

PUBLIC ACCOUNTS COMMITTEE
1959-60

TWENTY-SECOND REPORT

(SECOND LOK SABHA)

[Appropriation Accounts (Posts & Telegraphs), 1956-57 and
1957-58 and Audit Reports thereon]

VOL. II—APPENDICES



LOK SABHA SECRETARIAT
NEW DELHI

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
1959-60

CHAIRMAN

Shri Upendranath Barman*

MEMBERS

2. Shri T. Manaen
3. Shri Maneklal Maganlal Gandhi
4. Pandit Jwala Prasad Jyotishi
5. Shri Shamrao Vishnu Parulekar
6. Shri Radha Raman
7. Shri Rameshwar Sahu
8. Shri T. R. Neswi
9. Shri Ragubar Dayal Misra
10. Shri T. Sanganna
11. Shri Vinayak Rao K. Koratkar
12. Shri Jaipal Singh
13. Shri Aurobindo Ghosal
14. Shri Yadav Narayan Jadhav
15. Shri Shraddhakar Supakar
16. Shri Amolakh Chand
17. Rajkumari Amrit Kaur
18. Shri Rohit Manushankar Dave
19. Shri T. R. Deogirikar
20. Shri Surendra Mohan Ghose
21. Shri Jaswant Singh
22. Shri S. Venkataraman.

SECRETARIAT

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

Shri V. Subramanian—*Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*

Shri Y. P. Passi—*Under Secretary.*

*Shri Upendranath Barman was elected to serve as a Member of the Public Accounts Committee on the 10th September, 1959 (the Dr. P. Subbarayan, who ceased to be a Member of the Committee on his appointment as a Minister) and was appointed as the Chairman of the Committee on the 12th September, 1959.

APPENDIX III

(Reference Para 17 of the Report)

Office Memorandum No. F. 8(57)-B/59 dated the 18th December, 195 from the Ministry of Finance (Deptt. of Economic Affairs) regarding non-payment of cost of stores purchased through the Supply Department due to paucity of funds—Para 28 of Audit Report, 1959.

The P.A.C. at its meeting on the 13th July, 1959, while examining para 28 of the Audit Report, 1959 on the P. & T. Accounts for 1957-58, enquired why payments in respect of the claim of Rs. 126 lakhs for the supply of P. & T. stores by the Ministry of Works, Housing & Supply were withheld. In reply, it was stated that as sufficient funds were not available within the sanctioned grant, payments were withheld by P. & T. Department in accordance with the advice of the Budget Division namely that the amount in excess of the sanctioned grant could not be paid. The Committee wanted a note giving the full facts of the case, in particular, on whose advice payment was refused.

2. To appreciate the background of the question, it seems desirable to outline briefly the procedure adopted in payment of these bills. Payment for stores, etc. purchased by the D.G. S. & D., on behalf of other Departments or Governments are made to the supplying firms by the Pay and Accounts Officer of the Ministry of Works, Housing and Supply and are initially debited to a suspense head. Prior to the separation of accounts from audit in the Supply Department, debits in respect of payments so made, were passed on to the Audit Officer of the Department concerned through the Exchange Accounts for acceptance and inclusion in the Department's accounts. Consequent on the separation of accounts from Audit in the Supply Department the procedure of raising debits and credits in respect of inter-departmental transactions between that Department and the P. & T. has been replaced by the system of cheque payments. Under this system, the Pay and Accounts Officer of Works, Housing and Supply prefers a weekly claim on the D.A.G. P. & T. S. & W., Calcutta in respect of payments made to the various firms for stores, etc. supplied to the P. & T. Department. The D.A.G. P. & T. S. & W., Calcutta, obtains from the P. & T. Disbursing Officer cheques drawn in favour of the P.A.O. to meet such weekly claims.

3. As regards the question as to on whose advice payment of bills was refused, it is necessary to explain that a situation similar to that in 1957-58 had arisen in 1956-57 also when the P. & T. Department found in March, 1957, that their sanctioned grant for stores was likely to be exceeded by about Rs. 46 lakhs. The advice of the Finance Ministry was, therefore, sought by the P. & T. Department as to whether in view of the observations made by the P.A.C. in the concluding portion of para 13 of their 21st Report, the general principles laid down in para 105 of the General Financial Rules, Volume I, regarding settlement of inevitable payments, even when they led to excesses over the sanctioned grant or appropriation, could be considered as having been abrogated. In reply, the following note was recorded by the Budget Division :

“Under Articles 114(3) and 266(3) of the Constitution, no moneys can be withdrawn from the Consolidated Fund of India except under

appropriation made by law. The provisions of paras 105 and 106 of the General Financial Rules, Vol. I are, therefore, to some extent repugnant to the provisions of the Constitution and we had already asked the Establishment Division to get them amended. In our view, therefore, it would not be in order to allow payments in excess of the grants and we would suggest that the debits and adjustments against the final heads may be withheld and postponed to the following year. I might add that in the case of separated Pay and Accounts Officers, payments cannot be made unless these are covered by adequate provision. To that extent, therefore, paras 105 and 106 of G.F.R. are already not being acted upon”.

4. On the basis of the above advice, telegraphic instructions were issued by the P. & T. Department to the Controlling Officers (viz. the Chief Controller of Telegraph Stores and the General Manager, P. & T. Workshops) not to issue cheques in excess of the grant. The Controlling Officers seem to have acted on these instructions in 1957-58 also when a similar situation developed.

5. While the note of the Budget Division referred to in para 3 above was primarily discussing the validity of the provisions of paras 105 and 106 of the General Financial Rules, Vol. I and while the view set out therein is correct, it was unfortunately not then realised that the problem was not one of making payments but of accepting debits for payments already made on behalf of the indenting Department, which was actually held under the Suspense head. It is now felt that the proper course in such cases would be to accept the debits and that when the expenditure has already been incurred, its adjustment should not be deferred on the ground that there are no funds in the grant. Instructions are, therefore, being issued to all concerned to the effect that the responsibility for seeing that no payments are made or expenditure incurred in excess of the appropriation is that of the authority administering the grant and not that of any agent who makes the payment (as in the case of the D.G. S. & D.) and the Controlling authority should, in regulating the appropriation, take into account the liabilities which are likely to come in by adjustment and take appropriate steps to get a supplementary vote or an advance from the Contingency Fund in time.

6. This note has been seen by the Ministry of Transport & Communications and the Comptroller and Auditor General of India.

Sd/- SHIV NAUBH SINGH,
Joint Secretary to the Government of India.

APPENDIX IV

(Reference Para 24 of the Report)

Note regarding delay in the disposal of surplus stores—Para 16 of Audit Report, 1958

Information has been called for on the following points :—

- (i) The value of surplus stores disposed of during each of the last five financial years.
- (ii) The value of surplus stores with the Posts & Telegraphs Department as on the 31st March, 1955, 1956, 1957, 1958 and 1959; and
- (iii) To what extent the new procedure for the declaration of surplus stores introduced with effect from the 1st April, 1959 has proved effective in the expeditious disposal thereof.

2. The required information is furnished below seriatim :

(i)	year	Amount Rs.	
	1954-55	Nil	
	1955-56	0·28 lakhs*	
	1956-57	2·26 lakhs	
		4·38 lakhs	Retained in Department on the recommendation of Surplus Stores Committee.
	1957-58	8·49 lakhs	
	1958-59	7·97 lakhs	
		3·72 lakhs	Absorbed in Department out of those sanctioned for disposal.
	TOTAL	27·10 lakhs	

- (ii) 31st March, 1955 . . . Rs. 49·9 lakhs.
- 31st March, 1956 . . . Rs. 33·27 lakhs.
- 31st March, 1957 . . . Rs. 26·63 lakhs.
- 31st March, 1958 . . . Rs. 18·14 lakhs.
- 31st March, 1959 . . . Rs. 6·45 lakhs.

- (iii) The full impact of the new procedure for the declaration of surplus stores can only be assessed after lapse of some time. A report will be forwarded in due course.

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

Sd/- V. SHANKAR,
Director-General, Posts & Telegraphs.

*In addition to the surplus stores disposed of during 1955-56 surplus stores valuing Rs. 19·35 lakhs were retained in stock for use in 1955-56 and stores valuing Rs. 3 lakhs were added during the same year. (D.G., P. & T. U.O. No. 29-13/59-NA dated 9-11-1959).

APPENDIX V

(Réference Para 31 of the Report)

Note regarding loss due to supply of defective cables—Para 21 of Audit Report, 1959.

Information has been called for on the following points :

- (i) Whether in pursuance of the orders issued in P. & T. Directorate letter of September, 1948, a provision was made in the indent placed on Director-General of Supplies and Disposals in the above case to the effect that the cables of all types on receipt were to be tested by the Senior Electrical Engineer, Posts and Telegraphs;
- (ii) Reasons for the delay in the P. & T. Department for the testing of the stores ; and
- (iii) Reasons for the delay in intimating rejection thereof to the suppliers.

2. In respect of item (i), the expression "Cables of all Types" mentioned in Director-General's letter, cited above, was intended to refer to all types of *underground cables* only to the exclusion of the commercial type of cables in which category V.I.R. insulated rubber 5 Core 1/036 electric Cable in the present case, falls. This position was made clear in subsequent correspondence. It may further be added here that even in the case of underground cables, it was subsequently decided in the D.G. P. & T. letter No. NA 29-1/48 dated 2-7-49 (copy enclosed) that only a percentage test-check of each lot should be undertaken.

3. In respect of (ii) the normal tests on stores are completed in the Senior Electrical Engineer's Test Room in about a week's time. The procedure consists of taking a few samples and testing them. If the test results are unsatisfactory tests are taken on some more samples and finally the whole consignment—3200 yds. of cable in this case—is tested under the personal check of the Assistant Engineer-Incharge to ensure that no rejections are made on stores which are suitable as any wrong decision would result in conflict with the suppliers. Cases in which consignments do not come up to standards and have to be rejected thus take longer time than items where the stores pass the specified tests. Considering that the consignment had failed and further detailed tests were necessary, the period of 36 days taken in testing the entire consignment of the cable is considered reasonable, particularly in view of the fact that special attention had to be paid to the testing as an inspection certificate had already been issued by the Director-General of Supplies and Disposals.

4. In respect of item (iii), there has been an elapse of 52 days in all of which 36 days were taken in testing the entire consignment of cable and submitting the test report and 16 days in intimating the rejection of the same.

to the suppliers which is not considered an abnormal delay. It may incidentally be stated also that the Director-General of Supplies and Disposal consulted the Ministry of Law on the point of overall delay and that Ministry was of the opinion that the consignee had taken reasonable time in communicating his decision to reject stores as the testing involved 3200 yds. of cable and each coil had to be separately tested.

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

Sd/- V. SHANKAR,
Director-General Posts & Telegraphs.

COPY OF LETTER NO. NA. 29-1/48 DATED 2-7-49 FROM THE D.G. P. & T. NEW DELHI ADDRESSED TO DIRECTOR OF TELEGRAPHS; S. & W., CALCUTTA.

SUBJECT : *Testing of Stores.*

Reference your letter No. PSC/2001 dated 6-6-49. Your proposal is approved. Test check of a percentage of each lot should be made and all drums should be examined for obvious defects before the cables are credited to stock. This relaxation will not apply to Japanese cable.

It has also been decided that Battery Jars should be tested by the Sr. E.B and then may be included as item 21 of the list contained in this office letter No. NA. 29-1/48 dated 9-9-48.

APPENDIX VI

(Reference Para 47 of the Report)

Note pursuant to action taken on para 27 of the Eleventh Report of P.A.C. (Second Lok Sabha) regarding tightening the procedure for handling Cash and Stamps in Head and Branch Post Offices.

In Para 27 (Item 13, Appendix II) of their Eleventh Report, 1958-59 (Second Lok Sabha), the P.A.C. have desired that they should be apprised of the progress made in respect of the suggestions which were stated to be under the consideration of the Director-General, Posts and Telegraphs for tightening the procedure for handling cash and stamps in Head and Branch Post Offices.

