



## CONTENTS

	PAGES
Composition of the Public Accounts Committee, 1953-54 . . . . .	iii
<b>PART I</b>	
<b>Chapter I—</b>	
Introduction . . . . .	I
<b>Chapter II—</b>	
Railway Accounts . . . . .	2—16
<b>Chapter III—</b>	
Posts and Telegraphs Accounts . . . . .	17—28
<b>Chapter IV—</b>	
Proceedings of the Public Accounts Committee—	
*Seventeenth Meeting.—P. & T. Accounts . . . . .	31—35
Eighteenth Meeting.—P. & T. Accounts . . . . .	36—41
Nineteenth Meeting.—Railway Accounts . . . . .	42—45
Twentieth Meeting.—Railway Accounts . . . . .	46—50
Twenty-first Meeting.—Railway Accounts . . . . .	51—55
Twenty-second Meeting.—P. & T. Accounts . . . . .	56—58
Twenty-third Meeting.—P. & T. Accounts . . . . .	59—61
Twenty-fourth Meeting.—Railway Accounts . . . . .	62—63
Twenty-fifth Meeting.—Railway Accounts . . . . .	64—65
Twenty-sixth Meeting.—Railway Accounts . . . . .	66—67
Twenty-seventh Meeting.—Railway Accounts . . . . .	68—72
**Twenty-ninth Meeting.—P. & T. Accounts (Indian Telephone Industries, Ltd., Bangalore). . . . .	73—75
Thirtieth Meeting.—P. & T. Accounts (Telephone Exchange Automatisation Project, Calcutta) . . . . .	76—78
Thirty-first Meeting.—P. & T. Accounts (Telephone Exchange Automatisation Project, Calcutta). . . . .	79—81
†Thirty-eighth Meeting.—Consideration of the Draft Report on the Railways and P. & T. Accounts . . . . .	82
Thirty-ninth Meeting.—Consideration of the Draft Report on the Railways and P. & T. Accounts . . . . .	83
<b>PART II</b>	
Proceedings of the Meetings of the sub-Committee appointed by the Public Accounts Committee to consider the notes and memoranda etc. furnished by the Ministries on the points arising out of the Appropriation Accounts (Railways) and (posts and Telegraphs) and Audit Reports thereon—	
First Meeting.—Railway Accounts . . . . .	87—93
Second Meeting.—Railway Accounts . . . . .	94—99
Third Meeting.—Railway Accounts . . . . .	100—102
Fourth Meeting.—P. & T. Accounts . . . . .	103—104
*Proceedings of the earlier Meetings relate to the consideration of the Defence Accounts, 1949-50 and 1950-51 etc. ( <i>Ninth Report</i> ).	
**Proceedings of the Twenty-eighth Meeting relate to the consideration of the Champhekar Committee Report on the Mahanadi Bridge ( <i>Eleventh Report</i> ).	
†Proceedings of the Thirty-second to Thirty-sixth Meetings relate to the Eleventh Report and those of the Thirty-seventh Meeting relate to the Twelfth Report of the P.A.C.	

**\*\*Appendix**

Summary of the main recommendations of the Tenth Report of the Public 105—112  
Accounts Committee . . . . .

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**\*\*The Appendices referred to in the Report are being printed separately in the form of Volume II of this Report.**

**Composition of the Public Accounts Committee, 1953-54.**

Shri B. Das—*Chairman.*

*Members*

2. Shri Ranbir Singh Chaudhuri
3. Shri Hari Vinayak Pataskar
4. Dr. Mono Mohon Das \*
5. Shri Tribhuan Narayan Singh
6. Shri M. L. Dwivedi
7. Pandit Munishwar Dutt Upadhyay
8. Prof. Shriman Narayan Agarwal
9. Shri Shree Narayan Das
10. Shri B. Ramachandra Reddi
11. Shri Uma Charan Patnaik
12. Pandit Krishna Chandra Sharma
13. Shri K. M. Vallatharas
14. Shri V. P. Nayar
15. Shri G. D. Somani

SECRETARIAT

Shri M. N. Kaul—*Secretary.*

Shri S. L. Shakhder—*Joint Secretary.*

Shri V. Subramanian—*Deputy Secretary.*

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\*Resigned on the 24th December, 1953.



## INTRODUCTION

**I**, the Chairman of the Public Accounts Committee, having been authorised by the Committee to present the Report on their behalf, present this Tenth Report on the Appropriation Accounts (Railways) and (Posts & Telegraphs) of 1950-51 and Audit Reports thereon.

2. The Railway Audit Report, 1952, Part I was laid on the Table of the House on the 18th December, 1952. The Railway Audit Report, 1952, Part II together with the Appropriation Accounts of the Railways in India for 1950-51 and other allied documents was laid on the Table on the 17th September, 1953. The Appropriation Accounts (Posts and Telegraphs), 1950-51 and the Audit Report, 1952 were laid on the Table on the 14th September, 1953.

As in last year, the Committee appointed a sub-Committee to consider the various notes/memoranda etc. on the points arising from the above Accounts and Audit Reports thereon as also on the previous Reports of the Public Accounts Committee furnished by the Ministries of Railways, Communications, Finance (Communications), Works, Housing and Supply and the Directorate-General, Posts and Telegraphs etc. The proceedings of the First, Second, Third and Fourth meetings of the sub-Committee containing a brief record of their deliberations are appended to this Report.

3. A brief record of the proceedings of each meeting of the Committee has been maintained and forms part of the Report. A statement showing the summary of principal recommendations of the Committee is also appended to the Report.

4. The Committee visited the Indian Telephone Industries Ltd., Bangalore, Calcutta Telephone Exchange Automatisation Project and the Chittaranjan Locomotive Works during January, 1954 for an on-the-spot study of the working of the two great national undertakings and the project involving about 14 crores of Rupees. The Committee were impressed with the working of these two undertakings, especially the Chittaranjan Locomotive Works which had succeeded in producing 100 locomotives by about the revised target date.

The Committee suggest that the production capacity of the Chittaranjan Locomotive Works should be utilised to the maximum possible extent. With this end in view, they desire that the Railway Board should explore the possibility of undertaking other ancillary industries in these workshops in the second shift and, if necessary, even augment the existing plant and machinery in the greater national interest.

5. The Committee place on record their appreciation of the assistance rendered to them in their examination of the Accounts by the Comptroller and Auditor-General of India and his Officers.

## II RAILWAYS

6. *Financial Results of the Year.*—The following table compares the original and the revised estimates with the actual expenditure of the year 1950-51:

(In lakhs of rupees)

	Budget Estimates.	Revised Estimates.	Actuals
Traffic Receipts (less refunds) . . . . .	2,32,50	2,63,40	2,63,01
Miscellaneous Receipts . . . . .	32	29	29
Working Expenses (including depreciation and pay- ments to worked lines) . . . . .	1,81,92	2,10,55	2,10,48
Miscellaneous Expenditure (including rebate paid to worked lines) . . . . .	5,04	6,33	5,26
Dividend to General Revenues . . . . .	31,85	32,57	32,51
Surplus . . . . .	14,01	14,24	15,05

The Accounts for the year 1950-51 are the first Accounts of the Indian Railways under the provisions of the Constitution of India. These are marked by two important developments in the Railway Administration and Finance. First, the incorporation of the large number of Indian States in the Union and the further integration with the Union of the Federal functions of these States, with effect from 1st April, 1950, resulting in the accretion of a route mileage of 7,560 to the Indian Railways. Secondly, a Committee was set up in 1949 by the late Constituent Assembly (Legislative) to review and redefine the subsisting relations between the Railway and the General Finance, as the formula enacted by the 1924 Separation Convention was found rather complicated and difficult to carry out in practice. The recommendations of the Committee, which were accepted by the Government and approved by the Constituent Assembly in the form of a Resolution passed on the 21st December, 1949, *inter alia*, provided that the General Revenues would, with effect from the year 1950-51, have the status of sole shareholder in the Railway undertaking and receive a fixed dividend of 4 per cent. on the loan capital invested in the undertaking as computed annually, instead of interest charges on the capital-at-charge and *ad hoc* contribution in accordance with the Central Assembly Resolution dated the 2nd March, 1943. The revised convention was to remain effective for five years from 1950-51.

7. During the year under review, the gross traffic receipts of the Indian Railways, including *ex-States* Railways, amounted to Rs. 263.01 crores against the budget estimate of Rs. 232.50 crores, an increase of Rs. 30.51 crores. Out of the surplus of Rs. 15.05 crores (arrived at after crediting Rs. 30 crores to the Depreciation Reserve Fund), a sum of Rs. 10 crores was allocated to the Development

Fund, and the balance of Rs. 5.05 crores was credited to the Revenue Reserve Fund.

8. *Operating ratio.*—The operating ratio for the year 1950-51 was 81.01 per cent.

9. *Capital-at-Charge of Railways.*—The capital-at-charge of Railways increased by Rs. 25.41 crores during the year under review, and this together with the amount of Rs. 65.48 crores in respect of the capital-at-charge of the *ex-Indian States Railways* raised the total capital-at-charge of Indian Railways to Rs. 8,27.03 crores.

10. *Reserve Funds.*—In terms of the revised Convention for the separation of Railway from General Finance, referred to in para. 6 *supra*, the following funds were constituted:

(a) *Railway Development Fund.*—This Fund was constituted for the following purposes:—

- (i) passenger amenities;
- (ii) labour welfare; and
- (iii) financing projects which are necessary but unremunerative at the time of construction.

The balance of the existing 'Betterment Fund' which was also mainly intended for the same purpose was merged with this Fund.

(b) *Railway Revenue Reserve Fund.*—The existing Railway Reserve Fund was renamed as Railway Revenue Reserve Fund and its scope, in future, limited to:—

- (i) ensuring payment of the prescribed dividend; and
- (ii) bridging the budgetary gap.

*Railway Revenue Reserve Fund.*—This fund opened with a balance of Rs. 8.17 crores which included a sum of Rs. 1.35 crores representing the reserve of *ex-State Railways*. During the year under report, besides the accretion of Rs. 5.05 crores from surplus and Rs. 34 lakhs on account of interest, there was a further accretion of Rs. 1.25 lakhs on account of the write-back of the amount which was debited to this fund in excess in the previous years to meet arrears of depreciation in respect of rolling stock replaced after 1942-43. At the end of the year, the balance in the fund stood at Rs. 13.58 crores of which an amount of Rs. 15.6 lakhs was invested in shares of branch lines and Rs. 10.1 lakhs in loans to branch line companies.

*Depreciation Reserve Fund.*—The contribution to this fund during the year under review amounted to Rs. 30 crores *vide* para. 7 above. The withdrawal from the fund amounted to Rs. 26.62 crores. The net accretion to the fund during the year thus amounted to Rs. 3.38 crores. The closing balance on the 31st March, 1951 stood at Rs. 123.6 crores and included Rs. 3.59 crores on account of interest on the balance credited to the fund.

*Development Fund.*—The balance at the credit of this fund on the 1st April, 1950 was Rs. 14.27 crores and included a sum of Rs. 46.8 lakhs pertaining to the *ex-States Railways*. A sum of Rs. 10 crores was appropriated from the surplus of the year to the fund during the year.

The withdrawals from the fund amounted to Rs. 5.35 crores. This resulted in a net accretion of Rs. 4.65 crores to the fund. Besides, an amount of Rs. 52 lakhs representing interest was also credited to the fund. The closing balance in the fund thus stood at Rs. 19.44 crores.

11. *Excess over voted grants.*—In the year under report, there were four cases of excesses over voted grants, as against 5 in the previous year. These excesses are shown below:—

Serial No.	Grant	Final Grant	Actual Expenditure.	Excess
		Rs.	Rs.	Rs.
1.	8—Revenue—Working Expenses— Operation other than Staff and Fuel . . . . .	12,71,03,000	13,35,39,952	64,36,952
2.	9—Revenue—Working Expenses— Miscellaneous Expenses . . . . .	16,62,18,000	17,08,78,982	46,60,982
3.	14—Appropriation to Revenue Re- serve Fund . . . . .	4,24,21,000	5,05,30,701	81,09,701
4.	16—Open Line Works—Additions	17,15,96,000	19,52,95,864	2,36,99,864

The reasons for the excess in each case have been explained in detail under the sub-head of the Grant concerned in the Appropriation Accounts of Railways in India—Part II, 1950-51.

*Excess over charged appropriation.*—There was an excess of Rs. 227 under charged appropriation No. 3—Revenue—Miscellaneous Expenditure.

The Committee recommend that these excesses be regularised by Parliament in the manner prescribed in Article 115 of the Constitution. They would, however, draw attention to Article 114(3) of the Constitution whereby no money shall be withdrawn from the Consolidated Fund of India except under appropriations made by law passed in accordance with the provisions of this Article. Such excesses are, therefore, unauthorised and steps should be taken in future years to keep the expenditure well within the provision and to obtain funds in time so as to avoid such excesses.

12. *Accuracy of budgeting and control over expenditure.*—The Accounts of the year under report show a net saving (over the total grant) of about Rs. 44 lakhs or 0.17 per cent. under Revenue Expenditure. Under Capital, Depreciation Reserve Fund and Development Fund, there was a saving of about Rs. 3.96 lakhs or 6.46 per cent.

These compare with the results achieved in the preceding year as under:—

(In lakhs of rupees)

Year	Total grant and appropriation	Saving(—) or Excess(+)	Percentage of column 3 to 2
I	2	3	4
<i>Expenditure charged to Revenue</i>			
1949-50	2,32,88	+ 35	0·15
1950-51	2,63,74	—44	0·17
<i>Expenditure charged to Capital, Depreciation Reserve Fund and Development Fund.</i>			
1949-50	62,50	—16,42	26·27
1950-51	61,33	—3,96	6·46

13. *Budgeting and Control over expenditure.*—Paras. 6 to 12 of the Audit Report, Railways, Part II, 1952 afford a number of instances of incorrect or unnecessary provision or omission to make provision, non-surrender of funds etc. by the various Railway Administrations.

Para. 12 of the Audit Report discloses a large number of cases of avoidable lapse of funds at the end of the year due to lack of co-ordination amongst the various Departments of the Railway, and between different Railways. The Financial Commissioner, Railways, admitted before the Committee that the errors in budgeting were due to lack of co-ordination not only between the various Departments of the Railway Administration but between two different Accounts Officers on the same Railway. He also felt that the Accounts Department on the Railways needed to be further strengthened.

The Public Accounts Committees of recent years have found occasions to comment on the financial administration of the Railways. They observe that although the Audit and Accounts were separated long ago, there is not the necessary co-ordination between the Railway Administrations and the Accounts Offices in the formulation of estimates etc. They also feel that the Railway Accounts Offices should be further strengthened and re-organised if necessary.

The Committee, therefore, desire that the Railway Board should once again draw the attention of the Railway Administrations to the recommendations made by them in Para. 7 of their Fifth Report and should also themselves exercise a rigid overall control at the time of consolidating the Budget Estimates submitted by the Railways. They feel that the overall budgetary standard and control over expenditure on the Railways need improvement and should, therefore, like to know the measures evolved by the Railway Board to set matters right in this direction.

14. *Suspense Balances.*—From the statement of important misclassifications and other important mistakes detected as contained in Annexure J of the Appropriation Accounts, Part II (page 342), the Committee note that on the B. N. Railway, an expenditure amounting to Rs. 4.39 lakhs was adjusted under 'Suspense' instead of the relevant Grant thereby avoiding the Parliamentary control.

In this connection, the Committee would draw the attention of the Railway Board to the recommendation made by them in Para. 16 of their Second Report wherein they emphasised that 'Suspense Heads' should not be treated as a 'cloak' to cover transactions which have not been properly budgeted for. The Committee reaffirm the views which have been expressed by them on a number of occasions in the past that it is highly undesirable that large sums should be lying under 'Suspense' and not charged to the proper heads of accounts. They observe that such a procedure, if followed indiscriminately, will vitiate Parliamentary financial control which the Committee desire should be zealously safeguarded by the spending Departments.

15. *Appropriation to Depreciation Reserve Fund.*—The Committee note from Para. 14 of the Railway Audit Report, 1952, Part II that in the Revised Estimates for the year under report, a departure was made from para. 9 of the Convention Resolution of 1949, briefly referred to in para. 6 *supra* and a contribution of Rs. 30 crores was provided for credit to the Depreciation Reserve Fund and the whole of it charged to the Working Expenses. It may be mentioned in this connection that according to this Resolution, a minimum contribution of Rs. 15 crores per annum is required to be credited to the Railway Depreciation Reserve Fund by debit to the Working Expenses of the Railways, and any amount contributed in excess of the minimum contribution is required to be met from the Railway Surplus. In the years 1951-52, 1952-53 and 1953-54 also, a similar departure is reported to have been made and contribution of Rs. 30 crores provided for credit to the Depreciation Reserve Fund by charging the same in full to Working Expenses.

The representative of the Railway Board pleaded that judged in the background of the National Plan and the expenditure to be incurred on rehabilitation of rolling stock and the drawal from the accumulated balances of the Depreciation Reserve Fund since 1950-51, this appropriation was quite justified; and it was also voted by Parliament.

The Committee observe that the contribution of Rs. 30 crores instead of Rs. 15 crores to the Depreciation Reserve Fund as provided in the 1949 Convention has a far-reaching effect on the level and structure of freight and rates which again has a very important bearing upon the general economy of the country. In their opinion these problems are closely related to the fundamental principles of public finance; the Railway Administration should have functioned simply and purely as a public utility concern on commercial lines. While the Committee recognise that a Depreciation Fund should be maintained, they observe that the amount to be contributed to this Fund should bear some relation to the capital at charge; the rate at which expenditure would be incurred; the amount of arrears of replacement of assets to be overtaken and the rate of depreciation to be charged in future.

At the meeting of the Committee held on the 12th November, 1953, it was agreed that the Financial Commissioner of Railways should discuss the working of the Railway Convention, 1949 with the Comptroller and Auditor-General of India. Since a Parliamentary Committee on separation of Railway Finance from General Finance has already been appointed to review the existing Convention, the Committee hope that this matter will receive due consideration.

16. *Non-recovery of cost of Bridge staff from toll contractors on the O. & T. Railway—Para. 2 of Railway Audit Report, 1952—Part I.*—This case reveals a loss of Rs. 27,040 on account of non-recovery of the cost of bridge staff from toll contractors. The Committee were informed that the following disciplinary action had been taken against the delinquent officials responsible for the loss:

- (i) stoppage of increments for one year in the case of two Head Clerks and for three months in the case of the third Head Clerk;
- (ii) censuring of the Assistant Engineer; and
- (iii) conveying to the District Engineer-in-charge of the District the General Manager's displeasure.

As desired by the Committee, the Financial Commissioner, Railways, agreed to look into this matter further and to submit a report to them in due course.

17. *Avoidable expenditure on the purchase of certain equipment for experimental purposes—Para. 3 of Railway Audit Report, 1952—Part I.*—In December, 1948, the Railway Board decided to obtain eight Locopulseur Pulso, a propeller consisting of a single cylinder petrol engine for casual and intermittent shunting work, for trial purposes in the yards of certain Railways and authorised four Railway Administrations to place orders for two such equipments each on a certain firm through the Director-General, Industries and Supplies. The decision to purchase this equipment at an approximate cost of Rs. 56,800 was taken by the Railway Board without financial concurrence. The Committee understand that it was due to an omission on the part of the Engineering Directorate in the Board's Office to show the relevant file to the Finance Directorate. When the case came to the notice of the Finance Branch of the Railway Board in October, 1951, they did not approve of the action of the Board in the purchase of such a large number of Locopulseur Pulso at one time for experimental purposes when experiment could have been carried on with a lesser number of such equipment. The expenditure thus continued to be under objection. In the evidence given before the Committee, the Chairman, Railway Board stated that it was usual that when they experimented with anything new, they extended the trial to more than one set of equipment because working conditions varied in different Railway yards in the country. The Financial Commissioner stated that it was an error of judgment that the number purchased was more.

The Committee learn from the Financial Commissioner, Railways, that the Officer who took the decision in this case was no longer in service and had gone back to his country, and thus no recovery of the unauthorised expenditure incurred in the case was possible.

The Committee regard the explanations offered by the Railway Board as unsatisfactory and express their displeasure over the manner in which the Board handled this case. They hope that a closer co-ordination shall subsist in future between the different Directorates in the Railway Board's Office in handling such cases and that such instances involving irregular spending of public money shall not be repeated in future.

18. *Loss in the working of the Catering Departments on the B.N. and S.I. Railways—Para. 6 of the Railway Audit Report—Part I.*—The Committee view with much concern the continued loss in the working of the Catering Departments on the Railways as shown in Para. 6 of the Audit Report, 1952—Part I. During 1950-51, the loss amounted to Rs. 2 lakhs.

From a statement showing the earnings, expenditure and loss incurred on Departmental Catering for the three years ending 1952-53 on the Eastern and Southern Railways, where Departmental Catering is undertaken, furnished to the Committee (Appendix XXVI), they note that there has been a steep rise in the amount of loss and in 1952-53 the percentage of the loss incurred in proportion to total expenditure went up to 19.9 per cent. during the previous year and 12.2 per cent. during the year under report. .

In view, however, of the assurance given to them by the representatives of the Railway Board that they were doing their best to minimise the losses and were watching the progress continuously, the Committee do not desire to make any further comments at this stage and they look forward for a better picture of the working of the Catering Departments.

19. *Irregular expenditure on the Cadet Division of the St. John Ambulance Brigade (Overseas) on the G.I.P. Railway.*—The Committee have considered the comments made in Para. 9 of the Audit Report, 1952, Part I as also the notes furnished to them by the Railway Board (Appendices XXVIII and XXIX) on the following points that emerged from the discussion which they had at their earlier meeting :

- (i) What action is proposed to be taken against the Officer who sanctioned the formation of the Cadet Division without the approval of the Railway Board and delayed a report to the latter for two years?
- (ii) What action has been taken or is proposed to be taken against the Officials in the Railway Board's Office responsible for the delay of 22 months caused in the disposal of this case?

The Committee would observe that payments should not have been continued when the Financial Adviser and the Chief Accounts Officer had pointed out that the payments were not covered by the existing orders. No justification has been given by the Board for not taking disciplinary action against the Officers responsible in the Board's Office, for the delay of 22 months caused in the disposal of this case, and against the Officer who started the Cadet Division on the late G.I.P. Railway without proper justification. The Committee learnt that the Officer who ordered the formation of the Cadet Division had since retired from service and no action against him was possible. They, however, desire that action should be taken



against the persons responsible for the delay caused in the disposal of this case in the Railway Board's Office.

20. *\*Assam Rail Link Project—Irregular payment of Compensatory Allowance—Para. 10 of the Audit Report, Railways, 1952, Part I.*—The Committee express their dissatisfaction over the manner in which the Engineer-in-Chief, Assam Rail Link Project handled this case. In their opinion, he should have referred the matter to the Railway Board when Audit raised the objection to the payment of the Compensatory Allowance to the staff which was not specifically covered by the existing orders issued by the Board and a warning given to the staff that the payments made to them were provisional and subject to recovery being made if not held regular. Even in 1950, the reference to the Railway Board had to be made by Audit and not by the Administration. The Committee note that the Administration failed to follow the provisions of para. 806 of the Indian Government Railway Code for the Accounts Department, Part I which clearly lays down that if Audit objects to any payments of a recurring nature and it is considered necessary to continue them pending settlement of the objection, they may be made provisionally and subject to recovery, the payee receiving the payments being so informed. The Committee desire that such breaches of the codal rules both by the Executive and Accounts Offices should be severely dealt with by the Railway Board.

21. *Leakage of revenue at a station on the East Indian Railway—Para. 12 of the Audit Report, 1952, Part I\*\*.*—The Committee point out that the Railway Administration failed to take any action to prevent the continuance of the irregularities revealed in the periodical inspection of the Accounts of a station. On the contrary, these were allowed to continue for about 5 months which afforded a suitable opportunity to the goods clerk and the tally clerk to circumvent the rules and reap full benefit from the laxity on the part of the Administration to put right the things.

The Committee further view with much disfavour the prolonged delay of nearly 2½ years that took place in this case in completing the departmental proceedings against the staff concerned. They wonder why it was not possible to complete the formalities within a few months instead of prolonging for 2½ years. No plausible explanation has been put forth by the Railway Board to justify such an abnormal delay that occurred in this case. The Committee should like to impress upon the Railway Board that such delays have a demoralizing effect on other staff. The Committee understand that the Railway Board have since issued instructions to the Railway Administration that such inordinate delays in the disposal of disciplinary cases should be avoided.

The Committee note that no action has been taken against the Station Master or other supervisory staff concerned in this case. They desire that the Railway Board should examine this aspect of the matter and report to them in due course.

22. *Writing off of demurrage and wharfage charges.*—The Committee view with deep concern that despite the measures taken by the Railway Board at their instance to tighten up the indiscriminate

\* See also Appendix XXX.

\*\* See also Appendix XXXI.

waiver of demurrage charges (Appendix XIX), the total demurrage and wharfage charges waived during the year under report amounts to Rs. 1.19 crores which is about 43.5 per cent. of the total demurrage and wharfage charges. The position in this respect, the Committee further note, is progressively deteriorating since 1945-46 and at present the amount waived works out to the order of 42 per cent. They, therefore, suggest that it is high time that the Railway Board investigated into the causes of this high percentage and took necessary steps to reduce it. They recommend that a para. on the subject should be included yearly in the Railway Board's Review on the Annual Appropriation Accounts indicating the results achieved.

23. *Fixation of pay of a Military pensioner on re-employment.*—The Committee have considered the comments contained in Para. 19 of the Audit Report, Part II, 1952, as also the note furnished to them by the Railway Board (Appendix XXXIV) stating *inter alia* the mitigating circumstances and the legal complications that led to the decision to waive the overpayment of Military Pension amounting to Rs. 33,894, which was due for recovery. The Committee observe that this is another case in which the provisions of codal rules regarding the making of provisional payments were not followed by the Railway Administration.

24. *Fraud in the E.I. Railway Accounts Office—Para. 26 of Audit Report, 1952, Part II.*—This case discloses a loss of Rs. 58,440 which is stated to have been written off by competent authority. The fraud was committed by certain staff of the Stores Accounts Branch in collusion with the staff of the Record Section, by changing the entries in the purchase orders, which had already been checked, or by replacing the genuine purchase orders by faked ones and submitting bogus bills supported by faked notes or with forged signatures of consignees and thereafter removing, or tampering with, the relevant record.

At the instance of the Committee, the Railway Board asked the Railway Administration to review the adequacy of the action taken against the officials responsible (Appendix XXXVIII). The Railway Board have contended that as the relevant bills and purchase orders which led to the fraudulent payment were missing, it was not possible to determine whether the bill passing Officer could be held responsible for the non-detection of the fraud. Further, in view of the clever forgeries of the signatures of the consignees on the receipt notes and alterations in the purchase orders, it was hardly possible for the bill passing Officer to decipher the manipulations under the system of check that was prevalent at the time. The Committee do not feel satisfied with the explanations offered by the Railway Board and are of the opinion that the punishment awarded to the subordinate staff has also been lenient.

25. *Refusal to accord ex-post-facto sanction—Loss due to accord ex-post-facto sanction—Para. 31 (B) of Audit Report (Railways), 1952 (Part II).*—In view, however, of the assurance given by the Financial Commissioner, Railways that they were satisfied with the punishment awarded to the staff in the Accounts Office for making irregular payments and were now prepared to regularise them by according necessary sanction, the Committee do not want to pursue the matter any further.

26. *Writing off debits against stations on the Bengal Nagpur Railway—Para. 22 of the Audit Report, 1952—Part II.*—On the Bengal Nagpur Railway, certain debits raised by the Accounts Office from August, 1947 to December, 1948 (i.e. for 17 months) against several stations of the Railway were objected to by the station concerned, but the Accounts Office neither withdrew these debits nor enforced recovery of the amounts. The debits, therefore, remained outstanding. The connected records relating to these debits were destroyed when the objections had not been settled and it was, therefore, decided in April, 1951 to write off outstanding debits totalling Rs. 1,24,507 relating to the above period.

