



**REPORT**  
**OF THE**  
**COMMISSION OF INQUIRY**  
**INTO THE**  
**AFFAIRS OF**  
**THE BHARAT SEVAK SAMAJ**

**( VOLUME X )**

*Chairman*

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**MINISTRY OF AGRICULTURE**

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## CHAPTER 22

### CENTRAL CONSTRUCTION SERVICE— VARANASI

The District Unit of the Bharat Sevak Samaj had taken contracts for the construction of following works:

Name of the Work	Contract Amount
	Rs.
1. Construction of 212 units of Type II quarters (DS) ..	9,72,860-00
2. Construction of 200 Type II quarters .. .. .	10,22,553-00
3. Construction of roads ..	2,86,034-00
4. Construction of staff quarters at Banaras Hindu University	10,96,522-00
5. Construction of additional staff quarters Banaras Hindu University .. .. .	10,00,000-00
6. Construction of Medical College, Banaras Hindu University .. .. .	32,67,382-00
7. Construction of Grain Godown C.P.W.D. at Varanasi ..	2,25,992-00
8. Construction of Grain Godown C.P.W.D., Azamgarh ..	6,74,641-00
9. Construction of Extension Centre, C.P.W.D. at Varanasi	84,699-00
10. Rihand Hydel Works, Varanasi .. .. .	2,19,000-00
11. Boulder Launching Works at Gangaghat (Groups E & F) ..	6,02,500-00

But after they had reached various stages of construction the Central Construction Service of the Samaj took them over on no-profit-no-loss basis on various dates.

22.2 In the case of No. 6 i.e. the construction of Medical College, Banaras Hindu University, tenders were submitted by the District Unit and the work was awarded to them, but before they could start it, it was actually taken over by the Central Construction Service on the same basis as above.

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22.3 It may here be stated that the 212 units of Type II quarters construction of which had to be completed by the end of December, 1963 were taken over on the 26th September, 1963 because the progress of work was unsatisfactory. The same was the case in the case of 200 units of Type-II staff quarters which were to be completed by the end of March, 1965.

22.4 The Central Construction Service withdrew the recognition of the District Unit for construction activities in March, 1965 because there were very heavy losses in the activity and there were no proper accounts.

#### Value of works done by the Varanasi Unit of the Central Construction Service

22.5 The audited accounts of the Varanasi Unit of the Central Construction Service from 20th September, 1963 to 31st March, 1967 which have been produced before this Commission show that the total value of the works executed during that period was Rs. 67,15,579.13 and there were losses totalling Rs. 9,40,203.82. The total expenditure on staff during that period amounted to Rs. 7,80,429.97 the details of which are, as follows:

Year	Value of work done during the year	Losses	Expenditure on staff etc.
	Rs.	Rs.	Rs.
1963-64	12,35,666-29	1,87,774-18	1,08,412-27
1964-65	13,69,782-40	4,35,383-78	1,97,028-11
1965-66	27,36,947-62	1,99,036-83	2,77,976-28
1966-67	13,73,182-82	1,18,009-03	1,97,013-31
	67,15,579-13	9,40,203-82	7,80,429-97

### Account of materials purchased and consumed for the different works

22.6 The audited profit and loss account show that material worth Rs. 46,13,226.81 was purchased for the construction works from September 20, 1963 to March 31, 1967. The amounts spent during the different years being as follows:

				Rs.
1963-64	..	..	..	9,03,754.18
1964-65	..	..	..	10,52,025.73
1965-66	..	..	..	17,91,723.31
1966-67	..	..	..	8,65,763.59
				<hr/>
				46,13,266.81

Out of these stores in hand as on March 31, 1967 as taken and valued at Market prices by the Project Manager was Rs. 1,25,700.00. Thus out of the materials worth Rs. 46,13,266.81 materials of the value of Rs. 44,87,566.81 were consumed by the works and that about 67% of the outlay was on materials.

22.7 The ledgers produced by the Bharat Sevak Samaj only show the total expenditure on materials purchased. There is no quantity account showing the receipt of materials and their consumption nor are records available to show the distribution of the materials consumed in the different works. In the absence of account showing what quantities were used or consumed in connection with the above mentioned works it cannot be verified that these materials were purchased for the works undertaken and consumed therefor. The Chartered Accountants who audited the accounts of the Banaras Unit of the Central Construction Unit had in all the years adversely commented about the unsatisfactory state of accounts. His comments for the different years were as follows:—

*For the period ending 31-7-1964:*

#### “4. Building Materials & Stores Etc. Etc.

Broadly these may be split up into two parts. (1) Materials like Cement, Steel, etc. etc. supplied by the contractees and (2) Materials procured locally or through suppliers.

“(a) *Stores Supplied by the Contractees:* It was observed that the receipt of the materials

received from the contractees were not periodically advised by the Field Staff to the Accounts Department and no entries were recorded periodically for such receipts. The entries in the books were passed on the basis of the deductions effected by the contractees out of the running bills for which the payments had been received upto July 31, 1964. No reconciliation was ever done whether or not the deductions made by the contractees were correctly done, and were in accordance with the supplies made by the contractees.

“(b) *Stores Purchased Locally and through Suppliers:*—Substantial part of the stores and materials were purchased through the workers and officials of the Samaj. You may satisfy yourself whether the purchases were affected on competitive prices.

“During the course of the Audit it was observed that it was not always mentioned that the stores and materials relating to the bills and cash memos were duly received on the work sites. Some of the record of the work sites that was produced to us was in our opinion not satisfactorily maintained. It did not show the receipts and issues properly. In some of the cases interpolation also noticed. It appears to us that this aspect was not looked after by any responsible worker.

“It was observed that even senior workers of the unit made purchases of even small items. They drew thousands of rupees for payments etc. and did not render accounts for long times.

“In view of the above observations and also that there was hardly any check whether or not the materials and stores purchased had duly come at the work Sites and used for the purpose for which they were meant we would suggest that you may satisfy yourself with regard to the receipts and consumption of the various stores and materials. The consumption may be correlated to the quantity of work done as far as practicable.

“The cost of bamboos and ballies and other shuttering and scaffolding materials had been charged to this account.

“Steel was procured locally as well though it was to be supplied at a particular rate by the contractees. You may examine whether any amount is recoverable from the contractees on this account coal is also charged to this account. We do not understand where coal could be used. The Bharat Sevak Samaj Central Construction Service, Varanasi was not running Brick Kilns.

1964-65:

"3. *Building Materials & Stores etc., etc.*: Broadly these may be split up into two parts, Istly like Cement Steel, etc., etc. supplied by the contractees and 2ndly procured locally or through suppliers.

"(a) *Stores Supplied by the Contractees*:—It was observed that the receipt of the materials received from the contractees were not periodically advised by the Field Staff to the Accounts Department and no entries were recorded periodically for such receipts. The entries in the books were passed on the basis of the deductions effected by the contractees out of the running bills. (i) No reconciliation was ever done whether or not the deduction made by the contractees were correctly done, and were in accordance with the supplies made by the contractees.

(b) *Stores Purchased Locally and through Suppliers*:—Substantial part of the Stores & materials were purchased through the workers and officers of the Samaj. Even senior Officers of the Samaj went for even small purchases. They drew thousands of rupees and did not render accounts for long time. During the course of the Audit we observed that a senior officer of Samaj drew at one time a sum of Rs. 50,000/- in cash for making purchases. He did not only make cash purchases out of this amount but disbursed expenses of the type which should have been paid by the Accountant in the normal Course. He even disbursed his own salary out of this amount. Virtually the pocket of the officer served as the cash chest of the samaj for the expenses which he wanted to incur. We would suggest that you may satisfy yourself whether or not the purchases were affected on competitive prices.

During the course of the Audit it was observed that it was not always mentioned that the stores and materials relating to the bills and cash memos were duly received on the work Sites. Some of the record of the work Sites that was produced to us was in our opinion not satisfactorily maintained.

"It did not show the receipts and issues properly. It appears to us that this aspect was not looked after by any responsible officer.

"In view of the above observations and also that there was hardly any check whether or not the materials and Stores purchased had been duly received at the work Sites and used for the purpose for which they were

meant we would suggest that you may satisfy yourself with regard to the receipts and consumption of the Various Stores and materials. The consumption may be correlated to the quantity of work done as far as practicable.

"In the materials consumed was included the cost of steel procured locally. We understand that the steel was to be provided by the contractees at a fixed price. You may see whether any amount is claimable from the contractees on this Account.

"Shuttering and Scaffolding materials like bamboos, ballies, planks etc. was directly charged to the materials account. We are not in a position to comment whether any residual value is taken into account.

1965-66:

*Building Materials and Stores Shuttering etc.*:—

"Rs. 17,67,261.24:

Broadly these may be split up into two parts. Istly like Cement Steel, etc. etc. supplied by the contractees and 2ndly procured locally or through suppliers.

(a) *Stores Supplied by the Contractees*—It was observed that the receipt of the materials received from the contractees were not periodically advised by the field staff to the Accounts Department and no entries were recorded periodically for such receipts. The entries in the books are passed on the basis of the deductions effected by the contractees out of the running bills (i) No reconciliation was ever done whether or not the deductions made by the contractees were correctly done, and were in accordance with the supplies made by the contractees.

(b) *Stores Purchased Locally and through Suppliers*:—Substantial part of the stores and materials were purchased through the workers and officers of the Samaj. It is observed that these workers etc. took advances for the purchases and did not render accounts for the previous advances. In some cases advances remain outstanding for long time.

In a good many cases these advances are adjusted all at a time.

We would suggest that you may satisfy yourself whether or not the purchases were affected on competitive prices and the goods pertaining to these purchases reached the work sites/stores of the Samaj.

During the course of the Audit it was observed that it was not always mentioned that the stores and materials relating to the bills and cash memos were duly received on the work sites. Some of the record of the work sites that was produced to us was in our opinion not satisfactorily maintained.

It did not show properly the receipts and issue of materials. It appears to us that this aspect was not looked after by any responsible officer. In view of the above observations and also that there was hardly any check whether or not the materials and stores purchased has duly reached the work sites and used for the purpose for which they were meant we would suggest that you may satisfy yourself with regard to the receipts and consumption of the various stores and materials. The consumption may be correlated to the quantity of work done as far as practicable.

In the materials consumed was included the cost of steel procured locally. We understand that the steel was to be provided by the contractee at a fixed price. You may see whether any amount is claimable from the contractees on this account.

Shuttering and scaffolding materials like bamboos, ballies, planks etc. etc. was directly charged to the materials account we are not in a position to comment whether any residual value is taken into account.

1966-67:

*"Purchases of Materials— Rs. 7, 62, 263.59:*

The account includes cost of materials supplied by contractees and deducted by them out of the bills submitted to them by the unit. No detail and/or support for such material was available and none was checked by us.

#### *Consumption of Stores and Material:*

"Day to day quantitative records of stores and other material purchased, consumed and balance in hand were not shown to us for our verification".

22.8 From these remarks of the auditors it appears:

- (i) that cost of materials was debited in the accounts as and when materials were purchased;

- (ii) no quantitative accounts of materials showing the receipts and issues were kept;
- (iii) no reconciliation was ever done to find out whether the materials supplied by the Department were taken in the accounts and actually consumed;
- (iv) substantial part of the materials was purchased by the workers and officers of the staff and no competitive rates were obtained;
- (v) no responsible worker of the Samaj was keeping a watch over the consumption of materials;
- (vi) steel was procured locally even though it was to be supplied by the contractee Department. Higher rates were paid for steel so purchased;
- (vii) cost of bamboos, ballies and shuttering materials were debited to the account straightway and no account was kept of the balance left.
- (viii) During 1963-64 coal was also purchased and charged in the account even though there were no items on which coal could be used;
- (ix) the Bharat Sevak Samaj Central Construction Service Varanasi was not running any Brick Kiln.

22.9 The Balance Sheet as on March 31, 1967 shows the cost of materials in hand as Rs. 1,25,700.00. How this material was consumed and whether it represented actual material at site is not clear as the audited accounts and the account records for the period from 1-4-1967 onwards have not been produced by the Bharat Sevak Samaj.

#### *Execution of works:*

22.10 Separate accounts of individual works showing the expenditure and the receipts for the different works have not been produced by the Bharat Sevak Samaj. What has been produced is a combined account of all the works taken up by the Varanasi Unit and the expenditure incurred on staff, office, etc. by the Unit. The details shown in the Profit and Loss Account for the different years

show that the main items of expenditure were on the purchase of materials and on labour. The expenditure on labour from 20-9-1963 to 31-3-1967 was as follows:

Year	Expenditure on Departmental labour	Payments to Piece Workers and contractual labour
	Rs.	Rs.
1963-64	.. 1,34,664.80	2,77,121.67
1964-65	.. 2,35,670.12	3,20,503.38
1965-66	.. 1,28,541.61	5,25,451.53
1966-67	.. Nil	3,70,672.53
Total	.. 4,98,876.53	14,93,749.11

22.11 Thus it would appear that a major part of the work was done through Piece Workers who were sometimes called contractual labour and sometimes Piece Workers. The agreements entered into with the Piece Workers were not produced by the Bharat Sevak Samaj even though they were specifically called upon to do so; and in the absence of these details it can not be ascertained as to which work or which portion of the work was entrusted to which one of them nor can the terms and conditions agreed with them can be ascertained. Only this much is shown that part of the works were executed through what were termed Piece Workers. These written agreements with the Piece Workers were also not produced before the auditors who audited the accounts of the different works as is evident from their remarks in the audit reports which show that no entries were made in the Measurement Books of the works executed and the bills were not checked with reference to the Measurement Book entries. From the auditors remarks it appears that they were not satisfied with the correctness of the bills paid to the Piece Workers or that they were correctly payable for the works actually executed. The remarks of the Chartered Accountants in the different years' accounts are reproduced below:—

“The bills of the Piece Workers as and when received from the Site Incharges/R. Es. were passed and paid. It was also not always mentioned whether or not such bills were checked with regard to the

Arithmetical accuracy. It was also not always mentioned whether the bills were entered in the M.B.S. or not. No written agreements with the Piece Workers were shown to us. In view of the fact there was hardly any check that the quantities etc. entered in the bills of the Piece Workers were rightly and correctly entered. We would suggest that, as far as practicable, you may satisfy yourself that whatever quantities of the various items that were paid to the various Piece Workers plus the works got done departmentally had gone into the contractees bills which were either paid for or alternatively the payment was due for these”.

1964-65:

Remarks of 1963-64 were repeated.

1965-66:

Remarks of 1963-64 were repeated.

22.12 From the remarks of the auditors it would appear that no proper accounts of the works done by the different Piece Workers were kept and no checks were exercised before making payments to the Piece Workers for the work done. Further the Chartered Accountant was not shown any agreements with the Piece Workers who were more sub-contractors than anything else and therefore whether they were paid according to the agreed rates could not be checked by the Chartered Accountant. The Samaj has not produced any of the agreements with the Piece Workers nor any records thereof and therefore it is not known as to who settled the rates and whether the rates settled were approved by any authorised committee or officer.

22.13 As already stated the total losses for the years 1963-64 to 1966-67 amounted to Rs. 9,40,203.82 on works the total contractual value of which was Rs. 67,15,579.13 as the major portion of works i.e. 3/4 executed through sub-contractors euphemistically called Piece Workers. It is not explained as to how this huge amount of loss occurred or could occur in such circumstances.

*Departmental Labour:*

22.14 As mentioned in the earlier paragraph the expenditure on labour directly

employed by the Samaj during the four years amounted to Rs. 4,98,976.53. The auditor has observed that even advances paid to the person Incharge of sites for disbursements to labour was treated as final expenditure and no proper accounts were kept of how these advances were adjusted. There were no proper muster rolls nor any account indicating which part of the contract work was done by such labour and which part by "Piece Workers" and both were working side by side. These observations were repeated in the audit report from year to year but no action was taken by the Bharat Sevak Samaj authorities to remedy the defects. These observations were as follows:

1963-64:—Labour Muster Roll:

"Included in this are amounts aggregating to Rs. 50,168.65. On going through this account we observed that the sums were drawn from the cash for the payment of labour. Such withdrawal sometimes were made in lump sum i.e. Rs. 13,000 on 3rd June, Rs. 5,000 on 6th July and Rs. 4,100 on 10th July and sometime as the full amount of the muster rolls as detailed on the docket vouchers. The muster roll as mentioned in the docket vouchers are not attached with the docket vouchers. We wanted and tried also to verify this account with the paid muster rolls but we found that items mentioned in the muster roll for the payment of which the money was drawn had not been paid completely. The record was maintained in such a way that it was not possible to verify the payments without the help of the accountant. The accountant could not render the necessary assistance. We could not verify the wages relating to these withdrawals. We would suggest you that only that amount which had been paid to the labour be charged to the revenue and the unpaid amount if any, be recovered from the persons concerned.

"We have further observed that in some of the cases Site Incharges who submitted the Muster Rolls were advanced the money per the Muster Rolls and delivered back the paid Muster Rolls. This practice in our opinion is faulty.

"There was no check on the marking of the attendance of the labour even in spite of the fact that the labour of the Piece Workers was also doing work side by side".

1964-65:

"A big confusion was caused in this account. Even entries pertaining to wages for the period ended 31-7-1964 were again debited to this account and credited to wages payable account. All this has resulted in a big confusion. All entries which were passed in respect of the wages pertaining to the previous period have got to be reversed to determine the wages during the period have got to be reversed to determine the wages during the period under audit.

"It is also observed that even for the current period sometimes the wages account was debited once through the Journal and credited to wages and salary payable account and again when the payment was made to the labour. All such double debits are to be eliminated from the wages account by suitable entries to arrive at the factual position.

"It is also observed that sometimes the unpaid items also stand charged to the wages account. We would suggest that the wages account may be examined at your end to see that the unpaid items had been properly accounted for in the books".

1965-66:

"We do not see any adequate check on the marking of the attendance in the muster rolls. Whatever muster rolls are received from the sites the same are passed and paid off.

"There is lot of confusion in recording the wages. The total muster roll amount with a corresponding debit to the wages account. At time on payment of wages against the wages account is debited with result that the wages account gets inflated. All such double debits be eliminated from the wages account by suitable entries to arrive at the factual position.

"It is also observed that sometimes the unpaid wages items also stand charged to the wages account we could suggest that the wages account may be examined at your end to see that the unpaid items had been properly accounted for in the books. We have been informed that the accountant had made certain defalcations in the wages account and legal proceedings had been started against him".

#### Execution of work—Through Piece Workers

22.15 On April 19, 1966 the Project Manager, Bharat Sevak Samaj, Varanasi sent a note to the General Manager, Central Construction Service with copy to Mr. A.N. Malhotra, Director of Construction in the Planning Commission detailing the qualitative and quantitative work done by the labour of Bharat Sevak Samaj and piece workers. Why it was sent to Mr. A.N. Malhotra is not clear.

#### Banaras Hindu University—Medical College

22.16 The work was executed partly through labour, directly employed the Bharat Sevak Samaj. A few items like shuttering, reinforcement, plastering and flooring etc. were done through piece worker as follows:

	Expenditure upto 31-12-1965
	Rs.
Labour directly employed by Bharat Sevak Samaj ..	1,46,543.24
Contract Labour through Piece Workers ..	1,02,881.09

#### Banaras Hindu University Hindu—Staff Quarters

22.17 Major part of the work was executed by piece workers. In the early stages foundation and plinth level work and in the last stage finishing items were carried out by the Bharat Samaj labour.

	Rs.
Departmental labour	25,543.27
Contract labour	1,70,312.73

#### Diesel Locomotive Works

22.18 Construction work for the Blocks were done by piece workers, except for 68 sites which also was done partly through contract labour. In all the cases, materials

were supplied by Bharat Sevak Samaj and only labour was employed through labour Contracts:

	Expenditure as on 31-12-1965
	Rs.
Labour directly employed by Bharat Sevak Samaj	
68 Quarters ..	59,774.67
144 Quarters ..	30,179.37
200 Quarters ..	43,243.18
Contract Labour	
68 Quarters ..	8,031.26
114 Quarters ..	2,23,026.27
200 Quarters ..	2,21,673.32

#### Diesel Locomotive Works Roads and Grain Godown

	Departmental	31-12-1965 Contract Labour
	Rs.	Rs.
Roads ..	3,305.34	5,946.00
Grain Godown, Varanasi ..	4,232.90	2,542.04
Azamgarh ..	1,093.18	2,117.27

22.19 The above analysis shows that the Bharat Sevak Samaj was executing a major portion of the work through the piece workers—a fact which the Bharat Sevak Samaj themselves have admitted in their note cited above.

#### Accounts with the District Construction Committee, Varanasi

22.20 The construction activities of the Central Construction Service at Varanasi started with the taking over of the Diesel Locomotive Works by the Central Construction Service from the District Construction Committee in September, 1963. The ledgers of the Central Construction Service for the years 1963-64 and 1964-65 are not available. For none of the years have the records of the Regional Construction Committee been produced. The entire construction activity of the District Construction Committee stopped with the withdrawal of recognition as from 1-4-1965 and the incomplete works were taken over by the Central Construction Unit.



22.21 In the accounts for the first year prepared by the Central Construction Service for the unit at Varanasi for the period ending 31-7-1964 the amount to the Bharat Sevak Samaj Pradesh Unit i.e. the District Construction Committee, Varanasi, has been shown as Rs. 73,202.76. The advances to staff and piece workers which were outstanding at the time of taking over of the Diesel Locomotive Works as on September 30, 1963 is shown as Rs. 1,44,545.29.

22.22 The Chartered Accountant, who audited the accounts for this period, commented that he had drawn up the Balance Sheet taking into account the balances for the period ending September 30, 1963 of the Bharat Sevak Samaj, District Construction Committee, Varanasi and these balances were unaudited. The accounts of the 3 works which were included therein were:

- (1) DLW 68 quarters,
- (2) DLW 144 quarters and
- (3) DLW 200 quarters.

22.23 The Bharat Sevak Samaj Central Construction Service started functioning on September 26, 1963. Prior to that date the contracts of these works were being executed by the Regional Construction Committee, Varanasi Unit. The Chartered Accountant had also said that while going through the accounts he had observed that a substantial part of the expenditure incurred prior to September 26, 1963 had been entered into the account after September 26, 1963 either by adjustments or by payments. As the full records in respect of this Service in the form of the supply of the materials, work done, by the piece workers etc. were not made available by the Bharat Sevak Samaj Central Construction Service such expenses could not be verified excepting that the payees receipts in respect of these payments were available.

22.24 About the balances due to the Pradesh Unit i.e. District Construction Committee, Varanasi, the Chartered Accountant remarked that this account needed reconciliation with the Varanasi Unit account. Further many adjustments had been effected in the accounts and he was not satisfied with their propriety.

22.25 In the Balance Sheet for the period ending 31-3-1965 the amount due to the Pradesh Unit from the Central Construction Service Unit went up to Rs. 83,073.51 but the

advances paid to the staff and piece workers prior to 30-9-1963 by the District Construction Committee outstanding on March 31, 1965 remained the same i.e. Rs. 1,44,545.29.

22.26 The Balance Sheet for the period ending March 31, 1966 showed the advances to staff and piece workers paid prior to September 30, 1963 outstanding as on March 31, 1966 to be Rs. 51,414.43 but during this period the Profit and Loss Account of that period showed an amount of Rs. 1,62,375.93 as the expenses incurred by the Pradesh Unit (really District Committee) for the works which are not named. There are no details of the expenditure incurred by the local units in the records so far produced by the Bharat Sevak Samaj. This amount appears to have been debited on an *ad-hoc* basis and in the absence of any details the correctness or the propriety of this debiting of the expenditure cannot be accepted.

22.27 The Chartered Accountant had also commented on the adjustments effected. About the adjustments of the advances which were due from the piece workers he remarked that they were not supported by proper vouchers and about the balances outstanding the possibility of their recovery was nil because of the bar of limitation.

22.28 About the amount of Rs. 1,62,375.93 shown as expenses incurred by the local Bharat Sevak Samaj the Chartered Accountant's remarks were as follows:

"Certain incomplete works were taken over from the local Bharat Sevak Samaj. These expenses are unaudited."

22.29 Besides the items mentioned above an amount of Rs. 83,274.77 was included under the head "Sundry Debtors" as the amount standing against Bharat Sevak Samaj Pradesh Unit. The Chartered Accountant had the following remarks to offer on this item:

"No confirmation for reconciliation for the account from the Pradesh Unit was produced. We have noticed that many adjustments in this account are effected and such adjustments have no proper supporting vouchers in the absence of which such supporting vouchers we have not been able to appreciate why this ~~debit~~ balance has been classified under Sundry Debtors."

22.30 In the Profit and Loss Account for the year ending March 31, 1967 an amount of Rs. 85,607.48 being the balance due from the local Bharat Sevak Samaj was written off. When the Bharat Sevak Samaj were asked to give the details of this amount it gave the following details:

Particulars	Debit	Credit
	Rs.	Rs.
Brick Kiln No. 1 at Varanasi ..		4,354.45
Brick Kiln No. 2 at Varanasi ..	419.11	
Azamgarh Grain Godown ..	55,671.00	
Varanasi Grain Godown ..	13,748.00	
DLW combined quarters upto 30-9-1963		5,221.89
Rehand Hydel Works Varanasi ..	7,500.00	
Boulder launching works at Gangaghat (Group E) ..	47,379.58	
Boulder launching works at Gangaghat (Group F) ..		20,329.00
R.C.C. Kamla Nagar, Varanasi ..		10,204.87
Maheshpur Extension Centre at Varanasi	1,000.00	
Total ..	1,25,717.69	40,110.21
Net debit ..	85,607.48	

22.31 The Samaj also clarified the position as follows:

"2 & 6 The works mentioned in Sub-para I above were under execution by the local Bharat Sevak Samaj and were subsequently taken over by the Central Construction Service of the Bharat Sevak Samaj at Varanasi to expedite their completion. Necessary adjustments were carried out in the accounts on no gain, no loss basis from the information available from the works files taken over by the Project Manager, Construction Service

Varanasi and the differences debited or credited to the Local Bharat Sevak Samaj as the case may be.

"The accounts of the local Bharat Sevak Samaj were consolidated for the 1st time in the year ending March 31, 1966 wherein a net debit of Rs. 83,274.77 has been shown there against with details as under:

	Debit	Credit
	Rs.	Rs.
Bharat Sevak Samaj, Regional Camp Committee, Kamla Nagar ..		7,836.75
Brick Kiln No. I Varanasi ..		4,354.45
Brick Kiln No. 2, Varanasi ..	419.11	
D.L.W. 212 quarters upto September 30, 1963 ..	10,591.28	
Boulder launching works at Gangaghat (Group E) ..	47,309.58	
do (Group F) ..		20,329.00
Grain Godown at Varanasi ..	13,748.00	
Grain Godown at Azamgarh ..	43,727.00	
	1,15,794.97	32,520.20

Net debit Rs.83,274.77."

22.32 No audited accounts of the Regional Construction Committee, Varanasi, have been produced before this Commission. The only accounts that have been produced are the following:

- (1) Unaudited Profit and Loss Account for the period ending July 31, 1964. Here no Balance Sheet is attached.
- (2) Unaudited Profit and Loss Account for the period ending March 31, 1965 and a Balance Sheet as on March 31, 1965 unaudited.
- (3) In the Balance Sheet as on March 31, 1965 the amount due from the Central Construction Service, Bharat

Sevak Samaj, Varanasi, has been shown as Rs. 56,752.17 whereas as mentioned earlier in the account of the Central Construction Service as on March 31, 1965 the Central Construction Service owed Rs. 83,073.51 to the Pradesh Unit. Thus there is a difference of Rs. 26,321.34. As there was no reconciliation of the account and as the records of the Regional Const. Committee, Varanasi, have not been produced, which one of the accounts is correct is not known. Further Regional Const. Committee accounts have never been audited. But this is a reflection of the state of affairs of the accounts and the figures shown in the books of the Central Construction Service and the Regional Construction Committee did not tally.

22. 33 To sum up the position of the accounts of the Regional Committee, Varanasi, as shown in the books of the Central Construction Service is as follows:

- (1) When in September, 1963 the construction of the D.L.W. quarters was taken over by the Central Construction Service from the Regional Committee, the advances to piece workers and staff totalling Rs. 1,44,545.29 as on that date were also taken over by them even though these balances were on the basis of unaudited accounts. Out of these amounts Rs. 93,130.86 were adjusted during 1965-66 but the Chartered Accountant was not satisfied with these adjustments as they were not supported by proper vouchers. After the adjustments above mentioned the balance of Rs. 51,414.43 was still outstanding upto the end of 1966-67.
- (2) An amount of Rs. 1,62,375.93 was shown as the expenses incurred by the District Committee on account of the works which were taken over from them in March, 1965 in the accounts for 1965-66 and these expenses were also unaudited. The books of accounts do not show any details of these amounts.

- (3) An amount of Rs. 85,607.48 which was the balance due from the local Bharat Sevak Samaj i.e. District Construction Service at the end of 1966-67 was written off as irrecoverable in the Profit and Loss Account for the year 1966-67. As the accounts of the District Construction Service, Varanasi, were never audited and as even the unaudited accounts were prepared only upto March 31, 1965 then it is not clear why these items making a total of Rs. 85,607.46 were written off. Further, even the unaudited accounts of the District Committee for the period ending March 31, 1965 showed a picture different from what was shown in the Central Construction Service accounts of the Central Service i.e. whereas the Central Service accounts showed an amount of Rs. 83,073.51 due to the Regional Committee on March 31, 1965 the District Committee's accounts showed only Rs. 56,752.17 due. Thus there was a difference of Rs. 26,321.34.

**Accounts of fixed assets like machinery, vehicles equipments etc. purchased for the Varanasi Unit**

22.34 The total value of the assets such as machinery, vehicles or other equipment acquired for the unit during the years 1963-64 to 1966-67 was Rs. 1,80,883.11. During this period the depreciation charged Rs. 89,770.64 and the written down value of the assets as on March 31, 1967 was Rs. 91,112.47. The Chartered Accountant, who audited the accounts for the different years had commented giving the numerical stock account of the various assets purchased which was to tally with the figures as shown in the Balance Sheet. He had also commented that no physical verification of stock of the assets was done. His comments in his report for the account for the year ending 31st March, 1965 i.e. for the year 1964-65 were as follows:

*Machinery Tools and Plants: Rs. 77,586.99*

"This account was debited with the cost of loose tools, furniture, typewriters, machinery and other fixed assets. No Assets Register was maintained

giving the numerical stock account of the various assets purchased to tally with the figures as shown in the Balance Sheet. It is imperative to keep such a Register containing the full particulars of the Assets together with their code number. It is suggested that a separate account be maintained for the loose tools.

'No inventory of the Assets with their numbers and cost along with the certificates by the R.E.S. Site In-charge duly countersigned by the P.M. as to the physical existence of the assets was produced to us.

"No classification of the Assets showing the grouping of particular Type of assets was made available to us and hence it is not possible for us to comment whether or not the depreciation was adequately and rightly charged."

22.35 Similar criticism was made in the audit reports for later years i.e. 1965-66 and 1966-67.

#### **Sundry Works Expenses—Amounting to Rs. 40,079.60**

22.36 During the year 1966-67 an amount of Rs. 40,079.60 was debited in the Profit and Loss Account as Sundry Works Expenses. The Chartered Accountant had commented that this amount included deduction on miscellaneous accounts which was made by the contractors. No details of these deductions were made available to the Chartered Accountant for his verification. Further an amount of Rs. 16,471.43 which was deducted during the previous year on account of penal recovery by the department for excess cement consumed, which was debited to suspense, was also included in this amount.

#### **Balance of shuttering material like Ballies etc. not carried forward**

22.37 The Balance Sheet as on March 31, 1966 shows the value of the closing stock of shuttering material as Rs. 20,000. In the Profit and Loss Account for the next year i.e. 1966-67 the opening stock of other materials has been carried forward but opening stock of the shuttering material amounting to Rs. 20,000, has not been carried forward. It would thus appear that the closing stock of shuttering materials worth Rs. 20,000 at the end of 1965-66 is not accounted for.

#### **Non-production of Vouchers and other Supporting Documents for Payments**

22.38 The Chartered Accountant who audited the accounts of the Varanasi Unit of the Central Construction Service has listed out a number of items where vouchers and other supporting documents were not produced before him. The total amount for which vouchers and other supporting documents were not produced comes to Rs. 5,35,335.10. Taking it yearly the break-up was as follows:

			Rs.
1963-64	..	..	60,657.42
1964-65	..	..	1,28,891.02
1965-66	..	..	46,301.68
1966-67	..	..	2,99,484.98
Total	..	..	5,35,335.10

22.39 The Bharat Sevak Samaj has not produced the necessary vouchers or supporting documents for these items. The non-production of these vouchers or supporting documents for payments were not a routine objection in the case of this unit especially in view of the fact that there were charges of misappropriation against the Accountant of this unit which are discussed below:—

#### **Misappropriation by the Accountant of the Unit**

22.40 The Bharat Sevak Samaj issued a charge sheet to their Accountant of the Varanasi Unit of the Central Construction Service, Mr. T. V. Satagopan, Varanasi Witness No. 7. Twenty Eight Charges were made involving an amount of Rs. 40,458.27. These charges were of defalcation of funds, embezzlement, misappropriation, etc. during the period from June, 1964 to May 1966 for the period when he was employed as the Accountant of the Varanasi Unit of the Central Construction Service. An abstract of the case listed out by the Bharat Sevak Samaj is given in Table 22-A. The Bharat Sevak Samaj have also stated in reply to the questions put to them that they filed a criminal case against him which fact was admitted by him. According to the Samaj the First Information Report was made to Bhelupur Police Station, Varanasi on March 27, 1968 and the case was registered as No. 91-92. The case was still under investigation by the Police and they

had not yet filed the case in Court. His evidence before the Commission shows that he was arrested for similar offence committed in Bidar in Mysore State and had been enlarged on bail and the case was proceeding. The cash books of the Unit for the period from 1-10-1964 to 1-12-1966 were in the custody of S.I., Bhelupur Police Station, Varanasi in connection with the case filed in Varanasi.

22.41 The Balance Sheet of the Varanasi Unit of the Central Construction Service for the year ending 31-3-1967 shows that a amount of Rs. 38,132.44 was outstanding under the head "suspense account". The Chartered Accountant who audited the accounts for the year 1966-67 had reported that the amount represented the money alleged to be due from the Accountant, Mr. Satagopan who was alleged to have misappropriated the funds of the Samaj.

22.42 The fact that according to investigations conducted by the Samaj an amount of Rs. 40,458.27 was found to have been defalcated by the Accountant shows that the state of affairs in this unit was pretty bad and control rather poor. The Chartered Accountant's objection that vouchers or supporting documents were not shown to him for total amount of Rs. 5,35,335.19, therefore, assumes a great significance.

#### Records not produced

22.43 The following records of the Central Construction Service Unit at Varanasi, have not been produced before this Commission and the reasons given by the Samaj for their non-production are as follows:

- |  |  |
|--|--|
| 1. Cash Book from September, 1963 to September, 1964 | } With the court at Varanasi in a Civil suit.  |
| 2. Ledger for 1963 to May 1964                       |  |
| 3. Cash book from 1-10-1964 to 12-4-1965             | } Taken in custody by S.I. Bhelupur Police Station, Varanasi in connection with criminal case filed by the Organisation at Varanasi. |
| 4. Cashbook from 13-5-1965 to 30-9-1965              |  |
| 5. Cash Book from 1-4-1966 to 1-12-1966              |  |

22.44 The Samaj has also stated that the First Information Report in the Bhelupur

Police Station, Varanasi, was made on March 27, 1968 and was registered as case No. 91-92 and the case was still under investigation by the Police which has not brought the case into Court.

#### INDIVIDUAL WORKS

##### I. Construction of 212 Units Type II Quarters, Diesel Locomotive Works Varanasi.

Approximate cost of the work		Rs.
104 Units Type II Quarters Double Storeyed .. ..		5,10,000
108 Units Type Quarters Double Storeyed .. ..		5,30,000
Total for 212 Quarters ..		10,40,000

22.45 By a letter dated October 3, 1962 the Bharat Sevak Samaj Regional Construction Service, Varanasi without submitting a tender asked for the allotment of the work amounting to Rs. 20 lakhs to them on the rates offered by the lowest tenderer but with the proviso that those rates were workable. The lowest rate received in the tender for different lots from item 1 to 9 of the list of works of D.L.W. was 27 per cent above schedule. The Samaj advised the tender committee that they were willing to take up the work at 27 per cent above schedule. Before considering the tender of the Bharat Sevak Samaj, it was considered necessary by the D.L.W. Administration to satisfy themselves about the Samaj's capacity and organisation to undertake building works at Varanasi. Mr. M. D. Mithal, General Manager of Bharat Sevak Samaj Central Construction Service and previously Adviser Planning in the Ministry of Irrigation and Power saw the tender committee of the Railway on 15th and 16th October, 1962 and the question of the Samaj's credentials were thoroughly discussed with him. He gave the committee a list of works that the Bharat Sevak Samaj were executing at Delhi, valued about 1 crore; since most of these works were being executed for the Central Public Works Department, the matter was also discussed by the Chief Engineer of Diesel Locomotive Works with the Chief Engineer of Central Public Works Department. Mr. A. N. Malhotra, Director Construction Service, Planning Commission, helpful as ever, by his D.O.

letter dated October 11, 1962 to Mr. N. K. Mehra the Chief Engineer, Diesel Locomotive Works strongly recommended that the work be awarded to the Samaj at 27 per cent above the schedule. Mr. M. D. Mittal, the General Manager, Bharat Sevak Samaj Central Construction Service in his letter dated October 11, 1962 to the Diesel Locomotive Works Administration said *inter-alia* that "since the Varanasi Unit has been undertaking the building works of sizeable amount for the first time, it is our desire to send in our personnel to man the works so as to train the local unit and at the same time *take upon ourselves* the responsibility of executing the works in conformity with the stipulated time schedule, viz. end of December, 1963." In view of the above, the Tender Committee felt that the work of Construction of 212 Units Type II Quarters Diesel Locomotive Works (lots 2 & 3 of the list) could be awarded to the Samaj. These recommendations were accepted by the General Manager of the Diesel works and the work was awarded to the Bharat Sevak Samaj at 27 per cent above schedule of rates.

22.46 Mr. N. K. Mehra, Chief Engineer Diesel Locomotive Works Varanasi in his D.O. letter dated November 7, 1962 to Mr. A. N. Malhotra stated that "as recommended by you, we have allotted the work of construction of quarters costing approx. Rs. 10,40,000 to the Bharat Sevak Samaj, Varanasi." Mr. Malhotra in his letter dated November 12, 1962 to Mr. Mehra expressed his gratefulness for awarding the work to the Bharat Sevak Samaj. He added:

"I am sure they will be able to deliver the goods to your satisfaction and do the work in time. I am personally of the opinion that they will be an asset to you. I will keep a close watch of their undertakings to see that commitments are honoured. However in case you feel any particular aspect to be improved, please do write to me and I will be glad to do whatever is possible. I am sure you will take all measures to assist the growth of these agencies which are so much in our national interest."

In what capacity and how Mr. Malhotra was going to keep a watch and why a servant of the Central Government should give this attention to the Samaj is not explained.

22.47 The Samaj was exempted from payment of earnest money or security deposit but security deposit was to be built up at 5 per cent deduction from the running bills instead of the usual 10 per cent deduction. This was an additional concession allowed by the Railway Board to the Samaj, in terms of their letter dated July 12, 1963. Accordingly the security deposit recovered from the Samaj was Rs. 1,06,000 instead of Rs. 2,12,000 normally recoverable.

22.48 After the award of the work to the Bharat Sevak Samaj it transpired that in terms of Railway Board's letter dated March 28, 1960 the Samaj need not deposit any 'earnest money or initial security deposit, only in case of works costing upto Rs. 5 lakhs. As the contract was for more than Rs. 5 lakhs, the Samaj should have deposited earnest money and initial Security Deposit. During discussion with the Railway Authority, Mr. M. D. Mittal requested the Railway not to insist on deposit of earnest money or initial security deposit and the General Manager's sanction was obtained for waiver of earnest money deposit in the case of this contract, as a special case.

22.49 The work was allotted on October 20, 1962 and it was to be completed by December 31, 1963. This was contained in an agreement dated November 14, 1962 and there was default clause also.

#### **Delay in the execution of the work**

22.50 When the work was allotted to the Bharat Sevak Samaj, Mr. M. D. Mittal, General Manager of the Central Bharat Sevak Samaj had given an assurance to the Diesel Locomotive Works Administration that the Central Bharat Sevak Samaj would be responsible for the proper and timely execution of the work. The Chief Engineer of the Diesel Locomotive Works in his letter dated September 5, 1963 to the General Manager Central Bharat Sevak Samaj pointed out the slow progress of the work. In his reply the latter informed the Diesel Locomotive Works on September 9, 1963 that the Central Construction Service had decided to take over the contract and carry out the works directly and a strong unit would be formed at Varanasi. The Chief Engineer in his letter dated December 7, 1963 to Mr. Mittal, wrote back to say that it was "extremely disappointing to find that in spite of your assurances and that of Director, Malhotra, the Bharat Sevak Samaj

has cut a very sorry figure in comparison with other Contractors working here and that too in spite of certain concessions that have been given to the Bharat Sevak Samaj by the Railway Board". The matter was again brought to the notice of the General Manager, Central Construction Service by the Diesel Locomotive Works on June 19, 1964. The Samaj assured the Railway on July 6, 1964 that the back log in targets would be made up. The work was commenced on November 23, 1962 and was actually completed on February 15, 1965 as against the due date of December 31, 1963 and this after extensions were given to the Samaj upto June 30, 1964, September 30, 1964, November 30, 1964, December 31, 1964, January 31, 1965 and February 15, 1965 for reasons given below.

#### *Extension of Time.*

#### *212 Unit Type II Quarters:*

#### **First Extension upto June 30, 1964**

22.51 The Samaj applied for extension on November, 22, 1963 on the following grounds:

- (1) Delay in deciding about the mortar to be used in this masonry (cement or lime mortar).
- (2) Difficulty in procuring Sal Timber from the market.
- (3) The site was originally unsuitable for construction purpose in as much as there was no road and the area was impassable.
- (4) M. S. Rods and building wire not available in Railway store.
- (5) Hand rails for Balcony & Trellies work for rear Varandah were not issued to Bharat Sevak Samaj.

The Executive Engineer accepted these reasons for delay and recommended extension upto June 30, 1964 and the General Manager accordingly sanctioned extension upto that date on the condition that 50 per cent of the quarters are handed over complete in all respects by March 31, 1964.