2. In order to have a definite standard and to tighten further the procedure of handling cash and stamps in Post Offices, instructions have been issued on 18th May, 1959 (copy enclosed) that reserve safes should be supplied to all post offices under Grade 'A' Postmasters and to other offices having an authorised minimum cash balance of Rs. 20,000/- and a stamp balance of Rs. 10,000/-. It has also been laid down in these instructions that where cash and stamps in an office are handled by different officials, two reserve safes (one for cash and the other for stamps) should be supplied. This will enable Postmasters to carry out a thorough daily check of the contents of the safe from which transactions have been carried out during the day and to satisfy themselves that the contents of the reserve safe/safes have not been tampered with. The contents of both the safes are required to be counted every Saturday.

3. Regarding the intensification and strengthening of inspections, proposals for increasing the number of inspectors according to a phased programme with a view to reviving second inspection are being worked out for the consideration of the P. & T. Board.

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

Sd./- V. SHANKER,
Director-General, Posts and Telegraphs.

COPY OF LETTER NO. 55-1/58-CI DATED 18TH MAY., 1959 FROM THE D.G P. & T. AND ADDRESSED TO ALL HEADS OF POSTAL CIRCLES, AND COPY TO B(CR).

SUBJECT : Supply of Reserve Safes to Post Offices.

Reference your replies to this Office letter of even number dated 27-11-1958.

Rule 23 of the P. & T. Manual Volume VI read with Note below rule 66 of the Financial Handbook, Volume II, does not provide for any standard in regard to the supply of reserve safes. It has now been decided that reserve

safes should be supplied to all post offices under Grade 'A' Postmasters and to such other offices having an authorised minimum cash balance of Rs.20,000 and a stamp balance of Rs. 10,000/- . The number of safes to be supplied to the offices under these orders will depend on the number of the officials handling cash and stamps. If the same official handles cash and stamps in the office, only one reserve safe for keeping reserve stocks of cash and stamps will be supplied. Where cash and stamps in an office are handled by different officials, two reserve safes (one for cash and the other for stamps) should be supplied.

APPENDIX VII

(Reference Para 48 of the Report)

Note with reference to the recommendation contained in paras 17 and 18 (ii) of First Report 1957-58 (Second Lok Sabha) regarding the revision in the Savings Bank procedure in Post Offices

Reference last two sub-paras of para 1 of the Note forwarded to Lok Sabha Sectt. in Government of India, Ministry of Transport & Communications (Departments of Communications & Civil Aviation) (P. & T.) Memo. No. QB 81-4/56 dated the 30-8-58.

The following further particulars are furnished :—

(i) *Separate counter for deposit and withdrawals.*

Orders have been issued to Heads of Postal Circles to the effect that in Offices where transactions are large, separate counters for deposits and withdrawals may be provided.

(ii) *Introduction of Token System.*

The system of issue of metal tokens for withdrawals from Savings Bank accounts has been working in the G.P. Os. at Bombay, Calcutta and the Head Post Offices at Ahmedabad & Kanpur. It was found that the system did not lead to expeditious disposal of work at the counter and has been given up.

(iii) *Separation of Head Office and Sub- Office Ledgers.*

The separation of ledgers for Head Offices & Sub Offices was decided upon by the P. & T. Small Savings Board in its meeting in May, 58. Necessary orders are under issue in consultation with the Accountant General, Posts and Telegraphs.

(iv) *Internal check in Head Offices.*

The proposal for setting up a more effective internal check in Head Offices in place of the present system is being considered in consultation with the Accountant General, Posts and Telegraphs.

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

Sd/- V. SHANKAR,
Director-General, Posts and Telegraphs.

APPENDIX VIII

(Reference Para 56 of the Report)

*Note regarding Loss of cash in a Post Office—Para 17 of Audit Report,
1959*

Information has been called for on the following point :

“What is the position regarding the recovery of loss from the treasury contractor ?”.

2. The treasury contractor was asked to make good the loss of Rs. 11,500 caused due to negligence of his employees. He declined to do so but suggested on 17-1-59 that the New India Assurance Co. Ltd. should be approached for making good the loss against the miscellaneous accident policy taken by him. The Ministry of Law was then consulted on this suggestion on 13-2-59 and on their advice the insurance company was requested on 27-2-59 to make good the loss. Subsequently, however, when actually the claim papers were sent to the Ministry of Law, they advised on 18-7-59 that the claim should be preferred against the fidelity Guarantee Bond and not against the insurance policy of the contractor. Accordingly, the claim for Rs. 11,500/- has been made on the company on 24-7-59 against the fidelity Guarantee Bond of the treasury contractor for Rs. 5,00,000. A final reply from the insurance company is awaited.

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

Sd/- V. SHANKAR,
Director-General of Posts and Telegraphs.

APPENDIX IX

(Reference Para 62 of the Report)

Note regarding absence of agreement for conveyance of mails owing to delay in finalisation of form of contract—Para 19 of Audit Report, 1958

Information has been called for on the following points :

- (i) Why did it take the P. & T. Department as long as 6 years to draw up a revised draft agreement for the conveyance of mails, in the first instance ?
- (ii) Why did it take the P. & T. Department again a period of 3 years to take up with the State Government the question of the amendment of the contract form (on the basis of the recommendation of the Committee set up in 1953) ?
- (iii) Pending finalisation of the standard form of contract, how did the P. & T. Department ensure :
 - (a) that payments made to mail transport contractors for conveyance of mails in the various parts of the same Circle were, as far as possible, on a uniform basis ; and
 - (b) that the extent of responsibility of the contractors to indemnify the Department in the event of loss was more or less the same in all the Circles or in the various parts of the same Circle ?

The reply to the points raised by the P.A.C. is given below *seriatim* :—

(i) The P.M.G., Madras brought to the notice of the Directorate on 12-9-45 the desire of the Madras Government for revision of the Mail Contract Agreement Form M-50(a). The matter was referred to the War Transport Department and after consultation with them, it was circulated to all Heads of Circles for comments on 8-10-46. On the basis of replies received from Heads of Circles, the case was referred to the Solicitor to the Government of India on 20-5-47 and the Ministry of Law, on 10-1-48. On receipt of their opinion, the case was referred back to Ministry of Transport on 21-1-48 whose reply was received about 7 months after. A thorough review of each clause of the Agreement Form was then made by this office and after again consulting the Ministry of Law on 14-5-49, it was referred back to the Ministry of Transport on 29-7-49. On receipt of their views, the case was referred to the Ministry of Finance (Communications) on 6-3-50. The case had to be referred back again more than once to the Ministry of Transport and Ministry of Finance (Communications) till the revised agreement form was finally approved and sent for printing on 20-2-51. The revised form after printing was circulated to all Heads of Circles on 25-5-51. The delay of six years is

finalising the Agreement Form was mainly due to the detailed scrutiny that had to be done and also to the fact that in that process it had to be referred to various departments and Ministries of Government of India and the subordinate offices time and again to settle the various points that arose from time to time.

(ii) The Madras Government in their letter dated 26-4-52 stated that due to lapse of time, and changed conditions the original amendments suggested by them had little use and suggested further amendments to the contract forms. The Standardisation Forms Committee appointed in June, 1951 submitted its report in June, 1955. The Committee did not agree to modify the form as recommended by the Madras Government. It was felt that when we were unable to offer to the Madras Government any favourable terms from their point of view pending examination of the report of the said Committee by the Government of India, no useful purpose would be served by taking up the question with the Government of Madras at that stage.

In 1957 we, however, wrote to the P.M.G., Madras to initiate discussion with the S.T.A., Madras with a view to persuading the operators to execute the agreement in the Standard form pending decisions on the report of the Standardisation Forms Committee. In September, 1957, the P.M.G., Madras reported that he had discussed the matter with the Secretary, S.T.A. and the latter promised to issue general instructions to all R.T.As. of the State accordingly. In December, 1957 the P.M.G., Madras reported that the S.T.A., Madras had issued instructions to all R. T. As. in Madras State to persuade the contractors in an advisory capacity to execute the agreements as required by the P. & T. Department. It was further mentioned that the R.T.As. could only persuade the contractors in an advisory capacity but they have no legal authority to force the contractors to execute the agreement. We wanted for some time to see how the operators would react to the advice of the R. T. As. but finding that there was no response, we took it that the operators were adamant in their attitude.

In between this period the audit para was received in this office with the result that a considerable time had to be spent in its examination and a reply to the draft audit para was sent to the A.G., P. & T., Simla on 16-4-58 in which it was stated *inter-alia* that non-execution of agreements by the operators in the Madras Circle was not only due to the fact that the Standard Form of Agreement was not revised but that the Government of Madras and Central Road Traffic Board, Madras had not been able to appreciate the difficulties which stood in our way in accepting the amendments suggested by the operators in that State.

Therefore, in our anxiety to come to a solution of this *impasse*, a letter was ultimately sent to P.M.G., Madras on 5-9-58 accepting more or less all the amendments suggested by the Madras Government, purely on a provisional basis till a revised form of agreement was adopted by the Government of India. It may be mentioned that although it is nearly a year since we communicated our revised terms, the Madras Government have not intimated their views regarding the acceptance of our proposals.

(iii)(a) Contracts for conveyance of mails are made on the basis of tenders and even if the Standard form of agreement is revised it will not enable the fixation of subsidy at a uniform rate as the subsidy varies in each case. Recently, we have been insisting on fixation of subsidies for private mail contractors on the rates approved for State Transport Services, but so far the State Government have not been able to ensure this.

(iii) (b) In cases where there are no agreements with the contractors, legally, the Department cannot impose any penalty for losses, etc., but the operators have been allowed to carry mails on a 'Gentleman's agreement' on the advice of the Transport Controller, Madras. During the last 10 years there has been no case where the Department has been put to loss due to carriage of mails by operators without an agreement. In case there is any occasion where the operator refuses to accept responsibility for losses, etc., we have to approach the Transport Controller to intervene as it was on his advice that mail contracts have been permitted to run without an agreement in the standard form. In any case as explained earlier, there is no alternative to relying on the Gentleman's agreement in view of the recalcitrant or adamant attitude of the operators. Departmental running of motor transport or the utilisation of runners would be expensive or dilatory. Barring the Madras State, in all other States (except a few cases in the Punjab) contracts in the standard form of agreement are entered into by private operators and in these cases full responsibility devolves on the operators.

This note has been seen by A.G., P. & T., Simla.

Sd/- V. SHANKAR,
Director General,
Posts and Telegraphs

APPENDIX X

(Reference Para 78 of the Report)

Note regarding Postal Life Insurance Organisation—para 35 of Audit Report, 1959.

Information has been called for on the following point:

What are the reasons for heavy accumulation of arrears in the Insurance Accounts and other defects pointed out by Audit in para 35(b) and what steps have been taken to improve the situation in this regard?

2. The reasons for accumulation of arrears in the insurance accounts and other defects are given below:—

(A) Government decided to decentralise maintenance of premium ledger accounts from the P.L.I. Office, Calcutta to Circle Offices. This was implemented in two stages from 1-5-1955 and from 1-6-1956. There was a considerable increase of new business during 1954-55 and 1955-56 which caused a great strain. The staff in Circle Offices were new to this type of work and it took sometime to settle down resulting in some accumulation of arrears in the meanwhile.

(B) Premium ledger accounts are written up with reference to particulars available to the schedules and certified lists of P.L.I. recoveries furnished and by Accounts Officers all over the country. Non-receipt of schedules in time and irregularities in the preparation of the schedules, caused accumulation of arrears in posting and unadjusted items.

(C) The decision in December, 1956, introducing cent per cent check of postings with retrospective effect from April, 1956 created a back log of about six months to start with. This back log hampered further progress as in the meanwhile a large number of ledger accounts changed location due to transfer of insurants, etc.

The following steps have been taken to improve the position :—

(1) Additional staff wherever justified has been sanctioned to clear the arrears.

Arrears of posting have been cleared to a very large extent.

(2) By sustained and concerted drives, the incidence of fresh unposted items has been brought down and a large number of pending items settled.

(3) The question of correct preparation of schedules on which the efficiency of P.L.I. accounting mainly depends, was taken up with the Comptroller and Auditor General who has issued instructions to all concerned in his letters No. 976-Adm.

