work were called twice. No tenders were received in the first instance. The rates received on the second occasion were considered high and the Executive Engineer initiated negotiations with the agencies to bring down the rates. *Expost facto* sanction to the negotiated rates was stated to have since been accorded by the Superintending Engineer of the W J C Feeder Gurgaon Canal Circle Delhi. It was further stated that the construction work was allotted to the contractors due to shortage of tractors and certain figures were also given in support of this contention showing the total number of tractors available in the N B K Link and the Gurgaon Canal, the number of tractors which were in working condition and the number of tractors which were under repairs. The department also informed the Audit that the Superintending Engineer Western Jamuna Canal was asked to investigate into the observations of the Inquiry Committee in this behalf and he had reported that no tractor in working condition remained idle.

During the course of oral evidence the departmental representative was asked to inform the Committee after due verification whether the tractors which were in working condition were fully put to use and where and whether in the presence of the tractors in working order could the compaction work not be got done departmentally. The departmental representatives promised to supply the requisite information to the Committee.

The opinion originally given by the Legal Remembrancer was stated

to have been subsequently revised in November 1967 and the L R advised that recourse should first be taken to arbitration proceedings and a notice be given to the contractors to agree to refer the subject matter in dispute to the agreed arbitrator. Out of 12 contractors involved 8 contractors were stated to have applied for arbitration. One of these cases had since been decided by the Arbitrator in favour of the contractor. The remaining seven cases were yet to be decided by the Arbitrator. It was added that the remaining 4 contractors who had not gone in for arbitration were concerned with very small amounts.

Out of the total amount of Rs 66,432 recoverable from the contractors a sum of Rs 52,551 was stated to have been recovered and the balance of Rs 13,881 was pending arbitration.

In regard to the question of fixing responsibility, it was stated in October 1969 that show cause notices against the officials/officers were being issued and action was likely to be finalised within a period of six months after observing all formalities.

No check measurement of the measurements recorded by the Sectional Officer was stated to have been made by the S D O /Executive Engineer incharge as required under the rules. It was mentioned that the explanation of the defaulting officers was being called for this lapse.

The Committee are unhappy to note the manner in which this work was got executed. There was prima facie no justification for the allotment of work at negotiated rates without first getting the approval of the competent authority and for the allotment of the compaction work to the contractors without going into the desirability of getting the work done departmentally as required under departmental instructions. The fact that soon after the work was allotted to the contractors it was found that it was not being done according to the prescribed specifications and the work was subsequently got executed departmentally shows that the initial allotment of the work to the contractors was not in order and adequate machinery was available with the department for getting this work done departmentally. The findings of the Inquiry Committee consisting of two Executive Engineers lends support to this viewpoint. In any case, the Committee would await the results of the further investigation made by the department as promised during the course of oral evidence in regard to the manner in which the tractors available with the department in working condition were put to use.

The Committee would also like to be informed about the decision of the Arbitrator in the remaining seven cases and the progress in regard to the disciplinary proceedings against the defaulting officers/officials concerned.

36 Paragraph 33 of the Audit Report, 1968—Infructuous Expenditure

Audit had pointed out that with a view to eliminating direct outlets and strengthening the banks of Bhiwani Sub Branch Canal two ditch minors were constructed during the year 1956 to supply water to cultivators in Rohtak West Jamuna Canal Division. These minors could be commissioned only in June 1963 and October, 1963 respectively. The delay in the commissioning of the minors was attributed by the department to non availability of adequate water supply.

The minors had been constructed without the inner banks towards canal side on the consideration that natural banks would be formed in due course owing to silting during the monsoons when silt laden water would run into ditch minors. The commissioning of ditch minors without inner banks soon caused water logging. This brought forth considerable agitation from the cultivators who impressed upon the Government to close down the ditch minors till such time as the remedial anti water logging measures were enforced successfully. The Chief Engineer decided in October 1965 and in March, 1966 that the ditch minors should be closed and direct outlets be restored. He also proposed that the ditch minors be remodelled and provided with inner banks. The direct outlets were refixed in October 1965 and May, 1966 on the sub branch. The Government informed Audit in August, 1967 that the omission of inner banks was intended to reduce the cost with added advantages of stability and strength resulting from natural silting and consolidation and that it had since been decided not to resume these ditches as it could not be possible to launch anti waterlogging measures. The expenditure on the construction, maintenance and improvements of two ditch minors and removal of direct outlets amounting to Rs 81 758, thus proved unfruitful.

The department stated in evidence that these minors were constructed during 1958 and 1959 but could not be commissioned earlier than 1963 because the full supply level in the newly constructed Bhiwani Sub Branch was much lower than the designed level. This was due to the fact that the old Bhiwani Distributary was converted into Sub Branch by cutting the berms and setting back the right bank to cater for the revised discharge of 839 cusecs against 307 cusecs at the Head. The ditch minors could be run immediately after their construction if the Cross Regulators had been constructed in the parent channels at their Heads. However, these Cross Regulators would have cost much and in order to effect economy it was considered that the ditch minors should be run after attaining the designed Full Supply Level of the parent channels. It was added that the ditch minors did not add to water logging but rather reduced the water logging effect by serving as seepage channels and cutting the hydraulic gradient of the Main Branch where full supply level was much higher than that of the ditch minors. In this case the water logging trouble was experienced due to heavy rains during monsoons of 1963 when most of the areas of Rohtak District were flooded. It was further stated that the channels had not been permanently abandoned but had been closed temporarily till the second banks were completed for which the estimates were under examination. The channels would run again after the construction of second banks.

During the course of oral evidence the departmental representative clearly conceded that waterlogging was not the problem in this case and that the ditch minors were closed primarily because of complaints from the cultivators of the area the actual reason for which was stated to be that their turn for irrigation from the ditch minors came after about 30 days as compared to 15 days if the outlets were fixed in the Sub Branch.

The Committee regret to observe that although the ditch minors were constructed during 1958 and 1959 yet these could be commissioned only in 1963 and that too only for a period of about two years whereafter the ditch minors had to be closed and direct outlets restored on the Sub Branch. The Committee are unable to appreciate the reasons due to which the connected works were not taken up simultaneously with the construction of the minors to ensure that

they were run immediately after construction. It is not clear if the supply of water in the Bhiwani Sub Branch was not upto the designed level why the construction of the minors initially was taken in hand. The Committee feel that the work on the construction of the minors should have been taken up only after full supply of water in the Bhiwani Sub-Branch had been ensured.

As admitted by the departmental representative during evidence, water-logging trouble was not at all the reason for the closure of the ditch minors which are normally provided along side the main canals. If the ditch minors are not required by the cultivators, Government should consider giving back the land to the original owners at the price paid to them, or otherwise dispose of the land, instead of keeping the Government money blocked in an abandoned and unwanted work.

37 Paragraph 42-Appendix V (1) of the Audit Report 1968—Shortage of Stores

The Haryana Division, Western Jamuna Canal Rohtak the charge of slack coal weighing 1,335.80 metric tonnes as per stock register was not taken over on transfer of a Sectional Officer in April, 1966 as the coal lying at site was stated to be short by his successor. The coal was measured by the Executive Engineer in November 1966 but no shortage was found. The successor Sectional Officer still refused to take over the coal in his stock register. The coal was re-measured at the instance of the Superintending Engineer in 1967 when a shortage of 232.95 metric tonnes valued at Rs 15,682 was noticed. The amount was shown as recoverable from the officials at fault in the accounts for December, 1967.

The Chief Engineer informed Audit in January, 1968 and again in February 1968 that an Enquiry Officer was appointed to fix responsibility for the shortage of coal and that on the basis of his report, show cause notices were being served on the defaulting Sectional Officers.

The department stated in evidence that after considering the replies to show cause notices served on the defaulting Sectional Officers the Sectional Officer who had taken over charge in April 1968 was held responsible for the shortage of slack coal and it was (excluding storage and supervision charges) ordered in May 1968 that the recovery of Rs 13,977 should be effected at the rate of 1/3rd of his emoluments. Adverse remarks were also stated to have been entered in the qualification report of the Official.

It was further stated during the course of oral evidence that on an appeal by the Sectional Officer concerned he was given a personal hearing by the Chief Engineer in October 1967 when he brought out certain additional facts to the notice of the Chief Engineer which needed further investigation. It was added that final decision in this behalf would be taken by the Chief Engineer within a period of three months.

The Committee recommend that the final decision in the matter may be taken as early as possible and communicated to the Committee.

BHAKRA CANALS ADMINISTRATION

38 Paragraph 31 of the Audit Report, 1968—Excess payment to contractors

In Pehowa Division Kaithal 25 final bills of various contractors passed during May 1965 to January 1966 pertaining to the construction period of Bhakra Canals in the years 1950 to 1954 showed recoveries aggregating Rs 90 558 as due from them. The last running bills were paid during 1953 to 1959. The excess payments to the contractors were due to the following —

- (a) Non recovery of cost of material
- (b) reduction in quantities due to —
 - (i) check measurements and
 - (ii) non deductions of voids
- (c) reduction in rates on account of changes in classification of work
- (d) excessive consumption of material by the contractors etc

The department informed Audit in January 1968 that the recoverable amount had been reduced to Rs 27,762 and that action was being taken against the officers/officials responsible for excess payments.