#### **2nd Extension upto September 30, 1964**

22.52 The Bharat Sevak Samaj applied for extension upto September 30, 1964 vide letter dated July 8, 1964 due to circumstances beyond their control and due to delay in supply of cement and other materials by the

Railway. The General Manager granted extension upto September 30, 1964. Reasons adduced by the Samaj were accepted by the Railway.

#### **3rd Extension upto November 30, 1964**

22.53 The Samaj requested for extension upto the end of November, 1964 due to non-availability of certain materials from Railway Store. When the Financial Adviser and Chief Accounts Officer of the Diesel Locomotive Works asked as to what materials had not been supplied to the Samaj, the Executive Engineer in his note dated October 3, 1964 stated as under:

"Door shutters & cement are the two major items. Cement is in short supply and door shutters have not been supplied to the firm."

The extension was granted by General Manager as applied for by the Samaj, upto November 30, 1964.

#### **4th Extension upto December 31, 1964**

22.54 The Samaj in their application dated November 30, 1964 sought extension upto December 15, 1964 due to non-availability of certain materials such as paint, window shutters and fittings from Railway Store. The General Manager accepted these reasons and extension was given upto December 31, 1964 although the Samaj applied for extension upto December 15, 1964 only.

#### **5th Extension**

22.55 The Executive Engineer in his letter dated January 25, 1965 to Deputy Chief Engineer stated that the Contractor had not been able to complete the quarters in all respects as certain materials could not be supplied to him upto December 31, 1964 and recommended extension upto January 31, 1965. The General Manager accordingly extended the time upto January 31, 1965 on the condition that no further extension would be given.

#### **6th Extension**

22.56 Again the Executive Engineer in his letter dated 10/11-2-1965 to the Deputy Chief Engineer stated that the date of completion may be extended upto February 15, 1965 as some materials had not yet been supplied to the contractor to complete this work. Accordingly the General Manager extended the time upto February 15, 1965, and the work was completed on 15-2-1965.

22.57 Perhaps in the circumstances these extensions were not unjustified.

### **Construction of 200 Type II Quarters—Diesel Locomotive Works**

22.58 By a subsidiary agreement dated July 6, 1963, the Samaj was given additional work of construction of 200 Units Type II Staff Quarters Double Storyed at 29 per cent above schedule of rates for cement mortar and 30 per cent above for lime mortar. The approximate cost of the work was 10,80,000 and the work was to be completed by March 31, 1965. This is shown by the General Manager's letter dated June 27, 1963 and it was treated as additional work and supplementary to the other contracts for 212 Units.

22.59 The files of the Railway relating to Diesel Locomotive Works show that the rates of the Bharat Sevak Samaj in this case were not settled after calling for open tenders but on the basis of negotiated rate.

22.60 From a letter dated December 7, 1963 from Mr. N. K. Mehra, Chief Engineer, Diesel Locomotive Works to Mr. M. D. Mittal, General Manager of the Bharat Sevak Samaj it appears that the construction of 200 units of Type II quarters was given to the Bharat Sevak Samaj at 30 per cent above the Diesel Locomotive Works schedule rates while the work for the remaining 512 type II quarters had been awarded as a result of open tenders at 29 per cent above Diesel Locomotive Works schedule of rates i.e. 1 per cent less than the Bharat Sevak Samaj rate. This had the approval of the Railway Board.

22.61 The Bharat Sevak Samaj was granted, with the approval of the Railway Board an interest bearing loan not exceeding 25 per cent of the rate of the contract in 2 instalments, 12½ per cent at the start of the work and the balance 12½ per cent after 50 per cent of the work had been completed. The recovery of the loan with interest was to be effected from the payments to be made for the bills in suitable instalments. Accordingly the Samaj was given the following amounts for this work:

8-7-1963	..	1,35,000	This amount with interest was recovered in 15 instalments.
18-12-1964	..	1,35,000	
		<hr/> 2,70,000 <hr/>	

### **Extension of time**

#### **200 Unit Type II Quarters**

22.62 The Bharat Sevak Samaj applied for extension on January 18, 1965 upto June 30, 1965 due to inadequate supply of cement in the initial stages on account of which progress was hampered. The executive engineer in his note dated January 25, 1965 stated that "the supply position of door fittings; door and window shutters and tanks is not satisfactory. Two months extension beyond March 31, 1965 is therefore recommended." So extension was granted by the General Manager upto May 31, 1965 on the condition that no further extension would be given.

#### **2nd Extension**

22.63 The Samaj in their application dated May 8, 1965 requested for extension upto July 31, 1965 due to difficulty in getting certain materials like doors, window, shutters fittings etc. from Railway department. The Executive Engineer stated that the supply of shutters was expected to be completed by June, 1965, accordingly extension was given upto July 31, 1965 by the General Manager.

#### **3rd Extension**

22.64 The Samaj in their letter dated July 8, 1965 stated that due to financial difficulties and some of the materials not being received from Diesel Locomotive Works stores, they could not complete the work by July 31, 1965 and requested extension upto September 15, 1965. The reasons for delay were accepted by the Diesel Locomotive Works authorities and extension was granted as applied for i.e. upto September 15, 1965.

#### **4th Extension upto November 30, 1965**

22.65 The Bharat Sevak Samaj in their application dated September 6, 1965 to the Deputy Chief Engineer, Diesel Locomotive Works stated that due to non-availability of certain materials in Diesel Locomotive Works stores and due to non-supply of certain materials it was not possible for them to complete the work by September 15, 1965 and asked for extension for one month from the date from which all the materials are supplied to them. Accordingly extension was granted by the General Manager upto November 30, 1965.



### 5th Extension

22.66 The Samaj in their letter dated November 27, 1965 asked for extension upto December 31, 1965 due to want of some materials like iron fittings and water tanks etc. The executive Engineer in his letter dated December 8, 1965 to the Deputy Chief Engineer stated that door shutters, tanks, all drop bolts and helical door springs were yet to be issued and the contractor has to give finishing touches to many items and recommended extension upto January 31, 1966. The General Manager accordingly accorded extension upto January 31, 1966.

### 6th Extension

22.67 The Samaj applied for extension upto February 28, 1966 due to non-supply of materials. The Executive Engineer stated that last lot of shutters have been recently supplied to the Bharat Sevak Samaj and as such extension was recommended upto February 28, 1966 and the same was extended by the General Manager.

### 7th Extension

22.68 The Executive Engineer in his letter dated February 28, 1966 to the Deputy Chief Engineer wrote that some finishing work still remained to be done and the site was to be cleared and as such extension upto March 15, 1966 was recommended to be given to the Samaj. Accordingly extension of time upto March 15, 1966 was granted and the work was completed on that date.

### Construction of roads in colony area of Diesel Locomotive Works at Manduadih, near Varanasi

Approximate cost of work—4,63,907/-  
Time given in the tender upto—31-7-1964  
Time taken by the Bharat Sevak Samaj upto—31-3-1965.

22.69 As the tender of the Samaj at 15 per cent above the schedule of Rates was the lowest, the tender committee consisting of the Financial Adviser and Chief Accounts Officer, Chief Engineer and Chief Traffic Officer, commended that the work may be awarded to the Samaj and the work was accordingly awarded to them. But no earnest money was required.

### Security Deposit

22.70 As intimated by the Railway Board in reply to the questionnaire issued to them,

the Security deposit amounting to Rs. 14,301.50 was recovered by 5 per cent deductions instead of Rs. 28,603 recoverable under the normal rules.

### Extension of time

#### Diesel Locomotive Works—Road Work

22.71 1st Extension: The Bharat Sevak Samaj in their letter dated June 16, 1964 to the Chief Engineer stated that the progress of the work had been very much disturbed as the spreading of grits on 9 ft. wide portion of the road remained suspended for 4 months and no other site or alignment for any other portion of road could be made available to them. So they requested extension upto January 31, 1965. The Executive Engineer in his note dated June 25, 1964 wrote:—

“The extension is required on administrative grounds. No loss has been incurred by the administration.”

As such extension upto January 31, 1965 was granted by the Chief Engineer vide his letter dated June 30, 1964.

#### 2nd Extension, upto April 30, 1965

22.72 The Samaj in their application dated January 18, 1965 sought extension upto June 30, 1965 due to the following reasons:

- (1) Verbal instructions were given not to execute painting work during the winter season and as such this item of work could not be taken up before March, 1965.
- (2) Site near Type II Quarters at Jalalipath and Pahari Village not clear and back lanes were full of waste building materials.
- (3) Level of roads at the sites II were decided recently.
- (4) Road rollers were not regularly made available and so consolidation work could not be done expeditiously.
- (5) Layout and location of many roads could not be made available in time. The Deputy Chief Engineer gave extension upto April 30, 1965 vide his letter dated February 11, 1965.

### 3rd Extension

22.73 The Samaj stated in their application dated April 23, 1965 that as some additional road work had been given to them they were not able to complete the work in time and sought extension upto July 31, 1965. The Executive Engineer wrote on the application of the Samaj as under:

“Extension recommended upto 30-12-1965 as Bharat Sevak Samaj is also being allotted work of patrolling road around the boundary wall of work shop.”

The Deputy Chief Engineer, however, extended the time upto July 31, 1965 as the final site of some of the roads especially in the two market places have been given only recently.

22.74 The work of patrolling road connecting the main approach road to West works entrance along North boundary wall of the work shop, roads in Railway Protection Force barracks area was however, taken away from the Bharat Sevak Samaj.

### 4th Extension

22.75 The Samaj was given further extension upto September 30, 1965 vide Deputy Chief Engineer's letter dated July 27, 1965. The application of the Bharat Sevak Samaj is not available in the file and as such the reasons for granting extension are not clear.

### 5th Extension

22.76 The Executive Engineer in his letter September 25, 1965 to Deputy Chief Engineer stated that the back lane of Type II had not been cleared of surplus earth and as such service lanes could not be constructed. Similarly some of the roads in front of the quarters were still to be constructed, and possession of land was also to be taken. So he recommended extension upto March 31, 1966. The Deputy Chief Engineer extended time upto February 28, 1966 only.

### 6th Extension

22.77 The Executive Engineer in his note dated March 1, 1966 to Deputy Chief Engineer recorded as under:

“As the further sites for completion of the work could not be made available to the firm the progress of work suffered. It is recommended that fur-

ther extension of time upto March 31, 1966 may kindly be granted to enable them to complete the work satisfactorily.”

22.78 The Chief Engineer in his letter dated March 1, 1966 to the Bharat Sevak Samaj told them that Mr. G. D. Tewari of the Samaj had been shown the residual work to be done and he had agreed to complete the work by March 31, 1966. Accordingly extension was granted upto March 31, 1966 and the work was completed.

### Delay in the execution of work (Construction of Roads)

22.79 The Chief Engineer in his letter dated June 10, 1964 to the Bharat Sevak Samaj pointed out about the slow progress of the work and asked the Samaj to improve the same. The Samaj in reply dated June 16, 1964 stated that the spreading of “grits” on 9' wide portion of the road remained suspended for 4 months and no other site or alignment for any other portion of the road could be made available to them and as such progress of the work was disbursed. The Samaj sought for extension of time upto March 31, 1965 as the unfinished portion of the work was too heavy to be finished by due date, i.e. July 31, 1964. This was approved by the Chief Engineer on June 30, 1964. The Executive Engineer in his letter dated August 21, 1964 to the Bharat Sevak Samaj said that the work had been completely abandoned by the Samaj and he served notice that if the execution of work was not resumed immediately the contract would be terminated as per conditions of the contract. The Samaj in their letter dated January 16/18, 1965 sought for extension of time upto June 30, 1965 due to various reasons mentioned in their application. The extension was granted by the Deputy Chief Engineer upto April 30, 1965.

22.80 Mr. T. N. Joshi, Deputy Chief Engineer in his letter dated December 8, 1964 to Mr. A. N. Malhotra Director (Public Co-operation), as if he was the Bharat Sevak Samaj Construction Service, wrote that the construction of road work started more than a year ago but the progress was not satisfactory. Probably the works were beyond the capacity of the local unit and suggested taking over the work by the Central Construction Division of the Bharat Sevak Samaj so that the Department would not have to rescind the contract. Mr. Malhotra replied on

December 15/16, 1964 that the matter had been discussed by him with the Central Bharat Sevak Samaj and that the Central Bharat Sevak Samaj would be in a position to take over the work from the district unit. However this would take some time to work out the arrangements. In his next letter dated December 31, 1964 to Mr. T. N. Joshi, Deputy Chief Engineer, Mr. Malhotra wrote that the local unit would be assisted by the Central Unit to carry out the work speedily and asked the Deputy Chief Engineer to inform him of the progress of the works. Mr. T. N. Joshi in reply wrote on January 15, 1965 as under:

"No doubt I was assured by Shri G. D. Tewari, your Project Manager that the Central Unit would assist the local unit in pushing on with the work, but I regret to say that there has been no progress. It appears that the works of road construction entrusted to the local unit are not likely to be completed for another year at the rate at which they are proceeding. We propose watching their progress for another fortnight before serving them with a final notice of rescinding their contract on account of the continued poor progress."

A copy of this letter was sent to the General Manager of the Bharat Sevak Samaj, Central Construction Service by Mr. Malhotra who wrote:

"To me it appears that the local unit of the Bharat Sevak Samaj at Varanasi is not competent to deliver goods. Their inaction will bring a bad name and also losses in consequence of the contemplated action by the Railway authorities. I therefore suggest that the Central Office may take immediate action in this respect".

22.81 By a Resolution passed by Kendriya Pradhan Mandal (Central Controlling Committee) of the Bharat Sevak Samaj on June 2, 1965 the work was taken over by the Central Construction Office. The progress of the work continued to be unsatisfactory so much so that a notice was served by the Deputy Chief Engineer, T. N. Joshi on the Bharat Sevak Samaj Central Construction Service on June 11, 1965 to increase its labour strength

and show progress within a week failing which the Contract would be rescinded. In reply the Samaj requested vide their letter dated June 15, 1965 to consider the practical difficulties in pushing the work with no payments for 3 or 4 months and as such regretted the action of the Railway Administration in issuing a notice to them.

22.82 The Bharat Sevak Samaj in their letter dated June 22, 1965 informed the Deputy Chief Engineer that it would not be possible for them to complete the work upto September, 1965 due to the following reasons:

- (i) Their payment had been withheld on the advice of the Chief Engineer, Chohan.
- (ii) Due to Diesel shortage they are not in a position to ply their trucks for getting materials like earth, bricks and ballast.

22.83 In view of the above, the Samaj stated that they had no objection if a part of the work was allotted to some other agency without invoking penalty clause. Accordingly the scope of the contract with the Bharat Sevak Samaj was reduced by Rs. 95,000 and the same was awarded to other contractors. The samaj was not penalised for their failure to execute these works but they were asked to complete the remaining work by July 31, 1965. In this manner the value of the work with the Samaj was reduced to Rs. 3,68,907 instead of Rs. 4,63,907 as per agreement.

22.84 The Samaj completed the work on March 31, 1966 as against the stipulated date of July 31, 1964 after extensions were given without any penalty being imposed. The evidence is too meagre to enable the Commission to comment on the adequacy or otherwise of the reasons for extension.

#### **Construction of Food Grain Godown of 2,900 Tons Capacity of Reiser's Type at Varanasi**

22.85 The estimated cost of the work was Rs. 1,73,840. In the first case only one Tender of M/s. New Bharat Construction Company at 55.07% above the estimated rates was received. This tender was however rejected, being on the high side. Next time only two tenders, by M/s. New Bharat Construction Company and Mohd. Fasi were received. A telegram was however received from the Secretary Bharat Sevak Samaj, Varanasi intimating that they were prepared to undertake the work at 30% above the estimated

rates. These two tenders were therefore rejected as the Bharat Sevak Samaj had not purchased the tender and had quoted percentage rate instead of item rate. On the third occasion also (on August 26, 1963) two tenders were received. These were of Mohd. Fasi and of Bharat Sevak Samaj. Mohd. Fasi had however mentioned the following conditions on page 2 of the tender form Public Works Department—8:

- (i) "If any tender other than the Bharat Sevak Samaj is received without earnest money, then my tender need not be opened.
- (ii) In case the tender of the Bharat Sevak Samaj is the lowest, I am prepared to execute the work at Rs. 4000 less than their tendered amount provided I am given all the facilities and privileges allowed to Bharat Sevak Samaj.
- (iii) On the opening of Tender, our earnest money may please be returned within one week.
- (iv) Welding rods for welding are required to be arranged by the Department.
- (v) Line for electricity is to be provided by the Department".

22.86 The total amount of the tender for the rates quoted by Mohd. Fasi was Rs. 2,38,047 which was 36.36% above estimated rates including 8% cost index.

22.87 The Bharat Sevak Samaj had submitted their tender for Rs. 2,34,300 which was 34.78% above the estimated cost. The regional Organiser, Bharat Sevak Samaj Varanasi, however vide his letter dated August 26, 1963 reduced their rates to 30% above the estimated cost including cost index and thus the tendered value of Bharat Sevak Samaj was Rs. 2,25,992.

22.88 The work was awarded to the Bharat Sevak Samaj on the above rate on October 27, 1963. As per agreement the work was required to be completed by June 26, 1964. A loan of Rs. 21,730 at 3½% per annum was also sanctioned to the Bharat Sevak Samaj on February 10, 1964 for this purpose. The second instalment of loan of Rs. 21,730 was also sanctioned on 14/21 June, 1965.

22.89 It would be very interesting to point out in this connection that the work was awarded to Bharat Sevak Samaj on October 27,

1963 and as per agreement was required to be completed by June 26, 1964. But Bharat Sevak Samaj further entered into another agreement with a sub-contractor on July 5, 1964 for the completion of this very work. And by this agreement the sub-contractor was to be paid @ 5% below the rates as per Delhi Schedule of rates for 1955 plus 30% thereon and the rates were inclusive of cost of material and labour. As per terms the contractor was to invest his own capital and no financial assistance in the form of any advance was to be allowed to the contractor.

22.90 When the contractor had completed work worth approximately Rs. 62,000 (up to December, 1965) the construction work was transferred to Central Bharat Sevak Samaj. The Central Public Works Department had constantly been observing that the progress of the work made by the Bharat Sevak Samaj was extremely slow but it was not taking any action against the Samaj for not completing the work in time and thereby denying the storage facilities to the Government and also causing financial loss to the Government because more delay in execution of the work meant more cost to the Government. It may also be mentioned in this connection that in spite of loans sanctioned by the Government, the work remained almost suspended from March, 1965 to August, 1966.

22.91 The progress of work did not improve even on calling for the weekly progress reports from the Assistant Engineer Food Storage Division Central Public Works Department, Varanasi, who had also been stating that the slow progress of work was due to non-employment of proper strength of labour etc. required for the work.

22.92 The work was at last completed on December 3, 1966 after a considerable delay. The Government had however imposed a lump sum compensation of Rs. 5,000 for delayed execution of work vide letter No. 23 (158)/68-SSW(F) dated August 9, 1968 and this was reported to have been recovered but the relevant particulars of recovery are not traceable either in the final bill or other files made available to the Commission.

22.93 It would be seen from the above that Government had set the time limit of 8 months for the completion of work, whereas the Bharat Sevak Samaj took more than three years for the completion of the same. The Samaj had entered into an agreement with Sub-contractor on July 6, 1964 for the

completion of this very work on a profit basis to the extent of 5% on the Delhi Schedule rates of 1955 which were 8% lower than the Estimated Cost of the work.

22.94 This was a sufficient ground for terminating the Contract of the Bharat Sevak Samaj who were showing almost no indication to abide by the terms of the contract. The result of all this was that the work was actually got executed partly through a sub-contractor.

#### Defects Noticed in the Work

22.95 It appears from the files produced before the Commission that certain defects were noticed in the construction work of Foodgrain godown at Varanasi executed by the Bharat Sevak Samaj.

22.96 On May 24, 1966 the Executive Engineer Food Storage Division Central Public Works Department Kanpur drew the attention of the Project Manager Bharat Sevak Samaj Construction Service Varanasi wherein he pointed out 8 items of defects which were brought to the notice of the Project Manager from time to time by the Assistant Engineer Varanasi which were as follows:

1. "The sheets in a portion of roofing have been punched instead of drilling as required under the terms of contract and specification.
2. The J. Hooks of other quality which have not been approved, have been fixed by you in place of Galvanised 'J' hooks along the ridging.
3. The rolling shutters have not been fixed properly, the jambs and the bottom of lintels have not been finished properly.
4. The materials issued by the department and surplus to the requirement of the works have not been returned by you. The surplus materials may be returned to the A.E-in-charge within a fortnight from the date of issue of this letter failing which penal rate recovery for the same shall be effected from your next running bill. It may be noted that you cannot remove surplus materials issued by the Department without the written permission of the Engineer in Charge.
5. The earth filling has not been done according to Central Public Works Department specification which was

to be done in '6' layers consolidating each deposited layer by ramming and watering. You are thus solely responsible for executing this work below specification and all the consequence arising therefrom.

6. The materials which were lying on road have not been removed by you which has caused hinderance in execution of the road works.
7. The rubbish etc. has not been removed by you in extension of godown No. 4 so far.
8. The glass panes of lesser weight and in galvanised 'J' hooks have been fixed by you in ventilators and C.G.I. sheet roofing respectively".

This was followed by a reminder also on 9-6-1966 to the Project Manager.

The E.E. in his letter of 13th July, 1966 addressed to the A.E. Food storage sub-Division, Varanasi pointed out the non-filling of earth by the Bharat Sevak Samaj, to the minimum required degree and desired the rates to be slightly reduced. He also observed that "the consolidation should be got done and the contractor should arrange to satisfy the department about the required degree of consolidation before further operations are allowed".

22.97 The Executive Engineer in his letter of July 20, 1966 to the Project Manager Bharat Sevak Samaj Central Construction Service Varanasi pointed out the unsatisfactory work done even on the 2nd test of the compaction as was evident from the test results of the compaction of the earth filling. On August 16, 1966 the Assistant Engineer Food Storage Division, Varanasi drew the attention of the Bharat Sevak Samaj Central Construction Service Varanasi to the defects pointed out earlier and requested for their early rectification. In addition he listed another 7 items of defects for immediate rectification. They were as follows:

1. Rolling shutters have not been properly fixed.
2. Purline etc. has not been fixed in one line and level etc.
3. Rust has not been removed from gutters fixed by you and the same has not been fixed properly and in proper slope.

4. Below specification 'J' hooks used in roofing and glass which were under weight; used in ventilators, have not been replaced.
5. Joints, jambs, corners etc. have not been finished properly and plaster giving sound hollowness has not been redone.
6. Punched sheet have not been replaced.
7. Finishing of some panels of floors is not upto the mark".

22.98 The Bharat Sevak Samaj Central Construction Service, Varanasi neither acknowledged the letters issued by the department from time to time nor are any indications available in the files produced before the Commission to show that the above defects were subsequently rectified.

#### **Loss of Stores from the site of work**

##### **(i) G.C.I. Sheets**

22.99 The estimated requirement of G.C.I. Sheets for the work was 17,950 tonnes but the C.P.W.D. issued 20,083 tonnes to the Bharat Sevak Samaj. The C.P.W.D. in its final bill proposed recovery of the cost of 2,133 tonnes excess issued over the requirement at penal rate as they were not actually required for the work.

22.100 The Bharat Sevak Samaj represented that 184 G.C.I. Sheets i.e. 2,133 tonnes were stated to have been stolen from the site of work which was being guarded by two Chowkidars appointed by the Bharat Sevak Samaj. The Samaj lodged a complaint with the police and got a certificate from the police that the case was untraceable. Thereupon they approached the C.P.W.D. to waive the penal recovery on the ground that the Samaj was a social service organisation. The C.P.W.D. recommended the waiving of the penal recovery but the Finance Ministry did not agree. The Samaj wanted the matter to be referred to arbitration and the matter is before the arbitrator.

22.101 From the correspondence it would appear that these G.C.I. Sheets were recovered from the two Chowkidars of the Bharat Sevak Samaj. Whatever be the decision of the arbitrator the fact remains that 184 G.C.I. Sheets were stolen from the site of work and the cost of the same would work out to Rs. 2,193.15 at the ordinary rate of Rs. 970 per tonne

plus 6% storage and double this amount Rs. 4,386.30 if the penal rate is charged. This is a loss for the Bharat Sevak Samaj due to the negligence if not deliberate dishonesty of the persons who were appointed by the Samaj to look to the safety of the materials.

##### **(ii) Cement**

22.102 1.25 metric tonnes of cement was found short in the cement godown and the C.P.W.D. has claimed penal rates at double the rates of Rs. 139 per tonne. The Samaj has disputed this point also and the C.P.W.D. has referred the point for arbitration.

#### **Construction of Food Grains Godowns of 10,000 Tonnes capacity (CTT) at Azamgarh**

22.103 The tenders for the above work of the estimated cost of Rs. 6,74,641 were invited in May, 1963 but as only one valid tender was received, tenders were reinvited in July, 1963. Two tenders were received from the following parties:

Name of the Contractor	Tender Offered
1. Shri Lalita Prasad Singh.	22.44 per cent above the estimated rates.
2. M/S. Bharat Sevak Samaj.	37 per cent above the Delhi Schedule of rates of 1955.

The rates quoted by the Bharat Sevak Samaj were equivalent to the estimated rates.

22.104 No earnest money was deposited by the Bharat Sevak Samaj. As per tender notice item rates for the individual items were to be quoted in the tenders but the Bharat Sevak Samaj quoted the percentage whereas the other party had given item rates. The departure from the tender notice on the part of the Bharat Sevak Samaj was regularised by the Superintending Engineer and the tender of the Bharat Sevak Samaj at 37 per cent above the Delhi Schedule of Rates 1955 was accepted by the Central Public Works Department. The work was to start from 17th September, 1963 and the time allowed for the completion of the work was six months.

22.105 Even though the Executive Engineer wrote several letters to the Bharat Sevak Samaj to commence the work and to sign the agreements, the Bharat Sevak Samaj did not sign the agreement and it did not start the work. The Executive Engineer himself went to Varanasi on 9th November, 1963 and con-

tacted Mr. R. K. Saha and the Chief Engineer, Bharat Sevak Samaj and requested them to sign the agreement but was told that the rates quoted by M/s. Bharat Sevak Samaj were on low side and as such, they were referring the matters to the General Manager, Bharat Sevak Samaj, Central Construction Services for decision.

22.106 The C.P.W.D. again wrote to the Bharat Sevak Samaj on January 2, 1964 asking them to sign the agreement and to start the work. As there was no response, a final notice was issued by the C.P.W.D. on January 18, 1964 with 12 days' time to start the work. On January 13, 1964 General Manager of the Bharat Sevak Samaj, Central Construction Services informed the C.P.W.D. that he will issue instructions to the Bharat Sevak Samaj, Varanasi Unit to start the work. Agreement for the work was signed by the local Bharat Sevak Samaj on February 22, 1964 which was considerably after the date of entering into the contract. All this shows that the Department was showing every facility to the Samaj.

22.107 An initial advance of Rs. 50,000 was given to the Bharat Sevak Samaj on March 31, 1964 by the C.P.W.D. but the work was not started till about 3 months later i.e. on June 17, 1964. The progress of the work was slow and up to March 29, 1965 i.e. in nine months the Samaj completed only 23.85 per cent of the work, the value of which was stated to be Rs. 1,60,623. After this the work was stopped till May 27, 1965 and even after that date there was hardly any progress. The letter of the Executive Engineer, Kanpur Division dated July 10, 1965 shows that "M/s. Bharat Sevak Samaj had restarted the work with effect from May 27, 1965 but have engaged only two masons, six beldars and one bhisti on the work, but they have again stopped the work and it is completely at stand still".

22.108 On September 2, 1965, the Superintending Surveyor of Works, New Delhi, stressed the desirability of cancellation of the contract and awarding it to somebody else because of the slow progress.

22.109 There was little progress even after this but no action was taken by the Department to cancel the contract as is evident from the various letters exchanged between the Officers of the C.P.W.D. Up to February 19,

1966 hardly 26% of the work was completed even though 2½ years had elapsed from the issuance of the work order whereas the time allowed under the contract was 6 months. A further sum of Rs. 50,000 was given by way of advance to the Bharat Sevak Samaj on March 21, 1966. Even after the payment of the second instalment the work was not restarted as would appear from the Executive Engineer's letter dated April 26, 1966, in which an ultimatum was given to the Samaj to restart the work within 15 days to be executed "with the emergency". Even after the issue of this ultimatum no work was done upto May 16, 1966 and up to June 7, 1966 only 1,000 cubic ft. of brick work and 30 cubic ft. of R.C.C. work is stated to have been completed. The work was again stopped on June 2, 1966 and was restarted on June 6, 1966 and progressed very slowly. Up to July, 1966, only 33 per cent of the work was done. The C.P.W.D. considered the question of cancelling the contract and entrusting it to somebody else but they could not do so as a large sum of money had been advanced in connection with the work and it would have been difficult to recover these advances. This is evident from the note of the Superintending Surveyor of Works, New Delhi, dated November 16, 1966. The work continued at a slow pace and upto March, 1967 the progress was only 50 per cent. The godowns were completed on December 15, 1967 i.e. after a delay of about 4½ years.

#### **Compensation levied by the Government**

22.110 As per the contract the compensation leviable for delayed construction was one per cent of the estimated cost put to tender for each day of delay subject to the condition that the total compensation levied was not to exceed 10 per cent of the estimated cost put to tender. The total delay in the construction of the foodgrains godowns at Azamgarh was 1,370 days and out of this a period of 302 days was considered justifiable by the Department because of certain factors but for the delay of 1,068 days the Department did not find any justification. As per the contract the compensation leviable would have been 10% of the cost put to tender, i.e. Rs. 67,464. However, the C.P.W.D. levied only an amount of Rs. 13,000 as compensation. It is pertinent to point out here that the C.P.W.D. had to incur an expenditure of Rs. 18,720 on the rent of godowns and wages of Chowkidars where materials were stocked from February 15,

1964 to May 18, 1967. This would have been avoided if the Bharat Sevak Samaj had completed the work within the stipulated date. Further, the Food Department of the Government of India had to pay a rent on the godowns they had hired during the period, which should be quite a sizeable amount, but how much it exactly works out is not indicated in the files of the Central Public Works Department.

22.111 Further, it would appear that out of the huge quantity of cement, i.e. 110.7 metric tonnes stores at Azamgarh for the works 50 tonnes of cement got damaged due to efflux of time as the Samaj had delayed execution of the work and consequently this damaged cement had to be used in unimportant works like drainage work, brick work in lawn panels etc.

22.112 An amount of Rs. one lakh had been advanced as loan by the Central Public Works Department for the construction of foodgrains godowns at Azamgarh. The payments and recoveries were made on the following dates:

Date	Amount of Loan given	Amount re- covered
	Rs.	Rs.
31-3-1964 ..	50,000	—
21-3-1966 ..	50,000	—
9/66 ..	—	29,000
9/66 ..	—	64,000
10/66 ..	—	21,855
Total		1,14,855

(Including the interest).

22.113 Even though this loan was outstanding the Samaj was given secured advances to the tune of Rs. 20,429 and this was recovered as follows:—

			Rs.
3-2-1965 ..	..	..	10,944
28-9-1965 ..	..	..	9,485

Giving secured advances over and above the loan amounts to giving two advances for the same purpose, i.e., for financing the work.

#### The mode of execution of the contract for Grain Godown Work at Azamgarh

22.114 Mr. J. K. Khanna, Secretary of the Central Construction Service inspected the work in the month of March, 1965 and his Tour Note dated March 16, 1965 contained the following remarks about the local incharge of the Bharat Sevak Samaj and about irregularities in the contract entered into for the supply of earth:

“Shri Misra incharge of work is not a qualified Overseer. On our recent visit we found that he was the ‘Master of all he surveyed’. He keeps no record of out turn of daily work and has a strange way of doing things. To cite an instance, he has of late entered into an oral agreement with an agriculturist owing agricultural land adjacent to the boundry of the grain godown to take out 3 feet deep of earth from the land of the agriculturist at Rs. 8,000 per bigha. In this connection it may be pointed out that a seude-annonymous complaint was received sometime ago addressed to the President of the Samaj in his capacity as Chairman of the Sadachar Samiti and it was alleged that Shri Misra, Overseer had made about Rs. 1,000 in this bargain. On independent and confidential inquiries having been made by the undersigned at Azamgarh, it came to light that Shri Misra has bargained at the rate of Rs. 50 per Biswa which comes to Rs. 1,000 per bigha. The view of the Executive Officer of the Local Municipality whom I had also consulted in this matter was that even this was a very high rate for taking out earth and that even if Bharat Sevak Samaj had to incur some expenses on lead, earth at cheaper rates would be available.”

22.115 The Report of Mr. J. K. Khanna, shows that Mr. Misra incharge of the works on behalf of the Bharat Sevak Samaj entered into an oral agreement for taking out 3 feet of earth from the land of an agriculturist at Rs. 8,000 per Bigha and Mr. Khanna on enquiry found that Mr. Misra actually paid Only Rs. 50 per Biswa i.e. Rs. 1,000 per Bigha. There were allegations that Mr. Misra had embezzled the rest.



### Shortages of materials

22.116 The letter dated the 26th September, 1965 from Mr. G. D. Tiwari, Project Manager of the Central Construction Service, Varanasi, to Mr. B. S. Bhist, General Manager, Bharat Sevak Samaj, Lucknow, Uttar Pradesh shows that Mr. Tiwari along with Mr. Dayabhushan Upadhyaya Regional Organiser, visited Azamgarh, from 10 to 12th September, 1965 and from 23rd to 24th September, 1965 and measured the brick masonry work and found shortage of over a lakh of bricks which had to be accounted for.

22.117 Mr. G. D. Tiwari also found that there was a shortage of Chuna Ballast and his enquiry revealed that "Mr. R. P. Misra, Overseer, had sold the Blast to 3 different parties on the plea that the Bharat Sevak Samaj had not so far made any payment of the ballast in question. It was alleged that he had charged Rs. 5,300 from the Road contractor who was working close by for construction of roads around the Azamgarh Grain Godown and sold him the ballast at Rs. 85 per 100 cft. The Road Contractor had already got the same stacked all along the road and also got about 50% measured by the C.P.W.D. authorities. The question of thus taking back this ballast in these circumstances was not possible. He had also charged monies from the other 2 parties and they in turn had already consumed the ballast in their respective works".

22.118 Mr. G. D. Tiwari wanted the shortages to be accounted for before the settlement of the Accounts. The records do not indicate that these shortages were accounted for by the District unit which was in-charge of the works before the Central Construction Service took over the works.

### Medical College and Staff Quarters

22.119 A review of the Planning Commission File No. 19-7-64 Director (C.S.) shows that the progress of the work of Construction of Medical College and Staff Quarters at Varanasi was not satisfactory.

The Vice-Chancellor of Banaras Hindu University in his letter dated July 25, 1964 to the Minister of State for Home Affairs (Mr. Jaisukhlal Hathi) pointed out that "the progress of the work is not at all satisfactory and we are at our wits end what to do. We want quick and efficient work to be done so that of these works are completed in good time, we

might even entrust them with some more works which we have in contemplation. The present experience is not very encouraging." He was accordingly requested to take up the matter with the Bharat Sevak Samaj, New Delhi to expedite the progress. A copy of the letter dated 22-7-1964 from M/s. Master Sathe and Kothari on the subject was also sent along with the letter.

22.120 The Minister made the following observations on that letter in the margin:

"Mr. Malhotra may please see for immediate action. The accompanying note does not speak well of our organisation". Why Mr. Malhotra is not clear. Mr. Malhotra in his note dated 3-8-1964 which was shown to the Minister stated the following:

"Soon after the allotment of the work it was taken in hand. Unfortunately, the Banaras Hindu University authorities had no cement with the result the work of Medical College was suspended for a number of months. The specifications of the quarters were changed to carry on the work by the use of lime mortar. The progress on the staff quarters was satisfactory. Unfortunately, about two months back our Project Manager, Shri R. K. Saha fell seriously ill and had to be admitted into the hospital for operation. During this period, cement was available, but the organisational difficulty stood in the way of improving the progress. I have again been given to understand that there is shortage of cement. The attitude of the architects is also unhelpful. It is also a fact that the progress has not been satisfactory. Action is however, being taken to see that the progress is improved. I will myself be paying a visit to Varanasi in the next fortnight. Meanwhile, I have written to the Project Manager, Varanasi to take measures to improve the progress substantially."

Here again the Director of Construction on the Planning Commission came to the help of the Samaj with an apologies.

22.121 The Minister designed that Mr. Malhotra should see the Vice-Chancellor and tell to him that he had personally come to

look into the working and that was as a result of the Vice-Chancellor's letter to the Minister. The Minister was asking the Director of the Planning Commission to go about acting on the interest of the Samaj.

22.122 From the Note of Mr. Malhotra dated 19-8-1964, it appears that he along with Messrs R. K. Gupta, M. D. Mithal visited Banaras Hindu University and met the Vice-Chancellor and discussed the matters with him on 10-8-1964. It was brought to the notice of the Bharat Sevak Samaj that the things had not been satisfactory at Banaras Hindu University as they should have been and as was expected from a body like the Bharat Sevak Samaj with regards to progress, labour, materials and staff etc. Mr. A. N. Malhotra assured the University authorities that every thing would be alright now and there would be no complaints in future.

22.123 The foregoing discussion of the working of the Central Construction Service of the Bharat Sevak Samaj at Varanasi shows that:

- (i) The District Construction Unit at Varanasi had taken 11 items of work but after they had reached various stages of completion, the Central Construction Service of the Samaj took them over on no profit and no loss basis on various dates as follows:

- (a) The construction of Type-II quarters in connection with the Diesel Locomotive Work Shop were taken over in September 1963 because of the unsatisfactory progress of the work.
- (b) Subsequently, the other works, which were being executed by the District Unit at Varanasi, were taken over by the end of March 1965 due to the inefficient functioning of the District Unit and due to non-maintenance of proper accounts.
- (c) In all 11 items of works which had been undertaken by the District Unit were taken over by the Central Construction Unit at Varanasi. These works were at various stages of completion and the total value of the work done was Rs. 67,15,579.13 and the Construction Unit sustained a loss of Rs. 9,40,203.82.

(ii)(a) The expenditure on materials amounted to Rs. 46,13,266.81 but no quantitative accounts showing the receipts, issues and balances of material used were kept or shown to have been kept. The auditor of the Samaj also could not verify the expenditure on the materials for the same reason.

- (b) The balance-sheet of March 31, 1967 shows that the value of the materials in hand was Rs. 1,25,700 but there is no evidence to show as to what happened to this material and there are no audited accounts for the subsequent periods; at least, none have been produced.

(iii) The audited accounts show that there were two categories of labour employed—

- (1) Departmental Labour on which the expenditure was Rs. 4,98,976.53; and

- (2) Piece-workers and contract labour on which the expenditure was Rs. 14,93,749.11.

- (a) The Samaj did not produce any written agreements with what were termed piece-workers or with other sub-contractors either before the Commission or before their own Auditor who had to point out that payments to muster-roll labour were made in lump sums but no details were shown as to which labour payments were actually made. He also pointed out instances of expenditure on muster roll labour being debited twice over, once in 1963-64 and again in 1964-65.

- (b) The Auditor remarked that the accounts were confusing.

- (c) A report was sent by the General Manager of the Varanasi Unit showing that important works such as the staff quarters of the Banaras Hindu University, Diesel Locomotive Works etc. were got executed through sub-contractors euphemistically

- (iv) At the time when the Central Construction Service took over the Diesel Locomotive works contract from the District Construction Committee in September 1963, the advances to staff and piece workers then outstanding amounted to Rs. 1,44,545.29 but these are also based on unaudited accounts. These outstandings continued to be shown in the accounts for the subsequent years till March 31, 1966 but the amount by then was shown as reduced to Rs. 51,414.43 but in the Profit and Loss Account for that year there was an amount of Rs. 1,62,375.93 which was shown as expenditure incurred through the District Committee but there are no details of this expenditure and these figures were also unaudited.
- (v) (a) On March 31, 1966, there was a sum of Rs. 83,274.77 which was shown as outstanding against the District Unit, Varanasi and this was out of the advances given by the Central Unit and by March 31, 1967 it rose to Rs. 85,607.48 and was written off in the accounts of the year 1966-67. The reason for this is not shown.
- (b) Thus, a sum of Rs. 51,414.43 out of the money advanced by the District Unit, Varanasi prior to September 1963 was not recovered even upto March 31, 1967.
- (c) The Samaj Auditor was not shown the details or the audited accounts for Rs. 93,130.86 which was adjusted in 1965-66. This sum was out of the advances paid to pieceworkers and the staff prior to September 30, 1963 by the District Unit.
- (d) A sum of Rs. 1,62,375.93 was included in the accounts for the year 1965-66 as expenditure incurred through the District Committee without there being any details or the accounts.
- (e) A sum of Rs. 85,607.48 due from the District Construction Service became irrecoverable and had to be written off.
- (vi) (a) The balance-sheet of the Central Construction Service at Varanasi for the year ending March 1967 shows the value of the assets to be Rs. 91,112.47 but these assets were never physically verified and it is not known as to what happened to them as no audited accounts after March 31, 1967 have been produced. It is difficult to say whether they exist or not.
- (b) The vouchers and supporting documents regarding payments amounting to Rs. 5,35,335.10 were not produced before the Auditor of the Samaj.
- (vii) The Bharat Sevak Samaj brought a criminal charge against their Accountant at Varanasi accusing him of defalcation, embezzlement and misappropriation of funds amounting to Rs. 40,458.27 between June 1964 and May 1966. The relevant documents connected with these transactions were not produced before the Commission as they are stated to be in the possession of the Police nor has the Samaj produced the cash book and ledgers pertaining to that period.
- (viii) The contract for the construction of Type-II Quarters of the Diesel Locomotive Works was given to the Bharat Sevak Samaj on the recommendation of Mr. A. N. Malhotra, Director, Construction Service in the Planning Commission. He had given an assurance that the work would be completed within the time allotted under the contract. Due to inordinate delay in the completion of the work by the Varanasi District Unit, the Central Construction Service had taken over the contract of Diesel Locomotive Works quarters.
- (ix) The contract for the construction of Foodgrain Godown at Varanasi taken by the Samaj was sublet to sub-contractors. There were a number of defects in the execution of the works which were pointed out by the Department but there is nothing to show whether those defects were rectified or not.
- (x) There were cases of theft of G.C.I. sheets and shortages of cement but the records do not show that any

action was taken by the Bharat Sevak Samaj against the delinquents or the persons suspected.