The Committee observe that it is a very dangerous practice to destroy any documents which are the subject matter of correspondence and on which objection has been raised and which remains unsettled.

While the Committee understand from the Director of Railway Audit that he is satisfied with the instruction issued by the Railway Board that in future no records would be destroyed without consulting the section in the Accounts Office which holds the various objections, they note that no disciplinary action has been taken against the staff responsible for destroying the records in question. They desire that the Railway Board should examine this matter and award suitable punishment to the delinquents.

27. *Agreement with TELCO for the manufacture of Locomotives.*—In Para. 17 of their Fifth Report, the Public Accounts Committee *inter alia* recommended that Government should come to an early decision on the advisability of their taking over from TELCO the manufacture of boilers and locomotives and running it as a State-owned Industry.

As desired by the Committee at their meeting held on the 14th November, 1953, the Railway Board furnished a note stating the up-to-date position regarding the execution of the agreement by the TELCO with special reference to the date from which period 'C' would commence (Appendix XXXIII). The Committee learn from the Financial Commissioner of Railways that the negotiations as to the basis for the distribution of the various overheads and departmental overheads, between Locomotives and Boilers manufactured at TELCO's Works and other (non-railway) works undertaken and executed by TELCO had been completed and they had come to a final understanding with the TELCO. The Accounts were stated to be in the process of being recast on the lines of the revised agreement and the Committee were assured that by the end of June, all the accounts would be finalised.

As regards the date from which period 'C' would commence, it has been stated that the TELCO expected to reach the target of 100 boilers a year by December, 1952, but this expectation did not, however, materialise. Actually the TELCO could manufacture 8 boilers a month in February and March, 1954 and they have now told the Railway Board that period 'C' should, therefore, start from the 1st of February, 1954. The Railway Board, the Committee understand, have decided to send a team of two Officers, one technical and the other, a Finance and Accounts Officer, to visit the factory and

satisfy themselves that this production schedule would be maintained. The Committee look forward to a further report on this subject being furnished to them as promised by the Railway Board's representative.

As regards the State taking over from TELCO the manufacture of boilers and locomotives and running it as a State-owned Industry, the Financial Commissioner, Railways informed the Committee that this point was still under consideration and a decision had yet to be reached.

In regard to the implementation of the suggestion made by the Committee last year for terminating the agreement with the TELCO, they were informed that this matter also was still under consideration of the Government. The Financial Commissioner, Railways, however, promised to submit to the Committee a memorandum on this subject as soon as Government took decisions thereon. The Committee have, therefore, to defer further consideration of this matter. They, however, observe that as this matter has been lingering on for the last 7 years or so, it should be pushed to a very early decision and the payments already made provisionally be finalised.

As for the profit of Rs. 7 lakhs conceded by the Railway Board to the TELCO in the accounts for 1949-50 and 1950-51 although no profit was admissible then, the Committee were informed that this decision had been taken after taking into account all factors including legal opinion and, therefore, the Railway Board did not propose to reopen this question.

28. *Costing of Locomotives manufactured in the Chittaranjan Loco Works vis-a-vis by the TELCO.*—As desired by the Committee in Para. 20 of their Second Report, the Railway Board furnished to them a memorandum outlining the technical and commercial aspects of the method of costing of the manufacture of locomotives by the TELCO as compared with the units manufactured in the Chittaranjan Loco Works (Appendix XXI). The Committee postponed consideration of this Memorandum till they took up examination of the next year's Accounts when they would like to examine the Deputy Financial Adviser and Chief Accounts Officer of the Chittaranjan Loco Works on the various issues involved in this.

29. *Revision of agreement with the Swiss firm 'SCHLIEREN' for the manufacture of all-metal light-weight coaches.*—Pursuant to action taken by the Railway Board on the recommendations made in Para. 13 of the Fifth Report of the Committee, the Board submitted to them a copy of the Supplemental Agreement with SCHLIEREN\* which was concluded by them on the 27th June, 1953 after keeping in view the comments made by the Committee (Appendix XXIII).

The most important change effected is that the responsibility for establishing production of integral type coaches in India, in the shortest possible time, has now been undertaken by SCHLIEREN conjointly with the Government. Whereas under the original Agreement, SCHLIEREN were required to function as Consulting Engineers only and give technical advice to the Government for

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\*Not printed. Copy placed in the Parliament Library. [See classification No. IV. U (181)].

establishing a factory in India to produce light weight integral type coaches, under the Supplemental Agreement SCHLIEREN have also agreed to undertake their full share of technical and executive responsibility for setting up the factory at Perambur and establishing manufacture of this type of coaches in India. The Committee paid a hurried visit to this factory in January last on their return journey from Bangalore and found that the construction work was making satisfactory headway there. This factory is estimated to cost about Rs. 7.47 crores and has been planned to manufacture 350 coaches per year under design given by the SCHLIEREN. This factory will also take over the manufacture of B.G. Coaches from the Hindustan Aircraft Ltd. eventually.

The Committee should like to watch the working of the Supplemental Agreement for one year. They, therefore, do not wish to make any comment at this stage.

30. *Assam Rail Link Project.*—As desired by the Committee in Para. 12 of their Fifth Report, the Railway Board appointed in March, 1953, an Investigating Team to carry on further investigations on the lines indicated therein regarding the reasonableness of rates paid for works on the Assam Rail Link Project. The Railway Board have expressed their agreement with the unanimous conclusions reached by the team while forwarding this \*Report to the Committee (Appendix XV).

The Committee had not the time to sift the mass of material contained in this Report and to pursue this important enquiry further. They have, therefore, to content themselves with a recommendation to the Government that the procedure followed generally for departing from the long established rules regarding the execution of works, contracts, and the preparation of various documents, such as measurement books, etc., and justification for rates paid in the case of negotiated contracts, work orders, etc. leaves much to be desired. An emergency is no justification for such wholesale failure to record contemporarily the reasons and justification for what has been done. The Comptroller and Auditor-General suggested that where an established procedure was not followed in regard to the tenders etc., it was vital that the Department should ensure that there were adequate contemporary records and documents from which correctness of the action of the executive authority could either be established or disapproved; otherwise the risk of malpractices and losses to Government was obvious. There might equally be the risk of Officers getting into difficulties and blame even though there might have been no actual loss or malpractice. The Committee desire that Government should, therefore, take adequate steps to prescribe a comprehensive procedure which should be followed in cases in which a strict adherence to the normal rules may not be wholly practicable.

31. *Economy effected by regrouping of Railways.*—As desired by the Committee in Para. 22 of their Second Report, the Railway

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\*As the Report of the Investigating Team in the A.R.L.P. is a voluminous document, it has not been printed as an Appendix to this Report. A copy of this has been placed in the Parliament Library. [See classification No. IV. U. (182).]

Board furnished to them a Memorandum on this subject (Appendix XVIII). Para. 4 of this Memorandum reads as below:

“Further information is being collected on the subject from the Railways and it is hoped that it would be possible to give a fuller appreciation to Parliament at the time of the presentation of the Railway Budget next year.”

The Committee, however, observe that the details given in the “Review of Working of the Regrouped Railways during 1951-52 and 1952-53” as circulated to Members of Parliament along with the Railway Budget papers are too meagre to help them in arriving at any definite conclusion in the matter. They, therefore, recommend that the Railway Board should furnish a comprehensive Memorandum on the subject at the time the Committee take up consideration of the Railway Accounts relating to the next year.

32. *Separation of Financial and Accounts Functions on the Railways.*—The Committee discussed this question at some length with the representatives of the Railway Board and asked them to furnish a note stating the position of the Financial Adviser and Chief Accounts Officer in the integrated set-up of Finance and Accounts on the Railways with special reference to the writing of the Confidential Reports on the work of the F.A. & C.A.Os. by the General Managers concerned (Appendix XLIII).

During the course of the discussion, the Financial Commissioner, Railways expressed his complete agreement with the Committee that the Railway Accounts Organisation needed to be strengthened further in view of the many irregularities such as budgetary defects, misclassification of expenditure and an alarming rise in the items placed under Suspense etc. disclosed in the Accounts under review.

The Financial Commissioner, Railways also agreed with the Committee that the Financial Adviser and Chief Accounts Officer on a Railway might work with the General Manager but need not be under his control and some reform could be made in this direction.

The Committee, therefore, desire that the Railway Board should discuss this matter with the Comptroller and Auditor-General and submit to them a comprehensive Memorandum at the time they next take up consideration of the Railway Accounts.

33. *Over-capitalisation of Railway Collieries.*—The Committee desire that the Ministry of Production should arrive at a firm decision about the ownership as well as the management of the Railway Collieries as their present wavering policy is likely to affect considerably the economical and efficient management and working of these collieries.

34. *Recoveries of the outstanding debits from the station staff.*—With reference to the recommendation made in Para. 16 of the Fifth Report of the Committee, they learn from the representative of the Railway Board that the question of amendment of the Payment and Wages Act to ensure recoveries of the outstanding debits amounting to several lakhs of rupees being made from the salaries of the station staff has been under consideration of the Ministry of Labour for the last three years and they have been promising to bring forth the amending measure before Parliament but so far they have not implemented their promise. The Committee desire that the Ministry

of Labour should not delay the matter further and introduce the amending Bill in Parliament during their next session as any delay involved is likely to accumulate further the outstanding debits and it will not be possible to effect the recoveries when they become very old.

35. *Abandonment of Locomotive Building Works Project, Kanchrapara.*—In Para. 11 of their Fifth Report, the Committee adversely commented on the mistake on the part of the Railway Administration to have referred to arbitration the two cases reported in Para. 19 of the Railway Audit Report, 1951 in respect of which the contractors had signed 'no claim' certificates.

The Committee considered the Memorandum furnished by the Railway Board stating action taken on the above recommendation (Appendix XIII). They suggested that the question should be further examined as to whether the contingency of Railways having to contest such cases before an arbitrator could not altogether be avoided by a suitable clause in the contract itself. The Railway Board, after consultation with the Ministry of Law, have accordingly submitted to them a further Memorandum (Appendix XLIV). The Committee have considered this Memorandum at some length, especially the implications of the concluding sentence thereof which reads as below:

“If the Committee approves, it is proposed to explore the possibility of putting a clause in the agreement to the effect that once a contractor gives a no claim certificate, he is debarred from invoking the arbitration clause of the agreement.”

The Committee feel that such a clause would not at all be required; nor would its absence force the Government to agree to arbitration. As 'No Claim Certificates' had been obtained in these two cases, there was hardly any justification for referring them to arbitration. The Committee should like to know whether any action has been taken by the Railway Board against the Officers responsible for coming to such a decision.

36. *Disciplinary action against the Officers responsible for the loss of stores etc. on the Locomotive Building Works Project, Kanchrapara.*—In the case referred to in the preceding para., the Committee recommended in Para. 11 of their Fifth Report that as the act of mere conveying displeasure of the Railway Board to the Deputy General Manager through whose negligence the loss of stores had been caused did not constitute an adequate punishment, the Board should re-examine the case.

The Committee have considered the Memorandum furnished by the Railway Board in this case. (Appendix XIV) stating that the expression of displeasure against the Officer concerned was adequate as they agreed with the findings of the High Level Executive Enquiry Committee that the Officer could not be said to have been neglectful of his duties or responsibilities in the matter of reasonable control and supervision during the relatively short period during

which he was incharge of the Project. The Committee feel that the act of conveying mere displeasure to the Officer concerned did not constitute an adequate punishment. They have taken this view after considering all the facts and circumstances of the case now mentioned by the Railway Board and regret to observe that in spite of this decision, the Board have again reiterated the old position that mere warning was sufficient and have not brought out any additional facts in support of their contention. If there are any facts and reasons with the Railway Board to justify the adequacy of this lenient punishment, the Committee desire that these should be communicated to them.

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### III

#### POSTS AND TELEGRAPHS DEPARTMENT

37. *Financial working of the P. & T. Department.*—In case of the Posts and Telegraphs Department also, the most important event of the year under report was the Federal Financial Integration of the Postal and Telecommunication Systems of the erstwhile Indian States with the Indian Posts and Telegraphs Department. This, and the normal expansion of the activities of the Department, necessitated an increased provision of funds for expenditure met both from the Revenue and Capital Accounts, as compared with the previous year.

The following table shows the original and final grants and charged appropriations and the expenditure actually incurred against each during the year 1950-51:—

(In lakhs of rupees)

	Original grant or Appropriation	Final grant or Appropriation	Actual expenditure
Total expenditure met from Revenue (Charged) . . . . .	1,13	1,16	1,16
(Voted) . . . . .	30,08	31,30	31,21
Total expenditure met from Capital.	5,97	5,97	7,42
<b>GRAND TOTAL</b> . . . . .	<b>37,18</b>	<b>38,43</b>	<b>39,79</b>

There was thus an excess of Rs. 1,36 lakhs or 3.5 per cent. over the final grant.

38. *Excess over voted grants.*—In the following cases, actual expenditure exceeded the voted grants:—

Item No.	Name of Grant	Final Grant	Actual Expenditure	Excess
		Rs.	Rs.	Rs.
1.	96—Capital Outlay on Indian Posts and Telegraphs Department (outside the Revenue Account)	597,27,000	6,28,06,935	30,79,935
2.	97—Indian Posts and Telegraphs—Stores Suspense (outside the Revenue Account)	1,000*	1,13,73,975	1,13,72,975

\*Represents the token grant.

*Excess over charged appropriation.*—In the following case, actual expenditure exceeded the charged appropriation:

Item No.	Name of Grant	Final	Actual Expenditure	Excess
		Appropriation		
		Rs.	Rs.	Rs.
I.	8—Indian Posts and Telegraphs Department (Expenditure met from Revenue).	1,15,92,000	1,16,05,273	13,273

The Committee recommend that the above excesses be regularised by Parliament in the manner prescribed in Article 115 of the Constitution.

The recommendations made by the Committee in regard to the keeping of expenditure within the limits of the funds provided by Parliament in Para. 11 *supra* will also apply *mutatis mutandis* to the Posts and Telegraphs Department.

39. *Budgeting and control over expenditure.*—The Committee observe that despite the criticism made by them in para. 24 of their Fifth Report on somewhat liberal standards of budgeting followed in the P. & T. Department, the Accounts under report reveal that there still persists a tendency to over-estimate in the Budget provision. They note that in the case of Grant No. 8—Expenditure met from Revenue—the actual expenditure was less than the final grant under 8 out of the 18 principal items of expenditure. Similarly, there have been instances of unnecessary Supplementary Grants or Appropriation, Re-appropriations obtained unnecessarily, or in excess of requirements, injudicious re-appropriations and surrenders causing excess over allotments and 13 cases of uncovered excesses under certain sub-heads.

The Committee hope that the continuous attention that is now being devoted at their instance towards the improvement of the arrangements for budgeting and controlling expenditure in the Posts and Telegraphs Department will be reflected in the closer agreement between the budget and actuals in future.

40. *Stores Balances.*—The Committee note that there was an increase in stock including the value of works in progress to the extent of Rs. 1.13 crores during the year under report. The actual balance of stock on hand (Rs. 4.35 crores) was nearly three times the sanctioned limit of Rs. 1.5 crores and also exceeded the enhanced limit of Rs. 3.5 crores fixed for a period of two years from 1st April, 1951. The Committee were informed that the recommendations made by IBCON, the Swiss Firm of Experts, in the matter of fixing the maximum and minimum limits for the maintenance of stores balances under various categories of the P. & T. Stores was still under the consideration of the P. & T. Department. The Committee desire that the Department should arrive at an early decision in the matter and take all possible measures to bring down the stock balances without detriment to the efficient working of the Department. They hope that by the time they take up consideration of the

next year's Accounts, the P. & T. Department would be in a position to place a better picture before them in this behalf.

The Public Accounts Committee of 1952-53, in para. 25 of their Fifth Report, commended to the P. & T. Department the desirability of adopting the Stores system existing on the Railways with necessary modifications to suit their set up. The Committee observe that the P. & T. Department have not so far taken any decision in the matter. They should like to know the further development of the case at the earliest possible date.

41. *Unserviceable Stores.*—The Committee regret to observe that the progress made by the Department in the matter of disposal of unserviceable stores has been tardy. They desire that these stores which are a carry-forward of the last War should not be kept too long and allowed to deteriorate further. They should, therefore, be disposed of to the best advantage of the Exchequer.

The Committee having been informed by the representative of the P. & T. Department that the latter were also holding certain items of stores on behalf of the Ministry of Defence, they asked for a note giving the facts in greater detail. From the Memorandum submitted to them by the Ministry of Defence (Appendix LIV), the Committee note that no stores are held by the P. & T. Department as reserves on behalf of the Ordnance Services but large surplus stocks of P. & T. Department stores amounting to Rs. 2.96 crores, such as line construction stores manufactured by that Department for use by the Armed Forces during 1945-46 are held in various P. & T. installations on behalf of the Defence Services. The stores which are surplus to the Defence Services' requirements have been reported to the Director-General, Supplies and Disposals, between May and November, 1953 for disposal action. The Committee, therefore, desire that the Director-General, Supplies and Disposals should take early action in the matter and the progress made in this direction should be reported to them when they examine the Posts and Telegraphs Account for the next year.

42. *Renewals Reserve Fund.*—As desired by the Committee, the P. & T. Deptt. submitted a note (Appendix LIII) stating the recommendations of the 'J. J. Committee' set up at the instance of the previous Committees to determine the average lives of assets of the P. & T. Deptt. for evolving a scientific and rational basis for contribution to the Renewals Reserve Fund in accordance with the accepted commercial practice and the action taken thereon by the Government. The Committee note from para. 4 of this note that a final decision on the recommendations of the 'J. J. Committee' is still under consideration of the Government. They, therefore, defer further consideration of the matter till they take up examination of the P. & T. Accounts relating to the next year by which time they hope the final decision might be arrived at by the P. & T. Department.

43. *Telephone Development Fund.*—In order to help Telephone Expansion, which would not have been ordinarily possible owing to financial stringency, and also to provide telephones to the businessmen in large cities, a scheme known as 'Own Your Own Telephone Scheme' was introduced in December, 1949. Under this scheme,

advance rentals at the rate of Rs. 2,500 per connection in Bombay and Calcutta and Rs. 2,000 in other places were realised to cover the Capital cost of the telephone connection. The advance rentals thus realised are credited to Revenue Receipts, while an equivalent amount is contributed from Working Expenses to a Telephone Development Fund created for the purpose of financing the capital expenditure incurred for the development of Telephone Service. The contribution to this Fund during the year under report amounted to Rs. 89.24 lakhs. The withdrawals during the same period were Rs. 75.39 lakhs and the Fund closed with a balance of Rs. 1,44.36 lakhs at the end of the year. During their examination of the Accounts, the Committee were informed by the representative of the P. & T. Department that since the position had eased, they had decided to withdraw this scheme from a large number of towns except a few places like Delhi, Bombay, Calcutta etc. It was further stated that the Telephone Development Fund was merged with the general revenues. In the opinion of the Committee, this raises a fundamental principle of administration of a public utility concern. They are not quite sure whether this is a sound financial scheme or arrangement which involves appropriation of future revenue for current expenditure. They, therefore, desire that the P. & T. Department should look into this matter in consultation with the Ministry of Finance (Communications) and Audit and submit to the Committee a report in due course.

44. *Liquidation of Government Telephones Board, Limited.*—The Committee were informed that the Bengal Telephone Co. and the Madras Telephone Co. had already been wound up. The Bombay Telephone Company which also owned the Ahmedabad and the Karachi Telephone systems which were acquired from the 1st September, 1943 was in the process of being wound up. So far as the conveyance deed in respect of the Karachi Telephone system was concerned, that would be sent to the Pakistan Government for being regularised in that country. The Committee tried to probe into the financial affairs of these Companies and as a result thereof, they asked the Ministry of Finance (Communications) to furnish them information on the following points:

- (i) Were the shares of the Bombay Telephone Company and other Companies at Calcutta and Madras purchased at par or at market rates? Was any premium paid in respect of the shares of each of the three Companies?
- (ii) Does the payment made to the Bombay Telephone Co. to meet their current liabilities represent an advance to be adjusted at the time of final settlement?
- (iii) What is the justification for making payments in respect of each of the items referred to under Note (iv) of Para. 10 of the D.G.'s Financial Review? When was the payment for the assets taken over from the three Telephone Companies made to them?
- (iv) What were the terms of the licence granted to these three Companies; when was it to be terminated and how Government were to acquire the assets of these Companies?

The Committee regret that the Ministry of Finance (Communications) should have taken more than 6 months to make available to

them this routine information which reached them in the third week of June, 1954 when they were in the closing stages of their work. They are, therefore, unable to make any comments on the financial aspect of the winding up of these Companies and reserve them till they take up this matter again at the time of the examination of the next year's accounts.

45. *Compensation for Losses.*—The Committee note that the percentage of loss on account of negligence or dishonesty of departmental officials has been progressively rising as shown below:—

Year	Amount of compensation	Percentage of loss on account of negligence or dishonesty of P. & T. officials
1948-49	2,18,557	24.17
1949-50	2,99,486	33.62
1950-51	3,12,622	37.33
1951-52	3,72,549	54.26

The representative of the Department pleaded that the losses were due to certain handicaps under which the Department was working *viz.*, lack of equipment and adequate accommodation to house the P. & T. Offices. The Committee observe that this is not a cogent reason to extenuate the P. & T. Department from their responsibility in preventing the rise in the losses. In view, however, of the assurance given to them that the P. & T. Department were taking steps to start more training centres to increase the number of Supervisors and also to provide accommodation gradually and that they would take a serious view of any loss of money occurring through the culpable negligence of any of their staff, the Committee do not wish to press the matter further. They hope that the next year's Accounts will show better results.

46. *Loss of Government money in a Telephone Workshop.*—The Committee note from Para. 17 of the Audit Report that during the period from November, 1949 to July, 1951 a loss totalling Rs. 1,45,500 occurred in a Departmental Telephone Workshop, due to alleged manipulation and inflation of the amounts of wages payable on the labour pay sheets of the workshop.

The Committee were informed that the case was under investigation by the Special Police Establishment of the Central Government and prosecutions had not been launched against the persons found guilty of committing the fraud.

The Committee consider that reckless disregard of rules and the manipulation of accounts as disclosed in the Audit Report would merit stronger punitive action. They desire that the results of the investigation made by the Special Police as also the action taken against the persons responsible both on the Executive and Accounts sides should be intimated to them in due course.

47. *Alleged misappropriation of Government money by the Accountant and Treasurer of a Head Post Office.*—This is another case reported in Para. 18 of the Audit Report in which a loss of Rs. 5,568 occurred through the alleged misappropriation committed by an Accountant in collusion with the Treasurer of the Post Office. The *modus operandi* of the fraud was that in some cases the portions of the arrear claims instead of being paid to the parties concerned were alleged to have been misappropriated by the above officials by increasing the amounts originally shown in the Acquittance Rolls so as to make the altered figures agree with the amounts charged in the 'Schedule of Bills Paid'. In some cases, the amounts shown as disbursed as per Acquittance Rolls were not actually paid to the officials concerned but were misappropriated by the Accountant by forging the signatures of the officials in the Acquittance Rolls. The Committee view with grave concern that such misappropriation could not be detected in time by the Post Master incharge of the Head Post Office or other higher authorities. The representative of the P. & T. Department informed the Committee that the accused had been acquitted by the Court and they were now considering the question of filing a revision application in consultation with the Government Solicitor. They were also trying to have photostat copies so that departmental action might be taken against the officials concerned. They desire that the Department should without waiting for the judgment of the High Court in the appeals filed by the two principal accused officials proceed with the fixation of responsibility of other officials at fault and award them suitable departmental punishment. The Committee would like to know, in due course, the action taken in the matter.

48. *Infructuous expenditure on handling of Stores.*—In a Departmental Telegraph Workshop expenditure to the extent of Rs. 59,288 had been incurred, from 1945 onwards, on bagging and re-bagging bolts and nuts which were stored in the open for want of covered space. The Committee are somewhat amazed to learn that the amount so spent on the cost of gunny bags (which had to be periodically replaced) and the labour charges for re-packing these stores exceeded in all probability the cost of arranging suitable covered accommodation for the same which has not as yet been provided. The Committee deplore this lack of prudence and foresight on the part of the authorities concerned for handling the stores in such an uneconomic manner.

49. *Results of physical verification of stores balances.*—The Committee desired to know the present position regarding the investigation of discrepancies disclosed in Para. 21 of the Audit Report as also the action that had been taken against the officials responsible. From a note furnished to them (Appendix LXIII) at a time when the Committee were in the last stages of their work, it appears that in some cases, the discrepancies were due to erroneous book-keeping, errors in weighment and arithmetical calculations and in 40 items the explanations for discrepancies had been admitted in audit. They have promised to intimate to the Committee the action taken by them against the officials who may be found responsible for the remaining discrepancies. The Committee would, therefore, like to know in due course the action taken in the matter.

50. *Grant No. 97—Stores Suspense Account.*—Out of a total excess of Rs. 1·20 crores shown under this sub-head, an excess of Rs. 88·70 lakhs has been explained as due to the late receipt of debits from the Supply and Defence Departments and for Customs Duty. In this connection, the Committee would once again like to draw the attention of all the spending Departments to the oft-repeated recommendation made by them in the previous Reports that the indenting Department should invariably ascertain the precise position in regard to supplies within the year and estimate as accurately as possible the total expenditure against its appropriations. In case the supplies are not likely to mature during that year, immediate steps should be taken by them to surrender the funds and the provision made in that behalf should be made in the next year's budget estimates or revised estimates.

51. The Committee shall now proceed to refer briefly to the more important items in the previous Reports, the disposal of which is in various stages of progress. They recommend that in each case the disposal should be expedited so far as it is possible to do so.

52. *Free supply of meals and tea to a section of the staff of the Calcutta Telephone District.*—The Committee were informed that the note prepared by the P. & T. Department on this subject was under reference with the Comptroller and Auditor-General of India. They, therefore, defer further consideration.

53. *Postal Life Insurance Fund.*—The Committee recommend that with a view to regulate the working of the expenditure from the Postal Life Insurance Fund on proper commercial basis, the P. & T. Department should either put an Insurance Expert as the head of the Postal Life Insurance Organisation or run it as a Corporation constituted under an Act of Parliament. They desire that the P. & T. Department should examine this suggestion in consultation with the Ministry of Finance and apprise them, in due course, of the decision arrived at in the matter.

54. *Provision of a separate Press for the P. & T. Department\*.*—The Committee should like to know the final decision arrived at in the matter as a result of the inter-Ministerial discussions on this subject.

In the meantime, the Committee observe that the P. & T. Department being a major public utility concern, any delay caused in the supply of forms etc. ultimately inconveniences the public and renders all kinds of frauds possible.

55. *Implementation of the recommendations made by the Committee.*—The Committee observe that instead of merely noting the various recommendations made by them from time to time, the Ministries concerned should specifically state the action taken by them in the matter of implementation thereof.

56. *Loss due to failure to observe the stipulated terms and conditions in the contract for supply of mustard oil.*—In Para. 29 of their Fifth Report, the Committee recommended that as the matter had already been delayed, the Department should, without any further loss of time, take suitable disciplinary action against the

\* See also Appendix XLVII.

Officer at fault. The Committee are now informed that the matter is under consideration of the U.P.S.C. They regret to notice the long delay and desire that early decision should be arrived at in the matter.

57. *Irregularities in connection with the expenditure incurred by a Telegraph Engineering Division on account of jungle-cutting.*—The Public Accounts Committee, in Para. 30 of their Fifth Report, recommended that the findings of the U.P.S.C. in the case of the Divisional Engineer responsible for the irregularities disclosed in Para. 27 of the Audit Report, P. & T., 1951 and who during the pendency of the disciplinary proceedings instituted against him, had been promoted to a higher post, should be reported to them. In this case too, the Committee are informed that the matter is still with the U.P.S.C. who have been reminded to expedite their advice.

58. *Calcutta Telephone Automatisation Project.*—In Para. 34 of their Fifth Report, the Public Accounts Committee adversely commented upon the haphazard manner in which this project was started without proper planning and preparation of the detailed estimates etc.

