

PUBLIC ACCOUNTS COMMITTEE
1954-55

THIRTEENTH REPORT

[APPROPRIATION ACCOUNTS (POSTS AND TELEGRAPHS)
AND
(RAILWAYS), 1951-52 AND 1952-53]

VOL. I—REPORT



सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI
June, 1955

CORRIGENDA

Thirteenth Report of the Public Accounts Committee on the Appropriation Accounts (Posts and Telegraphs) and (Railways), 1951-1952 and 1952-53—Vol. I—Report.

Title page: for '(Railways,)' read '(Railways),'

Contents page: Chapter III—Line 7: against 'Railway Accounts' for '14-3c' read '14-30'.

Line 10: against 'Twenty-sixth sitting' for '32-3' read '32-36'

Line 13: against 'Forty-third sitting' for '49-5⁹' read '49-56'

'Appendix I'—Line 24: for '79-9' read '79-96'

Footnote, line 1: for 'whic' read 'which'.

line 4, for 'separatel' read 'separately'.

Page 1, para 6, line 4: for 'accounts' read 'account'.

Page 3, last line: after 'feel' insert ','.

Page 7, para 21, line 4: for 'introducing' read 'introducing'.

Page 11, para 32, line 5: for 'sufegard' read 'safeguard'.

Page 12, para 39, line 10: for 'the Committee' read 'The Committee'.

Page 15, para 43, line 8: for 'effective for five years, commenced from 1950-51' read 'effective for five years commencing from 1950-51.'

Page 16, first statement, item No. 3: for 'ompanies' read 'Companies'.

Page 17, para 46, sub-para 2, line 2: for '4:73' read '4:73'.

Page 20, para 57, line 3: for '20 August' read '20th August'.

Page 24, line 23: for 'of Belgian firm' read 'of a Belgian firm'.

Page 25, para 66 (iv), line 6: for '10:57' read '10:57'.

Page 29, para 80, Delete '*' and insert '*' against Appendix XXII in line 2 of the Heading in para 83.

para 82, Heading, line 2: for 'Aailway' read 'Railway'.

Page 34, footnote, for 'Appendix' read 'Appendices'.

Page 38, para 98, line 24: for 'indent in the D.G.S. & D. but he added that it was for the Director-' read 'indent received by them from the P.&T. Department in this case'.

last but one line: for 'proceed' read 'proceeded'.

Page 40: Delete the first line.

Page 43, Heading: for 'Proceeding of the Twenty-eight sitting' read 'Proceedings of the Twenty-eighth Sitting'.

Page 46: Insert the following as the first line:

a very high value. He further expressed the view that it would.

Page 49, Heading: for 'Proceedings of the Twenty-eighth sitting' read 'Proceedings of the Forty-third Sitting'.

(ii)

Page 65: for page number '95' read '65'

Page 71, para 218, line 3: for 'recoflected' read 'recollected'.
para 220, last but one line: for 'order' read 'other'.

Page 77: after para 239, insert '** ** ** **'

Page 78, Heading: for 'Forty-eight Sitting' read 'Forty-eighth Sitting'.
Below Para 241, insert '** ** ** **'

Page 84, column 5, second line from bottom: for 'pecta' read 'pection'.

Page 98, item 6, under column 2: insert '15'.

Page 102, item 19, column 4, last line: for 'commentes' read 'commented'.

Page 104, item 26, column 4, line 8: delete 'Himachal'.

Page 106, item 30, column 4, sub-para (iv), last line: for 'patticular' read 'particular'.

Page 107, item 33, column 4, line 5: for 'enable' read 'enabled'.

Page 108, item 38, column 2, for '4 e 76' read '4 & 76'.

item 40, column 4, last line: for 'Swiss Frances' read 'Swiss Francs'.

Page 109, item 40, column 4, line 1: Delete 'be' at the beginning.

item 41, column 4, line 4: for 'dspleasure' read 'displeasure'

line 8: for 'disciplianry' read 'disciplinary'

item 42, column 4, line 2: for '(Commercial' read '(Commercial)'

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*Proceedings of other sittings relate to the Defence and Civil Accounts etc. which have been dealt with in the Fourteenth and Fifteenth Reports of the Public Accounts Committee.

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

Composition of the Public Accounts Committee, 1954-55

Shri B. Das—Chairman.

Members

2. Shri Tribhuan Narayan Singh.
3. Shri Ramananda Das.
4. Shri Shriman Narayan.
5. Shri Shree Narayan Das.
6. Shri Balwant Sinha Mehta.
7. Shrimati Ammu Swaminadhan.
8. Shri R. Venkataraman*.
9. Shri Amarnath Vidyalkar.
10. Shri S. V. Ramaswamy.
11. Shri Uma Charan Patnaik.
12. Shri Choithram Partabrai Gidwani.
13. Shri V. P. Nayar.
14. Dr. Indubhai B. Amin.
15. Shri U. M. Trivedi.
16. Shrimati Violet Alva.
17. Diwar Chaman Lal.
18. Shri K. S. Hegde.
19. Shri P. S. Rajagopal Naidu.
20. Shri Ram Prasad Tamta.
21. Shri Mohamed Valiulla.
22. Shri J. V. K. Vallabharao.

SECRETARIAT

Shri M. N. Kaul—Secretary.

Shri S. L. Shakdher—Joint Secretary.

Shri M. Sundar Raj—Deputy Secretary.

Shri V. Subramanian—Deputy Secretary.

*Elected on the 29th September 1954 vice Shri Khandubhai K. Desai resigned.

I

INTRODUCTION

I the Chairman of the Public Accounts Committee, having been authorised by the Committee to present the Report on their behalf, present this Thirteenth Report on the Appropriation Accounts (Posts & Telegraphs) and (Railways) of 1951-52 and 1952-53 and Audit Reports thereon.

2. The Appropriation Accounts (Posts & Telegraphs), 1951-52 and 1952-53 and Audit Reports thereon were laid on the Table of the House on the 3rd May and 20th December, 1954, respectively. The Appropriation Accounts (Railways), 1951-52 and 1952-53 and Audit Reports thereon, along with other allied documents, were laid on the Table of the House on the 19th May and 24th December, 1954, respectively.

3. A brief record of the proceedings of each sitting of the Committee has been maintained and forms part of the Report (Part II). A statement showing the summary of the principal recommendations of the Committee is also appended to the Report (Appendix II).

4. An important question of principle came up for consideration before the Committee when para. 18 of the Audit Report (Railways), 1954 was under discussion, as many cases of this nature had previously come to the notice of the Committee in connection with certain other Reports. The question of proper action to be taken when expenditure had been incurred without the sanction of the competent authority and *ex-post-facto* sanction thereof was refused by the Ministry of Finance was gone into by the Committee. The subject was subsequently discussed by the Comptroller and Auditor-General with the Finance Secretary and the Financial Commissioner for Railways. The Committee are assured that the matter is engaging the attention of Government and that in the case of the Ministries where the accounts functions have been separated from audit and arrangements exist for prior scrutiny of expenditure in accounts, such a situation *viz.*, failure to obtain financial concurrence for the expenditure before it is incurred, would not arise, as the Accounts Officers have been definitely directed not to make any payment unless there is proper sanction. The Ministry of Finance propose to go into this matter in greater detail and submit a note to the Committee for their information in due course.

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

II

POSTS AND TELEGRAPHS DEPARTMENT

6. *Changes in the Estimates and Appropriation Accounts of the year under report.*—With effect from 1952-53, the Vote of Parliament was obtained for the gross amounts, excluding the credits and recoveries which were taken into accounts as reduction of expenditure.

7. *Financial working of the P. & T. Department.*—The following table shows the original and final grants and charged appropriations and the expenditure actually incurred against each during the years 1951-52 and 1952-53:—

(In lakhs of rupees)

	Original Grant or Appropriation		Final Grant or Appropriation		Actual Expenditure	
	1951-52	1952-53	1951-52	1952-53	1951-52	1952-53
Total Expenditure met from Revenue—						
(Voted)	32,85	41,67	34,68	41,67	34,39	41,31
(Charged)	1,27	1,42	1,31	1,51	1,29	1,53
Total Expenditure met from Capital	5,80	8,10	5,80	9,10	5,15	9,73
GRAND TOTAL	39,92	51,19	41,79	52,28	40,83	52,57

There was thus a saving of Rs. 96 lakhs or 2.3 per cent. over the final grant during the year 1951-52; and in 1952-53 an excess of Rs. 29 lakhs or .5 per cent. over the final grant occurred against an excess of Rs. 1.36 lakhs or 3.5 per cent. over the final grant during the year 1950-51.

8. *Excess over voted grants.*—In the following case, actual expenditure exceeded the voted grants during the year 1952-53:—

Name of Grant	Final Grant	Actual Expenditure	Excess
105—Capital Outlay on Indian P. & T. Deptt. (outside the Revenue Accounts)	9,10,23,000	9,72,61,333	62,38,333

Excess over Charged Appropriation.—In the following case, actual expenditure exceeded the charged appropriation during the year 1952-53:—

Name of Grant	Final appropriation	Actual expenditure	Excess
6. Indian P. & T. Deptt. Expenditure met from Revenue	1,50,58,000	1,52,88,075	2,30,075

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

The Committee would, however, draw the attention of the Posts & Telegraphs Department to the recommendations made by them in Para. 38 of their Tenth Report and impress upon them the desirability of keeping the expenditure within the provision made in that behalf and obtain funds whenever required in time in the constitutional manner so as to avoid excesses as these are unauthorised.

9. Notwithstanding the improvement noticeable in the overall budgetary position of the Posts and Telegraphs Department in the years under report, the Committee have noticed certain instances of Savings and Excesses in individual cases which indicated that there was still considerable room for an improvement in the method of estimating in certain directions. The Committee consider that energetic action should be taken by the Department to impress upon all the Officers concerned the need for closer estimating.

Under Grant No. 93—Capital Outlay on Indian Posts and Telegraphs Department (Outside the Revenue Account) a saving of about Rs. 28 lakhs occurred during the year 1951-52 mainly due to slow progress of works, non-receipt of stores and debits and non-financialisation of purchase proceedings etc. of lands. On the other hand Paras. 7 and 12(3) of the Audit Report, 1954 afford striking illustrations of expenditure incurred in excess of budget provision. The expenditure under Grant No. 105—Capital Outlay on Indian Posts and Telegraphs Department (Outside the Revenue Account) exceeded the Final Grant by Rs. 62.38 lakhs, i.e. by 6.9 per cent. This is the net amount of excess arrived at after taking into account the countervailing savings. Para. 12(3) *ibid* refers to the absence of specific provision in the budget for a number of major works which continued to be a feature of the Budget Estimates of the Posts and Telegraphs Department. Out of the total outlay of Rs. 2,36 lakhs in 1952-53 as much as Rs. 86 lakhs or over 36 per cent. fell under that category. The incurring of expenditure without a grant to cover it is a grave irregularity which derogates from the efficiency of Parliamentary control over expenditure.