I/604-55-III dated 1-4-1959, and No. 2064-Adm.I/604-55-III dated 15-7-59 (copies enclosed). Government of India, Ministry of Finance have also issued detailed instructions to Disbursing Officers at our instance (*vide* O.M. No. F. 11 (24)-EII (A)/59 dated 13-7-59 (copy enclosed).

- (4) Arrangements are being made to get internal audit checks carried out by an independent set of accountants. The matter is under examination in consultation with A. G., P. & T.

The latest position relating to :

- (i) arrears in posting in the ledger cards.
- (ii) unposted items of premia realised, and
- (iii) claims pending settlement

is as under:

I. The work of posting of premiums in the individual ledger accounts is upto date except in the four Circles, Delhi, Madras, U.P. and West Bengal. In these Circles the posting is in arrears by one month.

II. The total number of outstanding unadjusted items as on 31-8-1959 is 1,22,200 including 22,817 in West Bengal Circle, and 47,117 in Madras Circle.

III. Out of 251 claims pending in Bombay Circle as mentioned in the Audit Report, 1959 only two cases are pending settlement for want of legal documents to be produced by parties.

The total number of death and maturity claims pending for more than 3 months in all the Circle Offices is 624, including 274 cases in which legal documents are to be produced by the claimants.

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

Sd/ V. SHANKAR,
*Director General,
 Posts and Telegraphs.*

COPY OF LETTER NO. 976-ADMN. I/604-55-III-DATED THE 1ST APRIL, 1959 FROM THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA TO ALL ACCOUNTANTS-GENERAL AND OFFICES SUBORDINATE TO THEM AND ALL PAY AND ACCOUNTS OFFICERS.

SUBJECT.—*Certified lists of Postal Insurance Premia.*

Sir,

In inviting a reference to this office circular letter No. 944-Admn. 577-48 (Part II), dated the 18th April, 1951, I am directed to state that it has been represented by the Director, Postal Life Insurance that the number of unposted items of Postal Insurance Premia is on the increase as a result of the

following types of irregularities in the matter of preparation of schedules and certified lists:—

- (i) Schedules and certified lists are not received in complete form but lists are received piecemeal and long after due dates;
 - (ii) Lump credits are shown without details and even after the lapse of several months, their requisite details are not received;
 - (iii) In many cases the policy numbers of insurants are not furnished in the certified lists and in a large number of cases wrong policy numbers are quoted;
 - (iv) Errors in totals are found in different sections or pages of the schedules;
 - (v) Erroneous credits mostly due to misclassifications are found in the schedules;
 - (vi) In respect of manuscript entries in the schedules, the figures or names are found to be either incomplete or illegible ;
 - (vii) While making entries in manuscript no particular order is maintained;
 - (viii) In case of double recoveries or late recoveries, the particular months of pay bills or pension bills from which premium has been recovered is not mentioned nor is an explanation for late drawal of pay or pension furnished. This information is absolutely necessary to determine the liability of the insurant to pay fine or interest that may be due; and
 - (ix) Names are often scored out from the addresso-printed entries in the Schedules but no remarks are offered as to why they are scored out and to which other Units the insurants concerned are transferred. Similarly, information relating to Unit from which the insurant whose name has been added in manuscript, has come on transfer, is also omitted. The information on this point is absolutely essential so as to enable ledger Accounts to be kept in the proper Unit under which insurant draws his pay.
2. The Director, P.L.I. has also reported that the monthly certified lists are not being submitted by the Accounts Officers on due dates.
3. It is, therefore, requested that the position regarding the prevalence of the different types of irregularities noted above may kindly be examined in your office and appropriate remedial measures adopted, where necessary, to guard against the recurrence or continuance of such irregularities.

Yours faithfully,

Sd/- M. L. MANNAN,

Asstt. Accounts Officer (Admn.)

COPY OF LETTER NO. 2064-ADMN.I/604-55-III, DATED 15-7-59 FROM
COMPTROLLER AND AUDITOR GENERAL OF INDIA, NEW DELHI TO ALL
ACCOUNTANTS GENERAL, COMPTROLLER, KERALA AND OFFICES
SUBORDINATE TO THEM, ALL PAY AND ACCOUNTS OFFICERS

SUBJECT—*Certified lists of P.L.I. Premium.*

Sir,

In inviting a reference to this office circular letter No. 976-Admn. I/604-55(III), dated 1-4-1959, on the subject mentioned above I am directed to state that it has been brought to our notice by the Director-General, Posts and Telegraphs that there is a large number of items of Postal Life Insurance Premia lying unposted in the premium ledger accounts and that they have sanctioned additional staff and have launched special drives to settle these unadjusted items expeditiously. The Director-General, Posts and Telegraphs has also requested that references made by the Heads of Circles to the Audit Offices etc. in respect of the schedules and Postal Life Insurance recoveries may be arranged to be attended to by the Audit Offices etc. promptly. I am, therefore, to request you to take such steps as may be necessary to ensure that references are accorded priority and dealt with expeditiously. The Director-General, Posts and Telegraphs has also been requested to arrange to bring to your personal notice once in two months a list of references, if any, which have remained un replied to for over a month in your office.

Yours faithfully,
Sd/-M. L. MANNAN,
Asstt. Accounts Officer.

COPY OF O.M. NO. F.11(24)-ECII (A) 59, DATED THE 13TH JULY, 1959
FROM THE MINISTRY OF FINANCE (DEPARTMENT OF EXPENDITURE)

SUBJECT. *Procedure for recovery and accounting of P.L.I. Premia.*

The undersigned is directed to invite a reference to para 218 of General Financial Rules which lays down that a complete list of subscribers to each fund including Postal Life Insurance fund should be maintained by each disbursing officer in the relevant form of the Fund Schedules and the monthly schedules to be attached with pay bills should be prepared from this list. It has been brought to the notice of this Ministry that due to non-observance by the Heads of Offices of the instructions contained in the para referred to above, the schedules of recovery of Postal Life Insurance subscriptions are not furnished with proper details with the result that a large number of items remains unposted in the ledger cards for want of information in respect of non-recovery, short or excess recovery of P.L.I. subscriptions.

2. The matter has been carefully considered in consultation with the Comptroller and Auditor General of India and necessary instructions have been issued to all heads of Civil Audit and Account Offices to furnish complete details as far as possible in the monthly certified lists of recoveries. It is, however, felt that unless drawing and disbursing officers are fully alive to their responsibilities in the matter of giving full information promptly in each and every case, it is not possible to do much to improve matters either in the Audit offices or in the offices where premium ledger accounts

are maintained. In order to achieve greater efficiency in this regard it has been decided that the list of subscribers to Postal Life Insurance Fund may henceforth be maintained in a register in the enclosed form and not in form T.R. 57. The instructions for maintenance of the new register and preparation of the monthly schedules to be attached with pay bills are given in the Annexure to this Memorandum.

3. Ministries of the Government of India are requested to bring these instructions to the notice of all drawing and disbursing officers under their control for strict compliance in future.

4. Necessary amendments to para 218 of General Financial Rules will be made in due course.

Sd/- C. P. MITTAL,

Under Secretary to the Government of India.

To

All Ministries and Departments of the Government of India etc., etc.
Copy forwarded to all State Governments and Chief Commissioners.
Copy also forwarded to all the Branches of the Ministry of Finance (including the Defence Division, the Department of Economic Affairs and the Department of Revenue).

By order, etc.

Sd/- C. P. MITTAL,

Under Secretary to the Government of India.

Annexure

Draft Procedure for recovery and accounting of P.L.I. Premia.

As required under para 218 of the G.F.R. Vol. I all the drawing officers should maintain in the form enclosed a corrected and upto date register of policy holders under their control. The name of the policy holders should be **noted in alphabetical order according to surnames, leaving sufficient space between two entries to enable new comers name being inserted in the right place. A separate entry should be **made in the register for each policy in the case of policy holder having more than one policy. On receipt of an intimation from the Director, Postal Life Insurance, Calcutta, about the issue of a policy in favour of a subscriber authorising the drawing officer to commence recovery from pay or on receipt of a last Pay Certificate in respect of the subscriber, transferred from another office, the drawing officer should make a note of the particulars of the policy in the register. The name of the office from which the subscriber has been transferred should invariably be noted in the remarks column. Whenever a subscriber is transferred to another office or his policy is discharged, his name should be scored out from the register, giving necessary remarks regarding discharge of policy or indicating the office to which the insurant has been transferred as the case may be.

2. After the preparation of the monthly bill but before its encashment the bill clerk should check up the recoveries shown in the bills on account of Postal Life Insurance with the register, to see that the recovery has been made from all the subscribers and the correct amount has been recovered. This check will discover the cases of omissions to make recovery as well as cases of noting of P.L.I. recoveries in a wrong column of the pay bill. The amounts of the recovery shown in the bills should be posted in the monthly column in the register with proper reference to the bills or the vouchers, reasons for short, excess or non-recovery being briefly noted in the remarks

column. Extracts of this register should then be made out in the schedules. The schedule should be attached to the relevant bills in support of the recoveries.

3. While taking extracts it should be seen that the names of those insurants from whom recoveries were made in the previous months but no recoveries have been made during the current month either on account of transfer or discharge of that policy or on account of leave salary being not drawn or the official being on leave without pay, should be included in the current month's schedule with necessary remarks noted against their names. Similarly the remark 'New Policy' or 'Transferred from . . . office' should be given in the schedule against the names of insurants entered for the first time in current month. Reasons for short or excess recovery should be noted briefly in the remarks column. In short, schedule of Postal Life Insurance recoveries to be attached to the bills would be a record not only of those from whom the recovery has actually been effected but also of those from whom recovery was being effected previously but has not now been effected.

In case of double recoveries or late recoveries, the reasons for late drawal of pay or pension together with an indication of the month of pay or pension from which premium has been recovered, should be recorded in the remarks column. This information is absolutely necessary to determine the liability of the insurant to pay fine or interest and the currency of the policy.

4. Though each policy of the insurant will be entered separately in the register and the schedule, the total amount recoverable monthly from each policy holder on account of all policies should be shown in the register by bracketing all the policies. This will serve as a guide for preparation of monthly bills where recoveries in respect of each policy cannot be shown separately. This total in the register should be kept corrected up to date on additions of new policies and exit of old ones.

APPENDIX XI

(Reference Para. 82 of the Report)

Note pursuant to action taken on recommendation contained in Para 5 of the 22nd Report (1st Lok Sabha) regarding disciplinary action against delinquent officials

The Public Accounts Committee observed that in taking disciplinary action against officials responsible for losses and frauds, both speed and firmness were essential, and desired 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.

(i) The observations made by the P.A.C. have been brought to the notice of all the subordinate units and it is hoped that there will be no avoidable delay in future in the disposal of disciplinary cases. A machinery already exists in the Directorate to watch the disposal of cases where the amount involved is more than Rs. 500/-. In respect of cases upto Rs. 500/- instructions have now been issued to Circles to submit quarterly statements indicating number of pending disciplinary cases.

(ii) As regards pending cases for the years 1952-53, 1953-54 and 1954-55 in which investigation/disciplinary action has not so far been completed, the position as on 1-4-47, 1-10-57 and 1-4-58 as against 1-9-56 is indicated in the statement below:—

For the year	No. of cases disciplinary	pending action not	in which investigation/ completed	
	As on 1-9-56	As on 1-4-57	As on 1-10-57	As on 1-4-58
1952-53	72	54	32	28
1953-54	138	102	72	48
54-55	245	145	94	75
TOTAL	455	301	198	151

Of these 151 cases, 47 cases are pending in Courts and 17 are with the Police.

Efforts are being made to expedite disposal of the pending cases.

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

Sd - V. SHANKAR,

Director General,

Posts and Telegraphs.

APPENDIX XII

(Reference Para 84 of the Report)

Note pursuant to action taken on para 6 of the First Report (Second Lok Sabha) regarding defective working of a Postal Stock Depot.