The Committee again went into this matter in considerable detail this year and examined the representatives of the Ministries of Communications and Finance (Communications) and the Engineer-in-Chief, Calcutta Automatisation Project with a view to know precisely the reasons that led to the increase in the original estimate for Rs. 6,23 lakhs, prepared by the P. & T. authorities in 1946, to Rs. 13,40 lakhs in 1949. In this connection, the Ministries of Communications and Finance (Communications) furnished to the Committee separately comprehensive notes discussing the various aspects of the reasons responsible for the rise in the estimates as also the execution of the project (Appendices LXI and LXII). The Committee note that the estimates submitted to the Standing Finance Committee for approval in 1946 were only approximate and did not set forth any details about the various items of equipment required; the acquisition of sites etc. and the extent to which the Department was setting up manufacture in India. A final revised Memorandum was prepared by the Ministry of Communications in January, 1949 which estimated the non-recurring cost of the proposal at Rs. 13,40 lakhs. This estimate took into account the Consultant's Report as well as further data obtained by the Department. It was submitted to the Standing Finance Committee of Parliament at their meeting held on 8th January, 1949, and was approved by them. They observe that the first estimate was necessarily highly conjectural and successive upward revisions of the estimates followed, as a result of unforeseen constructional difficulties as the work progressed. Increases also arose from variations of the original scheme, including addition to its scope etc. The Committee, therefore, desire that this practice of obtaining the financial approval on the basis of approximate figures should be discouraged. They look upon this as a disregard of the recognised principles of financial administration. They would like to impress upon the spending Departments that the schemes should be carefully conceived, planned and phased and the outlay thereon reasonably and accurately estimated.



59. The Committee observed in Para. 34 of, their Fifth Report that as most of the work had so far been executed by outside agencies, there was hardly any justification for the maintenance of a large complement of staff consisting of 32 Gazetted and 313 non-Gazetted Officers for dealing with this Project at this stage. They recommended that the Department should without further delay chalk out a definite plan for the training of the staff in automatization work and also assess the magnitude of the work connected with planning and, thereafter, retrench the surplus staff so as not to load the project costs.\* During their visit to the Automatisation Project in January last for an on-the-spot study of its working, the Committee discussed this matter with the Engineer-in-Chief who admitted that a number of items of work, namely, station engineering of exchange systems, land acquisition, building and electric installation of five out of the fifteen Auto Exchanges had been entrusted to outside agencies, but according to him, these constituted only a part of the several works comprising the project. He stated that actually, many items of works such as those connected with (a) survey and forecasting of growth of telephones and of the cable network, (b) designing of the cable system, (c) preparation of building designs, (d) traffic surveys and investigation, (e) execution of cable works and rewiring of subscribers' Offices, (f) engineering of P.B.X. systems and their installation, (g) numbering and area connections, (h) air-conditioning etc. had to be planned and executed by the Departmental staff.

From a chart showing the strength of the Gazetted and non-Gazetted establishment and their duties in the Calcutta Automatisation Project furnished to them (Annexure I to Appendix LXI), the Committee observe that while on the open line in the P. & T. Department, a Divisional Engineer is normally in-charge of 4 Sub-Divisions, a Division in the Calcutta Automatisation Project consists of one D.E.T. and one Assistant Engineer or two Assistant Engineers in certain cases. The Committee have carefully considered this matter and as a result of the first-hand knowledge of the working of the project acquired by them during their visit to the various Exchanges in Calcutta they are convinced that the establishment charges incurred are high as compared with the actual outlay on the project, excluding payments to outside agencies for supplies and services rendered. There is, therefore, no ostensible justification for the employment of such a large contingent of staff, both Gazetted and non-Gazetted. They think that at least two posts of Divisional Engineers and 5-6 Assistant Engineers and a number of posts in the ranks of Supervisors and Clerks can be easily axed without in any way impairing the efficient execution of the Project. The Committee, therefore, stress that the Ministry of Communications should immediately examine this and retrench the posts in the cadre of Divisional Engineers, Assistant Engineers etc. as already recommended by them last year. They should like to know, in due course, the action taken by the Ministry in the matter.

60. The Committee also discussed at some length with the representatives of the P. & T. Department the procedure adopted for the purchase of stores and equipment required for the Project through the Indian Telephone Industries, Ltd., Bangalore. The Committee

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\* See also Memorandum furnished by the P. & T. Deptt. (Appendix LVII).

were informed that in accordance with the agreement, all automatic equipment for telephone other than what the P. & T. Deptt. manufactured in their own workshops had to be purchased through the I. T. I. and what they did not manufacture, had to be obtained from the Automatic Telephone & Electric Co., Ltd., England. It was added that the bulk of the telephone equipment required was now being manufactured in the Indian Telephone Industries, Ltd., and the rest of the components were being imported. The Committee desire that an examination should be undertaken by the Posts and Telegraphs Department to see whether the supplies received by the Calcutta Automatisation Project from the A.T.E. and I.T.I. under the terms of the contract were at fair and reasonable prices not more unfavourable than from other parties.

61. Another point that engaged the attention of the Committee was the delay in the execution of the Project which was ultimately bound to affect its remunerativeness. They desire that the Ministry of Finance (Communications) should carefully examine in detail this vital aspect of the matter at the time of revision of the 1949 estimates, which it is understood, is at present under consideration of the Government.

62. The Committee also desire to be furnished with the periodical reports of the financial stock-taking of the Project through the Annual Review published by the P. & T. Department.

\*INDIAN TELEPHONE INDUSTRIES LTD., BANGALORE

63. The Government of India entered into an agreement in 1948 with the Automatic Telephone and Electric Co. Ltd., Liverpool, England, whereby the latter agreed to assist the Government of India with technical advice and loan of personnel as well as the use of all their patents in setting up a Telephone Factory in India.

The Indian Telephone Industries was thus the first national industry of its kind to be started in Free India in May, 1948 with the object of manufacturing telecommunication equipment, such as telephones, automatic exchanges, carrier systems etc.

In February, 1950, this Industry was made into a Joint Stock Company with three shareholders, the Government of India, the Government of Mysore and the Automatic Telephone and Electric Co. Ltd., England, with an authorised capital of Rs. 2½ crores. Out of the authorised capital, Rs. 2,22,50,400 was paid up on 31st March, 1953. The respective holdings of the shareholders on that date were:

	Rs.
Government of India . . . . .	1,84,58,700
Government of Mysore . . . . .	31,25,000
A.T.E. Co., Ltd. . . . .	6,66,700
TOTAL	2,22,50,400

The direction and overall control of this concern rests with a Board of Directors consisting of the Secretary, Ministry of Communications, Government of India, as *ex-officio* Chairman; three official Directors, two non-official Directors, one Director from the Automatic Telephone and Electric Co. Ltd., and the Managing Director.

\*See Appendices LVIII, LIX and LX.

64. The Committee examined the Balance Sheet of this Company for 1951-52 and noted with much concern that there had been over-capitalisation in the first two years of its formation. The table below shows the cash balances (which term includes balances with banks on current accounts and on call deposit earning interest) in March 1950-51 and 1951-52:

	1950-51	1951-52
RUPEES		
CASH, BANK AND OTHER BALANCES.		
1. Cash (including cheques in hand)	19,80,346	9,010
2. Cash in transit	..	6,375
3. With Banks on current accounts	53,98,188	44,88,636
4. Call Deposit with Bank including accrued interest	30,00,000	52,01,480
5. Imprest	8,633	858
6. Stamps	177	115
TOTAL	1,03,87,344	97,06,474

The amount of cash shown on 31st March, 1951, included cheques to the value of Rs. 19,76,859.

The Committee are not convinced by the explanation given for taking away such a large sum of money as Rs. 1.04 crores from the Consolidated Fund and blocking it in the capital of I.T.I. The cash balance rose steeply from Rs. 51.22 lakhs in February, 1951 to Rs. 103.79 lakhs in March, 1951, and then came down to Rs. 57.13 lakhs in July, 1951. The Committee express the hope that with greater experience over the working of the I.T.I. for the past few years, it should be possible for them to avoid unnecessary accumulation of large cash balances with them.

65. *Excess stock of stores lying with the I.T.I.*—During their visit to the I.T.I., the Committee found that stores worth about Rs. 95 lakhs were lying unused. It was explained by the present Managing Director, I.T.I., that this was due to the procedure previously followed in regard to the purchase of stores under which it was left to the A.T.E. to make the requisite purchases. He informed the Committee that they were now trying to dispose of these stores and further assured them that with the introduction of the stock control method from this year, there should be no occasion for such excess purchases in future. The Committee regret to observe that this shows a lack of proper planning and foresight on the part of the previous management in investing lakhs of public money in indiscriminate purchase of stores. They should like to know the disciplinary action taken against the officials at fault.

66. *Agreement with the A.T.E.*—The Committee find that there is at present no provision in the agreement regarding the inspection of goods supplied by the A.T.E. before their shipment to India. They were given to understand that practically the whole of the equipment that was manufactured was checked by the British Post Office authorities. The Committee regard this as both inadequate and unsatisfactory and observe that a specific provision regarding inspection by our own agency before shipment should have been made in

the agreement. They also suggest that the expediency of an independent inspection being carried out by the I.S.D., London may be considered by the Ministry of Communications.

Another point that emerged from the discussion which the Committee had on this subject was that in regard to the verification of the reasonableness of the prices charged by the A.T.E., the Government of India relied upon the certificate furnished by the firm's auditors. The Committee observe that this does not ensure that a fair price has been paid. They are of the view that the Comptroller and Auditor-General should have been consulted before entering into a commitment like this.

67. *Exploration of export markets for the products of I.T.I.*—The Committee further note that clause 10 of the agreement is very unsatisfactory and restrictive. They desire that Government should explore the export markets for the products of the I.T.I. in order to utilise fully the capacity of the factory and, if necessary, take up the question of the revision of the Contract in this behalf.

68. *Provision for future revision of agreement.*—The Committee also observe that the agreement does not contain any provision for future revision, should a need for this arise. They desire that such a clause providing for revision whenever considered necessary according to circumstances by the contracting parties, should invariably be made in all such agreements entered into by the Government in future.

69. *Procurement of specialised materials.*—During their visit to the factory, the Committee learnt that there was lot of difficulty in the timely procurement of the special steel through the D.G., Supplies and it sometimes affected the manufacturing programme. They desire that the Ministry of Production should collect the statistics of the annual requirements of the State Industries for the supply of specialised materials like bright steel etc. and consider the possibility of their manufacture in India.

70 *Utilisation of idle capacity of the machines in the I.T.I.*—The Committee also found that out of 1,218 machines received so far by the I.T.I., 76 were lying idle on the 15th January, 1954. It was stated by the authorities that at the moment 20 to 25 per cent. of available machine hours were not utilised. The Committee desire that the maximum output should be obtained from the use of all the machines lying unused and a balanced stock of components for the different projects should be maintained. The Committee stress the desirability of making the fullest use of the machinery in the interest of the country's industrial development.

B. DAS,  
CHAIRMAN,

NEW DELHI;

Dated the 29th June, 1954.

PUBLIC ACCOUNTS COMMITTEE.

#### IV

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**Proceedings of the meetings of the Public Accounts Committee held on the 9th, 10th, 12th, 13th, 14th, 17th and 19th November, 1953; the 3rd, 17th, 18th and 26th December, 1953, and the 20th, 23rd, 26th April, 1954 and the 25th and 26th June, 1954.**

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**Proceedings of the \*Seventeenth Meeting of the Public Accounts Committee held on Monday, the 9th November, 1953**

The Committee met from 10 A.M. to 1-10 P.M.

**PRESENT**

Shri B. Das—*Chairman.*

*Members*

Shri Ranbir Singh Chaudhuri

Shri Hari Vinayak Pataskar

Dr. Mono Mohon Das

Shri Tribhuan Narayan Singh

Shri M. L. Dwivedi

Pandit Munishwar Dutt Upadhyay

Prof. Shriman Narayan Agarwal

Shri Shree Narayan Das

Shri B. Ramachandra Reddi

Pandit Krishna Chandra Sharma

Shri V. P. Nayar.

Shri V. Narahari Rao, *Comptroller and Auditor-General of India.*

Shri K. S. Malhotra, *Accountant-General, Posts and Telegraphs.*

**SECRETARIAT**

Shri S. L. Shakhder—*Joint Secretary.*

Shri A. N. Bery—*Deputy Secretary.*

**WITNESSES**

Shri B. N. Jha, *Secretary, Ministry of Communications.*

Shri S. Jayasankar, *Joint Secretary, Ministry of Finance (Communications).*

Shri H. L. Jerath, *Director-General, Posts and Telegraphs Deptt.*

Shri B. R. Batra, *Chief Engineer, Posts and Telegraphs Deptt.*

Shri H. R. Thadani, *Engineer-in-Chief, Calcutta Automatisation. Posts & Telegraphs Deptt.*

Shri K. V. Venkatachalam, *Deputy Secretary, Ministry of Communications.*

Shri V. Subramanian, *Under Secretary, Ministry of Finance.*

**POSTS AND TELEGRAPHS DEPARTMENT**

**APPROPRIATION ACCOUNTS (POSTS & TELEGRAPHS) 1950-51 AND AUDIT REPORT, 1952**

**71. Calcutta Automatisation Scheme.**—At the outset, the Chairman asked the representatives of the Ministry of Communications

\*Proceedings of the earlier meetings relate to consideration of the Defence Accounts 1949-50 and 1950-51 etc.

and Posts and Telegraphs Department to furnish the Committee a comprehensive note dealing with the various stages of the designing, estimating and execution of this Project as the note submitted to the Committee pursuant to action taken by the Deptt. on the recommendations of the last Committee (Appendix LVII) did not contain adequate information.

72. *Director-General's Financial Review—Para. 6 and Para. 31 of the Audit Report.*—The Committee pointed out the mounting increase in the stock over the prescribed limits during the year under report and desired to know the present position of fixing the limit of balances under the various categories of stores in the Posts and Telegraphs Department. The representative of the Department explained that in view of the large capital expenditure that they had to incur in the previous years, it was necessary to keep a large reserve of stores. He stated that during the current year, they had capital programme of nearly about Rs. 9 crores and next year it would be somewhere about Rs. 14 crores. As regards the weeding of unserviceable stores, he added that attempts had been made since September, 1945 when the War ended, to segregate them and upto now they had declared stores worth about Rs. 1.3 crores as surplus, obsolete and unserviceable. In reply to a question, he stated that the total stock in hand on the 31st March, 1953 was about Rs. 5½ crores. Stores worth about Rs. 50 to 70 lakhs had to be kept for maintenance purposes. The balance of stores were really meant for major projects. He further added that a large quantity of stores had been purchased during the War years and efforts were being made to dispose them of.

73. When asked to explain the system followed in the Posts and Telegraphs Department in the matter of purchase of stores to meet the day-to-day requirements as also for use on the major projects, the representative of the Posts and Telegraphs Department stated that in the past years stores were purchased on an *ad hoc* basis. But during the current year, they had decided in consultation with the Ministry of Finance that as far as maintenance and petty works were concerned, the stores requirements should be forecast yearly and cent. per cent. orders placed by October or November, and as regards the major projects, only 75 per cent. might be forecast so as to allow for any alterations that might become necessary due to any changes in the works programme etc. He assured the Committee that with the setting up of a Planning Branch in the Posts and Telegraphs Department, it might be possible to forecast the annual requirements of stores with greater accuracy than what had been done in the past.

74. Referring to the report of the IBCON Committee which had made certain recommendations in the matter of fixing of the maximum and minimum limits for the maintenance of stores balances under various categories of the P. & T. Stores, the representative of the Department stated that it was under consideration.

75. Replying to a question, the representative of the Ministry stated that about 1500 projects costing about Rs. 8 crores were under execution in the Posts and Telegraphs Department at present.

76. The representative of the Ministry of Finance Communications) stated that the stock limit of Rs. 3½ crores was fixed for two years ending 31st March, 1953. Before according fresh sanction, they

had asked the Posts and Telegraphs Department to arrive at a ceiling for the holding of stores as scientifically as possible.

77. The Committee pointed out that unserviceable stores should not be kept too long and allowed to deteriorate further. They should be disposed of at the best possible price as early as possible.

The Committee desired to be furnished with a statement\* showing the approximate amount of the Defence Stores lying in the custody of the Posts and Telegraphs Department and the nomenclature of some of the important items.

78. In reply to a question, the representative of the Posts and Telegraphs Department informed the Committee that as far as the disposal of surplus and unserviceable stores was concerned, they had appointed a Committee consisting of the General Manager, Telegraph Workshops, Chief Controller of Telegraph Stores, the Chief Accounts Office and one or two other officers to look into this matter and their recommendations were awaited.

When asked to explain the mode of disposal of the Posts and Telegraphs stores declared unserviceable, the representative of the Department stated that the Director-General, P. & T. had full powers to dispose of unserviceable stores. So far as surplus stores were concerned, they had to be disposed of through the Director-General, Supplies and Disposals.

79. *Purchase of P. & T. Stores.*—It was stated that normally the automatic and other telephone equipment was purchased through the Indian Telephone Industries, Ltd., Bangalore who either manufactured it themselves or imported it from abroad. As for the rest of the stores, they were purchased through the D.G., S. & D. excepting certain telegraph and telephone equipment which were exclusively used by the Department such as carrier equipment, Teleprinters and specialised telegraphs instruments etc. and were purchased by them direct after calling for open tenders.

The Committee were also informed in this connection that the P. & T. Department were negotiating for the establishment of a factory in India for the manufacture of teleprinters.

In reply to a question, the representative of the P. & T. Department informed the Committee that in the matter of purchase of teleprinters, they were negotiating with three foreign firms.

80. The Committee then discussed at some length the desirability of the P. & T. Department entering into direct negotiations with the suppliers abroad for the purchase of Teleprinters etc.\*\*

81. *Para. 8 of D.G.'s Financial Reviews—Renewals Reserve Fund.*—The Committee wanted to know what action had been taken by Government on the proposals made by the Renewals Reserve Fund Committee set up by them pursuant to the recommendation made by the P.A.C. of 1950-51. The representative of the P. & T. Department undertook to furnish the Committee with a statement† summing up the broad recommendations of that Committee as also action taken

\* See Appendix LIV.

\*\* See also Memorandum furnished by the Ministry of Finance (Communications), printed as Appendix LVI.

† See Appendix LIII.



thereon by the Government with special reference to the contribution to be made in future to the Renewals Reserve Fund.

82. *Para. 9 of D.G.'s Financial Reviews—Telephone Development Fund.*—The representative of the P. & T. Department informed the Committee that this Fund was created in December, 1949 for two-fold reasons, firstly, there was a financial stringency which stood in the way of telephone expansion and secondly, in a large number of towns where the business people wanted telephones, the position was very difficult owing to the inadequacy of equipment etc. Now that the position had eased, they had decided to withdraw the 'Own your own telephone scheme' from a large number of towns except Delhi, Bombay, Calcutta etc. In reply to a question, it was stated that this Fund was merged with the general pool. The Committee decided to discuss the constitutional propriety of this Fund with reference to Art. 266 of the Constitution at the time they took up examination of the Accounts relating to the Ministry of Finance.

83. *Para. 10 of D.G.'s Financial Review—Government Telephones Board, Limited.*—The Committee desired to know the present position regarding the Government Telephones Board going into voluntary liquidation. The representative of the Posts and Telegraphs Department stated that so far as the Bengal Telephone Co. and the Madras Telephone Co. were concerned, they had been wound up. The Bombay Telephone Company, it was added, consisted of three telephone systems—Bombay, Ahmedabad and Karachi Telephone systems. The conveyance deeds transferred to the Government were under examination by the Ministry of Law and as soon as these had been approved, orders would be issued for the Telephones Board being wound up so far as the Indian portion was concerned. So far as the conveyance deed for the Karachi Telephone system was concerned, that would be sent to the Pakistan Government for being regularised in that country.

The Committee then desired to be furnished with further information on the following points:

- (i) Were the shares of the Bombay Telephone Company and other Companies at Calcutta and Madras purchased at par or at market rates? Was any premium paid in respect of the shares of each of the three Companies?
- (ii) Does the payment made to the Bombay Telephone Co., to meet their current liabilities represent an advance to be adjusted at the time of final settlement?
- (iii) What is the justification for making payments in respect of each of the items referred to under Note (iv) of Para. 10 of the D.G.'s Financial Review when the payment for the assets taken over from the three Telephone Companies had been made to them?
- (iv) What were the terms of the licence granted to these three Companies; when was it to be terminated and how Government were to acquire the assets of these Companies?

84. *Para. 16 of Audit Report—Compensation for losses.*—The Committee drew the attention of the representative of the Posts and Telegraphs Department to the progressive increase in the percentage

of loss on account of negligence or dishonesty of departmental officials as disclosed in this para. and desired to know the steps that had been taken to check the deteriorating position. The representative of the Posts and Telegraphs Department informed the Committee that they were trying to introduce a system of training for Clerks in that Department. To start with, they had opened a training centre at Saharanpur which catered for the Punjab, U.P., Delhi and Rajasthan Circles. It was their intention to open three more training centres in different parts of the country. He assured the Committee that the Posts and Telegraphs Department always took a very serious view of the negligence etc., on the part of the staff even if the loss involved was one anna or even one pice. He pleaded that they were short of space, equipment and accommodation for the Posts and Telegraphs Offices. He added that they were trying to provide accommodation gradually as funds permitted.

Before concluding discussion on this point, the Committee drew the attention of the representative of the Posts and Telegraphs Department to the recommendation contained in Para. 70 of the First Report regarding provision of a separate press for the printing of Posts and Telegraphs forms, and desired to know the present position. They were informed that the matter was now being discussed at the 'Ministerial level'.

85. The Committee then adjourned to meet at 10 A.M. on the following day.

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**Proceedings of the Eighteenth Meeting of the Public Accounts  
Committee held on Tuesday, the 10th November, 1953.**

The Committee met from 10 A.M. to 1-20 P.M.

**PRESENT**

**Shri B. Das—Chairman.**

**Members**

Shri Ranbir Singh Chaudhuri  
Shri Hari Vinayak Pataskar  
Shri Tribhuan Narayan Singh  
Shri M. L. Dwivedi  
Prof. Shriman Narayan Agarwal  
Shri Shree Narayan Das  
Shri B. Ramachandra Reddi  
Pandit Krishna Chandra Sharma  
Shri K. M. Vallatharas  
Shri V. P. Nayar.

Shri V. Narahari Rao, *Comptroller and Auditor-General of  
India.*

Shri K. S. Malhotra, *Accountant-General, Posts and  
Telegraphs.*

**SECRETARIAT**

Shri S. L. Shakhder—*Joint Secretary.*

Shri A. N. Bery—*Deputy Secretary.*

**WITNESSES**

Shri B. N. Jha, *Secretary, Ministry of Communications.*

Shri S. Jayasankar, *Joint Secretary, Ministry of Finance  
(Communications).*

Shri H. L. Jerath, *Director-General, Posts and Telegraphs  
Deptt.*

Shri B. R. Batra, *Chief Engineer, Posts and Telegraphs Deptt.*

Shri C. V. Rajan, *Senior Deputy Director-General, Posts and  
Telegraphs Deptt.*

Shri H. R. Thadani, *Engineer-in-Chief, Calcutta Automatisa-  
tion, Posts and Telegraphs Deptt.*

Shri R. Natarajan, *Managing Director, Indian Telephone  
Industries Ltd., Bangalore.*

Shri K. V. Venkatachalam, *Deputy Secretary, Ministry of  
Communications.*

Shri H. S. Negi, *Deputy Secretary, Ministry of Finance.*

## POSTS AND TELEGRAPHS DEPTT.

APPROPRIATION ACCOUNTS. (POSTS AND TELEGRAPHS), 1950-51 AND AUDIT REPORT, 1952—*contd.*

86. The Committee took up further consideration of the Appropriation Accounts (Posts and Telegraphs), 1950-51 and Audit Report thereon.

87. *Purchase of Stores from abroad.*—Reverting to the discussion which the Committee had on the previous day about the direct purchases made by the Posts and Telegraphs in the case of certain specialised articles *viz.*, telegraphs instruments, proprietary instruments, radio apparatus etc., instead of going through the agency of the Director-General, Supplies and Disposals, the representative of the Ministry of Finance (Communications) drew the attention of the Committee to Circular Memorandum No. Purchase 3(2) dated the 10th February, 1953, issued by the Ministry of Works, Housing and Supply\* on the subject. On a point being raised by the Committee that the provisions of this Circular were not clear in so far as they related to the purchase of excepted articles like lethal stores etc., without routing the indents through the Director-General, Supplies & Disposals or the I.S.D., London and secondly, the purchase of telephone, telegraph and train control apparatus through the agency of I.T.I., Ltd., Bangalore, he promised to examine the matter and submit a note to the Committee\*\*. The Committee desired to be furnished with a copy of the aforementioned \*Circular.

88. *Calcutta Automatisation Project.*—The Committee then took up consideration of the note, explaining the genesis of the Calcutta Automatisation Scheme and the reasons for a cent. per cent. rise in the cost of the project as originally estimated in March, 1947 and as subsequently revised, furnished by the Ministry of Communications (Appendix LVII).

In reply to a question, the representative of the Posts and Telegraphs Deptt. stated that Messrs. T.M.I., who were appointed as Consulting Engineers to prepare the scheme gave an estimate for Exchange Equipment only. He admitted that it was their mistake that they could not make provision under other sub-heads *viz.*, Wiring and Fitting subscribers' Offices, etc. Referring to the competency of this firm to perform the job entrusted to them, he explained that this was the only firm in India dealing in automatic equipment representing the five big manufacturers in the U.K. and when they were given this work, they obtained the services of British Post Office Engineers to come to India to do the technical planning etc. After some discussion, the Committee asked the representative of the Ministry of Communications to furnish a comprehensive note dealing with the various aspects of this project with special reference to the following points:

- (a) To what extent the enhancement of prices has contributed to the higher estimates and to what extent the

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\* See Appendix LII.

\*\* See Appendix LVI.

† See Annexure B of Appendix LXI.

higher estimate is due to additional equipment or changes in specifications that have been made?

- (b) For the works executed uptill now, how far has the actual cost varied from the estimated cost?
- (c) What is the actual amount of work involved in planning, designing, collection of data?
- (d) How do the Posts and Telegraphs Deptt., justify the employment of 32 Gazetted Officers and 313 non-Gazetted Officers for dealing with the affairs of the Project?

What are the views of the Ministry of Communications in this behalf? Have they explored any avenues for effecting retrenchment in the maintenance of such a heavy establishment and thus reducing the ultimate cost of the project?

89. The Comptroller and Auditor-General informed the Committee that a draft paragraph relating to this project as asked by the Committee in Para. 34 of the Fifth Report of the Public Accounts Committee (1952-53) was ready to be included in the next Audit Report. The Committee, therefore, deferred consideration of this subject to a subsequent date by which time they hoped that the Accountant-General, Posts and Telegraphs would be in a position to examine the revised note that would be submitted by the Ministry and offer his comments thereon.

90. *Indian Telephone Industries, Ltd., Bangalore.*—The Committee then took up examination of the Accounts relating to the Indian Telephone Industries Ltd., Bangalore.

The Committee were informed that the Balance-Sheet for 1952-53 in respect of this Company was not yet ready.

After some discussion, over the Balance-Sheet of the Company for 1951-52, the Committee asked the representative of the Ministry of Communications to furnish a detailed note\* on the formation and working of this Company with special reference to the following points:

- (a) the circumstances that led to the overcapitalization of the I.T.I., Ltd., Bangalore;
- (b) the broad outlines of the policy followed by the I.T.I. regarding the purchase of manufactured or semi-manufactured articles and how and from where the purchases are made;
- (c) break-up of the figures on account of 'salaries' and 'office establishment' as appearing in the last Balance-Sheet of the Company under the head 'labour' and 'other expenditure'; and
- (d) annual expenditure on account of establishment charges incurred in the maintenance of 'labour' and 'superior establishment' in the factory (including the foreign experts).

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\*See Appendix LVIII.

