

PUBLIC ACCOUNTS COMMITTEE

1956-57

TWENTY-SECOND REPORT

*[Appropriation Accounts (Posts and Telegraphs), 1953-54 and
Audit Reports, 1955, Parts I & II and Audit Report
(P & T), 1956—Part I]*



सत्यमेव जयते

February, 1957

**LOK SABHA SECRETARIAT
NEW DELHI**

CORRIGENDA

Twenty-Second Report of the Public Accounts Committee on Appropriation Accounts (Posts and Telegraphs) 1953-54, and Audit Reports, 1955 Parts I and II and Audit Report (P & T), 1956 - Part I.

Page 2, Para 4, line 9: *for '1.58,342' read '1,58,342'.*

Page 3, Para 7, line 1: *for 'Part' read 'Para'.*

Page 17, Para 60, line 5: *delete 'we' between 'Committee' and 'were'.*

Page 21, para 80, Sub-para (iii), line 1: *for 'Liason' read 'Liaison'.*

Page 24, Para 94, line 8: *for 'prescribe' read 'proscribe'.*

Page 27, footnote, line 1. *for 'take' read 'taken' and line 2. for 'Industria' read 'Industrial'.*

Page 37, Para 124, Sub-para 2, line 2: *for '1.25%' read '1.25%'.*

Page 39, line 21. *for 'Comtroller' read 'Comptroller'.*

Page 40, line 1. *for 'Director-General' read 'Directorate General', and Para 133, sub-para (iii) line 1: for 'Liason' read 'Liaison'.*

Page 42 line 1, Heading *for 'ANDIT' read 'AUDIT'.*

Page 49, line 8 from bottom. *substitute ',' after officials by 'fullstop'*

P.T.O.

Page 51, Para 165, line 6 for 'affect' read 'effect'.

Telegraphs

Page 54, Appendix I, Col. 5, line 1, against item 6--Indian Posts and Telegr.
Deptt. (Charged) for '789729' read '789792'.

Page 75, Appendix XI, line 10: for 'following' read 'Public'.

Page 82, line 9 from bottom: for 'he' read 'the'.

Page 86, Appendix XVI, line 4 from bottom: for 'from-----' read 'from--'

Page 89, Appendix XVIII, Para 2, line 5 for 'involved' read 'invited'
for 'budget in' read 'budgeting'.

Page 92, Table, item 6 last line. delete " " under the head 'Rs'.

Page 119, item 6, Sub para(i), Col 4, line 13 from bottom: for 'Telegraphs'
read 'Telegraphs' and Sub para(ii) for the existing sub-para read the
following:

"The Committee feel that this case typifies the reluctance on the part of the
Officers to take decisions and assume responsibility where it belongs to them. The
Committee would like Government to impress upon all their subordinate officers the
desirability of duly exercising the powers vested in them and take serious notice of
cases where responsibility is shirked by Senior Officers."

duly

Page 122, item 16, Col. 2 insert '60'.

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE,
1956-57

Shri V. B. Gandhi—*Chairman.*

MEMBERS

- | | |
|--------------------------------|-------------------------------|
| 1. Shri. K. G. Deshmukh. | 2. Shri. K. G. Deshmukh |
| 2. Shri. J. Srinivasa Malliah. | 3. Shri. J. Srinivasa Malliah |
| 3. Shri. Diwan Chand Sharma. | 4. Shri. Diwan Chand Sharma |
| 4. Shri. C. D. Pande. | 5. Shri. C. D. Pande |
| 5. Shri. Kamal Kumar Basu. | 6. Shri. Kamal Kumar Basu |
| 6. Shri. Boovaraghasamy. | 7. Shri. V. Boovaraghasamy |
8. Shri Jaipal Singh.
 9. Shri Nibaran Chandra Laskar.
 10. Shrimati Tarkeshwari Sinha.
 11. Shri. Tribhuan Narayan Singh.
 12. Shri Radhelal Vyas.
 13. Shri C. P. Matthen.
 14. Shri J. B. Kripalani.
 15. Shrimati Shakuntala Nayar.
 16. Shri G. Ranga.
 17. Shri R. M. Deshmukh.
 18. Shrimati Pushpalata Das.
 19. Shri Shyam Dhar Misra.
 20. Shri P. T. Leuva.
 21. Shri B. C. Ghose.
 22. Shri J. V. K. Vallabharao.

SECRETARIAT

Shri S. L. Shaktiher—*Joint Secretary.*
Shri V. Subramanian—*Deputy Secretary.*
Shri R. C. Ghei—*Under Secretary.*

*Elected on the 5th September, 1956 *vice* Dr. Indubhai B. Amin resigned from the Lok Sabha.

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INTRODUCTION

1. The Chairman of the Public Accounts Committee, having been authorised by the Committee to present the Report on their behalf, present this Twenty-second Report on the Appropriation Accounts (Posts and Telegraphs) 1953-54 and Audit Reports 1955, Parts I and II and Audit Report (Posts and Telegraphs), 1956—Part I.

2. The Audit Report (Posts and Telegraphs), 1955—Part I was laid on the Table of the House on 15-3-55. The Appropriation Accounts (Posts and Telegraphs) 1953-54 and the Audit Report, 1955, Part II were laid on the Table on 14-3-56 and the Audit Report (Posts and Telegraphs), 1956—Part I was laid on 30-7-56. Owing to their continued pre-occupation, the Public Accounts Committee of 1955-56 could not take up examination of the Accounts for 1953-54 and the Audit Reports thereon.

The Committee examined these Accounts etc., at their sittings held from the 27th to 31st August, 1956.

3. A brief record of the proceedings of each sitting of the Committee has been maintained and forms part of the Report (Part II).

4. In their Report, the Committee have drawn attention to a number of cases involving losses, frauds, misappropriation of public moneys etc. They were particularly perturbed to notice the large number of cases which were attributable to the negligence or dishonesty of the departmental officials. The Committee also regret to note that the Posts and Telegraphs Department had been very slow in the matter of instituting disciplinary proceedings and in one case it has taken them more than 9 years to finalize the disciplinary action against the delinquent officials. The Committee have again emphasised in this Report the need for quick disciplinary action, and deterrent punishment in cases of criminal negligence or fraudulent intentions, as otherwise, the risks of such cases increasing would be greater with the expansion in the activities of the Posts and Telegraphs Department, both in size and in scope.

Another point to which the successive Committees on Public Accounts have drawn attention is the delays in the submission to them of the notes/memoranda on points arising from the Accounts examined by them. They would once again emphasize that the Ministries concerned should attach the greatest importance to the supply of information asked for by the Committee within the time-schedule laid down for the purpose. With the passage of time, the utility of examination of such material by the Committee is considerably reduced.

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5. A statement showing the summary of the principal recommendations of the Committee is appended to the Report (Appendix XXVIII).

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

V. B. GANDHI,
Chairman,
Public Accounts Committee.

NEW DELHI;
The 21st February, 1957.

I

POSTS AND TELEGRAPHS DEPARTMENT CONTROL OVER EXPENDITURE

Financial working of the Posts & Telegraphs Department

The following table shows the original and final grants and charged appropriations and the expenditure actually incurred against each during the year 1953-54:

(In lakhs of rupees)

	Original Grant or Appropriation	Final Grant or Appropriation	Actual Expenditure
Total Expenditure met from Revenue			
Voted	4,400	4,400	4,389
Charged	165	174	173
Total Expenditure met from Capital			
Voted	1,165	1,165	1,149
GRAND TOTAL	5,730	5,739	5,711

(As the grants and appropriations are for gross amounts, the expenditure figures above do not include the recoveries which are adjusted in reduction of expenditure.)

2. There was thus a saving of Rs. 28 lakhs or about .5 per cent. over the final grant during the year under review. There was a saving of 2.3 per cent. in 1951-52 and an excess of .5 per cent. in 1952-53. Taking separately, there was a saving of Rs. 11 lakhs in the voted expenditure met from revenue; of Rs. 16 lakhs in the expenditure met from capital; and of about Rs. 1 lakh in the charged appropriation.

3. Though the Posts and Telegraphs Department have maintained the improvements in the overall budgeting standards, again during this year certain major works numbering 868 and involving an outlay of Rs. 95.6 lakhs or over 11 per cent. of the total outlay were started without any specific provision having been made in this behalf in the Budget. The attention of the Committee was drawn to the notes submitted by the D. G., P. & T. in respect of the non-budgeted works during 1952-53 which were commented upon in paragraph 10 of their Thirteenth Report. The Committee note that the Posts and Telegraphs Department expect the number of non-budgeted works to decrease in future years in view of their proposal to include a lump sum provision for works which are carried to the following year and the enhanced ceiling for minor works. The Committee would like to watch the results of these measures.

II

LOSSES, NUGATORY EXPENDITURE, FINANCIAL IRREGULARITIES AND OTHER TOPICS OF INTEREST

Appropriation Accounts (Posts and Telegraphs), 1953-54 and the Audit Report, 1955—Part II

4. Para 12—Compensation for Losses.

During the year under report, a sum of Rs. 3,67,968 was paid to various parties as compensation for insured and other articles lost or damaged in transit. The compensation paid on account of negligence or dishonesty of Departmental officials amounted to Rs. 1,72,824 or 47 per cent. of the total loss suffered by the Department; of this, a sum of Rs. 59,143 has been ordered to be recovered from the delinquent officials. In respect of the balance of the compensation amounting to Rs. 1,58,342 paid on account of the negligence or dishonesty of Departmental officials, departmental action has not been finalised so far.

In evidence, it was stated by the Director General, Posts and Telegraphs that among the preventive measures taken, the Directorate had impressed upon the Post Masters General the necessity of investigating into such cases of fraud with a view to analyse the causes thereof and also to devise measures to prevent their recurrence. Further a Liaison Officer had been appointed in the Directorate General, Posts and Telegraphs to look into such cases of frauds.

5. The following analysis has been prepared from two statements furnished by the Director-General, Posts and Telegraphs (Appendix II) :—

	(In lakhs of rupees)					
	1952-53		1953-54		1954-55	
	No.	Amount Rs.	No.	Amount Rs.	No.	Amount
Total No. of Money Orders and insured transactions	11,94,16,841	5,86,95	12,27,56,796	5,67,54	12,93,22,254	5,80,28
Losses, Frauds, in respect of Money Orders and insured articles	753	4.8	666	4.0	483	3.7
No. of cases in which departmental employees were involved	535		489		500	
No. of cases in which investigation / disciplinary action not completed	72		138		245	

Though the number of cases of frauds and the amount involved appears small in comparison to the total volume of business, the Committee would like to point out that the proportion of cases in which the employees of the Department were involved preponderate and the cases in which disciplinary action has not been taken are numerous. What is more, the position appears to be progressively deteriorating. They would urge that in the matter of taking disciplinary action against officials responsible for these losses and frauds, both speed and firmness are essential. Inaction over long periods and undue tolerance will defeat the purpose in view.

6. The Committee desire that a report on the disposal of the pending cases should be submitted to them at the time they take up next year's Accounts.

Audit Report (Posts and Telegraphs), 1955—Part I
and
Audit Report (Posts and Telegraphs), 1956—Part I.

7. *Part I of the Audit Report 1955—Part I read with para 15 of Audit Report, 1956, Part I—Defalcation and loss of Public Money.*

The number of cases of defalcation and loss of public money continued to be high during 1953-54 and 1954-55. During 1954-55, 956 cases involving an amount of Rs. 7,51,481 came to light as against 1,120 cases involving Rs. 7,75,657 during 1953-54. The employees of the Department were responsible for the bulk of the losses—54.1 per cent. of the losses in 1954-55 and 61.1 per cent. in 1953-54. Here again, responsibility could not be fixed in as many as 355 and 315 cases during 1953-54 and 1954-55 respectively.

8. The Committee desired to know how far the suggestion made by them in para 13 of their Thirteenth Report, Vol. I that departmental action should be initiated without waiting for the results of the criminal prosecutions was being implemented.

It was stated in evidence that the revised procedure for instituting departmental proceedings before starting criminal proceeding in the court had been brought into force since October, 1955 and all cases which arose after that date were being dealt with accordingly. The Committee would, however, like to watch with interest the results of the improved procedure.

Audit Report, 1955—Part I

9. *Para 2—Alleged fraudulent withdrawals from Defence Savings Bank Accounts.*

In a Head Post Office it was noticed that in a batch of 50 Defence Savings Bank Accounts, payments had been made twice over resulting in a loss of Rs. 4,691-9-0. Departmental investigations conducted

on receipt of audit objection revealed that the amount at credit in these accounts was originally paid on forged applications for withdrawals alleged to have been prepared by some of the Post Office officials, who did not send the paid warrants to the Audit Office. At a later date, warrants of payments of genuine applications for withdrawals were passed without reference to the Saving Bank ledgers, where the fact of the earlier payments had been recorded.

The case was reported to the Police in 1948 who intimated in May, 1950 that no successful prosecution was possible in the absence of the warrants of payment relating to fraudulent withdrawals, and that departmental action should be taken. Out of 9 officials held responsible for contributory negligence, it has been reported that 6 had either left service or were discharged already. Against the sum of Rs. 1,800 claimed from the sureties of these 6 officials, a sum of Rs. 1,694-4-0 has been recovered so far and a sum of Rs. 2,228-14-0 had been ordered to be recovered from two other officials. The question of recovery of the balance of Rs. 662-11-0 was also stated to be under examination. In respect of the Supervisor who had been convicted by the Court in another case and dismissed, but was later on re-instated on his acquittal as a result of appeal, departmental action was in progress. In evidence, the Committee were informed that on receipt of a copy of the judgement from the Court, this official was re-instated on the 17th February, 1956 and was immediately placed under suspension again with effect from the same date. Nine days later, he was released from suspension and re-instated. He was then charge-sheeted on the 4th July, 1956 and he had not so far submitted his defence (uptil 26-8-56). The representative of the Director-General, Posts and Telegraphs could not give any explanation for having re-instated this official before serving him with charge-sheet and completing the various stages of disciplinary proceedings except that the Superintendent of Post Offices thought that the official in question was not likely to be dismissed for the charges pending against him.

10. The Committee are amazed to observe that it should have taken the Posts and Telegraphs Department as long as 9 years to deal with the case. They are also concerned at the erratic manner in which the departmental action had been started in this case. The Secretary, Ministry of Communications admitted that he was also not satisfied with the manner in which this case had been handled and undertook to investigate into this case further and furnish the Committee with a note detailing the full facts. The Committee also desired to be informed of the dates on which the 6 officials concerned left service or were discharged as also the date on which the case was reported to the Police.

11. The Committee regret to observe that although more than five months have elapsed, the Ministry have not so far been able to furnish either the note promised by them or the information called for by the Committee.

The Committee, therefore, reserve their comments on this case till they are placed in possession of the full facts.

12. *Para 3—Loss due to delay in taking action against the Extra-Departmental Branch Post Master.*

In this case, an Extra-Departmental Branch Post Master reported two thefts of Post Office cash, one on the night of the 8th October, 1948 in his house in respect of Rs. 1,000 and again on the night of the 6th August, 1950 in the Post Office in respect of a sum of Rs. 3,588-1-2. In the first case, as a result of departmental investigations, the Post Master was ordered to make good the loss as he was not authorised to remove Post Office cash to his house. In the second case, as a result of the departmental enquiry, the Senior Superintendent of Post Offices did not consider it desirable to retain the Post Master in service; but although he was fully competent to remove the Post Master from service, he referred the matter to the Post-Master-General on the 30th August, 1950 who in turn referred the case to the Director-General, Posts and Telegraphs for orders on the 27th December, 1951. Orders for his removal from service were issued by the Director-General, Posts and Telegraphs in October, 1952. But before the receipt of these orders, the same Post Master was found to have misappropriated a sum of Rs. 5,356-5-7 during the period March to June, 1952 and the Senior Superintendent of Post Offices, this time ordered his removal from service with effect from the 20th June, 1952. Prosecution is stated to have been launched against the Post Master for this misappropriation. In a note furnished by the Director-General, Posts and Telegraphs in this connection, it has been stated that on a petition by the accused, an interim injunction has been granted by the High Court, Allahabad and the petition has been fixed for hearing on 25th September, 1956.

13. In the course of examination of this case, the Committee wanted to know why the Senior Superintendent of Post Offices did not exercise his administrative powers on the earlier occasion and dispense with the services of the Post Master especially when he considered his retention undesirable. The representative of the Director-General, Posts and Telegraphs stated in extenuation that as no *prima facie* case could be established by the Police against the Post Master, the Senior Superintendent of Post Offices referred this matter to the Post Master General because he had ordered a recovery of Rs. 20 p. m. in respect of the first theft and he thought that if he were to order his removal from service, he might be called to explain the reasons for further recovery being not made.

The Committee find themselves unable to accept this rather ingenious explanation advanced by the Director-General, Posts and Telegraphs. As a matter of fact, from a letter addressed by the Post Master General in December, 1951 to the Director-General, Posts and Telegraphs which was read out to the Committee, it transpired that the Senior Superintendent of Post Offices had considered the continuance of this Post Master extremely risky. The Post Master

General had also expressed his opinion that since the Post Master was not earning much, in view of the recovery of Rs. 20 being made from him, he was likely to resort to corruption or neglect office work. He did not therefore consider it desirable to retain him in service till the recovery at the rate of Rs. 20 p.m. was completed.

14. The Committee very much deplore the manner in which this case has been handled by the Posts and Telegraphs Department at different stages. They are constrained to observe that not only had the Senior Superintendent of Post Offices failed to exercise his powers and to take responsibility in this case, but neither the Post Master General nor the Director-General, Posts and Telegraphs pointed out this failure on his part when the case was referred to them. On the other hand, the Post Master General also did not take a decision in the matter and referred the case to the Director-General, Posts and Telegraphs for orders, who in turn, took another 10 months before coming to a decision.

15. The Committee feel that this case typifies the reluctance on the part of the Officers to take decisions and assume responsibility where it belongs to them. The Committee would like Government to impress upon all their subordinate Officers the desirability of duly exercising the powers vested in them and take serious notice of cases where responsibility is shirked by Senior Officers.

16. *Para 4—Loss due to delay in reaching decisions.*

This is yet another case in which the delay of 9 years in reaching a decision to acquire two plots of land resulted in the Posts and Telegraphs Department incurring an unnecessary expenditure of about Rs. 35,000. Consequent on taking over the assets of the Madras Telephone Company with effect from 1st April, 1943, the Posts and Telegraphs Department suspended payment to the Madras State Government, of the ground-rent at Rs. 1,643 *per annum* for two plots, alienated to and in the use of the company, as the liability of a Government Department to pay the ground-rent hitherto paid by the private Limited Company was held in some doubt.

The State Government who were referred to in the matter suggested in October, 1944 that the Posts and Telegraphs Department should either pay the ground-rent at the assessed rate or formally relinquish and acquire the plots on payment of half the free-hold value thereof (Rs. 47,317). It took the Posts and Telegraphs Department nearly five years to arrive at a decision regarding its liability to payment and even though a decision to acquire the plots was taken in 1950, it took the Department another 2 years in coming to a final decision about the free-hold value of the plot. The Posts and Telegraphs Department had thus incurred an additional expenditure of about Rs. 35,000 by way of ground-rent for the period from 1st July, 1943 to 12th April, 1953 before finally acquiring these plots.

17. In evidence, the Chief Engineer, Telegraphs while admitting the abnormal delay caused in this case, stated in extenuation that it had occurred because certain information had to be collected from some Postal Circles and later the question of revising the value of the plot remained under reference with the Madras Government for about 18 months.

18. The Committee feel that the Officers concerned had failed to appreciate the urgency of the case in allowing it to drift for 9 years which cost the Posts and Telegraphs Department Rs. 35,000.

19. *Para 5—Infructuous expenditure on demurrage charges on stores left in the custody of Railways for about 16 months.*

In this case, telegraph stores worth Rs. 1,685 were found lying in a Railway Goods Shed on 8-12-1951. The Station authorities issued registered notices to the Posts and Telegraphs Department on 5th January, 1952 to remove these stores. A sum of Rs. 2,650 on account of demurrage charges claimed by the Railway Department was paid and delivery was taken in April, 1953 but that was after one year and three months from the date of notice had passed.

20. In a note submitted by the Posts and Telegraphs Department, it was explained that the delay in taking delivery of the goods had occurred as none of the departmental officials addressed by the Station authorities agreed to take delivery of the goods as these did not pertain to them. The matter, therefore, remained under correspondence for over one year when it was reported to the Post Master General who issued orders to the Divisional Engineer to take delivery of stores in question. It was further stated in the note that the Railway authorities have since agreed to refund the demurrage charges in excess of Rs. 1,685 which was the estimated cost of the stores which would otherwise have been disposed of by them in the normal course.

21. As regards the question of fixing responsibility for the delay in clearing these stores, it has been stated by the Department that the Post Master General, Ambala, who initiated enquires against the two Sub-divisional Officers, Telegraphs and two Engineering Supervisors had reported that these officers could not be held responsible because none of them happened to be the consignor or consignee of the aforesaid goods. For the delay on the part of three of these officers in replying to correspondence, they were being warned.

22. In view of the circumstances explained by the Posts and Telegraphs Department, the Committee do not desire to press the case further.

23. *Para 6—Contracts.*

This para relates to the supply of equipment by the Indian Telephone Industries (Private) Ltd., Bangalore, to the P. & T. Department. According to Audit, no firm agreement regarding the rates for supplies had been drawn up and finalised upto October,

1954 and the supplies were being provisionally charged for at the British Post Office Price Schedule rates. A comparison of the rates claimed with the corresponding rates in the British Post Office schedules revealed wide variations. The Indian Telephone Industries had now agreed to refund about Rs. 25,000 claimed in excess in respect of certain items of stores. In respect of other items, the Indian Telephone Industries had contested the accuracy of the prices quoted in the schedules and the matter was stated to be under examination. Payments exceeding Rs. 2 crores had already been made provisionally to the Indian Telephone Industries.

24. In the course of examination of this case, the Committee were informed that the agreement for the supply of equipment between the Indian Telephone Industries and the P. & T. Department had since been signed on the 12th November, 1955 and that a costing unit had been set up at the Indian Telephone Industries for reviewing all the provisional payments with a view to see that the Posts and Telegraphs Department had not been over-charged.

25. Explaining the excess payment of Rs. 25,000 made to the Indian Telephone Industries, the representative of the Indian Telephone Industries informed the Committee that in those days, as the manufacturing price had not been fully established, the prices charged from the Posts and Telegraphs Department were fixed on an *ad hoc* basis and the over-charge to the Posts and Telegraphs was likely to be much more than this excess. He further said that the provisional pricing was now being re-examined by the Costing Unit and this work was expected to be completed by April, 1957.

26. As regards the new items, it was stated that the Indian Telephone Industries had since issued a rate list which was subject to check by the Cost Accounts Officer.

27. The Committee would like to be apprised in due course of the result of—

- (i) the review of provisional pricing stated to have been undertaken by the Costing Unit of the Indian Telephone Industries, and
- (ii) the application of the Rate List issued by the Indian Telephone Industries for the new items of equipment to be supplied to the Posts and Telegraphs Department.

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28. *Para 2—Loss due to delay in revision of Telephone rentals in a Telephone District.*

In this case, concessional rates of rentals for extensions from a few P.B.Xs. were allowed to a State Government subject to a review of such rates to be undertaken at the end of one year after the termination of the War. No review was undertaken in 1947; the matter was reported to have been considered in 1948 but without

any final decision and it was only in February, 1952 that a decision was taken to abolish all concessional rates, and to charge Government subscribers the higher rates charged for similar connections from private subscribers. It has been computed by Audit that the delay of five years in undertaking the review resulted in a loss of about Rs. 50,000 *per annum* to the Posts and Telegraphs Department.

29. During the course of examination, the Chief Engineer, Telegraphs stated that the papers relating to the review undertaken in 1948 had been lost in the Directorate. He, therefore, urged that in the absence of these papers, he could not explain the reasons for not having reached a decision in 1948. In extenuation, he also stated that the abnormal conditions that prevailed at Calcutta soon after the war coupled with the outbreak of fire in the main Exchange building in 1948 were also partly responsible for this delay. The Committee feel that the review of important cases should not be left to chance or memory, but a systematic procedure should be revised to ensure that such cases are reviewed when due. Of late, the Committee have come across other cases where important Government files could not be traced and apparently no action was taken to fix responsibility for their loss. The Committee view the loss of Government files as a very serious matter, and desire that the Ministry of Home Affairs should issue clear instructions regarding the procedure to trace the missing files and to fix responsibility for their loss.

30. *Para 4—Misappropriation of the value of money orders by an Extra-Departmental Branch Post Master.*

In this case, an Extra Departmental Branch Post Master was reported to have misappropriated during the period from November, 1953 to June, 1954 a sum of Rs. 17,700 being the value including commission, of money orders tendered by "Toddy Licensees" at the Post Office for remittance to the Superintendent of Excise. Prosecution is stated to have been launched against some departmental employees including the Extra-Departmental Post Master.

31. The Committee wanted to know the *modus operandi* of the fraud as also the present position of the prosecution. The representative of the Director-General, Posts and Telegraphs explained that the fraud in this case was rendered possible because the payee was a Government department which did not make any complaint for non-receipt thereof—normally such complaints were to be made within a period of 15 days. As regards the punishment awarded by the Court, it was stated that the Post Master had been sentenced to 6 years' rigorous imprisonment and to pay a fine of Rs. 5,976. The Post Master, had, however, preferred an appeal to the High Court. In reply to a question, it was stated that all other persons involved in this case had been acquitted by the Court, and the question of instituting departmental action against them would be considered after the receipt of a copy of the Judgment of the Court.

32. The Committee would like to be apprised, in due course, of further progress in this case so far as it related to the institution of Departmental action and the result of the appeal preferred by the Postmaster in the High Court. In the meantime, the Committee would suggest that with a view to preventing the recurrence of such cases, the Posts and Telegraphs Department should in consultation with the Government Departments or bodies on whose behalf they collect such payment, evolve a procedure by which the P. & T. Department could get at regular intervals, a report of cases of non-receipt of payments into the Post Offices to enable that Department to investigate into those cases.

33. *Para 5—Loss due to abandonment of Works.*

The construction of a manually operated foundry was started in the Posts and Telegraphs Workshop, Jubbulpore, in 1945 and the total expenditure incurred thereon amounted to Rs. 6,84,500 upto the end of 1954-55.

34. A decision was taken to start working the foundry from January, 1955 and raw materials worth Rs. 3,69,000 were obtained. But the scheme was abandoned almost immediately afterwards in February, 1955. Audit further pointed out that it had been explained by the Director-General, P. & T. that the reasons for starting the foundry were dispersal of production centres to safer zones during the war and expansion of Posts and Telegraphs Workshops capacity. These reasons ceased to exist on the termination of the war in 1945-46, resulting in outright cancellation of pending Defence department indents on Posts and Telegraphs Workshops, whereby the capacity of existing Posts and Telegraphs Workshops was also released. The Committee, however, noticed that the bulk of the expenditure on the foundry had been incurred in the post-war period and, therefore, desired to know why the foundry project was continued after the war and further expenditure of over Rs. 4 lakhs incurred thereon.