The department stated in evidence that out of the total 24 cases the amount had been finally cleared/adjusted or written off in 17 cases. Of the remaining 7 cases, 3 cases pertained to Rajpura Division now under the Punjab Government in 2 cases disciplinary action against the defaulting officials was still being taken, in one case the civil court had given a decision in favour of the Department and in the remaining one case the decision of the court was awaited. It was added that out of the total recoverable amount of Rs 27 763, the outstanding balance now left was Rs 5 763.

In regard to the cases pertaining to Rajpura Division it was stated that the Chief Engineer Irrigation Works Punjab had been requested to depute some Executive Engineer to collect the relevant record from Pehowa Division but so far no official had been deputed for this purpose.

It was added that during the construction period of Bhakra Canals the accounts work could not keep pace due to rush of work and also on account of raw and inexperienced staff. Consequently the Government had to sanction special staff for the clearance of accounts work under the control of the Chief Accounts Officer Bhakra Nangal Project.

The Committee are not convinced with the reasons advanced by the department for the accumulation of arrears in accounts. The Committee are of the view that it had become possible to pile up recoveries against the contractors because of sheer indifference on the part of departmental officers. This state of affairs could certainly be avoided if various codal requirements pre requisite to the payment of running bills of the contractors had been followed meticulously by the Divisional Officers. The Committee recommend that suitable steps should even now be taken to recover/adjust the balance amount of Rs 5,763 expeditiously.

The Committee would like to be informed of further progress in regard to the settlement of the pending cases.

39 Paragraph 42—Appendix V (2) to (5)—Shortages of Stores

Audit had pointed out that there had been considerable delay in investigation of the following cases of shortages and loss of stores etc —

(1) Distance marks and boundary stones of the value of Rs 12,224 were reported missing by four Sectional Officers of Narwana Division at the time of taking over charge in November 1966. The shortages were accounted for in accordance with the prescribed procedure only in June 1967, these were not reported to Audit as required under the rules. Departmental orders regarding the annual checking of distance marks were not complied with by the Sectional Officers concerned.

The matter was reported to the Chief Engineer and Government in February 1967. The Chief Engineer informed Audit in November 1967 and again in January 1968 that show cause notices were being issued to the Sectional Officers responsible for the shortages and that disciplinary action was being taken against the Sectional Officers who had not carried out the annual check of distance marks resulting in loss to Government.

(2) Shortages of stores valued at Rs 13,357 were noticed in Narwana Division in November, 1966 at the time of transfer of charge by five Sectional Officers. The shortages were shown in accounts as recoverable from them in accordance with the prescribed procedure in January, June and July 1967. These shortages were also not reported to Audit as required under rules. The Chief Engineer informed Audit in December 1967 that action was being taken against the defaulting officials with a view to effect recoveries.

(3) Shortages of stock and tools and plant articles valued at Rs 12,700 were noticed in Sirsa Division in April 1966 at the time of transfer of charge of two Sectional Officers. These were shown in accounts as recoverable from the Sectional Officers during February 1966 to July 1966. These shortages were not immediately reported to Audit as required under rules. The Chief Engineer informed Audit in November 1967 that the defaulting Sectional Officers were served with show cause notices in October 1967 and that their replies were awaited.

Physical verification of stores required to be done by the Sub Divisional Officer once in two years was not done from April 1964 onwards in the case of one section and from the year 1956 onwards in the case of another section till August 1967. The Chief Engineer stated in November 1967 that the Sub Divisional Officers responsible for not conducting physical verification of stores had been called upon to explain their position.

(4) 3,12,790 pucca bricks costing Rs 12,375 purchased by the department during March 1965 to March 1966 in Sirsa Revenue Division for lining and outlet works lying at a kiln site owned by a contractor were reported by the Sub Divisional Officer Baruwali Sub Division to have been stolen in October, 1966. A report was also lodged with the Police. The Chief Engineer stated in November, 1967 that the results of the Police investigation were still awaited.

The position in respect of the above cases of shortages of stores etc explained by the department is indicated below ad seriatim —

Case No (1)

It was stated that the shortages mentioned in the Audit

Paragraph were pointed out by the Sectional Officers during November 1966 while taking over charge from the Sectional Officers who had been allocated and transferred to Punjab. The charge Reports subsequently remained under verification and ultimately the amounts were placed under the Suspense Head Miscellaneous P W Advances in July 1967. Show cause notices had been sent to the Chief Engineer Irrigation Works Punjab for being served against four Sectional Officers involved in these shortages in November 1968/January 1969. The Chief Engineer Irrigation Works Punjab had intimated that the show cause notices had been sent to the Officers under whom three Sectional Officers were working.

The department further informed Audit in January 1968 that shortages/losses of the value of Rs 6 869 Rs 1 839 and Rs 1 463 had also come to notice in other Sections under similar circumstances. Action to fix responsibility in regard to the shortages for Rs 1 839 and Rs 1 463 was stated to be under consideration. Show cause notices had also been sent to the Chief Engineer Irrigation Works Punjab for being served on the Sectional Officer concerned in respect of the shortage of Rs 1 463.

Action taken or proposed to be taken in regard to the shortage of Rs 6,869 noticed against Shri Man Singh, Sectional Officer Jakhauli Sub Division by his successor after the former's allocation to the new State of Punjab was not made known to the Committee. Audit is stated to have already given the details of this case to the Superintending Engineer Ambala, Bhakra Canal Circle, in July 1970.

Case No (2)

Show cause notices were sent to the Chief Engineer Irrigation Works Punjab in November 1968 for being served on five Sectional Officers held responsible for the shortages involved in this case. The Chief Engineer Irrigation Works Punjab enquired the service particulars of two of the Sectional Officers in November 1969. In one case necessary reply had been sent to the Chief Engineer Irrigation Works Punjab while the other Sectional Officer had been re allocated to the Haryana State. Action to serve show cause notice on the latter Sectional Officer was being taken. In regard to the four Sectional Officers allocated to Punjab the matter was being pursued with the Chief Engineer Irrigation Works Punjab, and it was also proposed to be taken up at Government level.

Case No (3)

It was stated that the reply to the Show Cause Notices served on the defaulting Sectional Officers had been received from one Sectional Officer held responsible for the recovery of Rs 5 408. After further verification stock and T & P articles to the extent of Rs 4 714 had been located. This Sectional Officer had been held responsible for the balance shortage of Rs 694. The matter for obtaining the reply to the show cause notices from the other Sectional Officer held responsible for the shortage of Rs 7 291 was being pursued with the Superintending Engineer Ambala, Bhakra Canal Circle under whom the Sectional Officer was at present working.

As regards the action against the Sub Divisional Officers concerned for not conducting the physical verification of stores it was mentioned that the explanations of two Sub Divisional Officers had since been received while the explanation of the third Sub-Divisional Officer allocated to Punjab was awaited. It was added that further action would be taken on receipt of reply of the Sub Divisional Officer allocated to Punjab.

Case No (4)

It was stated that before the bricks could be removed from the kiln payment had to be made to the kiln contractors because the process of removing the bricks was spread over a long time depending upon the number of bricks to be removed. To safeguard the interests of Government the Sectional Officer had obtained a receipt from the kiln owner for the number of bricks for which the payment was made to the contractor and which were not removed immediately after the payment. The representative of the Department had been able to produce a receipt for 1 71 940 bricks while the receipt for the balance 1 40 850 bricks was said to have been lost. The supplying contractor had no proof that the remaining bricks i.e. 1,40 850 had been handed over by him to the representative of the Department. The kiln contractor was said to have since handed over 1 71 940 bricks for which the receipts had been produced. The matter in regard to the recovery of the balance bricks was still under investigation by the Police with whom it was being pursued. The Sectional Officer concerned who was to lift the bricks from the kiln after making their payment was also stated to have been served with a show cause notice through the Chief Engineer Irrigation Works Punjab, as the Sectional Officer had been allocated to Punjab State. His explanation to the show cause notice was awaited despite reminders.

Initially - it was stated in the written reply of the Department that the practice of keeping such materials with the kiln contractor was adopted by the local officers to avoid expenditure on watch and ward and was still being followed by the local officers although it had no force of departmental rules/instructions behind it. However during the course of oral evidence the departmental representative informed the Committee that this practice had been stopped since May 1970 and necessary instructions issued to all concerned.