10. During the course of their examination of the reasons advanced by the Posts and Telegraphs Department for undertaking a large number of works without the necessary budget provision, the Committee were informed that the Department was faced with unforeseen and very urgent demands from certain Ministries such as the Railways and the Defence which necessitated the construction of the works in anticipation of the budget provision. The Committee feel that the Department could have taken up these works by obtaining supplementary grants or utilising the savings by taking a token vote. Under the rules no work can be commenced unless funds have been provided, and the present practice of executing works without funds by the P. & T. Department is most unsatisfactory as it affects the efficiency of Parliamentary control. The Committee hope that the Posts and Telegraphs Department would take necessary steps to avoid a repetition of such irregularities.

11. The Committee had called for a detailed note from the Posts and Telegraphs Department showing the reasons for not providing

funds in the original budget for the expenditure incurred on items referred to in Para. 12(3) *ibid* and the justification for diverting funds therefor in the course of the year. But this note is still awaited.

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

13. *Para. 16(a) and (c) of Audit Report, 1953—Reinstatement of Government Servants after long periods of suspension.*—This para. contains a review of a number of cases of reinstatement of Posts and Telegraphs Department employees under suspension for a long time in which the Department had to incur considerable infructuous expenditure either because the original order of suspension had to be rescinded or because of the procedural delay in issuing the final orders. The Committee noticed that in these cases the prosecution was launched without sufficient evidence even for departmental action. In the case referred to in sub-para (c) of para. 16 of the Audit Report, criminal prosecution was attempted even though only a petty sum of Rs. 17/- was involved. The Committee feel that there is something inherently wrong either in the existing procedure or in the rules on the subject which appeared to be unduly rigid. In their opinion, the existing procedure, which requires that in every case where a criminal act is in question the departmental proceedings should be held up pending the result of the criminal prosecution, needs revision as this leads to delays in the disposal of disciplinary cases against delinquent officials. These delays, the Committee apprehend, often enable the officials concerned either to tamper with or even to concoct evidence and thus escape punishment. In this connection, the Committee would draw the attention of the Government to the judgment of the Supreme Court in the case of 'S.A. Venkataraman vs. The Union of India and Another' (1954) wherein it has been pointed out that the words "prosecution" and "punishment" have no fixed connotation. According to the Supreme Court's ruling, the departmental proceedings may be completed and appropriate penalties under the Service Rules may be awarded, and thereafter, it would be quite correct to prosecute the Government servant concerned in a criminal court if the circumstances warrant such action. Further, Government are fully competent to impose any penalty on the accused officially within the meaning of the Civil Services (Classification, Control and Appeal) Rules in their capacity as employer in respect of servants employed by them. In view of this ruling, the Committee would urge Government to re-examine the matter with a view to amending the existing rules so as to enable Government to take suitable departmental action against their employees in cases of irregularities committed by them without having to wait for the outcome of the prosecution that may be launched in such cases. The present Rules, the Committee feel, enable departmental authorities to disown responsibility

for their inaction over long periods. They also feel that if the rules were amended as suggested by them, there would not be any scope for the type of cases mentioned in the para. under consideration.

14. *Para 18 of Audit Report, 1953—Infructuous expenditure on leasing rented accommodation for location of Offices.*—In this case, the Posts & Telegraphs Department hired two private buildings at a total rental of Rs. 9,560 per month to accommodate the Departmental Offices located in the old Telegraph Office Building, Calcutta which was proposed to be demolished with a view to erecting on that site a new building for the Automatic Telephone Exchange. One of the two buildings (rent Rs. 2,560 per mensem) was requisitioned through the State Government in May, 1948, and the other (rent Rs. 7,000 per mensem) was taken over from the Defence Department in June, 1948. The proposal for demolition of the old Telegraph Building was abandoned on the 31st March, 1949. Meanwhile, these two vacant buildings which were not adequately guarded or securely closed were taken possession of by some squatters who are still in occupation of the one taken over from the Defence Department—the other (rent Rs. 2,560 per mensem) having been transferred to the control of another Department of the Government in August, 1950. The Posts & Telegraphs Department thus paid rent totalling about Rs. 4,60,000 for these two buildings upto the 31st December 1952 without making any use of either of them. Paying of rent at Rs. 7,000 per mensem in respect of one of the buildings still continues to be the liability of the Posts & Telegraphs Department.

15. During the examination of the Departmental representatives of the D.G., P. & T., it came to light that the Posts and Telegraphs Department took possession of the buildings long before the proposal to construct a new building in the place of the old one was placed before the Standing Finance Committee and that the latter did not accept the proposal of dismantling the old C.T.O. building. The Committee are constrained to observe that the renting of the buildings much ahead of the final decision about the demolition of the existing building and fixing a definite date for vacating it was unjustified and indicates unimaginative conduct and indifference to the financial interests of the State. It also shows that the Officers who were responsible for the taking over of these buildings lacked foresight and acted against all canons of prudence and financial propriety. On the basis of the evidence tendered before them, the Committee have come to the conclusion that the plea of urgency and of precautionary measures has no force in the particular circumstances of this case.

16. In order to enable them to examine this case in further detail the Committee asked the Posts & Telegraphs Department to furnish them information on the following points:

- (i) whether the Ministry of Defence had intimated to the Ministry of Communications that the former were releasing the building in question or exercising the option to transfer the lease of the building to the latter—which building was already under their possession under the terms of the lease itself.
- (ii) who is at present paying the water, electricity and conservancy charges and Municipal taxes, etc. in respect of this building; and

- (iii) the various stages, in chronological order, of the proposal for the demolition of the Telegraph Office Building till it was turned down by the Standing Finance Committee and for the renting of the two buildings for the use of the Posts & Telegraph Offices to be shifted there.

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

18. *Para 31 of Audit Report, 1954—Purchase through Supply Department.*—In this case, an indent for the purchase of 8,500 cwts. of Zinc Tiles was placed by the Posts & Telegraphs Department on the 16th May, 1949 on the Central Purchase Organisation of the Supply Department for early compliance, with the date of delivery specified as the 31st August, 1949. Purchase action was not, however, initiated by the Supply Department until after receipt of a telegraphic reminder on the 9th September, 1949 from the Indentor urging expeditious procurement of the stores. Thereafter, 4,000 cwts. were purchased at Rs. 63/5/- per cwt. in October 1949 and the balance quantity at Rs. 63/- per cwt. in January, 1950. The prevailing price in June, 1949 was Rs. 51 per cwt. and on the basis of this rate, the delayed purchase resulted in an extra expenditure of Rs. 1,03,250 to Government. It was explained that the delay was due to the loss of the extract of the indent in a branch office of the D.G., S. & D. and that the extra expenditure was attributable to the devaluation of the rupee. It was further stated that no disciplinary action could be taken against the officials at fault in this case as 'they had left Government service'.

19. The Director General, Supplies and Disposals explained to the Committee that the indent received by them from the Posts and Telegraphs Department in this case was a composite one and it had to be split up amongst the various sections. Unfortunately, the dealing Assistant who received this particular item mislaid it. The Assistant Director in-charge of the Section proceeded on leave almost immediately after that for domestic reasons and later resigned. He pleaded that this item was lost sight of on this account.

On being assured by the D.G., S. & D. that the procedure for the registering and disposal of indents received in the Directorate-General had since been revised and an effective control was being exercised at different levels and such instances would not recur in future, the Committee have decided not to press this aspect of the matter further. But they are somewhat perturbed to find that an incorrect statement had been made to Audit by the D.G., S. & D. that as the persons concerned in this case 'had left Government service', no disciplinary action could be taken against them. During the course of the examination by the Committee, it transpired that the dealing Assistant was still in Government service. In a note which they submitted to the Committee at their instance (Appendix II), the Ministry of Works, Housing and Supply stated that while replying to the Audit objection,

the then Director of Administration and Co-ordination, D.G., S. & D. had altered the words "since left the department" which was proposed to be the information to be supplied to Audit in regard to the officials concerned to "since left Government service" and that this had caused the misleading information to be submitted to Audit. The Ministry had stated that they had called for the explanation of the officer who had altered the draft. It is interesting to observe that the Deputy Director who failed to initiate action till September, 1949 was also party to these misleading notes which culminated in giving the wrong information to Audit. When the Ministry was subsequently called upon to inform the Committee of the action taken against the officers who had been found responsible for giving the incorrect information to Audit, the Ministry have submitted another note (Appendix III) in which they have stated that they are unable to place the final responsibility on the then Director of Administration and Co-ordination and that they had called for a note from the Section Officer who is now working in the India Supply Mission, Washington.

The Committee deplore the manner in which the Ministry have acted in this matter. They consider it highly improper of the Ministry to submit notes to them without a full and careful consideration of all aspects of the case. The Committee cannot but conclude that the Ministry have failed to appreciate the serious nature of the irregularities and have not acted with the promptitude and earnestness necessary for determining responsibility and for taking deterrent disciplinary action. The suggestion that the Ministry are unable to decide from the paper who was responsible for the serious irregularities committed in June, 1949 and that this can be settled only by calling for a report from an Officer at present in Washington cannot be accepted. While the main document on which the alterations were made is not available, the impression in the mind of the Committee is that the significant amendment was made by the then Director of Administration and Co-ordination.

The Committee wish that a greater sense of urgency and reality would prevail in the Ministry in investigating irregularities.

20. *Para 20 of Audit Report, 1953—Irregular closure of inoperative work orders in the Posts & Telegraphs Workshops, Alipore.*—This para discloses that the accounts of over a thousand inoperative work orders for jobs undertaken and completed during the pre-Partition period from 1942 to 1947 could not be closed in the Alipore Workshops due mainly to a heavy variation of over Rs. 18 lakhs between the actual charges debited to these jobs and the value of the stores as challaned on their despatch after manufacture. The reasons for this heavy variation were stated to be (i) defective estimating or failure to revise the challaned rate to accord with the steep rise in the cost of raw materials and labour during 1942-47 and (ii) irregular booking of charges against work orders due to concurrent running of various work orders for the manufacture of the same kind of stores.

The Committee do not see why work orders should be kept open for such long periods. They suggest that to ensure detection of irregular allocation of expenditure between work orders (as in the case under consideration), the bulk orders on workshops should be split up into smaller items. This would also enable the respective

work orders being closed at the end of each half-year and the correct position assessed at more frequent intervals than is possible under the existing arrangements.

21. The Committee were informed that the Chief Cost Accounts Officer of the Ministry of Finance had been deputed to visit the Workshops with a view to suggesting the necessary measures for introducing cost accounting system there and his final Report was awaited.

22. The Committee would like to mention that no method of checking up employees or of preventing waste in materials, whether intentional or accidental, can be carried out without an effective cost system providing for the comparison between the limits fixed in respect of labour and materials for each item of work with the actual performance. The system actually adopted may take any shape that may be found suitable to local requirements but its essential feature should be the estimating, in advance, of the time that should be spent and the materials that should be used and the systematic comparison of the results of actual performance with such estimates.

23. As it is, the statement of transactions under the Manufacture and Suspense Account (1951-52) relating to the Alipore Workshops merely gives the amount of stores consumed, the cost of labour and articles manufactured, and no assessment is possible therefrom of the extent to which the output is commensurate with the expenditure incurred. There is no doubt that if proper steps are taken to rationalise and streamline the Organisation, the output could be increased by over 30 per cent. In view of all this the Committee have to express their displeasure over the conditions prevailing in the Alipore workshops and in the methods of accounting adopted there at present.