35. Explaining the delay in starting the foundry, the Chief Engineer, Telegraphs stated that initially there was delay in the construction of the foundry building due to acute shortage of steel at that time. Later, a proposal to mechanise the foundry instead of operating it manually remained under consideration of the Government till the end of 1954. Finally, when it was decided to operate the foundry manually, volunteers for manning the foundry were not forthcoming despite incentives offered by Government. In the meanwhile the position was reviewed and it was found that a considerable quantity of foundry items were available in the open market at rates cheaper than what would have been the cost of their manufacture in the P. & T. Workshops.

36. The Committee find it difficult to accept this plea. From a note furnished to them by the Ministry of Finance, they observe that the scheme did not at all progress well right from its blue print stage in 1946. Despite the difficulties in getting the man-power, the Staff and Finance Committee ordered the General Manager on the 25th November, 1954 that the foundry should start functioning from the

1st January, 1955. Raw materials worth Rs. 3.69 lakhs were purchased immediately thereafter. The foundry was not, however, started in January 1955, as, in the meantime, the General Manager was advised by the Chief Engineer to postpone the opening of the foundry till the proposal for opening a new workshop at Maithon was examined in greater detail. The Committee, however, understand that in the final proposal about the Maithon Project, there was no provision for a foundry. The Committee are puzzled by the variety of explanations given for the decision to suspend the operation of the foundry after incurring very substantial expenditure on purchase of raw materials. In the context of the retarded progress of the scheme, the Committee see little justification for purchasing raw materials worth nearly Rs. 4 lakhs.

37. The Committee are surprised to observe that the proposal for the abandonment of the foundry in February, 1955 was not referred to the Ministry of Finance. In September, 1955, the General Manager, P. & T. Workshops, put up proposals before the Workshops Board for utilisation of the foundry shed in the Telegraphs Workshop and these were still said to be under examination of the Board. The Committee should like to be informed of the final outcome of the Board's examination and of the circumstances in which the Chief Engineer advised the General Manager to postpone the operation of the foundry.

38. *Para 9—Alleged Fraudulent Transactions in regard to the issue and discharge of Post Office Certificates.*

Sub-para (i)—Fraudulent encashment of 12-Year National Savings Certificates.—In this case, taking advantage of Government orders authorising the encashment of 12-Year National Savings Certificates at any Post Office on production of identity slips by the holders, without prior reference to the Post Office of issue 9 spoilt/cancelled National Savings Certificates, purloined from the custody of a Postal Audit Office, were fraudulently encashed at different Post Offices on production of forged identity slips and after making erasures and alterations of the entries on the spoilt/cancelled National Savings Certificates. The total loss incurred on account of these fraudulent discharges was stated to be of the order of Rs. 26,475. Departmental and Police investigations were stated to be in progress.

39. During the course of examination of this case, the Committee were informed that so far as the negligence and failure on the part of the Postal Audit Office was concerned, 5 officials had already been punished and action against some others was in progress. To prevent such a fraud, a system of perforating cancelled certificates had also been introduced in the Audit Office.

In answer to a question whether any modification of the procedure of encashment without prior verification of the claims from the office of registration was called for, the representative of the P. & T. Department stated that a suggestion was made to the Ministry of Finance but the latter did not agree to any modification on the ground that it would affect the popularity of the small savings scheme.

40. The Committee would like to be informed of the departmental action against the delinquent postal officials and the steps taken to make good the loss.

41. *Sub-para (ii)—Embezzlement of the sale proceeds of Postal certificates.* A sum of Rs. 11,900 being the sale proceeds of Postal certificates sold during the period 31st July, 1951 to 9th April, 1952 at two sub-post offices had not been accounted for in the Postal Accounts, although the sale of certificates was correctly recorded in the stock registers of certificates, maintained at the two sub-offices. The clerk who was suspected of having misappropriated the money was absconding. He had been dismissed from service and further verification of his work and proceedings against other officials were stated to be in progress.

42. While explaining the procedure followed in the sub-post office in dealing with such transactions, the representative of the Director-General, Posts and Telegraphs informed the Committee that in this case the fraud was rendered possible because the clerk, who was also functioning as the Post Master, did the entire work in respect of National Savings certificates himself and the other person at the counter was attending to savings bank etc.

43. The Committee feel that without counter-checks, the system in sub-offices is open to such risks and desire that steps be taken by the Posts and Telegraphs Department to devise a method by which recurrence of such frauds could be prevented. They would also like to be apprised of the result of the disciplinary proceedings instituted against the official at fault.

44. *Sub-para (iii)—Misappropriation of the sale proceeds of the certificates.*—In this case, a sub-Post Master had been sentenced to imprisonment for 2 years, *plus* one year more in lieu of a fine of Rs. 6,000 on a charge of having misappropriated a sum of Rs. 8,000 during the period of January, 1950 to December, 1951 out of the sale proceeds of National Savings Certificates. This was detected by the Department in June, 1952.

45. In evidence, the representative of the Director General, Posts and Telegraphs stated that the fraud was facilitated in this case by a wrong numbering of the invoices in which the cash certificates were sent from the Head Office. When the Head Office detected this mistake and asked the Post Master to correct the invoice numbers, the Post Master only replied to say that necessary action was being taken. In the meantime, the Post Master further misappropriated a sum of Rs. 3,000 even in respect of those certificates which were correctly numbered according to the invoices.

46. As regards the action taken against the persons at fault, the Committee were informed that out of the six officials whose contributory negligence delayed the detection of the fraud, departmental

action had been completed against 4 officials. Regarding the other two officials, the representative of the Director General, Posts and Telegraphs could not say why action against them had not been started.

47. The Committee fail to understand why action against the remaining two officials could not be taken so far. They desire that action against them should also be expedited and a note submitted to them in due course.

The three cases commented upon in the preceding paragraphs clearly indicate that apart from procedural defects, there has obviously been lack of proper supervision and inspection on the part of the immediately higher authorities. The Committee, therefore, suggest that supervision over the handling of cash transactions in the Post Offices should be strengthened and the frequency of inspections be increased.

48. *Para 10—Loss due to purchase of defective hand-drawn mail carts.*

Orders for 389 hand-drawn mail carts for use in three Postal Circles were placed on the Supply Department in 1951 on the basis of specifications prepared by the Posts and Telegraphs Department in 1941. Supplies at an average rate of Rs. 290 per cart were spread over 1953-54 and 1954-55. Soon after the supplies commenced, there were complaints from a Circle Officer, in June, 1953, that the hand-carts supplied were heavy and unwieldy. Deliveries, however, continued till August, 1954 when the order for the outstanding number of 55 hand-carts was cancelled. As the hand-carts could not be utilised by these Circles, charges for the hire of carts, etc. in connection with the alternative arrangements continued to be incurred by the Department. It was found by the Posts and Telegraphs Department that these hand-carts could prove useful only after alterations and reconditioning at an estimated cost of over Rs. 75,000.

49. The Committee wanted to know why the Posts and Telegraphs Department did not try an experimental model before placing a bulk order for the supply of 389 hand carts. In evidence, the representative of the Director-General, Posts and Telegraphs admitted that this was an initial mistake. He, however, urged in extenuation that since the design was approved as far back as 1941, it was presumed by them that a model must have been tried. It was only when the complaints were received that this mistake was realised. In reply to another question as to why the deliveries were not stopped on receipt of complaints which came in soon after the supplies commenced—the Committee were informed that the delay occurred as the matter remained under correspondence with the Post Master General concerned.

50. The Committee regret to observe the tardy manner in which the supply had been arranged in this case. In the first place, the Director-General, Posts and Telegraphs did not appreciate that the design was a decade old. Secondly, he did not take care to verify

whether a model had been tried in the past. It passes the comprehension of the Committee how in a matter involving over a lakh of rupees, he proceeded to act on presumptions. Finally, he did not take prompt action to stop or even temporarily suspend the deliveries of the carts even after complaints were received shortly after supplies commenced. Being a Commercial Department, the Committee would urge that the Department should be more alert and not rely too much on routine correspondence.

51. *Para 11—Alleged Misappropriation of cash by a Treasurer of a Post Office.*

In this case, in a Head Post Office, a Treasurer was alleged to have misappropriated a sum of Rs. 24,578 from time to time. The Treasurer voluntarily refunded a sum of Rs. 9,000 leaving the net loss to the Department at Rs. 15,578. The Treasurer was stated to be under trial in a Court of Law.

52. Regarding the present position of the Court case, the Committee were informed by the Director-General, Posts and Telegraphs that the accused had been acquitted in June, 1956 by the lower Court and the department was going to file an appeal in a High Court. All records had, therefore, been transferred to the Public Prosecutor who was preparing a case for appeal. The Director-General, Posts and Telegraphs also informed the Committee that in the absence of such records, they could not institute departmental action against the other officials involved in this case.

As regards the *modus operandi* of the fraud in this case, it was stated that this was committed by the Treasurer in the Head Post Office by inflating the figures of postage stamps in stock to cover up the shortage of cash which was not detected in spite of inspection having been carried out from time to time.

53. It is quite obvious to the Committee that the inspecting officials have carried out the inspection in a perfunctory manner and have thus been negligent in their duties. The Committee, therefore, desire that adequate action should also be taken against the inspecting officers concerned for their failure in discovering the fraud.

54. The Committee should be informed in due course of the result of the appeal preferred in the High Court as also the action taken against other officials whose contributory negligence resulted in the misappropriation of public money in this case.

The Committee would also like the Posts and Telegraphs Department to examine the existing procedure for handling of cash and postage stamps etc. in the Head and Branch Posts Offices and tighten the checks and counter-checks to be exercised by the local officers and the inspecting staff. A note stating the action taken in this respect may be forwarded to the Committee, in due course.

55. *Para 16 of the Audit Report, 1955—Part II—Postal Life Insurance Organisation.*

The Public Accounts Committee of 1948-49 had desired that the postal insurance organisation transferred from the Audit Department

to the Posts and Telegraphs Department should be run on commercial lines and that a balance sheet in respect thereof duly countersigned by the Audit Officer appended to the Commercial Appendix to the Appropriation Accounts.

56. According to the Audit para, the question of running the organisation on commercial lines was stated to be under the consideration of Government and the balance sheet thereof could be prepared only after the Fund had been divided and valuation of Pakistan Policies completed. In evidence the Committee were informed that the valuation report of the Controller of Insurance, Pakistan had since been received and an *ad hoc* valuation had been made and the balance of the Indian and Pakistan Policies as on the 14th August, 1947 came to Rs. 10 crores and odd and Rs. 1 crore and odd respectively.

57. The Committee trust that it would now be possible for the Posts and Telegraphs Department to prepare a balance sheet of the Postal Life Insurance Organisation on commercial lines to be appended to the Appropriation Accounts (P. & T.) for the next year.

III

STORE ACCOUNTING AND STORES

58. *Para 6 of Audit Report (P.&T.) 1956.—Part I and Para 28 (i) of the Thirteenth Report of the P. A. C.:*

According to Audit, the latest position of the arrears in Store Accounting was as below:—

- (a) Out of 36,200 items relating to years 1951-52 to 1953-54 in which reconciliation of quantity balances in the priced ledger cards with depot balances had not been completed, 13,138 items remained unsettled—in addition to 18,500 items relating to 1954-55.
- (b) The number of items where stores transaction could not be accounted for at all in Accounting machines owing to absence of complete particulars on store vouchers etc was reduced to 2,240 upto June, 1956.
- (c) Value of stores supplied to works, which could not be included in the classified accounts of works expenditure and was booked under suspense on 1st August, 1956 was Rs. 9½ lakhs.

59. In evidence, the Committee were informed that as one of the **measures** to improve this state of affairs, the Posts & Telegraphs Department had decided to decentralise gradually the work connected with the posting of the ledgers, to the Depots themselves. This new scheme had already been introduced in the Jubbulpore Depot and the Directorate had recently extended this procedure to the Depots at Madras and Bombay also. Besides this, the scheme of putting up arrears squad to clear off the items as expeditiously as possible was also stated to be under consideration. These measures, the Committee were assured, would result in the clearance of all the arrears in about 6 to 9 months' time.

60. When asked to explain the reasons why it had not been possible for the Posts & Telegraphs Department to implement the assurance given to the last Committee for completing the reconciliation of the numerical balances, *vide* sub-para 2 of para 28 of their 13th Report, the Committee were informed by the Director-General, Posts and Telegraphs that one of the impediments in the way of straightening out the Stores Accounts was the time required in recruiting the necessary personnel. The Committee were told that this delay in filling up the posts was on account of the verification of the antecedents of every candidate before he was appointed. The Committee were rather surprised at this statement from the Head of a Department. In their opinion this plea can hardly be valid or seriously advanced in respect of the posts of clerks required for stores

accounting work. They felt assured in this view when their attention was drawn to copies of orders issued by the Ministry of Home Affairs from time to time according to which orders regarding verification of antecedents before appointment did not apply at all to subordinate services in subordinate offices. The Committee were further informed that another impediment in clearing the arrears in stores accounts was the difficulty of finding suitable office accommodation for Stores clerks. The Committee can hardly believe that the Posts and Telegraphs Department should have found the non-availability of accommodation a serious impediment in the clearance of arrears in stores accounting. They feel concerned about the dilatory manner in which the problem is being tackled. They would urge that a target date should be fixed for completing this work and the same adhered to.

61. *Para 7 of Audit Report (P.&T.) 1956—Part I—Defective stock verification and delay in disposal of discrepancy cases.*—It was pointed out by audit that discrepancy statements relating to 1952-53, 1953-54 and 1954-55 had not yet been furnished or fully investigated by the Stores Depots in the Posts and Telegraphs Department. In the case of certain Stores Depots, although large discrepancies had been found in the course of stock verification carried out by independent stock-verifiers under the Chief Accounts Officer, 'nil' discrepancy statements had been furnished in respect of concurrent stock taking carried out for the corresponding period by the Stock-Verifiers under the Store-keepers.

62. In evidence, the Committee were informed by the Chief Engineer, Posts & Telegraphs, that 'nil' discrepancy statements were furnished without actually undertaking any stock verification and disciplinary action was in progress against the officials at fault. Explaining the delay in the disposal of discrepancy statements, the Chief Engineer stated that considerable progress had been made in the submission of discrepancy statements and strict instructions had also been issued to the Chief Controller of Telegraph Stores to expedite the settlement of these discrepancies. The Committee desire that the P. & T. Department should impress upon all the officers concerned the urgency and importance of the expeditious disposal of discrepancy statements. They consider it a serious matter that false statements should have been furnished without actually verifying the stock. They would, therefore, like to be informed about the progress of the disciplinary action against the officials responsible.

63. *Para 8—Irregularities in auction sale of Stores.*—This para relates to the disposal of one non-standard type Switch Board purchased from Disposals at a cost of Rs. 5,245 (original value being about Rs. 25,000). The Switch Board although borne on serviceable stock was sold by auction in September, 1953 along with a lot of unserviceable materials, which fetched only Rs. 280. Audit has pointed out that the Switch Board was disposed of by auction before either the Surplus Stores Committee had reviewed the case or the preliminary steps of getting the sale list verified by Audit etc. had

been taken. Approval for disposal by sale was subsequently accorded by the Surplus Stores Committee set up by the P. & T. Department without being aware of the fact that the auction sale had actually concluded.

64. In the course of examination of this para, the Chief Engineer, Telegraphs admitted that there had been serious procedural irregularities in the case and that an incorrect "stores-for-disposal" memo was submitted to the Surplus Stores Committee showing that the stores were in existence. It was stated by the General Manager, Posts and Telegraphs Workshop that as the Surplus Stores Committee saw no reason to doubt the correctness of the memo submitted to them, they did not survey the article.

65. From a note (Appendix III) furnished to the Committee, they note that the Chief Controller of Telegraph Stores had instituted disciplinary proceedings against the officers at fault. They also note that the Accountant-General, P. & T. has suggested that the question of assessing the responsibility of the Members of the Surplus Stores Committee might also be examined.

66. The Committee desire to be informed in due course of the disciplinary action taken against the officials and of the responsibility of the Members of the Surplus Stores Committee. They should also like to be furnished with a note stating the remedial measures that the Posts & Telegraphs department propose to adopt to safeguard against such lapses in future.

67. *Para 14 of Audit Report, 1955—Part II—Stock positions:*

Audit pointed out that the value of workshop stores held in stock during the year under report was about Rs. 1.77 lakhs and exceeded the prescribed limit of Rs. 1.50 lakhs by Rs. 27 lakhs.

During the course of examination of this para, the Committee wanted to know the present position of disposal of all the surplus stores including the workshop stores.

68. In a note submitted by the Director General, Posts and Telegraphs (Appendix IV), it has been stated that the accumulation of surplus general stores was estimated at approximately Rs. 1.3 crores in 1952. Major portion of the stores amounting to about Rs. 1 crore had been liquidated by absorption in the department against works, by sale or by disposal through the Director General, Supplies and Disposals. The position of the remaining Rs. 30 lakhs worth of stores has been stated as under:—

	(Approx.) (Rs. in lakhs)
Stores sanctioned to be disposed of but awaiting sale	12.12
Stores recommended by Surplus Stores Committee for disposal	9.76
Stores awaiting detailed review by the Surplus Stores Committee	8.17
TOTAL	30.05

69. The Committee would once again stress the urgency of speedy disposal of all surplus stores. In this connection, they would like to reiterate their oft-repeated observation that the maintenance of excessive stocks involved the tax payer in a four-fold loss; there is loss of interest on capital unnecessarily locked up; there is loss arising from the possibility of the stores becoming obsolete and unsaleable or disposable only at a rate lower than the cost price. There is also avoidable expenditure on care and maintenance staff besides expenditure on storage accommodation.

70. With regard to workshop stores, it has been stated that the General Manager workshops had reported stores valued at approximately Rs. 41 lakhs as surplus in April, 1955. The Director General, Posts and Telegraphs has not, however, been able to state the precise balance of stock still lying undisposed of, as subsequent reports from General Manager showed certain variations. The Committee would like to be informed of the latest position in this respect in due course.

71. The Committee also feel that the procedure at present followed by the Posts and Telegraphs Department in the disposal of stores is cumbersome and dilatory. They would suggest that the P. & T. Department should examine the whole procedure in consultation with the Ministries of Finance and Works, Housing and Supply with a view to making it more expeditious and effective.

IV

OUTSTANDING RECOMMENDATIONS

72. The Committee shall now proceed to deal with some of the more important items outstanding from their previous Reports (as included in Appendices I and II of their 13th Report) in respect of which the Ministry of Communications, Directorate General, Posts and Telegraphs etc. have submitted to them Memoranda/Notes stating the action taken.

73. *Purchase of underground Cables.—Para 32 of the Fifth Report of the Committee:*—In the statement furnished to the last Committee it had been intimated that the firm's undertaking to take the necessary remedial measures including replacement, if necessary, should these cables develop any defects which could be traceable to the deterioration of the top protective hessian covering and consequential damages during their normal life was under consideration of the Ministry of Works, Housing and Supply.

74. According to the note now furnished by the Posts and Telegraphs Department (Appendix V), Government have decided to accept a sum of £18,000 from the Japanese firm supplying these cables as an *ad hoc* rebate for the possible shorter life expectancy of the cables and action was being taken to effect the recovery of this amount from the firm's security deposit through the Indian Embassy at Tokyo.

75. During their examination of this case, the Committee were informed that with the acceptance of this rebate, the assurance given by the company regarding the replacement of the cables, had been rescinded. Since the Government have already decided to accept £18,000 from the Japanese Firm, the Committee do not want to pursue the matter further.

76. *Alleged misappropriation of Government Money by the Accountant and Treasurer of a Head Post Office:*—In para 47 of their Tenth Report (1953-54), the Public Accounts Committee desired that the Posts and Telegraphs 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 Posts and Telegraphs Audit Report, 1952, proceed with the fixation of responsibility of other officials at fault and award them suitable departmental punishment. This recommendation had been reiterated by the Committee in para 37 of their 13th Report wherein they emphasized the need for expeditious action.

77. From the note furnished by the Posts and Telegraphs Department (Appendix VI) the Committee observe that as a result of the:

acquittal of the two accused by the Court, the complexion of the case had changed and action was being taken to initiate disciplinary proceedings against the delinquent officials *de novo*. In reply to a question, the representative of the Ministry of Communications stated that in addition to these two accused, eleven others were also involved in this case, disciplinary action had been completed against eight—six had been censured and increments of two had been withheld.

78. The Committee, however, desire that disciplinary action against the remaining five accused should be expedited and a report submitted to them in due course.

79. *Provision of a separate Press for the Posts and Telegraphs Department.*—In Para 70 of their First Report, the Public Accounts Committee recommended that in view of the shortage of postal forms, the Posts and Telegraphs Department should either be provided with a separate press or the control over the existing presses should be vested in that Department. This recommendation was reiterated in paras 37 and 54 of the Fifth and Tenth Reports of the Public Accounts Committee respectively.

80. In a note submitted to the Committee (Appendix VII), the Ministry of Communications have *inter alia* stated that the following concrete steps were under consideration to improve the supply position of forms to the Posts and Telegraphs Department:—

- (i) Since 15th March, 1955, the Control of Forms Stores at Aligarh and Calcutta had been transferred to the Posts and Telegraphs Department from the Printing and Stationery Department.
- (ii) Provision of a small job Press for each Circle was under consideration of the Controller of Printing and Stationery.
- (iii) Appointment of Liason Officer to co-ordinate the work between the Printing and Stationery Department and the Posts and Telegraphs Department was under consideration.

81. During the course of examination of this note, the Secretary, Ministry of Works, Housing and Supply, however, informed the Committee that the proposal to instal a small job press in each of the Posts and Telegraphs Circles had been deferred for the present as it had been decided to expand the existing forms presses at Aligarh and Calcutta. These presses, he said, would be ready in about two years' time. In addition, they were going to put up a Forms Press at Nasik which was expected to start functioning by the end of 1957. At Nilokheri also, they had a small press which was to be expanded for the purpose of printing of forms. The Committee were further informed that there was also a proposal under the Second Five Year Plan to set up a big Printing Press in the South which would have a forms wing also. The representative of the Ministry of Works, Housing and Supply opined that by the end of 1958, Government would

be able to cope with the entire demand not only from the Posts and Telegraphs Department but from all other Ministries in the matter of supply of printed forms, and thereafter the provision of small Job Presses would not be necessary.

82. The representative of the Posts and Telegraphs Department, however, pointed out to the Committee that the Job Presses were intended primarily for meeting emergencies and the necessity for them would remain even after the proposed expansion of printing capacity. He was, therefore, of the opinion that this question might be further considered by the Committee set up by the Ministry of Works, Housing and Supply to examine the supply, printing and distribution of forms and stationery. As regards the appointment of a Liaison Officer, it was stated that this question would also be considered by the above-mentioned Committee.

The Committee would like to be apprised of further developments in this respect.

83. *Infructuous Expenditure on leasing rented accommodation for location of Offices—Paras 14 to 17 of the 13th Report of the Committee.*—During the course of their examination of this case last year the Committee had desired information on certain points which was not submitted to them in time. The Committee had, therefore, to defer their final judgment in this case. From the note now submitted to the Committee (Appendix VIII) they notice that up to May, 1948, when one of the buildings was taken on lease, the decision reached was that no expenditure should be incurred until the scheme was approved by the Standing Finance Committee. The renting of the building in May, 1948 was thus contrary to the decision existing at that time.

84. From a note submitted by the Ministry of Finance (Appendix VIII) it further appears that prior approval of the Ministry for incurring this expenditure was not obtained and it was only later that the Ministry of Finance accorded an *ex post facto* sanction to the payment of arrears of rent upto 31st December, 1950.

In regard to the second building which was taken over by the Posts and Telegraphs Department in June, 1948, the Ministry of Finance had approved the renting of this building for a period not exceeding two months, if such an arrangement was possible, in view of the fact that the Standing Finance Committee was expected to meet within two months. The building was, however, rented by the Posts and Telegraphs Department for an indefinite period in contravention of the sanction issued by the Ministry of Finance.

85. In the circumstances of the case, the Committee find no reason to modify the conclusion reached in para 15 of their Thirteenth Report that the Officers who were responsible for taking over the two buildings lacked foresight and acted against all canons of prudence and financial propriety.

86. In the course of examination of this case, the Director General, Posts and Telegraphs informed the Committee that the unauthorised occupants of the building could not be evicted on account of certain legal difficulties. Action under the West Bengal Act XVII of 1951 was being contemplated. But this could not be done unless alternative accommodation was provided by the West Bengal Government.

87. The Committee trust that the Ministry of Communications will persuade the West Bengal Government to provide alternative accommodation to the unauthorised squatters and thus get themselves relieved of further liability in respect of the building on account of which they have already incurred an infructuous expenditure of Rs. 7.2 lakhs. The Committee would like to be apprised of further developments in this case.

88. *Taking action against Officers responsible for giving wrong information to Audit—Para 19 of the 13th Report—In this case, an incorrect statement was made to Audit by the Director of Administration and Co-ordination, Directorate-General, Supplies and Disposals.* that as both the persons concerned in the case, referred to in para 31 of the Audit Report (Posts and Telegraphs), 1954 (*viz.*, the Assistant and the Assistant Director) had left Government service, no disciplinary action could be taken against them, although the dealing Assistant was still in service. In the notes submitted to the Committee of 1954-55 (Appendices II and III of the 13th Report, Volume II), it was stated by the Ministry of Works, Housing and Supply that they were unable to place the final responsibility on the then Director of Administration and Co-ordination and that they had called for a note from the Section Officer who happened to deal with this case and who was stated to be working in the India Supply Mission, Washington. In a note submitted to the Committee (Appendix IX), the Ministry have stated that they have obtained the explanation of the Officers concerned, but in the absence of the original draft, it was not possible for them to pursue the matter any further and fix responsibility. The Committee, however, felt that the responsibility for the mis-statement to Audit should rightly be that of the officer who had signed the letter—namely the then Director of Administration and Co-ordination.

89. In the course of examination of this case, it was contended by the representative of the Ministry of Works, Housing and Supply that the Director of Administration and Co-ordination in the Directorate General of Supplies and Disposals was responsible mainly for the expeditious disposal of Audit objections and the responsibility for furnishing correct information rested with the Director of Supply. He further informed the Committee that with a view to avoid such a situation arising in future, the Ministry had since issued instructions that the senior-most Officer approving the draft should take full responsibility for the statements made therein.

90. The Committee are, however, unhappy to note that the Ministry of Works, Housing and Supply had changed their findings in this case from time to time.

91. *Introduction of an effective Cost Accounting System in the Posts and Telegraphs Workshops—Paras 22 and 23 of their 13th Report*—In the above paragraphs, the Committee had recommended the introduction of an effective Cost Accounting System for the Posts and Telegraphs Workshops with a view to provide for systematic comparison between the limits fixed in respect of labour and materials for each item of work with the actual performance so as to prevent wastage of material and labour.