- (xi) The construction of Foodgrains Godown at Azamgarh was to be completed in 6 months but the Samaj took 5 years to complete the work and a nominal penalty of Rs. 13,000 was levied. During that period the Central Public Works Department had not only to take on rent alternative storage place for the foodgrains but had also to spend Rs. 18,720 on the wages of the chowkidars and rent of godown where construction materials were stored during the period of construction.

- (xii) 50 tonnes of cement stored at Azamgarh was damaged due to efflux of time as the Samaj had delayed execution of the work.

Other shortcomings were as follows:

- (a) Mr. J. K. Khanna, Secretary of the Central Construction Service found on inquiry that the Samaj worker incharge of construction of the grain godown work at Azamgarh had actually paid Rs. 1,000 per bigha for taking out earth and had shown Rs. 8,000 per bigha in the accounts.
- (b) There were shortages of bricks of more than one lakh and this was found by the Project Manager of the Bharat Sevak Samaj when he inspected the site.

- (c) The stone ballast purchased for the construction work was sold by the Bharat Sevak Samaj official incharge to road contractors but there is nothing to show as to any action being taken against the erring persons.

- (xiii) Major part of the construction works at Varanasi was executed through sub-contractors and in view of this there should not have been a loss of Rs. 9,40,203.82 in the works the value of which was Rs. 67,15,579.13.

- (xiv) Mr. A. N. Malhotra visited the works in the Medical College of the Banaras Hindu University which were taken up by the Varanasi Unit and gave instructions.

- (xv) The Bharat Sevak Samaj Construction Service had a number of disputes with the University authorities in regard to payments.

- (xvi) There is no evidence of the Varanasi Unit of the Samaj having engaged labour directly under it and there were serious lacunae in the method of accounting which are indicated by the number of leakages reported by the Samaj officials themselves and by the inclusion of a large number of items of expenditure without any proper details or supporting documents. Further, there were cases of embezzlement and shortages in materials.

- (xvii) Finally, there is no evidence to show that the public exchequer was a gainer by giving the contracts to the Bharat Sevak Samaj.

TABLE 22-A  
(Referred to in Para 22—40)  
*Abstract of Cases of Defalcation Noticed*

Sl. No.	Month	Charge No.	Brief Particulars	Amount	Amount
				Rs.	Rs.
1	6/64	1	(i) Money not refunded against lump sum withdrawals	212.78	
			(ii) Embezzlement through a fictitious entry in C.B. made by the Accountant .. .. .	6,105.46	6,318.24
2	7/64	2	Unspent balance of withdrawal not refunded ..		861.21
3	7/64	3	Unspent balance of advance received not returned to chest .. .. .		392.63
4	8/64	4	Non-refund of unspent withdrawal .. .. .		2,344.06

TABLE 22-A—*contd.*

Sl. No.	Month	Charge No.	Brief Particulars	Amount	Amount
				Rs.	Rs.
5	9/64	5	Embezzlement through a fictitious voucher prepared by the Accountant .. .. .		3,578.33
6	9/64	6	Non-refund of unspent withdrawal .. .. .		720.45
			Total embezzlement relating to the period. Shri J.K. Agarwal was the Project Manager ..		14,214.92
7	12/64	7	Unspent withdrawal not refunded .. .. .		4,044.28
8	12/64	8	Embezzlement through fictitious entries in cash book .. .. .		3,987.03
		9	Unspent withdrawal not refunded .. .. .		93.75
			Total ending 3/65 .. .. .		22,339.95
10	4/65	11	(i) Embezzlement through a fictitious entry in cash book by the Accountant .. .. .	1,050.00	
			(ii) Unspent withdrawal not refunded .. .. .	604.53	1,654.53
11	6/65	12	(i) Money kept by the Accountant from withdrawals .. .. .	500.00	
			(ii) Unspent balance not refunded .. .. .	620.00	
			(iii) Fictitious entry of a voucher in cash book on subsequent date .. .. .	1,000.00	2,120.00
12	7/65	13	Moneys withdrawn for advance to R.E. and staff misappropriated by the Accountant .. .. .		630.00
13	10/65	14	Misappropriation through false withdrawal .. .. .		900.00
14	10/65	15	Defalcation of money received on the plea of payment of P.M.'s salary etc. .. .. .		1,500.00
15	11/65	16	Embezzlement by deposit of cash from chest in P.M.'s account and falsification of entry in cash book .. .. .		780.00
16	11/65	17	Fictitious advance shown against a R.E. in a voucher .. .. .		400.00
17	11/65	18	Misappropriation of unspent withdrawal and money returned by clerk .. .. .		1,622.24
18	11/65	19	Defalcation of cash .. .. .		230.00
19	11/65	20	Misappropriation of moneys received by the Accountant for legal expenses .. .. .		200.00
20	1/66	21	Fictitious entry in the cash book .. .. .		566.23
21	1/66	22	Unspent balance not refunded .. .. .		733.90
22	2/66	23	Defalcation of money received by Accountant from the pay clerk after disbursement .. .. .		303.00
23	4/66	24	Money drawn twice for payment to the same labour and 1st withdrawal misappropriated by the Accountant .. .. .		1,541.40
24	4/66	25	Unspent balance not credited in cash book .. .. .		306.46
25	4/66	26	Embezzlement of cash .. .. .		31.00
26	5/66	27	Defalcation by falsification of the Hotel bill of the Chartered Accountant's staff .. .. .		205.02
27	5/66	28	Embezzlement of cash .. .. .		4,393.39
			Total from 1-4-1965 to 31-5-1966 .. .. .		18,118.29
			GRAND TOTAL .. .. .		40,458.27

## CHAPTER 23

### CONSTRUCTION OF RUNWAY, TAXI TRACK AND APRONS AT PURNEA AERODROME—PHASE-I AND PROVISION OF ADDITIONAL WORKS SERVICES AT PURNEA AERODROME—PHASE-II.

The contract for the construction of Runway, Taxi track and Apron at Purnea in Bihar was originally taken by M/s. J. N. Billimoria by negotiations at an amount of Rs. 1,67,66,212 and the work was to be completed within 5 months from 7-1-1963. During the currency of the work, the progress was extremely slow and the progress of work till middle of April 1963 was hardly 10%. A notice was, therefore, issued and the contract was ultimately rescinded with effect from 18-4-1963.

23.2 Immediately after the contract of M/s. J. N. Billimoria & Co. was rescinded, the Additional Chief Engineer (V) in his letter No. ACE (V)17(6)/63-ASC, dated May 3, 1963, addressed to the Secretary to the Government of India, Ministry of Works, Housing and Rehabilitation recommended 12 contractors for submitting tenders for Purnea Airfield Work.

23.3 From para 2 of the letter under reference it appears that Mr. L. N. Mishra, who was one of the active workers of the Bharat Sevak Samaj assured the authorities of the Central Public Works Department that the Bharat Sevak Samaj would tender for this work and their personnel from Gorakhpur would be diverted towards Purnea if they were given the execution of that work.

23.4 Fresh limited tenders were called on 15-6-1963 and 6 tenders were received. M/s. Mukherjee Bros. were the lowest tenderer for Rs. 1,25,83,110 as against an estimated amount of Rs. 1,05,88,575. Negotiations were carried out and the lowest offer for an amount of Rs. 1,23,00,940 was of the Bharat Sevak Samaj.

23.5 It was, however, decided that tenders for the work should be reinvited and tenders were, therefore, recalled on 24-7-1963 and only three tenders were received. The tendered amount in each case against an estimated amount Rs. 99,92,358 was as follows:

	Rs.
1. M/s. Tirath Ram..	1,15,20,124
2. M/s. Bharat Sevak Samaj	1,11,80,382
3. M/s. C. Lyall & Co.	1,12,72,843

23.6 While submitting the tender the Bharat Sevak Samaj imposed the following conditions for undertaking the work:

- (i) Exemption from the deposit of earnest money or security deposit deductions;
- (ii) Grant of advance in excess of Rs. 1 lakh;
- (iii) Bharat Sevak Samaj would make their own arrangements for the supply of water;
- (iv) Concrete to be laid in one layer;
- (v) Payment to be made fortnightly;
- (vi) Allotment of work to Bharat Sevak Samaj should be made within 15 days from the receipt of tender; and
- (vii) Departmental work should be stopped when Samaj get into a swing.

23.7 Negotiations were carried out and ultimately the work was entrusted to Bharat Sevak Samaj for a total amount of Rs. 1,11,73,842 subject to the above conditions being withdrawn. The Department had already agreed to exempt the Bharat Sevak Samaj from the payment of earnest money and security deposit. The case for the grant of advance in excess of Rs. one lakh was separately pursued. Condition at (iii) was agreed to. As regards condition (vi) the Department felt that no difficulty would be anticipated in entrusting the work within 15 days. The other conditions were not acceptable and Bharat Sevak Samaj agreed to withdraw them.

#### Phase II

23.8 Five tenders were sold to various contractors but only two contractors tendered; the rates being as follows:

Name of the contractor	Tendered amount	Estimated cost	Percentage over the estimated cost
	Rs.	Rs.	
(i) Bharat Sevak Samaj ..	56,46,304	41,07,405	37.47%
(ii) S. Harcharan Singh ..	57,52,370		
			40.05%

23.9 The Additional Chief Engineer to whom the case was referred had however, some doubts about the capacity of the Bharat Sevak Samaj as would appear from his comments communicated in his U.O. letter dated 27-7-1963. He had commented that in case the progress of work by the Bharat Sevak Samaj in the First Phase was not satisfactory, the work on 3,500 feet of the Runway (Second Phase) will not be awarded to them.

23.10 Negotiations were carried on with the tenderers before allotting the work and Mr. Harcharan Singh agreed to do the whole work at Rs. 55,07,141.00. The Bharat Sevak Samaj were reluctant to reduce their rates during the course of negotiations. There were some discussions in the room of the Joint Secretary of the Ministry and there it was decided to allot the work to Bharat Sevak Samaj if they were willing to do the work at Rs. 55 lakhs so that the sanctity of tender would be maintained. It appears from the minutes recorded in the files that the Bharat Sevak Samaj were contacted and they wanted some more time. The B.S.S. ultimately agreed to do the work by reducing their tendered amount by 2.59% i.e. at the reduced tendered amount of Rs. 55,00,065.00. The work was allotted to the Bharat Sevak Samaj and the Samaj was allowed the usual concession of not paying any earnest money or security deposit besides exemption from payment of income-tax.

23.11 A letter dated 19-12-1963 from the Additional Chief Engineer, Calcutta shows that the Additional Chief Engineer recommended allotment of the works even though the progress of 1st Phase of work at Purnea by Bharat Sevak Samaj was reported to be not satisfactory about a month back, it has now been reported to the Superintending Engineer that during the last 15 to 20 days the Bharat Sevak Samaj have increased the tempo of their works.

#### Advance

23.12 The Ministry of Works, Housing & Supply in their letter No. Cont.32(95)/58, dated 9-11-1961, addressed to Chief Engineer and all Accountants General conveyed the sanctions of the Government of India for giving certain concessions to the Bharat Sevak Samaj; one of them being exemption from deposit of earnest money/security deposit and the other loan not exceeding 1/4th of the estimated cost of the work subject to a maximum of Rs. one lakh for each contract.

23.13 The Bharat Sevak Samaj in their letter of August 14, 1963 approached the Ministry of Works, Housing and Rehabilitation to sanction the work advance of Rs. 25 lakhs for the Purnea Aerodrome work repayable in four equated monthly instalments to be recovered from the bills of each month starting with payments for December, 1963. The request for the grant of advance was received earlier in their letter of July 24, 1963 also. Additional Chief Engineer in his note of July 27, 1963 [U.O. No. ACE(5)/17(6)/63, dated July 27, 1963] opined that *advances more than Rs. 1 lakh should not be given* to the Bharat Sevak Samaj as they have already got the machinery required for this work and which is spare from their Gorakhpur Aerodrome Works.

23.14 The Ministry of Works, Housing and Rehabilitation in consultation with the Ministry of Finance (Works Branch) sanctioned on the 6th September, 1963 a loan of Rs. 5 lakhs on the analogy of similar advance sanctioned to the Bharat Sevak Samaj in connection with the work at Najafgarh drain. In the noting portion, the Works Branch had stated that the question of grant of loan to the Bharat Sevak Samaj was discussed with Mr. D. Dutt (Additional Chief Engineer) wherein it appears that Mr. Dutt felt that the loan of Rs. 5 lakhs may be a little too little to meet the requirements of the Bharat Sevak Samaj. It is not clear how Mr. Dutt in his earlier note of July 27, 1963 had categorically refused to recommend more than Rs. one lakh.

23.15 Again Mr. M. D. Mithal, General Manager of the Bharat Sevak Samaj wrote a D.O. on 23-9-1963 to the then Secretary, Mr. Prem Kishen requesting for the loan of Rs. 25 lakhs. A copy of this letter was sent to Mr. Haruray, the then Private Secretary to the Minister for Works, Housing and Rehabilitation, Mr. Mehar Chand Khanna, with a covering D.O. on 23-9-1963. The Minister made a remark on the D.O. on 25-9-1963, "Please see what best can be done." In this connection the note of the AFA(W) at page 9/N would indicate that Additional Chief Engineer (V) had discussed this issue but the file does not show the nature of discussions between the ACE(V) and AFA(W). The case was discussed in a meeting where Mr. Mithal, General Manager of the Bharat Sevak Samaj was also present.

23.16 Mr. Mithal gave the minimum requirements of the Samaj of the order of Rs. 16 lakhs towards advance which worked out as follows:

		Rs. in lakhs
(i) Sand and Stones	.. ..	7
(ii) Trucks	.. ..	5
(iii) Hut & Stores	.. ..	1
(iv) Water Supply	.. ..	1
(v) Rotating money	.. ..	2
Total	.. ..	16

23.17 Then an Advance of Rs. 12 lakhs was sanctioned on the 24th October, 1963 with the approval of the Secretary R&E of the Ministry of Finance.

23.18 Thus a loan of Rs. 12 lakhs was sanctioned for the Purnea works by the Central Public Works Department and disbursed to the Bharat Sevak Samaj as follows:

		Rs.
September 1963	.. ..	2,50,000.00
November 1963	.. ..	3,50,000.00
November 1963	.. ..	6,00,000.00
		12,00,000.00

23.19 The loan was recovered with interest by adjustment in the running bills as follows:

		Rs.
February 1964	.. ..	3,61,791.55
March 1964	.. ..	6,85,208.45
April 1964	.. ..	1,53,00.00
		12,00,000.00

#### Interest

March 1964	... 15,583.87
April 1964	... 1,124.24

23.20 The ledgers of the Bharat Sevak Samaj Purnea Unit however, show that the last instalment was paid on 24-6-1964.

#### Utilisation of the Loan

23.21 A scrutiny of the Balance-sheet as on 31-7-1964 shows the total value of machinery, vehicles, pumping sets and other equipments purchased upto 31-7-1964 as Rs. 6,53,011.65. The cost of machinery and vehicles after depreciation stood at Rs. 3,18,867.65 on 31-7-1964. A scrutiny of the ledgers shows that major portion of the machinery, equipments and vehicles were transferred from the other units like the Gorakhpur Aerodrome work after the completion of works there. In fact, all the trucks the cost of which was Rs. 2,67,159.01 were old trucks transferred from other units. No new trucks were purchased for this unit as such. Thus even though the Samaj had asked for an advance of Rs. 5 lakhs for purchase of trucks all that the Samaj did was to transfer old trucks which had been purchased for other works. Thus the loan of Rs. 12 lakhs was virtually used for working capital and for assisting other units as will be seen from the discussion that follows.

23.22 The Bharat Sevak Samaj, it appears, on receipt of the loan deposited part of the loans in fixed deposits. These deposits were made on the following dates:

		Rs. in Lakhs
17th December, 1963	.. ..	1.50
6th January, 1964	.. ..	1.50
21-1-1964	.. ..	2.00
3-2-1964	.. ..	3.75
21-2-1964	.. ..	1.25
30-3-1964	.. ..	3.00

Out of these fixed deposits moneys were withdrawn on different dates and balance at the end of various months were as follows:

		Rs. in Lakhs
December 1963	.. ..	1.50
January 1964	.. ..	1.75
February 1964	.. ..	4.50
March 1964	.. ..	4.00
April 1964	.. ..	Nil

23.23 Apart from putting moneys in fixed deposits the other Units of the Bharat Sevak Samaj were also advanced various sums and



part of these amounts were either adjusted by supply of materials and partly by recoveries and the balances outstanding at the end of June, 1964 from the various Units were as follows:

Name of Unit	Advance upto 30-6-64	Adjusted upto 30-6-64	Outstanding as on 30-6-1964
	Rs.	Rs.	Rs.
Calcutta Unit	2,76,250.00	2,61,323.76	14,927.24 (Adjusted in July 1964)
Railway Unit, Katihar	34,023.10	33,460.42	562.68 (Adjusted in July 1964)
Kosi Yojana Nirman Samiti	1,92,188.32	Recovery 79,834.40 (adjusted 64,369.30)	47,984.62 (Adjusted in July 1964).

23.24 The Bharat Sevak Samaj in reply to question put to them have stated that these moneys were advanced to the various Units for supplies made or for work done. But this reply of the Samaj appears to be only partially correct. Among the different Units the Kosi Project Construction Committee appears to have been supplying materials and the Calcutta Unit appears to have been arranging the supply of stores. And even the Kosi Project Construction Unit seems to have been advanced moneys which were recovered in cash which goes to show that all the advances were not for supply of materials. In fact, upto July, 1964 out of Rs. 1,92,188.32 advanced to Kosi Project Construction Committee only Rs. 1,12,353.92 was adjusted by supply of materials or by work done and the balance was actually recovered in cash. Thus, it would appear that other Units of the Bharat Sevak Samaj were financed out of the moneys given as loan for the Purnea Aerodrome works.

### Delay in the execution of work

23.25 The time stipulated in the contract for the two phases of the Purnea Aerodrome work and the time actually taken by the Bharat Sevak Samaj were as follows:

Phase	Date by which to be completed	Time allowed for completion	Date by which actually completed	Delay in completion
I	31-3-1964	6 months, 11 days	31-8-1965	17 months
II	11-2-1965	6 months, 12 days for different stages	31-10-1966	Over 21 months

The Samaj was not progressing with the work as speedily as was expected and the Central Public Works Department drew the attention of the Samaj to the slow progress in the work from time to time. In his letter dated January 24, 1964, the Superintending Engineer pointed out to Mr. A. N. Malhotra, Director, Planning Commission, that not much work had till then been done on the preparation of the side strips of the runway. He wanted the Project Manager to be asked to take immediate action. Mr. Malhotra wrote back on January 31, 1964 that he had asked the Bharat Sevak Samaj to carry out the work expeditiously. The Superintending Engineer again wrote on February 20/21, 1964, after an inspection of the site on February 19, 1964, and stated that he was thoroughly disappointed as practically no earth work had been done. He also pointed out that the Central Public Works Department had committed to the Indian Air Force that runway would be available for operations from March 1, 1964, and that if even a portion of the work in all respects was not completed before the stipulated time, i.e., end of March, 1964, it did not speak well of the organisation. On 23-4-1964, the Executive Engineer also wrote to Mr. Malhotra about the slow progress in the work both in respect of concreting and earth work and other works like filling of joints, construction of cable chambers and painting of markings etc. He also pointed out that in respect of Phase II not much progress had been made till then. He wanted steps to be taken to achieve the targetted progress before the Monsoons, as the non-completion of

the first phase of work was much against national interest. On May 2, 1964, Mr. A. N. Malhotra replied saying that he was asking the Bharat Sevak Samaj to complete the work.

23.26 But in spite of this assurance, the Executive Engineer had to write again on June 4, 1964, pointing out the slow progress and the deterioration in the progress. This letter of the Executive Engineer was followed up by a letter of the Superintending Engineer. He also pointed out that there were no natural hinderances for the speedy execution of the work. To this letter a reply was sent by Mr. Malhotra on July 18, 1964 wherein he pointed out that he had discussed with the Executive Engineer the measures taken for speeding up the progress and he wanted the Superintending Engineer to appreciate the difficulties encountered by the Samaj. These difficulties, as he pointed out, were increasing the quantity of the earth work to be executed and slow movement of the wagons by the railways.

23.27 Slow progress of the work continued as would appear from the letter dated May 27, 1965 from the Executive Engineer to the General Manager, Bharat Sevak Samaj and from the letter dated May 31, 1965 from the Superintending Engineer to Mr. A. N. Malhotra.

23.28 As mentioned earlier, there was a delay of 17 months in the first phase and over 21 months in respect of the second phase of the aerodrome work.

23.29 The Bharat Sevak Samaj applied for extensions from time to time for Phase I on the grounds of late rains or early rains, non-availability of wagons or restriction on the movement of wagons, slushy condition of earth, extra work etc. The Executive Engineer found justification for extension of 8 months and recommended the same. For the period not justified beyond November 30, 1964 he recommended compensation of 10% under clause 2 of the Contract on the cost of the work remaining to be done on November 30, 1964. Estimated cost of unfinished work was Rs. 50,000; a compensation of Rs. 5,000 was recommended to be levied. The case for extension was scrutinised by the Superintending Engineer and it was assessed that the period of delay due to hinderances beyond the control of the Contractor was 5 months and 3 days. The Superintending Engineer, however, approved the extension of time upto August 31, 1965 and levied compensation of Rs. 5,000. Thus, it would appear that the

priority work which was taken up by the Samaj for execution within six months and 11 days was delayed by them to 17 months. The Superintending Engineer found justification for the delay of 5 months and 3 days only as due to reasons beyond the control of the Contractor and extension for the entire period by levying a token compensation of Rs. 5,000 only. This was in spite of the fact that even the defence of the country was affected by the delay in the completion of the work as this was an aerodrome required by the Indian Air Force.

23.30 The grounds on which extension was applied for for the phase II, the period of extension which was found justified by the Central Public Works Department and extension actually sanctioned by the Department, are not known as files so far produced before the Commission do not contain this information. The files, however, indicate that no compensation was levied for the delay of more than 21 months which had occurred in the execution of this work.

23.31 Another fact brought out by the correspondence between Mr. Malhotra a high ranking Government Engineer in the Planning Commission and the Central Public Works Department is that Mr. Malhotra was supervising the work by periodical inspections and by issuing instructions to the Bharat Sevak Samaj and that he was pleading on behalf of the Bharat Sevak Samaj before the Central Public Works Department. This was in spite of the fact that he was employed by the Planning Commission as a Director.

#### DEFECTS POINTED OUT DURING CONSTRUCTION—PHASE I.

23.32 The work order for taking up the work was issued by the Superintending Engineer on September 5, 1963 and the work was actually taken up on September 20, 1963. Within three weeks from the time the work was started, the Executive Engineer pointed out on October 11, 1963 that filling of earth was not done according to specifications, namely in 9 inch layers but was done in 2 ft. layers and ordered that the earth already deposited should be spread in proper layers. It was also pointed out to the Project Manager that the filling done without removal of grass and all objectionable material like roots, debris, large stones, grass should be set right. The metal for base-coat broken by labour

along side the taxi track was also oversized, namely,  $2\frac{1}{2}$ " guage instead of  $1\frac{1}{2}$ " guage. Surface of brick-on-edge soling laid between chainage of 3,500 and 4,500 was rough because the joints were not finished absolutely flush. As the response to instructions issued to the Resident Engineer at site were not encouraging, the matter was reported to the Project Manager of the Samaj. But it is not clear from the file whether these were rectified by the Bharat Sevak Samaj as there is no written compliance from the Project Manager of the Samaj.

23.33 In addition to these defects the Executive Engineer also pointed out on October 15, 1963 that soft bricks perfunctorily wetted in stacks or only dried bricks were used, though it is necessary to soak the bricks in water in tanks for atleast 4 hours before they are used on the work. The arrangements for curing were inadequate and brick work in cement would not develop in strength until proper curing arrangements were made. Sufficient number of tanks were not dug for storage of water and in some places earthen tanks were dug and muddy water used for mixing mortar.

23.34 The Executive Engineer in his letter of October 21, 1963 to the Project Manager pointed out again that the earthwork between chainage 0 to 1,500 was done in haphazard manner as clods were not broken up and the cambering was not being done in each layer. Grass and other foreign matter was also not being removed. The quality of bricks collected by the Bharat Sevak Samaj were of very bad quality and unfit for runway work. The brickbats were also used for flat brick soling in spite of the instructions given in his letter of October 17, 1963. Boxes brought at the site for measurement of sand and ballast were of odd size. There was no proper arrangement at site for measurement of water used for concrete. It was also suggested to provide with one gallon and half-gallon tins for each mixer so that a proper control of water-cement ratio was made possible. The sand that was being used contained a lot of lumps and other foreign matter, therefore arrangement should be made for screening of sand.

23.35 On October 6, 1963 (within 15 days from the commencement of the work by the Bharat Sevak Samaj) the Technical Examiner attached to the Chief Technical Examiner's

Organisation inspected the work and his observations were as follows:

#### "1. Runway

(a) Dry Brick Soling:—It was observed that joints of dry brick work at some places were as big as  $\frac{3}{4}$ ". It was also observed that broken bricks were used in soling at some places. Bricks with broken bottoms were also observed to have been used at a few places.

"Use of bricks with broken bottoms would leave concealed cavities in sub-grade. It was also observed that some loose earth was being packed below dry brick soling to bring it to proper formation. Such filling cannot be compacted to its maximum density at the time of packing and is likely to settle down subsequently.

"Executive Engineer may please ensure that the work is carried out properly so as not to leave above-mentioned defects.

"(b) Brick-on-edge soling in cement mortar".

It was observed that a few joints were only partially filled with cement mortar with the result that on pouring of water on top of pitching, some cavities in the joints of brick work were formed by subsidence of mortar in these partially filled joints. E. E. may please intimate what action he proposes to take in the matter.

#### "2. General

It was observed that  $1\frac{1}{2}$ " guage stone metal taken over by the Executive Engineer from M/s J. N. Billimoria, contractors, whose contract had been rescinded, contained some oversize stone metal. E. E. may please intimate whether this fact was taken into account while working out rates for giving credit to the contractors for this metal."

The Executive Engineer in his reply on November 29, 1963 to the Chief Technical Examiner stated that the defects in work pointed out by the Technical Examiner were dismantled and redone. Similarly, a very small number of joints that were not properly filled were subsequently filled properly.

23.36 The Executive Engineer in his letter of December 4, 1963 pointed out to the Project Manager that a sizeable quantity of oversized  $1\frac{1}{2}$ " stone metal for concrete was collected by the Samaj at site along side the

runway from chainage of 86—95. This metal mostly unbroken were of pieces as big as  $2\frac{1}{2}$ " size. As this was not according to the specifications, the Project Manager was specifically informed that this metal should not be used in concrete and immediate steps should be taken for its removal from the site.

23.37 The periodical inspection carried out by the Executive Engineer, Superintending Engineer, Additional Chief Engineer and the Technical Examiner showed that the defects in work mainly related to:

- (a) Mixing of stores without measuring resulting in shrinkage. Use of oversized metals for concrete. Use of hand broken metal to the extent of 50 per cent. Dispensing with the use of smaller size of metal in concrete. Metal collected contained appreciable percentage of mud and dust. Using of appreciable percentage of oversize metal of  $2\frac{1}{2}$ ".
- (b) Doing earth work and soling without testing of compaction. Doing earth work inside strips of runway without 9" layers, grass or mounds not removed and no depressions are filled before starting the earth work. Even profiles which are so very necessary for guidance during cutting and filling have not been provided at site.
- (c) Variation in thickness of concrete slabs from  $10\frac{1}{2}$ " to 11" as against 11".
- (d) Chiselling of high edges of concrete.
- (e) Joints of slabs require proper filling-up with sealing compound and providing black bands on joints of slabs.
- (f) Mortar from the joints of brick masonry had partially ran out and joints were rendered partially empty.
- (g) Pot holes in cement concrete requires filling up.

23.38 Though these defects were pointed out from time to time to the Project Manager, there was no written compliance to the effect that the defects were rectified. However, Superintending Engineer in his inspection certificate dated November 4, 1965 pointed out 13 items of defects which required rectification.

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23.39 It appears that the Bharat Sevak Samaj did not rectify the defects till the middle of November, 1965 in spite of repeated letters. Finally, the Additional Chief Engineer on the recommendation of the Executive Engineer and the Superintending Engineer approached the Secretary of the Ministry of Works, Housing & Supply to levy a penalty of 10 per cent calculated over the approximate cost of rectification. The approximate cost of repairs was worked out as Rs. 20,000 and 10 per cent thereon amounting to Rs. 2,000 was recommended to be imposed under clause 14 of the agreement.

23.40 As regards the use of oversize metal in mixing of concrete, variation of thickness in slabs etc. reduction was made from the contractor.

23.41 As regards Phase II, minor defects were noticed and suitable reduction was made by the Superintending Engineer, Patna for a total amount of Rs. 14,618.30.

23.42 The Central Public Works Department enforced recoveries for items which were not according to the specifications and the total recoveries effected were of Rs. 79,841.95 (Phase I). Rs. 14,618.30 for the Phase II.

23.43 The files of the Central Public Works Department indicate, that Mr. A. N. Malhotra, Director (Construction) in the Planning Commission was inspecting the sites and he pleaded the case of the Bharat Sevak Samaj with the Central Public Works Department officials.

23.44 On December 11, 1963 Mr. A. N. Malhotra visited the site and discussed some of the outstanding issues like shrinkage allowance and mixing of hand-broken stones for concreting with the Superintending Engineer and the Executive Engineer. From the minutes it appears that Mr. Malhotra had come to some arrangement with the Central Public Works Department officials on six outstanding issues. The minutes show that on two important issues the following decisions were taken:

- (i) Shrinkage allowance of the metal used in proportion would be actually tried in the field and shrinkage allowance applied for;
- (ii) hand broken metal according to the specifications could be used for concreting along with the crushed metal.

23.45 The Superintending Engineer wrote back on January 3, 1964 that according to the provisions in the contract stone of different gauges were to be mixed in proportions specified and the question of making any allowance due to shrinkage did not arise. Hand broken stone metal could be used if it conformed to the specifications. Mr. Malhotra wrote back on January 13, 1964 that the contract specified use of one cement to four coarse aggregate and the coarse aggregate was to be further proportioned in different sizes as specified. It was the aggregate total of the various sizes of the coarse aggregate which had to bear a relation with the use of cement. In case the Department did not agree to the use in the ratio of 1:4 of the coarse aggregate (all mixed) the actual use of cement would be more than specified and the Department will have to pay for extra consumption.

23.46 As regards the stone metal size the coarse aggregate was to conform to the limits laid down within the curves of the various sizes.

23.47 The Superintending Engineer in his letter dated March 5, 1964 pointed out to the Project Manager the unplanned manner in which the concreting work was being done and at the time on his inspection there was no stock of  $\frac{3}{4}$ " aggregate anywhere near the three mixers which were working. He also pointed out that such slabs which were done with imperfect and unsound materials would be rejected and this would cost substantial amounts. A copy of this letter was endorsed to Mr. A. N. Malhotra. Mr. Malhotra thereupon wrote on March 7, 1964 to the Project Manager of the Bharat Sevak Samaj asking him to arrange for the required sizes of aggregates. The Project Manager in his letter dated March 13, 1964 clarifying the position stated that for a month supply of materials from the quarry were not arriving regularly and due to the uncontrollable arrival of wagons at Katihar there had been a partial mix-up of sizes while unloading of wagons and that there was no intention on the part of the Samaj to execute sub-standard works. He assured full cooperation but at the same time asked for a sieve analysis.

23.48 A letter dated March 7, 1964 from the Superintending Engineer to the Project Manager shows that concreting was done without  $3/4$ " aggregate and the Bharat Sevak Samaj Engineers instead of stopping the concreting went on with the work and the Assistant Engineer of the Central Public Works

Department in desperation had to prevent the workers from doing the concreting by standing in the place where concreting was going on and the result was that the concrete was poured on him. The matter was reported to the Superintending Engineer who also reported this matter to the Director (Construction Service). The Director (Construction Service) surprisingly wanted the matter to be treated as closed as a small incident. But the entire correspondence shows that the metal used was not according to the specifications and the Bharat Sevak Samaj went on with the work even after the Central Public Works Department protested. A letter dated March 23, 1964 from the Executive Engineer to the Superintending Engineer also shows that the Samaj was using only  $1\frac{1}{2}$ " metal wherever there was a smaller size metal and that this had become a daily affair and there was a regular tussle between the departmental staff and the Bharat Sevak Samaj staff on the issue. The Additional Chief Engineer and the Superintending Engineer on inspection on March 21, 1964 had also noticed that the work was being carried on in a haphazard manner,  $1\frac{1}{2}$ " size was over-size; use of smaller size had been dispensed with and that the materials were being used with the fair percentage of rubbish mixed with it. In his letter dated March 24, 1964 the Superintending Engineer pointed out the following defects:

- (a) Large percentage of over-size stones was being used in the  $1\frac{1}{2}$ " size stone.
- (b) There was practically no  $\frac{3}{4}$ " size aggregate or  $3/8$ " aggregate at site though concreting was in full swing.
- (c) The metal collected contained appreciable percentage of mud and dust and no attempt was being made to clean them.
- (d) Dirty water from adjacent slabs were flowing into the fresh concrete and was being mixed up with concrete.
- (e) Too much of water being without any control.

23.49 In another portion, (small apron) cement bags were piled near the mixer for starting the work, even though there was no stock of  $\frac{3}{4}$ " aggregate.

23.50 The conditions at site, clearly indicated that scant attention was being paid for executing the work in accordance with specification in spite of repeated protests by the Executive staff.

23.51 The Superintending Engineer therefore, asked the work to be stopped. This letter was also endorsed to Mr. A. N. Malhotra, Director, Construction Service in the Planning Commission. To this a reply was sent by Mr. Malhotra on the 20th that such situations would not be allowed to arise later.

23.52 It is not clear from the records how the portions of the work in which sub-standard material was used was paid for. All this correspondence shows that Mr. A. N. Malhotra was playing an important role on behalf of the Bharat Sevak Samaj in the execution of the contracts entered into with the C.P.W.D.

*Amounts paid for the airfield works by the Central Public Works Department*

23.53 The Central Public Works Department has produced the final bills for the two Phases of the air field work at Purnea which shows the gross payments made to the Bharat Sevak Samaj for the two works as follows:—

Phase I .. .. .	1,07,04,008.28
Phase II .. .. .	44,41,748.00
Total .. .. .	1,51,45,756.28

23.54 The scrutiny of the ledgers of the Bharat Sevak Samaj shows that they have accounted for the following amounts in the different years as value of work done and payments received:—

	Phase I	Phase II
Upto 31-7-1964	93,96,842.50	7,31,436.00
31-3-1965 ..	10,03,237.57	16,93,585.00
31-3-1965 ..	2,75,018.93	16,75,913.60
31-3-1967 ..	55,174.50	2,81,948.60
	1,07,30,273.50	43,82,883.20

23.55 For the Phase I it is seen that the Samaj has included a payment of Rs. 23,516.49 for earth-work for which they were awarded a separate contract and the amount was

paid in the first and the final bill of that contract. So deducting this amount the position disclosed by the accounts is as follows:

	Rs.
(i) Total payments accounted for in the ledgers for Phase I ..	1,07,30,273.50
(ii) Amount of the first and final bill for the remaining work which was awarded with a separate contract ..	23,516.49
Gross payments received for the Phase I of the airfield work	1,07,06,757.01
Gross payments made as per the C.P.W.D. 26th and final bill for Phase I .. .. .	1,07,04,008.28
Amount excess accounted for ..	2,748.43

*Accounts of Phase II*

The position of the accounts for Phase is as follows:

(i) Gross payments as per the 34th and final bill of the C.P.W.D.	44,41,748.00
(ii) Amount accounted for in the B.S.S. ledgers upto March 31, 1967 .. .. .	43,82,883.20
Difference ..	58,864.80
Pay Rs. ..	58,865.00

23.56 A scrutiny of the final bill shows that this was the amount of the 34th and final bill which was adjusted by the C.P.W.D. in March, 1971. This bill was for a *minus* amount of Rs. 41,140.77 and this has been kept under "Miscellaneous Public Works Advances".

23.57 As the Samaj has produced no accounts after March 31, 1967 nor shown how all these transactions had been accounted for in the Bharat Sevak Samaj books it has not been possible to verify them.

**Additional works services at Purnea Aerodrome Hard Standing Blast Pin buildings etc. (Agreement No. 88 of 12-6-1964)**

23.58 The C.P.W.D. has produced a copy of the 34th and final bill for the work passed in March, 1971. This bill shows that it was passed for *minus* Rs. 41,140.77 i.e. an amount of Rs. 41,140.77 was to be recovered from the Bharat Sevak Samaj. The amount as stated above has been kept under "Miscellaneous Public Works Advances".

23.59 This bill also shows that an amount of Rs. 1,10,934.99 was withheld from the bills and kept under "Miscellaneous Deposit". A letter dated 19-6-1971 from the Executive Engineer to the Engineer-in-Chief, C.P.W.D., New Delhi shows that out of this amount kept under deposit Rs. 1,09,008.15 was adjusted on account of recoveries of steel and other materials and for rectification of defects the details of which are as follows:

(I) Revenue	
	Rs.
(1) Recovery for empty cement bag .. .. .	291.30
(2) Penal Recovery for Empty cement bag .. .. .	197.00
(3) Penal recovery of cement ..	88,376.00
(4) Penal Recovery of structural steel .. .. .	(—) 5,054.74
(5) Penal Recovery of mild steel ..	(—) 5,987.41
(6) Non return of Godrej Locks	576.00
(7) Levy of compensation under Clause 14 .. .. .	2,000.00
(8) Penal Recovery of A.C. Sheet	3,981.12
(9) Penal Recovery of A. C. Ridges .. .. .	2,128.88
	<hr/>
	86,508.15
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(II) 130 Defence Capital Outlay	
	Rs.
(a) Provision of Addl. Works Services at Purnea (Rectification of defects, Phase II) ..	2,500.00
(b) Constn. of Runway, Taxi Track at Purnea (Rectification of Defects, Phase I) ..	20,000.00
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	22,500.00
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Total ..	1,09,008.15

23.60 The balance of Rs. 1,926.84 is reported to have been retained under "Miscellaneous Deposit".

23.61 Thus it would appear that the excess payment of Rs. 41,140.77 paid for the Purnea works has not been adjusted. At least there is no indication in the files of the adjustment of this amount.

23.62 This recovery statement further shows that the following amounts were recovered for the cost of rectification of defects and on account of compensation:

(i) Rectification of defects—	Rs.
Phase I .. .. .	20,000.00
(ii) Rectification of defects—	
Phase II .. .. .	2,500.00
(iii) Levy of compensation under clause 14 .. .. .	2,000.00

23.63 The rest of the recoveries were on account of penal recovery for cement, steel, A.C. Sheet, A.C. Ridges etc.

#### Execution of the contracts at Purnea—Employment of sub-contractors

23.64 The expenditure on labour as per the Audited Accounts for the different years on Phases I & II were as follows:

	Phase I	Phase II	Total
Upto July 1964	Rs. 15,30,304.50	Rs. 1,77,173.42	Rs. 17,07,477.92
August 1964—			
March 1965	3,62,206.25	2,32,598.99	5,94,805.24
April 1965 to March 1966	..	4,469.18	4,469.18
April 1966—			
March 1967	..	40,649.41	40,649.41
	<hr/>	<hr/>	<hr/>
	18,92,510.75	4,54,891.00	23,47,401.75

23.65 The Bharat Sevak Samaj were asked to produce the agreements with the sub-contractors, if any, have not done so. But further scrutiny of the ledgers shows that for the different items of work in Phases I & II the Samaj had engaged piece workers whom in some places they have described as 'Sub-contractors' and the total amounts debited to them for different items of work amounted to

Rs. 17,08,871.00 for the entire period as per the entries in the ledgers the details of which were as follows:

		Rs.
Concreting .. ..	3,05,896.00	
Earth Work .. ..	6,82,188.00	
Brick Soling .. ..	1,40,782.00	
Labour Charges .. ..	23,642.00	
Labour Unloading and removal to work site .. ..	1,38,312.00	
Buildings .. ..	2,58,063.27	
Blast Pens .. ..	79,403.55	
Approach Roads .. ..	49,492.00	
Hardstanding & ORP .. ..	31,093.00	
Total .. ..	17,08,871.00	

23.66 The names of the contractors as could be gathered from the entries in the ledgers were as given in Table 23-A. Thus it would appear that about 77% of the work at Purnea was got executed through sub-contractors. Even about the remaining 25% there is no clear picture available in the ledgers as the details given in the ledgers are inadequate to show that direct labour was actually employed.

23.67 As the Samaj has neither furnished the agreements with the sub-contractors nor the bills for payments for "direct" labour and "contractors" labour there is no means of verifying the exact status of the persons employed as piece workers. As a matter of fact there is no evidence or accounts showing what, if anything, was paid to departmental labour employed by the Samaj on its works. The Samaj is significantly reticent to define the exact position and status of these persons employed on the execution of works. There are no muster rolls before the Commission if they were daily wage labourers or were paid weekly or after fixed periods. The whole thing is left vague.

23.68 It would further appear that the Samaj was taking security deposits from them i.e. "the sub-contractors" and the balance of the amounts of the security deposits taken from the sub-contractors at the end of various period were considerably large as follows:

	Rs.
July 31, 1964 .. ..	64,171.77
March 31, 1965 .. ..	51,398.07
March 31, 1966 .. ..	31,861.07
March 31, 1967 .. ..	5,956.00

23.69 However, it is to be pointed out that in the Balance Sheets they have shown these items as security deposits from suppliers but a scrutiny of the list of persons from whom security deposits were taken reveals that many of these persons were "sub-contractors".

23.70 The Chartered Accountants who audited the accounts for the year ending 31-3-67 had pointed out:

- (i) Muster Rolls for wages of workers near about 40 were missing and were not shown to them for their verification,
- (ii) Some of the works at the unit were got done through sub-contractors. Tenders/Quotations, if any, invited from the sub-contractors were not shown to us. Also rate contracts settled with the sub-contractors were not shown to us for our verification. In the absence of the above, correctness of the payments made to the sub-contractors could not be verified by us."

23.71 Therefore, it appears that even the auditors were not shown the sub-contract agreements and they could not verify the correctness of the payments made to the sub-contractors.