The Committee are constrained to observe that shortages/losses of stores in all these four cases involving huge amounts had become possible because the Sectional Officers allocated to the reorganised State of Punjab had been permitted to be relieved on the eve of re organisation without proper handing over and the Sectional Officers who took over from them had also not been vigilant enough to report such shortages to their superior authorities immediately so that the latter could take adequate precautionary steps well in time to safeguard the wider financial interests of the State Government. These omissions at that time have now resulted in causing abnormal delay in finalising the disciplinary action against the defaulting officials who are, at present, serving under a different State Government. The Committee, therefore, recommend that in addition to the disciplinary action already initiated in these cases, the Government should also take suitable disciplinary action against those officials/officers who failed to take timely action in reporting these shortages to the appropriate authorities before the concerned Sectional Officers were relieved of their duties on the eve of their transfers to the new State of Punjab. Failure to advise adequate precautionary steps in such situations by the higher authorities should also be looked into and the results communicated to the Committee in due course.

The Committee would like to be informed about further progress in regard to the settlement of the above cases including the one for Rs 6,869 relating to Jakhauri Section, Jakhauri Sub-Division of Narwana Division. As these cases have been pending for a long time, adequate steps may be taken to ensure that action is finalized without further delay.

The Committee observe that the practice of keeping the bricks at the kiln site after making payment as mentioned in case No (4) was entirely improper and was fraught with the risk of placing Government interests in jeopardy as has happened in this case. The Committee feel that this practice should not have been allowed to continue as soon as it had come to notice, particularly as it was not supported by any departmental rules/instructions. The Committee would like to know whether this practice has been completely stopped after the issue of instructions in May, 1970.

PUBLIC HEALTH

40 Paragraph 34 of the Audit Report, 1968—Purchase of defective pumping sets

Fifteen pumping sets were purchased in August 1965 by the Public Health Division from a firm against an order placed by the Controller of Stores. A sum of Rs 41 310 being 90 per cent of the cost of sets was paid in the same month to the firm on the basis of visual inspection certificate issued by the Assistant Inspection Officer of the Supply Department of the Government of India in July 1965. The Sub Divisional Officer, Ambala reported to the firm in December 1965 that the trial test made in the presence of firm's representative showed that the pumping sets did not give the requisite discharge and that the jet assemblies in all pumping sets were defective. After the firm had replaced the jet assembly in one of the pumps tests were again carried out in January/March 1967 but were again unsuccessful. The Executive Engineer Public Health Division in June, 1967 declared all the pumping sets to be completely useless for the purpose of the department. The pumping sets were stated by Audit to have remained unutilised till September, 1967. The matter regarding replacement of sets and recovery of the loss incurred by the Government due to non utilisation of pumping sets was under correspondence with the Controller of Stores and the firm.

The department stated in evidence that the purchase of the pumping sets was made by the Public Health Division which was originally stationed at Ambala but was subsequently transferred to Patiala after the re organisation and the papers connected with this case had been taken by them. The department had consulted the Law Department and they had advised that it was the Punjab Government who could be concerned with this purchase. Out of 15 pumping sets purchased by the Public Health Division 8 pumping sets had been received in Haryana and the remaining sets were with the Punjab Government. None of these was stated to be in working order. It was also stated that though the firm had been offering to repair the sets from time to time yet no fruitful results had been achieved uptill February 1969. The Controller of Stores Punjab was initially informed of the position by the Executive Engineer Public Health Division Ambala in February 1969 requesting him to take final action against the firm. However no action had been taken by the Controller of Stores Punjab Chandigarh. The departmental representatives also informed the Committee that the jet design of the pumping sets was defective inasmuch as even when worked with 7.5 H.P. motor (against the required capacity of 5 H.P. motor) it did not lift the full quantity of water. It was further stated that the department had asked the Additional Controller of Stores Haryana, to stop the system of Visual Inspection and to evolve some suitable procedure for testing of the machinery on a test bench to ascertain its performance.

During the course of oral evidence the department was asked to indicate the specifications of the pumps which were given by the department at the time of placing orders with the Controller of Stores, whether a risk purchase clause had been included in the agreement enabling replacement of the pumps and whether the final selection of these jet pumps had been made by the Public Health Department. The departmental representatives stated that the information on these points was not available with them and they would try to collect the same from the Punjab Government and furnish it to the Committee. It was further mentioned that the department had given a final notice to the firm in September 1970 for replacing the material or setting it right according to the specifications given in the order within 14 days from the date of issue of that letter.

Since this purchase had been made through the Controller of Stores he was also examined on the 27th November 1970 and certain vital issues linked with such purchases were discussed. In the course of oral examination the Controller of Stores informed the Committee that along with the contract the department got Schedule B also filled in by the contractor. The conditions embodied in this Schedule contained *inter alia* the provision for making risk purchase. Schedule B was in fact stated to be a part of the tender offer given by the party to the Controller of Stores and the entire subsequent proceedings were on the basis of contractor's acceptance of the terms and conditions embodied in this Schedule. Referring to the provisions of Clause 8 of Schedule B which deals with inspection of materials of which samples are obtained before actual purchase the Controller of Stores was asked to submit a note in consultation with the Law Department to the Committee giving opinion on the following points —

- (i) Whether comprehensive tests of material could be carried out under Clause 8 of Schedule B even in cases where no samples are obtained from the supplier
- (ii) To what extent the carrying out of such tests made it difficult for the Department to reject the material later if it is found defective

The Controller of Stores agreed to do the needful.

The Committee further suggested that the Controller of Stores should examine the feasibility of drawing up a comprehensive list of standard tests to be performed in the course of examination at the premises of the manufacturer and making a clear provision in the purchase order/contract to the effect that if the materials were to fail in any other respect to meet the specifications the same would be liable to be rejected. The Controller of Stores promised to examine this suggestion.

The Controller of Stores was also asked as to whether the purchase orders placed by him like some other Organizations contained a Warranty Clause under which it could be obligatory for the supplier to replace the equipment free of cost if it failed during a specified period due to defective design, manufacture or workmanship irrespective of the fact that any tests had been carried out at some stage of its purchase and full payment made. In reply he told the Committee that in some cases his department itself asked for a Warranty Clause and in other cases the suppliers themselves stipulated that there would be a Warranty Clause. He however promised to examine if practically in each case of purchase Warranty Clause could be included but that there had been no response from the firm.

The Committee observe that a period of more than five years has already elapsed since these pumping sets were purchased and their condition is likely to deteriorate further with the passage of more time. The Committee would urge that the matter may be pursued vigorously with the Punjab Government in order to have the matter settled with the suppliers as quickly as possible. The Committee feel that there has been rather inordinate delay in returning the pumping sets to the suppliers since these are not considered to be of any use in view of the defect in its jet design. The department had taken unusually long time in carrying out the second test of the pumps in January/March, 1967 after the initial report of the S D O, Ambala made in December, 1965 for which responsibility should be fixed. The Committee would like to know whether the pumping sets had been supplied in accordance with the specifications given by the department and as to by whom final selection of these pumping sets was made and whether any risk purchase clause had been inserted in the agreement and if such a clause had been inserted the Committee do not understand the reasons for which these pumping sets could not be replaced at the cost of the firm uptill now.

The Committee was astonished to find that in an old purchasing department like that of the Controller of Stores, there are no standardised lists of tests to be performed and no proper warranty clauses are included in many of the purchase contracts except in those cases where the supplier himself gave a guarantee. The Committee recommend that the department should take up as one of its immediate tasks the work of standardization of contract terms, and drawing up of standardized lists of tests for various kinds of costly equipment and machinery. The Committee further recommend that machinery and equipment costing above a reasonable limit should never be purchased without a clause in the contract specifying that in the case of defective materials or workmanship the same would be replaced free of charge to the Government. The Committee would like the Government to examine the possibility of standardizing the specifications of the more important and costlier items purchased by the various departments. The Committee would suggest that if necessary assistance in this respect may be sought from the D G S & D. The Committee are of the view that this would enable more rate contracts to be entered into which will in the long run be of help to more than one Government department.

BUILDINGS AND ROADS

41 Paragraph 42 Appendix V(6) of the Audit Report, 1968— Shortages of Stores

Audit had pointed out that the physical verification of cement stores of Kurukshetra Sub Division No. 1 conducted in June 1966 showed a shortage of 1176 bags valued at Rs 9702. A case was registered with the Police for investigation in July 1966. The physical verification of stores including cement conducted again in August and October, 1966 revealed final shortages valued at Rs 27379. The Superintending Engineer stated in December 1966 that the shortages were due to the negligence and carelessness on the part of a sectional officer in handling the Government stores. Government informed Audit in November 1967 that show cause notices were being issued to the Sectional Officer and Sub Divisional Officer in charge with a view to effect-recovery of the value of stores found short. The matter was also reported to be still under investigation with the Police Department.