92. In evidence, the Committee were informed that a Cost Accounts Officer had been appointed to study the present system of Cost Accounting in the Posts and Telegraphs Workshops and considerable progress had been achieved in the preparation of labour and material schedules.

The Committee would like to watch the effect of the progress achieved in this respect.

93. *Outstanding Telephone Receipts—Para 30 of the 13th Report of the Committee*—In the above para, the Public Accounts Committee commented on the mounting rise in the amount of outstanding telephone revenue bills which was Rs. 79.60 lakhs at the end of September, 1953 in respect of Bills issued upto the 31st March, 1953. The Committee, therefore, recommended that the Posts and Telegraphs Department should devise some machinery to enforce recoveries of outstanding bills and also to arrest their further accumulation.

94. In a note submitted to the Committee (Appendix X), the Posts and Telegraphs Department have detailed the steps taken to speed up recoveries. From the Audit Report 1956, Part I, the Committee note with some satisfaction that the amount of telephone revenue outstanding on 1-4-55 had come down from Rs. 2.28 crores to Rs. 71.4 lakhs on 1-10-55. The Committee were informed by the Posts and Telegraphs Department that necessary instructions had also been issued to prescribe Government offices for any default in the settlement of telephone dues. The number of Telephone Revenue Offices was also increased from 9 to 12.

95. The Committee trust that the cumulative effect of all these measures would result in improving the situation and they would be presented with a better picture at the time they next take up examination of the Posts and Telegraphs Accounts.

PART II

**PROCEEDINGS OF THE SITTINGS OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON THE 27TH, 28TH,
30TH AND 31ST AUGUST, 1956.**

PROCEEDINGS OF THE *THIRD SITTING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON MONDAY, THE
27TH AUGUST, 1956.

The Committee sat from 4 to 6-10 P.M.

PRESENT

Shri V. B. Gandhi—*Chairman.*

MEMBERS

2. Shri Diwan Chand Sharma.
3. Shri Kamal Kumar Basu.
4. Shri Radhelal Vyas.
5. Shri C. P. Matthen.
6. Shri J. B. Kripalani.
7. Shri G. Ranga.
8. Shri R. M. Deshmukh.
9. Shri Shyam Dhar Misra.
10. Shri P. T. Leuva.
11. Shri J. V. K. Vallabharao.
Shri A. K. Chanda, *Comptroller and Auditor-General of India.*
Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor-General.*
Shri K. Charan, *Accountant General, P. & T.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri R. C. Ghei—*Under Secretary.*

WITNESSES

Ministry of Communications

Shri B. N. Jha, I.C.S., *Secretary.*

Shri M. M. Phillip, I.C.S., *Director General, Posts and Telegraphs.*

Shri B. R. Batra, *Chief Engineer, P. & T.*

Shri R. V. Marathe, *Senior Deputy Director General, P. & T.*

Shri B. D. Sud, *General Manager, P. & T. Workshop, Calcutta.*

Ministry of Finance (Communications).

Shri R. Narayanaswamy, *Joint Secretary.*

* Earlier sittings relate to the consideration of the statement showing action taken or proposed to be taken on the recommendations of the P.A.C., relating to the Industrial Finance Corporation of India.

APPROPRIATION ACCOUNTS (P. & T.), 1953-54 AND THE
AUDIT REPORT (P. & T.), 1955—PART II

96. *Para 12 of the Audit Report 1955—Part II Compensation for losses.*

This para disclosed payment amounting to Rs. 3,67,968/- of compensation on account of loss of or damage to insured and other articles during the year under report. The compensation paid on account of negligence or dishonesty of the Departmental Officials amounted to Rs. 1,72,824.

According to the figures furnished by Audit, the compensation paid during the subsequent year *viz.*, 1954-55 amounted to Rs. 2,59,269 and that paid on account of the negligence or dishonesty of Departmental officials was Rs. 95,515.

97. The representative of the Ministry of Communications informed the Committee that the number of such cases had gone down from 1120 in 1953-54 to 956 during the year 1954-55. Explaining the measures taken to improve matters, he stated that at the last Conference of the Post-Masters-General, they had impressed upon them the necessity of looking into these cases of fraud with a view to analyse the causes thereof and also to devise measures to reduce them. Further, they had also appointed a Liaison Officer in the D.G., P.&T. to look into such cases of frauds etc.

98. The Committee then drew attention to the Statement showing the net amount of loss on account of payment of compensation for lost, damaged, insured and other articles in relation to the amount of insurance fee realised in each Circle given in Appendix II, according to which the percentage of loss on account of compensation to the amount of insurance fee realised during the year under report was 7.48%. The D.G., P. & T. stated in extenuation that with the increase of traffic, they could not provide adequate supervisory staff. He assured the Committee that they were taking necessary steps to improve the position by appointing more Inspectors etc. The representative of the Directorate-General, Posts and Telegraphs (D.G., P.&T.) further informed the Committee in this connection that the percentage of loss of 7.5% during the year 1953-54 came down to 4.8% during the subsequent year (*viz.*, 1954-55). Similarly, the percentage of loss incurred on account of negligence of departmental officials came down to 37% in 1954-55 against 47% in the year under report. The representative of the Ministry of Communications, however, undertook to furnish the Committee with a statement showing the number of transactions under insurance and money orders and the money value thereof; the number of frauds and the amount involved in each year; the number of cases in which departmental officials were involved; the number of cases in which disciplinary action had been taken and the number of cases pending; either in Law Courts or in the Department. (This statement was to contain information in respect of the three years *viz.*, 1952-53, 1953-54 and 1954-55).

99. *Para 14—Stock Position.*—This para disclosed that the value of workshop stores held in stock during the year was about Rs. 177 lakhs and exceeded the prescribed limit of Rs. 150 lakhs by Rs. 27 lakhs. The Committee wanted to know the present position of the stock balances held and also the disposal of all the surplus stores including the workshop stores.

100. In a note submitted to the Public Accounts Committee of 1954-55 (Appendix XII of the 13th Report, Vol. II), the P.&T. Department had indicated the existence of surplus workshop stores to the extent of Rs. 41 lakhs (Approximately), which were then stated to be under examination of the Surplus Stores Committee. The Chief Engineer, P.&T. stated that the figure of Rs. 41 lakhs had since been brought down to Rs. 26 lakhs, out of which stores worth Rs. 19 lakhs had already been screened by the Surplus Stores Committee and declared surplus and were awaiting sanction by Government. The schedules in respect of the remaining stores worth Rs. 7 lakhs were under preparation and they were expected to be ready within a month or so.

In reply to a question the Chief Engineer stated that most of these surpluses related to war-time stores which were accumulations of the past.

101. The Committee desired to be furnished with a statement showing the total value of the war-time stores taken over by the P.&T. Department, the amount realised as a result of disposal thereof (during the various years) and the value of stores still lying undisposed of.

102. Explaining the procedure followed in the disposal of surplus stores, the representative of the P.&T. Department stated that the Manager of the workshops or the Controller of the Telegraphs Stores Depot first reported to the Regional Survey Committee what stores were surplus. After that Committee had examined the matter, it sent a report to the Central Surplus Stores Committee at Calcutta, which met every week. The recommendations of the Surplus Stores Committee were then forwarded to Government for according sanction to the disposal of the stores. It did not normally take more than 3 months to cover the whole process. The representative of the D.G., P.&T., however, could not throw any light on the time generally taken by the Government in according sanction to the disposal of stores so declared as surplus in consultation with the associated Finance. The Chief Engineer, P.&T. expressed the hope that they would be able to liquidate the entire surplus stores by the end of the current year.

103. The Committee, however, felt that the existing procedure for the disposal of surplus stores entailed considerable delay and desired that the P.&T. Department should review the whole procedure to see how disposal action could be expedited.

104. *Para 16—Postal Life Insurance Organisation.*—According to this para, the question of running the Postal Life Insurance Organisation on commercial lines, as recommended by the Committee, was stated to be under the consideration of Government and the Balance Sheet thereof could be prepared only after the Fund had been divided and valuation of the Pakistan policies completed. The Committee wanted to know how long it would take the P.&T. Department to separate the remaining Pakistan Policies as existing on the 15th August, 1947, and also the precise steps that were being taken by the Department to finish this work.

105. The representative of the D.G., P. & T. stated that the valuation report of the Controller of Insurance, Pakistan was received in the second week of July and that they had made *ad hoc* valuation and the balance of the Indian and Pakistan policies as on 14th August, 1947 came to Rs. 10 crores and odd and Rs. one crore and odd respectively. In reply to a question he stated that it would now be possible for them to prepare a balance sheet on commercial lines from next year.

Audit Report (P.&T.) 1955—Part I
and

Audit Report (P.&T.) 1956—Part I

106. *Para 1 of Audit Report, 1955—Part I read with para 15 of Audit Report, 1956—Part I—Defalcation or Loss of Public Money.*—With regard to the large number of pending cases where responsibility had yet to be fixed, the Committee drew attention to the suggestion made by them in Para 13 of their 13th Report that Departmental action against the employees should be initiated and completed without waiting for criminal prosecution and wanted to know whether that suggestion was being acted upon systematically while dealing with cases of defalcation or loss of Public money which came to light during the years under report. The representative of the D.G., P.&T. informed the Committee that the revised procedure for instituting departmental proceedings against Government servants involved in criminal misconduct without waiting for the judgement of the Court had been brought into force since October, 1955 and all cases which arose after that date were being dealt with in accordance with the revised procedure. On a point being raised that the revised procedure should cover not only new cases but also the old ones which were pending, it was suggested that the P.&T. Department might get this aspect of the matter examined in consultation with the appropriate Ministry of the Government of India.

107. *Para 2 of Audit Report, 1955—Part I.—Alleged fraudulent withdrawals from Defence Savings Bank Accounts.*—During the course of audit of Defence Savings Bank transactions of a Head Post Office for certain months of 1947, it was noticed that in a batch of 50 Defence Savings Bank Accounts

payments had been made twice over resulting in a loss of Rs. 4,691-9-0. Departmental investigations conducted on receipt of audit objection revealed that the amount at credit in these accounts was originally paid on forged applications for withdrawals alleged to have been prepared by some of the Post Office officials, who did not send the paid warrants to the Audit Office. At a later date, warrants of payments of genuine applications for withdrawals were passed without reference to the Savings Bank ledgers, where the fact of the earlier payments had been recorded. According to Audit, the following departmental action had since been taken :—

Out of 9 officials held responsible for contributory negligence, 6 had either left service or were discharged already. Against the sum of Rs. 1,800 claimed from the sureties of these 6 officials a sum of Rs. 1,694-4-0 has been recovered so far. A total sum of Rs. 2,228-14-0 had been ordered to be recovered from other two officials. In respect of the Supervisor who had been convicted by the Court in another case and dismissed, but was later on re-instated on his acquittal as a result of appeal, departmental action was in progress. The recovery of the balance of Rs. 662-11-0 was stated to be under examination.

108. Referring to the Supervisor, the representative of the D.G., P.&T. stated that on receipt of copy of the judgement from the Court, this official was re-instated on the 17th February, 1956 and again placed under suspension with effect from the same date. He was released from suspension after about nine days. *viz.*, on the 26th February, 1956 because the Superintendent of Post Offices concerned thought that that official was not likely to be dismissed from services even if the departmental charges were proved. Then he was charge-sheeted on the 4th July, 1956 and he had not so far submitted his defence. The representative of the D.G., P.&T. could not, however, explain the reasons for having allowed this official to rejoin duty. The Committee pointed out that it had taken the P.&T. Department nearly nine years to deal with this case. The representative of the Ministry of Communications stated that he himself was not satisfied with the manner in which this case had been handled. He, therefore, undertook to investigate into this case further and furnish the Committee with a note stating the full facts.

109. The Committee also desired to be furnished with a note stating the date on which the 6 officials concerned left service or were discharged as also the date on which the case was reported to the Police.

110. The Committee then adjourned till 4 P.M. on Tuesday, the 28th August, 1956.

PROCEEDINGS OF THE FOURTH SITTING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON TUESDAY, THE
28TH AUGUST, 1956

The Committee sat from 4 to 6-10 P.M.

PRESENT

Shri V. B. Gandhi—*Chairman.*

MEMBERS

2. Shri Kamal Kumar Basu.
3. Shri Radhelal Vyas.
4. Shri C. P. Matthen.
5. Shri J. B. Kripalani.
6. Shri R. M. Deshmukh.
7. Shri Shyam Dhar Misra.
8. Shri P. T. Leuva.
9. Shri B. C. Ghose.

Shri A. K. Chanda, *Comptroller and Auditor-General of India.*

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor-General.*

Shri K. Charan, *Accountant General, Posts & Telegraphs.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri R. C. Ghei—*Under Secretary.*

WITNESSES

Ministry of Communications.

Shri B. N. Jha, I.C.S., *Secretary.*

Posts & Telegraphs Department

Shri M. M. Phillip, I.C.S., *Director General, Posts and Telegraphs.*

Shri B. R. Batra, *Chief Engineer, P. & T.*

Shri R. V. Marathe, *Senior Deputy Director General, P. & T.*

Ministry of Finance (Communications).

Shri R. Narayanaswamy, *Joint Secretary.*

Indian Telephone Industries Ltd., Bangalore.

Shri N. K. Sen Gupta, *Acting Managing Director.*

Ministry of Finance (E. A. Department).

Shri Shiv Naubh Singh, *Deputy Secretary.*

AUDIT REPORT (P.&T.), 1955—PART I

111. *Para 3—Loss due to delay in taking action against an extra-Departmental Branch Post-Master.*—In this case, an Extra-Departmental Branch Post-Master reported two thefts of Post Office cash, once on the night of the 8th October, 1948 in his house in respect of Rs. 1,000 and again on the night of the 6th August, 1950 in the Post Office in respect of a sum of Rs. 3,583-1-2. In the first case, as a result of departmental investigations, the Post-Master was ordered to make good the loss as he was not authorised to remove Post Office cash to his house. In the second case, as a result of the departmental enquiry, the Senior Superintendent of Post Offices did not consider it desirable to retain the Post Master in service, but although he was fully competent to remove him from service he referred the matter to the Post Master General on the 30th August, 1950 who in turn referred the case to the Director-General, P.&T. for orders in December, 1951. Orders for his removal from service were issued by the Director-General, P.&T., in October, 1952. But before the receipt of these orders, the same Post Master mis-appropriated a sum of Rs. 5,356-5-7 during the period March to June, 1952 and the Senior Superintendent of Post Offices ordered his removal from service with effect from the 20th June, 1952. The prosecution is stated to have been launched against the Post Master for this misappropriation. Audit pointed out that had the Senior Superintendent exercised his powers earlier and dismissed the Post-Master, as he should have, the further loss of Rs. 5,356-0-0 could have been avoided.

112. The Committee wanted to know why the Senior Superintendent of Post Offices did not exercise his powers in the second case and dispense with the services of the Post Master when he considered his retention undesirable. The representative of the D.G., P.&T. stated that the report of the police in this case was received on the 18th November, 1950. Since the police could not establish any case against the Post-Master, the Senior Superintendent of Post Offices referred the matter to the Post Master General who in turn referred it to the D.G., P.&T.

113. The representatives of the D.G., P.&T. further stated in extenuation that the Senior Superintendent of Post Offices referred the matter to the Post-Master General because he had ordered a recovery of Rs. 20-0-0 p.m. in respect of the first theft and he thought that if he were to order his removal from service, he might be called to explain the reasons for further recovery being not made. From the letter addressed by the P.M.G. in December, 1951 to the D.G., P.&T. read out to the Committee, it, however, transpired that

the Senior Superintendent of Post Offices had considered the continuance of this Post Master extremely risky as at any moment he could play more mischief and put the Department to a heavier loss. In view of the recovery of Rs. 20-0-0 being made from his allowance every month, the Post-master was not earning much from the Post Office. The Post Master General had himself expressed the opinion that since this Post-Master was likely to resort to corruption or neglect office work, it would not be desirable to retain him in service till the recovery at the rate of Rs. 20-0-0 p.m. was completed.

In reply to a question, it was stated that the Senior Superintendent of Post Offices concerned had since retired from service.

114. When asked to state the present position of the Court case instituted against the Post-Master concerned the D.G., P.&T. informed the Committee that it was still pending in the Sessions Court.

115. The Committee observed that not only had the Senior Superintendent of Post Offices failed to exercise his powers and take responsibility in this case, but neither the P.M.G. nor the D.G., P.&T. had pointed out this failure on his part when the case was referred to them. On the other hand, the P.M.G. also did not take a decision in the matter and referred the case to the D.G., P.&T. for orders.

The Committee felt that the case typified the reluctance on the part of officers to take decisions, and assume responsibility where it belonged to them.

116. *Para 4—Loss due to delay in reaching decisions.*—The facts of this case are that consequent on the P.&T. Department taking over the assets of the Madras Telephone Company with effect from 1st April, 1943, they suspended payment to the State Government of the ground-rent at Rs. 1,643 per annum for two plots, alienated to and in the use of the Company, as the liability of a Government Department to pay the ground-rent was held in doubt. The State Government who were referred to in the matter suggested in October, 1944 that the P.&T. Department should either pay the ground-rent at the assessed rate, or formally relinquish and acquire the plots on payment of half the free-hold value thereof (Rs. 47,347). It took the P.&T. Department nearly 5 years to arrive at a decision regarding its liability to pay rent and even though a decision to acquire the plots was taken in 1950, it took the Department another 2 years in coming to a final decision about the free-hold value of the plot. According to Audit, the P.&T. Department thus incurred an additional expenditure of about Rs. 35,000/- by way of ground-rent for the period from the 1st July, 1943 to 12th April, 1953 before finally acquiring these plots.

117. The Committee wanted to know why it took nine years for the Department to arrive at a final decision to purchase this property.

The Chief Engineer, P. & T. admitted the abnormal delay in this case and urged, in extenuation that the delay had occurred because certain information had to be collected from the various postal circles and later the question of revising the value of the plot remained under reference with the Madras Government for about 18 months.

118. *Para 5—Infructuous expenditure on demurrage charges on stores left in the custody of Railways for about 10 months.*—In this case, stores, worth Rs. 1,685 were found lying in a Railway Goods Shed on 8th December, 1951. The Station authorities issued registered notice on the P. & T. Department on 5th January, 1952 to remove these stores. The delivery was taken in April, 1953 after 1 year and 3 months after paying a sum of Rs. 2,650 on account of demurrage charges claimed by the Railway Department.

119. The Chief Engineer, P. & T. explaining the case stated that while carrying out an inventory of the goods lying in the Goods Shed, the Station Master found certain stores which were identical with the P. & T. Stores and wrote to this effect to the S. D. O. Telegraphs, Ambala asking him to take delivery thereof. The S. D. O. wrote back saying that the stores did not belong to him and suggested to the Station master to address the Sub-Divisional Officer of the neighbouring Sub-Division but the latter also disclaimed the ownership of these stores. After the lapse of one year, the Station Master reported the matter to the Post Master General who issued orders to the Divisional Engineer to take delivery of the stores in question. Continuing, the Chief Engineer stated that these stores did not bear any label showing who was the consignor and the consignee.

120. In reply to a question, he stated that the ownership of these stores had not been definitely established so far. As a result of the discussions which they had with the Railway Board, the Northern Railway had agreed to refund the amount of demurrage paid by the P. & T. Department subject to that Department paying for the stores because if these had remained unclaimed, they would have been auctioned by the Railway Department.

The Chief Engineer further informed the Committee that the question of fixing of responsibility for the delay in clearing these stores was under consideration. He added that according to his reading of the situation, when the Sub-Divisional Officer, Ambala was asked to take delivery of these stores, he should have brought the matter to the notice of his higher authorities so that it could have been settled much earlier. The Committee desired to be furnished with a note stating the result of the investigations made by the Department in this case and action taken against the officials at fault.

121. *Para 6—Contract.*—This para relates to the supply of equipment by the Indian Telephone Industries to the P. & T. Department. According to Audit, no firm agreement regarding the

rates for supplies had been drawn up and finalised upto October, 1954 and the supplies were being provisionally charged for at British Post Office Price Schedule rates. A comparison of the rates claimed with the corresponding rates in the B. P. O. Schedules revealed wide variation. The I. T. I. had now agreed to refund about Rs. 25,000 claimed in excess in respect of certain items of stores. In respect of other items, the I. T. I. had contested the accuracy of the prices quoted in the Schedules and the matter was stated to be under examination. Payments exceeding Rs. 2 crores had already been made provisionally to the I. T. I.

122. The Committee wanted to know the present position about the finalisation of agreement with the I. T. I. and the provisional payments made to them. The Chief Engineer, P. & T. stated that the agreement between the I. T. I. and the P. & T. Department had since been signed on the 12th November, 1955. Further, they had created a Costing cell at the I. T. I. with an Assistant Accounts Officer and two Accountants who were reviewing all the provisional payments with a view to see that the P. & T. Department was not over-charged.

Explaining the circumstances leading to the excess payment of Rs. 25,000 to the I. T. I., the representative of the I. T. I. stated that in those days as the manufacturing prices had not been fully established, the prices charged from the P. & T. were fixed on an *ad hoc* basis and the over-charge to the P. & T. was likely to be much more than this excess. The provisional pricing was now, being re-examined by the Costing Unit and this work was expected to be completed by April, 1957. As regards new items, the I. T. I. had issued the rate list which was subject to check by the Cost Accounts Officer.

123. The Committee then proceeded to take up consideration of the *Statement showing action taken or proposed to be taken on their outstanding recommendations relating to the Posts and Telegraphs Accounts (items pertaining to the I. T. I.).

124. *Para 66 of the 10th Report—Agreement with the Automatic Telephone and Electric Co., Ltd. (A.T.E.).*—The Committee had pointed out that in the absence of any specific provision regarding the inspection of goods supplied by the A. T. E. in the U.K. by any agency of the Government of India before shipment having been made in the agreement with that firm, the expediency of an independent inspection being carried out by the India Store Department, London, might be considered by the Ministry of Communications. The Ministry had stated in this connection that the inspection of the highly specialised stores required by the I. T. I. could not be done satisfactorily in the U. K. and that under the arrangement entered into with the A. T. E. any rejections above 1.25% of the stores supplied had to be replaced by the A.T.E. Co. This arrangement it was contended by the representative of I. T. I. was working quite satisfactorily. Enumerating the advantages of inspection at Bangalore he pointed out that the raw materials required by them were of a very high precision and they could not be accepted unless

*Not printed.

the finished goods were according to the specifications. For this reason, they preferred the raw materials to be tested at their own end. As regards components and servicing assemblies the real test lay in that they must fit in with the ultimate products and their proper functioning which could only be possible at Bangalore. Similarly as regards the finished equipments, the real test was at the customer's site and that could only be done here. In reply to a question, he stated that in the case of tools, the percentage of rejections had been fairly heavy and they had to be rectified at the cost of A. T. E. In the case of other items the rejections varied from 2 to 4%.

As regards the percentage of rejection to be borne by the A. T. E., he stated that if it was upto 1.25% of any particular consignment, they would bear it, but if it varied between 1.25% and 5%, they got replacements F. O. B., U. K. port, and if the rejection was above 5%, they got replacements free at site in India for that particular consignment.

125. *Para 66 of the 10th Report—Verification of the reasonableness of the prices charged by the A. T. E.*—The Committee had pointed out that the Comptroller and Auditor-General should have been consulted before the Ministry decided to enter into a commitment with the A. T. E. that they would accept the certificate furnished by their Auditors in the matter of reasonableness of the prices charged by them. The Committee wanted to know how the arrangement regarding the certification of prices had been working with the A. T. E. The representative of the Ministry of Communications stated that at the time these arrangements were agreed upon in 1953, they were not then advised to consult the Comptroller and Auditor-General. These arrangements, he informed the Committee, were working satisfactorily.

126. When questioned about the percentage of articles which required certification, the representative of the I. T. I. stated that the B. P. O. master-rate schedule covered 50% of the items. About 35% were verified on a selection basis. About 15% of the items were non-B. P. O. items in respect of which they accepted the certificate of the A. T. E.'s Auditors without any question.

127. The Comptroller and Auditor-General suggested that in conformity with the accepted practice in this connection the I. T. I. might consider the desirability of appointing the auditors of the A. T. E. as their own Auditors, so that they could be directly accountable to them.

128. In reply to a question, the representative of the I. T. I. stated that during the last six years of the working of the agreement with the A. T. E., they had paid about £1,200 to the B. P. O. as certification fee. As regards the verification of the prices, certified by the A. T. E. auditors, he stated that they were not in a position

to check the prices ruling in other markets. For similar items manufactured in the U.K., they relied upon the certificate furnished by the B.P.O. in regard to the prices charged by the A.T.E. *vis-a-vis* other manufacturers in that country.

129. *Para 67 of the Tenth Report—Exploration of export markets for the products of I. T. I.*—The representative of the I. T. I. informed the Committee that they were now in a position to export automatic telephone exchange equipment, transmission equipment etc. According to the terms of the agreement with the A. T. E., he said, they could operate in three countries only *viz.*, Pakistan, Burma and Ceylon. So far they had been able to explore markets in Ceylon alone. The A.T.E., he said, had also agreed to their exploring the market in Indonesia and Afghanistan.

130. *Para 70 of the Tenth Report—Utilisation of idle capacity of the machines in the I. T. I.*—The Committee were informed in this connection that the approximate utilisation of small machines in the factory in 1955-56 was 91%. In 1954-55, it was 82%. In 1953-54, it was about 56% and in 1952-53, the approximate percentage was 35 on an average. About 70% of the components were being manufactured by the I. T. I. at present and theoretically they could attain the maximum production of 85% of the components.

(The witnesses then withdrew)

131. On a suggestion being made that the Committee should consider the Report by Mr. Paul Appleby on the re-examination of India's Administrative System with special reference to administration of Government's Industrial and Commercial Enterprises before it was taken up by the House on the 13th September, 1956, it was agreed that a sitting of the Committee might be fixed for the purpose before that date.

PROCEEDINGS OF THE FIFTH SITTING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON THURSDAY,
THE 30TH AUGUST, 1956.

The Committee sat from 4 to 6.10 P.M.

PRESENT

Shri V. B. Gandhi—Chairman.

MEMBERS

2. Shri U. Srinivasa Malliah.
3. Shri Diwan Chand Sharma.
4. Shri Kamal Kumar Basu.
5. Shrimati Shakuntala Nayar.
6. Shri G. Ranga.
7. Shri R. M. Deshmukh.
8. Shrimati Pushpalata Das.
9. Shri Shyam Dhar Misra.
10. Shri P. T. Leuva.
11. Shri B. C. Ghose.
12. Shri J. V. K. Vallabharao.

Shri A. K. Chanda, *Comptroller and Auditor-General of India.*

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor-General.*

Shri K. Charan, *Accountant General, Posts and Telegraphs.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri R. C. Ghei—*Under Secretary.*

WITNESSES

Ministry of Works, Housing and Supply.