24. *Para 26 (a) of Audit Report, 1954—Unusual methods adopted by the Executive to liquidate saving under 'Capital'.*—This Para disclosed one of the numerous instances in which stores were accounted for as issued to the Engineering Divisions although they remained in the Depots pending despatch for quite a long time thereafter. In this manner, the Engineering Divisions prevented lapse of 'unspent' funds and reduced the book balances of stores held in the Stores Depots. According to an analysis of the stores-issue vouchers for the months of February and March, 1952 and 1953, it was noticed that stores to the extent of about Rs. 58 lakhs and Rs. 26.5 lakhs respectively (excluding petty items) were accounted for as issued to works though these had not been physically despatched before the 31st March of the respective years. It came to the notice of the Committee that this practice was resorted to on some telephonic instructions on the 30th March, 1951 from a junior Officer in the Directorate General of Posts and Telegraphs. The Committee asked the D.G., P. & T. to institute an enquiry into this matter and take necessary action against the Officer concerned in the Directorate who did not consult the competent authority before issuing such instructions in disregard of all standards of financial propriety. According to the note (Appendix IV) furnished by the Posts & Telegraphs Department, the irregularity arose out of a misunderstanding of the telephonic instructions. The Directorate have observed that the Officer should (i) have recorded his orders in writing and confirmed the

same and (ii) at any rate on receipt of the D.O. letter from the Postal Circle concerned, the error should have been noticed and then the case put up to the higher authorities for their information and orders. As the officer had failed to observe the procedure, he had been warned. In the view of the Committee, this is not sufficiently deterrent penalty. The Committee note the instructions issued by the Directorate in this matter for future so that such cases do not occur. They would also urge that cases, if any, involving a flagrant evasion of the prescribed financial and accounting rules should be severely dealt with.

25. So far as the procedural aspect of this case is concerned, the Committee note that the Director-General, Posts & Telegraphs has since issued suitable instructions to all concerned to ensure that this kind of irregularity does not occur in future and that the issue of stores in the month of March is confined to what can reasonably be expected to be despatched before the end of that month.

26. *Para 23 of Audit Report, 1954—Delay in disposal of surplus stores lying in the custody of the Posts & Telegraphs Department.*—Many items of stores had not been issued for a considerable period of time (extending even upto five years). The value of surplus stores at the end of March, 1953 was estimated to be of the order of one crore of rupees. The Committee were informed that the Posts & Telegraphs Department had appointed a Special Technical Committee to go into the matter and they had covered more than 60 per cent. of the items and arrangements for their disposal were in hand and they expected that during the course of the year, they would take necessary steps to dispose them of. The Committee were further informed that the value of the surplus stores had been estimated to be about Rs. 58 lakhs.

27. *Paras 9 and 10 of Director-General's Financial Review (1952-53) and Para 38 of Audit Report, 1954 read with Para 40 of the Tenth Report of the P.A.C.*—The subjoined statement shows the balances of stores in stock (including stores-in-transit) for the four years from 1950-51 as compared with the authorised balances from time to time. as well as the rate of acquisition of stores *vis-a-vis* the actual issues during the year.

Years	Balances of stores at the end of the year	Authorised limit	Excess over authorised limit	Stores acquired during the year— Total debits during the year	(In lakhs of rupees)	
					Stores issued during the year— Total credits during the year	Excess of acquirements over issues(+) acquisition less than issues(—)
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1950-51	628 lakhs	150 lakhs	478 lakhs	6383 lakhs*	500 lakhs	(+)136 lakhs
1951-52	592 „	350 „	242 „	559 „	612 „	(—)53 „
1952-53	621 „	350 „	271 „	68 „	636 „	(+)47 „
1953-54	686 „	400 „	286 „	742 „	777 „	(—)35 „

*Includes fictitious paper transactions of issue of stores to the extent of Rs. 33 lakhs.

The Committee note that the authorized limit has now been fixed at Rs. 4.5 crores from 1953-54 in consultation with the Ministry of Finance.

The Committee should like to know why it has not been possible to work within the ceiling limits of the Stock balances fixed for the various categories of the Posts and Telegraphs stores.

The Report of Messrs IBCONS, a Swiss Firm of Experts, regarding fixation of the suitable limits of stores balances was submitted to Government in 1952. The Committee fail to understand why Government should have taken so long to arrive at decisions on their recommendations. The Committee would, therefore, urge the desirability of arriving at an early decision in order to avoid injudicious locking up of capital and losses due to deterioration of unnecessary stores, not to speak of the larger establishment and godown space required to deal with such excessive quantities of stores.

The Committee would also like to reiterate the recommendations made by them in this behalf in Para 25 of their Fifth Report where-in they sounded a note of caution that the maintenance of excessive stocks involved the tax-payer in a two-fold loss. There is the loss of interest on capital unnecessarily locked up, and the loss arising from the possibility of the stores becoming obsolete and unsaleable or disposable only at a rate lower than the cost price. The Committee had also desired that the Posts and Telegraphs Department should examine the desirability of adopting the Stores system existing on Railways with suitable modifications to suit their set-up. The Committee have not yet been informed of the decision taken by the Posts and Telegraphs Department in this matter. The Department should expedite the matter, which is already more than two years old.

28. (i) *Para 21 of Audit Report, 1954—Unsatisfactory Store Accounting.*—This para comments upon the unsatisfactory state of store-accounting which is mainly due to the arrears in the reconciliation of the numerical balances in the priced ledger cards with depot balances, wrong postings in the ledgers etc.

The Committee have been assured that an all-out-effort was being made by the Posts and Telegraphs Department to complete the reconciliation of numerical balances in six or seven months and that the position would then be very much better. The Committee hope that the result of these efforts will be reflected in the next year's Audit Report.

The Committee would, however, like to observe that the 'corner stone' of the entire structure of stores-accounting is proper maintenance of the numerical and priced ledgers.

(ii) *Para 49 of the Tenth Report of the P.A.C.—Action taken in respect of discrepancies in stores balances found during the overall physical verification of stores.*—After repeated reminders, the Posts and Telegraphs Department have furnished to the Committee a Memorandum (Appendix XVII) on the 25th April, 1955 from which they note that there are still 6 items left involving a surplus of Rs. 7,201-11-0 and a deficit of Rs. 1,62,260-9-0, the discrepancies in

respect of which have not as yet been reconciled and are still under investigation. They also note that the Posts and Telegraphs Department have simultaneously initiated action to fix responsibility and to take suitable action against the officials responsible for these discrepancies. The P. & T. Department should submit a further report to the Committee in this regard in due course.

29. *Para 27 of Audit Report, 1954—Execution of the Telephone Expansion Project in the Bombay Telephone District.*—This para discloses that a large number of works involving considerable expenditure were started without the preparation of estimates and no accounts thereof were maintained. The latest estimates of the project have risen to Rs. 15 crores and the project estimate is reported to be at present under examination by the Government. The Committee learnt from the Accountant-General, Posts and Telegraphs that steps were now being taken by the Project authorities to reconstruct the Accounts and prepare detailed estimates.

In order to enable them to examine the matter in all its aspects, the Committee asked the D.G., P. & T. to furnish them information on the following points, which is still awaited:

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

As the Committee have not so far been supplied with the requisite information, they have deferred further examination of the subject to be taken up at the time of the consideration of the next year's Audit Report.

30. *Para 34 of Audit Report, 1954—Audit of Telephone Receipts.*—The Committee noted with much concern the mounting rise in the amount of outstanding telephone revenue bills which was Rs. 79·60 lakhs at the end of September, 1953 in respect of bills issued upto the 31st March, 1953.

The Committee have desired to be furnished with a note stating (i) the reasons for the increase in the amount of outstanding Telephone revenues, (ii) the steps taken to speed up recoveries and (iii) the latest position of outstandings as on 31st December, 1954.

In the meantime, the Committee suggest that the Posts & Telegraphs Department should devise some machinery not only to enforce recoveries of the outstanding bills but also to arrest their further increase.

31. The Committee will now proceed to refer briefly to the more important recommendations in its previous Reports, the disposal of which is in various stages of progress. They recommend that in each case the disposal should be expedited.

32. *Purchase of Underground Cables.*—In Para 32 of their Fifth Report, the Committee desired that a report should be furnished to them showing the findings of the Japanese Cable Investigation Committee, appointed by the Government at their instance, and the steps taken by the Department to safeguard against losses due to shorter life of the cables. From the statement furnished to the Committee (Appendix V), they note that the Government have already accepted all the recommendations of the Cable Investigation Committee excepting one case, relating to the assurance given by the Japanese firm about the satisfactory working of its cables during the period of their normal life. The firm has undertaken to take the necessary remedial measures at its cost including replacement, if necessary, should these cables develop any defects which could be traceable to the deterioration of the top protective hessian covering and consequential damages during their normal life. The Committee note that the matter is under examination with the Ministry of W. H. & S.

33. *Provision of a separate Press for the P. & T. Department.*—In para 70 of their First Report, the Public Account Committee recommended that in view of the grave shortage of postal forms, the P. & T. Department should either be provided with a separate Press or that the control over the existing Presses at Aligarh and Calcutta should be vested in that Department. The Committee reiterated their recommendation in Para 37 of their Fifth Report and in Para 54 of their Tenth Report and desired to be informed of the decision taken by the Government to improve the supply of forms.

From the Memorandum submitted to them by the Ministry of Communications (Appendix VI), they note that Government had appointed an Expert Committee to examine the whole question of printing and this Committee recommended that no separate Press should be established by any Ministry 'on its own'. They further note that as a result of the Inter-Ministerial discussion certain concrete steps in the form of permitting the Heads of Circles to print forms locally, wherever they are in short supply of forms of 'Essential' category and provision of reserve stock of paper for printing forms locally have been taken, and the provision of a small 'JOB PRESS' for each Circle and the appointment of a Liaison Officer to coordinate the work between the Printing and Stationery Department and the P. & T. Department are under examination. The Committee should like to watch further developments in this case.

34. *Liquidation of Government Telephone Board Limited.*—As desired by the Committee in Para. 44 of their Tenth Report, the D.G., P. & T. submitted to them a Memorandum (Appendix VII), setting forth the requisite information asked for by them in connection with the liquidation of the Board. The Committee have no comments to offer on this.

35. *Renewals Reserve Fund.*—At the instance of the previous Committees the P. & T. Department appointed a Committee known as the "J. J. Committee" to determine the average lives of assets of the Deptt. for evolving a scientific and rational basis for contribution to the Renewals Reserve Fund in accordance with the

accepted commercial practice. The Committee note that the Government have not so far finalised their decisions on the recommendations made by the said Committee and the matter is still under consideration in consultation with the Comptroller and Auditor-General. The Committee would emphasise the desirability of arriving at an early decision in this case which has been outstanding for about a decade or so.

36. *Postal Life Insurance Fund.*—The Committee recommended that with a view to regulate the working of the Postal Life Insurance Fund on proper commercial lines, the P. & T. Deptt. should either put an Insurance Expert as the head of the P.L.I. Organisation or run it as a Corporation constituted under an Act of Parliament. The P. & T. Deptt. have stated that the matter was still under examination. The Committee would press for an early decision.