#### Non-production of Vouchers and Payees' Receipts before the Auditors

23.72 The Chartered Accountant who audited the Accounts for the year 1966-67 had commented about the non-production of vouchers and/or supporting documents for payments to the extent of Rs. 59,533.87, the details of which are as follows:

	Amount involved
(i) Want of payees receipts (14 cases) .. ..	Rs. 33,408.43
(ii) Charged without supporting documents (12 cases) .. ..	10,121.52
(iii) Salary bill not produced (10 cases) .. ..	13,822.92
(iv) Details of materials for which freight was paid wanting (1 case) .. ..	2,181.00
Total .. ..	59,533.87

23.73 The audit reports of the earlier years have not been produced before this Commission even though the Samaj was specifically



asked to do so, except for some reports for the period ending July 31, 1964. Even for that year only 6 of the 10 audit reports sent by the auditor have been produced before this Commission. Whether the Samaj has produced all the vouchers and supporting documents before the Auditor for those years i.e. 1963-64, 1964-65 it is not possible to verify. They have not produced any vouchers or supporting documents before this Commission.

#### Balance under Contractee's Accounts

23.74 The Samaj has shown in their Balance Sheet for the Purnea Unit as on March 31, 1967 an amount of Rs. 60,781.42 as the amount outstanding under Sundry Debtors (Contractees). No details of this amount are available from the ledgers.

23.75 The Samaj has also shown an amount of Rs. 67,000 as provision for contingent liabilities. The Chartered Accountant who audited the Accounts had commented that he was neither shown the details of the amounts outstanding against Sundry Debtors nor the basis and details of the provision made for contingent liabilities. In the absence of any details of these 2 items the justification for including the same in the Accounts could not be verified by the Auditor, nor by this Commission.

#### Accounts of Machinery, Equipments and other fixed assets

23.76 The Audited Accounts for the year ending July 31, 1964 show that assets like Vibrators, Mixers, Trucks, Jeeps, Trailers, Scooters, Pumping Sets, hand-pumps and other office equipment worth Rs. 6,53,011.65 were either purchased by the Purnea Unit or were transferred from other units to the Purnea Unit. The Purnea Works continued upto October 31, 1966 but transfers were made of these machineries and equipments to the other units from 1964-65. The depreciation charged in the Accounts of the Purnea Unit and the transfers effected were as follows:

Year ending	Value of machinery purchased or with the Unit at the beginning of the year	Transfers to other units or sales	Depreciation charged in the Accounts	Balance value of the machinery at the end of the year
1963-64	6,53,011.65	2,24,730.16	1,09,413.84	3,18,867.65
1-3-65	3,18,867.65	83,611.70	96,963.41	1,38,292.54
1-3-66	1,38,292.54	41,780.76	37,311.78	59,200.00
1-3-67	59,200.00	48,238.99	41,19.00	7,560.00

23.77 The Bharat Sevak Samaj has not produced any Accounts showing the various machineries purchased or disposed of. No numerical accounts i.e. quantity has been produced before this Commission. It would appear that no separate register for machinery giving cost was maintained or nor was a history sheet maintained for the machinery or the transport vehicles. This is evident from the report of the auditor who audited the Accounts for the first period i.e. period ending July 31, 1964 (para 4 of the report dated November 7, 1963). Even the auditor who last audited the Accounts for the year ending March 31, 1967 had mentioned the want of details of the assets due to which he could not verify the Assets physically. Therefore, it is not possible to verify whether all the items of the machinery, equipments and vehicles were actually accounted for by the Bharat Sevak Samaj and whether the sale proceeds of all of them have been properly accounted for.

23.78 The machinery which was transferred to the other units was transferred at depreciated value and the depreciation amounted to Rs. 2,47,808.03 i.e. nearly 38% of the cost of the machinery in the course of about 3 years for which the machinery worked with the unit.

23.79 The Auditor had also commented that no log books of machinery and vehicles were maintained and in the absence of these there was no means of verifying that the Samaj had paid nothing to the contractors and suppliers as hire charges of machinery or transport charges for items of work done by machinery and equipments. In fact they have simultaneously shown some items of expenditure on account of hire charges of machinery and of transport charges. In the absence of any details it is not possible to verify whether the charges included in the Accounts are a legitimate charge on the Construction Service or not.

23.80 The expenditure on diesel and petrol during the different years debited in the Accounts are as follows:

	Diesel	Petrol (P.O.I.)
Upto July, 1964	88,523.17	66,024.15
August 1964 to March 1965	25,350.22	12,822.44
1965-66	9,575.22	4,345.94
1966-67	2,821.98	27.00
	1,26,270.59	83,219.53

23.81 As no Log Books are shown as having been maintained for the vehicles and as the Samaj has also shown separate expenditure on transport of materials besides the expenditure on diesel for the trucks there is no means of verifying whether the expenditure on the maintenance of the trucks and the vehicles as shown was a legitimate charge or a proper expenditure.

#### Amount paid to Mr. T. S. Murthy under machinery and equipment

23.82 The ledger shows that on the 30th April, 1964 a sum of Rs. 3,600 was paid to the Project Manager of the Purnea Unit, Mr. T. S. Murthy. This amount has been shown under "Machinery and Miscellaneous Equipment". No details of the machinery or the equipment for which this amount was spent is shown in the ledger. In the absence of any details it is not clear how the amount paid to Mr. T. S. Murthy has been included under "machinery and equipment".

23.83 A scrutiny of the ledger further shows that this amount was adjusted by a journal entry. No further details are available in the ledger and the journal is not before the Commission.

#### Materials Consumed for the Work

23.84 There was a provision in the contract for supply of cement and other materials by the Central Public Works Department to the Contractor. The approximate quantity of materials proposed to be supplied for the work for Phases I & II was indicated in the contract as below:

##### Phase I

1	Cement	14,740 tonnes	@ Rs. 145 per tonne plus 4% storage charges.
2	Structural steel	22 "	@ Rs. 720 per tonne plus 4% storage charges
3	Structural steel	22 "	@ Rs. 700 per tonne only.
4	Bricks	30,00,000	@ Rs. 75 per thousand.
5	Stone Ballast $\frac{1}{2}$ "	1,50,000 Cft.	@ Rs. 153 per 100 Cft.
6	Stone Ballast $\frac{3}{4}$ " to $\frac{1}{2}$ "	75,000 Cft.	@ Rs. 162 per 100 Cft.
7	Stone Ballast aggregate for wearing coat.	1,30,000 "	Free of cost.
8	Shalite expansion pad $\frac{1}{4}$ " thick.	2,000 S.ft.	@ Rs. 3 per sq. ft.
9	Shalijat sealing compound.	225 litres	@ Rs. 1.50 per litre.

23.85 In Note 2 of the agreement it was stated that if any materials were required after taking into account the materials supplied by the Department they would be arranged for by the Contractor himself.

##### Phase II

1	Cement	5,740 tonnes	@ Rs. 145 per tonne plus 4% storage charges.
2	Corrugated asbestos cement sheets.	1,81,000 Sq.ft.	@ Re. 1 per Sq. ft. plus 4% storage charges.
3	Corrugated asbestos cement ridges.	1,600 pairs	@ Rs. 8.90 plus 4% storage charges.
4	M.S. Round untested.	292 M.T.	@ Rs. 720 + 4% storage charges.
5	Mild steel structural untested.	85"	@ Rs. 800 + 4% storage charges.

23.86 The final bills do not indicate the actual supplies made by the Department to the Bharat Sevak Samaj for phases I & II. The Ministry of Works, Housing & Urban Development who were asked to indicate the recoveries made on account of supply of materials for two phases have given the following figures:

##### Recoveries on account of material as per final bill Phase I

1	Cement	(a) 11,073.75 M.T. (b) 4,192.05 M.T.
		15,265.80 (a) 164 + 4% s.c. = 22,77,768.75
2	Bricks	24,38,008 Nos. @ Rs. 75 per thousand Nos. = 1,82,850.60.
3	Stone Ballast $\frac{1}{2}$ " Gauge	1,44,026.15 Cft. @ Rs. 150 per % ft. = 2,20,360.01
4	Stone chips $\frac{3}{4}$ " & $\frac{3}{8}$ "	1,29,561.23 Cft. @ Rs. 162 per % Cft. = 2,09,889.19.
5	Structural steel	3,78,637 M.T. @ Rs. 700 per M.T. = 26,504.59.
6	C.C.I. Sheet	10,3130 M.T. @ 1312 M.T. = 13,530.66
7	M.S. Bar	3,5404 M.T. @ 1136.50 M.T. = 4,023.65
8	Spikes	229 Nos. @ 11.88 per doz = 226.71
9	Primer for expansion Joint	225 litres 1.57 per litre = 355.25
10	Iron Cubes	20 Nos. 90.64 each = 1812.80
11	$2\frac{1}{2}$ " dia G.I. Pipe	903.8" @ 4.97/Cft. = 4491.19
12	Empty Bituman Drum	26 Nos. @ 6.35 each = 165.10
13	Empty cement bags for curing	61.063 Nos. 20% of the total @ 0.25 paise each = 15,265.75
14	M.S. angle 35 mm x 35 mm x 6 mm	0.427 M.T. @ 720 x 4% = 319.73
15	Flat 50 mm x 6 mm	0.052 MT @ 720 + 4% per M.T. = 38.93
16	22 mm plate	3.238 M.T. @ 720 + 4% per M.T. = 2,424.61
17	Penal recovery for non-return of empty bags over 20% of the issue.	9678 Nos. 9,678
	Total	29,69,705.53

## Phase II

**Recoveries on account of Material as per 33rd running Account Bill (Previous to Final Bill)**

Gross Amount of the Bill = Rs. 43,82,882.00

*Recoveries*

1	Cement 5,029 M.T. @ Rs. 145+2% sc.	= Rs. 7,58,373.20
2	Steel 218.50 Cwt. @ Rs. 720 + 4% s.c.	= Rs. 1,63,612.80
3	Structural steel 98.50 M.T. @ Rs. 800 per M.T. + 4%	= Rs. 81,952.00
4	A.C. Sheet 1,52,430.30 Sq. ft. @ Rs. 1 per sq. ft. + 4% s.c.	= Rs. 1,58,527.51
5	22 Gauge G.I. Sheet — 1.80 Cwt. @ Rs. 1,410 per Cwt.	= Rs. 2,538.00
Total		Rs. 11,65,003.51

23.87 Apart from the material supplied by the Central Public Works Department, the Bharat Sevak Samaj purchased materials like stone, ballast, bricks, joint filling bars, sand (coarse and local) wood, miscellaneous consumable stores, etc.

23.88 The Bharat Sevak Samaj has not produced any stock account of the materials received by them from the Central Public Works Department or purchased from outside showing the quantity received, consumed and the balance left. A scrutiny of the ledger shows that the cost of materials supplied by the Central Public Works Department were debited in the accounts when the recoveries were effected from the running account bills.

23.89 The entries in the ledgers of the Samaj show the cost of different materials debited in the accounts for Phase I and Phase II as follows:

	Phase I	Phase II	Total
Bricks upto 7/64,	6,91,168.03	3,84,512.00	
8/64 to 3/65		72,365.56	
1965-66 and 1966-67	Not shown separately		
Total	6,91,168.03	4,56,877.56	11,48,045.59
Coarse sand upto 7/64	8,82,424.31	72,803.00	
8/64 to 3/65		2,48,204.53	
Total	8,82,424.31	3,21,007.53	12,03,431.84

Cement	Phase I	Phase II	Total
Upto 7/64	22,23,193.62	2,28,750.50	
8/64 to 3/65	80,103.30	3,10,122.42	
1965-66	15,230.42	2,54,927.90	
1966-67	1,182.97	11,988.80	
Total	23,19,710.31	8,05,789.62	31,25,499.93

*Joint filling Boards—*

Upto 7/64	1,57,535.76	8,582.00	
8/64 to 3/65	9,525.76		
Total	1,67,061.52	8,582.00	1,75,643.52

*Local Sand*

Upto 7/64	51,209.73	10,408.00	
8/64 to 3/65		4,659.66	
Total	51,209.73	15,067.66	66,277.39

*Miscellaneous consumable stores*

Upto 7/64	4,82,246.69	4,203.00	
8/64 to 3/65(—)	1,40,411.53		
Total	3,41,835.16	4,203.00	3,46,038.16

*Single and Ballast*

Upto 7/64	22,76,234	2,14,115.00	
8/64 to 3/65		4,64,863.06	
Total	22,76,234	6,78,978.06	29,55,213.04
Wood		2,28,259.41	2,28,259.41

92,48,408.86

23.90 The Chartered Accountant who audited the accounts of the Bharat Sevak Samaj during the various years had commented on the absence of any stock registers for various types of stores held by them. His comments on this point in the audited accounts for the period ending July 31, 1964 were as follows:

“We have been urging the Bharat Sevak Samaj to maintain stock registers for various types of stocks and stores held by them. Our suggestions have not yet been heeded to with the result that the stock in hand at the end of the period has been worked out by the Bharat Sevak Samaj on the basis of the information supplied by the Resident Engineers. In the first instance, we are not aware of the details of stocks. Secondly, we do not know how this stock has been valued; and, thirdly, we do not know how they have again depreciated their stock in hand by 20 per cent.

"The charge to the profit and loss account on account of principal items is the purchases less the stock in hand at the close of the period. Since we are not aware of the details of the stock at the close of the period, the charge to the Profit and Loss Account on account of principal items cannot be verified."

23.91 Similar remarks were repeated in the subsequent yearly audit reports and in spite of these remarks no quantitative accounts were maintained by the Bharat Sevak Samaj showing the receipt and consumption of materials.

23.92 In his Audit Report No. 10, dated June 10, 1965, the Chartered Accountant had pointed out that the timber worth about rupees one lakh had been purchased for the use in the construction of buildings without obtaining any quotations and no detailed report for the purchase and consumption were produced before him. He wanted necessary statements of timber purchased and consumed to be prepared and forwarded to him but these statements do not appear to have been so produced.

23.93 In the same Audit Report No. 10 he had also mentioned that quantities of stone ballast were paid for on the basis of certificates of despatch and no attempts were made to check the quantities received before making the payments. His suggestion that proper reconciliation should be effected between the quantities despatched and received also do not appear to have been implemented.

23.94 It also appears from the files of the Bharat Sevak Samaj that its Accounts Officer (Comp) inspected the accounts of the Purnea Unit and he noticed heavy shortages in respect of the following materials as is shown in his Report dated 9-10-1964 submitted to the Director, Central Construction Services of the Planning Commission:

Shortages		
	Quantities (CFT)	Value (Rs.)
Local Sand ..	87,564.00	18,388.00
Coarse (Rly. Bhagalpur) ..	3,07,187.00	2,61,109.00
Bricks ..	9,03,908.00	57,850.00
		<u>3,37,347.00</u>

The total shortages come to Rs. 3,37,347.00 in respect of only the above three items of sand, coarse sand and bricks. The records of the Bharat Sevak Samaj do not indicate that these shortages were ever investigated.

### Consumption of Cement

23.95 The quantity of cement which was to be consumed as per the estimate, the quantity actually supplied by the Central Public Works Department and the cost of cement debited in the accounts for the two phases were as follows:

Phase	Quantity required to be used as per the Estimates	Cost
		Rs.
I .. ..	14,740 tonnes	22,22,792.00
II .. ..	5,740 "	8,65,592.00
	<u>20,480 "</u>	<u>30,88,384.00</u>

### Cement issued by the Central Public Works Department

Phase	Quantity	Cost recovered
	M.T.	Rs.
I .. ..	15,265.80	22,77,768.75
II .. ..	5,029.00	7,58,373.20
	<u>20,294.80</u>	<u>30,36,141.95</u>

### Cost debited in the accounts of the Bharat Sevak Samaj

Phase	Amount
	M.T. Rs.
I .. ..	15,315.78 23,09,619.31
II .. ..	5,343.43 8,05,789.62
	<u>20,659.21 31,15,408.93</u>

23.96 It would thus appear that the Samaj did not have any accounts showing the receipt and consumption of Stores worth Rs. 92,48,408.86 for Phases I & II of the Purnea works. In the absence of proper stock accounts, there are no means of verifying whether this material was actually consumed in the work. At least the Auditors who audited the accounts were not satisfied in this regard. The major item of the two contracts was materials and as there are no proper accounts of the materials it cannot be said whether the accounts represent the true state of affairs,

23.97 The shortages to the extent of Rs. 3,37,347 in three items of materials i.e. local sand, coarse sand, bricks, noticed by the Accounts Officer of the Bharat Sevak Samaj were not investigated.

23.98 The Chartered Accountant in his audit report No. 8 on Purnea Works for the year 1963-64 dated February 13, 1964 pointed out that there was some talk about pilferage of 800 cement bags from the Railway Station. His remarks were as follows:

"I am given to understand that there is some talk about pilferage of eight hundred cement bags from the railway station. I do not know how far this is true. But I feel concerned about this and shall feel grateful if you would kindly let me know per return of post, the correct position".

23.99 At the rate of Rs. 7.50 per bag the cost of 800 cement bags work out to Rs. 6,000. The records of the Samaj do not indicate what action, if any, was taken on the report of the audit.

23.100 The Audit Report No. 9 which was for the year 1963-64 by the Auditing Chartered Accountant shows that he was not satisfied on the following points:

- (i) From para 6 of the Audit Report it appears that Gorakhpur Office sent on November 26, 1963 thirty five (35) boxes containing machinery, spare parts etc. for which debit notices for Rs. 1,51,177.27 and Rs. 73,928.60 were sent on November 25, 1963. Out of 35 boxes sent only 31 were received and 4 were reported to have been lost in transit. Details of machinery and spare parts which were received at Purnea Airfield were also not given to the Auditors.
- (ii) In addition to the above, spare parts worth Rs. 1,28,180 were purchased and a major part of the purchases was made from Kumar Engineering Corporation (Rs. 81,282.30) and Auto Traders corporation (Rs. 46,897.34) during the period 24-2-1964 to 13-4-1964. Auto Traders Corporation was introduced by the Proprietors of the Kumar Engineering Corporation. Quotations were not called for and the reasons for not purchasing the spare parts, ma-

chinery etc. from other big firms were also not disclosed to the Auditors. Even after receipt of stores their utilisation was not allocated. The job cards which were maintained were incomplete. It was, therefore, not possible for the Auditors to verify whether these were actually put into use. The Auditors also remarked that Kumar Engineering Corporation did not have a telephone of their own and for that purpose even a typewriter. The proprietors had rented a room in Indira Hotel at Calcutta and would purchase the requirements of the Bharat Sevak Samaj from other business houses. In view of the above, the Auditors wanted to know how the supplies could be made by the Kumar Engineering Corporation on competitive rates. So was the case of Auto Traders Corporation who were carrying on their business in a small shop. Finally, they desired that these transactions should be looked into. The files do not show whether any investigations were made and if so, with what results. They have also commented upon the irregular procedure regarding the purchase of stores.

- (iii) In para 10 of the Report they have commented about the purchase of medicines at random without keeping in view the requirements of the same. It was pointed out that all purchases were shown as supplied to the Dispensary, but the compounder did not agree with the statement. Arrangements for the storage of medicines were also reported to be far from satisfactory. The purchase of medicines without knowing their actual requirements and inadequate action taken by the Project Authorities for storage arrangements was also commented upon.
- (iv) *Losses:* In para 14 of the Report it was pointed out that 14 chains were stolen towards the end of December 1963. The authorities did not make any attempt to trace the culprits except a letter issued to the authorities concerned regarding the theft. The value of 14 chains is not available in the file.

- (v) In para 19 of the Audit Report the Auditors pointed out that the stores returned to the main stores were not properly accounted for as can be seen from the following: 13 GI Pipes of 2½" with sockets measuring 265' and steel pipe 2½" with sockets measuring 180 ft. were returned to the main Stores on April 16, 1964. Similarly, 5 HP Pumping Engines No. 50809 and 2" x 2" Pump No. C-0741 were returned to the main stores on November 5, 1964. The main stores did not show any entries for these items but explained that all such stores went direct to the Resident Engineer (Mechanical) prior to December 2, 1963. The Mechanical store section did not possess complete account of the stores received or consumed prior to January 7, 1964. The job cards introduced were found to be incomplete. The mechanical store section was not in a position to give a complete account of their stores. The auditors therefore said that the store accounts required a lot of careful scrutiny and attention. The members of the staff were advanced money from time to time for the purchase of materials. The materials were purchased and perhaps consumed but account of goods received and consumed were not recorded in the stock registers. Incidentally, the Auditors also pointed out the non-maintenance of accounts of the machinery and spare parts received from Gorakhpur in 31 boxes mentioned herein before.
- (vi) In para 27 of the Audit Report the Auditors have remarked about the purchase of 3,76,700 cubic ft. of fine sand at the rate of Rs. 11.25 per 100 cubic ft. inclusive of the cost of carriage. The cost worked out to Rs. 42,378.75. As against this a payment of Rs. 98,000 was made. The difference was not explained to them. It is also not clear whether any subsequent supplies were made and the amount adjusted.
- (vii) In para 28 it was pointed out that the expenditure on water bound Macadam and ballast was Rs. 6,88,000; in addition an expenditure

of Rs. 3,28,000 was still to be included in the accounts. Auditors desired to know whether the expenditure was commensurate with the material purchased, consumed and balance in hand. Further information on this is not available.

- (viii) In para 32 the auditors desired to check up the stock of bricks and a report whether the bricks were of the quality which were ordered and paid for. There is no information on the file whether the observations of Auditors were ever attended to.

#### Valuation of the closing stock of material

23.101 In the accounts for the years 1963-64 and 1964-65 the closing stock was not valued at cost but at the depreciated value. The amount of depreciation which was charged in the accounts during the 2 years was as follows:

##### *Period ending July 31, 1964:*

Phase one (20%)	..	..	76,301-35
Phase two (20%)	..	..	61,708-00

##### *Period ending March, 31, 1965—*

Phase one ..	..	..	Nil
Phase two (5%)	..	..	13,783-77
Total	..	..	1,51,793-12

23.102 It would thus appear that by depreciating the closing stock of material the profit was reduced to the extent of Rs. 1,51,793.12 as this was an imaginary loss. In fact the Chartered Accountant who audited the accounts had also commented that he was not given the details of the stock valuation nor the basis of depreciating the stock in hand by 20 per cent.

23.103 The value of the closing stock of material as on March 31, 1967 was put at Rs. 10,000 by the Project Manager and all the works at Purnea had closed by October 1966. As no quantitative accounts of stores and other materials purchased, consumed and balance in hand was kept at any time this valuation has no basis. No details have been attached to the accounts of the materials in hand. The auditor who audited the accounts for the period 1966-67 has commented that in the absence of inventory or details or certificates of quantities and valuation of stores in hand he had not been able to verify this item in the Balance Sheet.

**Expenditure on amenities to staff**

23.104 In the audited accounts for the different years various amounts amounting to Rs. 1,18,312.23 have been debited on account of the amenities to staff, the year-wise break-up for which is as follows:

	Rs.
1963-64 .. .. .	69,323.28
1964-65 .. .. .	31,426.83
1965-66 .. .. .	14,243.20
1966-67 .. .. .	3,318.92
	<hr/>
	1,18,312.23

23.105 No details are given in the audited accounts. The accounts adviser of the Bharat Sevak Samaj who inspected the accounts on August 7, 1964 also had called for the details and sought clarification "whether the objects of expenditure had already been approved". He also wanted an examination of the propriety of the expenditure.

23.106 The vouchers in support of the debits under the head 'Amenities to Staff' have not been produced and in the absence of these vouchers, it has not been possible to get the complete details of these debits. However, some details are given in the ledger and the scrutiny of these entries in the ledger shows that part of the expenditure was shown as Mess Expenditure and the rest were monies paid to different individuals. The purposes for which the amounts were paid to the individuals are, however, not indicated in the ledger. A scrutiny further shows that the Mess recoveries were being effected from the Mess members. The position was as follows:—

	Rs.
Expenditure on Mess	40,006.95
Advances to various individual above Rs. 500 .. .. .	81,545.86
(name of the individuals given below)	
Advances less than Rs. 500 to various individuals	40,085.31
(names are not given as a number of individuals were given these advances) .. .. .	
Total .. .. .	<hr/> 1,61,588.12

Recoveries on account of Mess charges and cash recoveries from various individuals .. .. .

43,275.89

Balance debited to the head 'Staff Amenities' in the Profit and Loss Account .. .. .

1,18,312.23      1,61,588.12

23.107 The names of the individuals to whom more than Rs. 500 were given are as follows:

S/s —

R.K. Saha .. .. .	1,055.93
A. Satyarathi .. .. .	1,444.72
Hargovind Singh .. .. .	13,029.14
Malabuja .. .. .	2,456.76
B.R. Uniyal .. .. .	2,165.46
R. K. Gupta .. .. .	3,193.40
G.L. Srivastava .. .. .	2,290.28
H. R. Chawla .. .. .	3,047
Bhagat Ram .. .. .	15,520.36
Narendra Singh .. .. .	2,429.12
Ram Palti Gupta .. .. .	6,161.50
K.D. Singh .. .. .	1,142.00
B.K. Jaiswal .. .. .	7,141.35
Lakhi Ram Choudhry .. .. .	1,425.67
Mam Chand .. .. .	1,658.60
Raj Kumar .. .. .	1,404.00
B.N. Singh .. .. .	5,451.32
K. L. Kapur .. .. .	5,666.59
Swaminath .. .. .	2,244.65
Dumdana Singh .. .. .	2,568.81

Total .. .. . 

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76,497.85

23.108 From the entries in the ledger it is not clear as to how much was recovered on account of Mess charges from the staff and how much was on account of recoveries of advances given. Therefore, it is not possible to give the break up. However, one fact is evident i.e. various amounts were spent for and advanced to various individuals, the purpose for which monies were advanced have not been indicated in the ledger. Therefore, it appears that a part of what was profits of the Purnea Works was expended for the benefit

of certain individuals. As no further information relating thereto is available from the files produced before this Commission it cannot find out any further facts as to these monies.

### Inter-Unit Transfers

23.109 In the Balance Sheet of the Bharat Sevak Samaj Central Construction Services, Purnea as on March 31, 1967, the following amounts were shown as due from the Head Office and other units of the Bharat Sevak Samaj. Against this, the other units have accepted and exhibited different balances due to the Purnea Unit in their respective accounts:

Name of the Unit	Balance due as per the balance sheet of the Purnea Unit	Balance due as per the balance sheet of the respective units of the B.S.S.	Difference
Yamuna Barrage	4,36,342.29	2,01,853.63	2,34,488.66
Agra Works	37,515.63	35,425.32	2,090.31
B.S.S. Mysore	10,000.00	10,000.00	..
Varanasi Unit	1,43,981.27	1,46,135.27	2,154.00
Head Office	4,14,303.76	2,07,171.52	2,07,132.24

23.110 Similarly, there is difference in the amounts shown by Purnea Unit as due to other units from those shown by the respective units in their accounts:

Gorakhpur Units	3,71,012.00	4,31,612.57	60,600.42
Bidar	1,65,151.22	1,66,944.55	1,793.33
			62,393.75

23.111 It was explained by the Bharat Sevak Samaj that the differences were not due to any transactions of remittances or receipts of cash but due to non-acceptance of the valuation of the stores, machinery etc. made by the supplying unit and by the receiving units. It is, therefore, evident that the Bharat Sevak Samaj Central Construction Service had not given any instructions to the various branch construction units as to the mode or basis for valuation of stores and calculations of depreciation. The over valuation or under-valuation had resulted in showing an inflated profit or loss. What the Bharat Sevak Samaj has done for the reconciliation of these differences has not been brought to the notice of the Commission. In the absence of reconciliation of figures the amounts shown by Purnea Unit as due to it is over-valued by Rs. 4,45,865.21 and amounts shown as due to

others is undervalued by Rs. 62,393.75. Besides in the absence of stock registers of the Units showing the quantum of machinery or of whatever was transferred even these figures are difficult to be accepted as wholly correct and there can be no verification.

### Help given by Planning Commission officers for the Purnea aerodrome works of the Bharat Sevak Samaj

23.112 The Planning Commission files produced before this Commission show that the services of Mr. A. N. Malhotra, Mr. H. K. D. Tandon and Mr. Y. D. Piplani were utilised for the purpose of expediting the progress of the Purnea airfield work taken up by the Samaj. Further the entire machinery of the Planning Commission was utilised for the purpose of getting things smoothened for the Bharat Sevak Samaj whenever difficulties with the Central Public Works Department or with State Governments arose. A few instances noticed in the files of the Planning Commission produced before this Commission are discussed below:

1. It appears from page 13 of the noting in file No. 19(21)/63-Pub. that earth-work of about 25 lakh cubic ft. was to be handled by either the earth moving equipment or trucks. As the progress of the work was slow, the Superintending Engineer incharge stressed the urgency of completing the work within the stipulated time for handing it over to the Defence authorities for operation of the Airfield. Thereupon Mr. A. N. Malhotra, the then Director of Construction Services, Planning Commission put up a note to the then Additional Secretary of the Planning Commission requesting him to speak to the Chief Engineer of Kosi Project for sparing some scrapers which were available for a period of about a month on payment of nominal charges. The Additional Secretary then wrote a D.O. to the Chief Administrator, River Valley Project, Patna on January 30, 1964. The file does not indicate whether the request of the Planning Commission was acceded to or not.

2. It appears from page 3 of the file that the then Home Minister, Mr. Gulzari Lal Nanda requested Mr. P. C. Sen, the then Chief Minister of West Bengal to afford facilities to Bharat Sevak Samaj to get stone and sand from the Kurseong Forest Division. The Chief Minister in turn issued suitable instructions to the Divisional Forest Officer, Kurseong to issue necessary permits. This reply was acknowledged by Mr. G. L. Nanda with thanks.



3. Mr. A. N. Malhotra, Director Construction Service, Planning Commission in his D.O. letter of September 21, 1963 to Mr. Murthy, Project Manager, Bharat Sevak Samaj, Purnea, recommended one Chuni Lal to do the work of concreting runway at Purnea at Rs. 15 per 100 cubic ft. It was also stated that the rates included bonus etc. except curing, and in addition one-side fare was to be paid for the labourers who had to be imported for this work. This goes to prove that part of the work was done only by a sub-contractor and by "Professional labour".

4. Mr. H. K. D. Tandon, the then Private Secretary to the Home Minister wrote a D.O. letter to Mr. Chakravarty, Private Secretary to the Chief Minister of West Bengal requesting him to bring to the notice of the Chief Minister that suitable instructions be issued to the District Forest Officer, Kurseong Division for the issue of permits to Bharat Sevak Samaj for quarrying stone and sand. Action was promptly taken by the Chief Minister of West Bengal which was acknowledged by Shri Gulzarilal Nanda, the then Home Minister as can be seen on p. 5 of file No. 19(21)/63-Pub.

There is evidence to show that the advance drawn for Purnea work was diverted to some other work as can be seen from the following:

5. Shri A. N. Malhotra in his D.O. letter of November 11, 1963 to Mr. T. S. Moorthy, Chief Engineer and Project Manager requested him to arrange for funds to the extent of Rs. 2 lakhs for a period of 15 days as the funds were immediately needed by the Bharat Sevak Samaj, at New Delhi.

6. Mr. A. N. Malhotra used his official position to the advantage of the Bharat Sevak Samaj as can be seen from the following events:

He desired to remove one K. C. Aggarwal, Executive Engineer, Incharge of the Purnea Project and issued a D.O. letter to Mr. D. Dutt, Additional Chief Engineer, C.P.W.D., Patna on November 13, 1963 forwarding an extract of Mr. Murthy's D.O. letter who was then Project Manager at Purnea. This letter was to the following effect as shown by an extract therefrom:

"In this matter I have to reiterate that immediate action in the change of Executive Engineer is an absolute necessity if progress is to be achieved and disruption avoided. In fact, in this matter I also feel that if it is

not brought about the next best solution would be in posting of Shri R. K. Saha, S.E., as Project Manager. Quick action is essential."

Simultaneously, he sent a note to Mr. H. K. D. Tandon the then Private Secretary to the Home Minister complaining that "Shri K. C. Aggarwal is an Executive Engineer in charge of the Purnea Project. He has generally been carrying a bad reputation. During my visit there I also found that he adopted dubious methods to create as many problems as he possibly could do. I would, therefore, suggest that measures should be adopted to keep a watch on his activities."

This note was perhaps sent with a view to taking action for the removal of Mr. Aggarwal from Purnea.

The correspondence on this subject shows that this Mr. Aggarwal, Executive Engineer was very often complaining about the delay in work and work done not according to specifications and recommended to the Superintending Engineer either to reject such of those items which were not according to specifications or to reduce the rates for sub-standard work.

From the available records, it is not clear whether Mr. Aggarwal was transferred on the basis of these letters written by Mr. Malhotra of the Planning Commission but these letters are demonstrative of the fact that officers of the Planning Commission and Ministers Secretaries were acting in a manner to terrorise Government Engineers if they dare to find fault with the work or in the interests of the Bharat Sevak Samaj even to the detriment of the interests of the Government of India and there were even attempts at brow beating when some Central Public Works Department official did not yield to the pressures of the local Bharat Sevak Samaj officials and this was done by using the pivotal position of the Planning Commission.

7. Mr. T. S. Murthy, the Samaj Project Manager at Purnea in his D.O. letter of February 23, 1964 to Mr. A. N. Malhotra complained about the delay in carrying out the tests after the earth work surface was completed and also about the use of oversized stone metal in concreting which were pointed out by the Executive Engineer in charge of Purnea. Mr. A. N. Malhotra in his reply of February 27, 1964 remarked that "attitude of the Department has worsened and almost hostile." He also advised that

"we must assert that correct size of metal is being used except for minor variations". As the Department's instructions for the use of correct size metals did not yield fruitful results, the Executive Engineer in his inspection note dated March 21, 1964 ordered that further concreting should be stopped till sufficient quantity of suitable stone metal was received. This was brought to the notice of Mr. A. N. Malhotra by the Superintending Engineer and Mr. Malhotra assured that such a situation would not be allowed to arise later.

8. There was another instance where Mr. A. N. Malhotra used his official position by agreeing to recommend an increase in salary of Mr. N. Jain an employee of the Bharat Sevak Samaj from Rs. 250 to Rs. 350 per month based on a letter dated March 21, 1964 received from Mr. T. S. Moorthi. One of the reasons put forth by Mr. Moorthi was that his brother, Mr. Jain, District Traffic Superintendent, North-Eastern Railway, was of immense help to Bharat Sevak Samaj in their works and saved considerable amounts in giving correct advice after carefully examining all the claims by giving decisions etc. Mr. A. N. Malhotra in his note on the letter dated March 30, 1964 recorded that "we may try to be helpful to him." The file does not show whether the increase in salary as recommended by Mr. Malhotra was actually implemented.

9. There is another instance where Mr. A. N. Malhotra sent a note on August 3, 1964 to Swami Harinarayanand, Chairman, Bharat Sevak Samaj, New Delhi, requesting him to use his influence to absolve the Bharat Sevak Samaj from levying toll tax on the vehicles plying over the bridge between Katihar, Purnea, etc. The files do not indicate if any further action was taken by Swami Harinarayanand of Bharat Sevak Samaj, New Delhi.

10. A meeting was held at Purnea on August 7, 1964 between the representatives of the Bharat Sevak Samaj and the Central Public Works Department to discuss the non-payment and under-payment for certain items of work done.

According to the Bharat Sevak Samaj a claim was preferred for 2,95,000 cubic ft. for metal work as against which the Central Public Works Department accepted the quantity to be 2,12,871 cubic ft. It was made clear to the representatives of the Bharat Sevak

Samaj that the mode of measurement of stone metal was specifically laid down in the contract and the metal supplied was measured in stacks after making 1/13th reduction as provided for in the specifications. 8" thickness adopted for spreading metal could be the basis of measurement. The Bharat Sevak Samaj did not agree and sought the comments of Mr. A. N. Malhotra, who held the view that the mode of measurement for payment was not acceptable, and he desired that a check should be made to ensure that correct amounts of quantity were paid for. The other item was relating to leads for earthwork: The mode of calculation as per item No. 4 of the Agreement was not agreed to by the Bharat Sevak Samaj even though they were aware of interpretation of this item. The comments of Mr. A. N. Malhotra are reproduced below:

### "3. Leads for earthwork:

It is very important that leads for this earth work should be correctly worked out, as in almost all cases of the earth work done with the C.P.W.D. this has been a problem without a solution. The Bharat Sevak Samaj had always to suffer a loss on account of this in definite nature of the leads. The worst is that they are not done upto the end of the work and the Executive Engineer in this case the Bharat Sevak Samaj is forced to accept whatever the department thinks correct. It is a most unfortunate position.

As regards the interpretation of the item, we may check the specifications as well as the item for further scrutiny".

### "11. Concrete Slab:

During the discussion it was pointed out that concreting done with non-standard materials for about 1,000 sq. ft. was rejected as the strength of the cubes was found to be less than 75 per cent of the minimum strength specified. The Bharat Sevak Samaj agreed to remove and replace it. Mr. A. N. Malhotra desired that the so called non-standard material could be checked up by taking care to see that materials by and large were standard and also remarked that the Department could have agreed to its payment on the plea that cubes' strength was satisfactory. It appears from the

above that Mr. A. N. Malhotra was consistently though indirectly encouraging the non-standard work done by the Bharat Sevak Samaj even though the Purnea Airfield was a top-priority Defence Project.

11. The Superintending Engineer, Aviation Construction Circle, Patna, in his D.O. dated May 31, 1965 to Mr. A. N. Malhotra, Director Construction Services, Planning Commission, pointed out the inordinate delay in completion of the Purnea Airfield work. The reason for the slow progress of work in the building was mainly due to non-availability of trained masons who were capable of doing the work.

It appears that Mr. Malhotra contacted one Mr. Puran Chand, the Commission is unable to find out who he was, over the telephone to make immediate arrangements for deputing 40 masons and 10 carpenters. Mr. Malhotra also made arrangements for sending two labour contractors, one Ghulam Mohammad and the other Mohammad Ahmad and simultaneously informed the Superintending Engineer that action was being taken to push up the progress by arranging for more masons. These contractors were given sufficient advances to meet the travelling and other expenses of the labourers etc.

The Project Manager, Bharat Sevak Samaj, Purnea Unit wrote to Mr. A. N. Malhotra on May 31/June 2, 1965, forwarding a comparative statement of bills submitted to Central Public Works Department and corresponding payments made by them. Mr. Malhotra in his reply (dated 5th/7th June, 1965) to the Project Manager, stressed the importance of getting the bills passed by personal attention and tackling the issue politely but firmly with the Department.

The Project Manager in his letter of June 17, 1965 to Mr. A. N. Malhotra explained the reasons for claims remaining pending with the Central Public Works Department. These claims related to the concrete work where there was variation of 1,750 cubic ft. due to method of measurement adopted by the Central Public Works Department, difference in thickness of slabs and also due to strength of the slabs being found to be less than that specified in the contract etc. The Project Manager also requested Mr. Malhotra to move the Additional Chief Engineer to issue early instructions to the Executive Engineer concerned for getting early payments.

Mr. A. N. Malhotra in his letter dated July 2, 1965 to Mr. Talwani, Regional Manager, Bharat Sevak Samaj, New Delhi *inter alia* said:

*"Concrete work:*

*Item Nos. 10 and 11-A—A sum of Rs. 1,73,000 has been withheld on account of the use of over-sized stone metal. This case was discussed with the Additional Chief Engineer and he was shown the specifications according to which the size of the metal used conformed to the requirements under the agreement. It was also appreciated by the Additional Chief Engineer that the strengths had been as provided for. My understanding is that the Addl. Chief Engineer had appreciated the point in question and agreed to release the money withheld. (Mr. Mohan Lal has, however, personally informed me that the Executive Engineer has recommended a reduction of Rs. 3 per sq. ft. This is apparently a heavy reduction and should not be agreed to by the Samaj).*

*"Item No. 11-C—This case regarding use of unspecified material was thoroughly discussed with the Addl. Chief Engineer and the Superintending Engineer was of the view that 20% clay had been used. The core tests clearly show that the concrete has been up to the mark except for a lump of brick etc. being found in some core. The question of holding 40% payment on this account could possibly not arise. The amount held is Rs. 36,000 and this should be immediately paid for.*

*"Earth Work:*

*Item Nos. 1, 2, 3 and 4—I have been given to understand that although the cross-sections were taken and the final earth work levels were plotted and quantities worked out, the re-checking of the existing levels decided in the meeting is yet in progress and the quantities of the work have not yet been arrived at. Lot of money is held in this case both in the form of quantities as well as leads and immediate attention of Shri Mohan Lal was drawn to it. I am really unhappy at the delay caused. I feel that the department has the responsibility to see that correct payments are made in time.*

*"Stone sub-grade:*

*Item Nos. 8 & 9—I feel the Samaj is in the right but it is becoming so difficult to prove. Shri B. S. Marwah may be in a position to prevail upon the Executive Engineer. I cannot make any further suggestion".*

The above would indicate that Mr. A. N. Malhotra was more interested in the affairs of the Bharat Sevak Samaj than looking after the interests of the Government even though he was a full-time Government servant, on whom one would think would lie a duty to safeguard the interests of the State.

12. There is another instance where the Executive Engineer, Aviation Construction Division, Patna, pointed out to the Project Manager of Bharat Sevak Samaj on 12th April, 1965 certain defects in the work already handed over to the Department. The Certificate of Completion was given subject to the condition that the defects pointed out by him were rectified. The Project Manager, Bharat Sevak Samaj, at Purnea did not take any action to rectify the defects inspite of repeated reminders. The Executive Engineer in his letter dated May 13, 1965 gave notice to the Project Manager that the defects should be rectified within 15 days from the date of issue of that letter failing which the Department would rectify the defects at the cost of the contractor and recover the amount under clause 14 of the Agreement. In the meanwhile Mr. A. N. Malhotra, came to know that labourers were engaged at the completed portion of the runway which was already handed over, he specifically instructed the Project Manager not to allow any expenditure of that sort to be incurred. Mr. Malhotra advised the Project Manager in his letter of August 19, 1965 to spend another Rs. 500 to satisfy the Executive Engineer. Again, the Project Manager wrote another D.O. to Mr. Malhotra pointing out that the attitude of the Executive Engineer would not be satisfied by spending Rs. 500 as suggested, and sought permission to incur an expenditure of Rs. 1,500 or so which was approved and communicated by Mr. Y. D. Piplani, Research Officer, Construction Services, Planning Commission. The above would show that Mr. Malhotra was more interested in the affairs of the Bharat Sevak Samaj and wanted only the completing of the items of work without regard to its quality, specifications or required standards.