Shri M. R. Sachdev, I. C. S., *Secretary.*

Shri V. N. Rajan, I. C. S., *Director General, Supplies and Disposals.*

Ministry of Communications.

Shri B. N. Jha, I. C. S., *Secretary.*

Director-General, Posts and Telegraphs.

Shri M. M. Phillip, I. C. S., *Director-General Posts and Telegraphs.*

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

Shri R. V. Marathe, *Senior Deputy Director General.*

Shri P. Srinivasan, *Director of Accounts.*

Ministry of Finance (Communications).

Shri R. Narayanaswamy, *Joint Secretary.*

Ministry of Finance (E.A. Department).

Shri Shiv Naubh Singh, *Deputy Secretary.*

Ministry of Works, Housing and Supply.

132. The Committee took up consideration of the Statement* showing action taken or proposed to be taken on the outstanding recommendations relating to the P. & T. Accounts made in their Thirteenth Report.

133. *Para 54 of the 10th Report.*

This related to the provision of a separate Press for the P. & T. Department for printing its forms. In a note furnished to the Committee (Appendix VII), the Ministry of Communications have *inter alia* stated that the following concrete steps are under consideration to improve the supply position of forms to the P. & T. Department:—

- (i) the control of the Forms Stores at Aligarh and Calcutta had been handed over to the P. & T. Department from the Printing and Stationery Department since 15th March, 1955;
- (ii) the provision of a small job Press attached to each Circle was under consideration of the Controller of Printing and Stationery; and
- (iii) the appointment of a Liason Officer to co-ordinate the work between the Printing and Stationery Department and the Posts and Telegraphs was under consideration.

134. The Committee wanted to know the progress made in the above directions. The representative of the Ministry of W. H. & S. stated that the proposals to instal a Small Job Press in each of the P. & T. Circles had been deferred for the present as it had been decided to expand the existing Forms Presses at Aligarh and Calcutta. These Presses, he said, would be ready in about two years' time. Further, they were going to put up a Forms Press at Nasik which was expected to start functioning by the end of 1957. At Nilokheri also

*Not printed.

they had a small Press which they were going to expand for the purpose of printing of forms. Further, he added, there was also a proposal under the 2nd Five Year Plan to set up a big printing Press in the South which would have a forms wings also. To conclude, he expressed the hope that by the end of 1958, they would be able to cope with the entire demands not only from the P. & T. Department but from all other Ministries in the matter of supply of printed forms.

135. The representative of the P. & T. Department, pointed out that the Job presses were intended primarily for meeting emergencies and the necessity for them would remain even after the proposed expansion of printing capacity. It was suggested by them that this question might be further considered by the Committee set up by the Ministry of Works, Housing and Supply to examine the supply, printing and distribution of forms and stationery.

136. As regards the appointment of a Liaison Officer the representative of the Ministry of Works, Housing and Supply stated that this would also be considered by the Committee formed to deal with the printing and stationery work.

137. *Para 19 of the 13th Report.*

In this case an incorrect statement had been made to Audit by the Director of Administration and Co-ordination, Directorate-General, Supplies and Disposals that as the persons concerned in the case referred to in para 31 of the Audit Report (P. & T.), 1954 'had left Government service, no disciplinary action could be taken against them,' although the dealing Assistant was still in service. In a note furnished to the Committee (Appendix IX), the Ministry of W.H. & S. had stated that they had obtained the explanation of the officers concerned. But in the absence of the original draft it was not possible for them to pursue the matter any further and fix responsibility.

138. The Committee felt that the responsibility for the misstatement to Audit should rightly be that of the Officer who had signed the letter—namely the Director of Administration and Co-ordination. The representative of the Ministry contended that in this case the Director of Administration and Co-ordination in the D. G., S. & D. was responsible mainly for the expeditious disposal of Audit objections while the responsibility for furnishing the correct information rested with the Directorate of Supply. He further informed the Committee that with a view to avoid such a situation arising in future, he had since issued instructions that the seniormost Officers approving a draft should take full responsibility for the statements made therein.

The Committee observed that in case the Ministry had felt that their previous findings were provisional, they should have informed the Committee to that effect instead of repeatedly shifting the ground.

2383 L.S.—4.

ANDIT REPORT (P. & T.), 1956—PART I.

139. The Committee then proceeded to take up consideration of the Audit Report (P. & T.), 1956 Part I.

Para 2—Loss due to delay in revision of Telephone Rentals in a Telephone District.

140. In this case, concessional rates of rentals for extensions from a few P. B. Xs. were allowed to a State Government subject to review of such rates to be undertaken at the end of one year after the termination of the War. No review was undertaken in 1947; the matter is reported to have been considered in 1948 but without any final decision and it was only in February, 1952 that a decision was taken to abolish all concessional rates, higher rates charged for similar connections from private subscribers being also made applicable thereafter to Government subscribers. According to the Audit Report, this delay of 5 years in undertaking the review resulted in a loss of about Rs. 50 thousand per annum to the P. & T. Department.

The Chief Engineer, P. & T. stated that the papers relating to the review undertaken in 1948 had unfortunately been lost in the Directorate. He, therefore, urged that in the absence of these papers he could not explain the reasons for not having reached a decision in 1948. He, however, pleaded that the abnormal conditions that prevailed at Calcutta soon after the war coupled with the outbreak of fire in the main Exchange in 1948 were also responsible for this delay.

141. Para 4—Misappropriation of value of Money Orders by an Extra-Departmental Branch Postmaster.

In this case, an Extra-Departmental Branch Postmaster is reported to have misappropriated during the period from November, 1953 to June, 1954 a sum of Rs. 17,700 being the value including commission, of money orders tendered by "Toddy Licensees" at the Post Office for remittance to the Superintendent of Excise. Prosecution is stated to have been launched against all the departmental employees including the Extra-Departmental Postmaster.

142. The Committee wanted to know the *modus operandi* of the fraud committed in this case as also the present position of the prosecution. The representative of D. G., P. & T. explained that in this case fraud was rendered possible because the recipient of money orders was a Government Department which did not make any complaint for non-receipt thereof—normally such complaints were made within a period of 15 days. As regards the punishment awarded by the Court, it was stated that the Postmaster had not only been sentenced to 6 years, rigorous imprisonment but also fined Rs. 5,976. He had, however, preferred an appeal to the High Court. In reply to a question, it was stated that all other persons involved in this case had been acquitted by the Court, and the question of instituting depart-

mental action against them would be considered after the receipt of a copy of the Judgement of the Court.

143. *Para 5—Loss due to abandonment of Works.*

According to audit, the construction of a foundry was started at Jubbulpore in 1945 and the total expenditure incurred thereon year by year amounted to Rs. 6,84,500 upto the end of 1954-55. A decision was taken to start working the foundry from January 1955 and raw materials of the value of Rs. 3,69,000 were obtained. But the scheme was abandoned almost immediately afterwards in February, 1955.

144. It was explained by the Chief Engineer, P. & T. that the reasons for starting this foundry were dispersal of production centres to safer zones during the War and expansion of the capacity of Posts and Telegraphs Workshops. Audit pointed out that these reasons ceased to exist on the termination of War in 1945-46 resulting in outright cancellation of pending Defence Department indents on Posts and Telegraphs Workshops, whereby the capacity of existing Posts and Telegraphs Workshops was also released. The Committee wanted to know why the foundry project was continued after the War and further expenditure of over Rs. 4 lakhs incurred thereon without any definite purpose.

145. Explaining the delay in starting the foundry the Chief Engineer stated that initially there was delay in the construction of the foundry buildings due to acute shortage of steel at that time. Later a proposal to mechanise the foundry instead of operating it manually remained under consideration of the Government till the end of 1954. Finally when it was decided to operate the foundry manually, volunteers for manning the foundry were not forthcoming despite incentives offered by the Government. Meanwhile the position was reviewed and it was found that a considerable quantity of foundry items were available in the open market at rates cheaper than what would have been the cost of their manufacture in the P. & T. Workshops. The Chief Engineer P. & T. agreed with the Committee that it would have been more prudent if they had considered all these aspects before coming to a decision to start this foundry in October-November, 1954.

146. The Committee, however, felt that this contingency should have been foreseen at least in January, 1955 when the P. & T. Department decided to purchase raw materials worth Rs. 3.69 lakhs. They desired that the representative of the Ministry of Finance should explain the control that was exercised by that Ministry at the various stages of the execution of this project. As he was not ready with the requisite information, he promised to send for the relevant files from Calcutta and submit a note to the Committee, as early as possible.

147. Para 6—Store Accounting.

According to Audit, the present position of the arrears in Store Accounting was as below:—

- (a) Out of 36,200 items relating to 1951-52 to 1953-54 in which reconciliation of quantity balances had not been completed 13,138 items remained unsettled in addition to 18,500 items relating to 1954-55.
- (b) The number of items where stores transactions could not be accounted for at all in Accounting machines owing to absence of complete particulars on store vouchers etc., was reduced to 2,240 upto June, 1956 against 4,400 outstanding upto the end of August, 1955.
- (c) Value of stores supplied to works, which could not be included in the classified accounts of works expenditure and lying under suspense on 1st August, 1956 was Rs. 9½ lakhs against Rs. 13 lakhs shown in the Audit Report.

148. The Committee wanted to know why it had not been possible to complete the reconciliation of numerical balances so far, in accordance with the assurance given to the last Committee *vide* sub-para 2 of para 28 of their 13th Report.

The representative of the D. G., P. & T. stated that so far as unaccounted for items were concerned, they had made some progress and their number had been further brought down to about 1812 at the end of July, 1956. As regards the reconciliation of quantity balances, he admitted that they had not been able to achieve the progress envisaged earlier. He assured the Committee that they were doing their best to utilize all their resources to complete the reconciliation of stores as early as possible.

149. Explaining further, the representative of the D. G., P. & T. stated that as one of the measures to improve this state of affairs, they had decided to decentralise gradually the work connected with the posting of the ledgers in the Depots themselves. A beginning had already been made in this respect at the Jubbulpore Depot and they had recently extended this procedure to the Depots at Madras and Bombay.

150. He expected that the arrears would be cleared in about 6 to 9 months time. When asked to explain the reasons why it had not been possible for the P. & T. Department to implement the assurance given to the last Committee for completing the reconciliation of the numerical balances, the representative of the D. G., P. & T. stated that their main handicap had been difficulty in finding office accommodation and the recruitment of clerks for this work. In Delhi, for example, they were not able to secure the additional office accommodation for about 20 clerks till recently. On the Committee enquiring the reasons for the delay in the recruitment of clerks, the D. G.,

P. & T. stated that persons, though selected for appointment could not be appointed until their character and antecedents had been got verified by the Police which in some cases took between 9-12 months.

He further added that he had not been permitted to make appointment even provisionally pending verification by the Police. The Committee were surprised to learn that the P. & T. Department should have found the difficulty in the recruitment of clerks insurmountable which had prevented the department from fulfilling the assurances given to them.

151. *Para 7—Defective stock verification and delay in Disposal of Discrepancy Statements.*

It was noticed by the Audit that Discrepancy Statements relating to 1952-53, 1953-54 and 1954-55 had not yet been furnished or fully investigated. It was also noticed by them that in the case of a few Store Depots, although large discrepancies had been found in the course of stock verification carried out by independent stock-verifiers under the Chief Accounts Officer, only 'Nil' Discrepancy Statements had been furnished in respect of concurrent stock-taking carried out during the corresponding period by the stock-verifiers under the store-keepers. The Chief Engineer, P. & T. informed the Committee that 'nil' discrepancy statements were furnished by mistake without actually undertaking any Stock verification and disciplinary action was in progress against the officials at fault.

152. The Committee then adjourned to meet again at 4 P.M. on Friday, the 31st August, 1956.

PROCEEDINGS OF THE SIXTH SITTING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON FRIDAY, THE 31ST
AUGUST, 1956

The Committee sat from 4 to 6-15 P.M.

PRESENT

Shri V. B. Gandhi—*Chairman.*

MEMBERS

2. Shri Kamal Kumar Basu.
3. Shri Nibaran Chandra Laskar.
4. Shri C. P. Matthen.
5. Shri J. B. Kripalani.
6. Shri G. Ranga.
7. Shri R. M. Deshmukh.
8. Shrimati Pushpalata Das.
9. Shri Shyam Dhar Misra.
10. Shri P. T. Leuva.
11. Shri B. C. Ghose.
12. Shri J. B. K. Vallabharao.

Shri P. C. Padhi, *Additional Deputy Comptroller and Auditor-General.*

Shri K. Charan, *Accountant General, Posts and Telegraphs.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri R. C. Ghei—*Under Secretary.*

WITNESSES

Ministry of Communications

Shri B. N. Jha, I.C.S., Secretary.

Directorate-General, Posts & Telegraphs

Shri M. M. Phillip, I.C.S., *Director-General Posts & Telegraphs.*

Shri B. R. Batra, *Chief Engineer, P. & T.*

Shri R. V. Marathe, *Senior Deputy Director-General.*

Shri Uma Shankar, *General Manager, Telephone Automation Project, Calcutta.*

Shri B. D. Sud, *General Manager, P. & T. Workshops, Calcutta.*

Ministry of Finance (Communications)

Shri R. Narayanaswamy, *Joint Secretary.*

Ministry of Finance (E. A. Deptt).

Shri Shiv Naubh Singh, *Deputy Secretary.*

POSTS AND TELEGRAPHS DEPARTMENT—*contd.*

Audit Report (P. & T.), 1956—Part I

153. At the outset, the Chairman referred to the discussions which the Committee had at their last sitting on Para 6 of the Audit Report which related to the delay in the reconciliation of quantity balances of stores etc. In extenuation, it was explained by the representatives of the P. & T. Department that the main impediment in the way of straightening of the Store Accounts which continued to be in a sorry state despite previous assurance of early rectification given to the Committee, was the time it took to fill up the required posts of Accounts and Stores Clerks. This delay, the Committee were told, was due to the fact that every candidate had to be cleared by the Police before he was appointed. The Chairman pointed out that according to the information made available to the Committee, the requirement of Police investigation did not apply at all to subordinate services in subordinate Offices. In the light of this, he asked the D. G., P. & T. to send to the Committee a note showing the process of recruitment, extent of the delay that occurred in employing Stores and Accounts Clerks and how far that delay was inescapable according to standing orders issued by the Ministry of Home Affairs on the subject and if the delay was not inescapable, who were responsible for it.

154. *Para—7 Defective stock verification and delay in disposal of discrepancy Statements.*—The Committee resumed further consideration of this Para and pointed out that not only 'Nil' discrepancy statements were furnished by mistake without actually undertaking any stock verification but also there were delays in the disposal of Discrepancy Statements. The Chief Engineer, P. & T. explained that considerable progress had been made in the matter of submission of Discrepancy Statements and strict instructions had been issued to the Chief Controller of Telegraph Stores to expedite the settlement of these discrepancies.

155. *Para 8—Irregularity in auction sale of Stores*—This para discloses the disposal of one non-standard type switch board purchased from Disposals at a cost of Rs. 5,245 (original value being about Rs. 25,000). This switch board although borne on serviceable stock was kept mixed up with sundry other unserviceable materials in a Stores Depot and was sold by auction in September, 1953 after being included in a lot of unserviceable materials, which fetched only Rs. 280. As reported by Audit, the switch board was disposed of by auction before either the Surplus Stores Committee had reviewed the case or the other preliminary steps of getting the sale list verified by audit etc. had been taken. Approval for disposal by sale was subsequently accorded by the Surplus Stores Committee set up by the P. & T. Department without being aware of the fact that the auction sale had actually concluded. The Committee wanted to know why the existence of the switch board could not be verified by Surplus Stores Committee before according their approval as also the action taken against the officials at fault.

156. The Chief Engineer, P. & T. admitted that there had been serious procedural irregularities in this case. An incorrect disposal memo had been put up to the Surplus Stores Committee showing that the Stores were in existence.

157. On a point being raised, the General Manager, P. & T. Workshops stated that in this case there was no reason to disbelieve that the article was unserviceable or non-existent and hence the Committee did not survey it which normally they would have done in case there was some doubt about the survey already carried out. The Chief Engineer, P. & T. informed the Committee that disciplinary action was being taken against the Assistant Engineer who had signed the incorrect disposal memo, the stock holder and other staff concerned. He expected that the disciplinary proceedings would be completed within 3 months.

158. *Para 9—Alleged Fraudulent Transactions in regard to Issue and Discharge of Post Office Certificates.*—(i) In this case, taking advantage of Government orders authorising the encashment of 12-year National Savings Certificates on production of Identity Slips by the holders, without a prior verification of the claims by the Office of Registration, 9 spoilt/cancelled National Savings Certificates, purloined from the custody of a Postal Audit Office, were fraudulently encashed at different Post Offices on production of forged Identity Slip and after erasures and alterations of the entries on the spoilt/cancelled National Savings Certificates. The total loss incurred on account of these fraudulent discharges is of the order of Rs. 26,745. Departmental and Police investigations are stated to be in progress.

The Committee were informed that so far as the negligence and failure on the part of the postal audit office was concerned, 5 officials had already been punished and action against some others was in progress. To prevent such a fraud, a system of cancelling paid certificates by perforations had also been introduced in the Audit Office.

The Committee wanted to know whether any modification of the procedure of encashment without prior verification of the claims from the Office of Registration was called for. The representatives of the P. & T. Deptt. stated that a suggestion was made but the Ministry of Finance did not agree to any modification on the ground that it would affect the popularity of the small savings scheme.

(ii) In this case a sum of Rs. 11,900 being the sale proceeds of Postal Certificates at the two sub-post offices had not been accounted for in the Postal accounts. The clerk who was suspected of having misappropriated the money was absconding. He had been dismissed from service and further verification of his work, and proceedings against other official were in progress.

Explaining the procedure followed in the Post Office, the representative of the D. G., P. & T. stated that the rules required that each entry made by the clerk in the stock register of Certificates should be checked by the post master to see that the sale proceeds had been credited in the accounts. In the present case, the fraud was rendered possible because only one individual *viz.*, the clerk who was acting as the Postmaster undertook the whole work himself as the other persons entrusted with the counter-duties for the Savings Bank and Certificates did not perform them. That was the reason why these Cash Certificates which were not brought on account could not be detected.

(iii) In this case, a sub-postmaster had been sentenced to imprisonment for 2 years, plus one year more in lieu of a fine of Rs. 6,000 on a charge of having mis-appropriated, during the period January, 1950 to December, 1951 a sum of Rs. 8,000 out of the sale proceeds of National Savings Certificates. This misappropriation was detected by the Department in June, 1952. The representative of the D. G., P. & T. informed the Committee that the fraud was facilitated by a wrong numbering of the invoices in which the Cash Certificates were sent from, the Head Office. Continuing, he said that later the head office detected this mistake and asked the Postmaster to correct his invoice numbers. The Postmaster merely replied to say that necessary action was being taken and in the meanwhile, he further misappropriated Rs. 3,000 even in respect of those certificates which were correctly numbered according to the invoices. Out of the six officials whose contributory negligence delayed the detection of the fraud, departmental action had been completed against 4 officials, Regarding the other two officials the representative of the D. G., P. & T. could not say why departmental action against them had not been started.

159. *Para 10—Loss due to purchase of defective hand-drawn mail carts.*—Orders for 389 hand-drawn mail carts for use in 3 Postal Circles were placed on the Supply Department in 1951 on the basis of specifications prepared by the P. & T. Department in 1941.

Supplies at an average rate of Rs. 290 per cart were staggered over 1953-54 and 1954-55. Soon after the supplies commenced, there were complaints from a Circle in June, 1953, that the hand-carts supplied were heavy and unwieldy. Deliveries, however, continued till August, 1954 when the order for the outstanding number of 55 hand-carts was cancelled. As the hand-carts could not be utilised by these Circles, charges for the hire of carts etc. in connection with the alternative arrangements, continued to be incurred by the Department. It was found by the P&T that these hand-carts could prove useful only after alterations and reconditioning at an estimated cost of over Rs. 75,000.

160. The Committee wanted to know why the P&T Department did not try an experimental model before placing a bulk order for the supply of 389 hand-carts. While the representative of the D.G., P&T admitted that that was the initial mistake, he stated that since the design had been approved as far back as 1941 it was presumed by them that a model must have been tried. It was only when the complaints were received that this omission was noticed.

161. In reply to a question he explained that the delay in stopping the deliveries after the complaints were received, occurred as the matter remained under correspondence with the Postmaster-General concerned. The Committee observed that the D.G., P&T might at least have held up the deliveries when complaints were received pending a decision in the matter, which would have saved the government from a considerable part of the loss involved.

162. *Para 11—Alleged misappropriation of cash by a Treasurer of a Post Office.*— In this case, in a Head Post Office, a Treasurer is alleged to have misappropriated a sum of Rs. 24,578 from time to time. The Treasurer voluntarily refunded a sum of Rs. 9,000 leaving the net loss to the Department at Rs. 15,578. The Treasurer is stated to be under trial in a court of law. The Committee wanted to know the present position of the court case and the departmental action against other officials suspected to be involved in this case.

163. The D.G., P&T stated the accused had been acquitted in June, 1956 by the lower court and they were going to file an appeal against its order in the High Court. They had accordingly forwarded the entire record to the Public Prosecutor who was preparing a case for appeal and in the absence of the record, they could not institute departmental action against the other officials.

When asked to explain how this fraud took place, the representative of the D.G., P&T stated that this was committed by the Treasurer of the Head Post Office concerned by inflating the figures of postage stamps to cover up the shortage of cash. It could not, however, be detected in spite of the inspection having been carried out from time to time and action against the Inspecting Officer would be taken as soon as the records were available.

164. The Committee then proceeded to take up consideration of the statement *showing action taken or proposed to be taken by the Ministry of Communications, D.G. P.&T. etc. on the outstanding recommendations.

165. *Para 32 of the 5th Report—Action taken on the report of the Japanese Cable Investigation Committee.*—According to the note furnished by the P&T Department (Appendix VI), Government had decided to accept a sum of £18,000 from the Japanese firm supplying these cables as an *ad hoc* rebate for the possible shorter life expectancy of the cables and action was being taken to affect the recovery of this amount from the firm's security deposit through the Indian Embassy at Tokyo. In reply to a question the representative of the D.G., P&T stated that with the acceptance of this rebate, the assurance given by the Company regarding the replacement of the cables if necessary, had been rescinded. He added that this decision was arrived at by the Ministry of W. H. & S. as the supplies were obtained through the agency of the D.G., S. & D. But while communicating their views in the matter, they had pointed out that the normal expectancy of these cables was estimated to be 35 years and not 40 and left the ultimate decision to be taken by that Ministry.

166. *Para 47 of the 10th Report and para 37 of the 13th Report—Alleged misappropriation of Government money by the Accountant and Treasurer of a Head Post Office.*—From the note furnished by the P&T Department the Committee noted that as a result of the acquittal of the two accused by the Court, the complexion of the case had been changed and action was being taken to initiate disciplinary proceedings against the delinquent officials *de novo*. The representative of the Ministry of Communications stated that in addition to these two accused, eleven other persons were also involved in this case, disciplinary action had been completed against eight—6 had been censured and increments of two had been withheld for certain periods of time.

167. *Para 59 of the 10th Report—Reduction of staff in the Calcutta Automatisation Projects.*—The Committee of 1953-54 had suggested as a result of the first-hand knowledge of the working of the Project in January, 1954 that the Ministry should examine whether the staff employed was in excess of requirements and take steps to reduce at least two posts of Divisional Engineers and 5-6 posts of Assistant Engineers and some posts of Engineering Supervisors and Clerks.

The General Manager of the Auto Project stated that as explained by him to the Study Group of the P.A.C. which visited the Project on the 17th and 18th August, 1956 for an on-the-spot

study, the work had increased in quantity and in quality because they were now moving to the outlying areas where the number of lines to be installed was more than in Stages I & II and further these areas had to be developed. In view of this explanation, the Committee decided not to press the matter further.

168. *Para 60 of the 10th Report—Supplies received from the Automatic Telephone and Electric Company Ltd.*—The Committee wanted to know whether the certificate had been obtained by the Indian Telephone Industries Ltd. from the A. T. E. that the prices charged were not higher than the most favourable prices for such equipment or apparatus supplied to other customers or other manufacturing companies. The Chief Engineer, P&T stated that they had asked the I.T.I. to obtain such a certificate and they were obtaining it.

169. *Remunerativeness of the Calcutta Telephone Automatisation Project.*—The representative of the Ministry of Finance (Communications) stated that the 1949 estimates of the Project had not yet been revised by the P&T Department for want of certain information in regard to the prices of various articles and equipment supplied to the Project. It would, therefore, take them another month or so to prepare the revised estimates and thereafter the Ministry of Finance would be in a position to assess, the effect of the delay in the execution on the remunerativeness of the Project and submit a note to the Committee.

170. *Para 17 of the 13th Report—infructuous Expenditure on leasing rental accommodation for location of Offices at Calcutta.*—The Committee noticed from the sequence of events leading to the renting of the buildings mentioned in the note furnished by the P & T Department (Appendix XI) that upto May, 1948, when one of the buildings was taken on lease, the decision that had been reached was that no expenditure should be incurred on the scheme until the scheme was approved by the Standing Finance Committee. In the case of the second building which was taken over by the P&T Department in June, 1948, the Ministry of Finance had approved the renting of this building for two months if such an arrangement was possible in view of the fact that the Standing Finance Committee was expected to meet within two months. The Committee wanted to know whether the D.G., P&T had obtained a specific sanction from the Finance Ministry before incurring the expenditure on renting the two buildings. As the representative of the Ministry of Finance was not ready with the information he promised to send a note to the Committee.

The D.G., P&T further informed the Committee that they had not been able to evict the unauthorised occupants on account of certain legal difficulties. They were now contemplating action under

the West Bengal Act XVII of 1951, but this would not be done unless alternative accommodation was provided by the West Bengal Government.

171. *Para 22-23 of the 13th Report—Introduction of an effective cost-accounting system in the P. & T. Workshops.*—The Committee wanted to know the present position of the action taken to implement the recommendation made by them in this behalf. The chief Engineer, P&T stated that a Cost Accounts Officer had been appointed and action was now being taken to implement the report of the Cost Accounts Officer who had studied the present system of cost accounting in the P&T Workshops. Further, they had also undertaken the preparation of labour and material schedules and a considerable progress had been achieved in that direction. He expressed the hope that they would be able to complete the entire job during the course of the next few months.

172. *Para 30 of the 13th Report read with para 12 of the Audit Report, P. & T. 1956—Part I—Recovery outstanding telephone revenue.*—The Committee noted that the amount of telephone revenue outstanding on 1-4-55 had come down from Rs. 2.28 crores to Rs. 71.4 lakhs on 1-10-55. Explaining the measures adopted to improve the position the Chief Engineer P. & T. stated that they had since issued instructions that Government Telephone should also be proscribed as in the case of private subscribers for any default in settlement of dues. They had also increased the number of Telephone Revenue offices from 9 to 12.