37. *Alleged misappropriation of Government money by the Accountant and Treasurer of a Head Post Office.*—In Para. 47 of their Tenth Report, the Committee recommended that the P. & T. Deptt. should without waiting for the judgment of the High Court in the Appeals filed by the two principal accused officials proceed with the fixation of responsibility of other officials at fault and award them suitable departmental punishment. The P. & T. Deptt. have stated that the matter is receiving attention. The Committee are surprised that although a period of more than 1 1/2 years has elapsed since they last examined the Department on this point, they have not as yet been able to arrive at any decision. Needless to say, the Committee attach great importance to the expeditious disposal of all disciplinary cases and they have already considerably dwelt upon this point elsewhere in this Report.

38. *Loss due to failure to observe the stipulated terms and conditions in the contract for supply of mustard oil.*—In Para. 29 of their Fifth Report, the Committee recommended that as the matter had already been delayed, the Department should, without any further loss of time, take suitable disciplinary action against the Officer at fault. They again pressed this point in Para 56 of their Tenth Report. The Committee are now informed that the Officer concerned had been censured on the advice tendered by the U.P.S.C. The Committee, therefore, have no further comments to make.

39. *Irregularities in connection with the expenditure incurred by a Telegraph Engineering Division on account of Jungle cutting.*—The Committee in Para 30 of their Fifth Report recommended that the findings of the U.P.S.C. in the case of the Divisional Engineer responsible for the irregularities disclosed in Para. 27 of the Audit Report, P. & T., 1952 and who during the pendency of the disciplinary proceedings instituted against him had been promoted to a higher post, should be reported to them. When the Committee examined this matter last year, they were informed that it was still under reference to the U.P.S.C. the Committee have now been informed that the case is still with the U.P.S.C. It is inexplicable why it should have taken two years or so for the U.P.S.C. to give their recommendations in this case. The Committee would like to be informed whether the Ministry of Communications have urged upon the U.P.S.C. the urgency of the matter. It

is suggested that this long outstanding question should be settled by personal discussion.

40. *Calcutta Telephone Automatisation Project.*—As the P. & T. Department could not furnish to the Committee the Memoranda stating the action taken by them on the recommendations made by the Committee in Para 58 of their Tenth Report, they could not take up consideration of this subject. This will, therefore, have to wait till such time as the Committee next take up the Accounts of the Posts and Telegraphs Department for the year 1953-54.

III RAILWAYS

41. *Changes in form and classification of accounts.*—Two important changes marked the Railway Accounts during the year 1952-53.

First, with the completion of integration of Indian Railways into a unified undertaking, owned and worked by a single Central authority, the following inter-Railway and inter-Departmental adjustments were eliminated with effect from 1st April, 1952:—

- (i) Adjustments for freight charges incurred for carriage of railway stores, fuel, etc.
- (ii) Adjustments between zonal railways for services rendered, or work done by one on behalf of another, and
- (iii) Apportionment between zonal railways of the earnings of inter-railway traffic movement, commonly known as 'foreign traffic'.

Secondly, the demands for grants were presented to Parliament for gross amounts excluding credits and recoveries which were hitherto taken as 'deductions' of expenditure under the demands. This had the effect of considerably increasing the amounts of grants made by Parliament. No increase, however, was involved in the actual expenditure, as in the compilation of the accounts, the recoveries would continue to be treated as reduction of expenditure, as it has been all along.

42. *Financial Results of the year.*—The following table compares the original and the revised estimates with the actual expenditure of the years 1951-52 and 1952-53:

(In lakhs of rupees)

	Budget Estimates		Revised Estimates		Actuals	
	1951-52	1952-53	1951-52	1952-53	1951-52	1952-53
Traffic Receipts (less refunds).	2,79,50	2,82,16	2,88,06	2,69,55	2,90,82	2,70,56
Miscellaneous Receipts	28	29	33	36	34	32
Working Expenses (including depreciation and payments to worked lines).	2,16,97	2,17,93*	2,25,94	2,19,10*	2,24,35	2,18,17*
Miscellaneous Expenditure (including rebate paid to worked lines).	7,59	7,05*	7,04	7,22*	5,06	5,53*
Dividend to General Revenues.	• 33,37	34,00	33,35	34,11	33,41	33,99
Surplus	21,85	23,47	22,06	9,48	28,34	13,19

*The figures against 'Working Expenses' and 'Miscellaneous Expenditure' in the above statement are net, i.e., inclusive of the element of credit or recoveries excluded from the scope of Demands for Grants, vide Para. 41 above.

43. The year 1951-52 was an important year in the history of the Railways in India in more than one respect.

Firstly, being the first year of the First Five Year Plan it marked the beginning of a new era of rehabilitation and development of Railways to meet the growing needs which would emerge from implementation of the Plan. The revised Financial Convention (1949) regulating the relationship between the General and Railway Finances, effective for five years, commenced from 1950-51 enabled the Railways to set apart adequate funds for rehabilitation programme and undertaking of new projects to satisfy the needs of the expanding economy of the country.

Secondly, this year marked the beginning of a large-scale administrative re-organisation following the financial integration of States with the Union and the taking over of the large number of small Railway lines owned by the States, to secure both efficiency in operation and economy in management. It was also decided that the various Railway systems should be remoulded into six major zonal administrative units to ensure uniformity in administrative pattern and financial control.

The year 1952-53 saw the completion of the integration and of reorganisation of the Indian Railways into a unified undertaking, owned and worked by a single central authority.

44. *Financial Results.*—During the year 1951-52, the gross traffic receipts amounted to Rs. 290·82 crores against the budget estimate of Rs. 279·50 crores, an increase of Rs. 11·32 crores. The year actually closed with a surplus of Rs. 28·34 crores (after crediting Rs. 30 crores to the Depreciation Reserve Fund) and out of this, a sum of Rs. 10 crores was allocated to the Development Fund and the balance of Rs. 18·34 crores was credited to the Revenue Reserve Fund.

During the year 1952-53, the gross traffic receipts amounted to Rs. 270·56 crores against the budget estimates of Rs. 282·16 crores, a decrease of Rs. 11·60 crores. The decrease was mostly under 'passenger earnings' and mainly due to a general decline in the number of passengers. The year actually closed with a surplus of Rs. 13·19 crores (after crediting Rs. 30 crores to the Depreciation Reserve Fund) and out of this, a sum of Rs. 12 crores was allocated to the Development Fund and the balance of Rs. 1·19 crores was credited to the Revenue Reserve Fund.

45. *Excess over voted grants.*—(a) In the year 1951-52, there were six cases of excess over voted grants, as against four in the previous year. These excesses are shown below:—

Item No.	Name of Grant	Final Grant	Actual Expenditure	Excess
		Rs.	Rs.	Rs.
1.	8—Revenue—Working Expenses—Operation other than Staff and Fuel.	14,23,15,000	14,40,28,954	17,13,954

Item No.	Name of Grant	Final Grant	Actual Expenditure	Excess
		Rs.	Rs.	Rs.
2.	9—Revenue—Working Expenses—Miscellaneous Expenses.	18,79,09,000	18,91,02,437	11,93,437
3.	10—Revenue—Payment to Indian States and Companies.	29,98,000	39,37,703	9,39,703
4.	14—Appropriation to Revenue Reserve Fund.	11,84,83,000	18,34,06,795	6,49,23,795
5.	16—Open Line Works—Additions.	19,40,01,000	20,50,17,104	1,10,16,104
6.	20—Revenue—Dividend payable to General Revenues.	33,37,51,000	33,40,55,834	3,04,834

The reasons for the excess in each case have been explained in detail in the Appropriation Accounts of Railways in India—Part II, 1951-52.

(b) In the year 1952-53, there were two cases of excesses over voted grants, as against six in the previous year. These excesses are shown below:

Item No.	Name of Grant	Final Grant	Actual Expenditure	Excess
		Rs.	Rs.	Rs.
1.	4—Revenue—Working Expenses—Administration	26,22,45,000	26,24,51,262	2,06,262
2.	6—Revenue—Working Expenses—Operating Staff.	41,07,09,000	41,17,98,189	10,89,189

The reasons for the excess in each case have been explained in detail in the Appropriation Accounts of Railways in India—Part II, 1952-53.

Excess over charged appropriation.—There was an excess of Rs. 52 under charged appropriation No. 3—Revenue—Miscellaneous Expenditure.

Regularisation of excesses

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

46. *Accuracy of Budgeting.*—1951-52.—The Accounts of the year show a net excess (over the total grant) of about Rs. 2,18 lakhs or 0.75 per cent. under Revenue expenditure. Under Capital, Depreciation Reserve Fund, Revenue Reserve Fund and Development Fund there was a saving of about Rs. 6,94 lakhs or 9.42 per cent.

1952-53.—The Accounts of the year show a net saving (over the total grant) of Rs. 13,63 lakhs or 4.73 per cent. under Revenue expenditure. Under Capital, Depreciation Reserve Fund, Revenue Reserve Fund and Development Fund there was a saving of Rs. 16,87 lakhs or 22.21 per cent.

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

(In lakhs of rupees)

Year	Total grant and appropriation	Saving (—) or Excess (+)	Percentage of column 3 to 2
1	2	3	4
<i>Expenditure met from Revenue</i>			
1950-51	2,63,74	—44	0.17
1951-52	2,88,98	2,18	0.75
1952-53	2,88.29	—13,63	4.73
<i>Expenditure met from Capital, Depreciation Reserve Fund, Revenue Reserve Fund and Development Fund</i>			
1950-51	61,33	—3,96	6.46
1951-52	73,64	—6,94	9.42
1952-53	75,97	—16,87	22.21

47. *Budgeting and Control over expenditure*—Paras 7 to 11 of the Railway Audit Report, 1953 afford instances of incorrect provision or omission to make provision, injudicious surrenders, incorrect adjustment to utilise funds, uncovered excesses over the final grant and avoidable lapse of funds at the end of the year. Para 13 (i) shows that the Budgeting was widely off the mark on almost all the Railways under the head "Stores Suspense".

The position is not in any way better in the next year's Report which too indicates that the overall budgetary standard and control over expenditure on the Railways continued to be unsatisfactory. The Committee would watch the results of the measures taken by the Railway Board in this direction as a result of the recommendations made in Para 13 of the Tenth Report of the Public Accounts Committee (Appendix XIX.)

48. *Appropriation Accounts, 1951-52—Part II—Pages 411-427—Annexure J—Statement of important misclassifications and other*

mistakes detected.—The Financial Commissioner, Railways drew the attention of the Committee to the Memorandum (Appendix XIX) submitted to them by the Railway Board stating the action taken by them on the recommendations made by the previous Committee for the strengthening and re-organization, if necessary, of the Railway Accounts Offices. These measures *inter alia* included the training of new recruits, setting up of an Inspection Organization in the Board's Office etc. The Committee express the hope that as a sequel to these measures, the future Accounts will present a better picture.

49. *Appropriation Accounts, Part II, 1951-52—Pages 114-115—Profit and Loss Accounts of the Grainshops.*—The Committee pointed out that during the years 1951-52 and 1952-53 the stock of the value of Rs. 14.79 lakhs and Rs. 9.93 lakhs respectively was written off as a loss. It was explained to them that the losses were due to various causes such as dryage, deterioration and pilferage etc.