13. Mr. Y. D. Piplani, Research Officer, Construction Service, Planning Commission in his letter of November 3, 1965 addressed to Shri Mohan Lal, Project Manager, Bharat Sevak Samaj, Purnea informed him to make immediate arrangements for procuring 240 maunds of marble chips for mosaic flooring. He also made it clear that a party for the mosaic work was to be deputed to Purnea

on the terms and conditions referred to in "an enclosure". The name of the contractor was Shri Gainotalal, resident of Arya Nagar, Paharganj, New Delhi.

Mr. Piplani also, while on tour at Purnea, in his letter of October 13, 1965 to Mr. A. N. Malhotra pointed out that the work at Purnea suffered due to lack of materials, labour, proper programming and decisions.

From the above it would appear that the Bharat Sevak Samaj did not produce any agreement for entrusting the work to the sub-contractors though there is sufficient evidence to show that the major part of the work at the Purnea Airfield was carried out only through the sub-contractors.

**Statement of accounts of shortages of materials detected by the Central Accounts Organiser of the Bharat Sevak Samaj.**

23.113 A note dated April 3, 1965 from Mr. J. K. Khanna, Secretary of the Central Construction Service to the General Manager, to Mr. A. N. Malhotra and to Mr. A. S. Bhalla shows that the Accounts Organiser (Mr. A. S. Bhalla) had informally apprised the Managing Committee of the Central Construction Service about huge shortage of material detected while going through the accounts of Purnea airfield. His statement and figures were challenged by some members of the Managing Committee of the Central Construction Service and Mr. Bhalla was asked to furnish detailed accounts and give the figures of shortages with mathematical exactitude.

23.114 The Chairman of the Central Construction Service, it appears, from the note, made certain enquiries and discovered that a detailed statement had been furnished by Mr. A. S. Bhalla which was forwarded to Mr. A. N. Malhotra.

23.115 Neither the files of the Planning Commission nor the records of the Bharat Sevak Samaj so far produced contain the statements prepared by Mr. Bhalla the Accounts Organiser nor do the files indicate the nature of action taken on the report.

23.116 But the fact remains that the Accounts Organiser of the Central Bharat Sevak Samaj discovered "huge shortages" of material when he went through the accounts and this matter was brought before the Managing Committee and as far as the records produced show no action appears to have been taken on the shortages.

23.117 In respect of the construction of runway, taxi-track on the Purnea aerodrome the Commission finds:

- (1) The Samaj was allotted the work on a negotiated basis at Rs. 1,11,73,842 for the first phase.
- (2) The second phase was allotted to the Bharat Sevak Samaj also after negotiations at Rs. 55,00,065. This was in spite of the fact that the progress of the work of the first phase was not found unsatisfactory.
- (3) No security deposit or earnest money was taken or recovered from the Bharat Sevak Samaj and they were given an initial advance of Rs. 12 lakhs.
- (4) The Samaj repaid the loan together with interest.
- (5) The loan was utilised by the Bharat Sevak Samaj not for the purchase of any new machinery. The Samaj in fact deposited Rs. 12 lakhs in Fixed Deposit as and when received from the Government and withdrew the same as and when required.
- (6) Out of the loans received from the Government, Samaj advanced sums amounting Rs. 2,76,250 to the Calcutta Unit of the Bharat Sevak Samaj, Rs. 34,023.10 to the Railway Unit, Rs. 1,92,188.22 to the Kosi Yojna Nirman Samiti. These advances were adjusted by supply of materials in some cases but in other cases the amounts were repaid in cash. Thus it appears that the other units of the Bharat Sevak Samaj were helped with advances from out of the loan received from the Government for the Purnea aerodrome works.
- (7) Even though the Purnea aerodrome was a high priority defence work, there were inordinate delays in the completion of the work. The first phase for which the time allowed was 6 months and 11 days the Samaj took 23 months and 11 days and for the second phase for which the time allowed was 6 months and 12 days the Samaj took 27 months.
- (8) Mr. A. N. Malhotra who was the Director of Construction in the Planning Commission was supervising the work by periodical inspections. He also issued instructions to the Bharat Sevak Samaj as to the method of working and when differences arose between the Bharat Sevak Samaj and the Central Public Works Department he took up the cause of the Bharat Sevak Samaj before the Central Public Works Department.
- (9) Various defects and shortcomings were noticed and in the course of execution it was also noticed that the Samaj was not using cement in the proportion required under the contracts. When the Central Public Works Department authorities tried to stop sub-standard work the Samaj officials at the spot poured concrete on the head of a Central Public Works Department engineer. When the matter was reported to Mr. A.N. Malhotra all he did was to brush it aside saying that the episode was a minor one. In the opinion of the Commission this was an act of gross indiscipline and amounted to assault which should have been taken serious notice of. The records do not show recoveries for sub-standard work or the levying of penalties for such work.
- (10) The final bills produced by the Central Public Works Department show that the payments made to the Bharat Sevak Samaj amounted to Rs. 1,51,45,756 but the accounts of the Samaj have been produced only upto March 1967 and thus show that an amount of Rs. 58,865 has been "less accounted for" for which no explanation has been given.
- (11) The final bill of the Central Public Works Department passed in March 1967 shows an amount of Rs. 41,140.77 as recoverable from the Bharat Sevak Samaj but it has been kept under "Public Miscellaneous Advances". There is no evidence to show that this amount has been recovered from the Samaj.

- (12) The audited accounts of the Purnea aerodrome works show that out of the total expenditure of Rs. 22,66,961.55 on labour, Rs. 17,08,871 was paid to sub-contractors. The Samaj has not produced the agreements with the sub-contractors nor had they produced all the relevant records like the bills paid to the sub-contractors or the measurements taken of the work done by them. The Samaj was also taking security deposits from the sub-contractors which is a strong indication of their being sub-contractors.
- (13) The auditing Chartered Accountant has pointed out the non-production of muster-rolls of wages of workers in many cases and had reported that he was neither shown the tenders nor the quotations of the sub-contractors nor the rate contracts settled with them and therefore he could not audit the expenditure on account of payments to the sub-contractors.
- (14) The auditing Chartered Accountant has also pointed out the non-production of receipts and supporting documents for payments of Rs. 59,533.87 for the period ending March 1967. The Samaj has not produced six of the audit reports of the Chartered Accountant for the earlier periods.
- (15) Over Rs. 2 lakhs was spent on diesel and petrol for the machinery and equipment during 4 years but the auditing Chartered Accountant was not shown the Log Books of machinery and vehicles using or employing them and could not certify the expenditure to be correct.
- (16) An amount of Rs. 3,600 paid as advance to Mr. T.S. Murty, the Project Manager was adjusted under machinery and equipment without any details.
- (17) Rs. 92,48,408.80 was spent on materials but the Samaj did not maintain any "quantity account" of the materials purchased and consumed. The auditing Chartered Accountant had also reported that no accounts of material were shown to him and he could not verify the expenditure in the absence of proper accounts of the material.
- (18) An Accounts Officer of the Central Bharat Sevak Samaj who inspected the accounts in October 1964 reported shortages to the extent of Rs. 3,33,347 in respect of three items of materials namely, local sand, coarse sand and bricks.
- (19) The accounts show that while a sum of Rs. 31,15,408.93 has been debited in the accounts on account of cement, the cement actually issued by the Central Public Works Department was only of the value of Rs. 30,36,041.95. The difference in the quantity of cement used is not explained. The auditing Chartered Accountant had reported in February 1964 that he understood that there was some talk about pilferage of 800 cement bags.
- (20) The auditing Chartered Accountant had also pointed out that out of 35 boxes of machinery, spare parts etc. sent from Kusmi airfield unit costing Rs. 1,51,177.27, four boxes were not received.
- (21) The auditing Chartered Accountant had also reported that major part of the purchases were made from two firms in Calcutta who did not have any office even but had rented a room in a hotel in Calcutta and no quotations were called before making these purchases from these firms.
- (22) The auditing Chartered Accountant had also commented on the non-maintenance of any accounts of Medicines, not accounting for stores returned to the main stores, the loss of 14 chains, payment of Rs. 98,000 for sand against supplies of Rs. 42,378.75. He was also not shown the basis for payment of Rs. 10,16,000 for water bound macadam and ballast.
- (23) An amount of Rs. 1,18,302.23 was debited to staff amenities but the details of the same were not shown to the auditors nor have they been produced before this Commission. The entries in the ledgers show that amounts paid to various individuals

were debited as staff amenities and some of the individuals were given amounts as large as Rs. 13,000 and Rs. 10,000 and the sum of all those advances, more than Rs. 500 to individuals, comes to Rs. 76,497.85. The records do not show that the people to whom these advances were made were even the staff members.

- (24) The Balance Sheet of the Purnea unit shows various amounts as due from other units of the Central Bharat Sevak Samaj and other States and various amounts as due to some other units. But the accounts of the concerned units show amounts different from what is shown by the Purnea Unit. Thus the other units have shown Rs. 4,45,865.21 less in the amounts due to the Purnea unit. Similarly the Purnea unit shows Rs. 62,393.75 less in the amounts due to the other units.

- (25) The files of the Planning Commission show that the services of M/s A.N. Malhotra, Director, Construction, H.K.D. Tandon, Director, Public Cooperation, and Y.D. Piplani, Research Officer in the Planning Commission were freely made use of for expediting various matters favourably to the Bharat Sevak Samaj and in the actual supervision of the work.

- (26) Mr. A.N. Malhotra further wrote to the Additional Chief Engineer asking for the removal of the Executive Engineer incharge of the Purnea project because he was not very favourable to the Bharat Sevak Samaj. But what is really surprising is that the Planning Commission should have interfered in the day to day working of the Central Public Works Department just to suit the convenience of the Bharat Sevak Samaj which had taken up contracts under the Government.

- (27) The auditing Chartered Accountant pointed out serious irregularities in the accounts. There is no evidence to show that any notice was taken of these reports of the auditors. A major part of the Purnea aerodrome work was done through sub-contractors

and the auditing Chartered Accountant was not shown the relevant agreements with the sub-contractors for auditing the payment made to them. Many instances of shortages were reported by the auditing Chartered Accountant and large amounts of money were distributed to certain individuals from out of the funds of the unit.

TABLE 23-A  
(Referred to vide para 23-66)

Serial No.	Name	Amount
<i>Labour Concreting</i>		
		Rs.
1	Ram Swarup .. ..	3,02,105
2	Sudarshan .. ..	3,791
		<hr/> 3,05,896
<i>Labour Earthwork</i>		
1	Kosi Unit .. ..	3,78,777
2	K.K. Goel .. ..	92,869
3	K.K. Verma .. ..	34,479
4	D.N. Dixit .. ..	29,221
5	K. Alam .. ..	52,462
6	Murli Dhar .. ..	20,589
7	Puran Chand .. ..	22,427
8	Ponan Hans .. ..	} 22,962
	Narain Singh .. ..	
9	Hukam Singh .. ..	5,404
10	Sardari Lal .. ..	6,054
11	Harbans Singh .. ..	11,460
12	Taini Singh .. ..	5,484
		<hr/> 6,82,188
<i>Brick Soling</i>		
1	Md. Sharif .. ..	17,195
2	Jamul Haq .. ..	6,258
3	Ramji Lal .. ..	11,015
4	Ram Swarup .. ..	6,404
5	Kosi Unit .. ..	8,758
6	Ganga Sahai .. ..	13,318
7	Chaman Lal Sethi .. ..	7,349

Serial No.	Name	Amount
		Rs.
8	Sunder Sham Sethi ..	8,133
9	Ram Dhean ..	2,294
10	Hazari Lal ..	4,266
11	Bhutto Mistry ..	3,106
12	D.N. Dixit ..	2,414
13	K.K. Goel ..	3,913
14	K. K. Verma ..	512
15	G. S. Chowdhary ..	1,516
16	Sia Saran Singh ..	1,092
17	Lakshmi Chand ..	4,717
18	Kamaluddin ..	2,370
19	J. P. Singh ..	5,858
20	Tarini Singh ..	4,823
21	Md. Attar Khan ..	5,097
22	Nuzil Hassain ..	12,471
23	Syed Alam ..	5,763
24	Mehraddin ..	1,810
		1,40,782
	<i>Labour Others</i>	
1	Ram Swarup ..	13,716
2	S.P. Chowdhary ..	5,889
3	Ram Avtar ..	2,386
4	D.N. Dixit ..	1,651
		23,642
	<i>Labour Unloading and Removal to Work Site</i>	
1	Md. Kalil Ansari ..	17,565
2	Md. Nizam ..	17,048
3	Onkar Nath Choubey ..	14,550
4	Inder Prakash ..	12,775
5	Ram Komal Singh ..	15,883
6	K. K. Goel ..	2,869
7	Hukam Singh ..	4,614
8	Biswa Nath ..	3,649
9	Harbans Singh ..	7,902
10	Ram Avtar ..	7,907

  

Serial No.	Name	Amount
		Rs.
11	Ram Swarup ..	12,027
12	Kedar Prasad ..	4,077
13	S.N. Sharma ..	5,799
14	D.N.Dixit ..	4,577
15	Gauri Shankar ..	1,799
16	Brij Nath ..	1,590
17	Murli Dhar ..	3,690
		1,38,312
	<i>Buildings</i>	
1	Bhasu Ram ..	12,179·00
2	Dhanraj Roy ..	11,201·00
3	Buteman Prasad/Mandal	4,396·02
4	D.N. Dixit ..	12,082·71
5	Kesat Prasad Pandey ..	1,971·37
6	Sujan Singh ..	3,360·91
7	Keshar Mall ..	27,214·02
8	Ramji Lal ..	1,148·69
9	B.P. Jha ..	1,238·00
10	Harbans Singh ..	1,895·00
11	Vijay Mistry ..	33,671·08
12	Md. Sharif ..	5,624·34
13	Jogender Prasad ..	1,558·43
14	Sudershan Sethi ..	8,094·39
15	Chedi Prasad Sharma ..	7,793·24
16	Sarda Nand Rai ..	11,531·32
17	Mahadeo Shah ..	1,368·00
18	Raghunandan Malakar ..	2,428·00
19	A.P. Jha ..	5,252·67
20	Mahendar Singh ..	7,695·45
21	Tarni Singh ..	3,954·27
22	Noor Mohd. ..	8,521·60
23	D.C. Shah ..	7,243·40
24	Surya Narain Mitra ..	3,000·68
25	Narender Singh ..	5,986·00
26	Parma Nand Raylani ..	2,232·19
27	Ram Lagau Prasad ..	9,164·05
28	Mohd. Ahmed ..	1,302·19



TABLE 23-A—concl'd.

Serial No.	Name	Amount	Serial No.	Name	Amount
		Rs.			Rs.
29	Ram Kamal .. ..	1,943·12			
30	Singerwan Mandal ..	16,542·55		<i>Approach Roads</i>	
31	Prajulla Sarkar ..	3,813·34	1	D.N. Dixit .. ..	16,509
32	Baban Sharma ..	15,872·20	2	Tarni Singh .. ..	1,264
33	Ram Swarup Mistry ..	3,531·46	3	A.P. Jha .. ..	10,079
34	Mohan Lal Bagga ..	1,880·84	4	G.P. Gupta .. ..	1,473
35	Ram Khadwan Sarma ..	6,871·50	5	Sharda Nand Rai ..	9,037
36	Badhey Sham.. ..	4,500·24	6	N.P. Chowdhary ..	5,460
	Grand Total ..	2,58,063·27	7	Outstanding liability to Contractors .. ..	5,670
	Say ..	2,58,063			
	<i>Blast Pens</i>				49,492
1	Md. Sharif .. ..	1,347			
2	Alijuddin .. ..	2,494			
3	Md. Attar Khan ..	7,408		<i>Hard Standing</i>	
3	Sudershan Sethi ..	12,039	1	Ram Swarup .. ..	22,118
5	Ram Swarup .. ..	12,806	2	A.P. Jha .. ..	8,975
6	Param Hans } ..	43,309			
	Narain Singh }				
		79,403		Total ..	31,093

## CHAPTER 24

### YAMUNA BARRAGE

In connection with the setting up of the new Thermal Plant for the generation of electricity under the Extension Scheme of Delhi Electric Supply Undertaking more water was needed for cooling arrangement and for that purpose a barrage with a bridge across the Yamuna River was proposed to be constructed. Although the work was for the Delhi Electric Supply Undertaking, the actual management of the construction was given to the Punjab Public Works Department, and the cost had to be paid by the Delhi Municipal Corporation but through the Punjab Public Works Department.

24.2 To complete that scheme of construction of the barrage across the Yamuna tenders on the basis of a 'Codal Contract' as well as work order were called on December 7, 1963. The lowest tender was of the Bharat Sevak Samaj for Rs. 198 lakhs and the next lowest was of Uttam Singh Duggal & Sons for Rs. 243 lakhs. The advertised estimated cost of the construction was Rs. 240 lakhs. The rates were tendered by the Bharat Sevak Samaj under various items of the contract and the total amounted to Rs. 1,98,73,955, and the project provision of the project was Rs. 2,22,43,350. In giving their tender the Bharat Sevak Samaj had assumed the rates of the materials to be used as follows:

- (i) Steel @ Rs. 720 per ton.
- (ii) Sheet Piles @ Rs. 800 per ton.
- (iii) Cement @ Rs. 7.50 per cwt.
- (iv) Bricks @ Rs. 31.25%.
- (v) 2 Cwt. steel had been assumed per 10 cft. of reinforced brick masonry of well steining.
- (vi) Quantity of steel to be used in 1:2:4 reinforced cement concrete for well curbs has been assumed as 5 cwt. per 100 cft. of concrete and 2 cwt. for 1:2:4 cement concrete partially reinforced for coping and also for the temperature reinforcement in the floor.

24.3 Earnest money amounting to Rs. 2.40 lakhs which would have been required to be

deposited did not accompany the tender of the Samaj and they also demanded that they should be given some advances for the work but the amount of such advances was not indicated.

24.4 For the items of the dewatering of the foundations of the Barrage the Samaj quoted a lumpsum of Rs. 9 lakhs and for river diversion works a lumpsum of Rs. 3 lakhs. The quotations of the other tenderers were higher.

24.5 The Superintending Engineer in-charge of the Yamuna Barrage Circle in his letter dated January 23, 1964 addressed to the Chief Engineer, Chandigarh said:

"The Bharat Sevak Samaj had under-quoted for the items of dewatering and river diversion work etc. and had tendered higher than the workable rates for other items and further intimated to the Chief Engineer that for this reason local enquiries were made from the contractors already working in the vicinity of Delhi so as to arrive at reasonable workable rates. A comparison of the workable rates had been made with the rates tendered by the Bharat Sevak Samaj and the comparison is embodied in a statement enclosed as Appendix V. Workable rates have been noted in column 10 of the statement against each item of work. In these rates it had been presumed that the agency which will be allotted the work will do the mixing of concrete, wrigling of concrete, curing of the masonry or concrete, constructing Bins and washing of ballast itself. These rates do not include cost of cement and steel. In case the agency is unable to do these items itself suitable recoveries will be made for doing these items departmentally. After deducting the charges for such items the rate payable to the agency is indicated in column 11 of the statement. After allowing Rs. 25 lakhs for dewatering and 7 lakhs

for river diversion works etc. the cost of the work on the basis of these workable rates works out to about Rs. 179 lakhs which is about Rs. 20 lakhs less than the tender of the Bharat Sevak Samaj. If the items of dewatering and river diversion works are excluded from the rates tendered by the Bharat Sevak Samaj and also from the workable rates prepared the difference of cost between the tender of Bharat Sevak Samaj and the workable rates comes to about Rs. 40 lakhs."

This meant that in the opinion of the technical expert, the Superintending Engineer, the Samaj had under-quoted for dewatering and river diversion and its quotations were higher than others for other items, and the Samaj should be asked to exclude those two works and give the tenders on work-order system. But the Samaj did not agree to this and wanted the Superintending Engineer to give the work to them on the Codal Contract basis as their tenders were the lowest. A copy of this letter of the Samaj dated January 23, 1964 was sent by them to the Private Secretary to the Home Minister Mr. G. L. Nanda and also sent a copy to the Minister for Irrigation, Punjab and Chief Engineer, Irrigation Department, Punjab.

24.6 The Executive Engineer (Central) incharge in the office of the Chief Engineer after making his remarks recommended:

"the rates quoted by the Bharat Sevak Samaj for the items of dewatering and diversion are unpractical and unworkable, the tender calls for a careful review in order to ensure that:—

- (i) Work is executed as economically as possible.
- (ii) The work is allotted to an agency which demonstrates by their tender or otherwise that they have full insight into the constructional details of the project and the cost thereof with a view to convincing that the tight time schedule for the completion of the project will be genuinely followed. The credential of the Agency should give rise to no fear for any opportunity of the postponement of the targets.

It will be seen from the study of the workable rates that according to the quotations for the jobs of dewatering (i) the rates and diversion of river by Bharat Sevak Samaj one is led to harbour fears that the proper insight into the detailed working is lacking on the part of the tenderer and such an element of inadequacy in the experience is evidently to have repercussions on the targets. For further credentials of Bharat Sevak Samaj, the following facts have been mentioned in the Superintending Engineer's report.

- (i) This organisation acquitted rather poorly on the work of excavating of Najafgarh drain and on assessment of their poor performance the work was entrusted to the Punjab Irrigation Branch for timely completion.
- (ii) The queries at the level of the Superintending Engineer reveal that this organisation is not properly equipped with the Mechanical set up which is to play the major role in the successful execution of our work.

"If one strictly goes by the considerations as discussed above one would be reluctant to allot the work to Bharat Sevak Samaj. But such like organisations which have come into being mainly to eliminate the middleman in the Public Works Department Contracts deserve to be accommodated and any action to discard them will amount to discouragement to them. In this context it was a prudent step on the part of the Superintending Engineer to offer them to take up the works on the workable rates as evolved now on the work order system leaving the following items to be executed by the Department.

- (i) Dewatering.
- (ii) Diversion of river works.
- (iii) Sheet piling.

In this behalf I am to remark that the Bharat Sevak Samaj has not reciprocated in the spirit in which the

Superintending Engineer had moved as evidently the object was that both they and the Department may pool their resources to take up this massive work thereby eliminating the chances of postponement of the targets and executing the works as economically as possible. If this organisation seeks the patronage from the Government Department, it is expected that they should fully share the responsibility of the Government Department in matters of safeguarding Government interest and there is nothing like prestige involved in any aspect. In fact such an arrangement as proposed by the Superintending Engineer would have been the best and in this arrangement where as the expenditure on the items tended by the Bharat Sevak Samaj would have been less by about Rs. 29 lakhs, the increased expenditure on the jobs of dewatering and diversion of river works if any, below Rs. 32 lakhs which is provided now for Misc. items etc. could be managed adequately within the savings."

This meant that he recommended the rates of dewatering and diversion required revision to ensure economic execution and also that the Samaj lacked an insight into the detailed working and adequacy of experience and that its work on Najafgarh Drain Project was poor and had to be completed by the Punjab Irrigation Branch and also that the Samaj was not properly equipped for successful execution of this kind of work. It also meant that on merits the Samaj was undeserving but in order to exclude middlemen it should be encouraged and they should take the contract on work-order basis on rates suggested and exclude dewatering, diversion and sheet-piling; thus suggesting the departmental cooperation for this.

24.7 The notings on the file in the Chief Engineer's Office show that he discussed this matter with the Minister for Irrigation and Power at Delhi who was in favour of the work being given to the Samaj in spite of the poor performance in Najafgarh Drain contract.

24.8 The Minister for Irrigation and Power had also discussed the matter with Mr. G. L. Nanda, Home Minister in the Central Government who had assured him that the work would be properly accomplished as the Samaj

Construction Service was headed by a retired Chief Engineer of the Punjab (Irrigation), Mr. R. K. Gupta. In these circumstances one cannot imagine the Chief Engineer not giving the contract to the Samaj and so he did.

24.9 In his letter to the Superintending Engineer the Chief Engineer said that all other tenders had been rejected and that of the Bharat Sevak Samaj had been accepted and orders to that effect would be issued later on. As certain decisions had to be taken on certain points, Mr. Ranbir Singh, the Minister for Irrigation and Power in the Punjab wrote to Dr. K. L. Rao, Union Minister of Irrigation & Power in regard to certain points raised by the Samaj *i.e.*:

- (1) Non-deposit of earnest money as they were exempted from such deposit and also deposit of security money.
- (2) It was entitled to advances. It was subsequently indicated to be one of Rs. 10 lakhs.

The Minister also said that the Yamuna Barrage was being constructed by the Punjab Public Works Department (Irrigation Branch) as "deposit work".

24.10 The points raised by the Bharat Sevak Samaj were considered in consultation with the State Finance Department and in accordance with the instructions imposed in the State of the Punjab, the Bharat Sevak Samaj was entitled to only following concessions:

- (1) No earnest money for unskilled work upto any value and for skilled work upto the value of Rs. 2,000.
- (2) Bharat Sevak Samaj was not required to deposit securities with tenders but a deduction of 5% was to be made from out of the running bills for the due performance of the contract.

24.11 As the Yamuna Barrage contract involved skilled labour, according to the instructions, the Samaj was not entitled to the concessions asked for. This was the advice of the State Finance Department.

24.12 The Punjab Minister for Irrigation & Power also said that as the responsibility for the execution of the work was of the Delhi Thermal Project Control Board and it was interested in the financial implications involved for entrusting the work to any agency which required those concessions, he wanted advice on the issues from the Union

Minister for Irrigation & Power who in his letter dated March 14, 1964 replied that the matter of earnest money and advance had been considered by the Standing Committee of the Delhi Thermal Project Control Board in its meeting of March 11, 1964 and they agreed to the request.

24.13 The Chief Engineer's approval for the acceptance of the tender of the Bharat Sevak Samaj on Codal Contract system was conveyed to the Superintending Engineer and in relaxation of the rules prevailing in the Punjab State the Bharat Sevak Samaj was allowed the following concessions:

- (i) exemption from payment of earnest money and advance of unsecured loans of Rs. 10 lakhs which was repayable in four instalments as follows:—

The first instalment together with interest on the advance in December, 1964; the second similar instalment in June 1965; the third such instalment in December 1965 and the fourth equal instalment in June 19, 1966.

- (ii) The rate of interest was to be determined by the Thermal Project Control Board and the unsecured advance was to be made after a formal legal document under advice from the Thermal Project Control Board, Delhi or Delhi Electric Supply Undertaking.

- (iii) Further a sum of 5 per cent was to be deducted as a security out of the running payments.

#### *Loan by Delhi Electric Supply Undertaking to the Bharat Sevak Samaj*

24.14 The Samaj applied for an additional loan of Rs. 15 lakhs on August 7, 1964 which was recommended by the Chief Engineer. This was to enable it to comfortably meet the average monthly turnover of Rs. 12.05 lakhs. The Control Board of the Thermal Project was set up by the Central Ministry of Irrigation & Power under a Resolution dated September 26, 1962 and this was with the agreement of the Punjab Government and the Delhi Municipal Corporation, and the Board was to remain in existence till after the completion of the Indraprastha Power Station Extension Project of which the Yamuna Barrage Project was an integral Part. The

Thermal Station Extension Project was executed by the Delhi Electric Supply Undertaking but the Yamuna Barrage was executed by the Punjab Government as a deposit work, and the funds for the Barrage Project were to be provided by the Delhi Electric Supply Undertaking, and were to be recovered from other beneficiaries in proportion to the share of the cost of the barrage.

24.15 A note of Mr. H.K.D. Tandon, Director of Public Cooperation in the Planning Commission dated September 22, 1964 was sent to Mr. V. P. Mithal, Financial Adviser in the Planning Commission and to the Private Secretary to the Minister for Irrigation & Power. It was as follows:

"The Minister for Irrigation & Power kindly granted an interview on September 19, 1964. I briefly apprised him of the very satisfactory progress of the work at Yamuna Barrage. I explained to him that to a great extent this was due to the advance of Rs. 10 lakhs given by the Punjab Government. This good progress will be maintained in the next season, beginning from October, 1964, if the Samaj could be given a further advance of Rs. 15 lakhs.

The Samaj's application for the sanction of the second advance of Rs. 15 lakhs has been recommended by the Punjab Government to the Delhi Thermal Project Control Board.

The Policy of giving work advances to the Bharat Sevak Samaj has been accepted by the Government. The Working Group of the Construction Service of Voluntary Organisations set up by the Planning Commission, have recommended that advances could be given to the extent of 25 per cent of the total value of the work. There are several precedents where similar advances have been given e.g. an advance of Rs. 37.5 lakhs was given for the construction of the Kusmi Aerodrome (Gorakhpur) which cost about Rs. 168 lakhs. The total advance, including the second advance mentioned above, will be Rs. 25 lakhs. The total value of the work is Rs. 2 crores. As such the work advance will be within the 25 per cent limit mentioned above.

The Planning Commission and the Finance Ministry have attached a senior Officer as Financial Adviser to the Bharat Sevak Samaj to exercise a close watch on the utilisation of the work advances and loans given by the Government. I am submitting this note to the Minister for Irrigation & Power through him.

The Minister for Irrigation & Power kindly agreed to look into this case so that the advance of Rs. 15 lakhs asked for is sanctioned quickly."

The purport of this note was that the advance of Rs. 15 lakhs would make the working smoother and had been recommended by the Punjab Government to the Delhi Thermal Project Control Board. Further the policy of giving advances to the Bharat Sevak Samaj had been accepted by Government and a sum of Rs. 37.5 lakhs had been advanced to them for Kusmi Aerodrome work at Gorakhpur.

24.16 On September 24, 1964, the Union Minister for Irrigation & Power made an order for the giving of the advance of Rs. 15 lacs. This loan was approved by the Delhi Thermal Project Control Board as is shown by their letter dated November 17, 1964 to the Chief Engineer, Yamuna Barrage Irrigation Works, Punjab, Chandigarh and the conditions of the loan were that:

- (1) Rs. 10 lacs be given to the Samaj in the first instance and the balance of Rs. 5 lacs after viewing the progress of the work.
- (2) The interest was to be 6 per cent.
- (3) The total amount of the loan was to be recovered from the Bharat Sevak Samaj by a 30 per cent deduction including the 5 per cent towards security from the running bills and if the recovery so made during the 6 months was less than 33-1/3 per cent of the amount of the loan, the balance would be recoverable on the expiry of those 6 months.
- (4) Compliance with the terms of the advance and recovery thereof were to be watched by the Punjab Government.
- (5) This Condition is important. It was to the effect that the Bharat Sevak

Samaj being a Government supported organisation, no security for the advance need be insisted upon which as far as the Commission has been able to see, was a contravention of the General Financial Rules.

24.17 On September 21, 1965, the Bharat Sevak Samaj made an additional request to the Control Board of Delhi Thermal Project for a further loan of Rs. 15 lacs which was considered, as shown by the minutes of the meeting, on October 21, 1965. Mr. P. N. Jain, Joint Secretary of the Ministry of Finance, had said:

"...the proposal in respect of making further advances to the Bharat Sevak Samaj was not in accord with the contractual obligations, and might be viewed as undue financial accommodation to the contractor. The contractor could be helped to a certain extent by reducing the deductions for past loans, from running bills from 25 per cent to 20 per cent as the Chief Engineer (YB) had stated that the balance of the loan was 6 lakhs against the remaining work costing Rs. 70 lakhs to be carried out over a period of 6 months."

24.18 He also asked for the balance-sheet and Profit and Loss accounts and details of other loans borrowed during the previous three years and if any financial assistance was found to be necessary in the interest of work, it could be placed at the disposal of the Irrigation Department, Punjab, for being loaned to the Samaj.

24.19 The minutes further show that the meeting decided to grant a further loan of Rs. 10 lacs to enable the Samaj to accelerate the pace of work and complete it by June 1966. No security was taken for the loan as was in the case of the previous loan also.

24.20 Mr. Jain had stated in the meeting that he would have to secure the orders of the Finance Minister before making a commitment in regard to the matter and he wanted a note to be sent to him through the Irrigation & Power Ministry. The matter was referred to the Finance Ministry, on November 4, 1965 but in the meanwhile the Rs. 10 lacs had been paid without waiting for

concurrence of the Ministry of Finance. This loan of Rs. 10 lacs was to bear interest at 8 per cent per annum.

24.21 The record shows that the Punjab Public Works Department gave Rs. 35 lacs as loan by way of advances to the Samaj as follows:

	Rs.
13-5-1964 .. .. .	5,00,000
15-6-1964 .. .. .	5,00,000
18-11-1964 .. .. .	10,00,000
23-1-1965 .. .. .	5,00,000
13-11-1965 .. .. .	2,00,000
18-11-1965 .. .. .	8,00,000
<b>Total .. .. .</b>	<b>35,00,000</b>

24.22 The affidavit of the Bharat Sevak Samaj dated July 29, 1969 shows that this Rs. 35 lacs has been repaid with interest. The Haryana Government which is the successor of the Punjab Government has also shown no outstanding against the Samaj.

*Loan sanctioned by the Planning Commission for the Yamuna Barrage Works*

24.23 Besides the loan of Rs. 35 lacs sanctioned by the Punjab Public Works Department, the Planning Commission on March 30, 1965 sanctioned a loan Rs. 12.5 lacs for the Samaj. The circumstances under which this loan was given have been discussed in another chapter dealing with loans. In the case of this loan, the last instalment of Rs. 1,84,912.54 with interest thereon had to be adjusted from the amounts due to the Samaj in respect of Multi-storeyed buildings at Dr. Rajendra Prasad Road, New Delhi. Thus, in all, a loan of Rs. 47.50 lacs unsecured though, was given to the Samaj.

**Financial Results of the Yamuna Barrage Project**

24.24 The contract amount tendered by the Samaj for the construction of the works connected with the Yamuna Barrage was Rs. 1,98,73,955.00. The Haryana Irrigation Department has filed a statement showing

the payments made to the Samaj of the value of Rs. 2,09,20,622.00 as follows:

	Rs.
(i) Spill way .. .. .	1,00,42,899.00
(ii) Under sluices .. .. .	46,45,301.00
(iii) Left guide bund .. .. .	17,43,265.00
(iv) Left tie bund .. .. .	20,68,416.00
(v) Right guide bund .. .. .	10,30,723.00
(vi) Rilling low area .. .. .	42,661.00
(vii) Dewatering coffer dam .. .. .	12,00,000.00
(viii) Right tie bund .. .. .	1,47,357.00
<b>Total .. .. .</b>	<b>2,09,20,622.00</b>

24.25 The Samaj had raised certain disputes in regard to their claims which had not been paid for and included in the above noted sum. Mr. A. N. Malhotra, who was the Director of Construction Service in the Planning Commission and was also on the Managing Committee of the Bharat Sevak Samaj Construction Service, had by then become the Superintending Engineer in the Haryana Government and he was appointed the arbitrator. He made an award in favour of the Samaj in November, 1958 of a sum of Rs. 7,10,830.00 and on November 9, 1968 this sum was paid towards the loan due from the Samaj by a transfer credit.

In the opinion of the Commission the appointment as arbitrator of persons, so intimately connected with a party as Mr. A. N. Malhotra was with the Samaj, should be discouraged. Mr. Malhotra admitted before the Commission that he considered it his duty to safeguard the interests of the Samaj.

24.26 The Bharat Sevak Samaj has produced audited accounts of the Yamuna Barrage works upto the end of March, 1967. The accounts show that besides the accounts of the Yamuna Barrage the Samaj had included in these accounts the accounts of four other works i.e. the railway marshalling yard discharge duct, drain work and supply of stone to reservoirs. The record does not show exactly where these works were but presumably they were connected with the Yamuna

Barrage works. The total payments received by the Samaj as shown by the accounts were Rs. 2,20,49,957.53 as follows:

	Rs.
1 Yamuna Barrage .. ..	2,07,42,285.00
2. Marshalling yard .. ..	3,89,276.93
3. Discharge duct .. ..	32,108.00
4. Drain work .. ..	8,72,349.00
5. Supply of stone for reservoir	13,938.00
	<hr/> 2,20,49,957.53

24.27 The details of payments as shown by the Haryana Irrigation Department upto the end of March, 1967 show a total of Rs. 2,07,42,285.00. After March, 1967 the Haryana Government made further payment of Rs. 8,89,149.00 on account of Yamuna Barrage works. How they were accounted for by the Samaj could not be verified as no accounts have been produced after March, 1967.

24.28 The Profit & Loss Account and Balance-sheet show that Profits upto the end of March, 1967 were Rs. 18,81,735.34 after development rebate of Rs. 1,84,614.00 and a provision of Rs. 20,000 for doubtful debts. The ultimate financial results of these works are not quite clear but it does appear that works were completed in the year 1966-67 and one would not imagine that there would be any major items of expenditure on those works after that date. If these premises are accepted as they should be then the total profit made by the Samaj would be the above figure given plus Rs. 8.89 lakhs which have been mentioned herein before. The profits would, therefore, be about Rs. 26 lakhs. Whatever accounts have been produced do not show that any part of these were utilised for any community welfare work or for any of the other amenities which had been mentioned by the Samaj when it was taking the contract.

24.29 No separate accounts seem to have been prepared for the year 1967-68 but a combined account of Delhi Works including the accounts of the Head Office and of the Yamuna Barrage work were prepared and the Balance-sheet for the period ending March 31, 1968 accumulated losses in respect of Delhi Works were shown as Rs. 20,97,375.79 after taking into account the profits of the Yamuna Barrage totalling Rs. 18,81,735.34.

24.30 The accounts of the Yamuna Barrage show that total cost of construction to the Samaj was Rs. 2,02,58,696/- out of which the cost of material supplied by Government including stores and the outturn work done through machinery was Rs. 1,24,72,592.84. The labour and piece rate workers were paid Rs. 73,22,942.81. The ledgers also show the payments to piece workers, productive labour including those employed on muster rolls, work charge staff and hire charges of machinery was Rs. 73,22,942.81 which was made up of the following figures:

Year	Payment to piece workers	Productive Labour including muster roll, work charge staff, hire charges of machinery etc.
(1)	(2)	(3)
Ending 31st July, 1964 ..	7,04,052.62	3,30,048.12
Ending 31st March, 1965 ..	11,24,115.49	6,17,473.88
31st March, 1966 ..	22,28,656.48	13,61,588.94
31st March, 1967 ..	5,43,825.71	4,13,181.57
	<hr/> 46,00,650.30	<hr/> 27,22,292.51
	<hr/> =73,22,942.81	

24.31 Under the heading "productive labour" no break-up is given of the muster rolls payments, work charge establishments, hire charges of machinery of depreciation etc. It has not, therefore, been possible to find out the exact amount paid to piece workers which appears to be a euphamistic name for those who were taking Sub-contracts from the Bharat Sevak Samaj. But this much appears to be clear that the expenditure on hire charges of machinery and depreciation was considerable and the major part of the work was executed through piece workers. No agreements entered into with the piece workers have been produced but the names of some of the piece workers, the work done by them and the amounts paid to them and the balances due to or from them is shown in Table 24-A attached, which gives the names of the piece workers, whose names the Commission



has been able to find in the ledgers produced by the Samaj. No agreements entered into between the Samaj and the piece-workers showing the exact nature of relationship between the two and the conditions on which they were working have been produced by the Samaj.

24.32 The auditor who audited the accounts of the Yamuna Barrage for the different years does not seem to have been satisfied about the checks exercised on payments to piece workers—whether the payments were made for actual work done and he advised the Samaj to satisfy itself about the quantities of work for various items for which payment was made to the piece workers or which was done departmentally, i.e. done by the Samaj through labour employed by itself. The remarks made by the auditor which in fact applied to accounts of all the years were as follows:

“The bills of the piece workers are generally available. They were passed and paid off as and when received from the Site Incharges/R.E.S. by the A/cs Department after checking the Arithmetical accuracy. The written agreements with the piece workers are not always available. In view of the fact that there was not adequate internal check up to ensure that the quantities etc. entered in the bills of the piece-workers were correctly entered we would suggest that as far as practicable you may satisfy yourself that whatever quantities of the various items that were paid to the various piece workers plus the work got done departmentally had gone into the contractee bills and were either paid for or payments were due for them”.

#### Advances to Piece workers

24.33 The following will show the balances outstanding against the piece workers at the end of different years out of the moneys advanced to them and to the suppliers:

	Rs.
31-7-1964 .. .. .	1,51,941·62
31-3-1965 .. .. .	1,72,622·42
31-3-1966 .. .. .	1,38,794·39
31-3-1967 .. .. .	35,742·51

24.34 The accounts above given show that at the end of March, 1967 Rs. 35,742.51 was

due from the piece-workers and the suppliers and out of this Rs. 20,000/- was considered doubtful and a provision was made therefor in the Profit & Loss Accounts. The Chartered Accountant auditing the accounts for the year 1966-67 also commented on the fact that there were no confirmations from the parties concerned regarding debit balances due from them.

#### Security deposit taken from piece-workers

24.35 It appears that piece-workers working on the Barrage made deposits by way of security to the Bharat Sevak Samaj the amount of security deposit outstanding at the end of different years was as follows:

	Rs.
31-7-1964 .. .. .	27,061·56
31-3-1965 .. .. .	38,551·75
31-3-1966 .. .. .	46,283·78
31-3-1967 .. .. .	10,577·27

24.36 The fact of taking security from the piece-workers is an indication of their relationship being that of sub-contractors. The rate at which the security deposits were taken could not be ascertained because no agreements with them were produced by the Samaj but the factum of security deposits is a test of the relationship of these persons with the Samaj.

#### Central Inter-Unit accounts of the Yamuna Barrage

24.37 The Balance-sheet of the Yamuna Barrage for the year ending March, 1967 shows an amount of Rs. 28,63,257.02 as due to the Yamuna Barrage from various other Units of the Bharat Sevak Samaj. The details of these as shown by the ledger are as follows:

	Rs.
Bharat Sevak Samaj, Agra ..	5,68,715·35
Head Office .. .. .	22,59,569·24
Bharat Sevak Samaj, Faridabad ..	4,436·27
Multi Storey Building ..	10,547·17
Drain Works, Rajghat ..	13,397·89
Hastals Kiln .. .. .	626·03
Bharat Sevak Samaj, Bidar ..	5,356·48
Bharat Sevak Samaj, Chandigarh ..	304·80
Bharat Sevak Samaj, Gorakhpur ..	293·79
Bharat Sevak Samaj, Delhi Pradesh .. .. .	10·00
	<hr/>
	28,63,257·02

24.38 At the end of the same year in the books of the Yamuna Barrage a sum of Rs. 3,01,126.53 was due from the Yamuna Barrage to other Units of the Bharat Sevak Samaj as follows:

	Rs.
Bharat Sevak Samaj, Purnea ..	2,01,853.63
Project Manager I .. ..	50,402.00
Project Manager II .. ..	31,957.47
Satbari Kiln .. ..	14,518.29
Varanasi .. ..	1,147.06
Mental Hospital, Shahdara ..	24.60
I.T.I. Pusa .. ..	844.13
Rama Krishna Puram .. ..	223.75
Okhla .. ..	155.60
	<hr/> 3,01,126.53
Net Outstandings ..	<hr/> 25,62,130.47

24.39 Thus the net amount outstanding in favour of the Yamuna Barrage was Rs. 25,62,130.49. For the other years the balances of inter-Units of the Bharat Sevak Samaj due to the Yamuna Barrage were as follows:

Date	Balance of inter-Units due to the Yamuna Barrage	Rs.
31-7-1964 .. ..		460.00
31-8-1965 .. ..		1,23,613.46
31-3-1966 .. ..		12,50,064.98

24.40 It is significant that the balances due from the inter-Units to the Yamuna Barrage was only Rs. 1,23,613.46 upto the end of March, 1965 and after the loan of Rs. 12.50 lakhs was given by the Planning Commission on October 31, 1965 the balances due from the Units went upto to considerably large amounts.