91. The Committee then took up consideration of the Audit Report, Posts and Telegraphs, 1952.

*Para. 17—Loss of Government money in a Telephone Workshop.*—The representative of the Posts and Telegraphs Deptt. informed the Committee that the case referred to in this para. was at present under enquiry by the Special Police Establishment. The Accounts Officer who was responsible for the inspection of the labour Pay Sheets etc. was under suspension. Another Officer who was concerned in this case had also been placed under suspension. As regards the action taken against the Audit staff for not having detected the fraud, the Comptroller and Auditor-General stated that the charge-sheet against them were under preparation and they would be dealt with in an exemplary manner. He further informed the Committee that the Audit were satisfied with the remedial measures taken by the Posts and Telegraphs Deptt. to prevent the recurrence of such type of cases.

92. *Para. 18—Alleged misappropriation of Govt. money by the Accountant and Treasurer of a Head Post Office.*—The representative of the Posts and Telegraphs Deptt. informed the Committee that the present position of this case was that the accused had been acquitted by the Court and they were now trying to file a revision petition which had been sent to the Government Solicitor for examination. As regards the other persons concerned, besides the accused, he added, departmental action would be taken against each one of them after the case was decided. The Committee desired to know, in due course, the action taken in the matter.

93. *Para. 20—Infructuous expenditure on handling of stores.*—Explaining the reason why an expenditure amounting to Rs. 59,288, had to be incurred in this case, the representative of the Posts and Telegraphs Department stated that the bolts and nuts in question were ordered during the last War in 1944 when there was a very great demand for such stores. They were received in 1945 in wooden cases and partly, in gunny bags. These bags, it was added, suffered deterioration from time to time and had to be replaced for checking purposes and also for proper care and storage. He further stated that in pursuance of the decision taken in 1947 to segregate the stores required for defence purposes, the stores in question had been handed over to that Ministry and they were now arranging disposal thereof.

As regards the fixation of individual responsibility for this infructuous expenditure and the resultant financial loss, it was stated that the matter was still under consideration.

The Committee desired that an enquiry should be made from the Ministry of Commerce and Industry whether the iron scrap under the custody of the various Departments of the Government of India could be disposed of by them direct or only through the agency of the Iron and Steel Controller.

94. *Para. 21—Results of the physical verification of stores balances.*—The Committee asked the representative of the Posts and Telegraphs Deptt. to submit a note stating the action taken by them

\* See Appendix LV.

† See Appendix LXIII.

against the persons responsible for the shortages of stores as commented upon in this para.

95. *Para. 23—Loss due to non-recovery of rebate on haulage charges from Railways.*—It was explained that the Government orders had been differently interpreted by different Railways. The Committee were assured that as the Railway Administrations concerned had since allowed the rebate, such a discrepancy would not occur in future.

96. *Para. 26—Telephone revenues.*—The representative of the Posts and Telegraphs Deptt. stated that out of Rs. 99 lakhs shown as outstanding on the 31st March, 1951, bills for about Rs. 70 lakhs were issued in March, 1951 and that was mainly responsible for the accumulation of arrears. The increase in the outstandings as compared with the figure pertaining to the previous year was due to the fact that the realisations had increased from 1949-50 when the total revenue amounted to Rs. 1,89,92,000 whereas in the year under report, it was Rs. 2,20,00,000. Explaining further, he stated that though the amount of the bills increased by 16 per cent., the actual increase in the unrealised revenue was about 7 per cent. A large portion of the outstanding amount, he added, was due from the various Government Departments. The Committee were informed that with a view to preventing the accumulation of such heavy outstandings, orders had been issued to proscribe Government subscribers also, if they did not pay the telephone bills within the stipulated time.

97. *Para. 28 (b) (i)—Recovery of rental for two pairs of underwater cable conductors.*—The Committee were informed that the discrepancy arose in this case because the orders for the recovery of the rental had not been endorsed to the Deputy Accountant-General, Posts and Telegraphs concerned and action had since been taken by the Department to recover the amount.

98. *Para. 29—Outstanding Objections and Inspection Reports.*—The Committee pointed out that there had been considerable increase in the outstanding audit objections and Inspection Reports and some items were very old. The representative of the Posts and Telegraphs, Department stated that they had appointed two Special Officers to settle these audit objections and on the 31st March, 1953, the number thereof had come down to about 17,000 from 84 thousand and odd.

99. *Page 68—Grant No. 96—sub-head A. IV-B—Capital Outlay on Telephone Districts.*—Explaining the reasons for the total excess of Rs. 32,52,645 caused under this sub-head, the representative of the Ministry of Finance (Communications) stated that it was unavoidable as after the C.P.W.D. had assessed their requirements relating to the Calcutta Automatisation Project, there were larger adjustments on account of the value of cables which remained unvalued before owing to the non-availability of rates. Further, there was also an excess under Establishment Charges.

100. *Page 101—Grant No. 97—Stores Suspense Account.*—Out of a total excess of Rs. 1.20 crores shown under this sub-head, an excess of Rs. 88.70 lakhs was explained as due to the late receipt of debits from the Supply and Defence Departments and for Customs Duty. The Committee drew the attention of the representative of the Posts and Telegraphs Department to the recommendations made

in paras 7 and 5 of the Reports of the P. A. C. on the Accounts for 1944-45 and 1947-48 (post-partition) respectively and enquired why the amounts of debits likely to be raised against that Department could not be ascertained in time from the Departments concerned. In reply, he stated that it was due to two factors, firstly, the debits were raised by the India Supply Mission mostly either in March or even after preliminary closing of Accounts and secondly, the Customs Bills were received sometimes after the end of the year when it was not possible to make any adjustment.

To prevent the recurrence of such lapses in future, the representative of the Posts & Telegraphs Department added that they were evolving a procedure in consultation with the Supply Department and the Customs authorities whereby timely intimation should be sent to them about the anticipated adjustments.

101. *Winding up at Government Telephones Board Ltd.*—Before the Committee concluded their deliberations, the representative of the Ministry of Finance (Communications) explained to them with reference to the discussion which took place at the previous meeting, the manner in which the assets of the Government Telephones Board, Ltd., had been valued at the time of acquisition. He stated that the shares were to be valued on the basis of valuation of fixed assets and appreciation of the liquid assets and liabilities.

The Committee then decided to meet on the 17th November, 1953 to take up further consideration of (i) the Accounts relating to the Indian Telephone Industries, Ltd., and (ii) notes/memoranda furnished by the Posts & Telegraphs Directorate pursuant to action taken by them on the recommendations made by the previous Committees.

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**Proceedings of the Nineteenth Meeting of the Public Accounts Committee held on the 12th November, 1953.**

The Committee met from 10 A.M. to 1-15 P.M.

PRESENT

Shri B. Das—*Chairman.*

*Members*

Shri Ranbir Singh Chaudhuri  
Shri Hari Vinayak Pataskar  
Dr. Mono Mohon Das  
Shri Tribhuan Narayan Singh  
Shri M. L. Dwivedi  
Prof. Shriman Narayan Agarwal  
Shri Shree Narayan Das  
Shri B. Ramachandra Reddi  
Shri Uma Charan Patnaik  
Pandit Krishna Chandra Sharma  
Shri K. M. Vallatharas  
Shri V. P. Nayar.

Shri V. Narahari Rao, *Comptroller & Auditor-General of India.*

Shri R. C. Khanna, *Director of Railway Audit.*

SECRETARIAT

Shri S. L. Shakhder—*Joint Secretary.*

Shri A. N. Bery—*Deputy Secretary.*

WITNESSES

Shri F. C. Badhwar, *Chairman, Railway Board.*  
Shri P. C. Bhattacharya, *Financial Commissioner, Railways.*  
Shri V. Nilakantan, *Member (Staff), Railway Board.*  
Shri S. S. Vasist, *Member (Transport), Railway Board.*  
Shri D. P. Mathur, *Director, Finance (Budget), Railway Board.*  
Shri N. C. Deb, *Director, Finance (Expenditure), Railway Board.*  
Shri H. S. Negi, *Deputy Secretary, Ministry of Finance.*

MINISTRY OF RAILWAYS (RAILWAY BOARD)

APPROPRIATION ACCOUNTS (RAILWAYS). 1950-51 AND AUDIT

REPORTS THEREON

102. The Committee took up consideration of the Appropriation Accounts, Railways, 1950-51 and Audit Reports thereon.

103. Page 342—*Annexure J—Statement of important misclassifications and other important mistakes detected—Bengal Nagpur Railway—item of Rs. 4.39 lakhs—*The Committee pointed out that an expenditure amounting to Rs. 4.39 lakhs was adjusted under 'Suspense' instead of the relevant Grant thereby avoiding the Parliamen-

tary control and desired to know what action was proposed to be taken against the officers responsible for the irregularity. The representative of the Railway Board promised to look into the matter and apprise the Committee of the correct position.

104. *Page 9—Para 7 of Audit Report, Part II—Serial No. 8—In correct or unnecessary provision or omission to make provision under the various grants*—The Committee pointed out to the representative of the Railway Board the excess of Rs. 1,55,30 lakhs over the final grant under Stores Suspense due to adjustment of larger debits. They reiterated the recommendations contained in Paras. 7 and 5 of their Report on the Accounts for 1944-45 and 1947-48 (Post-Partition), respectively.

105. *Para. 12 of Audit Report, Part II—Avoidable lapse of funds at the end of the year*—The Committee referred to the audit comments in this para. under Grant No. 5—Revenue Working Expenses—Repairs and Maintenance which showed that there was a lack of co-ordination in the matter of budgetary provision between the different Railways and among the various Departments of the Railway. The representative of the Railway Board admitted that the budget estimates had not been scrutinized as carefully as they should have been at the time of their preparation.

The Comptroller and Auditor-General pointed out that a great many of the mistakes referred to above were due to a lack of proper coordination between the administration and the Financial Adviser and Chief Accounts Officer of a Railway. Although Audit had been separated from Accounts, there was no proper coordination between the Administration and the Accounts Office. He further stated that the Accounts Office Organisation on the Railways needed strengthening inasmuch as it related to the raising of the proportion of the posts of Upper Division Clerks as compared with the Lower Division Clerks who were at present entrusted with looking after such important items of work as the framing of budget estimates etc. The representative of the Railway Board assured the Committee that they would look into the point raised by the Comptroller and Auditor General and take suitable steps to reorganize and improve the standard of working in the Railway Accounts Offices. To start with he said, they had introduced a system for the training of Clerks in the Accounts Offices.

106. *Separation of the Financial and Accounts Functions on the Railways*—The Committee discussed the question of separation of the Financial and Accounts functions and the role of the Financial Adviser and Chief Accounts Officer in the present integrated set-up of Finance and Accounts on the Railways. The representative of the Railway Board informed the Committee that a meeting of the F. A. and C. A. Os. of the various Railways was held in Bombay sometime in 1951, at the instance of the then Minister for Railways, to consider whether they wanted any change in the present set-up. All the F. A. and Chief Accounts Officers present at that meeting, he added, had expressed the view that none of them had been over-ruled by any General Manager in so far as their advice in financial and accounts matters was concerned. The Committee desired to be furnished with a copy of the minutes\* of the meeting.

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\*Since furnished to the Committee. Not printed being of a Secret nature.

In reply to a question, the representative of the Railway Board informed the Committee that the Financial Adviser and Chief Accounts Officer functioned within the powers delegated to the General Manager of a Railway. Whatever the delegated powers of the General Manager were, these could not be exercised without prior consultation with the Financial Adviser except in minor matters.

Referring to the Administrative control of the General Manager of a Railway over the Financial Adviser and Chief Accounts Officer, the representative of the Railway Board stated that some reform could be made in that sphere.

It was decided that this aspect of the matter should be discussed further by the Chairman, Railway Board and Financial Commissioner, Railways with the Comptroller and Auditor-General of India.

The Committee then desired to be furnished with a note\* stating the position of the Financial Adviser and Chief Accounts Officer in the present integrated set-up on the Railways with special reference to the writing of the Confidential Reports on his work by the General Manager.

107. Reverting to the discussion over the defects in budgeting and control over expenditure disclosed in the Audit Report under consideration, the Committee pointed out that the overall budgetary standard on the Railways needed much improvement.

108. *Para 5 (iii) of the Audit Report, Part II—Regularisation of Excesses over voted grants*—The representative of the Railway Board stated that the excess of Rs. 2.37 crores under Grant No. 16—Open Line Works—Additions was due to the fact that it included the Stores Suspense, as more stores were received and less consumed during the period under review.

The Comptroller and Auditor-General suggested to the Financial Commissioner, Railways to consider the desirability of introducing on the Railways the system of Control over the Exchequer Issues on the lines of that obtaining in the U. K. in this behalf.

109. *Para. 14 of Audit Report, Part II—Appropriation to Depreciation Reserve Fund*.—The Committee pointed out that the procedure adopted by the Railway Board in making the provision of Rs. 30 crores as a credit to the Depreciation Reserve Fund and treating the whole of it as normal contribution chargeable to the Working Expenses in the revised estimates for 1950-51 was contrary to para. 9 of the Convention Resolution of 1949. Justifying the appropriateness for the contribution of Rs. 30 crores made to the Depreciation Reserve Fund, the representative of the Railway Board quoted the figures of expenditure met from this Fund during the four years from 1950-51 to 1953-54 (estimated) which ranged from 26.6 crores to 40.92 crores. In order to enable them to appraise the position, the Committee desired to be furnished with a comparative statement showing (i) the contribution made to and withdrawals from the

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\*See Appendix XLIII.

†See Appendix XXVII.

Railway Depreciation Reserve Fund and (ii) the amount of Capital at Charge during the last 30 years.

Explaining further, the representative of the Railway Board stated that the drawal from the accumulated balances of the Depreciation Reserve Fund was really a matter of national policy, which should be judged in the background of the inflationary aspect and other factors that were prevalent in those days. He added that this appropriation of Rs. 30 crores was voted by Parliament.

The representative of the Railway Board further stated that both in the light of the expenditure on rehabilitation of rolling-stock that they were now incurring out of the Depreciation Reserve Fund and the Five Year Plan, they felt justified about the appropriateness of the contribution of Rs. 30 crores to the Depreciation Reserve Fund. In support of his contention, he pointed out that they had an opening balance of Rs. 109 crores in the Depreciation Reserve Fund on the 1st April, 1950. If they had only contributed at the rate of Rs. 15 crores each year as was contemplated in the Convention Resolution of 1949, then today they would have been left only with a credit of about Rs. 25 crores.

In reply to a question, it was stated that the Railway Board had not been able to make much headway so far against overtaking the arrears of replacement.

The Committee further pointed out that the Depreciation Reserve Fund should not be kept apart from the General Revenues but should form part of the Consolidated Fund of India as envisaged in Article 266 of the Constitution. The representative of the Railway Board undertook to look into this aspect.

110. The Committee desired to be furnished with a copy of the proceedings of the meeting of the Standing Finance Committee\* for Railways at which they approved the proposal that the contribution to the Depreciation Reserve Fund should be increased to Rs. 30 crores in the revised estimates for 1950-51.

111. The Committee then adjourned till 10 A.M. on the 13th November, 1953.

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\*Since furnished to the Committee. Copies are available for reference in the Parliament Library.

**Proceedings of the Twentieth Meeting of the Public Accounts  
Committee held on Friday, the 13th November, 1953**

The Committee met from 10 A.M. to 1-15 P.M.

**PRESENT**

Shri B. Das—*Chairman.*

*Members*

Shri Ranbir Singh Chaudhuri  
Shri Hari Vinayak Pataskar  
Dr. Mono Mohon Das  
Shri Tribhuan Narayan Singh  
Shri M. L. Dwivedi  
Prof Shriman Narayan Agarwal  
Shri Shree Narayan Das  
Shri B. Ramachandra Reddi  
Shri Uma Charan Patnaik  
Pandit Krishna Chandra Sharma  
Shri K. M. Vallatharas  
Shri V. P. Nayar.

Shri V. Narahari Rao, *Comptroller and Auditor-General of  
India.*

Shri R. C. Khanna, *Director of Railway Audit.*

**SECRETARIAT**

Shri S. L. Shakhder—*Joint Secretary.*

Shri A. N. Bery—*Deputy Secretary.*

**WITNESSES**

Shri F. C. Badhwar, *Chairman. Railway Board.*  
Shri P. C. Bhattacharya, *Financial Commissioner. Railways.*  
Shri V. Nilakantan, *Member (Staff). Railway Board.*  
Shri S. S. Vasist, *Member (Transportation), Railway Board.*  
Shri N. C. Deb, *Director. Finance (Expenditure).*  
Shri D. P. Mathur, *Director, Finance (Budget).*  
Shri V. Subramanian, *Under Secretary, Ministry of Finance.*

**MINISTRY OF RAILWAYS (RAILWAY BOARD)—contd.**

112. The Committee took up consideration of Audit Report, Railways, 1952, Part I.

113. *Para. 1—Avoidable expenditure incurred due to non-observance of rules regarding acceptance of tenders.*—The Committee desired to know why the lowest tender was rejected in this case without ascertaining the contractor's capacity to execute the work as required by the rules. The representative of the Railway Board stated that it was not laid down anywhere in the rules as to what extent the enquiries should have been made in this case. The fact

that the Railway Administration concerned came to the conclusion that the particular contractor who had given the lowest tender had not done any contract work since 1942 must also have been based on some enquiry. He further stated that the decision in this case was taken by the Tender Committee and not by an individual Officer. The representative of the Railway Board, however, stated that it was felt that there should have been a wider enquiry than what was done and contemporary record should have been kept. The Railway Board, he added, had since issued instructions to the effect that the reasons for the non-acceptance of lowest tenders by the Tender Committees should be recorded.

114. *Para. 2—Non-recovery of cost of Bridge staff from toll contractors.*—The Committee enquired the present position regarding the fixation of individual responsibility for the loss of Rs. 27,040 caused in this case. The representative of the Railway Board admitted that there had been inordinate delay in the Engineering Department of the O. & T. Railway in dealing with the Accounts and Audit Inspection Reports and that was the reason why the recovery of the cost of Bridge staff from the toll contractor could not have been made before the expiry of the agreement. He further stated that the following disciplinary action had been taken against the delinquent officials in this case:

- (i) stoppage of increments for one year in the case of two Head Clerks and for three months in the case of the third Head Clerk;
- (ii) censuring of the Assistant Engineer; and
- (iii) conveying to the District Engineer in-charge of the district the General Manager's displeasure at his slackness.

The Committee desired that the Railway Board should re-examine this case and consider whether more serious punishment could not be inflicted on the Officers still in service.

115. *Para. 3—Avoidable expenditure on the purchase of certain equipment for experimental purposes.*—The Committee wanted to know:

- (a) why could not the experiment of Locopulseur Pulso be made on a smaller scale;
- (b) why was the financial concurrence not obtained before deciding to purchase the equipment; and
- (c) what action was proposed to be taken against the persons at fault?

Explaining the position, the representative of the Railway Board stated that the machines in question were intended as an experiment. It was usual that when they experimented with anything new, they extended the trial to more than one set of equipment because working conditions varied in different Railway yards in the country. As regards the second point, he admitted that it was an omission on their part for not having obtained the financial concurrence for the purchase. He pointed out that had the experiment proved a success it would have resulted in considerable savings to the Railways because it was a new gadget. The Financial Commissioner, Railways stated that it was an error of judgement that

the number of Locopulseur Pulso purchased was more and the expenditure of Rs. 56,800 placed under objection would be regularised after the Public Accounts Committee had given its findings in the matter. In reply to a question, he stated that no recovery for the unauthorised expenditure incurred in this case was possible as the Officer who took the decision to make the purchase was no longer in India—he having been repatriated to his country.

116. *Para. 4—Heavy shortages in stocks of foodstuffs.*—The Committee drew attention to the audit comments made under this Para.

Explaining the position, the representative of the Railway Board stated that the adjustment of permissible limits of wastage in the handling of foodstuffs was not done to accommodate the staff responsible for the shortages, nor was it done with a view to facilitate the disposal of stock sheets. He pleaded that the lack of accommodation on the O. & T. Railway was mainly responsible for these wastages. He admitted that there was no hope of the recovery for the losses being effected from the staff concerned in full, but they expected to recover about Rs. 70,000 out of the sum of Rs. 3 lakhs which was outstanding at present.

In reply to a question, the Committee were informed that the Railway Board were gradually reducing the items of foodgrains that were being supplied to the Railway staff and ultimately they wanted to close down the grainshops to the extent that they could.

117. *Para. 6—Loss in the working of the Catering Departments on the B.N. and S.I. Railways.*—The Committee drew the attention of the representative of the Railway Board to the continued loss in the working of the Catering Departments as shown in the Audit Report, and desired to know the steps taken by them to run these on a 'no-profit-no-loss basis'. The Committee were informed that on the Southern Railway certain measures in the form of reduction in the schedule of ingredients as also fixation of schedules for the edibles; carrying out the work of cleaning utensils departmentally; and on the Bengal Nagpur Railway closing of wholly unremunerative refreshment rooms and refreshment cars; and lastly, the increasing of the selling prices of edibles so as to come up to the market rate had been taken and as a result of that, the loss had been cut down. The representative of the Railway Board then apprised the Committee of the discussion which took place at the last meeting of the National Railway Users Consultative Council about the relative merits of running the Catering Departments on the Railways through the agency of a contractor or departmentally. He pleaded that in view of the liberalisation of pay scales on the Railways, the overall emoluments of cooks etc. employed in the Catering Department had increased as compared with the salary that a contractor was paying to his staff and this was one of the major factors for the loss. He contended that if good food was to be supplied by the Railway Catering Department, some loss was bound to occur.

The Committee then discussed at some length the pros and cons of running the Catering Departments on the Railways through the agency of Contractors *vis-a-vis* departmentally. Some instances of corruption prevalent on the Railways in the matter of giving out the

catering and vending contracts were also pointed out. The Committee then desired to be furnished with the following information:\*

- (i) A statement showing the amount of licence fee charged for different kinds of vending contracts at the Railway stations in India;
- (ii) A statement showing the
  - (a) total amount of earnings from the sale of foodstuffs by establishments catered by the various Railway Administrations departmentally;
  - (b) expenditure incurred on the running of these departments under 'staff' and 'other incidental charges' etc.; and
  - (c) the amount of loss incurred in proportion to the total expenditure on the maintenance of such departments during the last three financial years.

118. *Para. 7—Employment of Labour in Engineering Workshops, Arkonam.*—The Committee drew the attention of the representative of the Railway Board to the criticism made in the Audit Report that 'the decision to recruit men on temporary basis was not justified as there was no dearth of labour' and desired to know why higher rates of pay were paid. The representative of the Railway Board stated that the question whether these people should be treated as temporary or casual labour had been under consideration for a long time and it was in August, 1949 that they issued orders that persons working in the projects should be treated as 'casual labour' but those who were likely to be in service for more than six months should be treated as 'temporary labour'. He added that the Deputy Chief Engineer incharge of the Project expected that these men would have to be employed for ten months at least. But what happened later was that this particular work which was taken up at Arkonam was stopped probably on account of financial stringency and the labour were discharged after 5½ months. So, what they did on expectation, turned out to be wrong.

119. *Para. 9—Irregular Expenditure on the Cadet Division of the St. John Ambulance Brigade (Overseas) on G.I.P. Railway.*—The Committee noted the delay of 22 months on the part of the Railway Board in arriving at a decision in this case as disclosed in the Audit Report. They were informed that the Cadet Division had since been wound up and no further expenditure was being incurred on that account. The Committee desired to know the action taken or proposed to be taken against the persons responsible for the delay caused in the disposal of this case in the Board's Office as well as against the officer who sanctioned the formation of the Cadet Division without the approval of the Railway Board and delayed report to the latter for two years.†

120. *Para. 10—Irregular payment of Compensatory Allowance on the Assam Rgil Link Project.*—The representative of the Railway Board stated that unfortunately there was much delay in the Office

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\*See Appendix XXVI.

†See Appendices XXVIII and XXIX.



of the Financial Adviser and Chief Accounts Officer in the disposal of the audit objection. He further stated that reference to the Railway Board regarding the admissibility of the Allowance could have been made only after it was discussed between the Engineer-in-Chief and the Financial Adviser and Chief Accounts Officer. But later after a year, when the Financial Adviser and Chief Accounts Officer agreed with the Engineer-in-Chief, the Director of Railway Audit raised a formal audit objection and referred the matter to the Railway Board. The Committee desired to know the disciplinary action that had been taken against the staff in the Financial Adviser and Chief Accounts Officer's Office for delaying disposal of the audit objection to the irregular payment of the Compensatory Allowance to the staff in this case.\*

121. Before the Committee adjourned, they decided to take up consideration of (i) the Accounts relating to the Chittaranjan Locomotive Works and (ii) the Agreement with the TELCO for the manufacture of locomotive boilers at their meeting to be held on the next day *viz.*, the 14th November, 1953.



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\*See Appendix XXX.

**Proceedings of the Twenty-first Meeting of the Public Accounts Committee held on Saturday, the 14th November, 1953**

The Committee met from 10 A.M. to 1-10 P.M.

PRESENT

Shri B. Das—*Chairman*.

*Members*

Shri Ranbir Singh Chaudhuri  
Shri Hari Vinayak Pataskar  
Dr. Mono Mohon Das  
Shri Tribhuan Narayan Singh  
Shri M. L. Dwivedi  
Shri Shree Narayan Das  
Shri Uma Charan Patnaik  
Pandit Krishna Chandra Sharma  
Shri K. M. Vallatharas  
Shri V. P. Nayar.

Shri V. Narahari Rao, *Comptroller and Auditor-General of India*.

Shri R. C. Khanna, *Director of Railway Audit*.

SECRETARIAT

Shri S. L. Shakdher—*Joint Secretary*.

Shri A. N. Bery—*Deputy Secretary*.

WITNESSES

Shri F. C. Badhwar, *Chairman, Railway Board*.  
Shri P. C. Bhattacharya, *Financial Commissioner*.  
Shri V. Nilakantan, *Member (Staff), Railway Board*.  
Shri S. S. Vasist, *Member (Transportation), Railway Board*.  
Shri N. C. Deb, *Director, Finance (Expenditure)*.  
Shri D. P. Mathur, *Director, Finance (Budget), Railway Board*.  
Shri P. C. Mukerjee, *General Manager, Chittaranjan Locomotive Works*.  
Shri H. S. Negi, *Deputy Secretary, Ministry of Finance*.

MINISTRY OF RAILWAYS (RAILWAY BOARD)—*contd.*

122. The Committee took up further consideration of the Appropriation Accounts (Railways), 1950-51 and Audit Reports thereon.

123. *Block Account of Chittaranjan Locomotive Works—page 79—Capital Statement (comprising Loan Account)*.—At the outset, the Chairman pointed out that the Committee should be furnished with a copy of an up-to-date Balance Sheet and Profit and Loss Account relating to the Chittaranjan Locomotive Works. The representative of the Railway Board promised to submit the papers to the Committee:

124. The General Manager, Chittaranjan Locomotive Works then gave an account of the working of the Locomotive Works since its inception. He stated that the production of locomotives was started in the beginning of 1950. In the course of that year, they turned out three locos. In 1951 and 1952, they manufactured 16 and 30 locos. respectively. For the current year, the target was 52 locos. These locomotives which they were manufacturing were the W.G. type— heavy goods locomotives—and were coming into operation on the Railways now. He further stated that alongside a progressive increase in the number of locos. produced in the Chittaranjan Workshops, more and more components had also been manufactured. He added that the total capital expenditure incurred on this project upto the 31st March, 1951 amounted to Rs. 11.68 crores.

The Committee enquired from the representative of the Railway Board about the implication of the terminology 'after purchase' appearing in item 2 under 'assets' in the Accounts under consideration and desired to be furnished with a note\* stating the precise position.

125. The General Manager, Chittaranjan Locomotive Works then informed the Committee that in the matter of adjustment of the cost of locos. manufactured in the Chittaranjan Works and supplied to the Railways, they were charging the landed cost of a locomotive which included nominal Customs Duty at the rate of 5 per cent. The balance between the actual cost of manufacture and the price charged went into the Development Fund.

(At this stage, the G.M., C.L.W. furnished to the Committee a graph showing the cost of production of locos. at Chittaranjan separately under the heads 'Labour', 'Material' and 'Overheads'.)

Replying to a query, the representative of the Railway Board stated that the creation of Development Fund was merely an accounting procedure.