The department stated in evidence that the Sectional Officer was prosecuted in the court of the Chief Judicial Magistrate Karnal for the embezzlement of 1 191 bags of cement in good condition and 50 bags of set cement valued at about Rs 11 000. In its judgement pronounced on the 20th April, 1970, the trial court sentenced the Sectional Officer to 1½ years rigorous imprisonment and fine of Rs 500 or in default of payment of fine to undergo further rigorous imprisonment for three months. The Sectional Officer who remained suspended during the trial period was not paid any subsistence allowance amounting to about Rs 7 000 to 8 000 and he had also been dismissed from service. Departmental action had also been taken against the Sub Divisional Officer who had since retired from service in December 1967 and a cut of 1/3rd of his pension had been imposed as penalty.

As regards the remaining shortages valued at Rs 16 493 it was stated that the Sectional Officer had been charged sheeted but despite several reminders he failed to furnish a reply. The superintending Engineer and the Executive Engineer had been advised to consult the District Attorney in the light of the judgement of the Chief Judicial Magistrate Karnal about the advisability of filing a civil suit for the recovery of this amount.

The Committee would like to know the final action taken in regard to the recovery of the remaining shortages valued at Rs 16,493 and whether the necessary proceedings in this behalf have been launched in the court of law and, if so, with what results.

COMMON PARAGRAPHS RELATING TO ALL THE THREE BRANCHES OF THE PUBLIC WORKS DEPARTMENT

42 Paragraph 35 of the Audit Report 1968—Cash settlement suspense account

Audit had pointed out that from 1st April 1965 transactions relating to services rendered or supplies made by one division to another are initially classified under the head Cash Settlement Suspense Account pending clearance on receipt of cheque/bank draft from the division concerned which is required to be despatched to the supplying divisions within ten days of the receipt of the vouchers. According to the rules, there should normally be no balance under this suspense head at the close of the year. The Accounts for the year 1966-67 however showed a net debit balance of Rs 91 09 lakhs awaiting settlement on 31st March 1967 as compared to the debit balance of Rs 78 12 lakhs awaiting settlement on 31st March 1966 in respect of divisions located in the new State of Haryana. The branch wise analysis of the balance was given by Audit as under —

Name of the Branch of P W Department	(In lakhs of rupees)	
	Balance as on 31st March, 1966	Balance as on 31st March, 1967
Buildings and Roads	13 34	5 92
Public Health	29 74	37 33
Irrigation	35 04	47 84
Total	78 12	91 09

The following factors led to the heavy accumulation of balances —

- (i) Intimations of claims were sent late by the originating Divisional Officers
- (ii) Follow up action to obtain the cheques was not taken by the originating divisions
- (iii) Register of inward claims was not properly maintained by the responding divisions
- (iv) The Divisional Officers of the responding divisions did not review the register of claims periodically
- (v) Claims sent to Sub Divisional Officers for verification were not received back within the stipulated period of ten days
- (vi) Regular reminders were not issued to the Sub Divisional Officers where the verification of the claim was abnormally delayed

The departmental representatives during oral evidence generally gave an account of the clearance already made out of the outstanding balance and stated that the remaining outstandings could be attributed to a great extent to be on account of the pending adjustment with divisions which now form a part of the reorganized Punjab and Himachal Pradesh. It was conceded however that the time limits prescribed in the procedure of Cash Settlement Suspense Account introduced from 1st April 1965, were not being observed. The B T (Book Transfer) bills were normally delayed in the sub divisional offices for lack of complete particulars of debits and also due to lack of efficient and experienced staff. It was further stated by the representative of the Public Health Department that a new system is being introduced under which the payments would now be collected from the concerned divisions before the issue of the materials. The Irrigation and Buildings and Roads Department representatives also stated that similar proposals in respect of their departments were also under consideration of the Government.

The Committee fail to understand the reasons for the accumulation of such heavy outstandings particularly in view of the fact that the system of making cash payments towards cost of materials transferred from one division to another has been in vogue since 1st April, 1965. The Committee carried the impression that it was primarily due to lack of interest on the part of the concerned staff that these items went on mounting from year to year. This is obviously fraught with the risk of any mis-appropriations or defalcations remaining undetected for long. The Committee would recommend that the departments should take effective steps to ensure that the procedure laid down in this behalf is faithfully and strictly observed by the subordinate staff. In this context, they feel that one of the senior officers of the department should be nominated who should be made responsible to see that such items are settled within due time in accordance with the prescribed instructions and that these are not allowed to remain outstanding.

The Committee may be informed of the final decision taken by Government in regard to the new system of collecting cash payment, before issue of the materials, stated to be under consideration.

43 Paragraph 38 of the Audit Report, 1968—Reserve limit of stock

Audit had pointed out that under the rules of the Public Works Department, the value of stores held in stock by a division should not exceed the limit prescribed by Government for this purpose. Of the total number of 44 divisions holding stock, the ceiling limits of 24 divisions were not prescribed during 1966-67, in 6 of the remaining 20 divisions for which the limits were prescribed, the value of stores held exceeded the limits on certain occasions during 1966-67 as shown below —

Serial No	Department	Total number of divisions in which stock was held	Number of divisions for which ceiling limits were not prescribed during 1966-67	Divisions in which value of stock held exceeded the prescribed limit	
				Number	Amount and (percentage of excess)
					(Rs lakhs)
1	Bhakra Nangal Project— Bhakra Canals	6	6	—	—
2	Irrigation	21	5	4	4 20 (81 to 194)
3	Buildings and Roads	10	10	—	—
4	Public Health	7	3	2	21 13 (26 to 173)

Audit further stated that mention of the above irregularity was made in the successive Audit Reports of composite State of Punjab for previous years. The position had, however, continued to be unsatisfactory despite instructions issued by the Departments in July August 1965 in pursuance of the recommendations of Public Accounts Committee of the Composite State of Punjab.

After hearing the departmental representatives, the Committee are constrained to observe that there has been inordinate delay both on the part of the various branches of the Public Works Department and the Finance Department in finalising the reserve limit of stock for the different divisions. Obviously, without prescription of such limits the purchases of stock made by the different divisions cannot be treated as authorised. The Committee would, therefore, recommend that the reserve limits of stock may be sanctioned now as expeditiously as possible. Delay in fixing limits renders the whole system of stock and purchase control a meaningless exercise.

The Committee also consider that the reserve limits of stock should not normally be exceeded and if in any individual case purchase has to be made in

excess of the sanctioned limit, either the limit may be got revised keeping in view the actual requirements or action may be taken to get the excess expenditure regularised immediately

44 Paragraph 39 of the Audit Report, 1968—Non completion of half-yearly stock registers

Audit pointed out that the rules require that the stock registers in the Public Works Divisions should be closed at the end of each half year and reviewed by the Divisional Officer to see that the stock consists only of serviceable and necessary articles and that the stores are priced at the prevailing market rates. The registers have not, however, been closed in a large number of Divisions for the past several years, although former Government of Punjab had granted relaxation in May, 1950, September 1957, June 1960 and October, 1960, in the matter of indicating value of stores in the stock registers to expedite clearance of these arrears. The position of arrears in the completion of these registers as at the end of 1966-67 and the preceding two years was indicated by Audit below —

Serial No	Department	Number of half yearly register in arrears at the end of			No of divisions in which arrears existed in 1966-1967	Earliest year to which the arrears as on 31st March 1967 pertain	Period upto which relaxation in the pricing of stock returns was allowed	Earliest year in which relaxation was first given and extended from time to time
		1964-65	1965-66	1966-67				
1	Bhakra Nangal project— Bhakra Canals	8	13	23	5	March 1964	September 1963	December 1953 March 1956 September 1957 January 1959 July 1959 September 1964
2	Irrigation	110	109	120	18	September 1966	March 1950	March 1950
3	Buildings and Roads	58	80	92	10	September 1950	March 1961	March 1961
4	Public Health	65	68	89	8	March 1950	March 1961	March 1961

Audit also stated that mention was made regarding the arrears in the completion of half yearly stock registers in the successive Audit Reports of Punjab Government in the previous years. The Public Accounts Committee in their report of March 1965 had recommended that the Administrative Departments should look into the reasons for the accumulation of arrears in consultation with the Finance Department. The position had continued to be unsatisfactory despite instructions issued by the Government to subordinate offices for clearing the stock returns within a period of six months.

While the Committee noted that there was some progress in the completion of the half-yearly stock returns which had been reported to be outstanding in the Audit paragraph, the position was not as encouraging as it should have been. The Committee feel that without the timely completion of the half-yearly stock returns the irregularities if any, in the maintenance of the store accounts and cases of mis appropriations or defalcations of stores are likely to remain undetected for a long time. The Committee would recommend that effective steps may be taken to ensure that all the pending half-yearly stock returns are completed as quickly as possible and steps also taken to ensure that this item does not fall into arrears in future.

45 Paragraph 40 of the Audit Report, 1968—Physical verification of stores

Audit pointed out that the Stores are required to be physically verified periodically by responsible officers, independent of the stock holders, with reference to the book balances. The results of physical verification of stores during 1966-67 were not intimated to Audit in respect of 28 divisions out of the total number of 44.