24.41 The explanation of the Samaj in regard to the loan of Rs. 12.50 lakhs was that they had spent the whole of it by the end of October, 1965 and these large amounts which are shown above as due to the Yamuna Barrage were transferred from the accumulated balances of cash received mainly from the Government as payments for construction work done. There seems to be some doubt

in regard to the correctness of the statement because if there were accumulated balances from which loan could be given to other Units the loans from the Planning Commission would have been repaid long before August, 1972 when the Samaj claims to have repaid it then.

#### Discrepancies in the accounts of the various Units and the Central Inter-Unit account of the Yamuna Barrage.

24.42 On March 31, 1967 the Balance-sheet of the Yamuna Barrage showed a sum of Rs. 28,63,257.02 on the assets side and Rs. 3,01,126.53 on the liability side. This has been referred to above also on the liability side under the head Central inter-Unit Account. The auditor auditing the accounts for the year 1966-67 made the following remarks about this:

"We have not been provided with the confirmation whether or not the balances of the accounts as shown in the Yamuna Barrage Accounts tally with the balances shown in the other unit Accounts. We think that these balances do not tally, for example in the books of Yamuna Barrage a sum of Rs. 22,54,565.24 is shown as due from H. O. whereas in the books of the H. O. this figure is shown at Rs. 20,57,467.80 only. You may get these inter-unit accounts reconciled and proper adjustment entries after due verification be passed so as to tally these Accounts *inter se*".

24.43 Table 24-B shows the difference between the amounts shown in the Yamuna Barrage books and in the books of the different Units of the Bharat Sevak Samaj and also explanation given by the Samaj in regard to these differences.

24.44 As the Commission has not got the accounts or the ledgers of the Yamuna Barrage Unit for the year 1968-69 and onwards it has not been possible for it to verify the explanation given by the Samaj.

24.45 It may be made clear that the adjustment which the Samaj claims to have made were at the end of 1968-69 or afterwards and accounts and books of account of those years have not been produced. For the year 1967-68 a combined account was prepared for the Yamuna Barrage account and the Delhi Works Unit, and was produced before this Commission.

### Expenditure on building material

24.46 Between July 31, 1964 to March 31, 1967 the Profit and Loss Account shows a total expenditure on materials of Rs.1,24,592.84 and the yearly break up is as follows:

Year ending	Amount
	Rs.
31-7-1964 .. ..	10,56,620.48
31-3-1965 .. ..	24,77,289.47
31-3-1966 .. ..	76,86,499.27
31-3-1967 .. ..	12,52,183.62
Total ..	1,24,72,592.84

24.47 The remarks of the auditor in regard to these figures were that in the earlier stages of the work the field staff of the Accounts Department did not send any advice in regard to the receipt of these materials from the Government and entries were not made periodically regarding such receipts. Only the cost of material as debited in the running bills was taken into account. Subsequently the cost of materials as supplied by the Government was adjusted in the accounts on the basis of receipts received from the field staff. The auditor also remarked that there was no adequate system of local checks of issue and receipt of materials and, therefore, he was not satisfied with the figures giving receipts or consumption. He left it to the Bharat Sevak Samaj to satisfy itself by correlating the consumption of the quantity of materials with the quantity of work done. Of this satisfaction there is no record and none was produced before the Commission. The remarks of the auditor in regard to these matters were as follows:

"In view of the fact that there was no adequate system of internal check to ensure that all receipts and issues of the materials and stores were duly entered in the records, it is therefore, suggested that you may get yourself satisfied with regard to the receipts and the consumption of the various stores and materials. The consumption may be correlated to the quantity of the work done as far as practicable".

24.48 The Samaj has not produced any accounts of the quantities received or consumed and what was left over. Without that it would be very difficult for the Samaj to keep a check on the quantities of the materials used.

### Closing stock of building materials and spares

24.49 In the Balance-sheet of March 31, 1967 the value of building materials and spares at the close of the account period was shown as Rs. 2,55,394.19. In the opinion of the auditor the closing stock was over-valued. He said as follows:

"This is as per the inventory signed by the Senior R. E. Stores, Yamuna Barrage. On going through the inventory we find that sheets piles are valued at Rs. 21,093 and M. S. bars of sizes at Rs. 38,302. The M. S. bars are old and used and we think that this item valued at 625 is over-valued. Further no accounts seems to have been taken of the cut pieces which we think may be of sufficient value.

The rest of the item valued at Rs. 1,96,000 (app.) are general stores and we would suggest you may examine whether the needs of the works justified the accumulation of such huge amount of stores".

### Connection of Mr. A. N. Malhotra, Director of Construction in the Planning Commission with the construction work of the Samaj

24.50 The record shows that Mr. A. N. Malhotra was actively connected with the execution of the construction connected with Yamuna Barrage as also other similar contracts of the Samaj. It appears that he was not merely advising the Samaj but was also giving instructions about the day-to-day working of the contracts.

24.51 Correspondence by the Project Managers and other officers of the Samaj was sent to him for taking such action as he thought necessary in the circumstances. Reports on the progress of the work were also sent to him. He made corrections in the reports or directed action to be taken to overcome shortfalls in the progress. All the files connected with the role of Mr. Malhotra in the construction activities of the Samaj have

not been produced but one file relating to Yamuna Barrage for the year 1965 has been produced and it discloses the following facts:

- (i) On the 24th March, 1965 Mr. A. N. Malhotra wrote to Mr. Brij Kishan Chandiwalla about the requirement of 40 truck-loads of 1½" size metal for the Yamuna Barrage and wanted instructions to be issued about the reservation of good quarries for the said purpose.
- (ii) On the 24th March, 1965 Mr. A. N. Malhotra left a note that he was to discuss the welding of the bars in the case of sheet piling in the Yamuna Barrage and gave sketches of the suggestions of the Director (Canal Designs).
- (iii) The staff requirements for the Yamuna Barrage works of the Bharat Sevak Samaj was worked out by Mr. A. N. Malhotra on the 26th March, 1965 and a copy of the same was sent to the General Manager, Central Construction Service of the Bharat Sevak Samaj for information.
- (iv) On the 22nd March, 1965 Mr. H. K. D. Tandon, Director (Public Cooperation) and Private Secretary to Mr. G. L. Nanda wrote to the Secretary of Tata Iron & Steel Company to Despatch 100 tonnes of clutch bars already rolled and to roll the remaining quantity of 239 tonnes before the end of March, 1965 which was required for the Yamuna Barrage works. On the 25th March, 1965 Mr. H. K. D. Tandon sent a note to the Director (Construction Service) who was none other than Mr. Malhotra and Mr. Malhotra in turn informed the Project Manager and the Chief Engineer of the Bharat Sevak Samaj about the position.
- (v) On the 26th March, 1965 Mr. A. N. Malhotra estimated the quantities of work involved in the left abutment of Yamuna Barrage.
- (vi) A note dated 25th March, 1965 by Mr. A. N. Malhotra shows that the work of Mr. B. D. Honshetti at Hindon aerodrome was finishing and he

should be asked to report to the Chief Engineer, Yamuna Barrage by the 15th April, 1965. Mr. Malhotra wanted orders to be issued on the above lines. The note is marked to the General Manager, Central Construction Service of the B.S.S. This shows that the deployment of personnel at least in some cases was done by Mr. A. N. Malhotra.

- (vii) A confidential note of Mr. A. N. Malhotra to Mr. P. N. Chaddha, Project Manager, shows that he was extremely worried that all works were not measured and paid for at full rates. He wanted definite steps to be taken to safeguard the interests of the Bharat Sevak Samaj.
- (viii) A letter dated the 27th January, 1965 from the Executive Engineer, Jamuna Barrage Division, shows that according to the provisions in the agreement with the Bharat Sevak Samaj excavated earth could be used in construction of ring bunds, guide banks and marginal bunds as directed by the Engineer incharge but the payment for construction of ring bund, coffer dams and other protection works were to be made on a lumpsum basis. But according to the Department no payment for earth work of excavation which was utilised for construction of ring bund was admissible as it would amount to a double payment for the same item of work. Therefore, they issued clear instructions that the earth from excavation should not be used in ring bunds etc. but since measurements of the earth work which was being utilised by the Bharat Sevak Samaj in the construction of ring bund and road etc. were not possible, payments for the tie bunds and guide bunds were made after deducting the total quantity of earth work of excavation. This was done after discussing the matter with Mr. A. N. Malhotra, Director (Construction Service), Yoiana Bhavan and Mr. P. N. Chaddha the then Project Manager of the Bharat Sevak Samaj. Though the Department was not in favour of this but in the general interest of work they agreed to the

suggestion of Mr. Malhotra and Mr. Chaddha. It appears that the successor of Mr. P. N. Chaddha did not agree to this and the Bharat Sevak Samaj was using earth obtained from excavation for construction of ring bunds etc. for which separate payment was to be made on a lumpsum basis. The Department asked the Bharat Sevak Samaj not to do this and warned them that the payment for earth work of filling will be made after deducting the total quantity of earth work excavation.

- (ix) To this letter of the Executive Engineer a reply was sent on April 6, 1965 by the Project Manager of the Bharat Sevak Samaj to the effect that as per para 8 of the Central specification ring bunds, left side guide, bank and marginal bund was to be constructed out of the excavated earth and the surplus earth was to be deposited in depressions and low areas and as such they should use the excavated earth for the ring bund.
- (x) A note of Mr. A. N. Malhotra dated April 9, 1965 shows that he wanted to discuss the matter with Mr. P. N. Chaddha. He also wrote that his impression was that the total earth work excavated from the pit was paid as such as also the total quantity of earth work in filling in the guide bunds and a precise check on this should be necessary.
- (xi) One Bansilal Bhaskar, a retired Subedar applied to the post of Security Officer in the Bharat Sevak Samaj and Mr. A. N. Malhotra asked him to meet him in the Yojana Bhavan. Whether he was actually interviewed and whether Mr. Bhaskar was appointed, is however, not clear.
- (xii) A note dated April 28, 1965 to Mr. A. N. Malhotra shows that he sent a list of the articles available at Hindon airfield, Ghaziabad to Mr. P. N. Chaddha, Project Manager, Yamuna Barrage advising him to send a truck and get the articles transferred to the Yamuna Barrage Works.
- (xiii) On April 15, 1955 Mr. P. N. Chaddha, the Project Manager of the Yamuna Barrage Works of the Bharat Sevak Samaj requested to be relieved of his responsibilities on health grounds and a copy of his letter was sent to Mr. A. N. Malhotra.
- (xiv) Mr. A. N. Malhotra wrote to the General Manager that a way should be found of associating Mr. P. N. Chaddha with the Bharat Sevak Samaj in the best interests of the Bharat Sevak Samaj. He suggested that Mr. Chaddha could be appointed as Deputy General Manager of Chief Planning and Prospecting which duties would not involve arduous field work and this could be either on a full-time basis or on a part-time basis and a suitable honorarium could be given to him. A copy of this letter was endorsed to Mr. Hans Raj Vedehra, Chairman of the Central Construction Service and Mr. H. K. D. Tandon, Director (Public Cooperation) in the Planning Commission.
- (xv) On the 6th May, 1965 Mr. A. N. Malhotra wrote to the General Manager of the Rajasthan Pradesh, Construction Service asking him to arrange for about 500 labourer required for the Yamuna Barrage works and said that M/s. T.R. Malik, Senior Resident Engineer of the Bharat Sevak Samaj and Y. D. Pipani, Research Officer, Planning Commission were going over to Jaipur.
- (xvi) Mr. A. N. Malhotra also attended a meeting on the 29th May, 1965 in the room of the Secretary, Ministry of Irrigation & Power which was called to review the progress of work at Yamuna Barrage and in this meeting Mr. Malhotra assured that important works indicated by the Minister would be completed before the onset of monsoon and on behalf of the Bharat Sevak Samaj he also stated that thatched huts had been provided at the work site.
- (xvii) A note dated June 4, 1965 by Mr. A. N. Malhotra, shows that the Executive Engineer had not agreed to

the full rate for the stone, apron etc. It appears that Mr. A. N. Malhotra discussed the matter with the Superintending Engineer at site and the latter gave orders for the giving of full rates for all the items. Mr. Malhotra wanted Mr. T. R. Malik, Resident Engineer of the Bharat Sevak Samaj to contact the Executive Engineer and ascertain the correct position within three days.

(xviii) On the 28th May, 1965 the Executive Engineer of the Yamuna Barrage Division wrote to the Project Manager that he understood that work of construction of Yamuna Barrage had been sub-let to sub-contractors against the provision in the agreement as contained in clause 23 of the contract. This was probably one of the reasons on account of which the Bharat Sevak Samaj had not been able to build up adequate strength of labour. A note of Mr. A. N. Malhotra of June 7, 1965 to Mr. B. S. Talvani, Regional Manager, shows that Mr. Malhotra considered it as incorrect to say that the work had been sub-let to sub-contractors and wanted the Department to be replied to accordingly. He also wanted the facts to be verified about the progress of the work and permission to be sought to do concreting of Bay No. 8 to Bay No. 11.

(xix) A note of Personal Assistant to the General Manager of the Bharat Sevak Samaj, Construction Service, June 9, 1965 shows that the General Manager wanted Mr. A. N. Malhotra to discuss the construction programme of the Yamuna Barrage on June 11, 1965 and on this note Mr. Malhotra wrote that he will discuss the progress.

(xx) A letter dated the 14th June, 1965 of Mr. A. N. Malhotra shows that he asked the Regional Manager of the Central Construction Service to authorise the Project Manager, Yamuna Barrage for an additional over-draft facility of Rs. 50,000.

(xxi) Daily progress reports were being submitted to Mr. A. N. Malhotra

and on June 17, 1965 he pointed out certain mistakes in the progress reports for June, 11, 12 and 13, 1965.

(xxii) On June 18, 1965 Mr. A. N. Malhotra wrote to the Chief Engineer (South) Punjab State Electricity Board for priority action for giving electric connection for a crusher set up by the Bharat Sevak Samaj at the Yamuna Barrage site. On June 22, 1965 he also wrote to Mr. Gurdial Singh Dhillon, Chairman of the Punjab Pradesh, Bharat Sevak Samaj to assist the Bharat Sevak Samaj in getting the connection immediately.

(xxiii) A note dated 28th June, 1965 of Mr. A. N. Malhotra to the Project Manager of the Yamuna Barrage shows that he wanted the Bharat Sevak Samaj to see that the measurements of reach by reach were taken regularly and discussed with him every day in the evening. The Resident Engineers concerned with the measurements were to show these results to him in case Mr. Chaddha was not available at that time.

(xxiv) A note dated July 7, 1965 of Mr. A. N. Malhotra shows that he considered the progress report of July 31, 1965 as not correct and wanted the same to be modified.

(xxv) From a note dated June 23, 1965 of Mr. A. N. Malhotra it appears that Mr. T. S. Murthy, Chief Engineer, Yamuna Barrage wanted an increase to be given in his salary and Mr. Malhotra wanted to have a discussion with the General Manager who was indisposed.

(xxvi) A letter dated July 7, 1965 of Mr. A. N. Malhotra to the General Manager of the Central Construction Service shows that the matter regarding the appointment of Mr. P. N. Chaddha as an honorary worker in the head office for part-time employment was considered by the Central Managing Committee of the Construction Service and in the absence of a specific recommendation from the General Manager they decided

to constitute a Committee consisting of General Manager, Mr. Sri Ram Puri and Mr. R. Subramaniam to make joint recommendation. Mr. Malhotra volunteered his views as under:

"Shri P. N. Chadha is by far one of the best persons with us and his services can be utilised to the great advantage of the Samaj by requesting him to look after:

- (a) Preparation of the tenders and analysis of the items of work done;
- (b) Payments;
- (c) Check of materials and profit and loss from time to time;
- (d) Claims;
- (e) Final bills; and
- (f) Disposal of old cases.

The success of the Construction Service really depends on good tendering and on reasonable check and control of works as they proceed. Shri Chadha with his experience and methods will be a great asset to the Samaj. I would therefore strongly recommend that he may be taken in an honorary capacity in the Central office."

(xxvii) By a letter dated June 22, 1965, Mr. A. N. Malhotra asked Mr. P. N. Chadha, Project Manager of the Bharat Sevak Samaj, Yamuna Barrage that it was duty of "all of us to pull together and get all possible payments from the various Departments. It will certainly mean some additional burden on many of our colleagues but there appears to be no other avoidable course". He also wanted a thorough check to be made on the financial position by engaging technical hands.

(xxviii) On August, 1965, Mr. A. N. Malhotra wrote to the Superintending Engineer of the Yamuna Barrage Circle of the Punjab Public Works Department pointing out that there was a steam winch of the Punjab Public Works Department in unserviceable condition and not of much value to the Department which he

wanted to be sold to the Bharat Sevak Samaj so that they could improvise it and made use of it, if possible. The Department, it appears, was not releasing it because they did not consider it surplus to their requirements but Mr. Malhotra wrote that the Planning Commission was strongly recommending that it should be made available to the Bharat Sevak Samaj for such use as they could make of it. Who in the Planning Commission asked Mr. Malhotra to make this recommendation is not clear from the records.

(xxix) On August 6, 1965, the Executive Engineer of the Yamuna Barrage Division wrote to the Regional Manager of the Bharat Sevak Samaj that neither the Original agreements nor the tender notice contained any provision to the effect that the cement would be supplied by the Department in non-returnable bags. On August 19, 1965 the Project Manager of the Bharat Sevak Samaj wrote to the General Manager with a copy to Mr. Malhotra that even though there was no provision in the agreements that cement would be supplied by the Department in non-returnable bags, still there was no provision that the empty cement bags would be returned to the Department. Then in case of bags returned short, a recovery from the contractor on a penal rate of Re. 1 would be made. He endorsed a copy to Mr. A. N. Malhotra for advice and on August 30, 1965, Mr. Malhotra gave his views as under:

"The Bharat Sevak Samaj has given the rate of recovery for a cement bag of cwt. In the absence of any stipulation by the Government that the bag is to be returned to the Government it is the normal thinking and practice that the cost of the cement bag includes the cost of the bag as well as the empty bag. So is the cement sold in the market. The claim of the Bharat Sevak Samaj should be again pressed, failing which, arbitration clause should be involved".

It may be mentioned that this was one of the points on which the Samaj sought arbitration and Mr. A. N. Malhotra after going back to the Punjab Public Works Department was appointed as the Arbitrator. It is hardly proper that a matter in which Mr. Malhotra had advised the Bharat Sevak Samaj to seek arbitration in August 1965 should have been referred to him for arbitration.

(xxx) By a letter dated September 14, 1965 Mr. A. N. Malhotra wanted Mr. B. R. Soni, Resident Engineer to inform him of the weekly progress in the crushing of metal required for the Yamuna Barrage.

(xxxi) A note dated September 8, 1965 of Mr. P. N. Chadha Project Manager submitted to Mr. A. N. Malhotra shows that there were some disputes between the Punjab Irrigation Department and the Bharat Sevak Samaj about the rates paid for certain items, more important of which were:

(i) *Ring Bund*: Although the Executive Engineer's attention was drawn to the provision in the agreement that a ring bund shall be constructed out of earth work excavated he was not agreeable to accept that payment for earth so utilised was due to the Bharat Sevak Samaj. The Samaj's contention was that they had taken the provision of the agreement into account while collecting the rate for Coffor Dam and the Project Manager feared that the matter will have to be taken to arbitrator unless the Superintending Engineer could be persuaded at a higher level to accept the condition of the Bharat Sevak Samaj.

(ii) *Earth work for Left-tie Bund*: There was a dispute about the rate for compacting the earth relating to the building regarding the provision of lead and lift for extra 10 chains the Bharat Sevak Samaj had prepared an analysis but the Department wanted to check jointly by the Bharat Sevak Samaj and the Departmental officers.

(iii) There was also difference for extra rates for compaction in guide bund, copper flashing, filling of joints with bitumen, sinking of wells, etc.

Mr. A. N. Malhotra on this note of the Project Manager, wrote "exact data including cross sections should be furnished to the Department and the claim preferred." On September 14, 1965 Mr. Malhotra also wrote to the Deputy General Manager of the Central Construction Service that checks should be made to see, among other things, that the rates for extra items were got sanctioned on the basis of Mr. Chadha's letter and that exact data including cross sections and details were furnished to the Department and claims preferred in respect of earth used in protection bund around the work area, and that rate for earth work was worked out according to specifications attached to the Schedule which was to be for ramming etc.

(xxxii) On September 14, 1965 Mr. A. N. Malhotra wrote to Mr. Hari Singh, Resident Engineer of the Yamuna Barrage works of the Bharat Sevak Samaj to see that the manufacture of metal, full capacity of the two stone crushers installed by the Bharat Sevak Samaj and to send progress reports to him.

(xxxiii) On September 15, Mr. Malhotra also wrote to Mr. R. D. Batra, Executive Engineer to take action to release the unservicable winch of the Punjab Government for the Bharat Sevak Samaj.

(xxxiv) A letter dated September 14, 1965 from Mr. A. N. Malhotra to Mr. Gurdial Singh Dhillon, Minister for Transport, Punjab shows that the Bharat Sevak Samaj had made a request to the Punjab Government for lending the services of Mr. R. D. Batra who was an Executive Engineer in the Punjab Public Works Department incharge of Yamuna Barrage Works and Mr. Dhillon had spoken to the Minister for Irrigation and Power Punjab. Mr. A. N. Malhotra wanted Mr. Dhillon to move the concerned authorities to get orders



issued immediately for the deputation of Mr. R. D. Batra to the Bharat Sevak Samaj. It appears that Mr. Batra was placed on deputation with the Bharat Sevak Samaj with effect from November 11, 1965 and he was posted as Project Manager of the Bharat Sevak Samaj on Yamuna Barrage Works.

#### Arbitration regarding the outstanding claim of the Bharat Sevak Samaj

24.52 The construction of the Yamuna Barrage was completed in June 1967 and on August 23, 1967 the Bharat Sevak Samaj wrote to the Superintending Engineer, Yamuna Barrage, Delhi, that there were a number of disputes regarding the Yamuna Barrage works and that under clauses 14 and 28 the Superintending Engineer Designated was to be the Arbitrator to adjudicate on those matters. They, therefore, asked the Superintending Engineer to act as the Arbitrator in regard to the following claims amounting to Rs. 11,85,000:

Sl. No.	Description of items	Approximate amount
		Rs.
1	Earth work of filling of left and right Tie Bund	4,00,000·00
2	Refund of recovery of empty cement bags and payment for the bags taken over by the Department .. ..	1,20,000·00
3	Payment for extra work of dewatering ..	2,80,000·00
4	Miscellaneous items details of which would be made available when asked for .. ..	1,50,000·00
5	Losses suffered on account of interest charges and damages, due to various other causes .. ..	2,00,000·00
6	Interest in the interim till the decision of the arbitration .. ..	30,000·00
7	Expenses of arbitration ..	5,000·00
		<hr/> 11,85,000·00

24.53 The Samaj further requested that an early hearing be fixed as the Samaj was in financial difficulty. A copy of the letter was sent to the Chief Engineer, Project, Irrigation Works, Haryana. In the Chief Engineer's office, the matter was considered and it was decided that no approval of Government was necessary in view of the following facts:

- “(i) S. E. Constn. O. No. I, Delhi, was incharge of the work done.
- (ii) ‘D’ on C. P. 10 read with ‘M’ on C. P. 25 confirms that the Superintending Engineer of the Circle is to arbitrate.
- (iii) The contracting agency had also *desired arbitration by the Superintending Engineer Construction O.M.I.*
- (iv) It is nowhere mentioned at C. P. 10 that the arbitration (Superintending Engineer) will be nominated by the Government. As such, the clause is automatic in its meaning.”

It was therefore considered that the Superintending Engineer automatically became the Arbitrator. In spite of the fact that Mr. A. N. Malhotra was in many ways connected in the working of the contracts taken by the Bharat Sevak Samaj, he agreed to act as the Arbitrator. He had relinquished charge in the Planning Commission on June 14, 1966 and had joined the Haryana Government as incharge of the Circle which covered Yamuna Barrage Works. The commission would like to observe that there is a difference in the wording of clauses 14 and 28. According to clause 14, in the event of any dispute about rates fixed by the Engineer-in-charge of the Project, the decision of the Superintending Engineer of the Circle would be final. That, in the opinion of the Commission, is not an arbitration agreement but there is no doubt that clause 28 did provide for arbitration in the event of question, difference or objection connected with the contract arising between the parties. Under clause 28, the Superintending Engineer of the Irrigation Branch was to be the Arbitrator and Mr. A. N. Malhotra did act as such.

24.54 On February 3, 1968 the Samaj had asked the Arbitrator that heavy deductions in quantity and amount from the running bills of the claims had been made in the final bill which was an arbitrary action on the part of the Engineer-in-charge and they wanted to put in an additional claim.

24.55 Mr. Malhotra gave an award on May 14, 1968 for Rs. 7,10,813.00 as follows:

Pd. vide Vr. No. 7 dated November 29, 1968.

	Rs.
(1) Constructing left tie bund of Yamuna Barrage	2,18,829.00
(2) Constructing spillway of Yamuna Barrage ..	1,92,737.00
(3) Stock (Steel) M.S. Round	3,964.00
(4) Dewatering and protection works of Yamuna Barrage	42,000.00
(5) Constructing left guide bund of Yamuna Barrage	82,162.00
(6) Constructing undersluices of Yamuna Barrage ..	9,257.00
(7) Constructing right tie bund of Yamuna Barrage	2,693.00
(8) Manufacturing and Transportation of G & gearing	9,837.00
(9) Filling low area between span No. 3 & 4 ..	14,000.00
(10) Public Works Deposits—Civil .. ..	30,123.00
(11) Public Works Deposits—Mechanical .. ..	1,05,211.00
Total ..	7,10,813.00

This amount was paid to the Ministry of Irrigation and Power by a transfer credit.

24.56 In para 4 of his Inspection Report for the year 1967-68, the Accountant General Haryana pointed out that the statement of material issued to the contractor and consumption as per theoretical consumption (form 31) attached to the final bill, showed that the steel for the whole of the work was issued in excess of the theoretical consumption as follows:

	M. Ton
Steel Issued .. ..	3460.8104
Steel consumed .. ..	3206.2420
Excess Issued .. ..	254.5684
Percentage .. ..	7.5%
Cost @ Rs. 720 per M. Ton ..	Rs. 1,82,929.24

The Accountant General therefore wanted recoveries to be made from the Samaj for 254.06 M. Tons at double the issue rate as provided for in the contract. The Haryana Government does not seem to have given any explanation or reply to this and there is nothing on the record to show as to what happened to this steel and whether it was consumed

or not is not known as no accounts of the quantities used have been maintained, by the Samaj. At the rate of issue of the steel at Rs. 720 per M. Ton, the amount recoverable from the Samaj would be Rs. 1,82,929.24 and if double the amount was chargeable, it would be twice as much.

24.57 The proceedings of the Arbitrator are not before the Commission and therefore it cannot say whether this matter was brought to his notice or not. But, of course, the Accountant General's remarks came after the arbitration. There is no information as to whether the point was raised before the Arbitrator or not.

24.58 Findings of the Commission in respect of the Yamuna Barrage Project are:

(i) Tenders for the Yamuna Barrage were called on a "Codal Contract" basis as well as on work order basis and the tender of the Samaj was given only on the Codal Contract basis i.e. for Rs. 198 lakhs and this was the lowest. The Samaj had put certain conditions regarding supply of material at certain rates and advances at the beginning of the work, the amounts of which were not specified. They did not give earnest money deposit of Rs. 2.40 lakhs as required.

(ii) The Superintending Engineer in-charge of the Project found the rates of the Samaj in respect of certain items higher than the workable rates and in respect of certain items the rates of the Samaj were unworkable. The Samaj was asked to exclude the two items for which they had quoted unworkable rates and quote their tenders for the other items but the Samaj refused to do so.

(iii) The Chief Engineer also noted the poor performance of the Bharat Sevak Samaj on the work of excavating the Najafgarh Drain and the non-availability of proper equipments and the mechanical set up with the Bharat Sevak Samaj. Therefore, the Chief Engineer considered that on merits the Samaj could not be given the work but in order to exclude middleman the Samaj could be encouraged. The Chief Engineer

discussed the matter with the Union Minister for Irrigation & Power who recommended allotment of the work to the Bharat Sevak Samaj. The Union Home Minister, Mr. Gulzari Lal Nanda had assured the Minister for Irrigation & Power that the work would be properly executed and accomplished by the Bharat Sevak Samaj. The work was finally allotted to the Bharat Sevak Samaj and they were allowed concessions of exemption from payment of earnest money and were also given unsecured loans totalling Rs. 35 lacs by the Punjab Government.

- (iv) Besides the loan of Rs. 35 lakhs sanctioned by the Punjab Government the Planning Commission also sanctioned a loan of Rs. 12.5 lakhs to the Bharat Sevak Samaj for the Yamuna Barrage work in March, 1965.
- (v) The amount tendered by the Bharat Sevak Samaj for the Yamuna Barrage Work was Rs. 1,98,73,955.00 but according to the information supplied by the Haryana Government to whom this Project was allotted after the reorganisation of the States, the Samaj was paid a loan of Rs. 2,09,20,622.00. The Samaj have produced their accounts for the Yamuna Barrage Works up to the end of March, 1967 and these accounts show the receipt of Rs. 2,07,42,285.00. The profits up to March, 1967 in respect of these works amounted to Rs. 18,81,735.34 and this was after making a provision of Rs. 1,84,614.00 for development rebate. But after March, 1967 the Samaj was paid an amount of Rs. 7,10,830.00 by the arbitrator on a reference of the dispute regarding this work to the arbitration of Mr. A. N. Malhotra.
- (vi) For the Yamuna Barrage the amount paid to the piece workers was Rs. 46,00,650.30 and the expenditure on productive labour including muster roll, work charge staff, hire charges of machinery etc. was Rs. 27,22,292.51. Thus the major part of the work was got done through piece workers a pseudonym for sub-contractors. The Samaj

has not produced the agreements with the sub-contractors.

- (vii) No details are available of the expenditure of "Productive Labour" i.e. whether payments were made directly to labour by the Samaj or through labour contractors. The written agreements with the labour contractors were not produced before the auditing Chartered Accountant. The piece workers were given advances and security deposits were taken from showing their character of sub-contractors.
- (viii) Out of the loans sanctioned by the Punjab P.W.D. and the Planning Commission the Yamuna Barrage Unit advanced monies to the other units, and the net amount outstanding under this head on March 31, 1967 was Rs. 25,62,130.47.
- (ix) Though the Yamuna Barrage Unit showed co-some of Rs. 25,62,130.47 due from the different units of the Bharat Sevak Samaj the other units showed different figures. No explanation for these differences have been given.
- (x) The total expenditure on material used in the construction of Yamuna Barrage was Rs. 1,24,72,592.84. No account of the receipt and consumption of this material has been produced before this Commission nor were the "quantity accounts" produced before the auditing Chartered Accountant.
- (xi) The value of the closing stock of material as on March 31, 1967 was shown as Rs. 2,25,394.19 and the auditing Chartered Accountant had reported that the material was over valued.
- (xii) Mr. A. N. Malhotra, Director, Construction Service in the Planning Commission was not only advising the Bharat Sevak Samaj in the construction of the Yamuna Barrage but was managing the day to day execution of the work by appointing staff, supervising the day-to-day progress of the construction, issuing instructions to the field staff regarding various matters connected with construction etc. Mr. Malhotra had further

suggested to the Bharat Sevak Samaj that they should claim extra rates for certain items.

- (xiii) The Samaj took up the points which Mr. A. N. Malhotra had suggested for extra items and other items with the Punjab P.W.D. After his reversion to the Punjab Government from the Planning Commission Mr. A. N. Malhotra was posted the Superintending Engineer of the Yamuna Barrage Project, Construction Circle, and as Superintending Engineer he

acted as arbitrator in the disputes between the Bharat Sevak Samaj and the Punjab P.W.D. and gave an award of Rs. 7,10,813.00.

- (xiv) The Accountant General, Haryana, had pointed out the excess issue of steel valued at Rs. 1,82,929.24 in respect of the Yamuna Barrage Project and wanted recoveries to be made at penal rates for steel issued in excess of the requirements. The objection has not yet been settled.

TABLE 24-A

(Referred to in Paras 24—31)

*Names of Contractors/piece Workers/Task Workers through whom parts of work in Yamuna Barrage was done by the Bharat Sevak Samaj*

Sl. No.	Name	Debit	Credit	Balance	
<i>Messers</i>					
1	Bhagwan Das Goel ..	3,61,431.33	3,63,243.84	1,812.51	Earth Work & Supply of Store.
2	Hira Nand ..	3,02,248.54	3,02,269.50	20.96	Nature of work not shown.
3	Banwari Lal Task worker.	2,23,744.73	2,25,420.46	16,752.73	Earth Work, Tiebund temporary Roads, etc.
4	Bhagwan Das Subhash Chand.	2,06,603.17	2,06,806.84	203.67	Cost wood Chicks' waste cotton etc.
5	Ramjilal Contractor ..	2,81,693.97	2,83,806.50	2,112.53	Ring Bund Earth Work, Spillway.
6	Girdharilal Contractor	38,276.96	38,276.96		Earth work.
7	Girdharilal & Co., Contractor.	18,204.56	17,706.96	497.60	Stone Ballast, Pitching of stone marshalling yard of R.C.C.
8	Sukh Dev Gogia ..	1,07,210.00	1,08,065.57	855.57	Earth Work and Marshalling yard.
9	Harbans Singh Sethi & Sons.	70,650.00	70,650.00		
10	R.D. Handa ..	2,20,819.57	2,03,936.52	16,883.05	Supply of Store and selling.
11	Hindustan Builders	6,42,386.80	6,42,476.55	89.75	Supply of store, stone protection RCC Machinery BP Land etc.
12	Amrit Lal Sethi & Sons	2,73,276.68	2,73,280.18	3.50	Cost of stone ballast demping, pitching etc.
13	Banda Ram Contractor	83,901.80	83,901.54	0.26	Earth Work Masonry etc.
14	Ram Prakash Sharma Contractor.	98,577.32	98,861.27	283.95	..
15	Ram Prakash Contractor.	53,114.23	53,204.57	90.54	Same as 14.

**TABLE 24-A**  
(Referred to in Paras 24—31)  
*Central Inter Unit Account*

Sl. No.	Name of Unit	Amount due from as per accounts of Yamuna Barrage (as on 31-3-67)	Amount as shown in the respective Unit concerned (as on 31-3-67)	Difference	Remarks by Bharat Sevak Samaj
1	2	3	4	5	6
		Rs.	Rs.	Rs.	
1	Agra Unit ..	5,68,175.35	4,24,082.98	1,44,632.37	The Samaj have stated in reply to the questionnaire that "the amount outstanding in the books of Yamuna Barrage Unit against Agra Unit has been reduced from Rs. 5,68,715.35 to Rs. 20,889.62 to end of 1968-69. Similarly, the amount shown as due from Yamuna Unit in the books of Agra Unit has come down to Rs. 73,239.98 from Rs. 4,24,082.98. Adjustments aggregating Rs. 49,316.24 have been carried out in the books of Yamuna Barrage Unit in the accounts for 12/70 by per contra credit to Agra Unit. This will further narrow down the difference. Further reconciliation will be done when the accounts of Agra Unit are closed and merged in the Head Office."
2	Bidar Unit ..	5,356.48	..	5,356.48*	The Samaj has stated that the difference has been adjusted in 3/69 supplementary Accounts to square up the account of both the Units.



TABLE 24-A—contd.

Sl. No.	Name of Unit	Amount due from as per accounts of Yamuna Barrage (as on 31-3-67)	Amount as shown in the respective Unit concerned (as on 31-3-67)	Difference	Remarks by Bharat Sevak Samaj
1	2	3	4	5	6
		Rs.	Rs.	Rs.	
3	Satbari and Hastal Kilns.	626.03	11,246.84 (including Satbari)	10,620.81†	The Samaj has stated that "Satbari Kiln Unit has to raise debit amounting to Rs. (241,97.48 (—) 5423.65)=18,773.83 against Yamuna Barrage Unit for supply of bricks. The Position is being examined and necessary adjustment will be made in due course.
Sl. No.	Name of Unit	Amount due to as per Yamuna Barrage	Amount as shown by respective Units	Difference	Remarks
1	2	3	4	5	6
		Rs.	Rs.	Rs.	
1	Purnea .. ..	2,01,853.63	4,36,342.29	2,34,488.66	The Samaj has stated that "on overhauling the accounts, debit to the extent of Rs. 63,822.52 has been withdrawn from Yamuna Barrage Unit and expenses to the extent of Rs. 1,47,131.47 adjusted by the Yamuna Barrage Unit in the accounts for 1/71. The net difference to be cleared is Rs. 23,541.64 as shown below : I. Net debit raised Rs. 4,36,349.29 by Purnea Airfield Unit against Yamuna Barrage Unit. Less debit withdrawn by Purnea Unit Rs. 63,822.52 Rs. 3,72,526.77

TABLE 24-A—concl'd.

Sl. No.	Name of Unit	Amount due to as per Yamuna Barrage	Amount as shown by respective Units	Difference	Remarks
1	2	3	4	5	6
		Rs.	Rs.	Rs.	
					II. Net credit afforded (Rs. 2,01,853·63) by Yamuna Barrage Unit. Further credit afforded by Y.B. Unit in the accounts for 1/71 through Head Office Rs. 1,47,131·47
					Rs. 3,48,985·10
					Net difference remaining to be cleared Rs. 3,72,526·77
					(—) Rs. 3,48,985·10
					Rs. 23,541·67
2	Bidar .. ..	..	2,164·00	2,164·00*	
3	Satbari & Hastal Kilns.	14,518·29	..	14,518·29†	
4	Varanasi .. ..	1,147·06	..	1,147·06	The Samaj has stated that "there is a net credit balance of Rs. 1,147·06 in favour of Varanasi Unit in the accounts of Yamuna Barrage Unit for the year ending 31-3-67. The transaction aggregating Rs. 1,147·06 have been adjusted in the accounts of Varanasi Unit for 1/71 by raising per contra debit against Yamuna Barrage Unit."

## CHAPTER 25

### CENTRAL CONSTRUCTION SERVICE AGRA UNIT

#### **Provision of brick enclosures, concrete pavement and concrete road at Agra**

The Agra Unit of the Central Samaj tendered alongwith 7 others for the above-named work at Agra under the Chief Engineer, Central Command, Northern Zone, Lucknow. Its tender being the lowest i.e. for Rs. 48,64,702.00 it was accepted alongwith conditions which the Samaj had proposed in its tender. It was at the same time made clear to the Samaj that the design for the Blast Pen was under revision, but the Samaj offered to do the additional work after the revision at the rates already tendered. The Chief Engineer however, found on calculation that it would cost another Rs. 2 lakhs according to the rates tendered by the Samaj and, therefore, for the construction of Blast Pens separate tenders were called and that tender went to M/s. Prakash Chander Private Limited. By withdrawing this work from the Samaj the total tender of the Samaj was reduced to Rs. 30,51,908.46.

25.2 The earnest money deposited by the Samaj was Rs. 25,000 and this was subsequently converted to security deposit. Although the work order was issued in March 1966, the Samaj actually started the work on April 11, 1966. Thereafter, in July 1966 the Engineer Incharge pointed out to the Samaj the slow progress in the execution of the work.

25.3 The A.G.E. reported to the G.E. of certain deviations which he noticed in the execution of the work and the Chief Engineer ordered that the deviations should not be al-

“Work against the above C.A. has been completed satisfactorily by M/s Bharat Sevak Samaj on May 3, 1967. May necessary completion certificate please be issued to the contractors List of defects is enclosed.”

Alongwith it there is a list of defects, 9 in number.

25.6 On June 28, 1967, the Samaj wrote to the G.E. stating that the defects pointed out had been rectified by it but when the work was examined by the Technical Examiner, another two defects were pointed out:

- (a) Small holes at some places on the concrete pavements;
- (b) Edges of joints being broken and not properly bullnosed.

These defects however were not rectified till May, 23, 1968 as is shown by the letter of the A.G.E. dated June 5, 1968. A 'non claim' certificate was issued on June 14, 1968. Evidently the final bill was passed on March 31, 1968 before the defects were rectified and the amount of the cheque was drawn but issued in favour of the Planning Commission against the loan outstanding against the Samaj.

25.7 Certain surplus stores left with the Samaj were pointed out by the Assistant Engineer on September 27, 1967 but after a check by the G.E.'s office the surplus store was found to be a little less. It is not necessary to give the details of the stores which were stated to have been left with the Samaj except this that the Samaj was called upon to return the stores which was done on November 18, 1967.



Rs. 8,250. He also pointed out that when he re-examined the work in November 1969, he found that the bullnosing of the edges had not been properly done and he wanted recovery to be effected for improper execution on that ground also.

25.9 The G.E. however did not agree with the Technical Examiner, particularly about the use of lesser quantity of expansion jointing used by the Samaj. With this the Technical Examiner did not agree and the matter was taken up by the Chief Engineer with the Technical Examiner on July 15, 1970. The Chief Engineer, after personal examination, considered the recoveries proposed to be unjustified. About the use of lesser quantity of the filling he made the following remarks:

"As M/s. Bharat Sevak Samaj is a large concern, they may have procured sealing compound in bulk and may not have produced vouchers. In any case, non-production of vouchers cannot be a sufficient ground to establish that the work was not executed as per contract specification and to effect recoveries on this basis".

He did not consider the proposed recoveries to be called for. The Chief Technical Examiner then agreed and there the matter rested. But it appears that the core of the controversy in regard to the use of the Shalitax jointing remained un-examined and no decision seems to have been given on it but the fact remains that the work, good, bad or indifferent, was accepted by the highest M.E.S. engineers even after certain materials were placed before them.