The Committee were somewhat surprised to note that the salaries etc. of the Grainshop staff came to nearly one rupee for every six rupees worth of sales, which represented a very high proportion by any standard. They do not see why the Grainshops should have been continued when a great majority of the staff have opted for the grant of Dearness Allowance in cash. The Committee consider it uneconomical to run these Grainshops when all commodities are freely available in the market. They, therefore, suggest that the Railway Board should earnestly consider this matter and without incurring any further losses wind up the Grainshops Organization. They would like to know in due course the action taken by the Railway Board in the matter.

50. *Para 14 of Audit Report, 1953—Inclusion of initial and additional normal depreciation in the cost of production of Locomotives and Boilers.*—An Agreement dated the 20th August, 1947 (which was effective from 1st June, 1945) was entered into by the Railway Board with TELCO for the manufacture and sale of locomotive boilers and locomotives required by the Government. The agreement is to run for 16 years from the 1st June, 1945. In terms of the agreement, the production of boilers during different periods of the contract was programmed in the manner indicated below:—

- (i) A minimum of 50 boilers during period 'A' covering twelve months from 1st June, 1945.
- (ii) During period 'B', that is one year from the end of period 'A', the production was to be "stepped up consistently so that by the end of this period the Singhbhum Shops are capable of manufacturing at a rate of 100 boilers a year".

During periods 'A' and 'B' the price of boilers was to be the actual cost of production.

- (iii) Period 'C' was to commence with the end of period 'B' and continue for the rest of the period of the contract. During this period, the price was to be a fixed one.

51. The working of this agreement was commented upon by the Committees in Paras 61-63 of their Report on the Appropriation Accounts, 1947-48 (Post-Partition), Para 20 of their Second Report, Para 17 of their Fifth Report and lastly in Para 27 of their Tenth Report.

52. As already pointed out by the Committee previously, the agreement was designed evidently to encourage the production of boilers in India, but there are some extraordinary features in it.

53. As stated above, according to the terms of the contract, the price to be paid to the TELCO during the initial periods known as periods 'A' and 'B' was the actual cost of production, and there was to be no element of profit whatever during these periods. In the subsequent period, known as period 'C', the price to be paid was to be based on the estimated cost of production during period 'A' or period 'B', and a profit of 7 per cent. on the total capital employed in the business. The cost included depreciation and, as provided in the agreement, depreciation was to be charged 'at rates allowed by the Income-Tax authorities in ascertainment of income, profit or gains subject to income-tax under the provisions of Indian Income Tax Act'.

54. In pursuance of the decision reached in December, 1951 and July, 1952 between TELCO and the Railway Board, the initial and double depreciation charges were to be treated 'outside the costs' and to be carried over to a 'Deferred Depreciation Account' to be liquidated by Government over an agreed period. Before the details of the formula for the even spread could be evolved, Government and TELCO decided in July, 1954 to reverse their earlier decision and to treat these fortuitous Income Tax allowances as normal depreciation to be included in the total cost of production of boilers and locomotives.

55. The Central Board of Revenue, who were consulted in this matter in July, 1945 gave it as their opinion in August, 1945 that far from allowing this initial depreciation to enter into production costs, it should be specifically provided that the normal rates on the basis of the expected life of the plant etc., should be the rates that should enter into production costs. During his examination by the Committee, the Financial Commissioner, Railways, however, pleaded that the concession about allowing special depreciation as relief for income-tax purposes postulated that there must be a profit before it could be availed of by any undertaking because if there were no profits, no income-tax became payable, and therefore, this advantage of special depreciation would not be there. Since TELCO were not earning a profit on the boiler and locomotive contract during the initial developmental period, he urged, this was the only way of extending this concession to them.

56. The Committee having expressed some concern that these special concessions considerably inflated the cost of production in the initial period and unless specifically excluded, would also inflate the price for the later period when firm prices had to be fixed, the Financial Commissioner, Railways assured them that there was no reason to believe that the future prices would be

inflated because of the fact that in the past they had paid at inflated rates, because they could always ask the Company that these factors should be eliminated before fixing the price for the next period. He, however, admitted that the present prices charged by the TELCO were inflated.

The Committee note that this is even borne out by the fact that the cost of production at TELCO was much higher than the landed cost of imported equipment. Added to the higher cost of production, the incidence of these abnormal depreciation allowances (which had been given for a different purpose) made the prices practically double that of the cost of imported equipment. The Committee are, however, doubtful whether the provisions of the existing clause 5(v) of the First Schedule to the above contract could be invoked for recouping the excess payments already made to TELCO as there was no agreement for such a course being taken through any price formula or for effecting cash recoveries from the Company. The Committee, therefore, suggest that the Railway Board should carefully watch this and they would also like the Audit to make a particular mention of this aspect in their future Reports.

57. The Committee learnt from the Comptroller and Auditor-General that when the agreement was concluded originally on the 20 August, 1947, it did not make any provision for the inclusion of initial depreciation and double depreciation, but this was done subsequently by exchange of letters. While the Committee agree that the underlying idea of giving this concession was to give a fillip to new industries and rehabilitate old ones, it would have sufficed if a supplemental agreement had been entered into with the TELCO according to which the initial and double depreciation were allowed to be carried over until the profit potential of the Company developed. While the Committee do not want to re-open the question, they would, nevertheless, desire that Government should take such a precaution while entering into all such contracts in future and instead of giving any concession through letters, they should invariably make specific provision either in the agreement itself or execute a supplemental agreement, if need be.

58. The Committee further note that the loss resulting on account of payment of initial and double depreciation is of the order of Rs. 1.14 crores. The Financial Commissioner, Railways held the view that it was an advance payment of the depreciation as it would, in any case, have been paid by 1961. The Committee are, however, unable to accept this statement, as according to them it is not an 'advance payment' but an 'additional payment' to what would have been normally paid. Moreover, this additional depreciation had also been allowed on equipment etc., which have been purchased over a period of years after the agreement had been signed. Obviously, the additional depreciation on such assets will not be extinguished by 1961.

The Financial Commissioner made the point that these payments would all be taken into account at the time of the determination of firm price. He promised, however, to study the point and submit a note to the Committee on the subject.

59. On being informed by the Financial Commissioner of Railways that the cost of production at TELCO was 33-1/3 per cent. higher than the landed cost of an identical type of locomotive, while at Chittaranjan Locomotive work, it was 20 per cent. higher, the Committee desired to be furnished with a statement showing the comparative cost of locomotives manufactured by the Chittaranjan Locomotive Works and TELCO *vis-a-vis* those of identical type imported from abroad.

60. *Costing of Locomotives manufactured in the Chittaranjan Locomotive Works vis-a-vis those by the Telco.*—During their consideration of the Memorandum outlining the technical and commercial aspects of the method of costing of the manufacture of locomotives by the Telco as compared with the units manufactured in the Chittaranjan Locomotive Works submitted to the Committee (Appendix XXI of the Tenth Report of the Committee—Vol. II), the Committee wanted to know whether there was a proper allocation of machine hours, depreciation, overhead etc., between the locomotive and the boiler components manufactured by the Telco *vis-a-vis* other components etc., produced by them from time to time. Though they were informed that a safe-guard to this effect existed in the formula laid down by the Railway Board that there should be a fair and equitable charge to non-locomotive establishment in respect of the services rendered by that part of the factory which was debited to the Railway Accounts, the Railway Board could not give satisfactory answer to a question raised by the Comptroller and Auditor-General as to whether the machine hours so calculated do not confer any benefit on the subsidiary business of the company like the manufacture of trucks etc. which was operated on a commercial basis without relation to actual costs. It also came to the notice of the Committee that no costing was done in regard to the components. It is not clear to the Committee as to how economic production of components was ensured in the absence of such costing.

The Committee, therefore, suggest that a team of technical experts should be appointed by the Railway Board to go into the whole question of the costing system in force in Telco and also to examine the extent to which the indigenous material and capacity are being utilised in the manufacturing processes. They should particularly investigate whether the subsidiary business like the manufacture of trucks etc., which was a commercial venture undertaken by Telco was not getting any benefit at the expense of the Railways and further whether these activities were hampering the progress of manufacture of the boilers and locomotives according to the time schedule laid down in the agreement, and if so, to what extent. The investigation should also include the apportionment of idle time of the machines among the various accounts.

The Committee were perturbed to note from the Railway Board's Memorandum (Appendix. XX) that owing to the delay in the manufacture of boilers and locomotives, higher prices had to be paid by Government. The Committee desire that the Railway Board should assess the magnitude of the loss and they should be informed whether any steps are proposed to be taken by Government to recover the loss from the Company.

61. In regard to the recommendation made by the Committee previously for taking over the TELCO. as a State undertaking, the Committee were informed that in 1949 when the TELCO. were in the grip of financial difficulties, they suggested that Government might take over the concern or alternatively they be given financial assistance of about Rs. 2 crores. But the Government chose the latter alternative and accordingly acquired shares in the Company to the tune of Rs. 2 crores.

The Financial Commissioner Railways promised to submit a note on this point.

In reply to a question whether the performance of TELCO. which had now reached target production, had come upto expectation. the Financial Commissioner, Railways stated that it would be rather premature to express an opinion on that aspect. All the same, he observed that it would not be advisable for a variety of reasons to take over the concern at this stage when the production had reached the target, despite the initial delays and lapses. The Committee note the view of the Railway Board. They do not overlook the considerations urged by the Railway Board. The Financial Commissioner, Railways assured the Committee that the building up of price from estimates of labour, materials and overheads will be checked by the appropriate experts which was the surest way of arriving at a demonstrably fair and reasonable price. The Committee welcome the assurance and would like to watch the future development in this case with an open mind before coming to any conclusions.

While the Committee would not like to comment on the wisdom of diverting a part of the installed capacity for purposes other than those for which the project was conceived, they would like to draw attention to the fact that this diversion of capacity has retarded the attainment of self-sufficiency in the matter of manufacture of Locomotives and boilers for the Indian Railways.

62. *Para 15 of Audit Report, 1953—Agreement for the purchase of Locomotives of indigenous manufacture.*—This para also deals with some aspects of the Agreement entered into by the Government of India with the TELCO for the manufacture and sale of Locomotive Boilers and Locomotives briefly referred to in para 50 *supra*. The TELCO., in turn, entered into a contract with a German firm in November, 1950 for manufacture by the latter of parts and components required in connection with Government's orders for Locomotives with the former, and made 'advance payments' under the contract to the German firm, for which they demanded reimbursement from Government. The Company also desired that the commercial risk involved in these advance payments should be borne by Government who should also assume the ownership of the parts and components. An advance of Rs. 27,27,379/- was accordingly made to the Company on the 6th December, 1950 treating it as an 'on account' payment against an order for 50 Y. G. Locos. placed by the Railway Board in May, 1950. The Railway Board, however, asked the Indian Company to obtain from the firm a German Bank's guarantee for £375,000 (equivalent to Rs. 50,08,676/9/-) and assign the same to Government. Pending the receipt of the assignment of this Banker's guarantee, Government

on the 6th February, 1952 authorised a further advance payment of Rs. 50 lakhs which was raised to Rs. 58,48,680/- after a corresponding increase in the German Bank's guarantee. The latter sum was, thereafter, treated as a revolving credit to the TELCO upto the 31st March, 1953, to be replenished to the extent of the value of the bills presented for the parts and components received. According to audit comments, the arrangements relating to the grant of revolving credit amounted to the virtual supply of free capital to the Indian Company, outside the terms of the agreement and without any corresponding benefit to Government, as clause 13 of the Agreement provided only for provisional payments for work done and not in anticipation thereof. Further, the Company could not furnish the list of assets which were to be regarded as belonging to Government as distinct from the stores and parts hypothecated

by them to the Imperial Bank for accommodation, as it had been found impossible to separate the two categories. The alternative proposal to obtain an indemnity bond from the Company, the Committee understand, has since been implemented. The representative of the Ministry stated that the balance in the Revolving Credit Account has been completely cleared by the end of March, 1955.