173. The Committee then adjourned to meet again at 3 p. m. on Saturday the 1st September, 1956. Before the Committee rose they decided that further points which they could not cover for want of time should be forwarded to the P&T Department for furnishing written replies thereto.

APPENDIX I

Statement comparing expenditure with Grants and Appropriations for 1953-54 relating to Posts and Telegraphs Department.

Number and name of Grant or Appropriation	Original Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure compared with Original Grant or Appropriation More+ Less—	Expenditure compared with Final Grant or Appropriation More+ Less—
1	2	3	4	5	6
	Rs.	Rs.	Rs.	Rs.	Rs.
<i>A.—Expenditure met from Revenue:</i>					
6. Indian Posts & Telegraphs Department					
Charged	1,64,72,000	1,73,59,000	1,72,61,792	+7,89,729	—97,208
Voted	44,00,23,000	44,00,23,000	43,88,84,691	—11,38,309	—11,38,309
<i>B.—Expenditure met from Capital:</i>					
III.—Capital Outlay on Indian Posts and Telegraphs Department (Outside the Revenue Account)					
Voted	11,64,88,000	11,64,88,000	11,48,82,800	—16,05,200	—16,05,200
Total—Posts and Telegraphs	57,29,83,000	57,38,70,000	57,10,29,283	—19,53,717	—28,40,717
TOTAL					
{ Charged	1,64,72,000	1,73,59,000	1,72,61,792	+7,89,729	—97,208
{ Voted	55,65,11,000	55,65,11,000	55,37,67,491	—27,43,509	—27,43,509

APPENDIX II

Note explaining the attached Statements No. I (Annexure I) and II (Annexure II) showing (I) the number of transactions, losses and frauds and the value thereof in respect of money orders and insured articles handled by the P. & T. Department for three years commencing 1952-53; and (II) the number of cases of loss and fraud in which departmental employees were involved and the nature of pendency and disposal of such case as on 1st September, 1956.

Two statements giving information about money orders and insured articles are attached herewith. The first statement shows the number and value of transactions, and the number of frauds and losses and the amounts involved each year since 1952-53. The second statement gives the number of cases in which Departmental employees were involved, and the nature of disposal or pendency of such cases.

2. It is regretted that it has not been possible to reconcile the information about the cases of losses and frauds given in statement II with similar information contained in the Audit Reports, as no continuous record of cases and their details are maintained in the subordinate offices. Steps are now being taken to provide for collection and maintenance of such information by prescribing registers for recording the information and submission of statement periodically.

3. This has been seen by Accountant General Posts and Telegraphs. Statement II could not be verified by him as it is not susceptible of verification with reference to the records in his office.

Director General of Posts & Telegraphs.

ANNEXURE I
STATEMENT I

Statement showing the total number of transactions, losses and frauds and the value thereof in respect of money orders and insured articles handled by the P. & T. Department for three years commencing 1952-53.

	1952-53		1953-54		1954-55	
	No.	Amount	No.	Amount	No.	Amount
1. Money Orders issued	56,460,062	1,98,66,60,149	58,252,125	2,03,90,28,040	61,789,312	2,14,41,13,261
2. Money Orders paid	57,446,610	2,14,31,83,214	59,492,998	2,17,13,66,805	62,860,234	2,28,06,30,603
3. Total M. O. Transactions	113,906,672	4,12,98,43,363	117,745,123	4,21,03,94,845	124,649,546	4,42,47,43,864
4. Insured Articles	5,510,169	1,73,96,48,247	5,011,673	1,46,49,62,920	4,672,708	1,37,80,18,462
5. Total M. O. & Insured Transaction	119,416,841	5,86,94,91,610	122,756,796	5,67,53,57,765	129,322,254	5,80,27,62,326
*6. Losses and frauds in respect of M. Os.	551	1,61,525	454	1,78,878	290	1,45,027
*7. Losses and frauds in respect of Insured articles	202	3,18,912	212	2,20,841	193	2,29,701

*Figures as contained in the audit Reports of the three years.

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ANNEXURE II

STATEMENT II

Statement showing the number of cases of loss and fraud in which departmental employees were involved and the nature of pendency and disposal of such cases as on 1st September, 1956.

I	2	3	4	5	6	Remaining Number of Cases					11
						7	8	9	10		
	No. of cases in which departmental employees were involved.	No. of cases in which disciplinary action taken	No. of cases pending with department.	No. of cases pending in Court	No. of cases pending with Police	Convicted by Court	Acquitted by Court	Responsibility not fixed	Not detected by police	Cases in which accused died.	
1952-53											
Money Orders	319	242	15	23	3	11	5	11	8	1	
Insured Articles	216	144	21	8	2	4	2	23	12	..	
1953-54											
Money Orders	316	204	51	32	11	10	2	..	5	1	
Insured Articles	173	112	17	17	10	5	1	7	4	..	
1954-55											
Money Orders	334	136	48	71	51	23	1	1	3	..	
Insured Articles	166	75	46	17	12	3	..	9	4	..	
TOTAL	1,524	913	198	168	89	56	11	51	36	2	

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APPENDIX III

Note stating the disciplinary action taken or proposed to be taken against the Staff concerned in a case of irregular auction sale of Stores related in Para 8 of Audit Report (P&T), 1956, Part I.

The following irregularities led to the irregular auction sale of the switch board.

- (1) Adoption of a wrong nomenclature for the board.
- (2) Wrong stocking of the article outside the godown thus allowing it to get it mixed up with other stores.
- (3) Irregular removal of stocked articles for sale by auction.
- (4) Preparation of the disposal documents without indicating that the sale had already taken place.

2. Regarding (1), the official responsible is a Godown Clerk. A Memorandum of charges has been issued to him and his explanation is awaited.

3. Regarding (2), the officials responsible were a Sub Store Keeper and a Stock Holder. The Sub Store Keeper has, however, been permitted to retire from January, 1956, in view of his unblemished service rendered so far except for this case. In regard to the Stock Holder, the Controller of Telegraphs Stores has yet to finalise the disciplinary proceedings.

4. Regarding (3), the official responsible was a Head Clerk incharge of the Returned Stores Godown. His explanation has been received. The Controller of Telegraphs Stores has still to finalise the disciplinary proceedings.

5. Regarding (4), the officials responsible for the irregularity are two Assistant Engineers. Their explanations had been called for and replies received. But in view of certain flaws in the original Memo. revised Memos. of charges are under issue.

6. On a further investigation of this case in the Directorate, two more irregularities as detailed below were observed.

- (1) Failure to check up the item of stores received against a pending indent.
- (2) Failure to tally the item of stores against a corresponding entry in the stock card during verification.

7. The Chief Controller of Telegraph Stores has been directed to fix responsibility and take disciplinary action for these irregularities as well.

8. As suggested by A.G., P.&T., the question of assessment of the extent of responsibility of the members of the Surplus Stores Committee in this connection and adoption of suitable remedial measures for ensuring against such lapses in future is under consideration in the Directorate.

9. This has been seen by Accountant General, Posts and Telegraphs.

Director-General, Posts and Telegraphs.

APPENDIX IV

Note showing the total value of War-Time Stores held by the P. & T. Department, the amount realised as a result of disposal thereof (during the various years) and the value of stores still lying undisposed of.

General Stores.

Soon after the War, P.&T. stores including general as well as Workshops stores assessed at Rs. 296 lakhs were made over to the Defence Department by segregation as defence stores.

The accumulation of surplus General stores in addition to the above was estimated at approximately Rs. 1.3 crores in 1952. The Surplus Stores Committee was reconstituted in 1953 to review the stores as were in excess of two years' requirements and recommend their disposal either by putting them to alternate use in the Department or by sale through D.G., S.&D. A major portion of these surplus stores amounting to approximately Rs. 1 crore has been liquidated by absorption in the Department against works, by sale or by disposal through D.G., S.&D. The details of the stores disposed of through D.G., S.&D., and the present position in regard to the surplus stores is given below:—

Disposals through D.G.,S&D. (Figs. in lacs of rupees).

	Book Value	Sale Proceeds
(i) Tents and Tarpaulins disposed during the period September 1952 to March, 1954	4.18	0.89
(ii) Copper wire—September, 1952	1.31	2.16
(iii) Copper wire—June, 1956	1.02	1.33
TOTAL	6.51	4.38
 <i>Present position</i>		
	Rs. in lacs.	
(a) Value of stores sanctioned to be disposed of but awaiting sale	12.12	
These stores mostly consist of copper wire which is being flattened out before disposal to avoid infringement of the Unlawful Possession of Telegraph Wires Act, 1953		
(b) Value of stores recommended by Surplus Stores Committee for disposal	9.76	
Schedules covering these stores have been received in the Directorate and a D. F. C. Memo is under submission to the Government for sanctioning the write off of the amount involved. On receipt of the sanction, the stores will be declared to D.G., S. & D. for disposal.		
(c) Estimated value of stores awaiting detailed review by the Surplus Stores Committee	8.17	
TOTAL	30.05	

2. Workshops Stores

As in the case of general stores, Workshop stores also included a certain amount of surplus stock. In 1952, the Board of Management of the Workshops directed the General Manager to prepare a list of surplus stores which were over two years' requirements and circulate the same among the Telegraph Workshops and the Indian Telephone Industries. Such of the surplus stores as were not required by them were to be disposed of to the best advantage of the Department. Pursuant to the Board's directive, lists of stores were finalised and circulated. In April, 1955, the General Manager, Workshops, had reported that stores valued at Rs. 40.77 lacs were surplus. Subsequent reports from the General Manager regarding the value of surplus stores and their disposal show certain variations. Enquiries are being made from the General Manager to clarify the details and it is not possible, pending conclusion of these enquiries to state the precise balance of stock originally held and still lying undisposed of.

3. This note has been seen by Accountant General, Posts and Telegraphs.

Director General of Posts & Telegraphs.

APPENDIX V

No NA. 4-10/53

GOVERNMENT OF INDIA

MINISTRY OF COMMUNICATIONS

(Posts and Telegraphs)

Dated New Delhi, the 10th December '55

SUBJECT :—*Public Accounts Committee—Consideration of Appropriation Accounts P. & T. 1949-50 and audit report thereon—Purchase of under-ground cables.*

In para 52 of their report, the Japanese Cable Investigation Committee recorded the assurances given by the Japanese Firm, which may be summarised as follows :—

'Messrs Furukawas Electric. Co. Ltd., have given the assurance regarding satisfactory working of their cables during the period of their normal life and have undertaken to take the necessary remedial measures at their cost including replacement, if necessary, should these cables develop any defects which can be traceable to the deterioration of the top protective hessian covering and consequential damages during their normal life. This assurance does not, however, imply admission of any legal responsibility on the part of the Company; the assurance has been given as a measure of goodwill and because of the Company's firm conviction that the cables will give satisfactory service for their normal life and with the faith that the Government of India will continue to give the same consideration to the Company's offers as in the past.'

2. In item No. 7 of the annexure to this office Memorandum No. NA. 4-10/53 dated 7-1-1955 it was intimated to the Public Accounts Committee that the above assurance was under examination with the Ministry of Works, Housing and Supply.

3. The Public Accounts Committee in para 32 of their Thirteenth Report for the year 1954-55 have desired that a further report should be furnished to them on this item. This Memo. is accordingly submitted.

4. Government have decided to accept a sum of £ 18,000/- from the Supplying firm viz. Messrs. Farukawas Electric Co. Ltd. as an *ad hoc* rebate for the possible shorter life expectancy of the cables and action is being taken to effect the recovery of this amount out of the firm's security deposit through the Indian Embassy at Tokyo.

5. This Memo. has been seen by the Accountant General Posts and Telegraphs.

Secretary to the Government of India.

APPENDIX VI

No. F. 43-Cal-4/48/Q

GOVERNMENT OF INDIA

MINISTRY OF COMMUNICATIONS

(Posts & Telegraphs)

Dated New Delhi, the 20th April '56

SUBJECT :—*Para 18 of Audit Report, 1952-Alleged misappropriation of Government money by the Accountant and Treasurer of a Head Office.*

In para 47 of their Tenth Report (1953-54), the Public Accounts Committee desired 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 P.&T. Audit Report, 1952, proceed with the fixation of responsibility of other officials at fault and award them suitable departmental punishment. This recommendation has been reiterated by the Committee in para 37 of their Thirteenth Report of 1954-55 and they have urged expeditious action. Further developments in this case are accordingly stated below.

2. On appeal by the two accused, the High Court of Calcutta set aside the orders of conviction and directed their retrial. The accused were tried accordingly in the Court of Additional Sessions Judge, Berhampore, who gave his verdict acquitting them giving them the benefit of doubt. The Legal Remembrancer to the Government of West Bengal to whom the question of filing an appeal against the Court's judgement was referred, advised against it on the ground that there was insufficient material for going up to the Higher Court.

3. In this connection, it may be stated that the entire amount of Rs. 5,567-14-0 charged in the accounts did not include any amount which was not payable in the ordinary course in settlement of dues of officials concerned, to whom the payments were shown to have been made. As such, no loss has actually been caused to the Department. The question of loss and its adjustment would arise only if the Department has to make further disbursements on account of payments which are established not to have been made at all or made in part only. A few officials have so far put in their claims alleging that they have not received the full amounts shown against them in the acquittance rolls or that their signatures thereon were forged. These claimants were also prosecution witnesses and the Court which recorded their depositions

came to the conclusion that they were not acceptable in proof of the allegations made against the two accused officials. The Ministry of Law to whom a reference was made about the validity of the claims have opened that the claims should not be entertained.

4. The Complexion of the case has, thus, changed as the result of the acquittal of the accused. In the light of the legal opinion on the validity of the belated claims from certain officials, action is being taken to cancel the charge-sheets already issued against the other departmental officials and to initiate disciplinary proceedings against them *de novo*. Instructions have also been issued that the disciplinary proceedings should be concluded as expeditiously as possible.

5. The file has been shown to the A.G., P. & T.,

Secretary to the Government of India.

APPENDIX VII

No. M-3-39/52

MINISTRY OF COMMUNICATIONS

(Posts and Telegraphs Department)

Dated New Delhi, the 16th January, 1956.

SUBJECT:—*Provision of a separate Press for the P. & T. Department for printing its Forms.*

In para 70 of the First Report of 1951-52 the Public Accounts Committee recommended that in view of the grave shortage of postal forms, the P. & T. Department should either be provided with a separate press or that the control over the existing presses should be vested in that Department. This recommendation was reiterated in paragraph 37 of the Public Accounts Committee's fifth Report of 1952-53. In para 54 of the Tenth Report of 1953-54 the Committee desired to be informed of the decisions taken in the inter-ministerial meeting to improve the supply of forms.

In Memorandum No. M-3-39/52 dated 20-1-55 [Appendix (vi) of the thirteenth Report for 1954-55] the various measures taken to improve the supply position of forms were intimated to the Public Accounts Committee.

Apart from the various concrete steps taken to improve the supply position of forms the Public Accounts Committee were informed that the following decisions which were adopted at the inter-ministerial meeting were under consideration:—

- (i) The work of distribution of forms both at Aligarh and Calcutta would be taken over by the P. & T. Department shortly with a view to having a direct and more effective control on the supplies.
- (ii) The question of providing a small 'Job Press' to each of the circle to facilitate printing of small items like, Due Mail and Sorting Lists, Circulars, Notices etc., was under examination.
- (iii) The Controller of Printing and Stationery was also contemplating the appointment of Liaison Officer to co-ordinate the work between his Department and the Posts and Telegraphs.

2. The Committee in para 33 of their Thirteenth Report for 1954-55 have desired to be informed of the further progress made.

3. The control of the forms stores at Aligarh and Calcutta has since been taken over by the P. & T. Department from the Printing and Stationery Department from 15th March, 1955. These forms stores are functioning under the direct administrative control of the P. & T. Directorate and each of them has been placed in charge of a Gazetted Officer of P.S.S. Class II. The taking over of the forms stores has enable the P. & T. Department to effect supply of forms very quickly and in a rationalised manner. These forms stores are constantly watching and progressing the printing of forms also by the Printing and Stationery Department. As a result, the printing work is also showing improvement apart from the considerable improvement effected in the supply and distribution of forms.

4. In regard to the provision of a small 'Job Press' for each Circle, the Controller of Printing and Stationery is examining the proposal.

5. As regards to the appointment of Liaison Officer, the Controller of Printing and Stationery has intimated that there is still shortage of technical officers in his Department but, in spite of this, he is examining the possibility of sparing such an officer.

*for Secretary to the Government of India,
Ministry of Communications.*

APPENDIX VIII

No. 5585-C3/PT/56

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(Communications Division)

New Delhi, the 23rd October, 1956.

SUBJECT :—Public Accounts Committee—Consideration of Appropriation Accounts (P. & T.). 1953-54 and Audit Report, 1955—Parts I and II and Audit Report, 1956—Part 1 etc.

Reference:—Lok Sabha Secretariat Office Memorandum No. 97(2)—PAC/56, dated 12-9-1956.

This note deals with point III of the list of points on which the Public Accounts Committee have called for further information. The question is reproduced below :—

III. *Item. 27—Infructuous expenditure on leasing rented accommodation for location of Posts and Telegraphs Office at Calcutta.*

Whether the expenditure incurred on the rental of the two buildings had been sanctioned by the Finance Ministry.

2. In respect of one building, 20/1-Store Road, Calcutta (Rent, Rs. 2,560 p.m.), taken over by the Posts and Telegraphs Department on the 8th May, 1948, prior approval of the Finance Ministry had not been taken. Subsequently on the 1st June, 1948 approval for the renting of this building for a specific period of 2 months was given. Later, pursuant to the order of the Government of India in agreement between the Ministries of Labour, Communications and Works, Mines and Power, this building was transferred to the General Pool of Accommodation for the use and occupation of Labour Appellate Tribunal under the Ministry of Labour. The control of the building was transferred to the Estate Manager, Calcutta, as from the 28th August, 1950. The building required some repairs due to damages done by the refugees. They were expected to be completed by the end of December, 1950 after which the building was to be occupied by the Labour Appellate Tribunal who were required to pay rent from the date of occupation. The Posts and Telegraphs Department were required to pay rent upto the 31st December, 1950. At this stage the case was referred to Finance for approval to the payment of arrears of rent from the 28th June, 1948 to the 31st December, 1950 and this approval was given.

3. As regards the second building, 77-C, Park Street, Calcutta (Rent Rs. 7,000 p.m.) when the Posts and Telegraphs Department approached this Ministry for renting out this building, approval was given on the 1st June, 1948 for the leasing of the building for a period *not exceeding 2 months only* if such an arrangement was possible. This approval was accorded for this specific period in view of the fact that the Standing Finance Committee was expected to meet within 2 months and this case was also to be considered by that Committee. In December, 1950, the Posts and Telegraphs Department approached this Ministry for approval to the payment of the arrears of rent for the period from the 25th June, 1948 to the 31st December, 1950. The Posts and Telegraphs Department had been sued by the landlord for the payment of rent. The Government Solicitor had reached a settlement with the plaintiff's Solicitor that the plaintiff would give up interest and costs if the rent was paid up-to-date within two months from the 13th December, 1950. In February, 1952, the Posts and Telegraphs Department was again served with a notice under Section 80 of the Criminal Procedure Code for the payment of arrears of rent. The Finance Ministry agreed to the payment of arrears of rent from the 1st January, 1951 as well as the rent for the future period till such time as the premises were made over either to the West Bengal Government or to the landlord. A copy of the Director General, Posts and Telegraphs, Memorandum No. NB. 38-21/46 III dated the 20th March, 1952 on the subject is enclosed herewith.

4. This note has been seen by the Accountant General, Posts and Telegraphs.

Joint Secretary to the Government of India.

COPY OF MEMORANDUM NO. NB. 38-21/46-III, DATED THE 20th MARCH, 1952, FROM DIRECTOR GENERAL, POSTS AND TELEGRAPHS, NEW DELHI TO POSTMASTER GENERAL, CALCUTTA.

77/C Park Street—Calcutta.

Reference your D.O. No. Bdg/E-1033, dated the 4th February, 1952 and your telegram coded KF/the 22nd February, 1952.

2. The arrears of rent amounting to Rs. 91,000/- (@Rs. 7,000/- per month from the 1st January, 1951, to the 31st January, 1952) may be paid to the owner of the premises 77/C-Park Street, Calcutta. Steps are being taken to provide you with this amount in **A.F.G.**

3. Steps should also be taken to pay the rent to the owner regularly till such time as the premises are made over either to the landlord or the Bengal Government.

4. Regarding eviction of unauthorised occupants from these premises, steps are being taken to issue a directive to the West Bengal Government.

5. Please acknowledge receipt.

N.B. 38-21/46-III.

Copy forwarded to the Deputy Accountant General Posts and Telegraphs, Calcutta. This issues with the concurrence of Ministry of Finance.

APPENDIX IX

MINISTRY OF WORKS, HOUSING & SUPPLY

NOTE

SUBJECT :—Public Accounts Committee—Consideration of para 31 of the Audit Report (Posts & Telegraphs), 1954.

Note in continuation of the one forwarded with this Ministry's O.M. No. Budget-5(10)/53 dated the 9th February, 1955, as desired in Lok Sabha Secretariat O.M. No. 150(2)-FC/55, dated the 29th April, 1955, on the subject of taking action against officers responsible for giving wrong information to Audit.

As stated in the reply to point (i) of the questions raised by the Public Accounts Committee, it appeared that the then Director of Administration & Co-ordination in the Directorate General of Supplies and Disposals had mentioned in the note to Audit that both the Assistant and the Assistant Director had 'Since left Government service' although in the previous notes on the file it had been said that they had 'since left the Department'.....'.....'s explanation was called and has since been received and considered.

2. The position is that as Director of Administration & Co-ordination in the Directorate General of Supplies and Disposals,had full time work and it was not his normal duty to deal with Audit objections relating to the various Directorates of Supply. As, however, there were complaints that Audit objections were not being properly and expeditiously dealt with, the then Secretary of the Ministry, desired that one officer should be made responsible in each office to watch and expedite the disposal of outstanding objections and for the Directorate General of Supplies & Disposals,.....was so nominated by the then Director General by an office order dated the 30th September, 1952. This order made it clear that it was the responsibility of the Directorate of Supply to furnish correct facts and the Director of Administration and Co-ordination was only required to see that there was no delay and that cases were put up properly with all relevant material. For dealing with this work of Audit objections.....was utilising the services of the then Section Officer of Litigation Section.

3. From the noting in the file it appears that the Assistant dealing with Audit Objections put up a draft to Audit to.....who

put up a typed note dated 20-4-1953 to the Director (Administration & Co-ordination), the relevant portions of which are quoted below:—

“Both the dealing Assistant and the dealing officer, who were responsible for the misplacement of the relevant extract have since left the Department and it is not possible for us to initiate any action against them at this stage.”

A detailed draft u.o. note is placed below for Director (A.&C.)’s signature. We have tried to persuade the Audit to withdraw the audit para or, in any case, to considerably modify it, so as to represent the executive’s point of view.”

.....wanted Shri.....to discuss the case with him and the subsequent noting is as follows:—

“Director (A&C) desired to see the Metal Market Review rates of ‘Zinc’ immediately prior to and after devaluation. The following issues of the periodical are placed below for his perusal:

		Rate (Bombay)
Before devaluation	{ (a) period ending	Rs. 55/- per cwt.
	{ (b) „ „	Rs. 56/- „
After devaluation	{ (c) „ „	Rs. 63/- „
	{ (d) „ „	Rs. 72/- „

Sd/-

12-5.

Director (A. & C.).
As amended.

Sd./-

12-5-53”.

4. The original draft which had been put by the Assistant to Shri.....is not available. Shri.....admits having amended the draft before submission to Director..... (A. & C.) but denies having substituted the phrase “both the Assistant and the Assistant Director have left the Department” by the phrase “both the Assistant and Assistant Director have left service”. His explanation is that he could not have made such an alteration because even in the covering note reproduced above he referred to the dealing Assistant and Assistant Director having left the Department. On the file we have only got a carbon copy of the note sent to Audit.has drawn attention to the fact that the noting as quoted above clearly indicates that he had merely made some amendments relating to the price of the zinc during the period in question and had not dictated the note to Audit himself. He could have had no reason to suspect the incorrectness of the statement in the draft relating to the Assistant Director and the Assistant leaving Government service and that therefore that sentence must have been in the draft as put up to him.

5. The position now is that the statement in the note of Shri.... to the effect that “the Assistant Director had also since left the Department—Section SNI is not aware of the whereabouts of

the Assistant Shri....." cannot be said to be incorrect although it is admittedly incomplete. Shri.....in his note had also said that both the dealing Assistant and the dealing officer concerned had 'since left the Department' which is also not incorrect. It also appears unlikely that.....should, on his own, have amended this portion of the draft. The position can be clarified only by a reference to the original draft put up to.....which unfortunately is not forthcoming. It is not, therefore, possible to pursue the matter any further.

Secretary to the Government of India.

APPENDIX X

No. TR. 23-II/53

GOVERNMENT OF INDIA
MINISTRY OF COMMUNICATIONS
(Posts & Telegraphs)

Dated, New Delhi, the 25th August, 1955.

SUBJECT:—*Para. 34 of the Audit Report (P. & T.) 1954—Statement showing outstanding Telephone Revenue.*

With reference to para. 34 of the Audit Report mentioned above, the Public Accounts Committee have asked for information showing :—

- (1) reasons for the mounting rise in the amount of outstanding Telephone Revenue ;
- (2) the steps taken to speed up recoveries; and
- (3) latest position regarding outstanding collection as on 31-12-1954.

The required information is submitted below :—

(1) *Reasons for the mounting rise in the amount of outstanding bills*

A number of causes have led to the accumulation of outstandings of telephone bills. There has been enormous growth in the telephone connections in the country since 1948 (from 1,25,742 connections on 31-3-1948 to 2,19,786 connections on 31-3-1954). This has resulted in a corresponding growth in the telephone revenues as will be seen from the figures below:—

Year	Amount of Bills issued (Rs. in lakhs)	Total amount realised (including arrears) (in lakhs)
1951-52	947	884
1952-53	1045	991
1953-54	1152	1054

(ii) As has been indicated in the Audit Report, a large proportion of the total amount outstanding viz. approximately 71% related to the Government Subscribers, including the Defence Services. This is partly due to the all round development in the Governmental activity since the Independence. Various departments of the State and Central Government have been expanding fast and the administrative arrangements in a number of such departments were more or less in an unsettled state. There have been therefore inordinate delays in the settlement of telephone

bills pertaining to various departments. The matter has, however, been taken up with the State Government as well as the Ministries and Heads of Departments of the Central Governments and some progress has since been made in effecting recoveries of past arrears.

(iii) The increase in outstandings has also been due to some extent, to the fact, that the *ex-State* Telephone Systems were taken over by Government in April, 1950 together with their unrealised dues to the extent of about 10 lakhs. The records received from these systems have been very scrappy and discrepant and consequently it has not been possible to make much progress in enforcing recovery of the old dues in such cases, though action is being taken to sort out the records and make recoveries after due verification.