The Rajasthan Circle was created with effect from 1-9-1953. On the creation of this Circle, the staff had to work under severe handicaps due to lack of adequate staff, accommodation and the absence of proper records. An approximate indent for the requirements of cloth for 1955-56 for 70,000 yards (without details) of cotton cloth was submitted by the Circle Office, Jaipur, in February, 1954. This indent was followed up on the 18th June, 1954 by a revised one giving the details of requirements of 70,000 yards of cloth.

In view of the tentative decision that had been reached earlier for utilising Khadi cloth for making uniforms, the Directorate placed a consolidated indent for Khadi cloth on the Director of Textiles, Bombay, on the 29th March, 1954. A copy of the indent placed by the Directorate was simultaneously sent to the Director, Posts and Telegraphs, Rajasthan Circle, Jaipur. Necessary contracts were concluded by the Director of Textiles, Bombay in July/August, 1954 and copies of Acceptances of Tender were also received in the Jaipur Stock Depot in July/August 1954. The actual supply started in February 1955.

The policy decision to change over to Khadi cloth for supplying uniforms to staff was communicated to all the Circles by the Posts and Telegraphs Directorate in October, 1954. Though this decision did not require submission of any revised indent, for the year 1955-56, the D.P.T. Rajasthan Circle, Jaipur, submitted a revised indent for Khadi cloth for 1955-56 in February, 1955 in cancellation of his letter of 18-6-1954 without taking into account the Acceptances of Tenders already received by him in July/August 1954. This revised indent was forwarded to the Director of Textiles by the P. & T. Directorate on the 19th April, 1955 for arranging supply under some misapprehension. At that time there had been serious complaints from the staff regarding non supply of uniforms which was due to delay in the supply of Khadi cloth by the Khadi Board. The procedure then obtaining in the concerned section of the P.&T. Directorate did not also admit of proper checks on the indents received from Circles, as it only functioned as a consolidating and forwarding agency. These factors resulted in double-indenting of cloth for 1955-56, in respect of Rajasthan Circle. The defective procedure then obtaining in the P.& T. Directorate has since been remedied.

In view of the facts stated above and also the fact that no loss has been occasioned as a result of the excess indenting of Khadi cloth, it is considered that disciplinary action would not be justified. With a view, however, to preventing recurrence of excess indenting, instructions have been issued (in Dec,'58) to all concerned to ensure that at the time of placing indents, pending

indents and acceptances of tender should be carefully taken into account. A separate Section has also been created in the Directorate with effect from 11th January, 1957 to ensure a better control in the placing of the indents in view of the increased work due to all-round expansion of the Department.

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

Sd/- V. SHANKAR,
Director General,
Posts and Telegraphs.

APPENDIX XIII

(Reference Para 87 of the Report)

Note pursuant to action taken on para 14 of the First Report (Second Lok Sabha regarding Failure of a tailoring contractor to account for materials supplied by a Postal Stock Depot for delivery of finished garments.

The Public Accounts Committee have desired to be apprised of the final outcome of the proceedings against the Manager, Postal Stock Depot, Madras, and the Contractors in the case relating to failure of the tailoring contractor to account for the total quantity of the material supplied by the Postal Stock Depot for delivery of finished garments referred to in para 8 of the Audit Report 1957—Part I.

2. The disciplinary aspect of the case against the Manager, Stock Depot (since retired) has been examined. In this case after the quotations in reply to the tenders were examined on 2-1-54 and selection of the contractor was decided upon, the A.D.P.S. recorded that the safeguard adopted during the previous year, namely, to issue materials not exceeding the amount of security and earnest money paid until the Revenue Authorities' report was received should be followed. At the same time, he also stated that the work was to be finished within two months, in January and February and the Department was required to be in a position to distribute the uniforms in March, 1954. The agreement with the Contractor was signed on the 12th February, 1954 and the work was of an extremely urgent nature. The firm of the Contractors had been supplying stitched garments to the Department in previous years also, and according to the practice the security amount was deposited by the Contractor in 1954 also. The work was of an extremely urgent nature and the Manager had no reasons to doubt the Contractor's good faith or integrity. Therefore, the Contractor was issued liberal quantities of cloth from 12-2-54 onwards so that the stitching of the uniforms should not be delayed on that account. The Contractor had complained at one stage that once the cloth supplied by the Department was cut in sizes for garments, his Cutting Department was left idle and that if sufficient cloth was not given, there would not be an even flow of work for the stitching Department. In issuing the cloth to the Contractor in excess of the amount of the security, the Manager seems to have been guided by the extremely urgent nature of the requirements. The issue of cloth in excess of the security amount during this period, however, did not in any case contribute to default by the contractor because it is on record that the total amount of default is less than the amount of cloth issued subsequent to the receipt of the report of the Revenue Authorities. After receipt of the report of the revenue authorities on 11-3-54 there were no instructions for restricting the amount of cloth to be issued to the Contractor. It has been noted that the accounts maintained in the Stock Depot were checked by the A.D.P.S. during his visits on to the Stock Depot. The Manager, Stock Depot, and the Assistant Director visited the godown of the Contractor on 13-8-54, 18-8-54, 19-10-54, 4-11-54, 30-11-54 and 4-12-54 and they found nothing amiss during their visits although it was within their

knowledge that the deliveries of stitched garments were not made in time. Efforts made to speed up delivery by frequent visits and written persuasions and warnings proved futile and this aroused the suspicion in December, 1954 that there was something more than mere delay. The Manager, Postal Stock Depot, and an Inspector were deputed to visit the premises of the firm and check up the stock of materials made over to the tailors from time to time. They visited the firm on the 10-12-54 but could not check the stock as it was stated that the room in which the stock had been kept was locked and the key was not available, having been taken away by one of the proprietors. It was, however, stated by one of the partners who was present that there were about eighteen bales in the locked room and that they would be shown next morning.

The next morning, *i.e.*, on the 11-12-54 when the A.D.P.S. incharge of the Stock Depot and the Inspector who visited the firm on the previous day visited the firm and to their surprise they were told that the firm had incurred a loss of about 20,000 yards by consuming $\frac{1}{4}$ yard of cloth in excess for each garment and had no stock on hand. It has also been noticed that the Manager, Stock Depot, had not kept the Supervising Officers in the dark and the total quantity of uniforms ordered, the number received and the number still to be supplied were brought to the notice of his superior officers on 30-4-1954 and the firm was told on 1-5-1954 that the progress made by it was not satisfactory and steps should be taken to step up the rate of stitching of uniforms due from them. On 26-8-54 the firm was again addressed and warned that if the garments were not supplied, action would be taken for imposing the necessary penalty as envisaged in the agreement as also for the removal of the name of the firm from the list of tailoring contractors. On 23-9-54 a letter was addressed to the firm under the signatures of the D.P.S. and it was given one more opportunity. Statements showing the progress of stitching were also prepared for some period and additional quantities of cloth were issued to the Contractor during this period, *viz.*, between September 1954 and December, 1954. Neither the Manager nor the Supervisory Officers had any idea of the intentions of the Contractor. Although the Manager may possibly have shown a little more discretion, the main cause for default in this case was a procedural flaw which has been rectified now.

3. It is only after this case came to light, that the defects in the procedure came to notice. Instructions were then issued for the maintenance of proper ledger accounts showing the quantity and value of material issued to each contractor, the finished goods received from him and the balance of materials outstanding with him after each transaction of issue or receipt. It has also been provided in these instructions that the material supplied to the contractor and the cost of the material retained by him at any time should be covered by the security amount furnished by him.

4. Having regard to all the facts and circumstances of the case, it has been held that the Manager as well as the Supervisory Officers acted in good faith. The Manager rendered over 40 years of service in the Department and the record of his service throughout was extremely good. It was, therefore, decided that the indiscretion on his part in issuing excessive quantities of cloth is not so serious as to justify the imposition of a punishment.

5. In regard to proceedings against the contractor the facts briefly stated are that on 29-12-54 Postmaster General, Madras, came up for arbitration to the D.G. P.&T. under clause 18 of the Agreement for settling the dispute between him and the contractor regarding the alleged defalcation of cloth by the contractor. The arbitrator heard the parties on the 16th March, 1955, and gave an award on 30-3-1955 in which the contractor was held responsible for accounting for 26,900 yards of cloth valued at Rs. 33,973/3/1 to the Department. The award was filed in the Madras High Court on 25-4-55 for passing a decree in terms of the award to enable necessary execution against the contractor. The first hearing took place on 18-1-1956 and an interim order was passed by the Court in which the other Government Departments were restrained from making payments of outstanding dues to the contractors.

6. The petition for passing a decree in terms of the award has been pending in the Madras High Court ever since. The award has been referred back to the Arbitrator by the Madras High Court on 10-11-58 for indicating the value of the cloth.

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

Sd/- SHANKAR,
Director General,
Posts & Telegraphs.

APPENDIX XIV

(Reference Para 89 of the Report)

Note pursuant to action taken on para 28 of the First Report (Second Lok Sabha) regarding loss due to delay in taking action against the Extra Departmental Branch Postmaster.

In the note forwarded under Ministry of Transport and Communications Memo. No. 43-3/58-Disc. dated 9-7-1958 (Appendix XXVIII to 11th Report-Vol. II), the P.A.C. were informed that most of the officers who had dealt with the case in the Divisional and Circle Offices had retired from service before the lapses on their part were examined. Explanations had been called for from the officers who were still in service and the matter was under consideration. The Committee have desired to be informed about the action taken against the officers who are still in service.

2. Even though the officers who had dealt with the case during its crucial stages had retired long ago and no action could be taken against them, an attempt was made to get their explanations as to why prompt action was not taken to remove the Branch Postmaster when his conduct was found to be suspicious. This was done with a view to finding out if any of these retired officers could fill the gap as to the reasons for their reluctance in taking action to remove the Extra Departmental Branch Postmaster and with a view to examining any defence on the part of serving officers that they continued the treatment accorded to the case by their predecessors. The replies received do not, however, throw any light on the matter.

On 11-5-49 in the course of an interview with the Supdt. of Police, Azamgarh, the then Superintendent of Post Offices was verbally informed that the Branch Postmaster was suspected by them of complicity in the crime and was also considered to be of a cunning and unreliable nature. The Superintendent of Police promised to send his formal report within fifteen days. An explanation of this Supdt. of Post Offices, who is still in service, was obtained for his failure to remove the Branch Postmaster when his conduct was reported to be very suspicious. The officer has explained *inter alia* that (i) the suspicions about the *bona fides* of the Branch Postmaster expressed orally were not conveyed in writing and ultimately the theft remained untraced; (ii) after the theft remained untraced he took appropriate action and ordered recovery of Rs. 1,000 from the Branch Postmaster; (iii) the Branch Postmaster had a sufficiently long service and a solitary case of reported theft which eventually remained untraced could not justify the drastic action of removal from service when there was no previous instance of unsatisfactory work or doubtful character against the Branch Postmaster; (iv) as far as he remembers he had discussed the case with the Deputy Postmaster-General and the Postmaster-General, Lucknow, for guidance and his action had their tacit approval. The explanation is considered satisfactory and in the circumstances no action against the officer is contemplated.

3. Explanations were also obtained from the officers, who are still in service, for (i) delay in the disposal of the case when the matter was referred to the Directorate and (ii) failure to point out that the question of the removal of the Extra Departmental Branch Postmaster was within the competence of the Divisional Superintendent when the reference was received by them. So far as the delay is concerned this was caused largely due to the location of the Branch concerned at Simla while the officers concerned were stationed at Delhi, the heavy volume of work and inadequate personnel. Measures have since been taken to rectify these defects.

4. In regard to the failure on the part of the officers in the Circle Office and the Directorate to secure the removal of the Branch Postmaster by pointing out to the Divisional Supdt. that the matter was entirely within his competence, it is pointed out that the main question concerning the Directorate was the writing off of the loss to be sustained and not that of removal of the Branch Postmaster as the latter was, while the former was not, within the competence of the Circle or the Divisional Supdt. Officers, dealing with the case in the Directorate and the Circle, therefore, concentrated on making sure that there were actually no other means left through which recovery of the loss caused to Government could be made and the write-off of the loss was unavoidable.