63. The Committee were informed by the Financial Commissioner, Railways that with a view to ensure that Government's interest involved in the provisional payment should not suffer in any manner, they have taken an assurance from the TELCO and the latter has entered into an arrangement with the Imperial Bank under which, when submitting monthly statement of assets hypothecated to the Bank, the value of goods against which provisional payment was received from the Government would be shown by them separately.

64. *Para 26 of Audit Report, 1953—Infructuous expenditure in the purchase of Oil Tank Wagons.*—This case related to an order placed by the Railway Board on a Canadian Company through their agents in India for the supply of 350 Oil Tank Wagons. The Railway Ministry incurred an expenditure of about Rs. 1.07 lakhs on this order of 350 wagons (i.e. at Rs. 30,623/- per wagon). Out of the sum of Rs. 1.07 lakhs, nearly Rs. 11.23 lakhs represented the payment made merely on account of the promise of advance deliveries in July—October, 1948; but actually the supplies were made by the firm only in January/February, 1949 and received in India between January and June, 1949, i.e. about 3 months in advance of the deliveries promised by the firm in its first offer of Rs. 24,202 per wagon. Thus the actual operation of the contract did not fulfil the purpose for which the increase in rate per wagon was accepted.

When the Canadian firm advised their inability to conform to these delivery dates, because of certain circumstances beyond their control and stated that subject to availability of steel, the delivery would commence only during October-December, 1948, the Company were warned by the Railway Board that if the wagons were not delivered strictly according to the promise (July-October, 1948), the justification for the extra thousand dollars per wagon would disappear. The wagons were, however, actually supplied between

January and February, 1949, and the Railway Board ultimately left it to the I.S.M., Washington to negotiate, if possible, with the firm for a 'rebate' on account of the late delivery of the wagons. For about five years, no action was taken by the Railway Board to find out what action had been taken by the I.S.M. regarding the rebate. The Committee would like to know who were the officers responsible in the Railway Board for not pursuing this case and what action the Board propose to take against them for causing this loss to the Exchequer through their contributory negligence.

The Committee also find that the Government failed to provide any *Force Majeure* clause in the agreement, such as penalty to be levied in case of delayed deliveries etc., especially when an enhanced price on promise of earlier deliveries was paid. During their examination of this case, the representative of the Railway Board failed to explain how the clause absolving the firm from payment of any penalty in such a contingency came to be included in the final contract, although it was rejected by the Board earlier.

Further, the Railway Board did not at any stage of this deal consult the Ministry of Works, Housing and Supply and it was only at a very late stage when they asked the I.S.M. Washington to lodge a claim for rebate with the manufacturers. Again, the Committee note that for the supply of 300 wagons of the same design the quotation of Belgian firm amounting to a landed cost of Rs. 22,882/- per wagon was rejected on the ground that their delivery dates were quoted for August 1948 to January 1949, with a further condition in regard to the timely availability of material. Against this, the original offer of the Canadian firm for 350 wagons amounted to a landed cost of Rs. 24,202 per wagon with delivery dates between the second and third quarters of 1949 and subject to the condition relating to the availability of material. As a result of negotiations with the Canadian firm, order was ultimately placed at a landed price amounting to Rs. 30,623 per wagon with delivery dates July-October, 1948. As the offer of the Belgian firm was not unfavourable, the Committee are surprised that negotiations had not been conducted with that firm before finalising the deal with the Canadian firm. The Committee are not satisfied with the justification put forward for this favourable treatment of the Canadian firm. They wish to record their dissatisfaction over the manner in which this transaction was handled by the Railway Board.

65. *Para 27 of Railway Audit Report 1953.—Purchase of defective and unserviceable rails.*—The I.S.M., Washington placed a contract early in December, 1948, on a new manufacturing firm in Washington (whose financial standing was not ascertained) for first quality relaying rails for \$ 750,000 and connected angle bars valued at \$ 48,220.5 (total \$ 798,220.5) with delivery dates extending upto December, 1949. Without any intimation to the Ministry, the I.S.M., however, introduced a condition in the contract, which was not mentioned in the original offer, that the material would be of first quality mixed with No. 2 quality relaying rails, and that No. 2 quality rails would not exceed 45 per cent of the total quantity, every effort being made to supply a majority of the first quality rails. No specifications of the rails or their lengths were shown in the contract. Within a month of the sign-

ing of the contract, the *ex*-Indian State Railway for whom the rails were intended raised a doubt about the suitability of relaying rails for the construction of a new Railway project for which they were being obtained and asked for profiles of the worst rails as well as their lengths and other details. The I.S.M. replied that the suitability of the rails was assured by inspection. The profile of a new rail, instead of the worst rail called for, was sent to India on the 3rd March, 1949. The inspection contract was placed on a private firm only on the 19th March, 1949, although the delivery of the first 3,500 tons had, according to the contract, to be completed by the end of December, 1948.

66. The Committee find that the following irregularities have taken place in this transaction:

(i) The State Railway concerned placed a regular indent for only 1092 tons on the 24th May, 1949 which had arrived in May, 1949 and refused to commit itself to the purchase of the balance in view of the anticipated transfer of the Railway to the Central Government. The Ministry then asked the I.S.M., Washington to cancel the remaining portion of the contract, but the Mission relied solely on the basis of the firm's statement and, without taking any steps for its verification, replied that the entire quantity of the relaying rails was at sea board or *en route* to sea-board and cancellation of the contract could be done only at full cost.

(ii) The I.S.M. did not invite competitive tenders from other firms dealing in second hand rails. Further they chose a firm without verifying their financial standing. The Purchase Officer in the Mission, who was an American national and had no previous experience in this line, although he professed to have that, flagrantly violated the prescribed rules in not obtaining any security deposit.

(iii) The Committee are constrained to observe that the I.S.M. Washington failed to observe the elementary principles of prudence and placed reliance on the statement of the firm about the shipment of the rails. They would like to express their disapprobation over the perfunctory manner in which the Mission handled this transaction from the very start.

(iv) Out of 100 track miles received, 37 per cent were fit for the main line and 23 per cent for important sidings. Out of the remaining, 21 per cent could be made fit for unimportant sidings after straightening and removing kinks, while the balance of 19 per cent was wholly unserviceable. The loss on account of defective and wholly unserviceable supplies alone was Rs. 10:57 lakhs (approximately).

(v) The Ministry of Works, Housing and Supply should have consulted the indenter *viz.* Ministry of Railways before the I.S.M. was asked to go ahead and place the order with this firm.

(vi) The condition attached to the contract provided that the firm was responsible for any defect or fault detected by the purchaser in the stores on their arrival in India. A claim for \$ 2,00,000 approximately is stated to have been lodged against the firm and the case is under arbitration in America.

The Committee fail to understand why the claim could not be preferred earlier against the firm and earnest attempts made to enforce recovery. They would like to know the action taken against the officials responsible for the delay in preferring the claim.

(vii) As regards the appointment of the inspecting firm, apart from the delay that occurred, it is somewhat extraordinary that the inspection contract was placed on the same private firm which had been hired by the supplying firm in connection with its purchases of those rails which were to be supplied to the India Supply Mission. The inspection reports were also reported to contain an unusual type of statement to the effect that they covered the condition of the rails as seen by the Inspector and reflected his best judgment, and no liability was accepted for defects that might have been overlooked by him or for error of judgment or for claims that might ensue on the part of the ultimate receiver of the merchandise. The inspection carried out by the firm was also a random one. It passes the comprehension of the Committee how inspection reports based on random inspection, particularly when the goods were second hand, were accepted by the I.S.M. The reason why such a large quantity of rails should have been found unserviceable is thus not far to seek. The Committee are perturbed that the salutary principle that the Inspectors should not in any way be connected with the purchase of the particular goods has been departed from in this case.

67. The Committee were informed that the persons who handled this contract were American nationals and had been recruited locally. One of them who was the Purchaser Officer had actually tendered his resignation and it was accepted forthwith while the other had retired much earlier.

68. This is another instance where a contract for supply of goods was entered into by Government neglecting the financial interests of the state, resulting in considerable loss to the Exchequer. The Committee are constrained to observe that there was a gross mis-handling of this case by the I.S.M., Washington and it requires further detailed investigation. This is a sad commentary on the working of the Purchase Wing of the Mission. The Committee would like to have a fuller report on the transaction and the action that is proposed to be taken against other officials at fault.

69. As regards the adjustment of the sum of Rs. 7 lakhs representing the value of totally unserviceable rails which was lying under 'Suspense' as the Railway Board had refused to accept debit for that amount, the Committee feel that the debit in question should be accepted as a valid charge against the Railway concerned without requiring the Ministry of Works, Housing and Supply to insist on too meticulous a fulfilment of the normal requirements of the supplies conforming to the original specifications which it is in any case now impossible to fulfil.

70. *Para 11 of Audit Report, 1954—Loss on the cancellation of a supply order.*—In this case, bulk orders for a non-standard article (steel keys for track), still under trial, were placed by a comparatively junior Engineer in contravention of the rules. The high price at which the order was actually placed (57 per cent. over the estimated cost) and which vitiated the justification for the purchase of non-standard keys was not taken up by the Administration with the Director-General, Supplies and Disposals.

The issue of a clearance certificate by the Personnel Officer of the Chief Engineer in favour of the Engineer on the 17th October, 1950 and the payment of his Provident Fund dues on the 27th October, 1950, after receipt on the 16th October, 1950 of the enquiry papers from the Railway Board, without taking any action against him in respect of this case, was not correct, especially when the Chief Engineer had expressed dissatisfaction in this case as early as in March, 1949.

The Committee fail to understand why the Chief Engineer did not take any action against the Engineer concerned when the unsatisfactory aspects of the case came to his notice in March, 1949. Judging from the sequence of events of the case, the Committee are inclined to feel that undue leniency was shown to the Engineer by the Administration. The speed with which the settlement of the dues of the Engineer had been effected leaves the impression that this Officer was enabled to circumvent the rigours of a further enquiry into his conduct and thus evade any punishment that might have been inflicted upon him and which might also have caused him some pecuniary loss. The Committee desire that the Railway Board should re-examine this case and take action against the Officers responsible for helping the Engineer to escape.