Public Health	8
Buildings and Roads	10
Bhakra Canals	3
Irrigation	7
Total	<hr/> 28 <hr/>

It was further stated by Audit that mention was made in this regard in successive Audit Reports of Punjab Government. The Public Accounts Committee in their report of March 1965 recommended that the Finance Department should undertake a comprehensive examination of the matter in consultation with the Administration Departments to ascertain the precise difficulties which the departments face in acting upon the Government instructions regarding periodical physical verification of stores and investigations of the discrepancies revealed. In April 1966 former Government of Punjab issued instructions to subordinate offices to follow the codal requirements strictly in future. The position, however, continues to be unsatisfactory.

The Committee take a serious view of the non compliance of codal provisions in regard to the physical verification of stores at periodical intervals. Without this elementary check the discrepancies between the ground balance and the balance shown in the books as also the cases of irregularities, mis appropriation

of stores etc cannot come to surface for a long time. It is not clear why the departments have not been able to ensure strict compliance with the prescribed provisions although this irregularity has figured in the various Audit Reports and the Public Accounts Committee of the composite Punjab had made specific recommendation for ensuring that the physical verification of stores is done periodically as prescribed. The Committee would urge that the bottle necks, if any, may be investigated and action taken to remove them without delay. Where necessary, suitable action should also be taken against the delinquent officers for not conducting the physical verification of the stores on the scheduled dates.

46 Paragraph 41 of the Audit Report, 1968—Minus balances in stock registers

Audit pointed out that minus balances in the stock register would indicate the possibility of inaccuracies in the stock account. Unless the minus balances are reconciled and adjusted the correctness of the stock account cannot be ensured. The position of large minus balances at the end of 1966-67 was, as shown below—

Serial No	Department	No of divisions and the amount of minus balances at the end of 1966-67		Period since when the minus balance is persisting
		No of divisions	Amount (Rs in lakhs)	
1	Irrigation	1	2 90	April 1966
2	Public Health	2	2 61	April 1966

The Committee observe that the minus balances in the stock registers where still existing, should be investigated forthwith and the progress made in this respect intimated.

HARYANA STATE ELECTRICITY BOARD

47 Paragraph 50 of the Audit Report, 1968—Injudicious purchase of Thermal Plant

Two steam generating sets lying surplus with the Cement Factory at Surajpur since July 1961 were purchased at a depreciated cost of Rs 16.51 lakhs in March 1963 by the former Punjab State Electricity Board for installation at Faridabad. The cost of dismantling, shifting and re-erection at Faridabad was estimated to be Rs 7.94 lakhs. The work of dismantling was stopped in April, 1963 after incurring an expenditure of Rs 3.314, as no packing arrangements were available at the site. In June 1963 the Board estimated that the cost of dismantling re-erection at Faridabad including cost of land, building power station equipment etc would come to Rs 58.12 lakhs and that the plant was likely to be damaged in the process of shifting and therefore, decided to allow the plants to remain at Surajpur for ensuring continuity of electric supply to essential industrial establishments around Surajpur and Chandigarh townships during emergency as also during

the lean water period. An expenditure of Rs 26,933 was incurred for re-erecting the dismantled parts and for putting the sets in working order again. The turbine blades of one of the sets being in poor condition, needed replacement at an estimated cost of Rs 3.02 lakhs. The running of the sets during the period 1964-65 and 1965-66 resulted in a loss of Rs 5.24 lakhs to the Board due to high cost of generating energy. The electricity generated by the Plant could not be transmitted outside the Factory premises for want of installation of Step up Transformer and thus the requisite object was not achieved. The financial aspect of this purchase was that the State Electricity Board undertook to maintain two generating sets (which were previously owned and maintained by the Factory) at a heavy cost for supply of electricity to the factory during the lean period or in emergency. The purchase of these sets was apparently made without examining the financial benefits that would accrue to the Board.

It was stated in evidence that pursuant to State Government's policy not to permit disposal of generating sets except to industrialists within the State and directive to utilize the sets where there was a shortage, the sets were purchased from the Cement Factory at Surajpur after examining their condition, utility etc., and settlement of price and terms and conditions of sale. When the factory was connected to the main system they wanted to send these sets to Gujarat State. The Board decided to buy and instal these sets at Faridabad. The dismantling work was initially started in March, 1963, so that the work could be completed within the agreed period of five months from the payment of first instalment made in March, 1963. Subsequently, the Board came to know that their installation at Faridabad was going to be an expensive venture. In May 1963 it was decided not to shift the Power Plant to Faridabad and to run the same at Surajpur. An expenditure of Rs 3,314 was incurred on dismantling charges and Rs 2,593 on re-erection charges. The remaining amount of Rs 24,340 (i.e., Rs 26,933 minus Rs 2,593) did not pertain to re-erection charges but was incurred on overhauling and putting the sets in perfect order.

It was further stated that these sets were being maintained at Surajpur as stand by arrangement to supplement hydro power during the period of shortage of water in the Bhakra lake so that in the event of shortage of hydro power during lean months these sets could be pressed into service to feed the Cement Factory at Surajpur. It was not necessary to run these sets in case there was not shortage of hydro power. Therefore transmission of energy out of the premises of the Cement Factory was not necessary and, under the circumstances, no step up transformer was required to be installed.

As regards the loss of Rs 5.24 lakhs accruing to the Board during 1964-65 and 1965-66 it was mentioned that it was not on account of the un-economic working of the Plant, but because of its sporadic use being a stand by equipment running only during lean periods, when there was lesser hydro power generation. It was further stated that no plant could give its optimum results and achieve its economic working unless it was run on or about its rated capacity.

During the course of the oral evidence the departmental representative admitted that it was correct that proper estimates were not worked out for dismantling, re-erection etc., of the sets and that the shifting was not remunerative. However, it was argued that the acquisition of these generating sets had become extremely profitable to the State Government and

that their present value was much higher than what was actually paid for. Asked as to what was the life of these sets and when were these purchased, it was stated by the departmental representative that one set was installed at Surajpur in 1939 and the other set was installed in 1943. The normal life of these sets was stated to be 25 years.

It was further stated that the purchase of these sets was effected after thorough inspection by a senior executive of the Board viz, the Executive Engineer Solan Division, in May, 1962, who submitted a detailed report on their general condition, coal consumption working efficiency, market price, utility etc. The Committee wanted to know as to how the inspection of these sets was conducted by the Executive Engineer, when these sets were lying idle and were not running. The Board's representative stated that the position would be checked up further and the Committee informed.

To an enquiry by the Committee as to whether these generators had been connected with the main system and whether there was any occasion when cut in power to other industry was applied the Board's representative stated that these sets were not connected to the main system, and that cut in power to other industries had not been applied since November 1966.

On being asked whether the availability of stand by units did not place this consumer in an advantageous position over other industrial concerns and whether any agreement for charging a special rate has been entered into with this consumer the Board's representative conceded that even though this consumer was in an advantageous position the agreement with him was only to charge the normal rates.

Further, the Committee desired to know as to what would be the difference between the cost of generation and revenue that could accrue from the sale of power generated if these sets were run continuously (60 % of their capacity) as compared to the cost of generation and revenue on the basis of hydel electricity. The Board's representative promised to send this information to the Committee.

The Committee are astonished that a purchase proposal of this magnitude involving considerable expenditure of public money should have been made without ascertaining whether the machinery purchased was suitable for use, without making sure about the suitability of the site where it was to be installed and without ensuring that the machinery could be put to general public use rather than to the advantage of a single consumer. The evidence clearly showed that Faridabad was the original site selected for installation of the generating sets, but soon after the purchase was effected it was not considered feasible to transfer the sets to Faridabad both from the technical and financial points of view. It is rather surprising that the feasibility of installing the sets at Faridabad from the technical and financial angles should have been thought of after the sets were purchased. The Committee are unable to understand whether it was thought that there was no technical and financial angle involved in the purchase of the generating sets. The evidence has left considerable room for doubt in the mind of the Committee as to whether Faridabad was ever considered seriously as a possible site for the installation of the generating sets or whether it was merely used as a pretext for acquiring the generators and leaving them intact at site for use by the single consumer from whom they were purchased. It was also contended that as a matter of policy the sets were acquired in order to prevent their being sold to a party outside the composite State of

Punjab The Committee was not given any evidence to show that there was any general policy which was applied to other cases besides this. While the Committee has nothing to say about the policy as such, it cannot imagine how in a particular case a policy like this could be executed without regard to technical and financial considerations. The Committee are not sure that the full background of the purchase has been disclosed to it and would suggest that, if at all possible, investigations may be made into the whole purchase.