5. The explanations of the officers have been carefully examined and it is considered that these officers did not act with any intention to shirk responsibility but that it was a case of *bona fide* error of judgment in not assessing correctly the need for making the Branch Postmaster ineffective. It has, therefore, been decided that no action should be taken against the officers still in service who dealt with the case in the Circle Office and in the Directorate.

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

Sd/- V. SHANKAR,
Director General of Posts & Telegraphs.

APPENDIX XV

(Reference Para 92 of the Report)

Memorandum No. 15-WF(12)/58 dated the 11th July, 1959 pursuant to action taken on para 23 of the Eleventh Report (Second Lok Sabha) regarding loss due to abandonment of Jabalpur Foundry Project

In para 23 of the 11th Report (Second Lok Sabha) of the Public Accounts Committee, Vol. I, the P.A.C. desired to be furnished with a note regarding the final outcome of the disposal of surplus materials and of the plant and machinery as well as the ultimate loss to Government on the abandonment of the Jabalpur Foundry Project and the action taken against the concerned officers.

2. The final position regarding the disposal of surplus materials and of the plant and machinery and the utilisation of floor space of the Jabalpur Foundry is as follows.—

(i) *Raw Materials.*—All raw materials originally procured for the Jabalpur Foundry, which had become surplus, are being utilised by the P. & T. Workshops. The important items requiring disposal are Pig Iron, Steam Coal and Lime Stone. The latest position in regard to these items is given below.—

(a) *Pig Iron.*—There was a total stock of 1098 tons of pig iron at Jabalpur in August, 1958. It is being utilised in the Telegraph Workshops, Alipore (Calcutta). Now about 140 tons are at Jabalpur awaiting transport to Calcutta.

(b) *Steam Coal.*—In August, 1958, the stock of steam coal was about 448 tons. It is proposed to utilise this stock in the Telegraph Workshops, Jabalpur, in place of smithy coal. It is now estimated that the entire quantity of steam coal would be utilised in about two years, instead of one year as reported in the note furnished with this Ministry's O.M. No. 15-WF(12)/58, dated the 19th September, 1958. During this period, the supply of the smithy coal will be utilised for building up a reserve as supply of smithy coal against allotment is irregular.

(c) *Lime Stone.*—In August, 1958, the stock of lime stone at Jabalpur was 20 tons. The entire stock is being transferred to Calcutta for consumption in the Telegraph Workshops, Calcutta.

(ii) *Plant and Machinery.*—Plant and machinery had been obtained for the foundry project at Telegraph Workshops, Jabalpur, at a total cost of Rs. 1,33,709 (or Rs. 1,33,000 mentioned in para 5 of the Audit Report 1956—Part I), which consisted of the following—

	Rs.
(a) Cost of the machines	1,10,981·37
(b) Cost of installation	22,728·00

Of these, machines worth Rs. 69,395 (excluding the cost of installation) have been utilised in the Workshops. However, machines worth Rs. 41,586 (excluding installation charges), the details of which are indicated below, could not be utilised in the Workshops and are being disposed of through the Director General of Supplies & Disposals. Necessary sanction for the disposal of these machines through the D.G.S. & D. has been accorded on the 24th September, 1958, and the action for their actual disposal is being taken by the D.G.S. & D.

Item	No.	Original cost
		Rs.
(1) Goods Lift	1	16,216·00
(2) Soorkey Mill	1	2,271·50
(3) M. S. Cupola (3 tons)	1	8,162·44
(4) M. S. Cupola (5/6 tons)	2	14,936·00
TOTAL		41,585·94

(iii) *Floor Space*.—It is being fully utilised by Jabalpur Workshop for storage purposes.

3. As regards the loss caused to Government on account of the abandonment of the project for foundry the position is as follows :—

(a) *Capital investment* to the extent of Rs. 5,33,800/- was made on buildings, sheds, boundary wall and sanitary installations etc. in connection with the project for foundry. These buildings, sheds and other installations are being fully utilised for storage of M. S. Sheets, Ammonium Chloride and other items of the stores of the Telegraph Workshops, Jabalpur. If the buildings were not there, it would have been necessary for the Workshops to go in for new buildings for storage of materials. As such there has been no loss to Government on this account.

(b) *Capital investment on plant and machinery*.—Plant and machinery worth Rs. 1,33,709 had been obtained for the foundry project consisting of the following :—

	Rs.
(1) Original cost of machines	1,10,981·37
(2) Cost of installation	22,728·00

Of this, the entire sum of Rs. 22,728·00 on account of the cost of installation represents infructuous expenditure. As regards the cost of machines, machines worth Rs. 69,395 have been utilised in the Workshops and machines worth Rs. 41,586 are being disposed of through the D.G. S. & D. The sale value of these machines is expected to be Rs. 31,000/- which would reduce the net loss to Government to Rs. 10,586/- only. The total loss on account of the Capital Investment on plant and machinery including the installation charges would, therefore, be Rs. 33,314/-.

(c) *Contingent Expenditure*.—The loss on account of the infructuous contingent expenditure is Rs. 15,000/-, as loose tools and appliances worth about Rs. 5,000 are fully recoverable.

4. The total loss caused to Government in respect of buildings, plant and machinery and contingent items, therefore, works out to Rs. 48,314 as against Rs. 1 lakh estimated in para. 5 of the Audit Report (P. & T.) 1956—Part I, due to subsequent utilisation of the foundry buildings, sheds etc.

5. Apart from this, infructuous expenditure has been incurred on account of the freight and handling charges in transferring plant and machinery and raw materials to Telegraph Workshops, Calcutta and on account of the interest charges on the capital locked up in the buildings, plant and machinery and raw materials till they were put to use. This has been assessed to be of the order of Rs. 1.68 lakhs. Infructuous expenditure on this account may, however, be off-set partially by the savings caused to Government on account of appreciation in the value (Rs. 1.40 lakhs) of the raw materials by the time they were utilised.

6. It may be argued that some expenditure could be assumed on account of store-keeping, accounting and godown rent charges as well as the possibility of deterioration of some materials and/or losses on account of long storage. The point, however, is that of the materials stored, lime stone has been tested and found to retain the original quality and imperishable materials like pig-iron and steam coal would not suffer from deterioration in the period under review. The element of expenditure on this account can, therefore, at most be insignificant and may be ignored.

7. A separate Memorandum will be submitted to the P.A.C. on the question of taking action, if any, against the concerned officers.

8. The Accountant General, Posts & Telegraphs has seen this memorandum.

Sd/- D. C. DAS,

Joint Secretary to the Government of India.

APPENDIX XVI

(Reference S. No. 2 in Appendix I of the Report)

Office Memorandum No. 2-TF(11)/58 dated the 14th May, 1959 pursuant to action taken on para 27 of the 22nd Report (First Lok Sabha) regarding supply of equipment by the Indian Telephone Industries Ltd. to the P. & T. Department.

The undersigned is directed to refer to S. No. 9 of Appendix I to the Eleventh Report of the Public Accounts Committee (1958-59) on the Appropriation Accounts (Posts & Telegraphs) 1955-56 and Audit Report 1957—Part II. The Public Accounts Committee desired to be apprised of the latest position as regards—

- (a) review of provisional pricing of equipment supplied by Indian Telephone Industries to the Posts and Telegraphs Department; and
- (b) issue of Rate List by Indian Telephone Industries for items of equipments supplied to the Posts and Telegraphs Department.

2. The requisite information is furnished below:—

- (a) The review of provisional pricing of equipment supplied to Posts & Telegraphs Department by Indian Telephone Industries has been completed by the Cost Check Unit Officer. The entire amount of Rs. 60 lakhs relating to bills issued upto 31-3-1956 has been paid to the Posts & Telegraphs Department by Indian Telephone Industries.

Further refunds to Posts & Telegraphs Department are also expected to be made by Indian Telephone Industries in respect of subsequent periods owing to reduction in cost of production at Indian Telephone Industries.

- (b) The Rate List has been completely issued as on 31-3-1958 and this Rate List is in current use.

3. This has been seen by the Accountant General, Posts & Telegraphs Simla.

Sd/- M. M. PHILIP,
Secretary to the Government of India.

APPENDIX XVII

(Reference S. No. 4 in Appendix I of the Report)

Note with reference to para 82 of the 22nd Report (First Lok Sabha) regarding provision of separate press for the P. & T. Department.

In the note attached to the Ministry of Transport and Communications (Departments of Communications & Civil Aviation) Memorandum No.3-39/52-M dated 31st August) 1957 (Appendix XXXI of Eleventh Report of P. A. C. Volume II) the Public Accounts Committee were informed that one Rota Print machine had been installed in the office of the Postmaster-General, West Bengal Circle, Calcutta on 25-5-1956 as an experimental measure for printing of forms, etc., in emergencies, and that provision of such machines in other Circles would be considered in consultation with the Chief Controller of Printing and Stationery in case the machine installed in the West Bengal Circle proved useful.

2. In serial No. 20 of Appendix I to their Eleventh Report for the year 1958-59—Volume I, the Public Accounts Committee have now desired to be apprised of the method of installation of Rota print machine in the various Postal Circles.

3. Only one Rota print machine has been installed in the West Bengal Circle Office. The question of further installation of such machines has to be considered in the light of the report of the P. & T. Forms Committee as one of the terms of reference of that Committee was to examine the question of provision of small job presses in the P. & T. Circles. The Forms Committee has since submitted its report on the 18th March, 1959 and the report is under consideration of the Government. The P. & T. Forms Committee has, however, not recommended the installation of Rota Print machines to other Circles due to the following reasons:

- (i) The machine is not capable of printing all the forms and can print forms only upto foolscap folio size.
- (ii) Apart from the initial high cost of the machine the printing by this machine is too expensive as compared to printing in a private press or in the Government of India Presses.
- (iii) For each kind of Form required to be printed on this machine Rota-print metallic plates or Rotamasta paper plates are required which are costly and further add to the expenditure.
- (iv) Purchase of this machine and other consumable articles for its use involve outlays of foreign exchange as they are imported items.

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

Sd/- V. SHANKAR,
Director-General, Posts and Telegraphs.

APPENDIX XVIII

(Reference S. No. 6 in Appendix I of the Report)

Note pursuant to action taken on para 8 of the First Report (Second Lok Sabha) regarding infructuous expenditure on rent of building occupied by Refugees.

The Committee desired that they may be apprised of the latest position in this matter. It has already been brought to the notice of the Committee that the expenditure of the P. & T. in this connection has been reduced to the barest minimum of Rs. 350/- per month, being the rent of the premises payable to the landlord. The P. M. G. West Bengal Circle, Calcutta was requested on 26-2-58 to contact the West Bengal Government authorities for assistance in getting the unauthorised occupants moved out of the building (23, Nimta Road, Belgharia) as they did in the case of 77-C, Park Street, Calcutta, the P. M. G. Calcutta, was granted an interview by the Chief Minister West Bengal on the 7th June, 1958. In that interview the P. M. G. requested him for assistance in getting the unauthorised occupants vacated from the premises. The Chief Minister suggested it might perhaps be easier to acquire the portion in which these squatters were living and to purchase it outright, giving over possession of the land together with the building to the owner and paying him due compensation for the acquired portion of the land and some of the out-houses in which these squatters were living.

2. The P. M. G. West Bengal Circle, Calcutta contacted on 7-6-58 the Refugee Relief and Rehabilitation Department of the Government of West Bengal who have informed him on 20-9-58 that the West Bengal Government would be agreeable to acquire the premises subject to the approval of the Ministry of Relief and Rehabilitation, Government of India. For this purpose they have got the valuation of the lands and buildings done through the Collector and they are submitting a proposal to the Ministry of Relief and Rehabilitation, Government of India.

A further reference has been made to the Chief Minister West Bengal on 24-4-59 to use his good offices to expedite settlement of the case.

3. This Note has been seen by the A. G., P. & T., Simla.

Sd/- V. SHANKAR,

Director General of Posts and Telegraphs.