71. *Para 14 of Audit Report, 1954—Provisional payments.*—This para discloses a large number of cases of provisional payments involving heavy amounts awaiting regularisation over a long period on all Railways. The Committee recommend that the Railway Board should issue instructions to the Railway Administration that the codal rules prescribed in this behalf should be enforced.

72. *Para 28 of Audit Report, 1953—Insufficient time allowed for submission of tenders.*—This para reports cases where notice of less than a fortnight was given by the various Railways for the submission of tenders in many cases. The Committee desire that the Railway Board should issue clear instructions for observing the rules as laid down for calling of tenders after giving sufficient notice by way of advertisement etc. In such circumstances, in the opinion of the Committee, there exists an obvious danger that contractors freed from the restraints of the competitive tender system, may hold out unjustifiably high rates and this should be carefully guarded against.

•73. During the course of the examination by the Committee of the cases referred to in the preceding para, their attention was

drawn to the sale of cinder without calling for quotations or giving proper notices. The Committee desire that the Railway Board should review this procedure and submit to them a note stating the measures adopted or proposed to be adopted to prevent any abuse of powers vested in the subordinate authorities for the sale of cinder without inviting quotations etc.

74. *Para 38 of Audit Report, 1953—Rationalised distribution of stores.*—The Committee note that the balance in stock is still on the high side. They desire that the Railway Board should pay unremitting attention to the progressive reduction in the accumulation of 'surplus stores' and 'scrap' and they hope that the next year's Report will present a better picture in this behalf.

75. *Para 18 of the Audit Report, 1954—Refusal to accord ex-post facto sanction.*—In this case, a dispute arose between the E.I. Railway and a contractor in connection with the supply of grainshop, commodities. The contractor resorted to legal proceedings in 1946. The case was decided against the Railway Administration who filed an appeal on the 22nd October, 1948, which is pending in a High Court. In the conduct of the case, the Railway Administration incurred an expenditure of Rs. 48,130 by March, 1949 and they sought the ex-post facto sanction of the Railway Board as it was not within their power. The Board at this stage expressed their dissatisfaction and surprise at the way in which the case was handled by the Railway Administration and refused to accord their ex-post facto sanction to the above expenditure, while authorising the liabilities to be honoured. When approached once again in September, 1952, the Board still refused to accord the sanction and the expenditure continued to be considered as unsanctioned.

76. As stated in para 4 of this Report, the Committee were informed by the Comptroller and Auditor-General that the question relating to the regularisation of the expenditure incurred without proper sanction by the competent authority by according ex-post-facto sanction is at present engaging the attention of the Ministry of Finance and the Financial Commissioner, Railways. As soon as a decision is reached in the matter, the Railway Board may take the necessary steps to regularise the unauthorised expenditure in this case.

77. *Revision of Agreement with the Swiss Firm 'SCHLIEREN' for the manufacture of all-metal light-weight coaches.*—During the examination of the Chief Administrative Officer, Integral Coach Factory, Perambur (Madras) on the working during the past one year of the Supplemental Agreement entered into by the Railway Board with the Swiss firm on the 27th June, 1953 after keeping in view the comments made by the Committee in Para. 13 of their Fifth Report and as supplemented by Para. 29 of their Tenth Report, the Committee were informed that it had worked satisfactorily and that the Factory would adhere to the schedule for production as laid down in the agreement; accordingly, it would be started in the second half of 1955. It was further mentioned that as a measure of financial prudence, the target of production of 350 coaches a year on single shift had been clamped at 250 coaches in the first instance.

78. The Comptroller and Auditor-General brought to the notice of the Committee that the 3½ per cent. export cess which the Swiss Government were levying for exporting any goods outside Switzerland was discontinued in October, 1949. In terms of that, a payment of 217,000 Swiss francs was demanded by the Company and paid to them by Government. The Committee desire that the Railway Board should examine whether this amount is not reimbursable to the Government of India in view of the fact that the exports in question did not materialise till 1951 and the question of payment of cess did not therefore arise.

79. The Comptroller and Auditor General further pointed out that a sum of 117,363 Swiss Francs had been paid to the Swiss firm on account of the bankers' clearing fees which should not be included in the cost of production or 'firm price'.

The Committee should like the Railway Board to examine this point also and submit to them a note in due course about the justifiability of this payment.

OUTSTANDING RECOMMENDATIONS

80. *The Committee shall now deal with some of the more important items outstanding from the previous Reports, in respect of which the Railway Board have submitted to them Memoranda/Notes stating the action taken thereon.

81. *Para. 19 of Tenth Report—Irregular expenditure on the Cadet Division of the St. John Ambulance Brigade (Overseas) on the G.I.P. Railway.*—The Committee had observed in this Para that no justification had been given by the Railway Board for not taking disciplinary action against the Officers responsible in their Office for the delay of 22 months caused in the disposal of this case and desired that action should be taken against persons responsible for the delay. After going through the note furnished by the Railway Board (Appendix XXI), the Committee regard the explanations given by them as unsatisfactory and express their displeasure over the manner in which the Board handled this case. The Board have themselves admitted in this note that 'there was actually a delay of 8 months in their Office after the case became ripe for decision by the Board'. Even 8 months' delay does not reflect well on the working of the Board. The Committee should like the Board to re-examine the case and take disciplinary action against the persons at fault.

82. *Para 21 of the Tenth Report—Leakage of Revenue of a Station on the E. I. Aailway (Appendix XXX).*—The Committee would like to know the action taken against the Transportation Inspector (Commercial).

83. *Para. 31 of the Tenth Report—Economy effected by Re-grouping of Railways (Appendix XXII).*—The Committee should like to watch further results. In the meantime, they would suggest that the Board should try to evolve some method by which to segregate the financial effect, if any, that may have arisen out of regrouping.

84. *Para. 35 of the Tenth Report—Abandonment of Locomotive Buildings' Works Project, Kanchrapara.*—As desired by the Committee, the Railway Board have submitted to them a Memorandum (Appendix XXIII) on the question of reference of claims to Arbit-

*Note.—Not vetted by Audit.

ration in respect of which 'no claim certificate' had been tendered by the contractors. In view of the opinion given by the Law Ministry as set forth in the penultimate sub-para of the Memorandum, that if a contractor chose to prefer a claim after giving a 'no-claim certificate' and pressed for the appointment of an Arbitrator, the Railway should appear but question the jurisdiction of the Arbitrator, lest the case of the Railway should go by default, as it was not possible to prevent a case from going at all either before an arbitrator or a court of law, the Committee have no comments to make.

B. DAS,
Chairman,

Public Accounts Committee.

NEW DELHI;
The 29th June, 1955.

II

**Proceedings of the sitting of the Public Accounts Committee held
on the 1st, 2nd and 3rd February and the 4th, 5th and 7th May,
1955.**

Proceedings of the Twenty-Sixth Sitting of the Public Accounts Committee held on Tuesday, the 1st February, 1955.

85. The Committee sat from 10 A.M. to 1 P.M.

PRESENT

Shri B. Dass—*Chairman*

MEMBERS

2. Shri T. N. Singh.
3. Shri Ramananda Das.
4. Shri Shree Narayan Das.
5. Shri Balwant Sinha Mehta.
6. Shrimati Ammu Swaminadhan.
7. Shri Amarnath Vidyalkar.
8. Shri S. V. Ramaswamy.
9. Shri U. C. Patnaik.
10. Shri C. P. Gidwani.
11. Shri V. P. Nayar.
12. Shri Ram Prasad Tamta.
13. Shri Mohamed Valiulla.

Shri P. C. Padhi, *Additional Deputy Comptroller & Auditor-General of India, New Delhi.*

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

SECRETARIAT

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

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

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

Shri M. M. Philip, *Director General of Posts & Telegraphs.*

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

Shri H. R. Thadani, *Chief Engineer, Telecommunication Planning.*

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

Shri P. Srinivasan, *Director of Accounts, D.G., P. & T.*

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

Shri R. Narayanaswamy, *Joint Secretary, Ministry of Finance.*

POSTS & TELEGRAPHS DEPARTMENT.

86. *Audit Reports (P. & T.), 1953 and 1954.*—The Committee took up consideration of the Appropriation Accounts (Posts & Telegraphs) 1951-52 and 1952-53 and Audit Reports thereon.

87. *Grant No. 93.—Capital Outlay on Indian Posts & Telegraphs Department (Outside the Revenue Accounts).*—Saving of about Rs. 28 lakhs occurred under this Grant, mainly due to slow progress

of works, non-receipt of stores and in some cases, the debits therefor and delay in finalisation of purchase proceedings etc., of lands. The Committee wanted to know why these savings were not surrendered by the P. & T. Department in time in order to avoid lapse of funds. The representative of the P. & T. Department explained that the savings were due to a number of reasons viz., non-purchase of the building site for a Telephone Exchange; slow progress of work done by the C.P.W.D. on the construction of an Exchange building; non-raising of debits by the C.P.W.D. for an Exchange Building constructed by them and so on. He further stated that so far as the works done by the C.P.W.D. were concerned, they got from that Deptt. a statement of the expenditure likely to be incurred by the end of the year and in the absence of any modification in that statement, it would have been inappropriate for the P. & T. Department to assume that these works would not be completed. Similarly, so far as the acquisition of sites was concerned, they acted on the premise that the negotiations which were going on would be completed and the payment would be made. But unfortunately they could not be completed before the end of the year. He added that as one of the measures taken to prevent such instances in future, they had already set up a separate Planning Section under the Chief Engineer, and expressed the hope that considerable improvement in this respect would be shown in the report next year. The representative of the Ministry of Finance (Communications) pointed out that one of the measures for bringing forth improvement in the existing set-up adopted by them was that they had created a new post of Director of Accounts for the P & T Department and it had been left to him to see that such irregularities did not repeat in future.

88. The Director of Accounts, P & T then explained to the Committee the existing machinery in the P & T Department for budgetary control. He stated that the Deptt. had got several controlling units which closely watched the Departmental expenditure month after month with the proportionate budget allotment and any excess or saving was brought to notice. At the Headquarters, they had got liaison with the Ministry of Finance with whom they held quarterly meetings and after watching the trend of actuals as compared with the budget, they took steps to regulate allotments of funds by means of reappropriations and make surrenders. This, he added, was a continuous control going on throughout the year.

As regards the purchase of stores made from abroad, they had evolved a system after considerable discussion with the Ministry of Works, Housing and Supply whereby they were kept informed of the monthly progress of expenditure incurred by the Purchasing Missions abroad during the last quarter of every year. He assured the Committee that this system would lead to an improvement in the position in regard to the lapse of funds on account of non-purchase and/or non-receipt of stores in future.

89. The A.G., P & T pointed out that the real trouble lay in the P & T Deptt. not maintaining their own accounts (Works Accounts) and he expressed the view that until that Department did so, he would not be in a position really to control their expenditure effectively. In reply to a question, the A.G., P & T stated that he maintained the accounts of the P & T Department, but his accounts were a month or

two in arrears as compared to the accounts which the Departmental Officers, etc. maintained in their books, so that really they had more up-to-date accounts in their possession than what he could give them on a certain date.

90. The representative of the P & T Deptt. assured the Committee that they were doing their very best to maintain the Departmental accounts accurately and up-to-date, but it had been found that it was not possible to do so in some cases. The main reason, he said, had been the expansion of the P & T Department in the various spheres and it was to meet that need that they had recently decided to create 8 new divisions, so that the maintenance of initial accounts might be done more systematically, and he hoped to be able to present to the Committee a better picture next year.