It was clearly admitted by the witnesses that the sole beneficiary from this purchase was the consumer from whom the sets were purchased in that he was assured of uninterrupted supply of power. By being provided with stand by generating sets, the consumer was placed in a unique position and this position continued for 7 years. During all this time, there has been no effort to bring the sets into general use by connecting these to the grid. It was admitted that running of these thermal generating sets could only be done at a loss in view of the fact that the common tariff, based essentially on hydro electric power, would be lower than the cost of generation (inclusive of the over-heads) and it is obvious that the Board has been incurring this loss, whenever the sets were worked for the sole advantage of the consumer. It was claimed by the witnesses that whenever these generating sets were used that much power would be saved for use elsewhere. While the Committee concede that this would be the case, they are not satisfied that this could have been the prime consideration in acquiring the sets. The Committee would recommend that the technical and financial feasibility of linking these sets with the grid should be considered by the Board.

48 Paragraph 51 of the Audit Report, 1968—Non recovery of Energy Charges

The conditions governing the supply of power provide for the issue of monthly bill to the consumer and in case of non payment within 15 days of the presentation of the same the power supply is to be disconnected after a week's written notice without prejudice to Board's right to recover the amount by suit.

In the case of Panch Shila Industrial Society Faridabad which was given an industrial power connection on 26th March, 1964, the first meter reading was taken on 27th August 1964 and a bill for Rs 12,968 was issued. The consumer made part payment of Rs 5,103 only on 17th November 1964, by which time total dues had gone upto Rs 13,391. It was, however, only on 27th January 1966 that power supply was disconnected temporarily when the dues had further accumulated upto Rs 14,115. The Board intimated audit in February, 1968 that total outstanding dues against the Society upto January 1968 were Rs 38,945 and that the question of permanent disconnection of supply was under consideration. Steps taken by the Board for effecting recovery were enquired in February 1967, but had not been intimated to Audit till September 1967.

The Board informed Audit in April, 1968 that on further verification, it had been revealed that the initial reading of the meter installed after removal from the earlier consumer was 35,30,000 whereas it was taken as 35,300. The consumer was stated to have protested against the incorrect bill rendered in August 1964. The Sub Divisional Officer Faridabad, accepted part payment of Rs 5,103 i.e. for the amount due on the basis of correct consumption of electric energy. Besides, there was some error

in multiplying factor of the meter. It was further stated that according to the instructions issued by the Chief Engineer in August 1966, minimum monthly charges were not leviable from the date from which supply to the consumer was temporarily disconnected in January, 1966. However, the Sub Divisional Officer continued to bill the consumer for the monthly minimum charges even after the disconnection of the supply. Moreover, according to the instructions contained in the Sales Manual service rental was not chargeable after temporary disconnection of supply but the Sub Divisional Officer continued to levy these charges after January 1966. It was also stated that after taking into account all these factors the net amount due from the consumer upto August 1966 worked out to Rs 8,442 and after adjusting the security deposit of Rs 3,600 the balance still recoverable amounted to Rs 4,842. During the oral evidence, it was stated that suitable action was being taken against the officials responsible for not showing full facts to Audit and for not complying with the instructions issued by the Chief Engineer in August, 1966.

It was further mentioned in the written memorandum that the Director of Industries Haryana had informed his Board in October 1968, that the Society had become a multi unit industrial co-operative Society and that there was no legally constituted management of that Society and there was also no proposal under the consideration of the Industries Department for providing funds to them. Therefore the prospect of recovery from the Society were rather bleak.

The Committee would like to be informed about the progress in the recovery of the outstanding amount of Rs 4,842 from the Society and also about the action taken against the defaulting officials for various omissions. The Committee would also like to know whether the previous consumer had been billed upto the reading from which the Society is now stated to have been correctly charged.

49 Paragraph 52 of the Audit Report, 1968—Demurrage Charges

On 26th May, 1964 the Board placed an order on a firm for the supply of two Transformers (to be imported from France) to the Executive Engineer, Maintenance Division, Dhulkot. Shipping documents were sent by the firm to the Executive Engineer through a bank in December, 1965. The documents were got retired from the Bank in January 1966 on payment of Rs 10,481 representing 90 per cent value of the Transformers but were forwarded to the clearing agents only in March 1967. The clearing agents informed the Executive Engineer in April, 1967, that the consignment had reached Bombay Port in December 1965 about 1½ years back. The material was ultimately cleared in June 1967.

The delay of one year and six months in getting the goods cleared resulted in an avoidable expenditure on account of demurrage charges amounting to Rs 6,256 and in non utilisation of transformer worth Rs 11,645 which were lying in the stock till November 1967.

The Board informed Audit in January 1968 that the loss would be made good by effecting recoveries from defaulting persons and necessary action was being initiated for this purpose.

It was stated in a written memorandum that out of the total demurrage

charges of Rs 6,256 a sum of Rs 5 385 was determined as the net pecuniary liability of the Board's officers/officials on account of their faults. The quantum of recovery from each was determined as under :-

	Rs
(i) One Executive Engineer	1,800
(ii) One Assistant Engineer (Stores)	1 200
(iii) One Head Clerk	1,200
(iv) One Divisional Accountant	700
(v) One U D C (Accounts Clerk)	485
Total	5 385

Show cause notices were issued to the above officers/officials and after considering their explanations, it was decided to effect recoveries from the officers/officials at items Nos (i) to (iii). As regards the officials at items Nos (iv) and (v), it was found that no responsibility in this behalf devolved on them and as such no recovery was due to be made from these officials. However action for their omission to point out the outstandings in 'the Schedule of Miscellaneous P W Advances' was being taken against them. The matter in regard to the recovery of the amount due from the Executive Engineer had been referred to the Punjab State Electricity Board to whom he had been allocated. The recovery from the Head Clerk had since been started at Rs 50 per month from August, 1969, as intimated by the Punjab State Electricity Board.

It was also stated that the transformers had been purchased as spares in order to meet future requirements.

The Committee view with displeasure the delay of one year and six months which occurred in getting the goods cleared and which resulted in avoidable expenditure of Rs 6,256. The Committee would like to be informed of the progress in the recovery of the amounts from the officers/officials held responsible. The Committee further recommend that in view of two of the officials not having been finally held responsible, the question of re-apportionment of the loss among other officers/officials actually held responsible for the loss, may be considered.

50 Paragraph 53 of the Audit Report, 1968 - Irregularities in stores accounts

Audit had pointed out that a test check of the accounts of the Board revealed the following cases of shortages, misappropriation theft and loss of stores valued at Rs 99 603

1 KARNAL

(1) Stores material worth Rs 81,520 was supplied by Ambala Division to Karnal Division in November 1958, but material valued at Rs 18,480 was not accounted for in the records of Karnal Division. The debit was accepted in February, 1967 by placing the amount under 'Miscellaneous Public Works Advances' against the officer concerned. The Chief Engineer

of the Board informed Audit in September, 1967 that the Sub Divisional Officer concerned had been asked to clarify the position and his reply was awaited

(ii) Material valued at Rs 19 405 drawn in June 1962 from T/L Sub Division, Chandigarh by a Line Superintendent remained unaccounted for and the debit was accepted in October, 1966 by placing the amount under 'Miscellaneous Public Works Advances' pending recovery from the official. The Chief Engineer of the Board informed Audit in September, 1967 that the Executive Engineer had been asked to obtain explanation of the Line Superintendent concerned

(iii) A-line Superintendent drew Meters valued at Rs 4 153 from another division in May 1962 debit for which was received in June 1962. No entry about their receipt was traceable in the Stores Measurement Book or the Meters Register. The amount was also not placed under suspense head 'Miscellaneous Public Works Advances'. The Line Superintendent was asked by the Executive Engineer Karnal in December 1966 to explain the omission. Further progress was, however, awaited by Audit till January, 1968

The Board stated in its written reply that the A T D could not be adjusted earlier as the Accounts Branch of the Divisional Office was over worked resulting in accumulation of arrears. It was only on the creation of a separate Section with additional staff that the A T D was accepted and disposed of in February 1967. Efforts were stated to be afoot to trace out the utilisation of the material and some progress had already been made in this direction by locating entries of the receipt of material in Small Measurement Books and utilisation thereof in the Electrical Measurement Books. As a result of these efforts it was mentioned that material valuing Rs 4 153 as mentioned at serial No (iii) had already been traced out in full and the debit adjusted in the monthly accounts of the Karnal Division for August 1968. In the remaining two cases, viz Serial Nos (i) and (ii) certain receipt entries for a part of the material had been traced and the examination of the remaining entries was in progress. It was further stated that the practice of drawing material by a division from the stores of another division, and directly charging it to their work was no longer in vogue. Material required from another division could now be drawn only by the Stores of the requiring division, from where these would be issued to the works concerned against requisitions by the authorised official.

It is regrettable that the receipt of materials pertaining to such old periods as 1958-59 and 1962-63 had still not been located in the books of the receiving division. Even after the Sub-Divisional Officer and the Executive Engineer concerned had been asked to clarify the position and obtain the explanation of the Line Superintendent concerned, there has been no material progress in regard to serial Nos (i) and (ii).