25.10 The entries in the ledger of the Bharat Sevak Samaj relating to the expansion

of Joint filling board are rather revealing. The position in the ledgers is as follows:

- (i) Expenses on Joint Filling Board as shown in the Profit and Loss account for the year ending 31-3-1967 —Rs. 39,074.48
- (ii) The total of the bills produced before the Technical Examiner for Joint Filling Board and compound —Rs. 50,524.90

25.11 The first item is both in the ledger and the Profit and Loss Account for the year ending March 1967 and the total of the bills given above is of the bills produced before the M.E.S. authorities and the totals have been done by the Commission.

25.12 These entries are shown in the accounts-books of the Samaj as well as in their audited accounts and the total of the bills vary to the extent of about Rs. 11,500 which has no been explained.

25.13 However, the Chief Engineer's view was that the Samaj is a large concern and might have procured sealing compound in bulk and might not have produced vouchers. This could be all right for the Chief Engineer but when the vouchers are added up and the corresponding entries of the user of the material in the ledgers as well as in the audited accounts are examined, the two differ considerably.

#### Materials consumed in the execution of the work

25.14 In the contract with the M. E. S., cement and steel were to be supplied by the M.E.S. As shown from the bills prepared by the M.E.S. the value of the material which was deducted from the bills of the Samaj was as under:

		Supplied		Utilised		Returned to Stores	Value of materials recovered from Running Bills
							Rs.
Cement	.. ..	1,25,092	bags	1,25,092	bags	..	9,38,190-00
<i>Iron Bars</i>							
6 M.M. dia.	.. ..	542	Kgs.	250	Kgs.	292	205-00
10 M.M. dia.	.. ..	34,441	Kgs.	34,441	Kgs.	..	28,242-35
12 M.M. dia.	.. ..	537-03	Kgs.	501-25	Kgs.	35-78	411-03
16 M.M. dia.	.. ..	77,401-26	Kgs.	77,401-26	Kgs.	..	63,469-03
20 M.M. dia.	.. ..	2,394-914	Kgs.	1,964-044	Kgs.	430-87	1,610-52
							10,32,127-93*

\*Actually deducted in final bill for material.

This table will also show the materials returned and the amount deducted from the bills.

25.15 The fundamental point which is disclosed by the records is that the Samaj did not maintain any accounts of the materials received by them from the M.E.S. or purchased by them for being used in the works. Thus, there is no account of the receipt of the materials or issue of the materials which makes verification almost impossible.

25.16 According to the contract, the Samaj had to return 75 per cent of the empty cement bags to the Assistant Garrison Engineer. In default, a penalty of Rs. 1 per bag was leviable. There is nothing to show that the cement bags were returned or any penalty was levied but the Profit and Loss Account of the Samaj for the year 1966-67 shows a sale proceed of empty cement bags amounting to Rs. 50,902.80. There are however no accounts to show as to what number of empty bags were sold and at what rate. Unfortunately, the audited accounts give no indication of the number of bags sold or the rate at which they were sold.

25.17 Besides the cement and steel supplied by the M.E.S. the Samaj purchased materials namely Shalitec jointing Boards and Compound, bricks, ballast etc. What 'etc.' would include cannot be indicated in the absence of accounts but perhaps materials which are used in concreting roads and buildings must have been purchased apart from those that were supplied by the M.E.S.

25.18 Profit and Loss Account for the year ending March 31, 1967 shows the totals of expenses for items such as quality concrete including materials and wages, expenses on R.C.C. culverts including materials and wages, expenses on water bound macadam including materials and wages, brick paving including material and wages, earth work, joint filling board R.C.C. 1:2:4 (12) Road, expenses on temporary roads, temporary buildings, laying of pipelines and jungle clearance.

25.19 The ledgers examined by the Commission show that there are certain entries showing payments for wages, payments to other persons and there are entries indicating "M.A.S. Account" meaning material at site

account. These have been totalled and shown below:

Name of the work	Value of the Material
	Rs.
(i) Quality concreting ..	17,59,431.02
(ii) R.C.C. culverts ..	2,13,430.61
(iii) Water bound Macadam ..	2,49,367.49
(iv) Expansion joint filling Board	39,074.48
Total ..	23,05,024.60

This also includes stock suspense account.

25.20 There are similar entries in the ledger at another folio relating to R.C.C. Culvert where also entries are shown as to "M.A.S. Account". These have also been totalled.

25.21 Similarly entries under the heading "Water Bound Macadam" have been totalled. Same thing has been done for bricks and expansion joint filling boards. The total of these as the table will show comes to Rs. 23,05,024.60.

25.22 Thus, out of the total shown in the Profit and Loss Account for the year ending March 1967 of the cost of materials and labour which was Rs. 26,30,543.22, the cost of material alone was Rs. 23.05 lakhs which gives a percentage of 87.62 for material alone.

25.23 It is surprising indeed that for such a large amount of expenditure on materials there are no accounts showing what was received from whom and when it was received and what was paid for in that respect, nor how much was issued, when it was issued, and what purpose it was issued for.

25.24 Another significant feature of this is that the amount of the cost of expansion joint filling board according to this table is Rs. 39,074.48 and bills produced before the M.E.S. authorities were of the value of Rs. 50,524.90. As said above, there are no stock registers showing receipt or issue of stocks nor how much was used and how much was not used.

25.25 As a matter of fact, the Chartered Accountant who examined the accounts, has

given a report which is only a veiled criticism of the system of accounting. What he said was as follows:

**“(a) Stores Supplied by the Contractees]**

The materials and other services supplied by the contractees appears to have been adjusted in the accounts on the basis of the deductions affected by the contractees. No certified copies of the Running Bills have been produced to us and we are not in a position to say whether the deductions have been rightly adjusted in the accounts.

**(b) Stores Purchased Locally and Through Suppliers:**

Substantial part of the stores and materials are purchased through the workers and officer of the Samaj and the local suppliers. You may satisfy yourself whether the purchases were affected on the competitive price.

“We would suggest that you may satisfy yourself that the materials were duly received at the work sites and had been utilised for the purpose of the contract. You may also satisfy yourself that the materials consumed are incommensurable with the work done which had either been paid for or was payable by the contractees.

\* \* \*

**(6) Value of Work Done and Paid For by the Contractees:**

We have not been supplied with the certified copies of the Running Bills and therefore we are not in position to state whether the adjustments made in respect of the supply of the materials and the hire charges of machinery etc., are in order or not. Further no separate accounts for the security etc., are maintained. It appears that the value of work done upto which the payments are received are debited to the contractees account and credited with the payments received. In the absence of the copies of the R. B. we are not in a position to state whether they are in order.

\* \* \*

**(8) Building Materials Stock and Stores—**

We have not been provided with the inventories in respect of these items along with the usual certificate as are generally required by us. On our inquiry we have been informed that this includes the residual value of the temporary construction.

\* \* \*

- (15) The official receipts of the payees are generally not available and we hope that the payments to the parties piece workers etc. etc., were made after duly satisfying the identity of the payees”.

25.26 Look at the matter in whatever manner one may, the conclusion is only this that in the Agra Unit there were no proper accounts of the materials and it is not possible from the material produced to verify as to how much of the material supplied to the Samaj, whether from the M.E.S. stores or privately purchased by them, were received by the Samaj or used by the Samaj for the purpose of the contract.

**Accounts of the works taken up by the Agra Unit**

25.27 The only contract undertaken by the Agra Unit of the Central Construction Service was the Aerodrome Works. The audited statements of accounts for the years 1966-67 and 1967-68 have been produced. The position as disclosed by the Profit and Loss Account is that the total work done up to the end of March 1967 was of the value of Rs. 30,28,123.84. In the Balance-sheet however amount still due from the M.E.S. on account of the work done is shown as Rs. 3,70,806.10. Therefore, up to the end of March 1961 as the accounts stand, the Samaj has shown a receipt of Rs. 26,57,317.74. There are no receipts during the year 1967-68 in the Profit and Loss Account.

25.28 The final bill produced by the Ministry of Defence however shows the total value of the work done to be Rs. 30,51,098.46. Out of this sum the final bill was of Rs. 3,88,877.10 and this was paid on March 31, 1968. This receipt however has not been shown by the Samaj in its accounts for the year 1967-68.

25.29 The following table will show the position of accounts showing the value of

work done, the amount received up to the end of March 1968:

	Total value of work done	Amount received from M.E.S. upto 31-3-67	Payments made in 1967-68
	Rs.	Rs.	Rs.
As per M.E.S. Bills .. .. .	30,51,098.46	26,62,221.36	3,88,877.10
As per Bharat Sevak Samaj Accounts .. .. .	30,28,123.84	26,57,317.74	*
Difference .. .. .		4,903.62	

\*Rs. 3,70,806.10 is shown in the Balance-sheet as on 31-3-1967 as due from M.E.S. by the Bharat Sevak Samaj. The receipt of Rs. 3,88,877.10 is not accounted for in 1967-68 by the Bharat Sevak Samaj. This amount was remitted by M.E.S. to Planning Commission against outstanding dues on account of loans.

#### Planning Commission against outstanding dues on account of loan

25.30 According to this, there is a difference between the amounts paid by the M.E.S. and amounts shown as having been received by the Samaj of Rs. 4,903.62. Out of this amount Rs. 3,026.00 was included in the 8th Running Bill the amount of which was Rs. 2,65,000 whereas the Samaj has only shown Rs. 2,61,974.00. Why this discrepancy, is not quite clear and the Samaj has not thrown any light on this.

25.31 No record or accounts of the year 1968-69 have been produced. The Commission is unable to say whether this amount of Rs. 3,88,877.10 was taken into account in that year or not. Nor whether it was taken into account in any subsequent year.

#### Profit on the Agra Works

25.32 According to the table which has been given above in regard to the payments the value of the work done is shown to be Rs. 30,51,098.46. The Balance-sheet of the year ending March 1968 however shows the profit up to that date to be Rs. 1,186.06 which appears to be very small taking into consideration the total value of the work done, and as will be shown later, considerable amount of work was got done through sub-contractors which in the nomenclature adopted by the Samaj are piece-rate workers.

25.33 On the material before the Commission and in the absence of any agreement or other record showing the rates which were given to the piece-rate workers, it is difficult

to say why the profits were so small. In the absence of any complete accounts giving details of the materials purchased and materials used, it would not be possible to find out the reason for this low figure of profit.

#### Expenditure incurred on stores

25.34 According to the Balance-sheet for the year ending March 1967 stores and materials left at the end of the year were of the value of Rs. 52,354.19. What this material was is difficult to say and even the Chartered Accountant who audited the accounts has pointed out that he had not been shown the inventories in respect of items nor any usual stock certificate.

25.35 The Profit and Loss Account for the year ending March 1968 shows the purchase of materials of the value of Rs. 17,105.11, thus, making a total of Rs. 69,459.30. Stores and materials of the value of Rs. 67,932.14 have been shown as sold, transferred or adjusted to other works showing thereby that materials worth Rs. 1,527.16 were consumed or used up during the year 1967-68. There are no stock registers showing the day-to-day quantitative record of the stores and other materials purchased, consumed or transferred and even the auditing Chartered Accountant has pointed out that in the absence of this material, he could not verify the figures.

25.36 During the year 1967-68 the cost of labour and other work expenses has been shown of the value of Rs. 8,787.06. The auditing Chartered Accountant has pointed out that the muster-rolls of the value of Rs. 897.50

were not shown to him and in most cases the payment of wages was not supported by proper receipt of the payees.

25.37 The Profit and Loss Account for the year 1967-68 however does not show any receipts on account of work done and whether it was done or not cannot be verified from the record before the Commission.

#### Payments to labour for work done

25.38 The Bharat Sevak Samaj has not produced the agreements they had entered into with their piece workers a enphemisic name or sub-contractors. The ledger shows payments to a number of parties, in some cases of big amounts and in other cases of small amounts. However, the payments to some persons appear more frequently.

The total of bigger payments made to the following persons were:

Name	Amount paid
	Rs.
(1) M/s. Malik Chand Basant Lal	3,29,181.64
(2) Shri Sukh Deo Gogia ..	81,448.19
(3) Shri Vasdeo Prasad ..	54,106.43
(4) Shri Hukam Chand and Faqir Chand .. ..	48,974.38
(5) Shri Samant Singh ..	34,044.60
(6) Shri Shugan Lal .. ..	23,724.74
(7) Shri Bishamber Singh ..	18,424.00
(8) Shri Ram Babu Sharma ..	12,490.00
(9) M/s. Chander Ram & Co. ..	11,820.58
(10) Shri Talsa Ram for earth work	8,815.78

25.39 These persons have in the ledgers been shown as workers and besides them others were also employed by the Bharat Sevak Samaj who were paid smaller amounts. There are also entries showing the payments to muster-roll labour. The Chartered Accountant who audited the accounts for 1966-67 has pointed out that no separate account of labour employed was shown to him; that he was not able to satisfy himself that "the quantity of the work done through these piece workers and departmentally was commensurate with the quantities billed to the Contractees".

#### Financing of works taken up by the Central Construction Service Agra Unit

25.40 The Bharat Sevak Samaj was not given any loans for their work at Agra. However, moneys were advanced to this Unit from the Yamuna Barrage Unit from out of the loans given by the Planning Commission. The first running payment made by the M.E.S. for this work was of Rs. 1,15,000.00 on 28-7-1966. Up to that date the moneys advanced from the Yamuna Barrage Unit to this work amounted to Rs. 3,99,893.00 the details of which were as follows:

				Rs.
16-4-66	..	..	..	50,000.00
29-3-66	..	..	..	3,49,893.00
Total	..			3,99,893.00

25.41 On 31st March, 1967 the amount due to the Yamuna Barrage Unit as per the books of the Unit went upto Rs. 4,24,082.98. The balance-sheet of the Yamuna Barrage Unit however, shows the amount due from the Agra Unit as on 31-3-1967 as Rs. 5,68,715.35. Thus there is a difference of Rs. 1,44,632.37. The Bharat Sevak Samaj has not explained this difference although this question was specifically put to them. Their reply to say the least was un-co-operative. When quoted it was as follows:

"The loan of Rs. 12.5 lacs was received on 30-3-1965. The total expenditure of Yamuna Barrage amounted to over a crore at the end of 1965-66 is evident from the Profit and Loss Account of the unit. Obviously, therefore, the entire amount of loan was utilised in Yamuna Barrage unit and the question of diversion of any part of the loan, to Agra unit which started in 1966-67, does not arise. In view of above these questions do not arise."

It speaks for itself—*res ipsa loquittas*.

25.42 Again in the balance-sheet for the year 1967-68 the amount due to Yamuna Barrage has been shown as Rs. 3,15,284.72. But the accounts of the Yamuna Barrage show the amount due from Agra Unit to be Rs. 4,09,368.82. Here also there is a difference of Rs. 94,084.10 for which also no explanation is forth-coming from the Bharat Sevak Samaj.

25.43 The Chartered Accountant who has audited the accounts for 1967-68 has commented as follows:

"Expenses were incurred by different units for and on behalf of other Central Units. The units incurring the expenditure passed on advices to the units concerned for expenditure incurred on their behalf. The other unit recorded the expenditure on the basis of the advices received from the units incurring the expenditure. Such advices were not available in all the cases. As the inter unit accounts have not been reconciled we have not been able to verify whether all such expenses have been recorded in the books of the unit on whose behalf the specific expenditure was incurred. In this regard we suggest that in addition to the preparation of reconciliation statements of different central inter unit accounts, the unit incurring the expenditure should pass on expenses vouchers and other relevant record to the unit on whose behalf the expenditure is incurred along with the advice."

#### **Plants and machinery purchased for the Agra Unit**

25.44 The balance-sheet as on 31st March, 1967 shows that the value of the Plants and machinery acquired by the Agra Unit was Rs. 3,89,055.90 upto the end of 31st March, 1967. Out of this machinery worth Rs. 2,97,086.11 was transferred to the Yamuna Barrage. Where it originally came from is not shown by the record. In his audit report for the year 1966-67 the auditor had mentioned that no asset register was maintained giving the numerical stock accounts of the various assets acquired and no tally was effected with the figures shown in the balance-sheet. He had also commented about the transfer of machinery to Yamuna Barrage as follows:

"Various assets were acquired from Yamuna Barrage Unit and again transferred to this unit but we find that the transfers are not responded by the Yamuna Barrage Unit. There is big difference between the Yamuna Barrage Account as shown in Agra unit and the Account of Agra Unit

as shown in Yamuna Barrage Account. You may satisfy yourself that all the machinery shown to have been transferred to Yamuna Barrage have duly reached that unit and the valuations at the two units agree".

25.45 In view of the fact that there is rather a big difference of Rs. 1,44,632.37 in the books of the Agra and Yamuna Barrage units and in view of these remarks of the auditor it cannot be said that the value of the machinery transferred from one unit to another has been fully accounted for. Whether the machinery was actually received and accounted for is also not clear because no records showing this have been produced. And the auditor at least was not satisfied.

25.46 The Chartered Accountant had also commented that no inventories of the assets i.e. of plant and machinery and transport and fittings showing the number and cost along with the physical verification were produced before him.

25.47 The Balance-sheet as on 31st March, 1967 also shows that Plant and Machinery worth Rs. 62,347.84 only was left with Agra unit after charging depreciation to the extent of Rs. 29,531.95 and writing off machinery worth Rs. 90.00. The whole of this left over machinery was sold, transferred or adjusted to other works during 1967-68 as per balance-sheet of 31st March, 1968. The details of sale, transfers and adjustments are not available from the accounts or other record produced by the Bharat Sevak Samaj except the fact that a truck worth Rs. 31,192.00 was transferred to Head Office and Machinery worth Rs. 4,000.00 was transferred to Yamuna Barrage. The ledger for the period 1967-68, however, shows that plant and machinery worth Rs. 69,834.38 was sold, transferred or adjusted to other works. So there is a difference of Rs. 7,486.54 (Rs. 69,834.38 minus Rs. 62,347.84) between the figures of Plant and Machinery exhibited in the ledger of the Unit and that exhibited in the accounts of the Unit.

25.48 Similarly all the office equipment and furniture worth Rs. 7,043.81 was sold, transferred or adjusted to other works as per Balance-sheet as on 31st March, 1968. The details available from the ledger show that articles worth Rs. 2,117.00 were transferred to the Head Office and articles worth

Rs. 1,175.50 were transferred to Yamuna Barrage and 4 chairs and two tables were sold for Rs. 64.00. The details of sale, transfer or adjustment of the rest of equipment are not available. The ledger figure of the office equipment and furniture disposed of is Rs. 8,967.81. So here also there is a difference of Rs. 1,924.00 between the ledger figures and accounts figures.

25.49 The Chartered Accountant who audited the accounts for the year, 1967-68 has commented as follows:

“The unit disposed of the whole of the fixed assets and other stores and materials during the year. Transfers to other units were also made. Record in respect of sales and/or transfers was not maintained and was also not shown to us for our verification”.

#### Payments not supported by vouchers, receipts or other essential documents

25.50 The Chartered Accountant who audited the accounts for the year 1966-67 has listed out a number of items where the vouchers were missing or where essential documents like Receipts or bills in support of payments were not produced before him. The total of such amounts comes to Rs. 46,835.02. (These wanting documents do not appear to have been produced before the auditors). Besides no Clearance Certificates appear to have been obtained from time to time in settlement of these objections.

25.51 The Chartered Accountant who audited the accounts for the year 1967-68 has stated that the following payments amounting to Rs. 15,389.41 could not be verified by him on account of missing bills, paysheets and muster-rolls:

Serial No.	Nature of payment	Amount	Nature of document missing
		Rs.	
1	Payment on account of purchases from Shalimar Tar Products.	4,355.70	Bills of M/s. Shalimar Tar Products Missing.
2	Payment to staff on account of salary ..	10,136.21	Paysheets for April and May, 1967 Missing.
3	Labour charges (Departmental) ..	897.50	Muster-roll missing.
	Total	15,389.41	

25.52 With regard to the Agra Unit of the Central Construction Service of the Bharat Sevak Samaj the Commission finds:—

- (i) The only work taken up by the Bharat Sevak Samaj was the “Provision of Brick Enclosures, Concrete Pavements and Concrete Roads” at the Agra Airfield. The tender of the Samaj was for Rs. 48,64,702.00 but a portion of the work was withdrawn from the Samaj as their rates were high and the Samaj was allotted work of the value of Rs. 30,51,908.46.
- (ii) In the course of the execution many deviations were noticed by the Military Engineering Service which were not rectified by the Bharat Sevak Samaj and reductions were made in rates. The Samaj took only 3 months more than the stipulated time of 10 months.

- (iii) Certain defects were pointed out in the execution of the work by the Technical Examiner but even before the defects were rectified a final bill was prepared and the payment was made to the Planning Commission towards the loans outstanding against the Bharat Sevak Samaj.
- (iv) The Technical Examiner pointed out further defects on re-examination and the Samaj produced vouchers for Rs. 50,524.90 for expansion joints but in the Profit and Loss Account the expenditure shown was Rs. 39,074.48.
- (v) The expenditure on material consumed in the Work was Rs. 23,05,024.60 which was about 87.62% of the expenditure. No Accounts showing the receipt, consumption and balances of the materials was produced before the auditor nor

before this Commission and, therefore, neither the auditor could verify the correctness of the expenditure shown in the Accounts on account of material nor could this Commission verify the same.

- (vi) In the final bill produced by the Ministry of Defence, the amount paid to the Bharat Sevak Samaj for this work was shown as Rs. 30,51,098.46 but the Samaj has shown the receipt of Rs. 26,57,317.74 only up to 1967-68. The receipt of the bill of Rs. 3,88,877.10 paid on March 31, 1968 is not shown in the Accounts for the year 1967-68 and after 1967-68 the Samaj has not produced any books of accounts.
- (vii) The work was got done by the Samaj through sub-contractors but the agreements with the sub-contractors were not produced before the auditor nor have they been produced before this Commission. The Samaj made only a very small profit of Rs. 1,186.06 as shown by the Accounts up to March, 1968. Even the Auditor reported that he was not able to verify the correctness of the expenditure on labour and the margin of profit for the Samaj should have been larger in view of the employment of sub-Contractors.
- (viii) The Agra Works were financed from out of the loans given by the Yamuna Barrage Unit which had received loans from the Punjab Government and the Planning Commission for the Yamuna Barrage Works. It appears that the funds meant for the Yamuna Barrage

Works were partly diverted for this work.

- (ix) The Balance Sheet as on March 31, 1967 showed the value of machinery acquired for the Agra Works as Rs. 3,89,055.90 out of which machinery worth Rs. 2,97,086.11 was transferred to the Yamuna Barrage but the Accounts of the Yamuna Barrage Unit did not show the receipt of all the machinery and equipment. The Auditor had also pointed out that no Asset registers were maintained.
- (x) Machinery worth Rs. 69,834.38 was sold in 1967-68 but no records of these sales were shown to the auditor for verification.
- (xi) Payees receipts and other supporting documents for expenditure of Rs. 46,835.02 for the year 1966-67 were not shown to the auditors. Similarly for the year 1967-68 no supporting documents were produced before the auditor for payments totalling Rs. 15,389.41.
- (xii) Thus the Commission finds that on the whole there was no proper account of material and labour or of assets for the Agra Unit. The work was got executed through sub-contractors but the Samaj made a profit of only Rs. 1,186 for this work costing more than Rs. 30.5 lakhs. The Samaj has withheld from the Commission important records like the agreements with the sub-contractors, the materials' account and vouchers in support of payments.



## CHAPTER 26

### SATBARI AND HASTSAL KILN UNITS, DELHI

In July, 1961 the Central Office of the Bharat Sevak Samaj sent an application to the Chief Commissioner, Delhi to be forwarded to the Planning Commission with recommendation. The application was for a loan of Rs. 6 lakhs for organising four brick kilns at Satbari.

26.2 The Chief Commissioner forwarded the application of the Samaj to the Planning Commission on the 4th August, 1961 and mentioned that the Delhi Administration was prepared to allocate to the Bharat Sevak Samaj sites for kilns and also arrange for permits to import slack coal and that the Samaj was taking up the project at his instance. He wanted early arrangements to be made for the sanction of the loan. The Planning Commission sanctioned a loan of Rs. 3.30 lakhs for setting up of the brick kilns as cost of the required land, included in the application, had already been made available by the Delhi Administration. This sanction was issued on the 24th March, 1962.

26.3 On 21st July, 1962 the Bharat Sevak Samaj again approached the Planning Commission for starting six more brick kilns on the Najafgarh Road at Hastsal and the Planning Commission sanctioned a loan of Rs. 5 lakhs on the 18th December, 1962 for the said brick kilns.

26.4 The details regarding the sanction of the loan, the utilisation of the same and the repayment of the same have been discussed at another place. At this stage it is sufficient to say that the finances for the brick kilns at Satbari and Hastsal came from out of the loan of the Planning Commission.

26.5 The Bharat Sevak Samaj has produced the audited accounts of the Satbari and Hastsal kilns from the year 1961-62 to 1966-67. Upto the year 1965-66 the net profits or losses of the two kilns were carried over to the Balance-sheet of the Delhi Unit of the Central Construction Service but in the year 1966-67 a separate Balance-sheet has also been prepared for the Hastsal and Satbari kilns.

From the year 1967-68 onwards no accounts have been produced for these two kilns.

#### Financial results of the working of the two kilns

26.6 The Profit and Loss Accounts of the Satbari and Hastsal kilns show the extent of sales and profit or loss of the different years as follows:

Year	Sales	Profit	Loss
	Rs.	Rs.	Rs.
1961-62 .. .. .	18,156.00		49,507.39
1962-63 .. .. .	7,78,494.83	43,691.38	
1963-64 .. .. .	6,72,344.49	2,81,841.18	
1964-65 .. .. .	3,63,246.01	1,06,094.75	
1965-66 .. .. .	7,00,442.02	57,051.37	
1966-67 .. .. .	5,99,715.32	99,200.78	
	31,32,398.67	5,87,879.46	
		49,507.39	
		5,38,372.07	

26.7 As already mentioned the net financial results of the two brick kilns were carried over to the Balance-sheet of the Delhi Works Unit of the Central Construction Service upto the year 1965-66. Thus the net profit amounting to Rs. 4,39,171.29 upto 1965-66 of the kilns unit was included in the financial results of the Delhi Unit. The actual losses of the Delhi Works excluding the brick kilns Units upto 1967-68 would have been Rs. 67,21,369.

26.8 A scrutiny of the balance-sheet as on 31-3-1967 shows that the closing stock of bricks as on 31-3-1967 was worth Rs. 1,70,096.28 for Satbari kiln and Rs 37,407.60 for the Hastsal kiln thus making a total of Rs. 2,07,503.88. What happened to the bricks in the later years and what the financial results for the subsequent years were not known as no books of accounts or audited accounts for these years have been produced before this Commission.

#### Utilisation of the loans given for the Hastsal kilns

26.9 As already mentioned earlier a loan of Rs. 5 lakhs was sanctioned for the Hastsal brick kiln on 18-12-1962. No separate Balance-sheet has been prepared for the Hastsal brick kilns which would have shown the actual money utilised for this brick kiln but a review of the accounts and the combined accounts produced show that the sale of bricks at the Hastsal brick kiln during the different years was as follows:

			Rs.
1962-63 ..	..	..	54,966.04
1963-64 ..	..	..	26,565.17
1964-65 ..	..	..	11,952.40
1965-66 ..	..	..	27,091.68
1966-67 ..	..	..	97,121.12

26.10 It appears that Hastsal kiln did not work from 1-8-1963 to 31-3-1966 and during this period it was only the old brick manufactured upto 31-7-1963 i.e. during the first year that were sold. The unsold bricks as on 31-3-1966 of the Hastsal brick kiln were of the value of Rs. 58,436.71. Evidently these bricks were manufactured prior to 1963 and how they were disposed of and why they could not be disposed during the previous years is not clear from the records. Thus it would appear that the Hastsal kilns for which Rs. 5 lakhs were given on 18th December, 1962 actually worked upto 31-7-1963 and the

Profit and Loss Account for the year ending 31-3-1963 shows expenditure on coal, making charges of bricks etc. amounted to Rs. 1,77,767.96 the cost of land as per the Balance-sheet is shown as Rs. 49,333.80 but whether it is the land purchased only for the Hastsal kiln that is included there, is not clear from the Balance-sheet. The matter has been discussed in detail in Chapter 18.

#### Difference in Accounts

26.11 In the Balance-sheet of the Satbari and Hastsal Kilns as on 31-3-1967 an amount of Rs. 11,246.84 is shown as due to the Yamuna Barrage Unit. As against this, the Balance-sheet of the latter Unit, shows only a sum of Rs. 626.03 as outstanding from the Hastsal Kiln Unit and a sum of Rs. 14,518.29 as due to Satbari Kiln Unit. In reply to a Questionnaire of the Commission, the Central Bharat Sevak Samaj have explained these differences as under:-

"The credits aggregating Rs. 11,246.89 afforded to Yamuna Barrage Unit in the Balance-sheet of Satbari and Hastsal Kilns as on 31-3-1967 are in respect of Stores supplied and services rendered by Yamuna Barrage Unit to Satbari Kiln (Rs. 10,620.81) and to Hastsal Kiln (Rs. 626.06). On going through the details it is noticed that adjustments are mostly in response to debits raised by Yamuna Barrage Unit except the following items aggregating Rs. 941.62 for which debits are not adjusted against Satbari Kiln by Yamuna Barrage Unit in the accounts for 1966-67:

Reference to adjustment Voucher	Particulars	Amount
		Rs.
J/88 dt. 27-10-66	Spares of Engines ..	213.66
J/114 of 10/66	Hire charges of Jeep	238.68
J/24 of 11/66.	Do.	161.46
J/120 of 11/66	Do.	122.58
J/119 of 12/66	Do.	13.50
J/120 of 12/66	Do.	65.34
J/129 of 3/67	Do.	126.40
		<hr/> 941.62

"The debits were erroneously raised against Head Office instead of Satbari Kiln and necessary readjustment of Rs. 941.62 has since been carried out in the accounts of Head Office for 3/69 to set right the discrepancy.

"As regards Yamuna Barrage Unit, the debit of Rs. 626.06 raised against Hastal Kiln during 1966-67 has already been responded in Kiln accounts for 1966-67 as shown above.

"The credit of Rs. 14,518.29 against Satbari Kiln shown in the accounts of Yamuna Barrage Unit has been arrived at as under:

*Credit for bricks received from Satbari Kiln*

Month of adjustment	Value of brick adjusted
	Rs.
May, 1966 .. .. .	4,669.50
June, 1966 .. .. .	460.00
July, 1966 .. .. .	7,382.44
March, 1967 .. .. .	9,791.25
March, 1967 supply. .. .	5,423.25
	<hr/> 27,726.44
Less debit outstanding for supply of bricks in 10/64 .. .	3,528.96
	<hr/> 24,197.48
Less debit raised against Satbari Kiln Unit and responded by that Unit during 1966-67 ..	—9,679.19
	<hr/> 14,518.29

(Rs. 10,620 (—) 941.62).

Against the credit of Rs. 5,423.25 for supply of bricks responded by the Yamuna Barrage Unit in the accounts of 3/69 supply, corresponding debit has been raised by Satbari Kiln Unit during 1967-68.

"The position in nut shell is that Satbari Kiln Unit has to raise debit amount of Rs. 18,773.83 i.e. (Rs. 24,197.48—Rs. 5,423.65) against Yamuna Barrage Unit for supply of bricks.

The position is being examined and necessary adjustment will be made in due course."

26.12 The Bharat Sevak Samaj has not informed this Commission of the results of this examination. Their reply to the questionnaire does not explain why there should be a difference between the figures shown in the books of Kilns and those of Yamuna Barrage.

**Maintenance of Accounts**

26.13 The auditing Chartered Accountants who audited the accounts for the year 1963-64 and 1964-65 made the following remarks regarding maintenance of accounts:

*For the year ending 1964*

"No separate accounts are maintained showing the assets and liabilities relating to these Kilns and therefore no separate balance-sheet and Profit and Loss account could be prepared. The results of this account are taken to the Profit & Loss account of the Bharat Sevak Samaj Central Construction Service.

*A. Hastal Kilns*

"1. During the year no manufacturing of Bricks in the Hastal kilns was undertaken. The opening balance of the bricks is shown at Rs. 78,500.00 whereas after showing Sales amounting to Rs. 26,565.17 the closing stock is shown at Rs. 1,09,149.21. In spite of our asking we have not been provided with any explanation for this. In our opinion, this position is not correct and you may ascertain the correct position.

2. No inventory in support for the closing figures with usual certificates had been supplied to us. We could not verify these items.

3. No account seems to have been taken of the credit sales.

4. \* \* \* \*

5. The balance as shown in the Manufacturing account are also not in conformity with the balances as contained in the books.

6. \* \* \* \*

### B. Satbari Kilns

"7. The books of accounts are kept on cash system of accounting no entries for the unpaid expenses are adjusted in the books. Some of the expenses relating to the previous years but paid during the year also stand debited in the revenue expenses.

The books of account do not have all the assets and liabilities recorded in them. They have only expenses items and some assets accounts from which a trial balance cannot be drawn and therefore no balance sheet for this work could be drawn.

"8. We have not been able to appreciate how the following items have been arrived at. No break up of these items could be given to us in spite of our asking for the same. We are of the opinion that the items which go to make these items are not in conformity with the ledger balances:

<i>Purchases</i>		Rs.
(i) Coal including cartage and freight .. ..	..	2,92,275·33
(ii) Others .. ..	..	31,758·28
<i>Labour charges</i>		
Moulding Bricks .. ..	..	1,10,296·28
<i>Other expenses</i>		
Running and Maintenance of Machinery .. ..	..	12,295·71
Other expenditure .. ..	..	8,495·36
Sale of Bricks .. ..	..	6,45,779·32

9. Sale of Bricks —Rs. 6,45,779·32

- (i) \* \* \* \*
- (ii) \* \* \* \*

(iii) No entries for the credit sales are available in the books. We would suggest that you may satisfy yourself whether or not the credit sales were effected or not.

No inventories in support of the closing figures have been supplied to us. No record has been produced to us from where these items could be verified. These items remained unverified.

"10. Purchase of coal and freight and cartage on coal—Rs. 2,92,975·33.

In case of the purchase of coal we do not always find mentioned that the coal pertaining to the bills have been duly received at the kilns. We would suggest that you may satisfy yourself that the coal pertaining to the bills paid off and payable are duly received at the kilns and utilised for the purpose of the Samaj. You may also satisfy yourself that the railway freight and the cartage was rightly and correctly paid only on those consignments which have reached the kilns of the Bharat Sevak Samaj, you may satisfy yourself on this aspect with regard to the other purchase of the materials.

11. Labour Charges—	Rs.
	1,10,296·28
	42,043·70
	41,982·45

These are adjusted on the last day of the year in the books of the account on the strength of the consolidated statements showing the bricks moulded, loaded and unloaded. There seems to be no internal checks to ensure that the quantities are correctly incorporated in the statements. We have not been produced the original records.

"12. Salaries and allowance—field staff—Rs. 46,313·38

No acquittances for the salaries etc. paid are available with the vouchers. Such salaries and allowances are adjusted in the books on the representation of Mr. Nathi Singh that he had disbursed the salary without enclosing the receipts. Under the circumstances this item remains unverified.

"13. Running and Maintenance of Machinery—Rs. 12,295·71

It includes the cost of one new Kirloskar pump costing Rs. 3,404·25. This is in our opinion a capital expenditure and should have been debited to this head of account.

"14. No official receipts of the payees are available. We hope that the payments

were made by the Samaj after properly satisfying the identity of the payee.

"15. The payments are sanctioned in most of the cases by the accountant and the advances to the moulders etc. do not even bear such sanction, we hope the accountant was duly authorised for this purpose.

"16. The maintenance of accounts is not satisfactory. Scoring off the entries in the ledger accounts are made by just passing lines across them. The postings to the ledger accounts is sometime done from cash book and sometimes from the vouchers direct. Some of the vouchers are missing

and some even do not indicate the folios on which they have been posted. It is not therefore possible to check up the postings. No trial balances are periodically prepared to check up the accuracy of the books. No final trial balance was given to us".

*For the period ending 31-3-1965--Satbari Kiln*

"5. In the ledger is opened an account styled as Satbari Advances Account. A debit balance of Rs. 1,51,929.53 appears in this Account upto 5-3-1965. A split up of this Debit Balance is shown in the ledger as under:

	Debit	Credit
	Rs.	Rs.
(i) Railway freight T. Tax unloading of coal .. .. .	26,647.20	
(ii) Lease Money .. .. .	24,426.00	
(iii) Insurance .. .. .	200.00	
(iv) Stationery .. .. .	17.00	
(v) Personal Account Mr. Nathi Singh—		
For Moulders .. .. .	30,000.00	
For Sirkis .. .. .	1,500.00	
	31,500.00	
(vi) Moulding, loading and unloading .. .. .	90,711.50	
(vii) Advances Net .. .. .	13,620.82	
(viii) Yamuna Barrage .. .. .		25,192.99
(ix) Delhi Pradesh .. .. .		10,000.00
	1,87,122.52	35,192.99
Net Debit .. .. .		1,51,929.53

"No working details of these classification are made available to us. We could trace the details relating to items (i) to (v) in this Account but they could not trace the debit relating to item of Rs. 90,711.50 and others in the Account of Rs. 1,51,929.53, we see mostly advances and we have not been able to appreciate how and on what support these advances are treated as expenses.

"6. We have not been able to locate the following items in the ledger accounts.

PURCHASES	Debit
Coal including cartage and freight	1,03,478.49
Others .. .. .	8,875.52
Labour charges others .. .. .	6,866.54
OTHER WORK EXPENSES	
Salaries and other allowances .. .. .	17,621.59
Running and Maintenance of equipment .. .. .	4,485.70
Sales Tax .. .. .	8,229.70

These items may have been arrived at by analysing the purchases on some loose papers. It is not possible to check up the classification and in our opinion, loose sheets without any authenticity, are not proper record."

The remarks of the auditors show that the books of accounts were not properly maintained the figures incorporated in the accounts did not tally with the figure shown in the ledgers, that advances were treated as final expenses and expenses were adjusted without proper vouchers.

#### **Laxity of control by the Planning Commission**

26.14 The following questions and answers relating to the loan of Rs. 3.30 lacs and Rs. 5 lacs sanctioned by the Planning Commission on March 24, 1962 and December 18, 1962 respectively, asked from the Ministry of Irrigation and Power would show that there was laxity of control on the part of the Planning Commission to ensure that the loans were utilised by the Samaj in accordance with the terms and conditions stipulated in the Sanctions:

Question	Answer
1. Did the Ministry ascertain the utilisation of the loan for the purpose for which it was given?	<i>Paras 1 and 2</i> —From the records received from the Planning Commission it appears that no action in this regard was taken by them. When this subject was transferred to this Ministry from the Planning Commission in January 1968, this Ministry's main concern was to devise ways and means to recover the loans in question. As a result of various steps taken by this Ministry it has been possible to effect most of the recoveries.
2. Did the Planning Commission receive any Periodical returns from the Bharat Sewak Samaj specifying the mode in which the amount of loan was being utilised by them as required under Clause II(g) of the Deed.	
6. Did the Government of India obtain any report from the Chief Commissioner, Delhi Administration about the utilisation of the loan?	No such report appears to have been received by the Planning Commission.
7. Did the Ministry obtain the annual Profit and Loss account of the Bharat Sewak Samaj for all the years till the loan and interest thereon was repaid and verify whether the loan was utilised for the purpose?	The Bharat Sevak Samaj had been asked by the Planning Commission to submit annual accounts for all the years. The Bharat Sevak Samaj submitted audited accounts of Central Construction Service for the period ending July 1963 in March 1965. The audited accounts for 1964-65 and 1965-66 have been submitted by Bharat Sevak Samaj to the Department of Community Development.....".
3. Did the Ministry justify itself whether the borrowers were supplying bricks at the price determined by the Chief Commissioner, Delhi from time to time as required under Clause I(v) of the Deed?	No instances have been brought to the notice of the Ministry in regard to the supply of bricks by Bharat Sevak Samaj in excess of the price determined by the Delhi Administration from time to time.

26.15 It would be seen from the above remarks of the Ministry that the Planning Commission did not take suitable follow up

action in order to ensure that the loans were utilised by the Samaj for the purposes intended by the Government.

## CHAPTER 27

### CONSOLIDATED ACCOUNTS OF THE CENTRAL CONSTRUCTION SERVICE

The Central Construction Service of the Bharat Sevak Samaj started functioning some-time in the year 1956 with the taking up of the Jamuna Bund. A number of works were taken up and loans were also taken from the Planning Commission from the year 1959-60. But no Profit and Loss accounts and Balance-sheets of the Central Construction Service have been prepared up to the period ending 31-3-1962 and a combined Profit and Loss account and Balance-sheet were prepared for the first time for the Central Construction Service during the year ending 31-7-1963. It may, however, be mentioned

at this stage that the Profit and Loss accounts and the Balance-sheets of the some of the works taken up at Delhi were prepared for the individual works or groups of works and these have been discussed while discussing the functioning of the Delhi Works Unit. But, these accounts were only of the individual works and not of the Central Construction Service, as a whole. A Balance sheet was drawn up for the first time as on 31-7-1963. By that time the Planning Commission and the Ministry of Irrigation and Power had sanctioned the following loans to the Bharat Sevak Samaj:

Name of the Ministry sanctioning the loan	Date of Sanction	Amounts sanctioned
		Rs.
Ministry of Irrigation and Power .. .. .	1-12-1959	2,50,000.00
Planning Commission .. .. .	12-3-1960	5,00,000.00
Planning Commission .. .. .	23-9-1961	5,00,000.00
Planning Commission .. .. .	23-9-1961	2,50,000.00
Planning Commission .. .. .	24-3-1962	3,30,000.00
Planning Commission .. .. .	18-12-1962	5,00,000.00

27.2 While sanctioning these loans there was a condition that the Bharat Sevak Samaj was to render the accounts of the Construction Service showing the utilisation of the loans. It appears that as the Bharat Sevak Samaj did not prepare any consolidated accounts of the Construction Service showing receipt and utilisation of the loans. Neither the Planning Commission nor the Ministry of Irrigation & Power could ascertain or could have ascertained the utilisation of the loans for the purposes they were intended up to that period, i.e. 31-7-1963.

#### Accounts of the Central Construction Service- (consolidated for the year ending 31-7-1963)

27.3 The Chartered Accountant who audited the accounts for this year has given a certificate as follows:

“Certified to be compiled by incorporating the following audited accounts and other information as shown to us.