The Comptroller and Auditor-General stated that it was not the cost of material that really affected. But it was the distribution of overheads and interest over a larger number of units that would affect the cost of manufacture of locomotives.

He expressed the view that the ultimate comparison to judge the economic efficiency of the manufacture of a unit of locomotive must be on the basis of *ex-factory* price in India and in other progressive countries.

The representative of the Railway Board stated that while comparing the *ex-factory* price of manufacture, another factor should be borne in mind that India was not so much industrialised and they had to incur additional capital expenditure on the purchase of raw material at high prices from other countries.

126. In reply to a question, it was stated that no foreign experts were employed in the Chittaranjan Locomotive Works.

127. *Agreement with TELCO for the manufacture of Locomotive Boilers.*—The Committee then took up consideration of the implementation of agreement with TELCO for the manufacture of Locomotive Boilers in the light of recommendations made by them in Para. 17 of the Fifth Report (1952-53). The representative of the

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\* See Appendix XXII.

Railway Board stated that the TELCO had been making progress in the production of boilers though at a much slower rate than had been promised by them at one time. In fact, that was one of the reasons why by mutual agreement, the commencement of the period 'C' was postponed to the date when full production was attained. He added that the original agreement contemplated the commencement of the period 'C' from 1st June, 1947.

As desired by the Committee, the representative of the Railway Board undertook to furnish them a note\* stating the up-to-date position regarding the execution of the agreement by the TELCO. with special reference to the date from which period 'C' would commence.

128. Continuing further, the representative of the Railway Board stated that there had been a good deal of discussion between the TELCO. and Government as to how the expenditure on various overheads such as machines overhead, stores overhead and departmental overhead should be apportioned between the Locomotive and Boiler Shops and other Branches of the TELCO., during non-railway works. The reason for Government agreeing to their having a larger plant and machinery than what would have been necessary only for 50 locomotives and 50 spare boilers was that it was considered at that time that if they had surplus capacity, they could utilise the same, if not needed for locomotives, for other work. Although Government gave a guarantee to purchase only 50 locomotives and in case they wanted TELCO. to produce a hundred locomotives, they accepted the position that if they were only manufacturing 50 locomotives, they could utilise the excess capacity of the plant for any other type of work which they could get. He further stated that actually, the anticipation was that the extra capital cost would be only about 25 per cent. The capacity would be doubled and calculations were made that if 25 per cent. or more of this capacity could be utilised for work other than locomotives, the overhead expenditure that would fall on the 50 locomotives would be less. Actually, that position, he added, had been more or less achieved. During this period, although TELCO. had not produced 50 locomotives, they had done other work which had kept the capacity filled up by about 25 to 30 per cent. viz., steam rollers, underframes etc.

The real drawback, the representative of the Railway Board urged, had been that the TELCO. had not been able to produce 50 locomotives and 50 boilers within the period they promised. They ascribed it to some extenuating circumstances which contributed to the delay viz., difficulties in getting the technical advice, components and materials etc. Ultimately, the TELCO. entered into a tie-up arrangement with a German firm, who were one of the best manufacturers.

129. The Committee then drew the attention of the representative of the Railway Board to the recommendations made by the Committee in their report about the early settlement of outstanding accounts of payments made to the TELCO. and secondly, the advisability of taking over from them the manufacture of boilers and locomotives and running it as a State-owned Industry. Explaining the position, the representative of the Railway Board stated that the delay in the adjustment of accounts had been due to the difficulty in

\*See Appendix XXXIII.

agreeing with TELCO. as to the apportionment of overheads between the Railway and non-railway works. At one stage, he said, the TELCO. put forward the proposition that the locomotive project should bear 88 per cent. of the overheads, and the other work should bear only 12 per cent. The Railway Board, he pointed out, had on the other hand, accepted the principle that any expenditure which could be considered as developmental expenditure for the locomotive project would be treated as a debit to that project. To sum up, he stated that the Railway Board were at the final stages of discussion with the TELCO.

130. In reply to a question, the Committee were informed that the Accounts Officer attached to the Chittaranjan Locomotive Works was also in charge of Accounts of the TELCO.

131. The representative of the Railway Board agreed with the Committee that the agreement with the TELCO. was a highly complicated document. He expressed the hope that the final agreement to be entered into with TELCO. would be such as would be acceptable to the Committee.

132. Adverting to the recommendation made by the last Committee that if there were difficulties in reaching an agreement on cost with the TELCO., the matter should be referred for arbitration, the representative of the Railway Board stated that the advice which they had got from their Legal Advisers in this behalf was that it was much better to secure a reasonable agreement between the parties rather than refer that to arbitration. Referring to the recommendation made by the last Committee about the State-ownership and management of an Industry which catered entirely for Government purposes, he stated that it was under the consideration of Government, and this aspect of the matter would be taken into account in the Memorandum which the Railway Board expected to place before the Committee.

133. The Committee then discussed at some length the costing system followed in the TELCO. *vis-a-vis* that obtaining in the Chittaranjan Locomotive Works (Appendix XXI). The General Manager, C.L.W. informed the Committee that the cost-accounting system as adopted at Chittaranjan was designed with a view to finding out, the cost per locomotive and the cost of individual components per batch. The structure of costing, he added, followed essentially the pattern usually adopted for that purpose and the final cost was arrived at after taking into consideration the following elements:

- (i) Direct labour for the job;
- (ii) Stores utilised for the job; and
- (iii) Overheads.

In reply to a question, he stated that they had a special Cost Accounts Officer at C.L.W. He had his training in England. The head of the Accounts Organisation was the Deputy Financial Adviser and Chief Accounts Officer who had also received his training for six months partly in Scotland and partly in Germany.

The representative of the Railway Board suggested to the Committee that in case they wanted to have detailed information, he

would send for the Cost Accounts Officer, C.L.W. to appear before them at their next meeting and explain the position.

As regards the costing procedure for TELCO, it was stated that it was drawn up by the Company and approved by Government.

Continuing further, the representative of the Railway Board referred the Committee to Para. 2 of the Memorandum submitted by them (Appendix XXI) wherein it was stated that the cost accounting systems both in the TELCO. and the C.L.W. were based in all essential respects on accepted principles of modern scientific costing.

134. The Committee then considered the statement showing the difference in the costing system in the C.L.W. and in the TELCO. appended to the Memorandum referred to above (Annexure to Appendix XXI) with special reference to the payment of production bonus and piece-work bonus to the workmen obtaining which was existing at TELCO. At Chittaranjan Loco. Works, it was stated, the bonus schemes for payment of wages had not yet been introduced and the labour was paid on a monthly basis in accordance with the scales of pay laid down by the C.P.C. There was at present no piece-work system there.

The representative of the Railway Board expressed the view-point that if a Company was managed by a private firm, there was little chance of escape from the payment of bonus. The pay scales were ordinarily lower in such cases.

135. The Committee then adjourned to meet again on the 17th November, 1953 for taking up further consideration of the Posts and Telegraphs Accounts, 1950-51.

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**Proceedings of the Twenty-seventh Meeting of the Public Accounts Committee held on Tuesday, the 17th November, 1953.**

The Committee met from 10-30 A.M. to 12-20 P.M.

**PRESENT**

Shri B. Das—*Chairman.*

*Members*

Shri Ranbir Singh Chaudhuri  
Shri Tribhuan Narayan Singh  
Prof. Shriman Narayan Agarwal  
Shri Shree Narayan Das  
Shri B. Ramachandra Reddi  
Shri Uma Charan Patnaik  
Shri V. P. Nayar

Shri K. S. Malhotra, *Accountant General, Posts and Telegraphs.*

Shri P. N. Bhandari, *Director of Commercial Accounts, Office of the Comptroller & Auditor-General.*

**SECRETARIAT**

Shri A. N. Bery *Deputy Secretary.*

**WITNESSES**

Shri B. N. Jha, *Secretary, Ministry of Communications.*  
Shri H. L. Jerath, *Director-General, Posts & Telegraphs.*  
Shri B. R. Batra, *Chief Engineer, Posts & Telegraphs.*  
Shri R. Natarajan, *Managing Director, Indian Telephone Industries, Ltd., Bangalore.*  
Shri K. V. Venkatachalam, *Deputy Secretary, Ministry of Communications.*  
Shri S. Jayasankar, *Joint Secretary, Ministry of Finance (Communications).*  
Shri V. Subramanian, *Under Secretary, Ministry of Finance.*

**MINISTRY OF COMMUNICATIONS**

**INDIAN TELEPHONE INDUSTRIES, LTD., BANGALORE.**

136. The Committee took up consideration of the note on the working of the Indian Telephone Industries Ltd., Bangalore as also the information on the points arising out of the Balance Sheet of this Company for the year 1951-52 furnished by the Ministry of Communications as desired by the Committee at their meeting held on the 10th November, 1953 (Appendix LVIII).

137. The Committee wanted to know why the sum of Rs. 30 lakhs was drawn out from the Consolidated Fund on the 31st March, 1951

and held as a cash balance in the bank as 'deposits towards the share capital' instead of the amount being surrendered!

The representative of the Ministry of Communications stated that there was a time lag between the deposit of the money by the Government of India and the allotment of shares. During that period, it was shown as deposit. This amount, he added, had been provided for in the Budget Demands relating to the Ministry of Communications and had been voted by the Parliament.

Elucidating the point, the representative of the Ministry of Finance (Communications) stated that this money was not diverted for any other purpose. It was given on account of share capital for the purchase of shares. They could not buy the shares—there being a procedural delay. The Board of Directors had to make the scripts. All those procedural matters took a little time.

138. The Committee asked the representative of the Ministry of Finance (Communications) to furnish them a note\* stating:

- I. (a) the reasons for delay that occurred in the issue of shares of the I. T. I., Ltd., Bangalore after its formation in 1950, which consequently resulted in the non-surrender of the capital;
  - (b) the reasons why full share money was called up prematurely leading to heavy unused bank balances as disclosed in the two subsequent Balance Sheets; and
  - (c) further, if the original estimates of the proposed capital of the Company were re-examined, rechecked and reviewed and the share capital refixed at the time of registration of the Company; what scrutiny was applied over this Capital formation by the Ministry of Finance.
- II. (a) the present utilisation of capital in the I. T. I., Ltd.;
  - (b) an estimate of the requirements of working capital of the I. T. I., Ltd. now and a year hence; and
  - (c) whether undue cash balances were held in 1951 and 1952 and what should be the normal cash balances on present output?

139. As regards the audit of Accounts of the I. T. I., by the Comptroller and Auditor-General of India, the representative of the Ministry of Communications informed the Committee that the Articles of Association of the Company had already been amended in consultation with the Comptroller and Auditor-General and in pursuance of the provisions of the new article incorporated therein, the Accountant-General, Mysore had been appointed as the independent audit officer of the Indian Telephone Industries Ltd.

140. The Committee then discussed the question of changing the pattern of management of the I. T. I. from a private Limited Company to a Corporation or a Board.

The Committee desired to be furnished with a note† stating the actual cost of production of a Telephone by the I. T. I. and the actual

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\*See Appendix LX.

†See Appendix LIX.



price that was being charged from Government Departments, private bodies etc.

141. *Cost-Accounting system in the I. T. I.*—The Managing Director, I. T. I. informed the Committee that they had set up a Costing Department from the very beginning. In the initial stages, they experienced a great many difficulties in fixing the cost price of a Telephone and those were mainly due to the difference in the cost of raw materials and in the training of labour which could not come upto the standard of efficiency. But now, he stated, they had got the experience and knowledge to fix the cost price. The selling price of a Telephone to the Posts & Telegraphs Department had been fixed at Rs. 108 and that was originally fixed on the basis of the price charged to British Post Office by manufacturers in the United Kingdom plus freight, etc.

142. In reply to a question, it was stated that the I. T. I. had not declared any dividend for the last five years, even though after the first and second year they had made a small profit.

The Committee desired that Government should explore in the neighbouring countries the export markets for the products of the I. T. I. in order to utilise fully the capacity of the Factory. The representative of the Ministry of Communications informed the Committee that they were constantly examining that position and, in fact, that was considered at the meeting of the Board of Directors and they were trying to investigate the market in Burma and Ceylon both of which countries were already covered by the Agreement and also Indonesia where they thought they had certain possibilities.

The Committee desired to be furnished with a note stating whether Government had examined any proposals to extend the scope of working of the I. T. I., Ltd., Bangalore so as to include other connected subsidiary industries and, if so, with what result.

143. Before the Committee concluded their deliberations, they asked the representative of the Ministry of Communications to furnish them further information on the following points\*:

- (a) Composition, working and adequacy of the Cost Accounting Section attached to the I. T. I. Ltd., with special reference to the recruitment of the requisite kind of trained personnel.
- (b) (i) How was the selection of Messrs. Dandekar & Co., Chartered Accountants made?
- (ii) What was the experience of this firm in the audit of Accounts of any other major concerns?

144. The Committee then adjourned to meet again at 10-30 A.M. on the 19th November, 1953.

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\*See Appendix LIX.

**Proceedings of the Twenty-third Meeting of the Public Accounts Committee held on Thursday, the 19th November, 1953**

The Committee met from 10-30 A.M. to 12-35 P.M.

**PRESENT**

Shri B. Das—*Chairman.*

*Members.*

Shri Ranbir Singh Chaudhuri  
Shri Har. Vinayak Pataskar  
Dr. Mono Mohon Das  
Shri Tribhuan Narayan Singh  
Shri M. L. Dwivedi  
Pandit Munishwar Dutt Upadhyay  
Shri Shree Narayan Das  
Shri B. Ramachandra Reddi  
Shri Uma Charan Patnaik  
Pandit Krishna Chandra Sharma  
Shri K. M. Vallatharas

Shri V. Narahari Rao, *Comptroller & Auditor-General of India.*

Shri K. S. Malhotra, *Accountant General, Posts and Telegraphs.*

Shri V. D. Dantiyagi, *Additional Deputy Comptroller and Auditor General.*

**SECRETARIAT**

Shri A. N. Bery—*Deputy Secretary.*

**WITNESSES**

Shri B. N. Jha, *Secretary, Ministry of Communications.*

Shri H. L. Jerath, *Director General, Posts & Telegraphs.*

Shri B. R. Batra, *Chief Engineer, Posts & Telegraphs.*

Shri C. V. Rajan, *Senior Deputy Director General, Posts and Telegraphs.*

Shri K. V. Venkatachalam, *Deputy Secretary, Ministry of (Communications).*

Shri V. M. Bhide, *Deputy Secretary, Ministry of Communications.*

Shri S. Jayasankar, *Joint Secretary, Ministry of Finance (Communications).*

Shri H. S. Negi, *Deputy Secretary, Ministry of Finance.*

145. At the outset, the Committee discussed their future programme for consideration of the residuary Railway Audit Reports, 1952 (Parts I & II) and Posts and Telegraphs Accounts, 1952 (Calcutta Automatisation Project and notes/memoranda furnished by the

P. & T. Department on the points arising from the Accounts already examined by the Committee). They decided to meet as far as possible twice a week from 11-30 A.M. to 1 P.M. during the present Session of the House. It was left to the Chairman to fix the dates for future meetings of the Committee in consultation with the Comptroller and Auditor-General and the Ministries etc. concerned.

146. The Committee then discussed the desirability of visiting the following Workshops, Factories and Project for an on-the-spot study of the working thereof:

- (i) Sindri Fertilizers Factory.
- (ii) Chittaranjan Locomotive Works.
- (iii) TELCO. Workshops.
- (iv) Damodar Valley Project.
- (v) Indian Telephone Industries, Ltd., Bangalore.
- (vi) Machine Tool Factory, Bangalore.
- (vii) Hindustan Aircraft Ltd., Bangalore.

It was decided that the Chairman might chalk out the detailed programme of the visits to the aforementioned places which should take place after the termination of the present session of the House.

#### POSTS & TELEGRAPHS DEPARTMENT—*contd.*

147. The Committee then proceeded to take up consideration of the Statement showing action taken or proposed to be taken on the outstanding recommendations (Appendix I).

(i) *Item 125.*—The Committee were informed that the Report of the Renewals Reserve Fund Committee had since been examined by the P. & T. Department and it would be submitted to them after it had been seen by the Comptroller and Auditor-General of India.

(ii) *Item 126.*—It was stated that the note prepared by the P. & T. Department on the subject of grant of concession for the free supply of meals and tea to a section of the staff of the Calcutta Telephone District was under reference to the Comptroller and Auditor-General and as soon as it was finalised, it would be submitted to the Committee.

(iii) *Item 127.*—The Committee pointed out that with a view to regulate the working of the Postal Life Insurance Fund on Insurance principles and on proper commercial basis, the P. & T. Department should either put an Insurance Expert as in-charge of Postal Life Insurance Organisation or run it as a Corporation constituted under an Act of Parliament. They desired that the Department should examine this suggestion in consultation with the Ministry of Finance and apprise the Committee in due course, of the decision arrived at in the matter.

(iv) *Item 128.*—The Committee considered the note regarding provision of a separate Press for the P. & T. Department submitted to them by the Ministry of Works, Housing and Supply (Appendix XLVII).

The representative of the P. & T. Department stated that as desired by the Committee, they had been pursuing the matter with the Ministry of W. H. & S. But that Ministry had told them that

in view of the recommendations made by the Estimates Committee that all printing work should be centralised, it would not be advisable to transfer control of printing work from the Stationery and Printing Department (under the Ministry of W. H. & S.) to the P. & T. Department or to provide the P. & T. Deptt. with a separate Press. He further informed the Committee that he would discuss this matter again with the Ministry of W. H. & S. In the meantime, he added, they had already authorised the Heads of P. & T. Circles to resort to local printing of forms in case of shortages under certain conditions.

After some discussion, the Committee asked the representative of the P. & T. Department to furnish them a note stating the present position regarding the shortage of P. & T. forms as compared to that existing in 1948.

(v) *Item 129.*—The Committee desired that instead of noting the various recommendations made by them, the Ministries concerned should state the specific action taken by them in the matter of implementation thereof.

(vi) *Item 130.*—The representative of the P. & T. Department informed the Committee that the principal recommendations made by the SWISS firm of Experts were in the process of implementation. As far as the planning and forecasting of stores requirements was concerned, the P. & T. Department had already issued necessary instructions. The fixation of maximum and minimum balances under different categories of stores was stated to be under the consideration of the Ministry of Finance. A Technical Committee had been appointed to look into the disposal of obsolete, unserviceable and surplus stores.

(vii) *Item 134 (i).*—The representative of the Ministry of Communications informed the Committee that they had again referred the matter to the U.P.S.C. and further advice from that body was awaited.

(viii) *Item 134 (ii).*—In reply to a query, the Accountant-General, P. & T. stated that Audit were satisfied with the instructions issued by the Director-General, P. & T. in the matter.

(ix) *Item 132.*—The Committee were informed by the representative of the Ministry of Finance (Communications) that the remarks offered by the Ministry of Finance (E. A.) in the case were not shown to them. The Committee desired that there should be closer coordination between the two wings of the Ministry of Finance.

(x) *Item 142.*—The Committee asked the representative of the Ministry of Finance (Communications) and the P. & T. Department to persuade the Government to shift the Office of the Accountant-General, Posts & Telegraphs, Simla to Delhi so that he might be readily available for consultation by the Comptroller and Auditor-General and D. G., P. & T.

148. The Committee then adjourned to meet again early in December, 1953 on a date to be fixed by the Chairman, Public Accounts Committee.

**Proceedings of the Twenty-fourth Meeting of the Public Accounts Committee held on Thursday, the 3rd December, 1953.**

The Committee met from 11 A.M. to 1-15 P.M.

**PRESENT**

Shri B. Das—*Chairman.*

*Members.*

Shri Ranbir Singh Chaudhuri  
Shri H. V. Pataskar  
Dr. Mono Mohon Das  
Shri T. N. Singh  
Shri M. L. Dwivedi  
Shri S. N. Das  
Shri B. Ramachandra Reddi  
Shri Uma Charan Patnaik  
Pandit Krishna Chandra Sharma

Shri V. Narahari Rao, *Comptroller & Auditor-General of India.*

Shri P. H. S. Rao, *Deputy Comptroller and Auditor-General of India.*

Shri R. C. Khanna, *Director of Railway Audit.*

**SECRETARIAT**

Shri S. L. Shakdher—*Joint Secretary.*

**WITNESSES**

Shri F. C. Badhwar, *Chairman, Railway Board.*

Shri P. C. Bhattacharya, *Financial Commissioner, Railways.*

Shri N. C. Deb, *Director, Finance (Expenditure), Railway Board.*

Shri D. P. Mathur, *Director, Finance (Budget), Railway Board.*

Shri H. S. Negi, *Deputy Secretary, Ministry of Finance*

**MINISTRY OF RAILWAYS (RAILWAY BOARD)—contd.**

149. The Committee took up consideration of the Report\* of the investigating Team on the Assam Rail Link Project appointed by the Railway Board pursuant to action taken by them on the recommendations contained in Para. 12 of the Fifth Report of the Public Accounts Committee, 1952-53.

150. The Committee enquired how the basic rate of Rs. 35 per 1,000 c.ft. in respect of the earthwork on the Assam Rail Link Project had been arrived at. In reply, the Financial Commissioner, Railways

\*Not printed. A copy is available in the Parliament Library [See classification No IV-U (182)].

referred to para. 64 of the Report under consideration which showed the actual break-up of the figure of Rs. 35. This rate, it was pointed out, was the average rate. As regards the wage rate of Rs. 2-8-0 per day per cooly that had been assumed for the purpose of working out the average rate of Rs. 35, the Financial Commissioner, Railways stated that it was based on the information that had been obtained from the local Government which notified the wage rates prevailing in different localities from time to time and also on the scale of wages that the Railway Department itself paid to unskilled labour which ranged between Rs. 70 to Rs. 80 p.m. Continuing further, he stated that most of the labour employed on the project was imported labour and it was not recruited locally. So, the pay that had to be given to them had to be related to what they would be getting in the Bihar coalfields and adjacent areas—the rate of wages in those areas being Rs. 2-8-0 or so per day.

151. The Committee pointed out that according to the information made available by the Posts and Telegraphs Department, the rate at which that Department paid the unskilled labour employed by them during the year 1948 in the areas covered by the A.R.L. Project was Rs. 1-8-0 per day and wanted to know why a higher rate of Rs. 2-8-0 per day had been paid to a cooly employed on the Project. The Chairman, Railway Board, pleaded that the nature of work done by the Railway labour was quite different and moreover, the emergent nature of the work weighed with them and they had to import thousands of men from elsewhere to complete the construction of the line within the target date.

Elucidating the point, the Financial Commissioner, Railways stated that when they considered the Report of the Team, they made certain enquiries about the rates for earthwork paid by other organisations like the C.P.W.D. and P.W.D., Assam and they found that these rates were to a certain extent more comparable with those paid by them for earthwork than the other types of work where coolies were employed for lifting poles etc.

152. The Committee then desired to be furnished with a note stating the justification\* for the payment of the Railway labour employed for earthwork on the A.R.L.P. @ Rs. 2-8-0 per day as compared with the rate of Rs. 1-8-0 per day paid by the Posts and Telegraphs Department to the labour employed on similar work in those areas with special reference to the fact whether the labour engaged by the Posts and Telegraphs Department was recruited locally or imported from outside.

153. The Chairman, Railway Board informed the Committee that they had gone through the Report of the Investigating Team and under the conditions that existed at the time the Assam Rail Link Project was executed, he felt that the Engineer-in-Chief and other Officers had exercised the necessary prudence and care consistent with the pace of the scheduled programme that had been laid by the Railway Board for the completion of the Project.

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\*See Appendix XLII.

**Proceedings of the Twenty-fifth Meeting of the Public Accounts Committee held on Thursday, the 17th December, 1953.**

The Committee met from 11 A.M. to 12-35 P.M.

**PRESENT**

Shri B. Das—*Chairman.*

*Members.*

Shri Hari Vinayak Pataskar  
Shri Tribhuan Narayan Singh  
Shri M. L. Dwivedi  
Shri Shree Narayan Das  
Shri B. Ramachandra Reddi  
Shri Uma Charan Patnaik  
Shri K. M. Vallatharas  
Shri G. D. Somani

Shri V. Narahari Rao, *Comptroller & Auditor-General of India.*

Shri R. C. Khanna, *Director of Railway Audit.*

Shri P. H. S. Rao, *Deputy Comptroller and Auditor-General of India.*

Shri V. D. Dantiyagi, *Additional Deputy Comptroller and Auditor-General of India.*

**SECRETARIAT**

Shri A. N. Bery—*Deputy Secretary.*

**WITNESSES**

Shri F. C. Badhwar, *Chairman, Railway Board.*

Shri P. C. Bhattacharya, *Financial Commissioner, Railways.*

Shri V. Nilakantan, *Member (Staff), Railway Board.*

Shri D. P. Mathur, *Director, Finance (Budget), Railway Board.*

Shri H. S. Negi, *Deputy Secretary, Ministry of Finance.*

**MINISTRY OF RAILWAYS—contd.**

154. The Committee took up consideration of the Statement showing action taken or proposed to be taken by the Ministry of Railways (Railway Board) on the outstanding recommendations of the Committee (Appendix I).

155. *Item 144—Revision of prices of coal.*—The representative of the Railway Board stated that the Ministry of Production had agreed to the simultaneous issue of the notification regarding the revision of rates of over-loaded weigh-bridge coal consequent on the revision of prices of coal and necessary instructions in the matter had been issued by them to the Railway Administrations.

In reply to a question, he stated that there had been no revision in the freight-rate for coal since early 1952.

156. *Item 145—Remission of demurrage and wharfage charges.*—The Committee considered the Memorandum furnished by the

Railway Board (Appendix XIX). The representative of the Railway Board referred the Committee to the instructions issued by them to the Railway Administrations that before refunding wharfage and demurrage charges exceeding Rs. 200, the Accounts Officer must invariably be associated. He further stated that the Railways had again been asked in August, 1952 to scrutinise and tighten up the existing regulations regarding the remission of demurrage charges etc.

The Comptroller and Auditor-General pointed out that the total demurrage and wharfage charges waived during the year 1950-51 amounted to Rs. 1 crore and 19 lakhs and even after allowing for amounts pertaining to the former Indian State Railways, it came to Rs. 1 crore and 17 lakhs. The position in that respect, he added, was progressively deteriorating since 1945-46 and at present the amount waived worked out to the order of 42 per cent.

157. *Item 146—Economy effected by regrouping of Railways.*—The Committee considered at length the implications arising from the Memorandum furnished by the Railway Board (Appendix XVIII) on the subject of economy achieved as a result of regrouping of Railways into six zones under the following two categories:

- (a) savings in Establishment;
- (b) operational economies;

and also the improvements effected in operation and service rendered to the trade, industry and public; the quicker turnround of wagons; pooling of resources and better utilization of rolling stock; removal of congestion at interchange stations; elimination of dual control and other cognate matters.

The representative of the Railway Board informed the Committee that in the Memorandum under consideration they had tried to cover the operational efficiency only that had taken place according to the assessment of the situation made by the Railway Administration and not the economy as on that point, they had more or less come to the conclusion that it was absolutely impossible to ascertain as to what savings, if any, were due to regrouping.

Continuing further, the representative of the Railway Board stated that after the integration of 18 or 19 Indian State Railways with the general Railway system, regrouping was considered absolutely essential. Those Railways systems, he added, had to be rationalised into a small number of zones. Referring to the question regarding the overall economy due to regrouping raised by the Committee, he urged his viewpoint that the economy might be set off against some additional expenditure elsewhere.

The Comptroller and Auditor-General pointed out that offices on certain Railways were scattered at different places and had not so far been integrated and located at one place and thus they could not work with efficiency.

The representative of the Railway Board pleaded that it was mainly due to lack of adequate accommodation being available at the headquarters of the various Railway Zones and the construction of new buildings entailed extra expenditure which could not be met from the existing resources.

158. The Committee had not concluded their deliberations when they adjourned to meet again at 11 A.M. on the following day.

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**Proceedings of the Twenty-second Meeting of the Public Accounts Committee held on Friday, the 18th December, 1953.**

The Committee met from 11 A.M. to 12-35 P.M.