(2) *Steps taken to speed up recoveries*

The position regarding the outstanding amounts has been kept under constant observation in the P. & T. Directorate. As regards the private subscribers, the Circles have been making all out efforts for speeding up collections by issuing reminders, making personal contacts and even by taking legal action in certain cases. As regards Government subscribers, in addition to the reminders issued by the Circles, letters have been addressed to the Chief Secretaries of the States and Secretaries of the Ministries of the Central Government and the Heads of Departments. The Director-General, Posts and Telegraphs has also taken up the matter personally by demi-official correspondence with the authorities concerned. In addition to these, an Officer on Special Duty has been appointed for speeding up the collections of outstanding revenues from the Government subscribers by personal contact with the various Department in order to help the verification and/or scrutiny of outstanding bills. These steps have proved sufficiently effective and are being pursued further.

(3) The position as regards the outstanding amounts from the various sources as on 1-10-1954 in respect of bills issued upto 31-3-1954 is as follows :—

<i>Category of subscriber</i>	<i>Amount due</i>
1. Government (including Defence) Subscribers	56 lakhs
2. Private subscribers	16 lakhs
3. Ex-State Subscribers	10 lakhs
(a) Government	62 lakhs
(b) Private.	20 lakhs
TOTAL:	82 lakhs

This Memo. has been seen by the Accountant General, Posts and Telegraphs.

Secretary to the Government of India

APPENDIX XI

No. NB. 38-21/46 III

GOVERNMENT OF INDIA

MINISTRY OF COMMUNICATIONS

(Posts & Telegraphs)

Dated, New Delhi, the 16th September, 1955.

SUBJECT :—*Note for submission to the Public Accounts Committee para. 18 of the P & T Audit Report 1953—Rented accommodation.*

The following Accounts Committee desired to be furnished with the following information :—

- (i) A note stating whether the Ministry of Defence had intimated to the Ministry of Communications that the former were releasing the building in question or exercising the option to transfer the lease of the building to the latter which building was already under their possession under the terms of the lease itself.
- (ii) Who is paying the water, electricity and conservancy charges and Municipal taxes, etc., in respect of this building?
- (iii) A note stating in the chronological order, the various stages of the proposal for the demolition of the Telegraph Office building till it was dropped on the recommendations of the Standing Finance Committee and the renting of the two buildings for the use of the P.&T. office to be shifted there.

The replies to the various points raised above are given below *ad-seriatim* :—

- (i) The Ministry of Defence did not intimate to the Ministry of Communications on their own that they were releasing the building. The P.&T. Directorate came to know about this building which was being released by the Ministry of Defence through the Estate Manager, Calcutta. As the P.&T. were urgently in need of additional accommodation, opportunity was taken to obtain this building which had already been obtained on lease by Government. In the circumstances, the Ministry of Defence, who were about to release the building to the owner, cancelled their letter to him and informed the Estate Manager, Government of India, on the 25th May, 1948 that he might take over the premises.

The possession of the premises was taken over by the P.&T. Department on the 24th June, 1948, direct from the Garrison Engineer, as advised by the Estate Manager. The latter had also stipulated that the payment of rent will be the liability of the P. & T. Department from the date of transfer.

(ii) The lease entered into by the Ministry of Defence in 1947 on behalf of the Governor-General-in-Council and the landlord, provided that all the rates and taxes shall be paid by the landlord.

At the time of taking over of the premises at Park Street no electric connection was taken by the P.&T. Department. There is thus no liability on P.&T. for such charges. Regarding water, no separate bills are preferred by the Corporation but these charges are included in the Municipal taxes which are the responsibility of the landlord.

(iii) The proposal to construct a new Telephone Exchange building on the site of the existing C.T.O. was evolved as a result of the limited area of search (areas in which the exchange is to be located) as advised by technical experts. The various stages of this proposal are enumerated below :—

October
1946.

The P.&T. Directorate approved the proposals, in principle, for the location of the Bank and City Telephone Exchanges at the site of C.T.O., Calcutta. It was also decided not to incur any expenditure on the project until it was approved finally by the Standing Finance Committee.

Upto May
1947.

Attempts to locate alternative accommodation for offices in the old C.T.O. building continue.

June 1948.

The Ministry of Finance approved the proposal to take over for two months a building in Park Street which would be utilised for shifting the Central Telegraph Office if and when the S.F.C. (which was due to meet shortly) agreed to locate the new Telephone Exchange building at the site of the C.T.O. No action whatever was to be taken to dismantle the building in advance of S.F.C.'s approval:

June-July
1948.

The proposal was put up to the Standing Advisory Committee for putting it up to S.F.C. and was approved.

August
1948.

Draft S.F.C. Memo. containing, *inter-alia*, the proposal to demolish the old C.T.O. building put up to Ministry of Finance for obtaining the approval of H.M., Finance.

December
1948.

In the meanwhile the Dalhousie Institute was offered by the Chief Minister, West Bengal as a result of a high level discussion. The proposal for the demolition of the old C.T.O. building was thereupon dropped and the Dalhousie Institute was demolished instead. The S.F.C. Memo. referred to was also revised suitably and was submitted to S.F.C. on 1-1-49.

This has been seen by Accountant General, Posts and Telegraphs.
Secretary to the Government of India

APPENDIX XII

No. NA. 29-1/53

GOVERNMENT OF INDIA

MINISTRY OF COMMUNICATIONS

(Posts & Telegraphs)

Dated, New Delhi, the 17th November, 1955.

SUBJECT : *Memorandum to the Public Accounts Committee on the Posts and Telegraphs Stores Balances.*

In para. 40 of their Tenth Report of 1953-54 on the appropriation accounts of Posts and Telegraphs 1950-51 and Audit Report thereon, the Public Accounts Committee desired that the Posts and Telegraphs Department should arrive at an early decision on the recommendations made by IBCON, a Firm of Experts, in the matter of fixing the maximum and minimum limits for the maintenance of stores balances under various categories and take all possible measures to bring down the stock balances without detriment to the efficient working of the Department. The Committee recommended that the P.&T. should consider the desirability of adopting the stores system existing in the Railways with necessary modifications to suit the P.&T. set-up.

2. The P. & T. Department has examined the recommendations made by IBCON in the matter of fixing the maximum and minimum limits for Stores and also the prevailing procedure in the Railway Stores Organisation. The main difference between the Railway Stores Depots and the P.&T. Stores Depots is that in the case of the Railways, the bulk of the stores in the Depots constitute maintenance requirements. The stores required for capital works are generally segregated or ear-marked for these works or issued direct to the works site, where they are held as custody stores or materials at site. It is only for the items of maintenance stores which are held in the Store Depot that maxima and minima limits have been fixed.

3. In the P. & T. Stores Organisation the Stores Depots hold not only the maintenance requirements but also the requirements of capital works. As the types of stores to meet both these requirements are more or less identical, such an arrangement allows considerable flexibility in the issue of Stores.

4. (i) As for the fixing of the maximum and minimum limits for all stores held in stock, it will be seen that while there may be no difficulty in prescribing the limits as regards maintenance stores it will not be very practicable to prescribe the limits for stores for capital works as the quantity of Stores required will depend on the

approved works programme which changes from year to year. As a matter of fact, requirements regarding maintenance stores will also change slightly in relation to the works carried out. Taking all these factors into consideration and in the light of experience gained so far, the following formula has been evolved.

Minimum working balance:—

3 months requirements of stores for both capital and maintenance works or for half the procurement time whichever is higher.

Ordering level:—

Requirement of stores to cover procurement time plus one month's requirements.

Maximum level:—

Requirements of stores for 12 months.

Such limits have been so far fixed for 873 items. Though the total number of items exceeds 24,000, these 873 items constitute about 80% of the total issues from the Store-yard.

4. (ii) A formula has also been evolved for fixing the Maximum limit of stock balance taken as a whole for all categories of stores, on the basis of the total anticipated turn-over for any year and the average time required for procurement of different categories of stores, namely, stores manufactured in the Departmental workshops, stores purchased in India and Stores imported from abroad. The maximum balance for general stores has been fixed at Rs. 4.54 crores for the two years from 1st April, 1953.

It is proposed that this limit will be revised from time to time and fixed in advance for two years at a time.

5. (i) Another recommendation made by the IBCON was in regard to the early liquidation of surplus stocks.

Steps have been taken to examine the position of surplus General Stores with a view to declaring them for disposal through the D.G., S. & D. So far stores valued at Rs. 31 lakhs have been reviewed by the Surplus Stores Committee and steps are being taken to declare them as surplus to D.G., S. & D. or to utilise them in the P. & T. Department as alternative items as recommended by the Surplus Stores Committee. Stores to the value of Rs. 28 lakhs are awaiting examination by the Surplus Stores Committee.

5. (ii) In regard to the Workshop Stores, action for the disposal of surpluses valued at Rs. 41 lakhs through the D.G., S. & D. is in progress.

6. This has been seen by the Accountant General, Posts and Telegraphs, Simla.

Secretary to the Government of India

APPENDIX XIII

No. B. 27-31/55

GOVERNMENT OF INDIA

MINISTRY OF COMMUNICATIONS

(Posts & Telegraphs)

Dated, New Delhi, the 2nd February, 1956.

SUBJECT:—*Method of contribution to the Renewals Reserve Fund in the P. & T. Department.*

A note, detailing the setting up of a Committee known as 'I. J.' Committee and their recommendations regarding the basis of contribution to the Renewals Reserve Fund of the P. & T. Department, was submitted to the Public Accounts Committee under this Ministry's Memo. No. B. 27-23/55 dated 7th December, 1953 (*vide* Appendix LIII in Vol. II of the P.A.C.'s Tenth Report of 1953-54). In para. 35 of their Thirteenth Report of 1954-55 the Public Accounts Committee emphasised the desirability of arriving at an early decision on the recommendations of the 'J. J.' Committee.

2. The main recommendations of the 'J. J.' Committee were that the Renewals Reserve Fund should be designated as Depreciation Reserve Fund and contributions thereto should be based on the lives of assets on the 'Straight Line' method. The Comptroller and Auditor General has not agreed with these recommendations for the following reasons:—

- (i) As what is required in the P. & T. is a Reserve Fund adequate enough to meet the entire cost of renewals of like by like it is appropriate to describe such a Fund as Renewals Reserve Fund rather than Depreciation Reserve Fund. The method of contribution suggested by the committee, is suited only to a Depreciation Reserve Fund and would be inappropriate for the purposes of a Renewals Reserve Fund.
- (ii) The 'J. J.' Committee's recommendations will put the clock back to the pre-1936 period when the then annual contribution had an appearance of being more scientific but still had to be abandoned in favour of contribution to a Renewals Reserve Fund.
- (iii) The reasons which prompted the Government in 1936 to abandon the system of contribution to a Depreciation Reserve Fund on the straight line method, as stated above, would seem to operate with equal force even today.
- (iv) In a period of rising costs, a Depreciation Reserve Fund based on original cost of the assets may be wholly inadequate to meet the cost of replacements.

- (v) When the replacement costs exceed the original cost, considerable amount of detailed accounting, with consequent risk of misclassification, would be entailed if the costs are to be allocated between Capital and Depreciation Reserve Fund.
- (vi) The time and trouble involved in setting up a Depreciation Reserve Fund by a complicated process would hardly be commensurate with the results achieved.
- (vii) The 'J. J.' Committee's suggestion that the Depreciation Reserve Fund should bear the cost, irrespective of the amount, of all replacements like by like, seems to have defeated the very object of exploring a scientific method of providing for depreciation.
- (viii) The recommendation for the taking over of the existing balance to the new Depreciation Fund would mean that the balance in the Fund would have no direct connection with the remaining lives of the existing assets.
- (ix) In the present day context, any scheme of rationalisation of provision for renewals and replacements must take account of two factors, viz. (1) prevailing abnormal price level, and (2) obsolescence, which is becoming a more and more important factor in these days of revolutionary scientific progress. It is therefore not possible to agree with the Committee's recommendation that we should adhere to commercial principles which were evolved at a time when the two factors referred to above were not of any great significance.
- (x) It is unwise, under the present day conditions, to be theoretical and academic on such questions and to invoke commercial principles in evolving the pattern of administration.

3. The Comptroller and Auditor General has, therefore, suggested that:—

- (i) The Renewals Reserve Fund should be continued with the balance standing at its credit;
- (ii) A fixed contribution of Rs. 1 crore should be made annually for a period of 5 years. At the end of this period, the whole position should be reviewed with reference to the credits in the Fund and the average out-go over this period;
- (iii) The 'improvement element' in replacing assets should not be capitalised. The replacement of assets should be entirely charged to Renewals Reserve Fund; and
- (iv) The interest on the Renewals Reserve Fund should be credited to the Fund.

4. The above suggestions of the Comptroller and Auditor General are under consideration and necessary orders of Government will issue in due course.

5. The Memo has been seen by the Accountant General, Posts and Telegraphs.

Secretary to the Government of India

APPENDIX XIV

No. B. 31-1/53.

MINISTRY OF COMMUNICATIONS

(Posts & Telegraphs)

Dated at New Delhi the 4th May, 1956.

SUBJECT:—*Method of contribution to the Renewals Reserve Fund of the P. & T. Department*

In order to regulate the contribution to the Renewals Reserve Fund, the Public Accounts Committee recommended in Para 75 of their Report relating to the year 1945-46 that a Committee consisting of an Engineer and an Accounts Officer should be set up to find out the average life of the assets of the P. & T. Department so as to evolve a scientific basis for contribution to Renewals Reserve Fund in accordance with the accepted commercial practice. In para 40 of their Report on the accounts of 1947-48 (Post partition), the Public Accounts Committee desired that a uniform policy should be evolved by all Ministries for allocating contributions to such funds constituted by them and that this matter should be regarded as urgent and gone into thoroughly by a Committee of experts Accordingly under the orders of the Government of India contained in the D. G. P. & T. Memo. No. STA 75-10/51 dated 11th December 1951, a Committee consisting of a Director of Telegraphs as Chairman and an Officer of the I. A. & A. S., in the grade of D.A.G., as member, was constituted in December 1951, with the following terms of reference:—

- (i) to examine the existing system of annual contributions to the Renewals Reserve Fund of the P. & T. Department and the principles governing expenditure from the Fund and suggest any modifications that may be considered necessary in order to place them on a more scientific basis;
- (ii) to conduct a general survey of the existing assets of the Department (including those taken over as a result of integration of States) and review the prescribed lives and residual values and the various classes of assets with a view to seeing whether any revision is necessary; and
- (iii) to examine the present rules of allocation of expenditure between Capital, Renewals Reserve Fund and Working Expenses and suggest such changes as are considered necessary.

2. The Committee, known as 'J. J. Committee' recommended that the Renewals Reserve Fund should be changed to Depreciation Reserve Fund and contributions thereto should be based on the

lives of assets on the 'straight line' method. The Comptroller and Auditor-General has not agreed with these recommendations for the following reasons:—

- (i) As what is required in the P. & T. is a Reserve Fund, adequate enough to meet the entire cost of Renewals of like by like, it is appropriate to describe such a Fund as Renewals Reserve Fund rather than Depreciation Reserve Fund and it is this initial error in the nomenclature of the Fund, that led the 'J. J. Committee' to suggest an altogether inappropriate method of contribution.
- (ii) The 'J. J. Committee's' recommendations will put the clock back to the pre-1936 period when the then annual contribution had an appearance of being more scientific and still had to be abandoned in favour of contribution to a Renewals Reserve Fund.
- (iii) The reasons that prompted the Government in 1936 to abandon the system of contribution to a Depreciation Reserve Fund on the 'straight line' method as stated above, would seem to operate with equal force even to-day.
- (iv) In a period of rising costs, a Depreciation Reserve Fund based on original cost of the assets may be wholly inadequate to meet the cost of replacements.
- (v) When the replacement cost exceeds the original cost, considerable amount of detailed accounting with consequent risk of misclassification, will entail when the costs are allocated between Capital and Depreciation Reserve Fund.
- (vi) The time and trouble involved in setting up a Depreciation Reserve Fund by a complicated process would hardly be commensurate with the results achieved.
- (vii) The J. J. Committee's suggestion that the Depreciation Reserve Fund should bear the cost irrespective of the amount of all replacements of 'like by like', has defeated the very object of exploring a scientific method of providing for depreciation.
- (viii) The recommendation for the taking over of the existing balance to the new Depreciation Fund would mean that the balance in the new Fund would have no direct connection with the remaining lives of the existing assets.
- (ix) It is unwise under the present day conditions, to be theoretical and academic on such questions and to invoke commercial principles in evolving the pattern of administration.

3. The Comptroller and Auditor-General has therefore suggested that:—

- (i) The Renewals Reserve Fund should be continued with the balance standing at its credit;

- (ii) A fixed contribution of Rupees one crore should be made annually for a period of 5 years. At the end of this period, the whole position should be reviewed with reference to the credits in the Fund and the average out-go over this period;
 - (iii) The 'improvement element' in replacing assets should not be capitalised. The replacement of assets should be entirely charged to R. R. Fund; and
 - (iv) The interest on the Renewals Reserve Fund should be credited to the Fund.
4. The matter has been further considered in consultation with the Comptroller and Auditor-General and it has been decided that:—
- (i) The Renewals Reserve Fund should be continued with the balance standing at its credit;
 - (ii) With effect from 1956-57, a fixed contribution of Rs. 1.25 crores should be made to the Fund annually for a period of 5 years, from the revenue of the P. & T. Department.
 - (iii) The interest on the balance at the credit of the Renewals Reserve Fund should be credited to the Fund with effect from 1956-57.
5. Government orders on the 'J. J. Committee' recommendations in respect of items (ii) and (iii) of para 1 *supra*, and Comptroller and Auditor-General's recommendations in item (iii) of para 3 *supra* will be issued separately.

APPENDIX XV

No. F 74-51/54

MINISTRY OF COMMUNICATIONS

(Posts and Telegraphs)

Dated New Delhi, the 15th May, 1956.

SUBJECT:—*Memorandum for the Public Accounts Committee relating to Para 53 of their Tenth Report of 1953-54 regarding Postal Life Insurance Fund*

In para 53 of their Tenth Report of 1953-54 on the Posts and Telegraphs Accounts 1950-51, the Public Accounts Committee recommended that with a view to regulate the working of the expenditure from the Postal Life Insurance Fund on a 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. The Committee desired 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.

2. Postal Life Insurance is a facility offered mainly to Government employees and since the P.L.I. Organisation is run by the Government, the method of working of the fund differs from that of insurance companies in some important respects like collection of premia, maintenance of accounts etc. Notwithstanding such points of difference, however, steps have been taken from time to time to commercialise the method of working as far as possible, by introducing the following facilities to Insurants and the following changes in the system of working to bring it in line with normal commercial practice:—

- (a) The concession of grant of loans against policies has been allowed since 1st September, 1949, on the analogy of similar concessions allowed by Insurance Companies.
- (b) The policy of "selling" of Insurance by employment of Canvassers, giving talks, advertisements, Publications of prospectuses etc. has been adopted.
- (c) Regulation of expenditure on commercial lines by reduction of the overall expense ratio in Postal Life Insurance, which compares favourably with the Renewals Expense ratio in Private Insurance Companies. The overall expense ratio in the Postal Life Insurance also shows a downward trend, from 13·81% in 1951-52 to 13·02% in 1953-54.

3. In 1952 the Comptroller and Auditor-General made a proposal to transfer the control of the office to the Department of Insurance under the Ministry of Finance. After careful consideration in consultation with the Ministry of Finance, Government decided that the present arrangement should continue.

4. As regards the alternative suggestion of the P.A.C. for running the Postal Life Insurance Organisation as a statutory Corporation, it may be stated that Government have since nationalised Life Insurance in the country and necessary legislation has been introduced. They, therefore, feel that expert advice would now be readily available for the management of the Postal Life Insurance. It is, therefore, not proposed to make any change in the present arrangements for the management of the Postal Life Insurance business.

5. This Memo. has been shown to the Accountant General, Posts and Telegraphs.

*Secretary to the Government of India,
Ministry of Communications.*

APPENDIX XVI

No. STA. 98-20/50/SEA Pt.

MINISTRY OF COMMUNICATIONS
(Posts & Telegraphs)

Dated, New Delhi the 30th November, 1955.

SUBJECT:—*Thirteenth Report of the Public Accounts Committee on the P&T Accounts*

In para 39 of their Thirteenth Report for 1954-55, the Public Accounts Committee desired that the disciplinary proceedings instituted against..... Ex. D.E.T., Shillong, should be completed as expeditiously as possible. The Committee were informed that the advice of the Union Public Service Commission had been received and that the matter was under the consideration of Government.

2. Final orders have now been passed in this case. A sum of Rs. 12,000/- (twelve thousand rupees) has been ordered to be recovered from.....pay in 30 equal monthly instalments.

3. This Memo. has been seen by the Accountant General, Posts and Telegraphs.

Secretary to the Government of India.

APPENDIX XVII

No. B. 26-55/54

GOVERNMENT OF INDIA
MINISTRY OF COMMUNICATIONS
(Posts and Telegraphs)

New Delhi, the 31st October, 1955.

MEMORANDUM

SUBJECT:—Reduction of staff in the Calcutta Automatisation Project.

In paragraph 59 of their Tenth Report (1953-54), the Public Accounts Committee have suggested "as a result of the first hand knowledge of the working of the Calcutta Auto Project acquired by them during their visit to the various exchanges in Calcutta on the 23rd, 24th and 25th January, 1954, that the Ministry of Communications should examine whether the staff employed on the Project at present was in excess of requirements and take steps to reduce at least two posts of Divisional Engineers and 5-6 posts of Assistant Engineers and some posts of Engineering Supervisors and clerks".

2. During their visit to Calcutta, the Public Accounts Committee had expressed the view that the Calcutta Automatisation Organisation was over-staffed. The case was re-examined by the Ministry of Communications and the Ministry of Finance (C). The views of these two Ministries were communicated to the Public Accounts Committee in the Ministry of Communications Memo. No. P. 472/53 dated the 22nd April, 1954 and Ministry of Finance (C) Memorandum No. nil dated the 24th April, 1954. These memoranda were examined by the Public Accounts Committee during their meeting held in April, 1954, but they still felt that there was scope for reduction in staff and recorded their views in paragraph 59 of their Tenth Report 1953-54 as indicated in para. 1 above.

3. In view of the specific directive of the Public Accounts Committee, the staff in the Calcutta Automatisation Organisation has been reduced progressively and the present position is as detailed below:—

General Administration staff:—

	In Jan. '54 when P.A.C. visited Cal- cutta	On 1-3-55	Reduction actually made	Reduction suggested by P.A.C.
Administrative	2	2
Divisional Engineers	5	3	2	2
Assistant Engineers (excluding Accounts Officer)	20	16	4	5-6
Engineering Supervisors	49	46	3	
Clerks	123	103	20	Some posts

From the foregoing details, it would appear that staff has been reduced under "General Administration" as desired by P.A.C. (except in the case of Assistant Engineers where 4 posts have been reduced against 5-6 suggested by the Public Accounts Committee). It may, however, be stated that against a reduction of 6 officers (2 Divisional Engineers and 4 Assistant Engineers) we have obtained the services of 3 B.P.O. Officers under the Colombo Plan. Two of these officers are Engineers and one is a Telephone Traffic Officer.

4. With the reduction of staff as indicated above, it has not been possible to reinforce the staff employed on cable planning and cable execution which was necessary in view of the cable works relating to Stages II, III and IV having been undertaken simultaneously, with the result that these items of work are already behind schedule. Special efforts are being made to expedite the work so as not to delay the completion of the remaining stages of the scheme, but considerable difficulties are being experienced due to shortage of personnel and the normal requirements of releasing staff for leave, etc., for which there is no provision in the sanction for gazetted staff. In this connection it may also be pointed out that as we are doing the installation of stages III, IV and V exchanges departmentally instead of entrusting it to the A.T. & E. Co., the General Administration work of the Automatisation Organisation has naturally increased thus placing additional strain on the organisation.

5. The work of installation of exchange equipment was entrusted to A.T. & E. Co., for the exchanges included in stages I and II of this project. From stage III onwards, this work is being done departmentally. The requisite staff was trained and the work of installation of stage III exchanges was commenced during May/June 1954 and that for stage IV in December, 1954. For this new item of work, separate staff has been sanctioned and this staff consists of 3 Divisional Engineers, 7 Assistant Engineers, 18 Supervisors and 10 Clerks. As the tempo of installation work increases and reaches its peak, some more staff may have to be sanctioned for it. Before issuing additional sanction, however, the case will be examined in detail and sanctions given only if they are found to be absolutely unavoidable.

6. It is to be noted that while the staff mentioned in para. 3 above is for 'General Administration' cost of which is debited under "Overheads" vide item (ix) at page 9 of this Ministry's memo. No. P. 472/53 dated the 22nd April, 1954, the staff employed on installation work mentioned in para. 5 above is work-charged establishment, the cost of which is debited to individual installation estimates and has been provided for under item (ii) at page 9 of the memo. mentioned above.

7. This memo. has been seen by the Accountant General, Posts and Telegraphs.

Secretary to the Government of India.

APPENDIX XVIII

Copy of letter No. 27-9/55 dated the 16th September, 1955 addressed to All Heads of Circles and Administrative Units.

SUBJECT:—*Thirteenth Report of the Public Accounts Committee for 1954-55 on the accounts of (P.&T.) and (Railways) for the years 1951-52 and 1952-53.*

While examining the accounts of 1951-52 and 1952-53, the Public Accounts Committee in para 8 of their Thirteenth Report for 1954-55 have drawn attention of the Department to the recommendations made by them in para 38 of their Tenth Report regarding the desirability of keeping the expenditure within the provision made in that behalf and obtain funds whenever required in time in the constitutional manner so as to avoid unauthorised excesses. In Para 9 *et seq* the Committee have also observed that "incurring of expenditure without a grant is a grave irregularity, which derogates from the efficiency of Parliamentary control over expenditure" and have emphasised the need for closer estimating.

2. In this connection attention is invited to the instruction issued in this office Memo. No. B. 27-9/54, dated the 18th January, 1955 in which the need for accurate forecasting of requirements and lightening of control over the funds allotted to Circles had been emphasised. Attention is again involved to the Rules regarding budgetin and control over expenditure contained in Chapter XII of P.&T. Manual, Volume II, and it is requested that the instructions contained therein should be followed scrupulously.

3. It is once again impressed that it is the paramount duty of Heads of Circles to ensure that neither the expenditure is allowed to exceed the sanctioned grant nor any large savings are allowed to lapse without being surrendered in time. The tendency to over-budget the requirements is strongly deprecated and should be avoided.

4. The receipt of this communication may please be acknowledged and suitable instructions on the subject issued to your subordinate offices.

Director of Accounts.