APPENDIX XIX

(Reference S. No. 9 in Appendix I of the Report)

Note pursuant to action taken on para 15 of the First Report (Second Lok Sabha) regarding alleged frauds in the Establishment Pay Bills of a Head Post Office

Departmental action against 23 out of the 25 delinquent officials has since been finalised and suitable recoveries have been ordered from them aggregating Rs. 2663.80. Departmental action against one official is in progress while the question of recovery from the death-cum-retirement gratuity of another official is under examination.

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

Sd./- V. SHANKAR,
Director General,
Posts and Telegraphs.

APPENDIX XX

(Reference S. No. 12 in Appendix I of the Report)

Note with reference to para 18 of the First Report (Second Lok Sabha) regarding alleged frauds in the Savings Bank Branch

In this case, the prosecution put up one challan in the Court at Amraoti and 6 in the Court at Yeotmal. In the case at Amraoti the Judgement was delivered on 28-1-1957 acquitting the accused. The State Government of Bombay preferred an appeal against the acquittal of the accused in the High Court of Bombay at Nagpur and the accused has been convicted and sentenced to 1 year R.I. on 17-7-1958.

2. In the Court at Yeotmal, the Judgement was delivered in respect of 3 challans on 28-11-1958 convicting the official as given below :

- | | | |
|-------------------------|-------|---|
| Criminal Case No. 34/56 | . . . | R.I. for 4 months. |
| Criminal Case No. 35/56 | . . . | R.I. for 2 years & fine of Rs. 300/- or in default 6 months R.I. |
| Criminal Case No. 36/56 | . . . | R.I. for one and half years and fine of Rs. 200/- or in default 6 months R.I. |

All the above sentences are to run concurrently.

In other 3 cases judgment was delivered on 29-11-1958 and accused was sentenced as given below:

- | | | |
|-------------------------|-------|--|
| Criminal Case No. 37/56 | . . . | R.I. for 1½ years and fine of Rs. 500/- or in default R.I. for 6 months. |
| Criminal Case No. 38/56 | . . . | R.I. for 2 years and fine of Rs. 500/- or in default 6 months R.I. |
| Criminal Case No. 39/56 | . . . | R.I. for 6 months. |

The first two sentences in Criminal Cases No. 37/56 and 38/56 are to run consecutively and the third to run concurrently with any of the two sentences. The fines, if realised have been ordered to be paid to the P. & T. Department.

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

Sd/- V. SHANKAR,
Director General, Posts & Telegraphs.

APPENDIX XXI

(Reference S. No. 12 in Appendix I of the Report)

*Note with reference to Para 18 of the First Report (Second Lok Sabha)
regarding alleged frauds in Savings Bank Branch*

Para 12 (iii) of P. & T. Audit Report, 1957-Part I.

In the last note submitted to the Public Accounts Committee under Ministry of Transport and Communications Memo. No. QB. 81/7/56-FRD dated 23-2-59 (Appendix XX) the result of the criminal Court cases was intimated to the Committee. The accused in this case preferred an appeal against his conviction. The Judgment in the appeal case was delivered on 23-2-59 and the result is as follows :

1. In criminal cases No. 34, 35 and 36 of 1956 the sentences ordered by the Lower Court have been maintained.
2. In criminal case No. 37/56. Sentence reduced from 1½ years R.I. and fine Rs. 500/- to 1½ years R.I. only.
3. In criminal case No. 38/56 the sentence reduced from two years R.I. and fine Rs. 500/- to 2 years R.I. only.
4. In criminal case No. 39/56 the sentence of six months R.I. has been maintained.

Sentences in all the 4 cases above are to run concurrently.

2. This note has been seen by the Accountant-General, Posts and Telegraphs, Simla.

Sd/- V. SHANKAR,
Director General, Posts & Telegraphs.

APPENDIX XXII

(Reference Para 20 of the Report)

Note pursuant to action taken on para 22 of the First Report (Second Lok Sabha) regarding losses of stores

In para 22 of their First Report 1957-58, the P.A.C. while discussing the audit para on 'Losses of Stores' observed that in view of the magnitude of losses of copper wire the P. & T. Department should study the problem in the light of measures adopted by other countries.

2. The Committee were informed that the question of replacing the copper wire by aluminium wire was being examined and that experiments were afoot. The Committee have now desired to know the result of the experiments conducted for replacing the copper wire by aluminium wire.

3. Certain experiments have been conducted on a short section with the use of aluminium wires. The first results of these tests appear to be encouraging. The use of aluminium wires to any larger extent will, however have to be determined after taking a number of factors into account. It is, therefore, difficult to say if all the difficulties can be overcome or the material can be considered to be entirely satisfactory. The little experience on this subject since use of aluminium conductors for telecommunication work has not also been adopted to any great extent by other countries.

The solution to this problem lies in replacing copper wire by copper weld wire to the extent practicable and improving the law and order situation with a view to preventing large-scale thefts. After a careful consideration of the thefts of copper wire an eight mile section between Calcutta-Kharagpur is at present under replacement. It is hoped that this step would bring down the losses. The Department is also, liaising with the police with a view to find out more appropriate methods for apprehending the culprits. Technical arrangements such as installation of theft locaters are also being made on a more extensive scale.

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

Sd/- V. SHANKAR,

Director General of Posts and Telegraphs.

APPENDIX XXIII

(Reference S. No. 16 in Appendix I of the Report)

Note pursuant to action taken on para 26 of the First Report (Second Lok Sabha) regarding execution of Telephone Expansion Project at Bombay

The position with regard to the progress made upto 30-4-58 for closure of Accounts of various estimates forming part of this project was furnished in the note sent under Government of India, Ministry of Transport and Communications (Posts & Telegraphs) Memo. No. B. 26-27 55 P(BC) dated 1-7-1958. (Appendix XLVII to 11th Report 2nd Lok Sabha)

In all, as on 1-5-1958, there were 595 sanctioned works of which 548 works were completed and 47 works were still under execution. Since 1-5-58 the General Manager, Bombay has sanctioned 109 more works and cancelled seven other works which bring the total number of sanctioned works on the Project to 697 as on 17-4-59. Out of these, 118 works were still in progress on 17-4-59. The progress made is given below :

Sl. No.	Item	As on 1-5-58	As on 17-4-59
1	No. of works completed	548	579
2	No. of C. Rs. verified by Audit	487	503
3	No. of C. Rs. submitted to Audit not yet verified	8	5
4	No. of C. Rs. yet to be sent to Audit in res- pect of completed works	53	71
5	Works still in progress	47	118

As this project has been in progress since long and another project is now in hand, instructions have since been given to the General Manager, Bombay District to close finally the accounts on this project and to include works not forming an integral part of the former project in the latter project. It is expected that the 118 works in progress will be completed and completion Reports submitted to Audit by the end of this Financial year (1959-60).

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

Sd/- V. SHANKAR,
Director General, Posts and Telegraphs.

APPENDIX XXIV

(Reference S. No. 18 in Appendix I of the Report)

Letter No. 43/1/59-Disc dated the 24th February, 1959 pursuant to action taken on para 3 (Introduction) of the Eleventh Report (Second Lok Sabha) regarding delay in disciplinary proceedings against the delinquent officials in cases of losses and frauds etc.

INDIAN POSTS & TELEGRAPHS DEPARTMENT

(OFFICE OF THE DIRECTOR-GENERAL OF POSTS & TELEGRAPHS)

To

All Heads of Circles &
Administrative Offices.

SUBJECT—*Recommendations of the Public Accounts Committee—Delay in disciplinary proceedings against the delinquent officials in cases of losses and frauds etc.*



Kindly refer to the instructions issued in this office letter No. 81-36/57-FRD dated the 12-10-57 in which the recommendations of the Public Accounts Committee in their first report were forwarded and you were requested to take immediate steps to complete disciplinary proceedings against delinquent officials involved directly or indirectly in cases of losses and frauds as early as possible. In their Eleventh Report the Public Accounts Committee have again adversely commented upon the delays in taking disciplinary action against delinquent officers and have taken note of a number of cases where considerable delays occurred in finalising departmental action against delinquent officials. Attention is invited in this connection to the instructions issued in this office letter No. SEA-6-7/55 dated the 12-10-55 and further clarified in this office letter No. SEA. 6-7/55 dated the 6-12-56. According to these instructions in all cases of criminal misconduct committed as Government servant, departmental action should be completed and the prosecution should be launched thereafter. Even in cases where prosecution against the primary offenders has been launched, there is no objection to departmental proceedings being continued against subsidiary offenders responsible for breach of rules or non-observance of instructions unless the Police see any objection to the departmental proceedings being continued. You are, therefore, requested again to emphasise on all disciplinary authorities, that in any case where delay in completing departmental proceedings against the delinquent officials has been caused without sufficient justification, they will be held personally responsible for such delay and render themselves liable to disciplinary action.

2. In cases of fraud and loss, while conducting the preliminary investigations the question of the responsibility of the primary offenders as well as other officials responsible for contributory negligence should always be

examined at the earliest possible stage and disciplinary proceedings started without any delay. All such cases where it is possible to start disciplinary proceedings should be watched by the Vigilance Officer of the Circle Offices/ Administrative Offices. In the Circle and Administrative Offices while examining the progress in cases of fraud or losses, the disciplinary aspect should be prominently kept in view and it should be clearly understood that the disciplinary authorities should be in a position to explain the delay which occurs in any case in initiating and completing departmental proceedings.

Sd/- R. V. MARATHE,
Deputy Director General (Staff).

APPENDIX XXV

(Reference S. No. 19 in Appendix I of the Reports)

Letter No. 16-38/58-B Dated the 17th February, 1959, pursuant to action taken on para 5 of the Eleventh Report (Second Lok Sabha)

INDIAN POSTS AND TELEGRAPHS DEPARTMENT

(OFFICE OF THE DIRECTOR GENERAL OF POSTS AND TELEGRAPHS)

SUBJECT :—*Control over expenditure—Maintenance of liability Registers.*

Kindly refer to Directorate's Memo. No. B 16-82/55 dated 30-11-55 regarding maintenance of liability register. In response to the query made by this office in Telegram (No. 16-38/58-B dated 5-8-58) to the Heads of Circles it came to light that some circles were not strictly following the instructions regarding maintenance of liability register. The circles were specifically requested to maintain the register in the prescribed manner in this office Memo. of even No. dated 19th August, 58.

2. In para 5 of their Eleventh Report 1958-59 (Second Lok Sabha) volume I the P. A. C. have stressed that a watch should be kept to see that the instructions issued by this office are invariably followed by all Heads of Circles and Controlling Units. It is, therefore, once again brought to the notice of all Heads of Circles etc., that they should ensure that the instructions in the matter issued by this office are actually followed in practice by all the Subordinate authorities concerned, without any exception or deviation.

The receipt of this letter may please be acknowledged.

Sd/- P. SRINIVASAN,
Director of Accounts

To
All Heads of Circles etc

APPENDIX XXVI

(Reference S. No. 25 in Appendix I of the Report)

Note with reference to para 67 of the Eleventh Report (Second Lok Sabha) regarding Postal Life Insurance Organisation.

SUBJECT— *P.L.I. Organisation—Para 17 of the Audit Report 1957-Part II read with Appendix 4.*

In para 67 (Proceedings) of the Eleventh Report of the Public Accounts Committee (Second Lok Sabha) the Committee desired that the P. & T. Department should examine the question as to why the percentage of expenditure of the P.L.I. organisation was higher on the Civil side than in the Military Wing.

The observations of the P.A.C. relate to the accounts of the P.O.I. Fund for the year 1955-56. The number of policies issued that year and the sum assured thereunder on the Civil and Military sides are given below separately :—

	No. of policies	Sum assured	Average sum assured per policy
		Rs.	Rs.
Civil	17074	3,28,96,600	1926
Military	1026	80,50,700	7846

It will be observed from the above data that the average sum assured on the Military side is more than 4 times that on the Civil side. The premium collections per policy on the Military side are consequently much higher. The expenditure for maintenance of a policy account is, however, the same irrespective of the sum assured. The percentage of expenditure which is a ratio of the expenses to the premium income is bound to be higher in the case of a Civil policy because of its comparatively low premium collections. This explains why the percentage of expenditure on the Civil Side is higher than in the Military Wing.