PRESENT

Shri B. Das—*Chairman.*

*Members*

Shri Hari Vinayak Pataskar  
Dr. Mono Mohon Das  
Shri Tribhuan Narayan Singh  
Shri M. L. Dwivedi  
Shri B. Ramachandra Reddi  
Pandit Krishna Chandra Sharma  
Shri K. M. Vallatharas

Shri V. Narahari Rao, *Comptroller & Auditor-General of India.*

Shri P. H. S. Rao, *Deputy Comptroller and Auditor-General of India.*

Shri R. C. Khanna, *Director of Railway Audit.*

SECRETARIAT

Shri A. N. Bery—*Deputy Secretary.*

WITNESSES

Shri F. C. Badhwar, *Chairman, Railway Board.*

Shri P. C. Bhattacharya, *Financial Commissioner, Railways.*

Shri V. Nilakantan, *Member (Staff), Railway Board.*

Shri D. P. Mathur, *Director, Finance (Budget), Railway Board.*

Shri V. Subramanian, *Under Secretary, Ministry of Finance.*

MINISTRY OF RAILWAYS—*contd.*

159. The Committee continued consideration of the statement showing action taken or proposed to be taken by the Ministry of Railways on the outstanding recommendations of the Public Accounts Committee (Appendix I).

160. *Item 146—Economy effected by regrouping of Railways.*—The Committee resumed further consideration of the Memorandum on the subject furnished by the Railway Board (Appendix XVIII).

The representative of the Railway Board gave to the Committee certain statistics showing the improvements effected in the running speed of the important trains on the various Railways. He stated that irrespective of regrouping, the policy of the Railways had always been to speed up the train service because it also paid them from the operational point of view.

In reply to a question, it was stated that some of the former Indian State Railways had a very small Depreciation Fund and all the funds maintained on those Railways had been merged in the Central Depreciation Fund after integration.

The Committee desired that the Railway Board should furnish to them by the end of June, 1954 a comprehensive Memorandum discussing the financial effects of the regrouping of Railways with special reference to the economy and efficiency achieved as a result thereof.

161. *Item 147—Over-capitalization of Railway Collieries.*—The Committee were informed that at one stage, a decision was arrived at according to which the Ministry of Production would accept both the ownership as well as the management of the Railway Collieries, but at present they were rather hesitant about taking over the ownership. In reply to a question, it was stated that the budget provision in regard to the Railway Collieries had been made in the Railway Budget for the current financial year. The Ministry of Production, it was added, had refused to make similar provision for the next year in their Budget Estimates.

The representative of the Railway Board further informed the Committee that the management of the Railway Collieries was not their concern and they had thus no upto-date records about their detailed working. All that they knew about them was that at the time of preparation of the annual budget estimates, they held a meeting with the authorities managing the collieries and accepted payment of the charges that were debited to the Railway Board.

162. *Item 148—Separation of Financial and Accounts Functions on the Railways.*—The Financial Commissioner, Railways, informed the Committee that as stated by him at the last meeting he would discuss this matter further with the Comptroller and Auditor-General.

In reply to a question, the representative of the Railway Board stated that all Officers recruited to the various services on the Railways *v.z.*, Transportation, Traffic, Commercial, Engineering etc. were required to undergo training at the Railway Staff College in the Financial and accounting procedure for two months during their probation.

163. The Committee then decided to meet again on the 26th December, 1953 to take up further consideration of the Railway Accounts 1950-51 and Audit Reports thereon.

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**Proceedings of the Twenty-seventh Meeting of the Public Accounts Committee held on Saturday, the 26th December, 1953.**

The Committee met from 10 A.M. to 1 P.M.

PRESENT

Shri B. Das—*Chairman.*

*Members*

Shri Ranbir Singh Chaudhuri  
Shri Hari Vinayak Pataskar  
Shri Tribhuan Narayan Singh  
Shri M. L. Dwivedi  
Pandit Munishwar Dutt Upadhyay  
Shri Uma Charan Patnaik  
Pandit Krishna Chandra Sharma  
Shri K. M. Vallatharas  
Shri V. P. Nayar

Shri P. H. S. Rao, *Deputy Comptroller and Auditor-General of India.*

Shri R. C. Khanna, *Director of Railway Audit, Simla.*

SECRETARIAT

Shri A. N. Bery—*Deputy Secretary.*

WITNESSES

Shri F. C. Badhwar, *Chairman, Railway Board.*  
Shri P. C. Bhattacharya, *Financial Commissioner, Railways.*  
Shri V. Nilakantan, *Member (Staff), Railway Board.*  
Shri S. S. Vasist, *Member (Transportation), Railway Board.*  
Shri N. C. Deb, *Director, Finance (Expenditure), Railway Board.*  
Shri D. P. Mathur, *Director, Finance (Budget), Railway Board.*

MINISTRY OF RAILWAYS (RAILWAY BOARD)—*contd.*

164 The Committee resumed further consideration of the statement showing action taken or proposed to be taken by the Railway Board on the outstanding recommendations of the Public Accounts Committee (Appendix I).

165. *Items 149-50 Budgeting and control over expenditure.*—The representative of the Railway Board stated that the Financial Adviser and Chief Accounts Officer attached to each Railway zone held monthly meetings with the Heads of the Departments of the Railway Administration and the progress of expenditure against the proportionate budget grants was watched through a review prepared every month.

The Director of Railway Audit informed the Committee that he had scrutinised the instructions issued by the Railway Board to the various Railway Administrations in the matter of accurate budgeting and control over expenditure and felt that they met all the points raised by the Committee.

166. *Item 151—Submission to the Public Accounts Committee of notes/memoranda containing facts and figures through the Audit Department.*—The representative of the Railway Board stated that that was being done now.

167. *Item 152—Programme for the early compilation of the Railway Accounts.*—The representative of the Railway Board stated that they hoped to bring uptodate the compilation of the Appropriation Accounts, Railways by the middle of 1954.

168. *Item 153—Introduction of changes in the financial and accounting structure of the Railways.*—The representative of the Railway Board assured the Committee that the Comptroller and Auditor-General was always consulted whenever any substantial change was made in the accounting structure of the Railways.

169. *Item 154—Adjustment of outstanding rent for the land leased to the late Defence Department in the Vizagapatam Port.*—The Committee were informed that a sum of about Rs. 55 thousand still remained to be recovered out of the total amount of about Rs. 8.63 lakhs due from the Defence Ministry and it was expected to be adjusted by the end of the present year.

170. *Item 155—Abandonment of Locomotive Building Works Project, Kanchrapara.*—The representative of the Railway Board stated that they had brought the views of the Public Accounts Committee to the notice of the various Railway Administrations and told them that they should not agree to refer to arbitrations those cases in which a 'no claim' certificate had been given by the contractors (Appendix XIII). He further stated that they proposed to submit to the Committee a fresh\* memorandum on this subject in the light of the legal opinion given by the Law Officer of the Railway concerned according to which the Railway Administration could not under any circumstances refuse to go to arbitration if a contractor wanted arbitration on any particular point and it was only before the Arbitrator that they could plead the fact that as a 'no claim' certificate had been granted, no cause of action lay against the Government.

As regards disciplinary action taken in this case against the Officer concerned, the representative of the Railway Board stated that the matter had already been considered by the High level Executive Enquiry Committee and they were satisfied that the expression of displeasure against him was adequate. As regards the other Officers involved in this case, no action could be taken against them as they had retired from service before the Committee made their comments.

171. *Item 157—Execution of works on Emergency Certificates without preparation of detailed estimates.*—The representative of the Railway Board assured the Committee that they had since taken

\*See Appendix XLIV.

great care to see that no work, unless it was absolutely covered by the emergency certificates, was started without the preparation and sanction of proper estimates.

The Committee then drew the attention of the representatives of the Railway Board to the Memorandum stating the progress made in the clearance of expenditure held under objection as shown in Annexure 'A' to the Appropriation Accounts (Railways), 1950-51 Part II (Appendix XXV) and pointed out that the items held under objection on account of 'Want of Estimates' on the various Railways had by the end of July, 1953 been reduced to Rs. 7,92,32,000 from Rs. 22,51,84,000 as it stood on the 15th February, 1952. Explaining the position, the representative of the Railway Board stated that they had issued instructions to the Railways not to incur heavy expenditure without sanction of the estimates even though it might have been included in the previous works or rolling stock programmes and they were making every endeavour to bring down the volume of objectionable expenditure progressively year by year. He hoped that the result of such efforts made by them would be reflected in the future Accounts.

172. *Item 161—Recoveries of the outstanding debits from the station staff.*—The representative of the Railway Board informed the Committee that the question of amendment of the Payment of Wages Act had been under consideration by the Ministry of Labour for a long time and the comments made by the Committee in that respect last year had also been communicated to that Ministry.

173. The Committee then proceeded to resume consideration of the Railway Audit Report, 1952—Parts I & II.

174. *Railway Audit Report, 1952—Part I—Para. 10—Irregular payment of Compensatory Allowances on the Assam Rail Link Project.*—The Committee re-opened discussion of this case and wanted to know the implications of the expression used in the Audit Report that 'the Railway Board have refused to accord *ex post facto* sanction to the write off of the sum of Rs. 2,727 (which became irrecoverable) and the amount has thus remained under objection'. The representative of the Railway Board stated that what it meant was that after this case had been discussed by the Public Accounts Committee, they would treat it as disposed of and thus regularise the irregular expenditure already incurred by writing it off. The Committee decided to discuss further with the representatives of the Ministry of Finance the implications in actual practice of the refusal to accord *ex post facto* sanctions in the context of the observations made by the Public Accounts Committee of 1951-52 in para. 28 of their First Report.

175. *Para. 11 of Railway Audit Report—Part I—Special rates for Manganese ore traffic.*—The Committee desired to know why the B. N. Railway did not carry out the orders of the Railway Board issued in December, 1947 that with effect from 1st May, 1948 freight rate in respect of commodities moved to ports should be charged at tariff level, if the traffic could bear it and waited till 1950. The representative of the Railway Board stated that there were station-to-station freight rates for the carriage of manganese ore. When Devaluation was effected in September, 1949, it was accompanied by the imposition of certain export duties. Soon after, the B. N. Railway

pointed out in 1950 that as there had been a rise in the rupee price of manganese ore, the freight rate should be increased. On account of the importance attached to the export of manganese ore, the Railway Administration could not upset the rate structure of that commodity without first referring the matter to the Ministry of Commerce and Industry as it was a principal item of dollar earning export. The matter remained under reference with that Ministry for sometime and the representative of the Railway Board pleaded that there was no delay in this case so far as the Railway Administration was concerned. In this connection the Deputy Comptroller and Auditor-General pointed out that it was clearly stipulated in the Railway Board's orders of December, 1947 that the Railway Administration should obtain their specific sanction if the lower rates were to be continued beyond 30th June, 1948.

176. *Para. 23 of Railway Audit Report, 1952—Part II—Loss due to delay in the revision of rates for carriage of Manganese Ore.*—The Committee pointed out that in this case too there had been delay in carrying out the Railway Board's instructions issued in March, 1949 for reviewing all special local rates (that were then in force) for the carriage of Manganese Ore from certain stations to a particular station of the B. B. & C. I. Railway and to withdraw those that were below the lowest limit of the Railway Administration's powers of sanction (*viz.* 20%), or to obtain the Railway Board's sanction to such of them as were necessary to be retained. The representative of the Railway Board stated that the fact, that the freight rate for manganese ore was even lower than the 20% limit of the B. B. & C. I. Railway, came to their notice sometime in December, 1949. They then told the Railway Administration concerned that they did not see any justification for quoting a rate which exceeded their rate reducing powers (*viz.* 20% limit). But the B. B. & C. I. Railway had even before that time notified whatever they considered was the proper rate to come into effect from the 1st January, 1950 and reported the matter to the Railway Board. He contended that there had thus been no delay on the part of the Railway Administration in carrying out the Railway Board's directive.

177. *Para. 22 of Railway Audit Report, 1952—Part II—Writing off debits against stations on B. N. Railway.*—The Committee wanted to know (i) why the records were destroyed in this case when the objections were still outstanding and the steps that had been taken to avoid recurrence of such lapses and (ii) the disciplinary action taken against the persons responsible for destroying these records.

The representative of the Railway Board admitted that in this particular case, when the objections had not been settled, the documents were destroyed. The Director of Railway Audit informed the Committee that he was satisfied with the instructions that had been issued by the Railway Administration that in future no records would be destroyed without consulting the section in the Accounts office which held the various objections to those records until those objections were disposed of. As regards the disciplinary aspect, of the case, the representative of the Railway Board could not furnish any information.

178. The Committee then took up Para. 32\* of the Audit Report, 1952—Part II which referred to the points outstanding from the previous Audit Reports.

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\* See also Appendix XLI.

(i) *Railway Audit Report, 1950—Para. 32—East Indian Railway—Hiring of a portion of the Esplanade Mansions, Calcutta for the Public Relations and Publicity offices.*—The Committee were informed that the Railway Administration concerned had secured the possession of the building under the Rent Control Act up to March, 1954 and they hoped to have it extended further.

(ii) *Railway Audit Report, 1951—Para. 42—Inadequacy of rent realised for Railway quarters.*—The Committee asked the representative of the Railway Board to furnish them a Memorandum stating the upto date position of the action taken by them to ensure adequate return on the capital invested in the construction of residential buildings.

179. The Committee then asked the representatives of the Railway Board that they should furnish written information on the remaining points\*\* arising from the Railway Audit Reports under consideration which they could not cover for want of time.

180. The Committee then adjourned to meet again at 10-30 A.M. on the 28th December, 1953.

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\*\* See Appendices XXXIV, XXXV, XXXVI, XXXVII, XXXVIII, XXXIX, XL, and XLI.

**Proceedings of the Twenty-ninth\* Meeting of the Public Accounts Committee held on Tuesday, the 20th April, 1954.**

The Committee met from 10 A.M. to 12-30 P.M.

**PRESENT**

Shri B. Das—*Chairman.* .

**Members**

Shri Ranbir Singh Chaudhuri  
Shri Tribhuan Narayan Singh  
Shri M. L. Dwivedi  
Pandit Munishwar Dutt Upadhyay  
Shri B. Ramachandra Reddi  
Pandit Krishna Chandra Sharma  
Shri K. M. Vallatharas.

Shri V. Narahari Rao, *Comptroller and Auditor-General of India.*

Shri V. D. Dantiyagi, *Additional Deputy Comptroller and Auditor-General of India.*

Shri K. S. Malhotra, *Accountant-General, Posts and Telegraphs.*

Shri P. N. Bhandari, *Controller of Commercial Audit, Office of the Comptroller and Auditor-General.*

**SECRETARIAT**

Shri S. L. Shakhder—*Joint Secretary.*

**WITNESSES**

Shri B. N. Jha, *Secretary, Ministry of Communications.*

Shri B. R. Batra, *Chief Engineer, Posts and Telegraphs.*

Shri Jagdish Prasad, *Managing Director, Indian Telephone Industries Ltd., Duravani Nagar, Bangalore.*

Shri S. Jayasankar, *Joint Secretary, Ministry of Finance (Communications).*

Shri K. V. Venkatachalam, *Deputy Secretary, Ministry of Communications.*

181. The Committee took up further examination of the working of the Indian Telephone Industries Ltd., Bangalore (Appendices LIX and LX).

182. At the outset the Chairman indicated that there were two points for elucidation at the meeting viz., (i) whether the working of the I.T.I. could be considered satisfactory and (ii) whether the agreement that was entered into with the A.T.E. in 1948 could be deemed to be a satisfactory one.

\*Twenty-eighth meeting relates to the consideration of the Champhekar Committee Report on the Mahanadi Bridge (See Eleventh Report of the P.A.C.)



183. The Committee first considered the defects in the tender system in the I.T.I. The Managing Director of the I.T.I. stated that there were some defects in the initial stages and that only limited tenders were called formerly but that now the full formality of the open tender system was being observed.

184. The Committee noted that there had been some instances of delay particularly in obtaining technical information and in obtaining raw materials but that except in a few cases, the delays were not serious.

185. As regards the excess stock lying with the I.T.I., the representative of the I.T.I. agreed that there was a large quantity of such stock. This was because the procedure previously was that in regard to the purchase of material an intimation as to the number of lines required was sent to the A.T.E. and it was left to them to make the requisite purchases. He assured the Committee, however, that with the introduction of the stock control method this year, there should be no occasion for such excess purchases in future.

186. Asked whether it could be possible to return the material to the A.T.E., at least such of it as was purchased from them, the representative of the I.T.I. said that the equipment was not perishable and that all this material would be useful either for manufacture in I.T.I. or for P. & T. Deptt. The Auditor-General pointed out that the whole question of excess purchases of materials and other allied matters have been raised by the Accountant-General, Mysore, who was Audit Officer of the I.T.I. Ltd in his Audit Report on the accounts for the period ending the 31st March. 1953.

187. A question was raised as to what steps had been taken in regard to (i) inspecting the goods purchased from the A.T.E. in U.K. and (ii) verifying whether the prices paid to the A.T.E. were reasonable. The Chief Engineer of the P. & T. Deptt. stated that in regard to the first the Government relied upon the general test inspection carried out by the British Post Office authorities on the major telephone-equipment-producing factories in the U.K., and as regards the latter, the Government of India relied upon the certificate given by the auditors of the firm where the B.P.O. could not certify the prices.

188. The Committee felt that in regard to the former item, separate inspection should have been undertaken by the Indian Stores Department, London and in regard to the latter, the views of the Auditor-General should have been ascertained before entering into a commitment like this.

189. Asked whether it would be worthwhile to pool the demands of the various State Industries for specialised material, such as special steel, which is not at present available in the country and to find out whether we could get these things manufactured in India, the representative of the Communications Ministry stated that some arrangements in this regard were being considered by that Ministry in consultation with the Production Ministry.

190. The Committee then took up the question of commission charged by the A.T.E. on materials supplied to the I.T.I. The Chairman wanted to know the implication of clause (6) (iv) of the agreement according to which an amount not exceeding 5 per cent. of the

price was to be paid as handling charges to the A.T.E. on certain purchases. The representative of the Ministry of Finance explained that this percentage was on materials purchased by the A.T.E. on behalf of the I.T.I. from other manufacturers. On the other hand according to clause 9 of the Agreement the A.T.E. was to supply scheduled telephone equipment requirements to the I.T.I. It was on this equipment that the I.T.I. paid a commission of 5 per cent. to the A.T.E. This commission was separate from the handling charge mentioned before.

191. The Comptroller and Auditor-General suggested that the system of costing should be revised inasmuch as at present for the purpose of costing the products of the factory, the custom duty paid on imported materials was also taken into consideration, with the result that the final cost of the products could not be compared with the cost of manufacture for similar articles in other countries. He thought that the customs duty should not be levied on material imported for the manufacturing industries of this nature. These materials should be imported under bond.

192. The Committee considered that Clause 10 of the Agreement was unsatisfactory in the present circumstances as it provides restricted field for I.T.I. products. The Committee also noted that there was no clause in the agreement providing for a revision of the Agreement should a need therefor arise. The Committee felt that such a clause providing for revision whenever considered necessary according to circumstances by the contracting parties should be included.

193. The Committee also considered that since clause 9 of the Agreement provided that payment of 90 per cent. of the invoice value of all articles was made as soon as shipment was arranged, there should be specific provision for inspection of goods before shipment.

194. Asked about the percentage of items in the schedule referred to in para 2 of the Agreement which were being imported, the Chief Engineer, Posts and Telegraphs, said that as far as telephone instruments were concerned, they were being entirely produced in the factory except for the condenser, some small bushes and other minor parts. As far as telephone equipment was concerned, 85 per cent. of the components were being imported.

195. The Committee then adjourned at 12-30 P.M.

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**Proceedings of the Thirtieth meeting of the Public Accounts Committee held on Friday, the 23rd April, 1954.**

The Committee met from 10 A.M. to 11-30 P.M.

**PRESENT**

Shri B. Das—*Chairman.*

*Members*

Shri Ranbir Singh Chaudhuri  
Shri Tribhuan Narayan Singh  
Pandit Munishwar Dutt Upadhyay  
Shri B. Ramachandra Reddi  
Shri Uma Charan Patnaik  
Pandit Krishna Chandra Sharma  
Shri K. M. Vallatharas.

Shri V. D. Dantiyagi, *Additional Deputy Comptroller and Auditor-General of India.*

Shri K. S. Malhotra, *Accountant-General, Posts and Telegraphs.*

**SECRETARIAT**

Shri M. Sundar Raj—*Deputy Secretary.*

**WITNESSES**

Shri B. N. Jha, *Secretary, Ministry of Communications.*

Shri B. R. Batra, *Chief Engineer, Posts and Telegraphs.*

Shri H. R. Thadani, *Engineer-in-Chief, Posts and Telegraphs.*

Shri Uma Shankar, *Director of Telephones.*

Shri S. Jayashankar, *Joint Secretary, (Communications), Ministry of Finance.*

Shri N. V. Venkataraman, *Deputy Secretary, Ministry of Finance (Communications).*

196. The Committee met to examine the accounts relating to the Calcutta Automatization Scheme of the Ministry of Communications.\*

197. At the outset Committee desired to know the nature of checks exercised on the estimates by the Ministry of Finance and the reasons for the increase in the estimated cost which had been going up from time to time. In particular the Committee desired to know how it happened that certain items were either grossly underestimated or entirely omitted in the earlier estimates and how these lapses escaped the attention of the Financial Adviser when the earlier estimates were approved. The representative of the Ministry of Finance (Communications Wing) explained that the

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\*See also Appendix LXI.

earlier estimate of 1946 was made without a complete technical examination of the Project and that the estimate of 1949 which put the figure at Rs. 1,340 lakhs and was based on proper technical examination should be considered as a proper estimate. He pointed out that compared with that figure, the present estimated cost of Rs. 1,428 lakhs could not be considered excessive.

198. The representative of the Ministry of Communications informed the Committee that a financial stock-taking of the scheme was carried out every six months and he gave details of figures of the expenditure in the estimated cost as on 31st March, 1953 and on 30th September, 1953. The representative of the Ministry of Finance also agreed that such a review was being conducted.

199. The attention of the Committee was then invited by the representative of the Ministry of Communications to the statement submitted by him to the Committee showing the progress of expenditure against the various items of work. The statement also compared the progress of work and the progress of expenditure with the total estimated amount of each of these items.

200. It was the claim of the representative of the Ministry of Communications that if a suitable provision was made for adjustments which still remained to be effected, the progress of work and of expenditure on the various items such as over-head administration, contingencies, land and buildings, establishment charges etc. of the statement would show a correct state of affairs.

201. Noticing a large increase in the Estimated cost of buildings and land given in 1946 the Committee desired to know whether the provisions made in the estimate for these items were mere guess based on calculations. The representative of the Ministry of Communications gave a detailed explanation of the variation and explained that the major cause of the variation was due to increase in the cost of acquisition and compensation for the sites and due to acquiring of additional sites in Dalhousie Square and Alipore Exchanges.

202. At the request of the Committee, the representative of the Ministry of Communications then explained the nature of the acquisition charges which consisted mainly in payments to land acquisition authorities.

203. As regards the consultants' fees the representative of the Ministry said that originally the fee was fixed at Rs. 3,33,000 but due to the Calcutta Exchange fire, the sequence of the automatisation had to be modified and an additional sum of Rs. 18,000 was included in the consultants' fees.

204. The Committee then took up the question of staff and desired to know whether after the construction of the Project was over, all the staff now engaged would be absorbed in the exchange itself or in other departments. The representative of the Ministry explained that they have been trying to keep the staff commensurate with the flow of equipment and the progress of construction and whenever necessary they evened their programme for this purpose. It was agreed, however, that when the Project was completed some 50 per cent. of the staff might be found surplus. As regards the girl operators they expected at the most about 100 surplus hands on the

completion of the project but even these would be absorbed with the expansion in the Trunk Exchange, clerical work etc.

205. As regards the Automatisation scheme becoming remunerative, it was explained that this would become possible after about 3 years of the completion of the project, and as the project was now expected to be completed by 1957, it could become remunerative by 1960. It was also explained that the total capacity of the project was 55,000 lines and that by the end of 1956, there would be a total capacity of 42,000 lines including those kept in reserve to meet the varying demands.

206. The Committee then enquired about the estimated loss due to faulty storage of equipments. The representative of the Ministry said that there has been no loss so far on this account and it was not expected that any loss would arise in the future. He explained that the equipments had originally been ordered according to the time schedule of the project but when the first stage equipment had arrived, it was found that the time schedule was not workable and that necessary buildings for the first stage had not been completed according to the original time schedule. Consequently some of the equipments had to be kept at the Port Commissioners' godowns and sufficient precautions were taken to see that no damage was caused to the equipments. At present all equipments received went directly into the buildings of the project as soon as they arrived at Calcutta.

207. As regards the probable increase in the cost of equipment and the effect thereof on the total estimated cost of the project, the representative of the Ministry said that if the price index went up to 254, it is likely that there would be an increase in the equipment cost by about Rs. 62 lakhs but nothing could be forecast about this at the present stage.

208. As regards the source from which the equipment was obtained, the first stage equipment was all imported, the second stage equipment was half imported and half manufactured in India and in the third stage equipment the proportion of material of Indian-make was expected to be very high. This could also act to lower the total estimated cost of the project.

209. When the representative of the Ministry of Communications was questioned about the over-head charges to be paid to the C.P.W.D. for buildings, he explained that the percentage has now been reduced to 9½ per cent. from 17½ per cent. This figure varied from year to year as the C.P.W.D. worked out their over-head charges on the actual establishment cost and other factors every year and this figure also varied according to the size of the Project, for small scheme about 17½ per cent. being charged and for major works about 9 per cent.

210. The Committee then adjourned at 11-30 A.M.

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**Proceedings of the Thirty-first Meeting of the Public Accounts Committee held on Monday, the 26th April, 1954.**

The Committee met from 10-30 A.M. to 12-40 P.M.

**PRESENT**

Shri B. Das—*Chairman.*

*Members*

Shri Ranbir Singh Chaudhuri  
Shri Hari Vinayak Pataskar  
Shri Tribhuan Narayan Singh  
Shri M. L. Dwivedi  
Shri Shri Narayan Das  
Shri R. Ramachandra Reddi  
Shri Uma Charan Patnaik  
Pandit Krishna Chandra Sharma  
Shri K. M. Vallatharas.

Shri V. Narahari Rao, *Comptroller and Auditor-General of India.*

Shri K. S. Malhotra, *Accountant-General, Posts and Telegraphs.*

**SECRETARIAT**

Shri S. L. Shakhder—*Joint Secretary.*

**WITNESSES**

Shri B. N. Jha, *Secretary, Ministry of Communications.*

Shri B. R. Batra, *Chief Engineer, Posts and Telegraphs.*

Shri H. R. Thadani, *Engineer-in-Chief, Calcutta Automatization Project.*

Shri Uma Shankar, *Director of Telephones, Directorate of Post and Telegraphs.*

Shri S. Jayasankar, *Joint Secretary, Ministry of Finance (Communications).*

Shri N. V. Venkataraman, *Deputy Secretary, Ministry of Finance (Communications).*

211. The Committee resumed examination\* of the accounts relating to the Calcutta Automatization Scheme.

212. At the outset, the Comptroller and Auditor-General referred to the irregular procedure adopted by the Ministry in preparing their memorandum of the 22nd April, 1954 wherein they stated the audit view. A single memorandum of actual facts should have been drawn up in consultation with the Accountant-General according to the usual prescribed procedure. The representative of the Ministry stated that in future an agreed memoranda would be

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drawn up in consultation with Audit and then only presented to the Public Accounts Committee.

A question was then raised as to why the estimated cost of the scheme rose from Rs. 623 lakhs in 1946 to Rs. 1,340 lakhs in 1949. Explaining the circumstances in which this had occurred, the representative of the Ministry said that the 1946 figures were very approximate estimates, and that the estimate was submitted to the Standing Finance Committee for the purpose of approving the work and to start acquiring the sites. Later on when sufficient data was available for preparing a better estimate, the figures were revised. This principle of obtaining financial approval on the basis of very approximate figures of estimated cost was disapproved by the Committee. It was emphasized that the administrative departments should fully realise their financial responsibilities and should take full precaution for preparing correct estimates.