APPENDIX XIX

Copy of letter No. P. 63/53 dated the 19th November, 1955 addressed to All Heads of Circles and Administrative Offices. The Additional Chief Engineer T.&D., Circle, Jabalpur

SUBJECT:—*Unsanctioned and Non-budgeted works,—irregularity in incurring expenditure on.*

It has been observed that in spite of the D.G.'s orders conveyed in this office letter No. B.27-41/52 of 5th November, 1952 and the Chief Engineer's instructions to the Heads of Circles *vide* paras (a) (iv) and (d) of his letter No. P. 153/53 dated the 31st March, 1953, expenditure is still being incurred by the Divisional Engineers, or by the officers of equivalent rank, on unsanctioned or non-budgeted works in contravention of the provisions contained in paras 141 to 147 of the P.&T. Manual X(P.I.). The Government have taken a serious view of this sorry state of affairs and desire that such irregularities should cease at once. The Public Accounts Committee have also very adversely commented in para 10 of their 13th Report on the Appropriation Accounts, 1951-52 and 1952-53, for executing works without providing for funds, as it whittles away Parliamentary control. The Committee desire that the P.&T. Department should take necessary steps to avoid repetition of such irregularities.

2. The Director General, therefore, desires to impress on the Heads of Circles that no expenditure should be incurred, in future on works:—

- (i) which have not been duly sanctioned by the competent authority and provided for in the Budget Estimates of the particular year in which expenditure is desired to be incurred,
- (ii) which though sanctioned, in the previous year do not find a place in the Budget Estimates of the particular year in which expenditure is proposed to be incurred unless such carried over Major Works have been included in the Regrant of Lapses statement, or
- (iii) which are not covered by proper allotment of funds.

3. In case expenditure on such a work, beyond the power of the Head of Circle, is considered necessary, a complete proposal, giving full reasons for the inescapability of the expenditure, should be submitted to this office, for obtaining prior concurrence of the Ministry of Finance (Communications). Expenditure in such cases should be incurred only after the financial concurrence has been obtained and communicated to the Head of the Circle concerned and allotment of funds made.

4. It should be clearly noted that no allotment will, henceforth, be made for works which are executed in contravention of these orders.

5. It may, however, be added that these orders do not apply to the emergent works mentioned in the note below para 143 of P.&T. Manual Vol. X (P.I.) or to the emergent defence works in which cases instructions contained in A.G.'s secret D.O. No. Eng. 590/W (97)/51 dated the 18th April, 1952 and communicated to the Heads of the Circles under this office secret letter No. P. 525/51 dated the 18th April, 1952 are applicable.

6. Necessary instructions should be issued to all concerned under your control, for guidance.

Please acknowledge.

Deputy Chief Engineer (P).

APPENDIX XX

Note indicating the causes which led to the expenditure being incurred on works referred to in para 12(3) (Page 24) of the P. & T. Audit Report, 1954, for which no specific provision was made in the original budget estimates 1952-53

According to para 12(3) on page 24 of the P. & T. Audit Report, 1954 the number of major works taken in hand during 1952-53, for which no specific provision had been made in the Budget Estimates for that year, was 861 and the total expenditure thereon was Rs. 85.69 lakhs. These non-budget works have been examined and may be categorized as follows:—

Category	No. of works	Expenditure
		Rs.
1. Works expected to be completed on 31-3-52 but carried over to 1952-53	465	35,29,278
2. Works executed for Railways, Canals, Civil Aviation Department and All India Radio etc.	81	24,17,321
3. Urgent Departmental Works	147	27,06,023
4. Unanticipated credit adjustments against old works	149	12,49,319
5. Works budgeted but erroneously shown as non-budgeted	13	11,56,343
6. Works on which no expenditure was incurred	6	..
	861	85,68,646

2. It will be seen from the above that the bulk of the non-budgeted works fall under categories 1 to 4. These are explained below seriatim:—

Category 1. Works expected to be completed on 31-3-1952 but carried over to 1952-53 account from the maximum number of non-budgeted works. The Budget Estimates 1952-53 was prepared in October/November, 51 i.e., when there were still about 5 months for the year 1951-52 to close. It happens that every year a major part of the stores is issued and most of the expenditure is incurred during the later half of the year, viz., October-March as will be seen from the actuals for the last 4 years given below:—

Year	Total Expenditure	Expenditure during Period April—Sept.
	Rs. in lakhs	Rs. in Lakhs
1951—52	552	111
1952—53	617	119
1953—54	821	150
1954—55	1050	342

Thus at the time of preparing the budget in October/November, 1951 it was expected that in a good number of cases stores would be received, sites acquired and works completed by March, 1952. In many a case however, anticipations did not unfortunately materialise due to non-receipt of stores, non-acquisition of sites etc., and works remained uncompleted on 31st March, 1952. The consequential residual expenditure of such works was carried over to 1952-53. In other words, this category of non-budgeted works is unavoidable.

It was realised some time ago that however carefully the budget estimates are prepared, a good number of works would be carried over as non-budgeted to the following year. It was, therefore, decided in consultation with the Accountant General, Posts and Telegraphs that such works for which funds lapsed, but were required to be carried over to the next financial year, would not be treated as non-budgeted works by audit, provided they are included in the statements of Regrant of Lapses to be furnished to Audit in support of the lump provision in the Budget Estimates for such works. It is expected that as a result of adoption of this procedure from 1955-56 onwards, the number of such works shown as non-budgeted in the Audit Report would be much less.

Category 2. Every year the Railways, Canal Departments of the States, Civil Aviation Department, All India Radio etc., put in requisitions for execution of works for which they had not given any previous intimation at the time of preparation of the Budget Estimates. It would not be in the fitness of things to refuse execution of such works simply on the grounds that the Budget Estimates do not provide for them. Therefore, such short notice demands have got to be executed. During the year under review the number of such works was 81 and the expenditure thereon was Rs. 24.17 lakhs. These works too are of unavoidable nature. With effect from 1954-55 a lump sum provision is being made to meet such a contingency and hence such cases would also be fewer in future.

Category 3. There are quite a number of departmental works provision for which is not made in the Budget Estimates on the presumption that they would be minor works. However, due to changes in the rates, cost of land or some other reason, the project becomes a Major Work in which case, the work has to be executed as a non-budgeted one. Also some major works of an emergent nature have to be taken in hand although no provision therefor exists in the estimates. The number of such works during 1952-53 was 147 and the total expenditure thereon was Rs. 27.06 lakhs.

Category 4. There are many works physically completed in previous years on which small credit adjustments remain to be finalised. Credits against these old works are afforded as and when the cases are complete and most of such credit adjustments cannot be anticipated and provided for in the Budget. The number of such work during 1952-53 was 149 and the total amount was Rs. (—) 12.40 lakhs.

3. It is relevant to mention in this connection that the ceiling limit of minor works which was fixed at Rs. 20,000 nearly 20 years ago, has in consideration of the fact that the cost indices of manpower and material have gone up by 300 to 400% over the figures of the thirties, been raised with effect from 1-4-1955 to Rs. 1 lakh. Had this limit been in force during 1952-53, the number of non-budgeted works would have been only 124 against 861 mentioned in Audit Report and the total non-budgeted expenditure would have been Rs. 39 lakhs against Rs. 85.69 lakhs mentioned in the Audit Report. In view of the increased limit now applicable to minor works, it is expected that in the years to come, the number of non-budgeted works will be reduced considerably although they cannot be altogether eliminated as some short notice demands must continue to come in after the Budget Estimates got finalised and the P. & T. has got to comply with them.

APPENDIX XXI

Copy of letter No. P. 10-4/55 dated the 16th December, 1955 addressed to All Heads of Circles and Administrative Units

SUBJECT:—*Thirteenth Report of the Public Accounts Committee for 1954-55 on the Accounts of (P. & T.) and (Railways) for the years 1951-52 and 1952-53*

An extract of para. 12 of the above report is reproduced below:—

“12. *Maintenance of Initial accounts by the Posts and Telegraphs Department.*—During the course of the examination by the Committee of the extent of control over expenditure exercised by the Posts and Telegraphs department, it was noticed that the initial Accounts (especially the Works Accounts) maintained by the Department were not accurate and had not been kept up-to-date. It is needless for the Committee to emphasise the importance of accurate initial accounts and their expeditious compilation for exercising budgetary control by spending Departments and they desire that these accounts should be put on a satisfactory footing.”

2. As observed by the Committee, the importance of maintenance of accurate initial Accounts and their expeditious compilation for exercising budgetary control cannot be over-emphasised. All concerned are, therefore, hereby enjoined to see that the initial Accounts are put on a satisfactory footing.

Director of Accounts.

APPENDIX XXII

GOVERNMENT OF INDIA MINISTRY OF HOME AFFAIRS

Statement showing the action taken or proposed to be taken on the recommendations of the Public Accounts Committee made in its 13th Report

Serial Report No.	Para. No.	Brief Recommendation	Action taken or proposed to be taken
1	13th	13 The existing procedure for the disposal of disciplinary cases, which requires that in every case where a criminal act is in question the departmental proceedings should be held up pending the result of the criminal prosecution, needs revision as it leads to delay which help the delinquent Officials to escape punishment.	This recommendation of the Public Accounts Committee has been accepted and necessary changes have been made in the existing procedure vide Ministry of Home Affairs Office Memorandum No. 39/30/54-Ests. (A) dated the 7th June, 1955. (Annexure I)
2	Do.	57 While entering into contract with any Company in future instead of giving any concession through letter, Government should invariably make specific provision in this behalf either in the agreement itself or execute a supplementary agreement, if need be.	This has been brought to the notice of all concerned.

ANNEXURE I

Copy of Office Memorandum No. 39/30/54-Estt., dated the 7th June, 1955 from the Ministry of Home Affairs

SUBJECT:—Government Servants involved in criminal misconduct—
Departmental proceedings and prosecution

In the Home Department letter No. F. 312/35-Public, dated the 15th November, 1935 (copy enclosed), it has laid down that in a case where it was intended to prosecute an employee for acts committed by him as a Government servant, everything should be done to carry the departmental proceedings to as advanced a stage as possible before prosecution began. It was also laid down that the finding and the penalty in the departmental proceedings should not be recorded till after the disposal of the criminal case. This matter has been reviewed. The postponement of decision in the departmental proceedings till after the criminal case is finally disposed of, leads to undue delay in the completion of the proceedings. Moreover, if the officer is placed under suspension, he has to be paid subsistence allowance during the entire period of prosecution, and if there is an appeal against the conviction, till the appeal is decided. If action is taken immediately after the conviction in the trial court, difficulties sometimes arise when the conviction is appealed against. In order to avoid these difficulties, as well as to ensure the earliest possible decision in such cases, it has now been decided that the following procedure should normally be adopted in cases of alleged criminal misconduct of Government servants.

2. As soon as sufficient evidence is available for the purpose in the course of investigation in cases of misconduct, whether such investigation is conducted departmentally or through the police (including the special Police Establishment), action should be taken under the Civil Services (Classification, Control and Appeal) Rules or other appropriate disciplinary rules, and disciplinary proceedings should be initiated forthwith. Such departmental proceedings need not interfere with the police investigation, which may be continued, where necessary. After the departmental proceedings are concluded, and the penalty, if any, imposed as a result thereof, the question of prosecution should be considered in the light of such material as may have become available as a result of the investigation.

3. In suitable cases, criminal proceedings should thereafter be initiated. Before initiating such proceedings, advice on evidence should be obtained from Government Counsel, and in more important cases from the Attorney General or the Solicitor General. Where the conduct of an Officer discloses a grave offence of a criminal nature, criminal prosecution should be the rule and not the exception. Where the competent authority is satisfied that there is no criminal case which can be reasonably sustained against such Officers

criminal prosecution should not, of course, be resorted to, but prosecution should not be avoided merely on the ground that the case might lead to an acquittal.

4. Should the decision of the trial court or the appellate court, as the case may be, lead to the acquittal of the accused, it may be necessary to review the decision taken earlier as a result of the departmental proceedings. A consideration to be taken into account in such review would be whether the legal proceedings and the departmental proceedings covered precisely the same ground. If they did not, and the legal proceedings related only to one or two charges, i.e., not the entire field of departmental proceedings, it may not be found necessary to alter the decision already taken. Moreover, it should also be remembered that while the court may have held that the facts of the case did not amount to an offence under the law, it may well be that the competent authority in the departmental proceedings might hold that the Government servant was guilty of a departmental misdemeanour and he had not behaved in the manner in which a person of his position was expected to behave.

5. In this connection, attention is invited to the requirements of Article 311(2) of the Constitution in regard to penalties of dismissal or removal or reduction in rank. This Article provides that no person, who is a member of the Civil Service of the Union or holds a civil post under the Union, shall be dismissed, removed or reduced in rank *until he has been given a reasonable opportunity of showing cause against the action proposed to be taken in regard to him.* A proposal to amend Article 311(2) is under consideration, but pending such amendment the provisions of this clause as judicially interpreted must be strictly followed. According to judicial pronouncements, these provisions are mandatory and the words underlined contemplate that after the inquiry against the accused officer has been completed and the competent authority has come to provisional conclusions regarding the action to be taken against him, he should be given an opportunity of showing cause against such action, if it is dismissal, removal or reduction in rank. For this purpose, he should be supplied with a copy of the report of the inquiring authority and be called upon to show cause within a reasonable time against the action proposed to be taken. Any representation submitted by him in this behalf should be duly considered before final orders are passed. Failure to observe these statutory requirements renders the orders passed null and void and, therefore, legally inoperative. In case of such failure, the Government servant concerned is deemed to have continued in service, or in the grade from which he was reduced, and, subject to compliance with the provisions of any rules regarding allowances, he is entitled to the pay and allowances he would have drawn if such action had not been taken. According to the ruling of the Supreme Court in the case of Abdul Majid, it would be open to him to obtain a decree from a civil court against the Government for payment of these amounts. It is, therefore, necessary for the competent authority to observe strictly the statutory requirements of Article 311(2) in all cases in which it is attracted. This should be impressed on all concerned. Compliance with these requirements is not, however, required in cases covered by clause (a), (b) or (c) of the proviso to that Article. Where, however,

action is taken under clause (a) of this proviso on the basis of the conviction of a person in a court of law and the conviction is set aside on appeal, the orders passed under the proviso automatically become inoperative. If departmental action against him is considered desirable, it will be necessary to follow the provisions of the relevant disciplinary rules and, where necessary, the substantive provisions of Article 311 (2).

Copy of letter No. F-312/35-Public (As amended by letter No. 105/40-Public, dated the 8th May, 1953) dated the 15th November, 1955 from the Home Department, Government of India

SUBJECT:—*Departmental enquiry in cases of fraud and embezzlement of Government money in which Government servants are involved*

Sir,

In the Finance Department letter No. D.243/A., dated the 21st June, 1929, general principles were laid down to regulate the enforcement of responsibility for losses sustained by Government through fraud or negligence of Government servants. It was therein stated (among other things) that it is of the greatest importance to avoid delay in the investigation of any such loss; that, where it appears that recourse to judicial proceedings is likely to be involved, competent legal advice should be taken as soon as the possibility emerges; that, where there is a responsible suspicion of fraud or other criminal offence, a prosecution should be attempted unless the legal advisers consider that the evidence available is not such as will secure a conviction; and that, where loss is due to delinquencies of subordinate officials and where it appears that this has been facilitated by laxity of supervision on the part of a superior officer, the latter also should be called strictly to account.

These principles were supplemented by instructions contained in the memorandum attached to the Home Department letter No. F.317/34, Judl., dated the 19th April, 1934. These instructions had special reference to cases in which prosecutions in the criminal courts are, or are likely to be, necessary; and laid down (among other things) that, as soon as a reasonable suspicion exists that a criminal offence has been committed, the senior officer of the department will report to the District Magistrate and ask for a regular police investigation; and explained the procedure that should follow the investigation.

2. For convenience of reference, these two memoranda are attached to this letter. It is now desired to explain as clearly as possible what is necessary to be done in the way of departmental enquiry where a prosecution is, or is likely to be, instituted. It has been found that, where fraud or embezzlement of Government Funds has occurred, there is a tendency for the head of the office or department to regard the institution of criminal proceedings as absolving him from the unpleasant and often laborious task of conducting immediately a thorough departmental enquiry. This natural reluctance may be enhanced by an apprehension that an enquiry may prejudice the result of the trial in a court of law. As a result, there has sometimes been great delay in taking departmental proceedings and the results have been inconclusive. The Public Accounts Committee in their report on the accounts of 1933-34 have agreed with the Auditor-

General that departmental enquiries should not necessarily be delayed pending decision of criminal cases, as at a later stage the evidence might disappear and the departmental enquiry could not be brought to any conclusion at all.

3. Experience shows that departmental proceedings cannot as a rule proceed concurrently with a criminal prosecution. Much of the evidence in a case of fraud or embezzlement is documentary. As soon as the criminal proceedings begin the documents go to court as exhibits, and there they must remain till the case is over and (if an appeal is filed) till the appeal is over. But it is essential that everything should be done to carry the departmental proceedings as far as possible before prosecution begins. The stage to which departmental proceedings, prior to prosecution, should be taken must depend on circumstances and cannot be precisely defined. The normal procedure is laid down in Rule 55 of the Civil Services (Classification, Control and Appeal) Rules; and the stage which departmental proceedings can reach may according to circumstances be any one of the stages described or implied in the Rule—i.e., the preliminary recording of evidence, the receipt of the delinquent's written statement after the framing of a charge, the personal hearing, or the enquiry. If it is intended to prosecute, a finding and sentence should not be recorded in the departmental proceedings till after the disposal of the criminal case; but it must be emphasised that the proceedings should be completed up to the point that can properly be reached.

4. A common type of case is that where a number of persons are involved one or more criminally, and others in such circumstances as show negligence, or warrant the suspicion of criminal abetment without sufficient proof to justify prosecution, or have similar features which necessitate a criminal prosecution of one or more and a departmental enquiry against others. In such cases, the authority has sometimes neglected to institute a formal departmental enquiry, or to carry it to the requisite stage, before criminal proceedings are taken, with the result that many months later when the criminal case is over, effective departmental action has been found impracticable.

5. The general rule should be that in all cases of fraud, embezzlement, or similar offences departmental proceedings should be instituted at the earliest possible moment against all the delinquents and conducted with strict adherence to the Rules up to the point at which prosecution of any of the delinquents begins. At that stage, it must be specifically considered whether further conduct of the departmental proceedings against any of the remaining delinquents is practicable; if it is, it should continue as far as possible (which will not, as a rule, include finding and sentence). If the accused is convicted, the departmental proceedings against him should be resumed and formally completed, if the accused is not convicted, the departmental proceedings against him should be dropped unless the authority competent to take disciplinary action is of the opinion that the facts of the case disclose adequate grounds for taking departmental action against him. In either case, the proceedings against the remaining delinquents should be resumed and completed as soon as possible after the termination of the proceedings in court.

6. The proceedings contemplated in these instructions are those which are regulated by the Civil Services (Classification, Control and Appeal) Rules. Where action is taken under the Public Servants (Inquiries) Act XXXVII of 1850, this ordinarily takes the place of a criminal prosecution as regards the person or person accused; but the procedure as regards other persons involved against whom the Act is not employed should be in accordance with the instructions given above.

APPENDIX XXIII

No. NB.33-21/46-III

GOVERNMENT OF INDIA

MINISTRY OF COMMUNICATIONS

(Posts and Telegraphs)

Dated at Delhi, the 29th March, 1956.

SUBJECT:—*Note for submission to the Public Accounts Committee—
Para. 18 of the P. & T. Audit Report, 1953—Rented
accommodation.*

In their Memorandum No. IX, dated the 26th September, 1955, the Lok Sabha Secretariat reproduced the comments of the Public Accounts Committee (1954-55) as recorded in para. 17 of their thirteenth report, which ran as under:—

“The Committee regret that although a period of more than 3 months has elapsed, the requisite information has not been submitted to them. They, therefore, reserve their final judgment in this case. They would, however, suggest in the mean time that the Posts & Telegraphs Department should, in consultation with the Ministry of Rehabilitation, explore the possibility by which the former should be relieved of this unnecessary liability of payment of Rs. 7,000 per mensem in the form of rent which they have been incurring for nearly seven years.”

2. A note on points raised by the Committee was furnished during September, 1955 and has since been forwarded to the Chairman of the P.A.C. by the Lok Sabha Secretariat, *vide* their office Memo. referred to above. The delay in the submission of the note is very much regretted.

3. With regard to the suggestion that the P. & T. Department should, in consultation with the Ministry of Rehabilitation, explore the possibility by which the former should be relieved of this unnecessary liability, it may be pointed out that a meeting was held between representatives of the P. & T. Department, the Ministries of Rehabilitation, Communication and the Associated Finances of the two Ministries on 4th January, 1956 on the basis of a note prepared by the P. & T. Directorate (Annexure—I). The Ministry of Rehabilitation did not agree to accept this liability on the ground that the responsibility of the Ministry should not be extended to cover the unlawful acts of the displaced persons from Pakistan. A copy of the minutes of the meeting is enclosed (Annexure—II).

4. It was, however, arranged that such of the displaced persons in occupation of these premises, who are *bona fide* refugees, should be offered alternative accommodation in tenements, which were under construction and were expected to be ready for occupation by the end of March or perhaps a month later. It is proposed to offer alternative accommodation to refugees entitled to it and also to serve on them simultaneously a notice under the Government premises (Eviction) Act requiring them to vacate the present building within 15 days of the offer of alternative accommodation, failing which they would be ejected from the premises under the aforesaid Act with the use of such minimum force as may be found necessary. With regard to persons, who may not be entitled to alternative accommodation, it has been decided to evict them under the normal process of law. A thorough check up is in hand and arrangements are being made to associate the representatives of the Ministry of Rehabilitation of the Government of India and of the Department of Refugee, Relief and Rehabilitation of the West Bengal Government with this check up.

The Accountant General, Posts and Telegraphs, Simla has also seen this note.

Secy. to the Govt. of India.
Ministry of Communications.

ANNEXURE I

Brief regarding acceptance of liability of rent and other charges incurred by the P. & T. Department in respect of leased and requisitioned buildings of the P. & T. Department occupied by the displaced persons at Calcutta.

During the heavy influx of displaced persons from East Pakistan, some buildings requisitioned or leased by the P. & T. Department to meet the needs of the Department in Calcutta were occupied forcibly by the displaced persons in and around Calcutta. Ever since the date of forcible occupation of these premises by the Displaced persons, the P. & T. Department have been making sustained efforts to have the squatters evicted from these buildings but without any avail. It was proposed to the State Government of West Bengal during December, 1948 that they should take over the premises and allot the same to the displaced families so that rent charges may become due. The State Government were unwilling to accept this suggestion.

2. As a last resort, the Postmaster General, Calcutta issued notices to the squatters under the Government Premises (Eviction) Act, 1950 and approached the State Government for police help. The then Minister for Home Affairs, Dr. Katju also wrote to the Chief Minister, West Bengal for assistance. While professing their willingness to render all possible assistance at all times, they desired the matter to be deferred in view of the law and order situation then prevailing in the city of Calcutta. An application to the competent Authority under the West Bengal Act XVII of 1951 for evicting the squatters was rejected on the ground that the Department was a monthly tenant. The Bengal Act also required that the occupants could only be evicted after offering them alternative accommodation which the State Government were not in a position to do. It would be seen that the P. & T. Department did everything possible under the law to evict the squatters in order to check the infructuous expenditure in the shape of rent but without any avail. This Department was forced to meet the rent bills for premises which were not being used for *bona fide* P. & T. purposes, but occupied by refugees.

3. The Ministry of Rehabilitation were repeatedly approached for acceptance of this liability. They have, so far, disowned any liability in the matter on the grounds that the movement of displaced persons in the occupation of these buildings, were neither sponsored by the Ministry of Rehabilitation nor by the Refugee Relief and Rehabilitation Department of the West Bengal. They have also stated that if Government were to accept the principle that whenever a displaced person is in an unauthorised occupation of the place, the Government would meet the loss to the owner or the occupier of the pre-

mises, then it would not be possible to resist the innumerable demands for compensation from private owners whose properties are in unauthorised occupation of displaced persons.

4. It is not disputed that in the present case, the occupation by the refugees was not sponsored by the Ministry of Rehabilitation. The fact, however, remains that a Department of the Government of India, is not in a position to evict these refugees and has got to incur certain expenditure by way of rental of these premises. The liability, therefore, has been incurred and continues to be incurred by the Central Government. The question is one of determining the Department of the Central Government which should rightly bear this expenditure. It will be appreciated that on the one hand, it would be inappropriate for the charges to appear in the accounts of the P. & T. Department which is a Commercial Department. On the other hand, the charges should be rightly borne by the Ministry of Rehabilitation, who are spending vast sums mainly on the rehabilitation of the displaced persons.

5. It would be relevant to mention here that the Public Accounts Committee in noting on this infructuous expenditure have suggested that the P. & T. Department should, in consultation with the Ministry of Rehabilitation, explore the possibility by which the former should be relieved of this unnecessary liability.

ANNEXURE II

Minutes of the Meeting held in the Room of Secretary, Ministry of Rehabilitation (Jaisalmer House) at 3-30 P.M. on Wednesday the 4th January, 1956.

The following were present:

1. Shri C. N. Chandra, ICS., *Secretary, Ministry of Rehabilitation.*
2. Shri M. M. Philip, ICS., *Director General, Posts and Telegraphs, Ministry of Communication.*
3. Shri A. B. Chatterji, ICS., *Joint Secretary (Bengal), Ministry of Rehabilitation.*
4. Shri R. Narayanaswami, *Joint Secretary, Finance (Communications Division).*
5. Shri P. K. Basu, *Joint Secretary, Finance (Rehabilitation Division).*
6. Shri V. M. Bhide, *Deputy Secretary, Ministry of Communication.*
7. Shri N. V. Shenoi, *D.C.E.(T) Posts and Telegraphs.*
8. Shri N. V. Venkataraman, *Deputy Secretary, Finance (Rehabilitation Division).*
9. Shri L. B. Mathur, *Under Secretary (Budget) Ministry of Rehabilitation.*

2. The following items were discussed:

1. Acceptance of liability of rent and other charges incurred by the Posts and Telegraphs Department in respect of leased and requisitioned buildings of the Posts and Telegraphs Department in unauthorised occupation of the displaced persons at Calcutta.

The two notes prepared by the Directorate General of Posts and Telegraphs and the Ministry of Rehabilitation were discussed.

Shri Narayanaswami suggested that the West Bengal Government would have had to provide some kind of accommodation for the displaced persons if they had not found it possible to occupy the building rented by the Posts and Telegraphs Department. There were thus some savings against which the Ministry of Rehabilitation might properly accept liability for the rent paid. Shri Chatterji stated in reply that, for one thing, it would be very difficult to assess the theoretical savings which might have accrued in 1946 and 1947; for such assessment would require the working out of cost per capita of the camp accommodation provided by the West Bengal Government at the time and the average period of domicile in such

Camps. Secondly, in 1946 and 1947 as well as in later years the State Government actually found camp accommodation for only 20 to 30 per cent. of the displaced persons who had come into West Bengal. Such accommodation was provided only for those who availed themselves of the offer of the Government to give them temporary accommodation in camps. The displaced persons concerned in this case, as a matter of fact, did not want camp accommodation to be provided for them. The position would be untenable if the 70% or 80% of the displaced persons who were not provided with camp accommodation claimed a kind of compensation against the theoretical savings which the Ministry had made.