The Committee recommend that the matter in regard to the location of the receipt entries may be finalised quickly and suitable action taken against the officials responsible for shortages if any, as well as for delay in finalising action in this behalf.

The Committee also draw attention of the Board authorities to the fact that all the three branches of the State P W D are considering a proposal

at Government level, under which they will make the transfer of stores from one division to another only if the receiving division first gets the indents approved and also makes the advance payment. The Committee, therefore, recommends that the Board authorities should also consider the desirability of following the new procedure (when finally evolved) so that cases of shortages misappropriation theft and loss of stores resulting from non acceptance and non adjustment of A T Ds are eliminated once for all

2 BHIWANI

Physical verification of stores of Dadri Operation Sub Division, conducted in March/April 1966, revealed shortages of material valued at Rs 35,585 against a line Superintendent. This included material worth Rs 27,479 reported to have been transferred from the Sub Divisional Stores to the Divisional Stores in November 1965 on the basis of verbal orders of the Divisional Officer. Out of transferred material stores worth Rs 11 688 only were accounted for by the receiving Divisional Office in the accounts of January 1967, leaving net shortage of material valued at Rs 23,897. A sum of Rs 6 324 only was placed under the suspense head "Miscellaneous Public Works Advances" in April 1966. No report of shortages was made to the higher authorities/audit nor any departmental enquiry held. Final outcome of the case was awaited by audit till January 1968.

It was stated in the written memorandum that normally the stores within a division are transferred against duly authorised stores requisition as per the procedure laid down in the instructions for the maintenance and up keep of Stores Accounts. However it does become necessary due to the urgency of requirement etc to give verbal orders for such transfers but even so these have to be followed up in writing and by the completion of necessary formalities like raising of indents preparation of vouchers/TEs etc. As however the verbal orders of the Executive Engineer were presumably not in the notice of the receiving stores official initially and as in his judgement the entire material was not required in the Division, he refused to accept the transferred material. The material was finally accepted and accounted for in January and February 1967 after receipt of necessary instructions from the Superintending Engineer as detailed below —

	Rs
Accounted for in January 1967	11 688 00
Accounted for in February 1967	15,791 00
Total	<u>27 479 00</u>

As a result of further detailed investigation, it had been possible to effect a further final adjustment of Rs 7 647 leaving an unaccounted for shortage of Rs 459 only. Responsibility for the same was stated to have been fixed as follows—

	Rs
L/S Incharge of Stores Dadri	450 00
Assistant Stores Keeper, Bhiwani	9 00

Besides the increment of the Assistant Stores Keeper Bhiwani had been stopped with future effect

The Committee observe that the confusion in this case had arisen mainly because of the verbal instructions issued by the Executive Engineer which were not subsequently followed up with written instructions. Such vague orders should normally be avoided as they are likely to lead to complications at a later stage.

The Committee would like to know the progress of the recovery of the balance shortages of Rs 459 from the officials concerned

3 HISSAR

Material worth Rs 6 094 received by a Line Superintendent of Hissar Division from another Division during June 1958 was not accounted for by him in the stock records. It was only in January 1964 that the Executive Engineer Hissar asked the Line Superintendent to intimate the whereabouts of the material to which he did not reply. It was stated in July 1964 that the Line Superintendent concerned had resigned from the Board's service and had left of his own during notice period.

In November 1965 the Chief Accounts Officer Punjab State Electricity Board advised that the Line Superintendent should be approached through Delhi Electricity Supply Undertaking authorities (where he was presently employed) to account for the material as also to place the amount under the suspense head Miscellaneous Public Works Advances as recoverable from the Line Superintendent concerned. Further progress was awaited by Audit till October 1967.

Similarly stores material valued at Rs 8 399 was drawn by the same Line Superintendent in May 1958 from another Division. It was adjusted in the Divisional records by debit to Miscellaneous Public Works Advances in January 1961 as the stores were found to have not been accounted for anywhere. The Executive Engineer Hissar Division informed Audit in April 1967 that the Superintendent of Police to whom the case was referred, had declined to lodge the report and the matter was under examination of Superintending Engineer.

It was stated in the written memorandum that the Executive Engineer Hissar Division had been directed to make another attempt to trace out the utilisation of the material and if unsuccessful, to refer to the case to the competent authority for write off, explaining full facts of the case. It was also stated that no legal action against the Line Superintendent appears to have been considered or taken at any stage.

The Committee would like to know the results of further investigation, if any, conducted by the Executive Engineer, Hissar Division, into the matter. The Committee would also like to know as to what action was taken on the report of the Chief Accounts Officer made in November, 1965, requiring that the Line Superintendent should be approached through Delhi Electricity Supply Undertaking authorities under whom he had been employed. Although the Chief Accounts Officer had made this recommendation about five years back, no tangible action seems to have been taken in this behalf. The Committee

would recommend that suitable action for inaction, if any, on the recommendation of the Chief Accounts Officer may be taken. Even though the person concerned is employed elsewhere, steps should be taken to effect recovery from him of the loss sustained by the Government. Action should be taken immediately to contact his present employer for this purpose.

4 HISSAR

As a result of physical verification of stores by the Stock Verifier in August 1965 shortages of stores valued at Rs 11 166 were noticed. The amount was placed under Miscellaneous Public Works Advances as recoverable from the Line Superintendent in the same month. In January/April, 1966 the Superintending Engineer however advised to keep the recoveries pending till the shortages were established after obtaining explanation of the official and the orders of the competent authority. Further progress was awaited by Audit till January 1968.

In another case the Executive Engineer Hissar reported to the Executive Engineer Bhiwani in May 1966 that a line Superintendent on his transfer to Bhiwani handed over stores material worth Rs 8 009 short and desired that either the official might be asked to make good the shortages or recovery effected from his pay.

The Line Superintendent submitted his explanation on the 7th July 1966. The Superintending Engineer asked the Executive Engineer Hissar on the 15th July 1966 that the amount should be placed under Miscellaneous Public Works Advances and orders of competent authority for effecting recovery from the pay of the official and taking disciplinary action against the Line Superintendent be obtained. Further action taken in the matter was awaited by Audit till January 1968.

In its reply the Board stated that on his transfer from Hissar to Bhiwani, the Line Superintendent was relieved from Hissar in April, 1962 as the S D O Operation Sub Division No 1 Hissar communicated the shortages against this Line Superintendent to the Executive Engineer Hissar at a much later stage. Therefore the explanation of the Line Superintendent could not be obtained before relieving him from Hissar. It was further stated that out of the shortages of the value of Rs 11 166 shortages of the value of Rs 11 015 were adjusted against surplus items during July 1967 after due verification. The final net shortage worked out to Rs 151 for which the Line Superintendent had been held responsible. Out of the second shortage of material worth Rs 8 009 it was mentioned that shortages to the extent of Rs 6 924 had since been reconciled leaving a balance of Rs 1 025. It was stated that efforts for reconciling the balance shortages were being made.

The Committee would like to know the progress in regard to the recovery/reconciliation of the balance shortages of Rs 151 and Rs 1,025 respectively. The reasons for the delay in reporting the shortages against the Line Superintendent may also be investigated and suitable action taken against the defaulting official(s).

GENERAL

51 Paragraph 29 of the Audit Report 1968 Misappropriations and defalcations, etc

Audit had pointed out that 42 cases of misappropriations involving Rs 1 89 lakhs were pending finalisation on 31st March 1967 as shown in Appendices II and III. Of these 13 cases involving Rs 0 74 lakh were pending for more than five years. The departments of Education and Agriculture, accounted for 59 52 per cent of the total number of pending cases.

Reasons	Education		Agriculture	
	No	Amount	No	Amount
		Rs		Rs
Pending for want of recovery	3	10,741	3	7 508
Pending for finalisation of departmental enquiry	1	4 109	1	3 320
Pending in Court	2	30 845	-	-
Total	6	45 695	4	10,828

The Committee were unhappy to note the delay in the various departments in the finalization of the cases involving misappropriations, defalcations, etc etc. As pointed out in the audit paragraph 13 cases involving Rs 0 74 lakh were pending for more than five years. The Committee feel that with the passage of time it was possible that full investigation into these cases might become difficult due to the non-availability of the relevant record and on account of retirement, death etc of the delinquent officers/officials thereby rendering suitable action against them impossible. In this context, the Committee would also like to invite attention to their observations made in paragraph 4 of their Second Report. The Committee would urge that concerted and immediate steps should be taken to ensure that all the pending cases are settled with due promptitude and that suitable action is taken against the officers/officials concerned, where necessary.

During the course of oral evidence of the Revenue Department it transpired that a lambardar had been charged with embezzlement of Rs 31,724 during the year 1954-55 to 1959-60. The case was originally filed in the court of Senior Sub Judge, Karnal who held the lambardar concerned guilty of misappropriation. On an appeal the Additional District Judge, Karnal in his judgement passed in April, 1970 had held that the plaintiff was never appointed as lambardar and he was not liable to pay the arrears of land revenue as lambardar. The departmental representative was asked to verify as to how it was not possible to produce the letter of appointment of the lambardar in

the court of the Additional District Judge, Karnal and who were the officers concerned who had failed to safeguard the interests of the Government. The departmental representative promised to take suitable action in this behalf and to inform the Committee about the results of the further investigations.