213. The Committee then desired to know what supervision was exercised on the progress of work of the scheme. They desired to know who were the officers who exercised such supervision and in what manner. The representative of the Ministry said that the Chief Engineer of the Posts & Telegraphs was in overall charge of the project—along with other projects—but that the immediate supervision of the work was exercised by the Engineer-in-Chief. The Chief Engineer visited the site three or four times a year and periodical progress reports were received by him.

214. The Committee then took up the question of excess expenditure incurred on the construction of buildings. The representative of the Ministry stated that the excess was Rs. 34 lakhs which formed 17 per cent. of the total expenditure of Rs. 2 crores. The full details of the explanation for this excess had been called for by the Ministry from the Central Public Works Department and the representative of the Ministry said that, as far as it was ascertainable the excess was due to the revision of construction rates. Originally when the estimates were prepared by the Calcutta C.P.W.D. authorities, the estimated cost was of the order of Rs. 2-13-0 per cu. ft. But the Head Office of the C.P.W.D. reduced the estimates to Rs. 1-10-0 per cu. ft. The actual expenditure was, however, expected to be of the order of Rs. 2-8-0 per cu. ft. and this explained, according to him, the excess of Rs. 34 lakhs.

215. When a question was raised whether it could definitely be stated that the work would not ultimately cost more than the present estimate of Rs. 1,428 lakhs, the representative of the Ministry said that as the final cost would depend upon the ultimate terms of price fixation with the Indian Telephone Industries Ltd., no definite statement to this effect could be made at this stage and that that was the reason why it was not proposed to revise the estimates now. The representative of the Ministry of Finance was asked whether the approval of his Ministry had been accorded to the postponement of the question of revision of the estimates by the Executive until such time as the various factors were finalized. He replied that his Ministry had merely allowed matters to go on, and had not permitted any expenditure in excess of the sanctioned estimates beyond the approved limits.

216. As it was noticed that a portion of the increase in expenditure was explained by the Ministry as due to the provision of

material of superior specifications, such as doors of Burma teak-wood, mosaic flooring etc. in the buildings, the representative of the Ministry was asked to explain why such superior quality material which had not been provided in the original estimates had been subsequently adopted. The representative of the Ministry said that the explanation given did not bring out correctly the position, as the excess in expenditure was in fact not due to the adoption of superior quality material which was not contemplated in the original estimates, but due to a change in the size of the buildings. As compared to the original estimates, additional buildings had to be constructed subsequently. As regards the finishings for air-conditioned rooms etc. only the standard specifications had been adopted. The representative of the Ministry said that the superior finishes as mentioned were not adopted as items of luxury but out of sheer necessity.

217. The question of staff was then taken up for consideration and a view was expressed by the Committee that there had been some over-staffing in the project.

218. The effect that the delay in completing the project would have on its remunerativeness was then considered by the Committee. It was pointed out that by delaying the completion of the project by three years, i.e. by postponing it from 1954 to 1957, the losses incurred during these three years would also have to be capitalized and the Committee desired to know whether in these circumstances the provision of 42,000 lines only would still be sufficient to make this scheme remunerative. The representative of the Ministry stated that the delay in the completion would not affect the remunerativeness of the scheme.

219. The Committee then took up for consideration the procedure adopted for the purchase of stores and material required for the project through the Indian Telephone Industries Ltd. It was pointed out by the representative of the Ministry that in accordance with the agreement, all automatic equipment for telephones for the scheme had to be purchased through the Indian Telephone Industries Ltd., and where the Indian Telephone Industries did not manufacture such equipment, they had to be obtained from the Automatic Telephone Electric Co. Ltd. The bulk of telephone equipment required was now being manufactured in India. As far as automatic exchange equipment was concerned, 15 per cent. of such equipment was now being manufactured in the Indian Telephone Industries, Ltd.; the rest of the components being imported.

220. The Comptroller and Auditor-General desired that an examination should be undertaken by the Calcutta Telephone Automatization authorities to see whether the supplies received by the Automatization Scheme under the terms of agreement with the Indian Telephone Industries, were made at prices not more unfavourable than from others.

221. The Committee then desired to be furnished with the periodical reports of the financial stock-taking of the Calcutta Telephone Automatization Scheme.

222. The Committee then adjourned at 12-45 P.M.

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**Proceedings of the Thirty-eighth\* Meeting of the Public Accounts Committee held on Friday, the 25th June, 1954.**

The Committee met from 10-30 A.M. to 1 P.M.

PRESENT

Shri B. Das—*Chairman.*

*Members*

Shri H. V. Pataskar  
Shri T. N. Singh  
Shri M. L. Dwivedi  
Shri S. N. Das  
Shri Uma Charan Patnaik  
Pandit Krishna Chandra Sharma  
Shri K. M. Vallatharas  
Shri V. P. Nayar.

Shri V. D. Dantiyagi, *Additional Deputy Comptroller and Auditor-General.*

Shri Ramaswamy Ayyar, *Director of Railway Audit.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

223. The Committee took up consideration of the draft Tenth Report on the Appropriation Accounts (Railways) and (Posts and Telegraphs), 1950-51.

224. The Committee read first 24 Paras. of the draft Report and approved them subject to minor additions or alterations here and there.

225. The Committee then adjourned till 10 A.M. on Saturday, the 26th June, 1954.

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*(i)* Proceedings of the Thirty-second to Thirty-sixth Meetings relate to the consideration of the Champhekar Committee Report on the Mahanadi Bridge (*See* Eleventh Report of the P.A.C.)

*(ii)* Proceedings relating to the Thirty-seventh Meeting relate to the consideration of the Report of the Sub-committee on (a) Fertilizer Deal and (b) Pashabhai Patel Implements (*See* Twelfth Report of the P.A.C.).

**Proceedings of the Thirty-ninth Meeting of the Public Accounts  
Committee held on Saturday, the 26th June, 1954**

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The Committee met from 10 A.M. to 1 P.M.

**PRESENT**

Shri B. Das—*Chairman.*

*Members*

Shri Ranbir Singh Chaudhuri  
Shri T. N. Singh  
Shri Uma Charan Patnaik  
Pandit Krishna Chandra Sharma  
Shri K. M. Vallatharas  
Shri V. P. Nayar.

Shri V. Narahari Rao, *Comptroller and Auditor-General of  
India.*

Shri V. D. Dantyagi, *Additional Deputy Comptroller and  
Auditor-General.*

Shri Ramaswamy Ayyar, *Director of Railway Audit.*

Shri K. S. Malhotra, *Accountant-General, Posts and  
Telegraphs.*

**SECRETARIAT**

Shri V. Subramanian—*Deputy Secretary.*

226. The Committee resumed further consideration of the Draft Tenth Report on the Appropriation Accounts (Railways) and (Posts & Telegraphs), 1950-51.

227. The Committee considered the Report from para. 25 onwards and approved the remaining paras. subject to some additions or alterations being made here and there.

228. The Committee then adjourned till 1-30 A.M. on Monday, the 28th June, 1954.

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## II

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**Proceedings of the meetings of the sub-Committee appointed by the Public Accounts Committee to consider the Notes and Memoranda etc., furnished by the Ministries on the points arising out of the Appropriation Accounts (Railways) and (Posts and Telegraphs), 1950-51 and Audit Reports thereon.**

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**Proceedings of the First Meeting of the sub-Committee held on Friday, the 14th May, 1954.**

The Sub-Committee met from 10 A.M. to 12-30 P. M.

**PRESENT:**

Pandit Munishwar Dutt Upadhyay.—*Chairman.*

*Members*

Shri M. L. Dwivedi.

Shri K. M. Vallatharas.

Shri V. D. Dantiyagi, Additional Deputy Comptroller and Auditor-General.

Shri R. Ramaswami Aiyar, Director of Railway Audit.

The sub-Committee considered the various notes/memoranda etc. furnished by the Ministry of Railways on the points arising out of the Railway Audit Report, 1952, Parts I and II which the Public Accounts Committee could not cover during their last session for want of time (as detailed in Annexure I).

2. The sub-Committee first took up the notes submitted by the Ministry of Railways pursuant to action taken on the outstanding recommendations of the Committee:

*Items 1-6.—Noted.*

*Items 7 and 19.—*The sub-Committee considered at some length the implications of the concluding sentence of the Railway Board's Memorandum dated the 10th February, 1954 wherein they had stated that if the P.A.C. approved, the Railway Board proposed to explore the possibility of introducing a clause in the agreements to the effect that once a contractor gave a no-claim certificate, he was debarred from invoking the arbitration clause of the agreement. The sub-Committee desired that the possibility of the proposed amendment to the agreements be explored by the Railway Board and a final report submitted to the Public Accounts Committee.

*Item 8.—*The sub-Committee recorded the opinion that the act of conveying mere displeasure of the Railway Board to the Officer concerned did not constitute an adequate punishment. This view was taken after considering all the facts and circumstances of the case now mentioned by the Railway Board and the sub-Committee regretted that in spite of this decision, the Railway Board had again reiterated the old position that mere warning was sufficient and had not brought out any additional facts in support of their contention. If there were any facts and reasons with the Railway Board to justify the adequacy of this lenient punishment, they should communicate the same to the Public Accounts Committee.

*Item 9.*—The attention of the sub-Committee was drawn to para. 4 of the Memorandum on economy achieved as a result of Regrouping of Railways furnished by the Railway Board wherein it had been stated that further information was being collected on the subject from the Railways and it was hoped that it would be possible to give a fuller appreciation to Parliament at the time of the presentation of the Railway Budget next year. The sub-Committee observed that the details given in the 'Review of Working of the Regrouped Railways during 1951-52 and 1952-53' as circulated to Members of Parliament along with the Railway Budget Papers were too meagre to help the Public Accounts Committee in arriving at any definite conclusion in the matter. They, therefore, decided to recommend that the Railway Board should be asked to furnish a comprehensive Memorandum on the subject at the time the Committee took up consideration of the Railway Accounts relating to the next year.

*Item 10.*—The sub-Committee felt that in view of the fact that the remission of wharfage and demurrage was still very high, it seemed necessary that the Railway Board should go into the causes of this high percentage and take necessary steps to reduce it. They recommended that a para on the subject should be included yearly in the Railway Board's Review on the Appropriation Accounts indicating the results achieved.

*Item 11.*—Noted.

*Item 12.*—The sub-Committee recommended that the Memorandum furnished by the Railway Board on the costing of Locomotives manufactured in the Chittaranjan Locomotive Works *vis-a-vis* by the TELCO should be considered by the main Committee at the time they took up examination of the next year's accounts.

*Item 13.*—The sub-Committee desired that the working of the revised agreement with the 'SCHLIEREN' for the manufacture of all-metal light weight integral type coaches should be watched for some time.

*Items 14-17.*—Noted.

*Item 18.*—The sub-Committee considered the note stating the position of the Financial Adviser and Chief Accounts Officer in a Railway Organisation. Their attention was drawn to the suggestion made by the Comptroller and Auditor-General at the meeting of the P.A.C. held on the 12th November, 1953 to the effect that he should like the Chairman, Railway Board and the Financial Commissioner, Railways, to discuss this matter with him. The representative of the Comptroller and Auditor-General informed the sub-Committee that no such discussion had so far taken place. The sub-Committee, therefore, deferred consideration of the matter till such time as they were apprised of the result of the contemplated discussion with the Comptroller and Auditor-General, which they desired should take place at an early date.

*Item 20.*—The sub-Committee postponed consideration of this matter till their next meeting.

*Items 21-22.*—Noted.

3. The sub-Committee then decided to take up consideration of the remaining notes etc. at their meetings to be held at 9 A.M. on the 22nd and 23rd May, 1954. They desired that the representatives of the

Railway Board should also be asked to appear before them on these days.

4. The sub-Committee also decided to meet at 4 P.M. on Friday, the 21st May, 1954 to take up consideration of notes etc. relating to the Appropriation Accounts (Posts and Telegraphs), 1950-51 and Audit Report thereon.

ANNEXURE I

Notes/Memoranda submitted by the Ministry of Railways (Railway Board)

S. No.	Reference to Notes etc.	Reference to Item No. of the statement of outstanding recommendations	Reference to para. of the Railways Audit Report, 1952, etc.	Subject
	2	3	4	5
1	*Railway Board's Letter No. 53-B-2498(II), dated 31-7-53.	Item No. 11	..	Relaxation of specifications in contracts.
2	†Railway Board's Letter No. 53/772/2/RE, dated 27-7-53.	Item No. 50	..	Black-listing the Contractors who fail to refund the amount paid to them in excess.
3	‡Railway Board's Letter No. 53/772/2/RE, dated 18-7-53.	Item No. 72(i)	..	Purchases not to be made in excess of the actual requirements and without approval of the competent authority.
4	§Railway Board's Letter No. 53-B-2498-1 and 11, dated 11-4-53.	Items Nos. 129, 149 and 150.	..	Budgeting and control over expenditure.
5	¶Railway Board's Letter No. 53-B-2498(110), dated 25-7-53.	Item No. 110	..	Financial, Accounting and Audit Organisations of major projects.
6	¶¶Railway Board's Letter No. 52-ACII/25/62, dated 20-3-53.	Item No. 164	..	Safe handling of cash.
7	**Railway Board's Letter No. 51-B-2713, dated 24-8-53.	Item No. 155(i)	..	Abandonment of Locomotive Building Works Project, Kanchrapara.
8	Note dated 17-9-53	Item No. 155(ii)	..	Disciplinary action against the Senior Officers responsible for the loss of stores in the Kanchrapara Workshop.
9	Memorandum dated 24-10-53	Item No. 146	..	Economy effected by regrouping of Railways.
10	Memorandum dated 30-10-53, and Railway Board's Letter No. 1309-TG, dated 22nd April, 1953.	Item No. 145	..	Remission of wharfage and demurrage charges.





1	2	3	4	5
20	†Note dated 10-10-53	..	Para. 21 of the Railway Audit Report, 1951.	Stores Purchase Policy.
21	§Balance sheet and profit and loss account of TELCO for the period ending 31st March, 1953.	..	..	..
22	Review showing the financial results of the working of the Railways for the years subsequent to 1950-51.	..	..	..
23	Note dated 23-11-53	..	Para. 9 of the Railway Audit Report—Part I— 1952.	Irregular expenditure on the Cadet Division of the St. John's Brigade (Overseas).
23-A	Note dated 12-5-54	..	Do.	Do.
24	Note dated 23-11-53	..	Para. 10 <i>ibid.</i>	Assam Rail Link Project—Irrregular pay- ment of Compensatory Allowance.
25	Statement dated 4-12-53	..	Para. 14 of the Railway Audit Report—Part II— 1952.	Capital at charge of Railways and Depre- ciation Reserve Fund.
26	Note dated 23-11-53	..	..	Note on the implication of the terminology after purchases, appearing in item 2 under 'Assets' in the Block Account of the Chittaranjan Locomotive Works, page 79, Part I, Capital Statement (comprising Loan Account).
27	Note dated 21-11-53	..	..	Para. 17 of the Fifth Report of the P.A.C. (1952-53) agreement with TELCO for the manufacture of locomotive boilers— the up-to-date position regarding the execution of the agreement by the TELCO with special reference to the date from which period "C" would commence.



**Proceedings of the Second Meeting of the Sub-Committee held on Saturday, the 22nd May, 1954.**

The Sub-Committee met from 9 to 11-45 A.M.

**PRESENT.**

Pandit Munishwar Dutt Upadhyay—*Chairman.*

*Members*

Shri M. L. Dwivedi.

Shri K. M. Vallatharas.

Shri V. D. Dantiyagi, Additional Deputy Comptroller and Auditor-General.

Shri R. Ramaswami Ayyar, Director of Railway Audit.

**WITNESSES**

Shri V. Nilakantan, Member (Staff), Railway Board.

Shri S. S. Vasist, Member (Transportation), Railway Board.

Shri N. C. Deb, Director Finance (Expenditure), Railway Board.

Shri D. P. Mathur, Director, Finance (Budget), Railway Board.

**SECRETARIAT**

Shri V. Subramanian—*Deputy Secretary.*

5. The Sub-Committee resumed consideration of the notes/memoranda etc. furnished by the Railway Board on the points arising from the Appropriation Accounts (Railways), 1950-51 and Audit Reports thereon (as detailed in Annexure I of the Proceedings of the First Meeting of the Sub-Committee).

6. *Item 20—Para. 21, Railway Audit Report, 1951—Stores Purchase Policy.*—The Sub-Committee desired to know why the practice of accepting tenders other than the lowest in the purchase of stores for the Assam Rail Link Project had been continued even after specific objections to that effect had been raised both in internal check and in audit. The representative of the Railway Board stated that that practice was in conformity with the provisions of Para. 342 of the Indian Railway Code for the Stores Department. In reply to a question as to why this practice was not stopped from the time the objection was raised by audit and the internal check authorities, the representative of the Railway Board stated that they had no definite information that the Railway authorities concerned did not follow the correct procedure after the objection was raised. He further stated that they had already issued orders that in future the Railway Administrations should follow the correct procedure in this behalf.

Elucidating the point, the representative of the Railway Board stated that the practice of not recording reasons in such cases was rather an old one on the North Eastern Railway. Sometimes reasons were recorded and sometimes they were not. The degree upto which the reasons for rejecting any particular tender should be recorded was not clearly stipulated in the Code Rule referred to above. In some cases, the Tender Committee decide that a certain tender was unsuitable without giving detailed reasons for it. He admitted that it was incorrect to do so. When asked to state the period for which this practice was continued after the objection was raised, he could not throw any light but undertook to furnish another note to the Committee.

When questioned whether the explanations of the individual Officers responsible for this omission had been called for and action taken against them, the representative of the Railway Board stated that the question of calling of explanations in this case hardly arose because that was the practice in vogue on that Railway for a long time and each Officer who dealt with the matter went on dealing with it in the manner in which it had been dealt with before. To sum up, he stated that the Railway Administration as such was following a practice which was not strictly in accordance with the provisions of the Code.

The representative of the Comptroller and Auditor-General pointed out that it should have been possible for the Railway Board to verify if the practice existed on the N. E. Railway. In any case, when the objection was raised, at least from that point onwards, that practice should have been discontinued. He added that they were satisfied with the instructions issued by the Railway Board for future guidance and hoped that the correct procedure would be followed.

*7. Items 23 and 23-A—Para. 9 of the Railway Audit Report—Part I—1952—Irregular expenditure on the Cadet Division of the St. John's Brigade (overseas).—*The Sub-Committee pointed out that in the note furnished by the Railway Board (Appendices XXVIII and XXIX), (a) no justification had been given for not taking disciplinary action against the Officers responsible in the Railway Board's Office for the delay of 22 months caused in the disposal of the case referred to in the Audit para; and (b) no explanation had been given for not taking action against the Officer who started the Cadet Division on the late G.I.P. Railway without proper sanction. The representative of the Railway Board stated that it was a very complicated case. The question had to be considered at various levels and stages in the Railway Board's Office. Out of the 22 months' delay, the total delay that could be attributed to the Board's Office was only 8 months. He added that they had looked into the matter very carefully and did not feel that they could justifiably take action against any Officer. As they had to consider rather an unusual question, they did take some time over it.

In reply to a question, he stated that actually the position was that they had accepted the fact that the payment was irregular as the Audit had pointed out. But it occurred in the circumstances where they felt that the Railway Board had to share the responsibility for it, because they could not fix it on any individual. He reiterated that as far as the delay in the Board's Office was concerned, they felt that they could not justifiably hold anyone responsible for it. It was just an unfortunate case where delay had taken place.

The representative of the Comptroller and Auditor-General pointed out that actually the Cadet Division must have been started and payment authorised under the orders of some Officer or other, and he did not see any difficulty in fixing the responsibility on the Officer who issued the orders. Moreover, it was difficult to believe that this matter was so complicated as to require 22 months and even after orders had been passed, it took six months to wind up the Cadet Division.

Explaining the *bona fides* of the *ex-General Manager*, G.I.P. who had authorised the formation of the Cadets' Division, the representative of the Railway Board said that the latter had stated that he had genuinely felt that the Cadet Division was a legitimate extension of St. John Ambulance Brigade and it was very difficult to hold, however, that what he did was something which could not have been possibly an extension of the orders as they existed or that he was entirely wrong in doing so. It was, therefore, difficult for the Railway Board to say that there was any malafide in the matter and they could not, therefore, hold the officer concerned as responsible.

In reply to a question, the representative of the Railway Board stated that it was not incumbent on the General Manager of G.I.P. Railway to have obtained the approval of the Railway Board to the formation of the Cadet Division. It was only when the question of payment of T.A. etc. to the Members of the Division similar to that sanctioned to the Nursing Division arose that the Railway Board had to be consulted.

8. *Item 24—Para. 10 of the Railway Audit Report* *ibid—Assam Rail Link Project—Irregular Payment of Compensatory Allowance.*—The Sub-Committee desired to know why the rule that payments of a recurring nature, if continued after an audit objection, should be made only on a 'provisional basis' and subject to recovery, the payee being so informed was not followed by the Railway Administration in this case. The representative of the Railway Board stated that the case referred to in this Para. occurred during the years 1948 and 1949 when abnormal conditions prevailed after the partition. He assured the Committee that all the prescribed rules were now being followed by the Railway Administrations.

9. *Item 28—Para. 12, R.A.R. ibid—Leakage of revenue at a station.*—The Sub-Committee desired to know why the irregularities revealed during the inspection of the accounts of a station in October, 1947 were allowed to continue till February, 1948 and whether there was any possibility of their being stopped at least after they were noticed for the first time. The representative of the Railway Board stated that they had not got the information as to when actually the irregularities reported in the Audit Report were brought to the notice of the Railway Administration concerned. He, however, assured the Sub-Committee that as soon as any irregular practice was brought to their notice, the Railway Administration's first duty was to stop it and to consider the question of fixing the individual responsibility. The first priority, he added, was to see that the malpractice was stopped and then the second one was the instituting of departmental enquiry.

The Sub-Committee then discussed at some length the various measures adopted by the Railway Administrations to ensure expeditious disciplinary action being taken against the delinquent officials.

The Sub-Committee expressed much concern over the prolonged delay of nearly 2½ years which took place in this case in completing the departmental enquiries and deciding to take action against the staff concerned which ultimately resulted in the dismissal of the Goods Clerk involved in the case. The Sub-Committee pointed out that no action had been taken against the Station Master or other Supervisory staff who were also concerned in this case. They desired that the Railway Board should examine this aspect of the matter and report it to them in due course.

10. *Item 29—Para. 16, R.A.R., 1952—Part II—Loss due to purchase of unsuitable stores.*—The Sub-Committee were informed that a sum of Rs. 24,000 was involved in the purchase of stores for experimental purposes. The representative of the Railway Board stated that considering the vastness of the area in which the experiment had to be made, the amount involved was very small.

11. *Item 30—Para. 19, R.A.R. ibid—Fixation of pay of Military pensioner on re-employment.*—The Sub-Committee pointed out that this was another case in which the observations made by the Public Accounts Committee from time to time about the making of provisional payments and the provisions contained to that effect in the relevant Railway Code had not been followed.

12. *Item 31—Para. 20, R.A.R. ibid—Overpayment of Running Allowance to Loco. staff.*—The representative of the Railway Board stated that in this case the payments were made on a provisional basis. When the time came for recovery, the Railway Administration found that as a matter of labour policy and prudence, it was not desirable to recover it. In reply to a question, he stated that the amount involved was about Rs. 29,000.

13. *Item 32.*—The Sub-Committee postponed consideration to their next meeting when the Financial Commissioner of Railways was expected to be present.

14. *Item 33—Para. 25, R.A.R. ibid—Fraud in the Luggage Office.*—The representative of the Railway Board informed the Sub-Committee that the question of exercising an intensive check by the Accounts Offices in such cases was at present under their consideration. He added that more expenditure in the form of employment of additional staff would be involved if more intensive checks were prescribed.

15. *Item 34—Para. 26, R.A.R. ibid—Fraud in the Accounts Office.*—The Sub-Committee pointed out that no action had been taken by the Railway Administration against the supervisory staff in the Accounts Office for their failure in not having been able to detect the fraud. The representative of the Railway Board stated that as desired by the Public Accounts Committee, the Railway Administration was asked to review adequacy of action taken against the officials responsible for this fraud. They had actually gone into the matter and reported that in this case, the bills were passed by the Sub-Head in the Accounts Office under whom the Clerks responsible for checking the

bills were working and in view of the fact that a very clear forgery in the manipulation of the entries in the Purchase orders etc. had been committed, they could not blame any Officer directly. He added that the extent of checks which the Officers exercised was necessarily limited and, therefore, direct responsibility regarding fraudulent payment could not be fixed on any individual Officer in all cases.

16. *Item 35 Para 28 R.A.R. ibid—Steps taken to rectify the defects in the internal check.*—The sub-Committee were informed that the Railway Board had recently set up an Efficiency Directorate whose function was to investigate certain problems with a view to increasing the efficiency of working of the Railways and which included a variety of subjects, not necessarily confined to maintenance of accounts only. All subjects could be investigated by them. He added that efficiency was a continuous process and that they were working according to certain targets which they tried to achieve.

17. *Item 37—Para 32 R.A.R. ibid—Points outstanding from previous Reports.*

32(A) (I).—REMISSION OF OUTSTANDING DEMURRAGE CHARGES.

The representative of the Railway Board stated that the demurrage rules applicable to the big firms in question were not uniform and the Board had been pursuing the matter with them since 1950 with a view to bring about uniformity since 1950. In 1951, as a result of a joint conference between the Railways and the representatives of the Indian Iron and Steel Corporation and the Steel Corporation of Bengal, uniformity had been achieved in regard to rates and other conditions on the E.I. and ex-B.N. Railways. In regard to TISCO., there had been some difference of opinion between the Railway Administration and the firm in regard to the free time allowance between loading and unloading and they were trying to resolve it. As soon as an agreement was arrived at, the rules would become uniform.

32 (A) (II).—HIRING OF A BUILDING FOR THE PUBLIC RELATIONS AND PUBLICITY OFFICES, EASTERN RAILWAY.

It was stated that on account of the changes in the ownership of the premises, the Railway Administration had to negotiate with the new owners afresh.

32(B) (I).—SHORTAGE OF STORES IN COLLIERY STORES DEPOT.

The sub-Committee were informed that the loss of Rs. 12,340 had already been written off.

32 (B) (II).—INADEQUACY OF RENT REALISED FOR RAILWAY QUARTERS.

The representative of the Railway Board stated that as the Capital and Revenue Accounts of residential buildings were in arrears and unless every Railway Administration furnished to them up to date position with reference to the percentage return on the capital cost, it would not be possible for the Board to come to a decision. Moreover, the question of formulating the new Rent Policy on the Railways had to be considered very carefully from all aspects.

18. *Item 38—Para 6, R.A.R., 1952 Part I—Loss in the working of the Catering Department.*—The representative of the Railway Board assured the sub-Committee that they were doing their best to minimise the losses and were watching the progress continuously.

19. *Item 39—Justification for the payment of Railway Labour employed on the A.R.L.P. at enhanced rate of Rs. 2-8-0 per day.*—The representative of the Railway Board stated that in the case of A.R.L.P., payment had been made for specific items of work done *viz.*, earth work and so on and the rate of Rs. 2-8-0 per day appeared to be justified on the basis of the rates which had been paid to the unskilled workers on that Project. He added that the Investigating Team appointed by the Railway Board on the recommendations of the Public Accounts Committee had also considered it quite reasonable.

20. The sub-Committee then adjourned to meet again at 9 A.M. on the following day.

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**Proceedings of the Third Meeting of the sub-Committee held on Sunday, the 23rd May, 1954.**

The sub-Committee met from 9 to 11 A.M.

**PRESENT:**

Pandit Munishwar Dutt Upadhyay.—*Chairman.*

*Members*

Shri M. L. Dwivedi.

Shri K. M. Vallatharas.

Shri V. D. Dantiyagi, Additional Deputy Comptroller and Auditor-General.

Shri R. Ramaswami Ayyar, Director of Railway Audit.

**WITNESSES**

Shri P. C. Bhattacharyya, Financial Commissioner, Railways.

Shri V. Nilakantan, Member (Staff), Railway Board.