After some discussion it was agreed that since the expenditure had already been incurred and booked by the Posts and Telegraphs Department there was no point in transferring this expenditure to the books of the Ministry of Rehabilitation at this late stage which would only introduce complications. The correct perspective of the case could be explained to the Public Accounts Committee *viz.*, that the responsibility of the Ministry of Rehabilitation for displaced persons from Pakistan cannot be extended to cover this (*i.e.* displaced persons') unlawful acts.

The only practical remedy to the situation was to provide alternative accommodation to the displaced persons as soon as possible after which they could be evicted under the Government Premises Eviction Act, 1950. It was pointed out that the tenements where displaced persons would be given alternative accommodation are expected to be ready for occupation by the end of March, 1956 or perhaps a month later. It was agreed that the Posts and Telegraphs Department should be notified sufficiently in advance of the date of allotment of alternative accommodation to these displaced persons so that the Posts and Telegraphs Officers could take necessary and proper steps to ensure that the building, on eviction of the displaced persons, was not unauthorisedly occupied again by others.

It was also agreed that since it was not altogether unlikely that some of the unauthorised occupiers of the building rented by the Posts and Telegraphs Department were not displaced persons, a thorough investigation should be made and the Law Ministry's advice should be sought how to secure the eviction of such unauthorised occupiers, if any.

APPENDIX XXIV

Copy of letter No. NA. 61-1/53/B dated 8th November, 1955 from the D.G., P&T addressed to G.M., P&T Workshops, Calcutta.

SUBJECT:—*Action taken or proposed to be taken on the recommendations of the P.A.C.*

Kindly refer to this office letter of even number dated 3-10-55 under which a copy of para 20 of the recommendation of the Public Accounts Committee contained in their Thirteenth Report 1954-55 relating to Irregular Closure of inoperative work orders in the P&T Workshops Alipore had been forwarded. The Public Accounts Committee have recommended that bulk orders on Workshops should be split up into smaller items which would enable the respective work orders being closed at the end of each half year and the correct position assessed at more frequent intervals than is possible under the existing arrangements.

2. In this connection your attention is invited to your letter No. Org-11/50(15) dated 7-4-52 wherein it was stated that instructions had been issued by you that every work order should ordinarily be closed within three months and in any case before the end of the financial year except in cases where it is practically difficult to close the work orders within such period. It was further stated by you that you had been taking all possible steps on the above lines and that the splitting up of big indents into smaller ones was also being considered.

3. It is requested that the recommendation of the Public Accounts Committee may be noted carefully and acted upon. It may be ensured that large work orders are split up suitably and they are actually closed within three months and in any case before the end of the financial year.

4. The receipt of this letter may please be acknowledged.

APPENDIX XXV

No. B. 27-14/53

GOVERNMENT OF INDIA

MINISTRY OF COMMUNICATIONS

(Posts & Telegraphs)

Dated at New Delhi, the 23rd March, 1956.

SUBJECT:—*Memorandum to the Public Accounts Committee regarding the introduction of an effective cost accounting system in P. & T. Workshops.*

In paragraphs 22 and 23 of their Thirteenth Report, 1954-1955, the Public Accounts Committee have recommended the introduction of an effective cost accounting system for the P. & T. Workshops with a view to providing for a systematic comparison between the limits fixed in respect of labour and materials for each item of work with the actual performance so as to prevent wastages of material and labour and increase output.

2. The implementation of the recommendations of the Committee is under active consideration. A reference is invited in this connection to the concluding portion of para 107 of the Committee's Report mentioned above. The final report of the Chief Cost Accounts Officer on the Alipore Workshops referred to therein has since been received. As suggested by him the post of a Cost Accounts Officer has been created and efforts are being made to fill up the post as quickly as possible. As soon as the officer is appointed, the recommendations contained in the Chief Cost Accounts Officer's Report will be implemented in consultation with Audit and steps will be taken to complete the preparation of labour and material schedules in respect of all items of manufacture and institute a systematic comparison of such schedules with actual performance.

This Memo. has been seen by the Accountant-General, Posts and Telegraphs.

Secretary to the Government of India.

APPENDIX XXVI

No. NA. 29-1/53

GOVERNMENT OF INDIA

MINISTRY OF COMMUNICATIONS

(Posts & Telegraphs)

Dated at New Delhi, the 4th April, 1956.

SUBJECT:—Action taken on the recommendations of the Public Accounts Committee.

In para 27 of their Thirteenth Report for 1954-55 the Public Accounts Committee desired to know why it was not possible for the P.&T. Department to work within the ceiling limits of stock balances fixed for the various categories of stores. This note is accordingly submitted giving the reasons for the excesses which occurred.

2. In the statement given in para 27 of the Report, the authorised limit for 1953-54 which has been shown as Rs. 400 lakhs should really stand at Rs. 604 lakhs made up as follows:—

General Stores.	Rs. 454 lakhs
Workshop Stores.	Rs. 150 lakhs
Total	Rs. 604 lakhs

Similarly, the figures 63,83 in column 5 against 1950-51 and 68 in column 5 against 1952-53 thereof should be read as 636 and 683 respectively.

3. The reasons for the excesses were as follows:—

(i) The authorised balances fixed were *ad hoc* and not on the basis of any formula.

A formula has since been evolved for fixing the maximum limit of stock balance taken as a whole for all categories of stores, on the basis of the total anticipated turn-over for any year and the average time required for procurement from different sources, namely, Stores manufactured in the Departmental Workshops, Stores purchased in India and Stores imported from abroad.

(ii) Accumulation of surplus stores immediately after the war period was of the order of Rs. 130 lakhs and has now been brought down to Rs. 40 lakhs.

Steps are being taken for their disposal.

(iii) Increased tempo of works programme as will be seen from the comparative figures of receipt and issues of stores given below:—

(Figures in lakhs)

<u>Year.</u>	<u>Receipts.</u>	<u>Issues.</u>
1950-1951	6,36	5,00
1951-1952	5,59	6,12
1952-1953	6,83	6,36
1953-1954	7,42	7,77

This factor is now being taken into account in the formula evolved for fixing authorised balances.

(iv) Increase in the purchase price of stores due to rise in prices.

(v) Purchase of large quantity of Cable and also stores from the Defence stocks worth about Rs. 1 crore during 1950-51 which could not be fully issued before the close of the year.

4. The note of caution sounded by the Committee regarding the two fold losses arising from holding excessive stocks of stores, is prominently kept in view in fixing the limits of stock balances.

5. This Memo. has been seen by Accountant General, Posts and Telegraphs.

Secretary to the Govt. of India.

APPENDIX XXVII

No. B. 26-27/55

GOVERNMENT OF INDIA

MINISTRY OF COMMUNICATIONS

(Posts & Telegraphs)

Dated New Delhi, the 13th January, 1956.

SUBJECT:—*Para 27 of the P.&T. Audit Report 1954—Execution of Telephone Expansion Project in the Bombay Telephone District.*

The Public Accounts Committee have called for further particulars on the following points:—

- (a) the officers who were responsible for not maintaining proper accounts and the action taken against them;
- (b) the progress made in the reconstruction of the accounts, proper allocation of expenditure between Capital and Revenue, the instances of malafiefs which are suspected by the P.&T. Department, and action taken against those at fault;
- (c) the latest position of the Project and when it is expected to be completed.

2. The required information is furnished below seriatim:—

(a) *Responsibility of the concerned officials for the irregularities noticed in the accounts of works*

(i) The Bombay Telephone Company was taken over by the Government on the 1st April, 1943. The accounting arrangements under the ex-Company regime were, however, allowed to continue till the 31st March, 1950. Orders of Government were issued for departmentalisation of the accounting procedure from the 1st April 1950. Since, however, the ex-Company officials, who continued to remain in charge of administration of the Telephone District, were not conversant with the Departmental accounting procedure, errors and omissions in classification and booking of works expenditure had crept into the accounts of works maintained in the District. A complete change-over to Departmental Accounting procedure could not be satisfactorily implemented and the attendant defects could not be completely rectified.

(ii) The irregularities and defects pointed out in the audit para relate mainly to procedural errors and omissions in accounting, in maintenance of initial account record, fairly wide-spread in character and appearing in the accounts of a number of works. Such omissions, etc., may be ascribed to the lack of experience in Departmental methods of accounting and cannot be attributed to the negligence or malafide intention of a few individuals. Further, most

of the Senior Officers, who were in overall control of the District, have since retired and it does not appear possible, at this stage, to fix responsibility for the failure to implement the Departmental procedure satisfactorily.

(iii) On receipt of the Audit Report investigations were carried out in the case of cable estimates, where there might have been major irregularities, with a view to taking suitable action against the officials concerned. A report on 4 of these cases has revealed that the errors were due to wrong allocation of expenditure, which is being rectified and the accounts are being closed. Another 5 cases are under investigation and a report will be submitted after taking necessary action in the matter.

(b) *Progress made towards finalisation of the cost of the project, reconstruction of accounts, instances of malafide, if any, etc.*

(i) In respect of the Bombay Telephone Expansion Project, the likely total expenditure for completion of the residual portion of the work, after taking into account the various changes, commitments and actual expenditure, has now been arrived at, against the original estimated cost of Rs. 316·05 lakhs, the project is now estimated to cost Rs. 313·05 lakhs which has since been approved by the Departmental Finance Committee.

(ii) In regard to sanctioning of estimates of individual works in the District pertaining to the years 1953-55, steps have been taken for correct preparation of estimates and allocation and accounting of expenditure from the year 1953-54. Considerable progress has been made in correct preparation of estimates and accounting of expenditure from 1953-54.

(iii) The number of estimates sanctioned during the six years 1948-54 was 2541. The number of estimates sanctioned during 1954-55 was 1,167. During the latter year the number of completion reports submitted to the Audit was 601.

(iv) As explained in item (a) above, the errors and omissions cannot be ascribed to any malafide intention of the officials in charge of the works.

(c) *Latest position of the Project and the anticipated date of completion*

All major items of work on the Project are expected to be completed by the middle of 1957. It is possible that work relating to subscriber's installations, which forms part of the project, may continue for a little longer. The latest position of the Project upto 31st March, 1955 is indicated in Annexure 'A' in detail. The position is also summarised below:—

(I) *Lands and Buildings.*—Owing to delay in acquisition of site, it was decided to install the equipment in the existing Telephone Buildings after making some additions and alterations. This work in respect of two buildings was completed in 1951. The work in respect of the remaining Telephone Building is in progress.

As against the total sanctioned amount of Rs. 25·64 lakhs only Rs. 0·70 lakh is required now against which 0·39 lakh has already been booked. Work amounting to Rs. 0·25 lakh has been completed but adjustments are awaited. The estimated cost of the work in progress is about Rs. 0·06 lakh only.

(II) *Lines and Wires (including Cables).*—Out of the estimated mileage of 180·63 miles of Cables and 70357·23 miles of conductor, 132·50 miles and 54356·07 miles of cables and conductors respectively have already been laid up to 31st March, 1955. This works up to about 73% and 77% of the estimated total mileage of Cables and conductors respectively.

The expenditure as booked in accounts upto 31st March, 1955 stands at Rs. 59·32 lakhs as against the sanctioned amount of Rs. 80·85 lakhs and as against the provision of Rs. 89·66 lakhs in the Revised Estimates. The total expenditure booked in accounts works upto 78% and 66% of the original sanctioned amount and provision in the Revised Estimates respectively.

The excess expenditure anticipated under this item is mainly due to expenditure on re-instatement of roads having far exceeded the original provision.

(III) *Apparatus and Plant.*—Out of the total number of 18,000 lines, installation of 9,800 lines has already been completed upto 31st March, 1955, which is about 54% of the total quantum of work included in the Project. Installation of an additional 3,000 lines was recently completed. Equipments for 4,400 lines have already been ordered and partly received and the cut-over is expected to be effected by October, 1956. Equipments for the remaining 800 lines have also been ordered and supply is expected by October, 1956, and the installation is expected to be completed by July, 1957.

As against the sanctioned amount of Rs. 160·30 lakhs and the revised estimated provision of Rs. 173·79 lakhs, Rs. 125·85 lakhs have already been booked upto 31st March, 1955. This works upto about 79% and 72% of the sanctioned amount and the provision in the Revised Estimates respectively. The break-up of the estimated increase is shown below:—

(i) Increase in the prices of equipment (other than Air-Conditioning plant)	..	7·40 lakhs.
(ii) Imposition of Sales Tax (new Item)	..	5·30 "
(iii) Anticipated increase in the cost of Air-Conditioning plant.	..	1·00 "

13·70 lakhs.

say .. 14·00 lakhs.

(IV) *General Administration and overheads.*—Out of the sanctioned amount of Rs. 49·80 lakhs and Revised Estimate requirements of Rs. 48·90 lakhs, an amount of Rs. 37·72 lakhs has been booked in accounts upto to 31st March, 1955, which works upto about 76% and 77% of the sanctioned amount and the provision in the Revised Estimates respectively.

It will be observed that, on the whole, about 71% of the total estimated expenditure has been incurred, which is fairly proportionate to the quantum of work executed.

3. This note has been seen by the Accountant General, Posts and Telegraphs.

for Secretary to the Government of India

ANNEXURE I

Financial Position of Bombay Project No. 11 as on 31st March, 1955.

Head of Account	Original sanction May 1950 (in lakhs)	Now anticipated May, 1955 (in lakhs)	Expenditure upto 31-3-55 (Audit Fig.) (in lakhs)	Approx. percentage upto (1) Col. 2 (2) Col. 4 to Col. 3	Physical target of works	Actual work done	Approx. percentage of Col. 7 to 6	Remarks
1	2	3	4	5	6	7	8	9
Land & Buildings . . .	25.64	0.70	0.39	(1) 1.5%	(2) 56%	Extension to the existing exchange building at Naigam and Byculla including sanitary installation, water installation and electric installation completed in 1951. The work of extension of the TPH Building at Home street is in progress.		An amount of Rs. 10.63 lakhs has been booked but these will be transferred to the Project XXV as the sites acquired will be utilised for this project.
Lines, Wires & Cables . . .	80.85	89.66	59.32	73%	66%	Cable 180.63 miles (Conductor 70357.23 miles).	132.50 miles	73%
App. & Plant	160.30	173.79	125.85	79%	72%	18,000 (i) 9800 lines completed. (ii) 3000 lines in progress and recently completed.	54356.07 miles	77%
								55%
								17%

(iii) 4,400 lines equipment ordered and partly received and cut-over expected in October, 1956. 24%

(iv) 800 lines equipment ordered—delivery expected in October, 1956 and cut-over in July, 1957. 4%

General Administration and overheads	49·80	48·90	37·72	76%	77%
	316·59	313·05	223·28	71	71

APPENDIX XXVIII

Summary of the main Conclusions/Recommendations of the Twenty-Second Report of the Public Accounts Committee on the Appropriations Accounts (P & T) 1953-54 and Audit Reports 1955, Part I & II and Audit Report (P & T) 1956 —Part I.

Sl. No.	Para No. of the Report	Ministries or Departments concerned	Conclusions/Recommendations
1	2	3	4
1	(4)	Introduction All Ministries.	A point to which successive Committees on Public Accounts have drawn attention is the delay in the submission to them of the notes/memoranda on points arising from the Accounts examined by them. They would once again emphasize that the Ministries concerned should attach the greatest importance to the supply of information asked for by the Committee within the time schedule laid down for the purpose. With the passage of time the utility of examination of such material by the Committee is considerably reduced.
2	3	D.G., P&T	The Committee would like to watch the results, of the measures adopted by the P&T Department for bringing down the number of non-budgeted works by enhancing the ceiling for minor works.
3	5	—Do—	<p>(i) Though the number of cases of frauds and the amount involved appears small in comparison to the total volume of business, the Committee would like to point out that the proportion of cases in which employees of the Department were involved preponderate and the cases where disciplinary action has not been taken are numerous. They would, therefore, urge that in the matter of taking disciplinary action against officials responsible for these losses and frauds, both speed and firmness are essential. Inaction over long periods and undue tolerance will defeat the purpose in view.</p> <p>(ii) The Committee also desire that a report on the disposal of the pending cases should be submitted to them at the time they take up next year's accounts.</p>

1	2	3	4
4	8	D.G. P & T	The Committee would like to watch the results of the working of the improved procedure of instituting departmental proceedings against delinquent Government servants before starting criminal proceedings in the court, which was stated to have been brought into force since October, 1955.
5	10	—Do—	(i) The Committee are amazed to observe that it should have taken the Posts and Telegraphs Departments 9 years to deal with the case referred to in para 2 of Audit Report (P & T) 1955—Part I regarding fraudulent withdrawals from the Defence Savings Bank Accounts. They are also concerned at the erratic manner in which the Departmental action had been started in this case.
	11		(ii) The Committee also regret that although more than five months have elapsed, the D. G., P&T have not so far been able to furnish either the note promised by them or the information called for by the Committee. The Committee, therefore, reserve their comments on this case till they are placed in possession of the full facts.
6	14	—Do—	(i) The Committee very much deplore the manner in which the case referred to in Para 3 of the Audit Report (P & T), 1955 Part I relating to loss due to delay in taking action against the extra-departmental Branch Post Master, has been handled by the Posts and Telegraphs Department at different stages. They are constrained to observe that not only had the Senior Superintendent of Post Offices failed to exercise his powers and to take responsibility in this case, but neither the Post Master General, nor the Director General Posts and Telegraphs pointed out this failure on his part when the case was referred to them. On the other hand, the Post-Master General also did not take a decision in the matter and referred the case to the Director-General Posts and Telegraphs for orders, who in turn, took another 10 months before coming to a decision.
	15	<u>D.G. (P&T)</u> All Ministries	(ii) The Committee feel that this case typifies the reluctance on the part of the Officers to take decisions and assume responsibility where it belongs to them. The Committee would like Government to impress upon all their subordinate officers the desirability of duly exercising the powers vested in them and take serious notice of cases where responsibility is shirked by Senior Officers.

1	2	3	4
7	18	D.G. P&T.	In the case relating to the acquisition of two plots of land referred to in Para 4 of Audit Report (P&T)1955 Part I. The Committee feel that the Officers concerned had failed to appreciate the urgency in allowing it to drift for 9 years which cost the Posts and Telegraphs Department Rs. 35,000
8	27	Ministry of Commu- nications <u>Indian Telephone</u> Industries (Private) Ltd.	The Committee would like to be apprised in due course of the result of (a) the review of provisional pricing of equipment supplied by I.T.I. to the P&T Department stated to have been undertaken by the Costing unit of the Indian Telephone Industries, and (b) the application of the Rate List issued by the I.T.I. for the new items of equipment to be supplied to the P & T Department.
9	29	D.G. P&T	(i) The Committee feel that the review of important cases affecting the revenues of the P & T Department should not be left to chance or memory, but a systematic procedure should be devised to ensure that such cases are reviewed when due.
		Ministry of Home Affairs	(ii) Of late, the Committee have come across cases, where important Government files could not be traced and apparently no action was taken to fix responsibility for their loss. The Committee view the loss of Government files as a very serious matter and desire that the Ministry of Home Affairs should issue clear instruction regarding the procedure to trace the missing files and to fix responsibility.
10	32	D.G., P&T.	(i) The Committee would like to be apprised in due course of further progress in the case referred to in Para 4 of Audit Report, 1956 Part I relating to the Mis-appropriation of the value of money orders by an extra-departmental Branch Post-Master in so far as it related to the institution of Departmental action against the Post-Master and the result of the appeal preferred by him in the High Court. (ii) In the meantime, the Committee would suggest that with a view to preventing the recurrence of such cases of mis-appropriation of cash, the Posts and Telegraphs Department should in consultation with the Government Departments / Bodies on whose behalf they collect such payments, evolve the procedure whereby the P&T Department could get at regular intervals, a report of cases of non-receipt of payments into the Post offices to enable that Department to investigate into those cases.

1	2	3	4
11	36 & 37	Ministry of Commu- nications <u>D.G.,P&T</u>	<p>(i) The Committee are puzzled by the variety of explanations given for the decision to suspend the operation of the Jubbulpore foundry in February, 1955 after incurring about Rs. 4 lakhs on the purchase of raw materials in January, 1955. In the context of the retarded progress of the scheme the Committee see little justification for incurring very substantial expenditure on purchase of raw materials.</p> <p>(ii) The Committee are surprised to observe that the proposal for the abandonment of the Foundry in February, 1955 was not even referred to the Ministry of Finance.</p> <p>(iii) The Committee should like to be informed of the final outcome of the Workshops Board's examination of the proposal for utilisation of the foundry shed in the Telegraph Workshops and (ii) of the circumstances in which the Chief Engineer advised the General Manager to postpone the operation of the foundry till the proposal for opening a new workshop at Maithon was examined in greater detail about which there is no provision in the final proposal for the Maithon's Project.</p>
12	40	D.G. P & T.	<p>(i) The Committee would like to be informed of the Departmental action against the delinquent Postal Officials and the steps taken to make good the loss caused by the fraudulent encashment of 12-year National Saving Certificates.</p>
	41	—Do—	<p>(ii) The Committee feel that without counter checks, the system of accounting in sub-Post-Offices is open to risks and desire that steps be taken by Posts and Telegraphs Department to devise a method by which recurrence of such frauds could be prevented. They would also like to be apprised of the result of the disciplinary proceedings instituted against the officials at fault in the case reported in sub-para (ii) of Para 9 of Audit Report 1956—Part I.</p> <p>(iii) The Committee fail to understand why action against the remaining two officials could not be taken so far. They desire that action against them should also be expedited and a note submitted to the Committee in due course.</p> <p>(iv) The three cases commented in para 9 of Audit Report (P&T), 1956 Part-I indicate that besides procedural defects, there has obviously been a lack of proper supervision and inspection on the part of the immediately higher authorities.</p>

1 . 2

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4

The Committee therefore, suggest that supervision over the handling of cash transactions in the Post Offices should be strengthened and the frequency of inspection be increased.

13 50 D.G., P & T.

The Committee regret to observe the tardy manner in which the supply of hand-driven mail carts had been arranged in this case. Firstly, the Director-General, P & T did not appreciate that the design was a decade old. Secondly, he did not take care to verify whether a model had been tried in the past. It passes the comprehension of the Committee how in a matter involving over a lakh of rupees, he proceeded to act on presumptions. Finally, he did not take prompt action to stop the delivery of the carts even after complaints were received shortly after the supplies commenced.

Being a Commercial Department the Committee would urge that the P&T Department should be more alert and not rely too much on routine correspondence.

14 53 & 54. —Do—

- (i) The Committee desire that adequate action should be taken against the Inspecting Officers concerned for their failure in discovering the fraud committed by the Treasurer in the Head Post Office.
- (ii) The Committee should also be informed in due course of the result of the appeal preferred in the High Court as also the action taken against other officials whose contributory negligence resulted in the misappropriation of public money in this case.
- (iii) The Committee would further like the P & T Department to examine the existing procedure for handling of cash and postage stamps etc. in the Head and Branch Post offices and tighten the checks and counter-checks to be exercised by the local officers and the Inspecting staff. A note stating the action taken in this respect may be furnished to the Committee.

15 57 D.G., P & T]

The Committee trust that it would now be possible for the Posts and Telegraphs Department to prepare a balance sheet of the Postal Life Insurance Organisation on Commercial lines to be appended to the Appropriation Accounts (P & T) for the next year.

16 —Do—

In the opinion of Committee, the plea that non-availability of personnel and accommodation hindered in the clearance of the arrears in stores, can be hardly

1	2	3	4
			considered as valid. They feel concerned about the dilatory manner in which the problem is being tackled. They would urge that a target date should be fixed for completing the work and the same adhered to.
17	62	D.G., P. & T.	The Committee desire that the P&T Department should impress upon all the officers concerned the urgency and importance of the expeditious disposal of discrepancy statements. They consider it a serious matter that false statements should have been furnished without actually verifying the stock. They would, therefore, like to be informed about the progress of the disciplinary action against the officials responsible.
18	66	—Do—	The Committee desire to be (i) informed in due course, of the disciplinary action taken against the officials for submitting an incorrect "Stores-for-disposal memo" and of the responsibility of Members of the Surplus Stores Committee in not actually surveying the article in question; and (ii) furnished with a note stating the remedial measures that the P&T Department propose to adopt to safe-guard against such lapses in future.
19	69	—Do—	(i) The Committee would once again stress the urgency of speedy disposal of all surplus stores. In this connection they would reiterate their oft-repeated observation that the maintenance of excessive stocks involved the tax-payer in a fourfold loss: loss of interest on capital unnecessarily locked up; loss arising from the possibility of the stores becoming obsolete and unsaleable or disposable only at a rate lower than the cost price; expenditure on care and maintenance staff besides expenditure on storage accommodation.
	70	—Do—	(ii) The Committee would like to be informed of the latest position in regard to the disposal of workshop stores still lying undisposed of.
	71	—Do—	(iii) The Committee also feel that the present procedure followed by the P&T Department in the disposal of Surplus Stores is cumbersome and dilatory. They would suggest that the P&T Department should examine the whole procedure in consultation with the Ministry of Finance and Works, Housing and Supply with a view to making it more expeditious and effective.

1	2	3	4
20	78	D.G. P. &T.	The Committee desire that disciplinary action against the remaining five accused responsible for misappropriating Government money in the case commented upon in Para 47 of the Tenth Report should be expedited and a report submitted in due course.
21	82	—Do—	The Committee would like to be apprised of the developments to be affected in the matter of adequate supply of forms to the P&T Department as a result of the Report by the Committee set up by the Ministry of Works, Housing and Supply to examine the supply, printing and distribution of forms and stationery.
22	87	Communications.	The Committee trust that the Ministry of Communications will persuade the West Bengal Government to provide alternative accommodation to the un-authorized squatters and thus get themselves relieved of further liability in respect of the building rented by the P&T Department in 1948 on account of which they have already incurred an infructuous expenditure of Rs. 7.2 lakhs. The Committee would like to be apprised of further developments in this case.
23	88	W.H & S.	The Committee are unhappy to note that the Ministry of W.H & S. had changed their findings from time to time in the case relating to action taken against the officers responsible for giving wrong information to Audit in the case referred to in para 31 of Audit Report (P&T), 1954.
24	92	D.G., P.&T.	The Committee would like to watch the effect on the progress achieved towards the maintenance of cost accounting system in the P&T Workshops as a result of the appointment of the Cost Accounts Officer.
25	95	—Do—	The Committee trust that the cumulative effect of all the measures taken by the P&T Department for speeding up recoveries of outstanding telephone revenue would result in improving the situation and they would be presented with a better picture at the time they next take up examination of the P&T Accounts.