The Committee would recommend that the matter may be investigated thoroughly and the results of the further enquiry communicated to the Committee as expeditiously as possible.

52 Paragraphs 63 and 67 of the Audit Report, 1968—Outstanding Audit Objections/Inspection Reports

Audit had pointed out that as many as 12 481 audit objections with a money value of Rs 951 26 lakhs were outstanding at the end of November, 1967 out of which 2 659 items involving Rs 1 86 34 lakhs pertained to the year 1963 64 and earlier years. The outstandings included such important types of objections as want of detailed contingent bills, payee's stamped receipts/vouchers, advance pending adjustments, excess payments, short recoveries, non receipt of contract agreements and sanction to reserve limit of stock etc.

Besides the total number of Inspection Reports issued before 1966 which were outstanding at the end of November 1967 stood at 3 268 involving 15 726 paragraphs. Of these 1 865 reports containing 7 038 paragraphs pertained to the year 1963 64 and earlier years.

The Committee were unhappy to note the large number of outstanding audit objections and inspection reports. The Committee find that despite the earlier recommendations of the Public Accounts Committee of the Composite Punjab State and the instructions issued by the Finance Department from time to time the progress in the clearance of the outstanding inspection reports/objections has not been encouraging and most of the old objections continue to remain outstanding as they were.

The Committee further observe that the Finance Department had issued instructions in June, 1969 that in order to achieve prompt settlement of the outstanding objections/inspection reports Ad hoc Committees consisting of the representatives of the department concerned, the Finance Department and a representative of the Accountant General should be constituted in each department to periodically review the position of these outstandings and to advise ways and means to ensure their quicker clearance. However, the Committee found that these instructions have not been implemented in almost all the departments.

The Committee had also discussed the position with the Chief Secretary to Government, Haryana, and the Joint Secretary to Government Haryana, Finance Department and impressed upon them the necessity of taking adequate steps to ensure prompt settlement of these outstandings. It was suggested to the Chief Secretary to consider the desirability of suitably amending the existing provisions in the rules whereby the Treasury Officers could be instructed by the Accountant General to stop payment of contingent bills to departments with heavy outstandings on account of payee's stamped receipts/vouchers. The Chief Secretary had promised to consider this suggestion.

The Committee would recommend that the Finance Department should

ensure strict compliance with its instructions issued in June, 1969 and also consider further effective steps to ensure that the old outstanding audit objections/inspection reports are disposed of as expeditiously as possible and that the accumulation of these objections/inspection reports in future is avoided. The Committee may be informed the final action taken on its suggestion to make suitable provision enabling the Accountant General to instruct the Treasury Officers to stop payment to drawing officers who do not furnish the wanting payees, receipts, sub vouchers, etc

The Committee feel that with the rapidly growing activity in most of the departments of the State Government, the expenditure has increased and will be increasing rapidly and the existing machinery to deal with matters relating to accounts, internal audit, settlement of audit objections, inspection reports, etc, is not perhaps sufficient and this is resulting in piling up of the objections. The Committee recommend that in order to achieve good results in this direction, some special measures should be adopted on priority basis. These may include creation of strong Internal Audit Organisation particularly in heavy spending departments such as Transport, P W D, Education, Agriculture and heavy revenue earning departments like Excise and Taxation. Some departments in which such organisations already exist should strengthen them still further. The most obvious and effective way of preventing or reducing audit objections is to ensure ab initio that irregularities do not occur and that rules and regulations are strictly followed. While efforts should be made to clear old outstanding objections, the real drive should be towards reducing the underlying causes of objections. It is here that the value of a strong Internal Audit Organisation lies. These organisations can also conveniently be made responsible for the settlement of outstanding audit objections. In the initial stage, the Accountant General can, if necessary, be requested by Government to spare some staff for manning these organisations.

53 Expedious implementation of observations/recommendations contained in the earlier reports of the Public Accounts Committee

The Committee observed during the course of a review of the replies received from the various departments in regard to the action taken on the observations/recommendations contained in the earlier reports of the P A C that most of the recommendations still remained unimplemented and that the departments had yet to finalise action on these observations/recommendations despite the lapse of a number of years. Some of the outstanding recommendations date back to 1954 1959 1960 and thereafter. In order to devise ways and means to secure expeditious implementation of these observations/recommendations the Committee held discussions with the Finance Secretary on 2nd May, 1970 and again with the Chief Secretary and Joint Secretary Finance, on the 27th November, 1970.

Explaining the procedure followed in regard to the implementation of the observations/recommendations of the Public Accounts Committee the Finance Secretary stated that after the report of the P A C was presented to the Vidhan Sabha and its copies were received in the Finance Department, that department initiated action on the report and sent a copy each to the Heads of Departments and asked them to initiate action on the recommendations of the Committee. Simultaneously the Administrative Secretaries were also informed. A list of outstanding recommendations was also required to be maintained by the Finance Department and the Administrative Departments were

being constantly reminded to take adequate action and finalise the cases expeditiously. Further the Heads of Departments and the Administrative Secretaries were required to send quarterly reports about the implementation of the recommendations and the Finance Department in turn sends these reports to the Committee. The Finance Secretary added that because of reorganisation there was a certain period when things did not settle down and that caused some delay in the implementation of the recommendations. The Finance Department had again brought the comprehensive instructions which already existed on the subject to the notice of the Administrative Departments etc., requesting them to do everything possible to implement the recommendations of the Public Accounts Committee. Besides, the Finance Secretary explained that a large number of the outstanding recommendations related to the Bhakia Nangal Project in regard to which the final decision of the Government of India on the question as to whether the P A C of Haryana or of Punjab should deal with them or some other arrangement should be arrived at, was awaited.

The Finance Secretary further stated that a control register had recently been started in the Finance Department and that they would refer back the points on which they were not satisfied to the Administrative Departments. The Finance Secretary further added that if the departments had reasons for the delay in the implementation of the recommendations then the Finance Department could not just over ride those reasons and ignore the plea taken by the departments as the Rules of Business of Government of Haryana 1968 specified the role of the Finance Department. However the Chief Secretary stated that the Finance Secretary had the power and authority of his own to take such matters to the Minister Incharge/Council of Ministers without the intervention of any other authority. The Chief Secretary further maintained that these powers should be utilised by the Finance Department not only to bring to the notice of the Chief Minister and the Council of Ministers cases of inordinate delay but there should be a regular procedure whereby progress of the implementation of the recommendations/observations of the Public Accounts Committee should be reported to the Council of Ministers so that it was within the notice of the highest authority as to what was happening.

The Committee carried the impression that there was lack of initiative both on the part of the Finance Department and the Administrative Department to take prompt and effective action on the recommendations of the P A C as a result of which the number of outstanding recommendations had been mounting from time to time. Indeed, the Committee felt grieved to note the lackadaisical manner in which the recommendations had been dealt with. The Committee observed that in some cases the P A C of the composite Punjab Vidhan Sabha had made specific recommendations that action should be finalised within specified time. However, even such cases were still pending without any justifiable grounds. It was noticed that in certain cases quarterly reports indicating action taken on the outstanding observations/recommendations of the P A C were not being sent and the Finance Department had not taken any action whatsoever to obtain information in these cases. In quite a large number of cases, the departments had been repeatedly sending interim replies in their quarterly reports without showing any tangible progress. The Finance Department had made no comments on such reports while transmitting them to the Committee.

In particular, the Committee would like to mention that apart from the old outstanding observations/recommendations of the composite Punjab P A C, the observations made in the first and second reports of the Haryana P A C presented

to the Vidhan Sabha in August, 1969 and February, 1970 have mostly remained unimplemented

The Committee were unable to appreciate the helplessness expressed by the Finance Secretary in taking effective and concrete steps towards the early implementation of the recommendations of the P A C. The Committee strongly feel that serious cases of delay should have been specifically brought to the notice of the Finance Minister and Chief Minister so that remedial measures could be taken, wherever necessary.

The Committee have reasons to apprehend that with the passage of time evidence regarding these irregularities might disappear or the erring officers/officials might either retire from service or may come to occupy positions of vantage in the administration, as has already happened in quite a few cases.

The Committee would recommend that the whole matter should be gone into at the highest level and the reasons for delay investigated in each case and suitable action taken against the officers/officials responsible. Government should consider the desirability of fixing some time limit within which the old outstanding must be disposed of in order to arrest accumulation of further arrears. The Committee also feel that a suitable method should be evolved whereby the progress in implementation of the recommendations of the P A C by the various departments is reported at periodical intervals to the Minister-in Charge as also to the Finance Minister and the Chief Minister.

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