1. (a) Accounts Gorakhpur Works for the period ending 31-7-1963.
- (b) Accounts Bidar Works for the period ending 31-8-1963.
- (c) Accounts Najafgarh Drain Works for the period ending 31-7-1963.
- (d) Accounts Arab-ki-Sarai Works for the period ending 31-7-1963.
2. As the audited accounts of the Bidar Work are for the period ending 31-8-1963, these figures for 31-8-1963 are incorporated in this account.
3. The audited accounts (a) & (b) are converted from Mercantile to Hybrid System of accounting for this compilation”.

27.4 This certificate evidently shows that the Auditor, the Chartered Accountant, had compiled the consolidated accounts of the Construction Service from the accounts of the

above four units. He also mentions that he had compiled the accounts from these consolidated accounts and 'other information' shown to him. The Samaj has not produced before this Commission the 'other information' that was supplied to the Auditor nor have they produced any books of accounts of the Construction Service prior to the period 1-11-1963. But the cash books of some of the individual works were produced for various periods.

27.5 In the absence of books of accounts it has not been possible to verify certain items shown in the profit and loss account and the balance sheets and these are discussed below:

	Rs.
(i) Expenses of the Central Office ..	2,65,901.67
Less Charge to the Najafgarh Drain Account as per profit and Loss account as on 31-3-1962 ..	12,934.90
	<u>2,52,966.77</u>

It is not clear where these figures have been taken from. These are not included in the four accounts namely Najafgarh Drain Accounts, Arab-ki-Sarai Accounts, Bidar accounts and Gorakhpur accounts except an amount of Rs. 12,934.90 which has been included in the Najafgarh Drain Account. What information was given to the Chartered Accountant regarding this item is not known as no books of accounts have been produced showing details of this expenditure nor have any vouchers or other records been produced before this Commission. Therefore, it is not possible to verify how far this amount of Rs. 2,65,901.67 was a legitimate charge on the accounts of the Central Construction Service.

	Rs.
(ii) Expenses met from the Central Development Fund including the expenses for the previous years ..	<u>1,61,581.10</u>

These amounts have been apparently taken from the accounts of the Central Development Fund and of the Central Office of the Bharat Sevak Samaj. The balances of the Central Development Fund and of Central Office of the Samaj have been struck after showing these expenses on account of the Central Construction Service and this amount of Rs. 1,61,581.10 is shown as expenses of the Central Construction Service, in the Central Development Fund but in the accounts of the Central Development Fund and

of the Central Office of the Bharat Sevak Samaj no receipts from the Central Construction Service have been shown. Therefore, it is not clear how the accounts of the Central Development Fund and of the Central Construction Service were tallied. Apparently, the expenditure on account of the Central Construction Service has been shown in the Central Construction Service accounts and the accounts of the Central Development Fund and of the Central Office.

(iii) In the balance sheet of the Central Construction Service as on 31-7-1963 a profit of Rs. 3,11,620.74 has been added on the liability side on account of the profit during the previous years. No details were available in this balance sheet and so the Bharat Sevak Samaj was asked to give the details and in reply they stated that the amount of Rs. 3,11,620.74 was made up of the following amounts:

	Rs.
(i) 1956-57 Earth Work at Yamuna Bund	59,000.00
(ii) 1957-58 Okhla Bund .. ..	11,000.00
(iii) 1957-58 Stone Pitching L.M. Bund, Delhi .. ..	38,700.00
(iv) 1958-59 India 1958 Exhibition ..	1,02,807.64
(v) 1959—Raising and strengthening of Shahdra Bund .. ..	25,000.00
(vi) 1959-60 Najafgarh Nallah Drain account—first phase .. ..	50,000.00
(vii) Profit ending 31-3-1962 as per consolidated accounts of Majafgarh Drain and Arabki-Sarai .. ..	74,217.18
	<u>3,59,724.82</u>
Less deficit in Delhi Works (Details to be traced) .. ..	48,104.08
	<u>31,11,620.74</u>

The Samaj, it may be mentioned, has not furnished any details of the deficit in Delhi Works of Rs. 48,104.08, mentioned above and in the absence of details, it appears, this amount of loss or deficit cannot be verified. There are certain other anomalies about this amount of Rs. 3,11,620.74 which may be mentioned at this stage.

- (a) The Bharat Sevak Samaj, as mentioned elsewhere, has not produced either the regular audited accounts of these works excepting item No. (vii) mentioned above, namely the Najafgarh Drain Account and Arabki-Sarai works for the year ending 31-3-1962. For the other 6 works mentioned above no accounts have



been produced and, therefore, it has not been possible to verify the profits which had arisen in those works.

- (b) According to the statement of Mr. Brij Krishan Chandiwala, Chairman of Delhi Pradesh Bharat Sevak Samaj, in respect of five works, namely, Jamuna Bund, Okhla Bund, L.M. Bund, Raising and Strengthening of Shahdara Bund and Najafgarh Nallah Drain—phase I, the work was actually taken up by Delhi Branch of the Bharat Sevak Samaj and in all these there was a profit of about Rs. 1,86,000.00 out of which the Delhi Branch paid to the Central Bharat Sevak Samaj half, namely, Rs. 93,164.74. In the details given above, the total profits on account of these five works items (i) to (iii), (v) and (vi) comes to Rs. 1,83,700. Apart from the fact that the full profit of Rs. 1,86,000 and odd has not been fully accounted for, it is not clear how the Central Bharat Sevak Samaj has shown the receipt of the entire profit of Rs. 1,83,700 when according to Mr. Brij Krishan Chandiwala only half the profit namely, Rs. 93,164.74 was paid by the Delhi Branch of the Bharat Sevak Samaj to the Central Bharat Sevak Samaj. It may be mentioned in this connection that in the accounts of the Delhi Pradesh Bharat Sevak Samaj the following receipts on account of the five works mentioned above have been accounted for in the years mentioned below:

Ledger Page	Serial No.	Date	Amount	Head to which credited
			(Rs.)	
43	1	1959-60	20,339.99	Land and Buildings.
41	2	1960-61	28,500.00 (from L.M. Bund Stone Pitching)	Land and Buildings Reserve Fund
47	3	1961-62	43,770.26 (50 % from saving of Najafgarh Nallah and Shahdara Bund)	Do.
			92,610.25	
45	4	1962-63	5,547.61 (Share of equipment).	Do.
			98,067.86	

This means that whereas the Central Bharat Sevak Samaj has shown in their balance sheet the profit almost in full in respect of these five works including the share of the Delhi Bharat Sevak Samaj, the Delhi Pradesh Bharat Sevak Samaj has shown their share in their balance sheets for different years. Thus, the position seems to be anomalous as Central Bharat Sevak Samaj when they had received only half of the profits have shown the entire profits in their balance-sheets which is apparently erroneous. The Auditor, the Chartered Accountant did not find it necessary to verify these figures from the books of accounts and he has merely certified that he had compiled the consolidated balance-sheet from the audited accounts of the four works namely, Arab-ki-Sarai Works, Najafgarh Drain Works, Bidar and Gorakhpur Works and some information given to him which he does not specify. In view of the anomalies mentioned above, it appears, that the consolidated accounts of the Central Construction Service, as prepared now, cannot be accepted as correct. Another anomaly is that in the accounts of the Central Development Fund the following contributions and donations have been shown out of the profits of L.M. and Jamuna Bund:

	Rs.
1959-60	2,000.00
1960-61	36,700.00
	38,700.00

It is not clear how the profits of L.M. Jamuna Bund are shown both in the accounts of the Central Development Fund and in the accounts of the Central Construction Service. Obviously, there is a mistake in one of them.

(c) *India 1958 Exhibition—Profit—Rs. 1,02,807.60:*

The value of this contract, as it appears from a pamphlet published by the Bharat Sevak Samaj in October 1963 was Rs. 4,89,000. The accounts of these works have not been produced before this Commission. It may, however, be mentioned that in the same pamphlet published in

October, 1963 the saving to the BSS on account of these works are shown as Rs. 1.13 lakhs whereas the Samaj in their balance sheet, as on 31-7-1963, have accounted for Rs. 1,02,807.60. In the absence of books of accounts and relevant audited accounts of these works it has not been possible to verify as to which figure is correct and whether the full profits were duly accounted for.

- (d) Another anomaly in respect of "India 1958 Exhibition" is that while in the consolidated balance sheet of the Central Construction Service as on 31-7-1963 a profit of Rs. 1,02,807.60 has been shown, in the accounts of the Central Development Fund for the following years a part of the profit on account of the "India 1958 Exhibition" works have been shown as receipts:

			Rs.
1960-61	..	..	35,008.01
1961-62	..	..	22,000.00
Total			57,008.01

It is not clear as to how a part of the profits of the "India 1958 Exhibition" Works could be shown as profits both in the accounts of Central Development Fund and of the Central Construction Service of the Bharat Sevak Samaj.

- (iv) *Amounts received from the Prardeshes pending appropriation—Rs. 2,67,971.00.*

In the balance sheet as on 31-7-1963 an amount of Rs. 2,67,971.00 has been shown as having been received from the Prardeshes pending appropriation, the Samaj has not produced any books of accounts as to when these amounts were received and the Auditor, the Chartered Accountant has also chosen not to mention from where these figures were collected. Apparently these figures were not included in the audited accounts of the four works which the Chartered Accountant has listed as the source of his consolidated account.

The Central Development Fund accounts show the donations received from the various Prardeshes during the years 1-9-1958 to 31-3-1964 as follows:

	Rs.
Kosi Project .. ..	85,000.00
Katihar Rly. Construction Unit	15,500.00
Andhra Pradesh .. ..	2,871.00
Kotah Chambal .. ..	3,000.00
Bharat Sevak Samaj, Bombay	1,35,000.00
Bharat Sevak Samaj, Agartala	1,500.00
Bharat Sevak Samaj, Manipur	20,000.00
Bharat Sevak Samaj, Varanasi	100.00
Total ..	2,62,971.00

Thus, in all, Rs. 2,62,971 had been accounted for in the Central Development Fund and the evidence of accounts of the different State Units does not show that they made any other contributions to the Central Construction Service upto 31-3-1963. Thus, it appears that the amount of Rs. 2,62,971 shown in the balance sheet of the Central Construction Service as on 31-7-1963 included the amount of Rs. 2,62,971 already accounted for by the Central Development fund. It is not clear from the records how both Central Construction Service and the Central Development Fund have shown the same receipts on accounts of the donations and contributions from the same Prardeshes.

- (b) *Advances to the Central Development Fund:*

In the balance sheet as on 31-7-1963 an amount of Rs. 1,47,397.54 is shown on the assets side on account of the Central Development Fund account pending adjustment. A scrutiny of the accounts of the Central Development Fund, however, shows the receipt of a loan of Rs. 2,000 only upto 31-3-1964. What further amounts were advanced by the Central Construction Service to the Central Development Fund and why the Central Development Fund has not accounted for the balance is not known. In the absence of books of accounts of the Central Construction Service it has not been possible

to verify the dates on which the amounts were advanced to the Central Development Fund. It may be mentioned that this amount of Rs. 1,47,397.54 shown as due from the Central Development Fund in the balance-sheet as on 31-7-1963 was ultimately written off in the accounts of the Delhi Pradesh Unit in the year 1965-66. At this stage, however, it has to be mentioned that the Central Development Fund has shown receipts of the following amounts totalling Rs. 95,708 from the following works:

		Rs.
1959-60	L.M. Jamuna Bund	2,000.00
1960-61	Do.	36,700.00
1960-61	India Exhibition Works	35,008.09
1961-62	Do.	22,000.00

Whether this amount is included in the amount of Rs. 1,47,397.54 mentioned above is not clear as no books of accounts of the Central Construction Service for the period have been produced before this Commission.

27.6 The assets side of the balance sheet as on 31-7-1963 are not verifiable from the four accounts mentioned by the Auditor as the source of his compilation of the consolidated accounts of the Central Construction Service as on 31-7-1963 is not known. The following items do not find a place in the above four accounts:

	Rs.
(i) Truck account .. .. .	39,138.83
(ii) Sundry Debtors and Advances to the Delhi Office .. .. .	2,050.00
(iii) Earnest money of Delhi Office ..	5,000.00
(iv) Loans Advanced to Pradesh Bharat Sevak Samaj Units and other sections of the Bharat Sevak Samaj Pradesh Units	5,25,834.18
(v) G.A. Section .. .. .	39,840.65
(vi) Jan Jagran Section .. .. .	15,000.00
(vii) Call Deposits, Bombay .. .. .	1,00,000.00
(viii) Current account, Delhi Office ..	3,10,528.12

27.7 It may be mentioned that the call deposit at Bombay of Rs. 1,00,000 has been shown both in the balance-sheet of the Central construction Service and that of the Central Development Fund. It is not clear how the accounts were drawn up with this double accounting of the same amount.

### Transactions under Central Inter-Unit Account

27.8 The Central Bharat Sevak Samaj has shown an account under the heading, "Central Inter-Unit Account". It evidently shows the transactions between the different units of the Central Construction Service. Normally there should not be any balance under this head as the payment of one unit will be the receipt of another and when the consolidated balance-sheet of the Central Construction Unit is drawn up the two should cancel each other but in the case of Central Bharat Sevak Samaj it appears that either due to defective maintenance of accounts or due to non-accountal of moneys remitted from one unit to another there were balances in the Central Inter-Unit Account. The balance in the different years under Central Inter-Unit Account were as follows:

	Assets	Liabilities
	Rs.	Rs.
31-7-1963 .. .. .	..	6,018.80
31-3-1964 .. .. .	2,16,515.37	
31-3-1965 .. .. .	8,13,706.10	
31-3-1966 .. .. .	7,28,122.32	

No consolidated audited accounts have been prepared by the Central Construction Service after 31-3-1966. But the balance sheets of individual units as on 31-3-1967 have been produced and they show the balance of the Central Inter-Unit Account on that date to be Rs. 30,38,138.31 as follows:

Name of the unit	Balance of the Central Inter-Unit-Account	
	Assets Side	Liability Side
	Rs.	Rs.
(i) Delhi Works including head office .. .. .	..	28,07,132.08
(ii) Purnea Airfield Works .. .. .	10,32,142.95	5,36,815.31
(iii) Gorakhpur .. .. .	37,24,369.89	..
(iv) Varanasi .. .. .	12,962.19	9,75,446.35
(v) Bidar .. .. .	8,55,785.73	1,99,880.06
(vi) Agra .. .. .	..	4,62,235.32
(vii) Satbari Hastal .. .. .	..	1,67,743.82
(viii) Yamuna Barrage .. .. .	28,63,257.02	3,01,126.53
Total .. .. .	84,88,517.78	54,50,379.47
	54,50,379.47	
Balance .. .. .	30,38,138.31	

Thus, the balance comes to Rs. 30,38,138.31 as on 31-3-1967 but the Inter-Unit Accounts are reduced by Rs. 23,03,086.28 as has been

done in the previous years, the balance under the Central Inter-Unit Account will still be Rs. 7,35,051.03. The fact that the balance-sheet was tallied by putting this amount under Central Inter-Unit account shows that the defective maintenance of accounts.

27.9 When the Central Bharat Sevak Samaj was asked about the balances under Central Inter-Unit Account, their reply was as follows:

"The overall picture of the important units is not gloomy as compared to the position exhibited in the annexure attached to the questionnaire. As the organisation had to dispense with the services of the bulk of its staff due to financial stringency on account of sudden stoppage of its works, the work of clearance of the inter-units balances fell into arrears".

"In this connection, it may, however, be mentioned that there are no difference so far as cash transactions are concerned. In respect of transactions pertaining to supply of stores and other services rendered by one unit to another some differences are bound to remain".

"Efforts will, however, be made to narrow down the differences when the accounts of the outside units are merged with the Head Office. Separate staff with an Accountant-in-Charge was employed to tackle with remittances transactions from one unit to another. Their services were, however, dispensed with when the financial position of the Organisation deteriorated".

The shortage of staff which is given as the reason for not reconciling the balance under Central Inter-Unit Account is an unconvincing reason, because the balances in the Central Inter-Unit Account had started appearing right from 31-7-1963 and went on mounting year after year even when the Samaj was at the peak of its operational activities. The Chartered Accountant, who audited the accounts of the different units of the Central Construction Service, had pointed out right from the beginning that the balance shown under Central Inter-Unit Accounts did not tally with the amounts as shown in the ledger accounts of the various units and in spite

of his repeated advice to reconcile these accounts it was not done. He had from time to time impressed upon the Samaj the need to reconcile the Inter-Unit Accounts and post entries for proper adjustment after due clarifications. Therefore, the plea that due to paucity of staff this work could not be attended to, does not seem tenable in view of the repeated objections and remarks of the Auditor.

27.10 The Samaj has stated that there were no differences so far as the cash transactions were concerned. In the absence of ledgers from the beginning and proper details in the ledgers produced, there is no means of verifying the statement. The Samaj has not chosen to produce any evidence in this regard. The plea that all the differences pertain to supply, stores and other service rendered by one unit to another, therefore, remains unverified. But even if the short-accountal is in respect of stores, it remains a short-accountal and it hardly makes any difference whether the responding unit has accounted for less cash or less stores.

27.11 The difference in the amounts shown in the balance-sheets of the originating unit and the responding units in respect of transactions under Inter-Unit Accounts have been discussed in the case of different units separately while discussing the working of the units and, therefore, it need not be discussed again. Suffice it to say, that a large balance of Rs. 7,35,052.03 was shown on 31-3-1967 and after that date no balance-sheets have been produced for all the units. The existence of such a large balance shows the inherent defective nature of the accounts kept by the Bharat Sevak Samaj for their construction activities.

#### **The profits and losses shown in the Consolidated Balance Sheet of the Central Construction Service**

27.12 The Bharat Sevak Samaj have produced four Consolidated Balance-sheets of the Central Construction Service for the periods ending 31-7-63, 31-7-64, 31-3-65 and 31-3-66. In the Balance-sheet as on 31-3-66 were included the Accounts of the units of the Central Construction Service at Delhi, Varanasi, Bidar, Gorakhpur, Yamuna Barrage, Purnea Airfield, Satbari and Hastar Kilns. That Balance-sheet shows a loss of Rs. 3,31,244.02 upto 31st March, 1966. A

scrutiny of the individual Balance-sheets shows a different financial results as follows:

Name of the Unit	Upto date profit as on 31-3-66	Upto date loss as on 31-3-66
(1) Delhi Works including Hastalsal and Satbari Kih .. ..	..	25,60,434.25
(2) Gorakhpur .. ..	37,28,015.10	..
(3) Bidar .. ..	7,05,608.91	..
(4) Purnea Airfield .. ..	3,96,515.02	..
(5) Varanasi .. ..	..	8,22,194.79
(6) Yamuna Barrage .. ..	5,64,432.27	..
Total .. ..	53,94,571.30	33,82,729.04

Net profit as per the individual units 20,11,842.26.

27.13 Thus as against a loss of Rs. 3,31,244.02 shown in the Consolidated Accounts of the Central Construction Service as on 31-3-66 the Balance-sheets of the individual units show a net profit of Rs. 20,11,842.26. In other words there is a difference of Rs. 23,43,086.28 between the Consolidated Balance-sheet and the individual Balance-sheets. There is no explanation by the Samaj for this difference given in the Consolidated Balance-sheet. But a scrutiny of the Balance-sheets of the different units for the different years and of the Consolidated Balance-sheet for the years for which they have been produced shows that the differences are due to the following factors:

- (1) In the Balance-sheet for the year ending 31-3-65 an amount of Rs. 40,000 from out of the combined profits were set apart as Additional Development Rebate Reserve for the year 1963-64.
- (2) In the Consolidated Accounts of the Construction Service for the year ending 31-7-63 the profits of 2 units, namely, Gorakhpur and

Bidar to the following extent were adjusted under the hybrid system:

Name of the Units	Rs.
Gorakhpur .. ..	20,06,664.53
Bidar .. ..	2,96,421.75
Total .. ..	23,03,086.28

27.14 The profits of the Central Construction Service as a whole was worked out as Rs. 4,94,533.90 after taking into account the profits of these 2 units. In the next year, however, i.e. in the year ending 31-7-64 these profits of the Central Construction Service as a whole i.e. including the Gorakhpur and Bidar units were shown as the profits of the Delhi Works unit alone and the amount of Rs. 4,94,533.90 was carried over in the Balance-sheet of the Delhi Works Unit as the profit for the previous years. In the Balance-sheets of the Gorakhpur and Bidar units also the profits of the previous years amounting to Rs. 20,06,664.53 and Rs. 2,96,421.75 were also carried over. In other words the Delhi Works profits were inflated by including the profits of the 2 units, Gorakhpur and Bidar, and hence the difference of Rs. 23,03,086.28 between the figures of the profits or losses shown in the Consolidated Balance-sheet of the Central Construction Service and by the Balance-sheets of the different units.

27.15 This amount of Rs. 23,03,086.28 is made up of the two figures of Rs. 20,11,842.26 net profits shown by individual balance-sheets and Rs. 3,31,244.02 shown by the consolidated balance of the Central Construction Service as total loss. There is still a difference of Rs. 40,000 which was appropriated as 'development rebate' by the Central Bharat Sevak Samaj in the balance-sheet of the year ending 31-7-63.

**Amounts contributed to other sections of the Central Bharat Sevak Samaj, to the Pradesh and District Units of the Central Bharat Sevak Samaj and to Sister Institutions in the Accounts of the different units of the Central Construction Service.**

27.16 A scrutiny of the accounts of the different Units of the Central Construction Service for the different years shows that the following amounts were debited in the Profit and Loss Accounts for the different years on account of the contributions to the various

Sections of the Central Bharat Sevak Samaj to the Pradesh and District Units of the Bharat Sevak Samaj and to sister institutions. The total amounts so debited in the accounts of the various Units were as follows:

Name of the Unit in whose Accounts the amounts were debited	The Sections or Units of the BSS to whom the amounts were donated or contributed	Amount
(1)	(2)	(3)
1. Delhi Works Unit	Central Development Fund .. ..	Rs. 1,47,397.54
	Central Office of the Bharat Sevak Samaj	5,336.73
	General Administration Section of Central Bharat Sevak Samaj	90,661.07
	Bharat Sadhu Samaj	30,525.08
	Samukta Sadachar Samiti .. ..	5,000.00
	Instt. of Pyschie and Spiritual Research	4,200.00
	Five Needs of Life Bank .. ..	20,000.00
	Convention of the Bharat Sevak Samaj	1,000.00
	Bharat Yuvak Samaj	5,000.00
	Social Welfare Section of Central Bharat Sevak Samaj .. ..	11,000.00
	Jan Jagaran Section	34,000.00
	Camp Section .. ..	739.68
	Adviser Health and Sanitation .. ..	202.50
	Training Centre .. ..	5,295.75
	District Bharat Sevak Samaj, Gorakhpur	2,10,794.94
	District Bharat Sevak Samaj, Varanasi	1,35,000.00
	Railway Construction Unit, Katihar .. ..	75,935.91
	Nagarjunasagar	45,000.00
	Bharat Sevak Samaj Gujarat .. ..	25,012.06
	Manipur Bharat Sevak Samaj .. ..	28,028.08
	Bharat Sevak Samaj Lucknow .. ..	25,000.00
	Delhi Pradesh Bharat Sevak Samaj .. ..	23,530.14
	Bharat Sevak Samaj Mysore .. ..	20,000.00

(1)	(2)	(3)
		Rs.
	Bharat Sevak Samaj Kerala .. ..	12,500.00
	Bihar Bharat Sevak Samaj for Daltanganj	12,843.75
	Bharat Sevak Samaj Saupaul	10,867.85
	Bharat Sevak Samaj Andhra Pradesh	9,000.00
	Bharat Sevak Samaj Bulandshahar .. ..	500.00
	Amounts written off for which no details are given .. ..	95,698.81
		10,90,569.89
2. Gorakhpur Unit of the Central Construction Service	Pradesh Kiln Unit .. ..	2,14,819.92
3. Bidar Unit of the Central Construction Service .. ..	(i) Donation to B.R. College .. ..	4,000.00
	(ii) Donation to local Gurdwara .. ..	1,101.00
		5,101.00
4. Varanasi Unit of the C.C.S.	Local Bharat Sevak Samaj .. ..	85,607.48
	Total .. ..	13,96,098.29

27.17 In all these cases the donations were debited in the Profit and Loss Account before arriving at the net profit of the Unit, which is not in accordance with commercial principles of accounting as this amounts to deflating the profits by including the "drawings" in the expenses.

27.18 Further, it will be seen from the above that except two cases viz. that of contributions given to the B. R. College and to the Local Gurdwara there were hardly anything charitable about these donations. How the different Units of the Bharat Sevak Samaj have utilised these amounts and how they have accounted for the same and will be discussed while discussing the activities of these individual Units.

**Written off advances given to staff members, piece workers and others**

27.19 The Bharat Sevak Samaj Central Construction Unit were making advances to their piece workers, suppliers and to the Bharat Sevak Samaj officials for the works

taken up by them. In the audited accounts of the different Units some of the amounts of advances to the piece workers, suppliers and Bharat Sevak Samaj officials have been written off without assigning any reasons. The amounts so written off for the different years were as follows:

Name of the Unit	Period of accounts	Amount written off	
		Rs.	Rs.
1. Delhi Works	31-3-1962	2,10,907.75	
	31-7-1963	2,43,981.54	
	31-3-1966	1,77,186.34	
	31-3-1967	2,61,710.55	8,93,786.18
2. Bidar Unit of the Central Construction Service	Period ending 31-3-1966		2,000.00
3. Yamuna Barrage Unit of the Central Construction Service	Period ending 31-3-1967		7,745.24
			9,03,531.42

The break up of these figures have not been supplied by the Samaj.

27.20 The Chartered Accountant who audited the accounts of the different Units had commented adversely about the non-maintenance of proper accounts of the advances paid to these piece workers, suppliers and Bharat Sevak Samaj officials and the writing off of advances without giving details and justification.

27.21 The fact that such a large amount of advances was written off shows that the claim of the Bharat Sevak Samaj is not in consonance with the claim that no one was to make profit out of the Samaj particularly when the record does not show that these advances were for and why and under whose authority they were written off.

27.22 The balance-sheets of some units upto March 31, 1967 and for some other Units upto March 31, 1968 show the following advances as outstanding against piece-

workers, Bharat Sevak Samaj officials and others:

1. Delhi works including Yamuna Barrage	31-3-68	Advances to suppliers	1,70,609.36
		Staff	20,069.06
		Others	86,964.27
			2,77,642.69
2. Bidar	1-3-67	To suppliers	11,960.05
		To others	4,142.98
			16,103.03
3. Gorakhpur	31-3-67	Piece workers and others	36,979.22
		Staff	715.44
			37,694.66
4. Yamuna Barrage	31-3-67	Piece Workers & suppliers	35,742.51
		Staff	7,201.62
			42,944.13
5. Purnea	31-3-67	Suppliers and workers	21,808.60
		To other staff	1,000.00
			22,808.60
6. Sathari & Hastal Kiln	31-3-67	Advances to contractors	45,714.14
		Other advances	750.00
			46,464.14
7. Varanasi	31-3-68	Advances to Suppliers and piece workers	1,44,460.02
		Advances to staff	11,738.07
			1,56,198.09

How far these advances were subsequently realised and whether they also became irrecoverable is not known as no accounts have been produced beyond the dates given above.

#### Results of the working of the Central Construction Service of the Bharat Sevak Samaj

27.23 The construction activities of the Bharat Sevak Samaj started in the year 1955 but the Central Construction Service was formed as a distinct organisation only sometime in December, 1958. For undertaking different construction activities different units were formed, the first unit being Delhi and subsequent units were at Gorakhpur, Bidar, Agra, Purnea, Varanasi and Yamuna Barrage unit. Besides these construction units there was also the Satbari and Hastal Kilns

(both in Delhi) for the manufacture of bricks. From the information available it is seen that the different units took up 101 works of the tendered value of Rs. 11,14,11,089.00. The number of works taken up by the different units, the value of works taken up by them and the financial results of the units are shown in Table 27-A annexed.

27.24 The Bharat Sevak Samaj has produced the audited accounts from 1961-62 to 1966-67 for four units and upto 1967-68 for the other four units. These audited accounts show that the payments received for work done upto the period for which accounts have been produced to be Rs. 9,70,05,517.09 and the net loss on all these works amounted to Rs. 74,212.16. These losses were in spite of special concessions given by the Government of India and the State Governments to the Bharat Sevak Samaj like non-recovery of earnest money and security deposits, award of contracts without calling of tenders or on negotiated basis, grant of liberal loans for purchase of machinery and for working capital by the Planning Commission and the Ministry of Irrigation & Power at low interest, giving of initial advances for the different works upto 1/4th of the value of works at nominal interest and the advantage of having the supervision of some Planning Commission officials and the help of some Ministers to both for getting the contracts and in the matter of the settlement of claims.

27.25 The Bharat Sevak Samaj has prepared the consolidated accounts of their Central Construction Service only for four years namely, for the years ending 31-7-1963, 31-7-1964, 31-3-1965 and 31-3-1966. No consolidated accounts of the Central Construction Service have been prepared after 31-3-1966. Atleast the Samaj has not produced any such consolidated accounts before this Commission, if they have prepared any.

27.26 In respect of consolidated accounts prepared for the year ending 31-7-1964 the profits of the Gorakhpur and Bidar Units of the Central Construction Service upto 31-7-1963 were shown as the profits of the Delhi Unit of the Central Construction Service while preparing the balance sheet of the Delhi Unit for the year ending 31-7-1964. These profits were as follows:

					Rs.
Gorakhpur	..	..	..	..	20,06,664.53
Bidar	..	..	..	..	2,96,421.75
Total	..	..	..	..	23,03,086.28

These profits of the Gorakhpur and Bidar Units, however, continued to be shown in the accounts of those units also with the result that from the year ending 31-7-1964 onwards up-to-date profits shown in the balance-sheet of the Delhi Unit was inflated by Rs. 23,03,086.28. Thus even though in the balance-sheet of the Delhi Works Unit as on 31-3-1968 the losses on account of Delhi Works were as follows:

				Rs.
Net loss of Delhi Works per as the last balance sheet	..	..	..	35,99,674.36
Add net loss for the year	..	..	..	3,79,436.77
				<hr/>
				39,79,111.13
				<hr/>

The actual up-to-date losses of the Delhi Unit if profits of the Gorakhpur and Bidar Units amounting to Rs. 23,03,086.28 are excluded would amount to Rs. 62,82,197.41 upto the end of March, 1968. These losses are in respect of the works amounting Rs. 2,94,45,618.56, i.e., about 22 per cent of the turnover. The reasons have been discussed at another place. (See the portion dealing with Delhi Works).

27.27 Apart from the Delhi Unit the other Unit which made substantial losses was the Varanasi Unit whose losses amounted to Rs. 7,37,152.98 against the value of work done Rs. 78,55,712.83 i.e., roughly 10 per cent of the turnover. The causes for the heavy losses in this unit have also been discussed at another place. (See the chapter dealing with Varanasi).

27.28 The losses of the Delhi and Varanasi Units of the Central Construction Service were made up to some extent by profits made in the Gorakhpur, Bidar, Agra, Purnea and Yamuna Barrage Units. It may be mentioned that the Gorakhpur, Bidar and Purnea Units took up the emergency Aerodrome Works, immediately after the Chinese aggression and the Agra Unit took up the Aerodrome work at Agra after the Pakistani aggression. These emergency works naturally had high profit margins on account of the emergency nature of the work. Although these Aerodrome works were of an emergency nature required to be completed within short periods, the



Samaj could not in all cases complete the works within the time stipulated which is shown by the following:

Name of the work	Time allowed as per the contract	Time taken by the Bharat Sevak Samaj
Kusmi Contract No. 16	4½ months	7 months 2 days
Contract No. 45	4 "	9 months 9 days
Purnea Phase I	6 months 11 days	17 months
Purnea Phase II	6 months 12 days	Over 21 months
Agra	10 months	13 months
Bidar Phase I	2½ months	2½ months
Bidar Phase II	5 months	7½ months

27.29 Even though the time was the essence of these emergency works, no penalty was imposed.

27.30 In respect of Bidar Work it was found after completion of the work that instead of hot-mix, cold-mix was used by the Bharat Sevak Samaj for the completion of the runway and taxi track with the result that the Aerodrome which was meant for training of jet crafts could not be used for that purpose soon after its completion and the training programme had to be abandoned.

27.31 Another factor that is noticed is that the accounts of the Bharat Sevak Samaj do not show the receipt of the full amounts stated to have been paid by the contractee Departments of the Government. The differences which have been noticed are as follows:

Name of Unit	Payment made as per final or upto date bills of the contractees	Payments received for work done as per the accounts of the Bharat Sevak Samaj	Difference
(1)	(2)	(3)	(4)
1. Gorakhpur	1,71,78,967.29	1,66,89,749.27	4,89,218.02
2. Bidar ..	22,06,308.08	21,65,929.85	40,373.23
3. Agra ..	30,51,098.46	26,57,317.74	3,93,780.72
4. Purnea	1,51,45,756.28	1,51,13,156.00	32,600.28
5. Delhi Works ..	3,16,16,071.22	2,94,45,618.56	21,70,452.66
6. Yamuna Barrage	2,16,31,452.00	2,07,42,285.00	8,89,167.00
			40,15,591.91

27.32 The Bharat Sevak Samaj did not maintain proper accounts showing the receipts in respect of different works and,

therefore, it has not been possible to verify as to which of the running payments were actually not accounted for. Particularly in respect of Delhi Works no break-up of the receipts for individual works are available in any of the records produced by the Bharat Sevak Samaj and, therefore, it is impossible to identify the causes for these differences. The Samaj has also produced their accounts of the Gorakhpur, Bidar, Purnea Units only upto 31-3-1967 and in respect of their Agra, Varanasi, Delhi Works and Yamuna Barrage units up to 31-3-1968. In the absence of complete and up-to-date accounts it has not been possible to verify as to what amounts were accounted for by them up-to-date in respect of their different units. On the basis of available information it appears that total amounts of receipts amounting to Rs. 40,15,591.91 have not been shown in the accounts.

27.33 To sum up:

- (i) There were eight Units of the Central Construction Service and they took up 101 works of the tendered value of Rs. 11,14,11,089.00.
- (ii) Even though the works of these Central Construction Units started in 1955 the Samaj has produced the audited accounts of these units only from 1961-62. For four of these Units accounts have been produced upto 1966-67 and for four other up to 1967-68. the accounts produced show the payments received for the work done to be Rs. 9,70,05,517.09 with a net loss of Rs. 74,212.16. These losses are in spite of all the concessions given by the Government.
- (iii) The Bharat Sevak Samaj has produced the consolidated accounts of its Construction Service only for four years, i.e. for the years ending July 31, 1963, July 31, 1964, March 31, 1965, and March 31, 1966. In the accounts of the Delhi Unit profits amounting to Rs. 23,03,086.28 of Gorakhpur and Bidar units were shown as the profits of the Delhi Unit but the accounts of the Gorakhpur and Bidar Units also continued to show these profits as theirs. The accounts are not properly consolidated nor do they reveal correct state of affairs.

- (iv) Upto March, 1968 in Delhi Unit there were losses to the extent of Rs. 62,82,197.41 in respect of contracts of the value of Rs. 2,94,45,618.56. These losses were in spite of the fact that the Samaj had a vast supervisory machinery at Delhi.
- (v) The Samaj made sizeable profits in some of the contracts, they had taken up for the extension of military aerodromes immediately after the 1962 Chinese aggression. In respect of one aerodrome at Kusmi alone the profits amounted to Rs. 37,21,825.82 on contracts of the value of Rs. 1,71,78,967.29 and in Bidar aerodrome the Samaj made profits of Rs. 7,31,771.26 in works of the value of Rs. 22,06,303.08. Thus it appears that the Samaj made profits out of emergency works but all those profits earned in the emergency aerodrome works were lost in the Delhi works where there were losses amounting to Rs. 62,82,197.41.
- (vi) In the aerodrome works taken up after the 1962 Chinese Aggression there were delays in execution of the contracts, in some cases the time taken was about 300% more than the time allowed and all these emergency works were allotted on the basis of emergency tenders and time was the essence of the contracts. But no penal action was taken against the Samaj for this delay.
- (vii) The Commission had asked the Government Departments which had entrusted contracts to the Samaj to furnish a list of final or upto-date payments made by them. Comparing the information supplied by them with the amounts shown in the accounts, produced by the Samaj, it appears that Rs. 40,15,591.91 has not been accounted for in the accounts so far produced by the Bharat Sevak Samaj. The Samaj has not produced accounts for the entire period. How much of this was due to the non-maintenance of proper accounts is not possible to say.
- (viii) The Bharat Sevak Samaj prepared their consolidated accounts for the first time for the year ending July 31, 1963 and prior to that only the accounts of different works were prepared. In the consolidated accounts for the year ending 31st July, 1963 an amount of Rs. 2,52,966.77 has been shown as the expenses of the Central Office but no details of the same are available in the accounts and no books of accounts showing the details of this expenditure have been produced.
- (ix) A sum of Rs. 1,61,581.10 has been shown in the Profit and Loss account for the year ending 31st July, 1963 as the expenses met from out of the Central Development Fund and this includes the expenses of the previous years but in the accounts of the Central Development Fund no receipts for this amount are shown.
- (x) In the balance-sheet as on 31st July, 1963 a sum of Rs. 3,11,620.74 has been shown as profit of the previous years but no details are given in the accounts. The Samaj when asked to furnish the details have submitted details which show the receipt of Rs. 3,59,724.82; but the accounts of these amounts have not been produced. Further, if the profits were Rs. 3,59,724.82 then the Samaj has not accounted for Rs. 48,104.08. The accounts of six works whose profits were included in the account of Rs. 3,59,724.82 have not been produced before this Commission.
- (xi) Out of the six works mentioned above for which no accounts have been produced four works were taken up jointly by the Delhi Pradesh Bharat Sevak Samaj and the Central Construction Service and the profits were to be shared half and half. The Delhi Pradesh Bharat Sevak Samaj have shown that the profit of these works was shared half and half between the Central Samaj and the Delhi Pradesh Samaj. But according to the Central the work profit has been shown in their account and no sharing of profits. As no accounts of the individual

works nor the books of account relating thereto have been produced verification is not possible but both the accounts cannot be correct.

- (xii) The Commission finds some further anomalies in the consolidated accounts. Amounts totalling Rs. 2,67,971.00 received from the Pradesh Units have been shown both in the accounts of the Construction Service and in the accounts of the Central Development Fund which was separately maintained account. It has not been explained how the same sum of money can come in two separate accounts.
- (xiii) Further in the Balance-sheet of the Central Construction Service as on 31st July, 1963 an amount of Rs. 1,47,397.54 is shown as the balance of the amount with the Central Development Fund. But this amount is not verifiable from the accounts of the Central Development Fund.
- (xiv) The Samaj showed an amount of Rs. 30,38,138.31 as the balance of the Central inter-unit account. But this head of account is meant for transactions between the different units of the Central Construction Service. Normally there should not have been any balance under this head as the transactions due to the units at the end of the year will cancel each other when the accounts of all the units are consolidated. This is a serious lacuna in the accounts and the reasons for this large balance was not explained by the Bharat Sevak Samaj.
- (xv) Even though the Central Construction Service had a net loss at the

end of 1967-68, in the different years the Samaj had shown donations and contributions to the different sections and units of the Bharat Sevak Samaj and to its sister-institutions totalling Rs. 13,96,098.29. These contributions were not made after working out the profits of the Central Construction Service but were charged in the accounts as expenses of the different units. The accounts of any of the units to which the contributions were made have not been produced before this Commission and therefore it has not been possible to verify how they were used. As the Samaj did not have profits at the time of making of these contributions they must have been made from out of the loans and advances from the various Departments of the Government.

- (xvi) The amounts totalling Rs. 10,08,223.01 from out of the advances given by the different construction units to the piece-workers, suppliers and the officials of the Bharat Sevak Samaj were written off. The details regarding the names of the persons from whom these amounts were due are not available. The Balance-sheets upto 31st March, 1968 show that amounts totalling Rs. 5,99,855.34 were outstanding as on 31st March, 1968 from out of the advances against the suppliers, piece-workers, officials of the Bharat Sevak Samaj etc. As the details of these advances showing the names, the purpose for which advances were given and since when the advances were outstanding are not given, it has not been possible to verify how far these advances were recoverable and how much were bad-debts.

TABLE 27-A

(Referred to in para 27.23)

*Works taken up by the different Units of the Central Construction Service*

Name of the Unit	Period of working	Number of works taken up	Tendered value of the works	Payments made as per Final or upto date bills of the contract	Payments received for work done as per accounts up to 31-3-1968	Net profit or loss upto 31-3-1968 as per accounts	Period for which accounts have been produced	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			Rs.	Rs.	Rs.	Rs.		
1. Gorakhpur	1962-63 to 1963-64	2	1,70,93,764	1,71,78,967.29	1,66,89,749.27	37,21,825.82	30-11-62 to 31-3-67	
2. Bidar	1963-64	1	21,22,708	22,06,303.08	21,65,929.85	7,31,771.26	1963 to 1966-67	
3. Agra ..	1966-67	1	48,64,702	30,51,098.46	26,57,317.74	1,186.06	1966-67 to 1967-68	
4. Purnea	1963-64 to 1966-67	2	1,66,73,883	1,51,45,756.28	1,51,13,156.00	5,09,418.97	1963-66 to 1966-67	
5. Varanasi	1961-62 to 1967-68	9	81,55,549	..	78,55,712.83	7,37,152.98	1963-64 to 1967-68	
6. Delhi Works	1959-60 to 1968-69	85	4,26,26,528	3,16,16,071.22	2,94,45,618.56	62,82,197.41* Loss	1961-62 to 1967-68	*Although the Loss on Delhi Works upto the period ending 31-3-1966 has been shown as Rs. 39,79,111.13 in the Balance Sheet of the Delhi Works the actual loss would come to Rs. 62,82,197.41 as the profit of Gorakhpur and Bidar Works amounting to Rs. 23,03,086.28 were treated as profits of Delhi Works.
7. Yamuna Barrage	1963-64 to 1966-67	1	1,98,73,955.00	2,16,31,452.00 (including award)	2,07,42,285.00	18,81,735.34	1963-64 to 1967-68	
8. Satbari and Hastal Kilns (Brick Manufacture)	..	..	..	..	23,35,747.84	Profits upto 1965-66 merged in Delhi Works 99,200.78 Profit for 3/67	1963-64 to 1966-67	
		101	11,14,11,089		9,70,05,517.09	Net Loss 74,212.16		