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

Sd/- V. SHANKAR,
Director General, Posts & Telegraphs.

APPENDIX XXVII

(Reference S. No. 32 in Appendix I of the Report)

Note pursuant to action taken on para 33 of the Eleventh Report (Second Lok Sabha) regarding the entries for censure, warning etc. in the Confidential Reports of the Officers concerned.

In serial No. 15 of Appendix II to the Eleventh Report of the Public Accounts Committee (1958-59), the Committee have made the following observations :—

“ The Committee trust in all cases the results of disciplinary action such as censure, warning etc. are entered in the confidential Reports of the officers concerned. ”

According to the present instructions entries in respect of all statutory penalties including the penalty of 'censure' are required to be made in the confidential records of the Government servant concerned. Where, however, the irregularities on the part of an officer are not so serious as to justify the imposition of a statutory penalty but a verbal or written warning—admonition or reprimand—is considered sufficient, the Reporting Officer may or may not make an entry in the Confidential Records of the official. In the light of the recommendations of the Public Accounts Committee a reference has been made to the Ministry of Home Affairs on 11-3-59 for their advice as to whether any modification is necessary in the existing instructions on the subject. The reply from the Ministry of Home Affairs is awaited.

2. This note has been seen by the A.G., P.&T. Simla.

Sd/- V. SHANKAR,
Director General of Posts & Telegraphs.

APPENDIX XXVIII

(Reference S. No. 34 in Appendix I of the Report)

Note pursuant to action taken on paras 37-38 of the Eleventh Report (Second Lok Sabha) regarding payment of Labour Wages in Engineering Divisions.

A note indicating the position in respect of this case was submitted to the Committee under Ministry of Transport & Communications Memo. No. NB. 7-3/56 dated 14-9-1957. [Appendix XX to the 11th Report (Second Lok Sabha).]

2. Further progress on the case was indicated in Ministry of Transport & Communications letter No. N.B. 7-3/56 dated the 9th July, 1958. [Appendix XXI to the 11th Report (Second Lok Sabha)]. The case has now been fully investigated.

3. In this case, the scheduled rate fixed in most of the Divisions was Rs. 1/12/- upto 31-7-55. It was reduced to Rs. 1/6/- with effect from 1-8-55 but as no labour was available at that rate, it was fixed at Rs. 1/8/- from 1-9-55. The contention of the audit is that the rates were in excess of the corresponding local rates and no reasons were given for exceeding these rates and consequently there has been an excess payment of Rs. 1.51 lakhs.

4. The schedule of rates is intended to be a working guide and officers are exhorted to employ labour at a lower rate as and when possible, keeping in view the local needs from time to time. The maximum rate is not to be exceeded in special circumstances when the Divisional Engineers can allow higher rates in individual estimates, after recording the reasons for the departure. In this case, labour was employed at rates given in the schedule. There is no case in which a higher rate has been paid than the prescribed schedule rate.

5. The following questions arise for determination :—

- (a) whether the schedule of rate of Rs. 1/12/- was in order having regard to the average local rates and other relevant prevailing conditions,
- (b) whether during the relevant period, labour could have been obtained *in fact* at the rates which were fixed at Rs. 1/8/- with effect from 1-9-55.

6. The explanation of the officers concerned and the remarks of the P.M.G. have been obtained with reference to these points. The officers have contended that the schedule of rates was fixed with due regard to the factors prescribed in the rules but their difficulty was that the rates quoted by such local authorities as responded to the enquiry were widely divergent ; that the requirement of labour for the P. & T. is not the ordinary unskilled labour but

specially trained coolies who can work strenuously on the telegraph lines and at different places ; that the difficulty of enforcing the rates based on the arithmetical average of some unrepresentative rates is obvious ; that the arithmetical average reported by some of the divisional officers worked out to a little less than Rs. 1/12/- inclusive of the P.W.D. rates which are generally the lowest and more than Rs. 1/12/- exclusive of those rates ; that they had made enquiries and the generally prevalent rate was in fact Rs. 1/12/- which was the rate adopted for the schedule. The omission to give reasons for departing from the average local rates is admitted. The P.M.G. in his comments has remarked that the difficulty of placing any reliance on local rates would be obvious from the fact that the rates quoted for Kanpur which is an industrial centre were lower than those reported for Unnao and even some rates of Lucknow were reported to be lower than those of Unnao. P.M.G. has also contended that during the relevant period the cost of living index was near about 440 whereas in 1955 when the rate was fixed at Rs. 1/8/-, the cost of living index was 371. A higher rate than Rs. 1/8/- was therefore obviously justified and therefore no loss can be deemed to have actually occurred.

7. The officers have also pointed out the difficulties of enforcing the relevant rule on the ground that the local rates are widely divergent ; that striking out an average mean for the whole division would be unrealistic in terms of the rates prevalent locally ; that unskilled labour rates are not necessarily appropriate for work on telegraph lines and that there is no definition of 'local authorities' prescribed ; that the response from the local authorities is either not forthcoming or is tardy and therefore the actual schedule is based on the conclusion of the officer concerned as to the rate at which the labour would be available than on the average local rates.

8. These various remarks have been examined by the Department. The Department agrees that the present rule is both defective and unrealistic and action has been initiated to recast the existing rule so as to make it more practical and explicit. In the first place, the term 'local authorities' has to be clearly defined with a view to obtaining the rates which are relevant to the work on the telegraph lines, e.g., rates for working in Electricity companies and P. W. D. rates for work on canals. Secondly, means must be found to secure information quickly so that delays in prescribing the schedule of rates are avoided. Thirdly, the confusion which exists under the present rules between the 'average local rates' and 'rates prescribed by the local authorities' must be resolved. Fourthly, some means must be found for suitably applying the schedule to local areas perhaps by specifying different rates for areas where the ruling rates are higher than the average. Lastly, the duty of ascertaining the local rates must be very squarely placed on the executing authority and a scrutiny must be enjoined on superior authorities to ascertain that this has actually been done. The changes will be finalised shortly and issued to the circles after consulting the various authorities concerned.

9. The Department also feels that in the light of the defects in the rules noticed and the cogent reasons advanced both by the officers and the P. M. G. it is impossible to say that the rate fixed for the schedule and on the basis of which payments were made was not correct. Since payments could have been made even at the rate of Rs. 1/12/- after giving adequate reasons notwithstanding the fixation of the scheduled rate at Rs. 1/8/- as contended by the audit, it would be impossible to conclude at this stage that the loss reported actually occurred. It would not be possible, therefore, to hold the

officers responsible for any actual loss or to distribute the responsibility between the various officers on any basis of calculation. The officers have undoubtedly committed an irregularity in not giving reasons for fixing the schedule of rates not based on the average local rates that were ascertained. To deal with this, the Department considers that the best course would be to bring the irregularity to the notice of the P. M G. and the officers concerned and ask them to be more careful in future with a view to avoiding repetition and recurrence of such irregularities.

10. This note has been seen by the A. G., P. & T.

Sd/- V. SHANKAR,
Director General of Posts and Telegraphs.

APPENDIX XXIX

(Reference S. No. 36 in Appendix I of the Report)

Memorandum No. 15-WF (43)/58 dated 19th June, 1959 from the Ministry of Transport and Communications (Departments of Comm. and Civil Aviation) pursuant to action taken on paras 41 and 42 of the Eleventh Report (Second Lok Sabha) regarding introduction of effective Cost Accounting system in the Posts and Telegraphs Workshops.

In Paras 41 and 42 of the 11th Report (Second Lok Sabha) Volume I the Public Accounts Committee observed that the progress made in the implementation of the Cost Accounting system in the Posts and Telegraphs Workshops had been rather slow and had expressed the hope that the position would improve by the time they take up the examination of the next year's accounts and that all the labour and material schedules would have been drawn up by that time.

2. The P. A. C. had been informed earlier of the progress made in the preparation of labour and material schedule *vide* Para. 2 of this Ministry's Memorandum No. 19-WF(5)/56, dated the 8th January, 1958 Appendix XXIV to 11th Report (Second Lok Sabha). The present position is that labour and material schedules have since been prepared for all the items manufactured in the Telegraph Workshops, Calcutta, Telegraph Workshops, Jabalpur and the Telephone Workshops, Bombay.

3. These schedules have been prepared on the basis of past experience and current practices to provide a standard for the guidance of the employees of the Workshops. The Cost Accounts Officer has now been charged with the responsibility of keeping a watch over the actual performance with reference to these labour and material schedules and to point out cases of wide variations between the actuals and the standards laid down in the labour and material schedules. The Cost Accounts Officer is accordingly keeping a watch over the variations between the actuals and the estimates, while the job is actually in progress. Wherever wide variations between the actuals and the estimates are noticed, action is initiated to examine the labour and material schedules again and to revise them on the basis of actual observation. In doing so, advantage is taken of time and motion study, wherever possible. For this purpose a small unit has been set up for time and motion study.

4. It would, therefore, be observed that the first phase of preparation of labour and material schedules in the P. & T. Workshops is over and the Workshops are now in the midst of the second phase of the revision of the schedules on the basis of actual observation. It may be added in this connection that the work of revision of labour and material schedules is, by its very nature, a continuous process—the final goal being the revision of all the schedules on the basis of time and motion and productivity studies under the guidance of engineers trained in these techniques, till the optimum production is reached. This is necessarily a slow process dependent on a number

of factors such as introduction of incentives and increase in the efficiency of the labour above the present low level, and is likely to take considerable time, as already stated in Para. 4 of this Ministry's Memorandum No. 19-WF(5)/56 dated the 8th January, 1958.

5. Overhead expenses or the 'oncost' are now determined separately for each shop in all the three Workshops, which would enable the management to determine the cost of production of the items manufactured in different shops, as accurately as possible, and would also reflect the productivity of each shop separately. This system was extended to the Telegraph Workshops, Jabalpur and the Telephone Workshops, Bombay with effect from the 1st October, 1958. In the Calcutta Workshops it has been in vogue since the 1st April, 1957.

6. This Memorandum has been seen by the Accountant General, Posts & Telegraphs.

Sd/- D. C. DAS,
Joint Secretary to the Government of India

APPENDIX XXX

(Reference S. No. 43 in Appendix I of the Report)

Memorandum No. 15.-WF (41)/58 dated the 9th July, 1959, from the Ministry of Transport and Communications (Departments of Communications and Civil Aviation) pursuant to action taken on para 43 of the Eleventh Report (Second Lok Sabha) regarding overhead expenditure in the Posts and Telegraphs Workshops.

In para 43 of the Eleventh Report (Second Lok Sabha) Volume I, the Public Accounts Committee had emphasised the need for gradual reduction of the overhead expenditure in the P. & T. Workshops to a regulated figure. The recommendations of the Committee have been noted. Incidentally, it may be mentioned that a rise in the oncost percentage—which is the ratio between direct labour and indirect expenses—does not by itself indicate that the total overhead expenditure has gone up.

2. The objective of the P. & T. Workshops is to reduce the cost of production per unit, as far as possible, by more mechanisation, replacement of old and worn-out machines by new plant and machinery and introduction of improved methods, such as Cost Accounting system; training of workmen; setting up of Industrial Engineering Sections for revision of labour and material schedules, on the basis of time and motion study wherever possible; statistical quality control; training within industry, etc. These measures are likely to lead to some increase in the total overhead expenditure in the Workshops in the coming years, but it is hoped that they will in future lead to a lower cost of production per unit by increased efficiency and better control on indirect labour and materials. With a view to reduce the incidence of overheads, it has also been decided to utilise the capacity of the Workshops to the maximum. As it may not be possible for the P. & T. Department to absorb the entire production of the Workshops, the General Manager is being authorised to obtain orders direct from other Government Departments, such as Railways and Defence, Quasi-Government Organisations, and Private Firms and Parties.

3. The Accountant General, P. & T., has seen this Memorandum.

Sd./-D. C. DAS,
Joint Secretary to the Government of India.