Shri S. S. Vasist, Member (Transportation), Railway Board.

Shri N. C. Deb, Director, Finance (Expenditure), Railway Board.

Shri D. P. Mathur, Director, Finance (Budget), Railway Board.

**SECRETARIAT**

Shri V. Subramanian —*Deputy Secretary.*

21. The sub-Committee resumed further consideration of the notes/memoranda etc. furnished by the Railway Board on the points arising from the Appropriation Accounts (Railways), 1950-51 and Audit Reports thereon (as detailed in Annexure 1 of the Proceedings of the First Meeting of the Sub-Committee).

22. *Item 25—Para 14 of the R.A.R., Part II—1952—Capital at charge of Railways and Depreciation Reserve Fund.*—The sub-Committee drew the attention of the Financial Commissioner, Railways, to the proceedings of the meeting of the Public Accounts Committee held on the 12th November, 1953 wherein an agreement was arrived at that the Railway Board should discuss the question of working of the Railway Convention, 1949 with the Comptroller and Auditor General of India. The Financial Commissioner, Railways, stated that this point seemed to have been lost sight of. He informed the sub-Committee that Parliament had since approved the Resolution for the appointment of the new Convention Committee to review the 1949 Convention and they would be shortly meeting to discuss this subject and suggest the revised Convention for the year 1954-55 onwards.

23. *Items 32 and 36—Paras. 24 and 31, R.A.R., Pt. II, 1952 ibid—refusal to accord ex-post-facto sanction.*

PARA 24.—LOSS DUE TO NON-REVISION OF PASSENGERS FARES.

The sub-Committee desired to know how the Railway Board proposed to regularise the loss which they had refused to do so. The Financial Commissioner, Railways, stated that the criterion applied in arriving at such decisions was whether the proposal would have been agreed to by the Board if it came to their notice before the actual action was taken. In this particular case, the Railway Board thought that approval should not be given.

When asked whether the Railway Board were satisfied with the punishment awarded to the staff in the Accounts Office and whether they were now prepared to regularise the loss by according necessary sanction, the F. C. Railways replied in the affirmative.

PARA 31.—IRREGULAR DRAWAL OF STATION EARNINGS.

The Financial Commissioner, Railways, stated that there were technical irregularities and the procedure had now been set right.

24. *Item 27—Agreement with TELCO for the manufacture of Locomotive Boilers.*—The sub-Committee desired to know whether any final settlement had been reached with TELCO on issues referred to in clauses (a) and (b) of para 1 of the note furnished by the Railway Board (Appendix XXXIII).

(a) The Financial Commissioner, Railways, stated that the negotiations had been completed and they had come to a final understanding with the TELCO. Meanwhile, the Accounts were being recast on the lines of the revised agreement and he expressed the hope that by the end of June, all the accounts would be finalised.

In reply to a question, he stated that period 'C' was expected to commence when TELCO would be manufacturing 8 boilers per month. Continuing further he stated that actually the TELCO had manufactured 8 boilers in February and March, 1954 and they had told the Railway Board that period 'C' should, therefore, start from the 1st of February, 1954. On receipt of that communication, the Railway Board had decided to send a team of two Officers, one technical and the other, a Finance and Accounts Officer, to visit the factory and satisfy themselves that this production schedule could be maintained.

(b) When questioned whether the boilers were manufactured from the components manufactured by TELCO themselves or whether they were merely assembled from imported parts, the Financial Commissioner, Railways, stated that as far as boilers were concerned, they already contained 80 per cent indigenous components. As regards locomotives, the Railway Board had laid down that 75 per cent of the components other than the proprietary items, must be manufactured in India before these could be considered to be indigenously produced and for that the relevant period was B and not C. As the TELCO were not doing this yet, that question did not arise.

(c) The sub-Committee then drew attention to the recommendations made by the Public Accounts Committee of 1952-53 in Para 17 of their Fifth Report in which they had asked the Government to

come to early decision on the advisability of their taking over from TELCO the manufacture of boilers and locomotives and running it as a State-owned Industry and desired to know the action taken by the Government in the matter. The Financial Commissioner, Railways, stated that this point was still under consideration.

(d) In reply to a suggestion for terminating the agreement with the TELCO., it was stated by the Financial Commissioner, Railways, that that was under consideration and Government had not yet arrived at a final decision. He undertook to furnish a Memorandum to the Committee after the decision had been taken by the Government in this direction.

(e) The sub-Committee then desired to know why the Railway Board did not propose to re-open the question of profit of Rs. 7 lakhs conceded to the TELCO in the accounts for 1949-50 and 1950-51 although the profit element was admissible only in period 'C'. The Financial Commissioner, Railways, stated that the accounts would be reopened as regards the allocation of overheads. So far as this sum of Rs. 7 lakhs was concerned, it had been shown in the Balance Sheets by the TATAS and the then Railway Minister had agreed that the TATAS should not be asked to re-open this point and that this profit might be allowed to be retained by them. This decision, he added, was taken by the Minister after taking all factors into account, including legal opinion.

(f) When asked to state why the institution of the Boiler Development Account which had been done away with in September, 1949 had been revived since 1952-53, the Financial Commissioner, Railways, stated that once period 'C' started, it was in the interest of the Government to refund the whole of the Development Account. Otherwise, it would bear an interest of 7 per cent. So the decision was taken to repay the Development Account when it was assumed that period 'C' had started in January, 1949. Revival of the Development Account was automatic when the decision regarding the date of commencement of period 'C' was revised in 1951.

(g) In reply to a question why the matter regarding cost which is lingering for last 7 years should not be referred to arbitration the Financial Commissioner, Railways, informed the sub-Committee that an agreement had been reached and promised to furnish to the Public Accounts Committee a note in this behalf as soon as the accounts were finalised on this basis.

25. The sub-Committee then adjourned to meet again at 4-30 P.M. on the following day.

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**Proceedings of the Fourth Meeting of the sub-Committee held on Monday, the 24th May, 1954.**

The sub-Committee met from 4-30 to 5-30 P.M.

**PRESENT:**

Pandit Munishwar Dutt Upadhyay.—*Chairman.*

*Members*

Shri M. L. Dwivedi.

Shri K. M. Vallatharas.

Shri V. D. Dantiyagi, Additional Deputy Comptroller and Auditor-General.

Shri K. S. Malhotra, Accountant-General, Posts and Telegraphs.

**SECRETARIAT**

Shri V. Subramanian.—*Deputy Secretary.*

26. The sub-Committee considered the various notes/memoranda furnished by the Ministries of Finance (Communications), Works, Housing and Supply, Communications and Director-General, Posts and Telegraphs on the points arising from the Appropriation Accounts, Posts and Telegraphs, 1950-51 and Audit Report thereon (as detailed in Annexure I).

- |          |       |  |
|----------|-------|--|
| Item 1   | . . . | Noted.   |
| ● Item 2 | . . . | Noted.   |
| Item 3   | . . . | Noted.   |
| Item 4   | . . . | The sub-committee desired to know the final decision arrived at in the matter of providing a separate Press for the Posts and Telegraphs Department.   |
| Item 5   | . . . | Noted.   |
| Item 6   | . . . | Noted.   |
| Item 7   | . . . | Noted.   |
| Item 8   | . . . | Noted.   |
| Item 9   | . . . | Noted.   |
| Item 10  | . . . | The sub-Committee observed that the Director-General, Supplies & Disposals should take early action in the matter of disposal of stores which were surplus to the Defence Services requirements and the progress made in this direction should be reported to the Public Accounts Committee when they next examined the Posts & Telegraphs Accounts for 1951-52. |
| Item 11  | . . . | The sub-Committee noted from Para (4) of the note that a final decision on the recommendations of the 'J.J. Committee' set up to determine the average lives of assets of the P. & T. Department for evolving a scientific basis for contribution to the Renewals  |

Reserve Fund in the Posts and Telegraphs Department was still under the consideration of Government. They, therefore, desired that the matter might be taken up by the main Committee when they examined the Posts and Telegraphs Accounts relating to the year 1951-52 by which time they hoped the final decision might be arrived at by the Posts & Telegraphs Department.

Items 12-13 . . . . . Noted.

27. The sub-Committee then adjourned *sine die*.

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ANNEXURE I

Notes/Memoranda submitted by the Ministry of Communications and Posts and Telegraphs Department.

S. No.	Reference to Notes etc.	Reference to item No. of the statement of outstanding recommendations	Reference to para. of the Audit Report, 1952	Subject
	2	3	4	5
1	*D.G., P. & T. No. SEA-6-19/53, dated 28-4-53.	Item No. 135	..	Keeping of photostat copies of the important documents before filing them in court to avoid delay in disciplinary proceedings.
2	*D.G., P. & T. No. SPA. 201-6/53, dated 12-5-53.	Item No. 134(ii)	..	Promotion of Officers to higher posts during the pendency of disciplinary cases against them.
3	*D.G., P. & T. No. NA. 27-204/53, dated 8-4-53.	Item No. 136	..	Loss of Copper wire consigned from Poona to Secunderabad.
4	Note of 11-8-53 from the Ministry of W.H. & S.	Item No. 128	..	Shortage of postal forms in the Post Offices.
5	*D.G., P. & T. No. D-1-54/53, dated 10-7-53.	Item No. 11	..	Mail contracts—Relaxation of the specifications in a contract.
6	*D.G., P. & T. No. NB-III-10/53, dated 10-8-53.	Item No. 65(ii)	..	General instructions regarding receipts of money and their remittances to Banks Treasuries.

\*See Appendix XLV. Confidential—not printed.

See Appendix XLVI.

See Appendix XLVIII.

See Appendix XLIX.

1	2	3	4	5
7	D.G., P. & T. No. C. 13-9/53, dated 9-9-53 Item No. 61.	..	Withdrawal of money in advance of requirements.	
8	Ministry of Communications (P. & T.)-No. 141 P. 746/51, dated 24-10-53.	..	Opening of Public Call Offices.	
9	Ministry of Communications (P. & T.)-No. NA-20-17/53, dated 5-12-53, forwarding a copy of Office Memorandum No. Pur-3(2), dated 10-2-53 from the Ministry of W.H.&S.	..	Purchases of stores by the Central Government Depts.	
10	Ministry of Defence O.M. No. 13(67)/10043/D(O. & D.), dated 5-12-53.	..	Stores held by the P. & T. Department as reserves on behalf of the Defence Services.	
11	Ministry of Communications (P. & T.)-No. 125 B. 27-23/53, dated 7-12-53.	..	Note summing up the recommendations of the 'J. J. Committee' as also the action taken thereon by the Government of India.	
12	Ministry of Commerce and Industry Note dated 6-2-54.	..	Disposal of 'Scrap' iron owned by Government Depts.	
13	Ministry of Finance (Communications Division) Memo. No. NA-29-19/53 of 14th January, 1954.	..	Procedure for the purchase from abroad of the Teleprinters and other articles by the P. & T. Deptt.	

§ See Appendix L. §§ See Appendix LI.

NOTE.—Other notes/memoranda have been referred to at appropriate places in the body of the Report.

## APPENDIX

*Summary of the main recommendations of the Tenth Report of the Public Accounts Committee on the Appropriation Accounts (Railways) and (Posts and Telegraphs), 1950-51 and Audit Reports thereon.*

S. No. of the Report.	Para. of the Report.	Ministry or Department concerned.	Recommendations
1	2	3	4
1	4	Railways	The production capacity of the Chittaranjan Locomotive Works should be utilised to the maximum possible extent. With this end in view, the Committee desire that the Railway Board should explore the possibility of undertaking other ancillary industries in these workshops in the second shift and, if necessary, even augment the existing plant and machinery in the greater national interest.
2	11	Do.	The excesses over voted grants and charged appropriation as pointed out in this para. should be regularised by Parliament in the manner prescribed in Article 115 of the Constitution. The Committee would, however, draw attention to Article 114 (3) of the Constitution whereby no money shall be withdrawn from the Consolidated Fund of India except under appropriations made by law passed in accordance with the provisions of this Article. Such excesses are, therefore, unauthorised and steps should be taken in future years to keep the expenditure well within the provision and to obtain funds in time so as to avoid such excesses.
3	13	Do.	Although the Audit and Accounts on the Railways were separated long ago, there is not the necessary co-ordination between the Railway Administrations and the Accounts Offices in the formulation of estimates etc. The Committee feel that the Railway Accounts Offices should be further strengthened and re-organised, if necessary.
4	13	Do.	The Railway Board should once again draw the attention of the Railway Administrations to the recommendations made by the Committee in Para. 7 of their Fifth Report and should also themselves exercise a rigid overall control at the time of consolidating the Budget Estimates submitted by the Railways. The Committee feel that the overall budgetary standard and control over expenditure, on the Railways needs improvement and should, therefore, like to know the measures evolved by the Railway Board to set matters right in this direction.
5	14	Do.	The Committee reaffirm the views which have been expressed by them on a number of occasions in the past that it is highly undesirable that large sums should be lying under "Suspense" and not charged to the proper heads of accounts. They observe that such a procedure, if followed indiscriminately, will vitiate parliamentary financial control, which the Committee desire should be zealously safeguarded by the spending Departments.



1	2	3	4
6	15	Railways	Since a Parliamentary Committee on separation of Railway Finance from General Finance has already been appointed to review the existing Convention, the Committee hope that the question of appropriation to the Depreciation Reserve Fund as a charge to the Working Expenses shall receive due consideration.
7	17	Do.	The Committee regard the explanations offered by the Railway Board in the matter of purchase of certain equipment for experimental purposes at an approximate cost of Rs. 56,800 without financial concurrence as unsatisfactory and express their displeasure over the manner in which the Board handled this case. The Committee hope that a closer co-ordination shall subsist in future between the different Directorates in the Railway Board's Office in handling such cases and that such instances involving irregular spending of public money shall not be repeated in future.
8	18	Do.	In view of the assurance given to the Committee by the Railway Board that they were doing their best to minimise the losses in the working of the Catering Departments on the B. N. and S. I. Railways (now parts of Eastern and Southern Railways) and were watching the progress continuously, the Committee do not desire to make any further comments at this stage and they look forward for a better picture of the working of the Catering Departments.
9	19	Do.	Payments should not have been continued when the Financial Adviser and Chief Accounts Officer had pointed out that the payments were not covered by the existing orders. Action should be taken against the persons responsible for the delay caused in the disposal of the case referred to in this para. in the Railway Board's Office.
10	20	Do.	The Administration failed to follow the provisions of para. 806 of the Indian Government Railway Code for the Accounts Department, Part I which clearly lays down that if Audit objects to any payments of a recurring nature and it is considered necessary to continue them pending settlement of the objection, they may be made provisionally and subject to recovery, the payee receiving the payments being so informed. The Committee desired that such breaches of the codal rules both by the Executive and Accounts Offices should be severely dealt with by the Railway Board.
11	21	Do.	Abnormal delays involved in instituting the disciplinary proceedings against the delinquent officials have a demoralizing effect on their staff.  No action has been taken against the Station Master or other supervisory staff in the case referred to in this para. The Railway Board should examine this aspect of the matter and report to the Committee in due course.
12	22	Do.	It is high time that the Railway Board investigated into the causes of the high percentage in the amount of total demurrage and wharfage charges waived by the various Railway Administrations and take necessary steps to reduce it. A Para on the subject should be included yearly in the Railway Board's Review on the Annual Appropriation Accounts indicating the results achieved.

1	2	3	4
13	24 Railways		The Committee do not feel satisfied with the explanations offered by the Railway Board for not taking disciplinary action against the bill Passing Officers for their failure to detect the fraud disclosed in para 26 of the Audit Report, 1952—Part II (Railways) and are of the opinion that the punishment awarded to the subordinate staff has also been lenient.
14	26 Do.		It is a very dangerous practice to destroy any documents which are the subject matter of correspondence and on which objection has been raised and which remains unsettled.  The question of taking disciplinary action against the staff responsible for destroying the records should be examined by the Railway Board and suitable punishment awarded to the persons at fault.
15	27 Do.		The Committee should be apprized of the actual commencement of period 'C'—the date when TELCO. would reach the target of 100 boilers a year.  The decision arrived at by the Railway Board on the recommendation made by the Committee last year to take over from TELCO. the manufacture of boilers and locomotives and running it as a State-owned Industry should be intimated to the Committee.  The question of payments made to TELCO. provisionally, which has been lingering on for the last 7 years or so, should be decided without any further delay and the payment already made be finalised.
16	29 Do.		The Committee should like to watch the working of the Supplemental Agreement with Schlieren for the manufacture, of all metal light-weight coaches.
17	30 Do.		The procedure followed generally for departing from the long-established rules regarding the execution of works, contacts, and the preparation of various documents, such as measurement books, etc. and justification for rates paid in the case of negotiated contracts, work orders etc. leaves much to be desired. An emergency is no justification for such wholesale failure to record contemporarily the reasons and justification for what has been done. Where an established procedure is not followed in regard to the tenders etc., it is vital that the Department should ensure that there are adequate contemporary records and documents from which correctness of the action of the Executive authority can either be established or disapproved ; otherwise the risk of malpractices and losses to Government are obvious. There may equally be the risk of Officers getting into difficulties and blame even though there may have been no actual loss or malpractice.  Government should take adequate steps to prescribe a comprehensive procedure which should be followed in cases in which a strict adherence to the normal rules may not be wholly practicable.
18	31 Do.		The Railway Board should furnish a comprehensive Memorandum on the economy effected by regrouping of Railways at the time the Committee take up consideration of the Railway Accounts relating to the next year.

1	2	3	4
19	32	Railways	The Railway Board should discuss the question of separation of Financial and Accounts functions on the Railway especially the position of the Financial Adviser and Chief Accounts Officer in the integrated set-up of Finance and Accounts with the Comptroller and Auditor-General of India and thereafter submit to the Committee a comprehensive Memorandum at the time they next take up examination of the Railway Accounts.
20	33	<u>Production</u> Railways.	The Ministry of Production should arrive at a firm decision about the ownership as well as management of the Railway Collieries as their present wavering policy is likely to affect considerably the economical and efficient management and working of these collieries.
21	34	<u>Labour</u> Railways.	The Ministry of Labour should bring forth a measure to amend the Payment of Wages Act during the next session of Parliament as any delay involved in the amendment of the existing provisions of the Act is likely to accumulate further the outstanding debits against the station staff and it will not be possible to effect the recoveries when they become very old.
22	35	Railways	Action taken against the Officer responsible for referring the two cases reported in para 19 of the Railway Audit Report, 1951 in respect of which the contractors had signed 'No Claim' certificates should be reported to the committee.
23	36	Do.	The Committee feel that the act of conveying mere displeasure to the Officer through whose negligence the loss of stores had been caused on the Locomotive Building Works Project, Kanchrapara did not constitute an adequate punishment. They have taken this view after considering all the facts and circumstances of the case now mentioned by the Railway Board and regret to observe that in spite of this decision, the Board have again reiterated the old position that mere warning was sufficient and have not brought out any additional facts in support of their contention. If there are any facts and reasons with the Railway Board to justify the adequacy of this lenient punishment, these should be communicated to the Committee.
24	38	<u>P.&amp;T. Department</u> Finance (Communications)	The recommendations made by the Committee in regard to the keeping of expenditure within the limits of the funds provided by Parliament in Para. 11 of the Report will also apply <i>mutatis mutandis</i> to the Posts & Telegraph Department.
25	39	Do.	The Committee hope that the continuous attention that is now being devoted at their instance towards the improvement of the arrangements for budgeting and controlling expenditure in the Posts & Telegraphs Department will be reflected in the closer agreement between the Budget and actuals in future.
26	40	<u>P.&amp;T. Department</u>	The P.&T. Department should arrive at an early decision on the recommendations made by IBCON, the Swiss Firm of Experts, in the matter of fixing the maximum and minimum limits for the maintenance of stores balances under various categories of the P. & T. stores and take all possible measures to bring down the stock balances without detriment to the efficient working of the Department.

1	2	3	4
			The Committee should be informed of the decision arrived at by the P. & T. Department in the implementation of the recommendations made by them last year for the adoption of the Stores system existing on the Railways with necessary modifications to suit their local requirements.
27	41	P. & T. Department	Unserviceable stores which are a carry-forward of the last War should not be kept too long and allowed to deteriorate further. These should, therefore, be disposed of to the best advantage of the Exchequer.
			The Directorate-General, Supplies and Disposals should take early action to the disposal of Defence stores which have been reported to them between May and November, 1953 as surplus for disposal action and the progress made in this direction reported to the Committee when they examine the P. & T. Accounts for the next year.
28	42	Do.	The Committee should be informed of the decision taken by the Government on the recommendations of the 'J.J. Committee' set up at their instance to determine the average lives of assets of the P.&T. Deptt. for evolving a scientific and rational basis for contribution to the Renewals Reserve Fund in accordance with the accepted commercial practice.
29	43	Do. <hr/> Finance (Communications).	The P. & T. Department should look into the constitutional and financial propriety of setting up the Telephone Development Fund in consultation with the Ministry of Finance (Communications) and Audit and submit to the Committee a report in due course.
30	46	Do.	Reckless disregard of rules and the manipulation of accounts as disclosed in the Audit Report under review merits stronger punitive action.  The results of the investigation made by the Special Police in the case referred to in para. 17 of the Audit Report (P. & T.), 1952 as also the action taken against the persons responsible both on the Executive and Accounts sides should be intimated to the Committee in due course.
31	47	P. & T. Department	The Committee desire that the P. & T. Department should without waiting for the judgment of the High Court in the appeals filed by the two principal accused officials involved in the case referred to in Para. 18 of the Audit Report, 1952 proceed with the fixation of responsibility of other officials at fault and award them suitable departmental punishment. They should be apprized of the action taken in the matter in due course.
32	48	Do.	The Committee deplore the lack of prudence and foresight on the part of the authorities concerned for handling the stores in such an uneconomic manner which involved the spending of Rs. 59,288, from 1945 onwards, on bagging and rebagging thereof.
33	49	Do.	The Committee should like to know the action taken by the Department against the persons responsible for discrepancies disclosed in the results of physical verification of stores balances.

1	2	3	4
34	50	<p>P. &amp; T. Deptt.</p> <hr/> <p>Finance (Communications)</p> <hr/> <p>All other Ministries.</p>	<p>The attention of all the spending Departments is once again drawn to the oft-repeated recommendation made by the Committee in the previous Reports that the indenting Department should invariably ascertain the precise position in regard to supplies within the year and estimate as accurately as possible the total expenditure against its appropriations. In case the supplies are not likely to mature during that year, immediate steps should be taken by them to surrender the funds and the provision made in that behalf should be made in the next year's budget estimates or revised estimates.</p>
35	53	<p>P. &amp; T. Deptt.</p> <hr/> <p>Ministry of Communications</p> <hr/> <p>Finance (Communications).</p>	<p>With a view to regulate the working of the expenditure from the Postal Life Insurance Fund on proper commercial basis the P. &amp; T. Deptt. should either put an Insurance Expert as the head of the Postal Life Insurance Organisation or run it as a Corporation constituted under an Act of Parliament.</p>
36	54	<p>Communications</p> <hr/> <p>P&amp;T Deptt.</p> <hr/> <p>W.H.&amp;S.</p>	<p>The Committee should like to know the final decision arrived at in the matter as a result of the inter-Ministerial discussions on the subject of provision of a separate Press for the P. &amp; T. Department.</p> <p>In the meantime, the Committee observe that the P. &amp; T. Deptt. being a major public utility concern, any delay caused in the supply of forms etc. ultimately inconveniences the public and renders all kinds of frauds possible.</p>
37	55	<p>P. &amp; T. Deptt.</p> <hr/> <p>All Ministries.</p>	<p>Instead of merely noting the various recommendations made by the Committee from time to time, the Ministries concerned should specifically state the action taken by them in the matter of implementation thereof.</p>
38	56	<p>P. &amp; T. Deptt.</p> <hr/> <p>Communications.</p>	<p>Early decision should be arrived at in the case relating to the loss due to failure to observe the stipulated terms and conditions in the contract for supply of mustard oil as commented upon in Para 29 of the Fifth Report of the Public Accounts Committee (1952-53).</p>
39	57	Do.	<p>The Committee should be informed of the result of the reference made to the U.P.S.C. in the case relating to the irregularities in connection with the expenditure incurred by a Telegraph Engineering Division on account of jungle-cutting, in the light of the comments contained in Para 30 of their Fifth Report.</p>
40	58	<p>P. &amp; T. Deptt.</p> <hr/> <p>Communications.</p> <hr/> <p>Finance (Communications).</p>	<p>The first estimate of the Calcutta Telephone Automatisation Project was necessarily highly conjectural and successive upwards revisions of the estimates followed, as a result of unforeseen constructional difficulties as the work progressed. Increases also arose from variations of the original scheme, including addition to its scope etc. Such a practice of obtaining the financial approval on the basis of approximate figures should be discouraged. The Committee look upon this as a disregard of the recognised principles of financial administration. They would like to impress upon the spending Departments that the schemes should be carefully conceived, planned and phased and the outlay thereon reasonably and accurately estimated.</p>

1	2	3	4
41	59	P. & T. Deptt. <hr/> Communications <hr/> Finance (Communications)	The Committee are convinced that the establishment charges by the Calcutta Automatisation Project are high as compared with the actual outlay on the Project, excluding payments to outside agencies for supplies and services rendered. There is, therefore, no ostensible justification for the employment of such a large contingent of staff as 32-Gazetted and 313 non-Gazetted Officers.  Atleast two posts of Divisional Engineers and 5-6 Assistant Engineers and a number of posts in the ranks of Supervisors and Clerks can be easily axed without in any way impairing the efficient execution of the Project. The Ministry of Communications should immediately examine this and retrench the posts in the cadre of Divisional Engineers, Assistant Engineers etc., as already recommended by the Committee last year. Action taken in the matter should be communicated to the Committee.
42	60	P. & T. Department	An examination should be undertaken by the P. & T. Deptt. to see whether the supplies received by the Calcutta Automatisation Project from the A.T.E and I.T.I. under the terms of the contract were at fair and reasonable prices not more unfavourable than from other parties.
43	61	Do. <hr/> Finance (Communications)	The Ministry of Finance (Communications) should carefully examine the extent to which the element of delay in the execution of this Project is likely to affect its remunerativeness at the time of revision of the 1949 estimates, which is stated to be under consideration of the Government at present.
44	62	Do.	Periodical reports of the financial stock-taking of the projet should be furnished through the Annual Review published by the P. & T. Department.
45	64	Communi- cations <hr/> Finance (Communications)	With greater experience over the working of the Indian Telephone Industries, Ltd., for the past few years, it should be possible for them to avoid unnecessary accumulation of large cash balances with them, which are disclosed in the balance sheet for the period under report.
46	65	Do.	The holding of stores worth about Rs. 95 lakhs by the I.T.I shows a lack of proper planning and foresight on the part of the previous management in investing lakhs of public money in indiscriminate purchases. The Committee should like to know the disciplinary action taken against the officials at fault.
47	66	Communi- cations.	Specific provision regarding inspection of goods supplied by the A.T.E. in the U. K. by our own agency before shipment should have been made in the agreement. The expediency of an independent inspection being carried out by the India Stores Department, London may be considered by the Ministry.
48	66	Do.	The Comptroller anti Auditor-General of India should have been consulted before entering into a commitment for relying upon the certificate furnished by the firm's (A.T.E's) Auditors in the manner of verification of the reasonableness of the prices charged by them.

1	2	3	4
49	67	Communi- cations	Government should explore the export markets for the products of the I.T.I. in order to utilise fully the capacity of the factory and, if necessary, take up the question of the revision of the contract in this behalf.
50	68	Do. all other Ministries	A clause providing for revision in the agreement whenever considered necessary according to circumstances by the contracting parties should invariably be made in all such agreements entered into by Government in future.
51	69	Production Communi- cations	The Ministry of Production should collect the statistics of the annual requirements of the State Industries for the supply of specialised materials like bright steel etc. and consider the possibility of their manufacture in India.
52	70	Communi- cations.	The maximum output should be obtained from the use of all the machines lying unused in the I.T.I. and a balance stock of components for the different projects should be maintained.  The Committee stress the desirability of making the fullest use of the machinery in the interest of the country's industrial development.