APPENDIX XXXI

(Reference S. No. 37 in Appendix I of the Report)

O.M. No. 2-TF(2)/59-I dated the 15th July, 1959 from the Ministry of Transport and Communications (Depts. of Communications and Civil Aviation) pursuant to action taken on para 47 of the Eleventh Report (Second Lok Sabha), regarding large amounts of outstanding book debts due to Indian Telephone Industries Ltd.

The undersigned is directed to refer to S.No. 20, Appendix II (Para. 47) of the 11th Report of the P.A.C. on the Appropriation Accounts (P. & T.) 1955-56, and Audit Report, 1957 (Pt. II) Vol. I, on the question of expeditious settlement of outstanding bills of Indian Telephone Industries by the Posts and Telegraphs Department on a "cash and carry" basis, and to state in, reply as follows:—

(1) The final figure of outstandings from "Sundry Debtors" as on 31-3-58 as adopted in the Balance-sheet of the Indian Telephone Industries for the year ending 1957-58 is Rs. 1,19,45,331/-. The figure of Rs. 1,28,11,322/- shown in Para. 45 of the report represents a provisional figure which did not take into account adjustments made subsequently for March, 1958. The question of 100% payment of bills of Indian Telephone Industries by Railways and Defence is still under correspondence between Indian Telephone Industries and these Departments. Instructions are being issued by the Director General, Posts and Telegraphs, from time to time to the various indenting units under his control for expeditious settlement of Indian Telephone Industries' bills by them.

(2) The question of expeditious settlement of bills of the Indian Telephone Industries by the Posts and Telegraphs Department was also discussed at a meeting held at New Delhi on 10th October, 1958 attended by the representatives of the Posts and Telegraphs Department, Accountant General, Posts and Telegraphs, the Indian Telephone Industries and the Ministry of Finance (Comms.). Among other things, the following broad conclusions were reached at that meeting:—

- (i) With a view to ensuring expeditious payments to Indian Telephone Industries, a centralised Checking Unit should be established at Bangalore by the Posts and Telegraphs Department, which would check the rates and the arithmetical accuracy of the bills.
- (ii) The Cost Check Unit after checking rates etc. of bills will pass on the same to paying units who will also exercise the prescribed checks and pass the bills for payment. The payment of bills will be finalised within 20 days of their presentation by the Indian Telephone Industries.

- (iii) The procedure for obtaining sanctions to detailed estimates and allotment of funds should be examined and stream-lined, with a view to avoiding delay in payments.
- (iv) 100% payment of bills should be made by the consignee and any adjustments that might become necessary due to short-receipt of equipment or incorrect application of rates would be subsequently made and accepted by the Indian Telephone Industries.
- (v) Loss or damage to equipment during transit or storage will be made good by Indian Telephone Industries provided intimation is given within the period of insurance and the arrangements for storage are satisfactory.

A copy of the detailed procedure laid down by the Director General, Posts and Telegraphs for the payment of bills of Indian Telephone Industries is also enclosed (Annexure).

(3) The Director General, Posts and Telegraphs, is taking further action to have the relevant clauses of the agreement with the Indian Telephone Industries duly amended in order to incorporate the above decisions. Though the procedure now proposed to be introduced is not exactly a system of "Cash and Carry", yet it is expected that this would help in avoiding accumulations of outstandings from the Posts and Telegraphs to the Indian Telephone Industries to a considerable extent. A system of "Cash and Carry" as such is not readily practicable, as certain prescribed checks have to be exercised by the Cost Check Unit and the consignees on the bills.

(4) Figures of outstanding dues to the Indian Telephone Industries from the Posts and Telegraphs Department are as follows:—

<i>March 1955</i>	<i>March 1956</i>	<i>December 1957</i>	<i>March 1958</i>	<i>March 1959</i>
Rs. 259 lakhs	Rs. 190 lakhs	Rs. 117 lakhs	Rs. 92.78 lakhs	Rs. 65.1 lakhs

The figures represent the total payments outstanding in respect of supplies made to the Posts and Telegraphs by the particular dates even though a part of the amount representing 10% payments under the agreement with the Posts and Telegraphs had not actually become due for payment by these dates.

The above figures show that the amount of dues is being reduced gradually.

Sd/- M. M. PHILIP,
Secretary to the Government of India.

Annexure

The procedure for checking and payment of the I.T.I. bills will be as follows. A P & T. Accounts Unit will be established at Bangalore.

I. Checks by the P. & T. Accounts, Unit, Bangalore

(1) The bills intended for P & T. will be presented daily by the I.T.I. Bangalore at the office of P & T. Accounts Units.

(2) This office will index the bills on receipt in a register which will be utilised to watch receipt and despatch of bills.

(3) Each bill would be checked for its completeness and omissions, if any, should be rectified in consultation with I.T.I.

(4) The bill should contain proof of despatch of stores and the bills should be submitted duly receipted and stamped where necessary.

(5) Every item of the bill should be verified and checked with regard to rates and correctness of the calculations. Thereafter, the bill should be arithmetically computed. After all the checks have been exercised, the following certificate should be endorsed on the bills :

“ Rates and arthmetical accuracy checked”.

The bill should thereafter be despatched to the consignee for further disposal under registered cover. This work should be completed within 7 days of the receipt of the bill.

(6) All corrections made in the bills and the date of despatch of the bills to the consignees should be intimated to the I.T.I.

II. Duties and responsibilities of the consignees/Paying Officer

On receipt of the certified bill together with the challans from the P. & T. Accounts Unit at Bangalore, the consignee should exercise the following checks :

(i) He should check that the various items of the bill and the challans are in accord with the I.T.I. specification on record in his office.

(ii) He should simultaneously make a suitable entry on the specification sheet received from the I.T.I. to indicate that 100% payment bills have been preferred by the I.T.I. in respect of these items and passed for payment.

(iii) Before making payment he should see that the relevant estimates are sanctioned by the competent authority and that funds have also been allotted. In case the estimates are not sanctioned or funds have not been allotted he should obtain prior approval of the competent authority for payment of bills

- (iv) After exercising the checks indicated above, the bill should be passed for payment. Payments must be made within 7 day of the receipt of bills.
- (v) The present practice is to provide storage insurance upto 30 days after the receipt of materials at site. This insurance is carried out automatically by the I.T.I. Ltd.

In many cases relating to installation of automatic equipment it becomes necessary for storing the materials for varying periods before it can be used on installation. Provision for storage accommodation is being made in detailed estimates where necessary. In such cases the most suitable arrangement is for the equipment to be unpacked and surveyed just before installation and not immediately after receipt of equipment.

It is considered that ordinarily the average period for which storage should be necessary on even very large auto exchange schemes should not exceed six months (including 30 days already mentioned earlier. Provision for storage accommodation should, therefore, be made in the estimates according to requirements and storage insurance can also be carried out for the same period. In all cases where relevant detailed estimate provide extension of storage accommodation or storage insurance for period longer than an average of six months (and these cases should be extremel few) it will be necessary to obtain specific separate approval of the competent authority both for renting of storage accommodation and for storage insurance. It is to be mentioned that the normal period of storage insurance will be only 30 days and the Heads of the Circles must satisfy themselves (even though provision may exist in the estimate) that storage accommodation and storage insurance is arranged for the minimum period in all cases.

- (vi) The Installer will, on opening the cases, check the stores in all the packing cases with the challans and report immediately to I.T.I. through the Divisional Engineers any shortage or damage to the different items of stores. On receipt of this report I.T.I. will take action to replace all the parts supplied short or damaged. Damage or loss of items of stores should be reported to the I.T.I. within the period of insurance coverage.
- (vii) Thereafter, the Installer should furnish a certificate of receipt of stores in good condition, giving details of shortages, damaged stores, etc., and action taken for their replacement to the paying officer for furnishing to audit the necessary certificate regarding receipt of the stores already paid for, and their accounting against the estimates concerned.

III. The procedure detailed above will apply to items supplied by the I.T.I. to the C.C.T.S. The checks prescribed above in regard to checking of the items of stores billed for would be conducted with reference to the indents or orders placed on the I.T.I. on record in his office instead of the I.T.I. specification sheets. This procedure will not apply to bills presented by the I.T.I. in respect of imported items supplied direct to the consignee for which the existing procedure will continue.

APPENDIX XXXII

(Reference S. No. 37 in Appendix I of the Report)

Note regarding payments due to Indian Telephone Industries Ltd. from the Posts and Telegraphs Deptt.

The undersigned is directed to refer to the Lok Sabha Secretariat (Public Accounts Committee) Office Memorandum No. 2 (VIII)(7)-PAC/59, dated the 27th August, 1959, on the subject mentioned above, and to furnish the required information hereunder :

- (i) Are the payments due to the Indian Telephone Industries by the Posts and Telegraphs Department now being made in accordance with the revised procedure?

Posts and Telegraphs Department have agreed to make 100% payment on proof of despatch and procedural orders were issued by the Director General of Posts and Telegraphs, New Delhi, on the 10th September, 1959 to all his subordinate Units.

- (ii) What is the present position of the outstanding dues to the Indian Telephone Industries Ltd. from the Posts and Telegraphs Department?

The amount outstanding against Posts and Telegraphs as on the 31st August, 1959 is Rs. 61.88 lakhs. This includes a sum of Rs. 15.17 lakhs representing the net value of bills issued during August, 1959 for which payments could not be expected during August, 1959 itself, and if this amount is excluded, the outstandings as on the 31st August, 1959 in respect of bills issued upto the 31st July, 1959, should be only Rs. 46.71 lakhs.

- (iii) What has been the out come of the correspondence between the Indian Telephone Industries and the Ministries of Railways and Defence in regard to 100% payment of the Bills of the Indian Telephone Industries by the latter Department?

Railways and Defence Departments have agreed to the payment of 90% on proof of despatch and balance 10% on acceptance of stores and they have not agreed to 100% payment in the first instance on proof of despatch. The delays in the payment of Indian Telephone Industries Ltd. bills have been brought to the notice of the Railway Board who have since revised their payment procedure according to which payment for the 90 % bills have been centralised with the Financial Adviser and Chief Accounts Officers. With this change in the procedure it is hoped that the position would improve in the next few months. The Railway Board have also assured Indian Telephone Industries Ltd. that action is being taken to see that the settlement of bills is not delayed.

2. This has been seen by the Audit.

Sd/- D. C. DAS,

Joint Secretary to the Government of India.

APPENDIX XXXIII

(Reference S. No. 13 in Appendix I of the Report)

Note with reference to para 19 of the First Report (Second Lok Sabha) regarding alleged substitution of contents of insured letters.

Though the disciplinary proceedings were initiated by the Postmaster General, U.P., the Postmaster General, Bihar, expressed his inability to fix responsibility on the officials of his Circle and contested the findings of the Committee referred to at Appendix XLIV to the Eleventh Report of the P.A.C. 1958-59, Vol. II. It was, therefore, decided to institute disciplinary proceedings against the officials of both the Circles centrally after obtaining the sanction of the President.

2. During the course of discussions with the Postmaster General, Bihar, it was discovered that the findings of the Committee in respect of the two insured letters were based on the premise that the envelopes of the insured letters were prepared by the Patna R.M.S., whereas, as the facts remain, the same were prepared and closed by the I.E. Nepal Post Office. The Patna R.M.S. handled only the closed and sealed insured envelopes. On further scrutiny of the exhibits, it was concluded that the abstraction had taken place before the insured letters were placed in the insured envelopes.

3. The conclusion that the abstraction had taken place before the insured letters were placed in the insured envelopes was arrived at late in 1958 only on reconsideration of the case after discussion with the Postmaster General, Patna. The necessary enquiry, leading to the disciplinary proceedings against the suspected officials of I.E. Nepal Post Office, therefore, could not be initiated as one of the officials had, already, died in May, 1956 and the other retired on 1-8-1958. It was, thereafter, decided to appoint the Postmaster General, U.P. circle, as the common disciplinary authority in respect of the officials of different categories in his Circle and Government orders issued accordingly on 24-4-59.

4. The delay that has taken place in finally instituting the proceedings was unavoidable in view of the necessity of sorting out this conflict of findings and multiplicity of jurisdictions involved.

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

Sd/- V. SHANKAR,
Director General of Posts and Telegraphs.