91. *Para 7 of Audit Report, 1953 and Para 12 (3) of Audit Report, 1954.*—These paras showed cases where expenditure was incurred by the P & T Department in excess of the budget provision. Para 12 (3) of the Audit Report 1954 disclosed that the absence of specific provision for major works continued to be a feature of the Budget Estimates for the year under report. According to this, out of the total outlay of Rs. 2.35 crores as much as 86 lakhs or over 36 per cent were on items for which no specific provision was shown in the budget. The number of such works was 861 and out of the expenditure of Rs. 86 lakhs on them, Rs. 21 lakhs related to buildings and 52 lakhs to lines and wires and 13 lakhs to apparatus and plant. The Committee pointed out that it was rather somewhat serious that the P & T Deptt. should have executed a large number of works for which there was no provision. They wanted to know why were funds provided for certain works diverted to these works. The representative of the P & T Department stated that as they were faced with unforeseen and very urgent and pressing demands from certain Ministries like the Railways and Defence and so on, they had to proceed with the construction of new lines etc. for them. The Committee felt that the Department should have asked for a token vote in these cases and brought them to the notice of Parliament. The representative of the P & T Department assured the Committee that in future all such works would be brought to the notice of Parliament by means of a token supplementary grant. The Committee then desired to be furnished with a note showing the reasons for not providing funds in the original budget for expenditure incurred on items referred to in para 12 (3) of the Audit Report *ibid* and the justification for diverting funds for those items of work in the course of the year.

The Committee also desired to have a *note giving reasons for the excess of Rs. 62.64 lakhs in the Stores and Manufacture Suspense Accounts of the P & T Department during the year 1952-53.

92. *Para 16(a) and (c) of Audit Report, 1953—Reinstatement of Government Servants after long periods of suspension.*—This para contains a review by Audit of cases of reinstatement of P & T Department employees under suspension for a long time where the Department had to incur considerable expenditure either because the original order of suspension had to be rescinded or because of the pro-

*See Appendix VIII and IX

cedural delay in issuing final orders. The Committee pointed out that these cases indicated that the action of the Departmental authorities in rushing cases to courts, when there was no evidence even for a departmental action, was indiscreet, involving the Department in infructuous expenditure*. In the case referred to in sub-para (c), the criminal prosecution was attempted unnecessarily even when it involved a petty sum of Rs. 17/-. The Committee pointed out that there was something wrong with the existing rules on the subject which were unduly rigid. The representative of the C. & A.G. suggested to the Committee that the existing procedure, which required that in every case where a criminal act was in question, the departmental proceedings should be held up pending the result of the criminal prosecution required revision as this led to delays in the disposal of the disciplinary cases against delinquent officials. Further delays also occurred on account of technical and procedural grounds which either helped the accused persons ultimately escaping the punishment or the punishment became ineffective. He drew the attention of the Committee to a recent judgment of the Supreme Court wherein it had been ruled that Departmental proceedings might be completed and appropriate penalties under the service rules might be awarded and thereafter it would be quite correct to prosecute the Government servant in a criminal court if the circumstances warranted such action and added that if the rules were amended, as suggested by him, there would not arise the type of cases mentioned at sub-paras (a), (b), (c) and (d) of para 16 of the Audit Report.

93. The representative of the Ministry of Communications informed the Committee that the departmental enquiries always preceded the report to the Police. He added that so far as the question of disciplinary action was concerned, the P & T staff were also regulated by the same orders and rules on the subject as were issued by the Home Ministry, and so long as these rules existed, they were to follow them. He, however, admitted that delays had occurred in the P & T Department in taking disciplinary action in certain cases. He pleaded that in cases where the Police had not functioned properly, people had taken advantage of the laws and delayed the proceedings, the problem became more complicated and needed consideration on its own merit. He added that no doubt the existing Civil Services (Classification, Control and Appeal) Rules were so elaborate that they almost smacked of proceedings in a court of law and the ordinary impression that disciplinary proceedings taken in the departmental way were very much quicker than proceedings in the court of law was not quite correct. Further, there were more aspects of disciplinary proceedings in the form of constitutional safeguards which were provided to Government servants of all kinds and categories and these had to be taken into consideration. As the question of simplifying the existing procedure relating to disciplinary action against Government servants under the Classification, Control and Appeal Rules came within the purview of the Ministry of Home Affairs, with whom the Committee had already taken it up, they decided to defer further consideration thereof.

94. Before concluding their deliberations, the Committee asked the representative of the P & T to submit to them a **note regarding

*See also Appendix XI

**See Appendix X

the procedure followed by that Department in the matter of reporting all cases of frauds, embezzlements, etc., in the Department to the police authorities for investigation with special reference to the type of cases where (i) departmental proceedings were initiated; (ii) the stage upto which they were pursued before being handed over to the Police for investigation; and (iii) whether legal advice was obtained in such cases before handing them over to the Police.

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

**Proceedings of the Twenty-seventh Sitting of the Public Accounts
Committee held on Wednesday, the 2nd February, 1955.**

96. The Committee sat from 10 A.M. to 12-55 P.M.

PRESENT

Shri B. Dass—*Chairman*

MEMBERS

2. Shri T. N. Singh.
3. Shri Ramananda Das.
4. Shri S. N. Das.
5. Shri Balwant Sinha Mehta.
6. Shrimati Ammu Swaminadhan.
7. Shri Amarnath Vidyalankar.
8. Shri S. V. Ramaswamy.
9. Shri C. P. Gidwani.
10. Shri V. P. Nayar.
11. Shri U. M. Trivedi.
12. Diwan Chaman Lall.
13. Shri Ram Prasad Tamta.
14. Shri Mohamed Valiulla.

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

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

Shri P. N. Krishnaswami, *Accountant General, Food, Rehabilitation and Supply.*

SECRETARIAT

Shri V. Subramanian.—*Deputy Secretary.*

WITNESSES

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

Shri M. M. Philip, *Director General of Posts and Telegraphs.*

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

Shri H. R. Thadani, *Chief Engineer Telecommunications Planning.*

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

Shri P. Srinivasan, *Director of Accounts, D. G. P. & T.*

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

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

Shri T. C. Puri, Deputy Secretary, Ministry of Works, Housing and Supply.

Shri R. Narayanaswamy, Joint Secretary, Ministry of Finance.

Appropriation Accounts (Posts and Telegraphs), 1951-52 and 1952-53 and Audit Reports thereon.

POSTS AND TELEGRAPHS DEPARTMENT—contd.

97. The Committee took up further consideration of the Appropriation Accounts (Posts and Telegraphs) 1951-52 and 1952-53 and Audit Reports thereon.

98. *Para. 31 of Audit Report, 1954—Purchase through Supply Department.*—In this case, an indent for the purchase of 8,500 cwts. of Zinc Tiles was placed by the P. & T. Department on the 16th May, 1949 on the Central Purchase Organization of the Supply Department for early compliance, with date of delivery specified as the 31st August, 1949. Purchase action was not, however, initiated by the Supply Department until after receipt of a telegraphic reminder on the 9th September, 1949 from the indenter urging expeditious procurement of the stores. Thereafter, 4,000 cwts. were purchased at Rs. 63/5/- per cwt. in October, 1949 and the balance quantity at Rs. 63/- per cwt. in January, 1950. The prevailing price in June, 1949 was Rs. 51 per cwt. and on the basis of this rate, the delayed purchase resulted in an extra expenditure of Rs. 1,03,250 to Government. It was explained that the delay was due to the loss of the extract of the indent in a branch of the D. G., S. & D. and that the extra expenditure was attributable to devaluation of the rupee. It was further stated that no disciplinary action could be taken against the officials at fault in this case as they had left Government service. The representative of the Ministry of Communications agreed with the Committee that a serious view ought to be taken of the loss of indent in the D. G., S. & D. but he added that it was for the Directorate to explain the matter. The Director General, Supplies and Disposals explaining the background of this case stated that the indent in the D. G., S. & D. but he added that it was for the Directorate was a composite one and it covered six items like antimony, graphite etc. It had to be split up among the various sections. Unfortunately in this case, the dealing Assistant who received this particular item after the split up mislaid it. The Assistant Director incharge of the Section proceed on leave almost immediately after that for domestic reasons and later resigned. This item was, therefore, lost sight of.

99. In reply to a question, the D. G., S. & D. stated that they were exercising three types of control in such cases, viz., an indent register had been maintained where all the indents were registered. The Section Officer was supposed to see it from day to day. The Assistant Director saw it roughly once a fortnight and the Deputy Director once in three or four weeks. When asked whether any explanations had been called for from the Assistant who had mislaid the indent and who was stated to have left Government service, the D.G., S. & D. stated that only three days ago, they had found that that person was still in Government service in another Department and they proposed to take up the matter. He added that their original impression being that the person concerned had left Government service, no explanations had been called for and no action was taken against him.

(At this stage Shri T. N. Singh took the Chair)

The D. G., S. & D. further stated that the responsibility in this case rested on the Assistant and the Assistant Director in his Organisation and he assured the Committee that such instances would not recur under the present system by which indents were classified according to values and were put up to the Deputy Director, Director and the Director General as the case may be before being passed on to the section concerned for disposal.

100. So far as the disciplinary aspect of the matter was concerned, the Committee took a serious view of the wrong statement of facts made by the D. G., S. & D., to Audit authorities that as the dealing Officials were not in Government service, no action could be taken against them although one of them continued to be still in service. During the course of discussion on this point, it was also revealed that the Assistant Director had applied for a transfer to a better job and the D. G., S. & D. had forwarded his application. The Committee then asked the representative of the Ministry of Works, Housing and Supply to furnish them with a *note setting forth further information on the following points:—

- (i) Who is the Officer in the D. G., S. & D. responsible for giving wrong information to the Audit that the officials at fault in this case 'had left Government service'? What action has been or is proposed to be taken against him for making a wrong statement of facts?
- (ii) When he left the Directorate, to whom did the above officer hand over charge? While handing over charge, did he include this outstanding indent for the supply of material to the P. & T. Department in the list of points handed over by him to his successor?
- (iii) Where is the Assistant Director, who dealt or was to deal with this case, employed at present?
- (iv) When did it come to the notice of the Deputy Director or other higher authorities in the D. G., S. & D. that the delay in this case had resulted in an extra expenditure to the Exchequer and did he take any immediate action against the Officials at fault?
- (v) Was this item included in the outstanding list of indents at any stage? If so, what action was taken to speed up its disposal?

101. Para 18 of Audit Report, 1953.—*Infructuous expenditure on leasing rented accommodation for location of offices.*—In this case, the P. & T. Department hired two private buildings at a total rental of Rs. 9,560 per month to accommodate the Departmental Offices located in the old Telegraph Office Building which it was decided to demolish with a view to erecting on that site a new building for the Automatic Telephone Exchange. One of the two buildings (rent Rs. 2,560 per mensem) was requisitioned through the State Government in May, 1948, and the other (rent Rs. 7,000 per mensem) was taken over from the Defence Department in June, 1948. The proposal for demolition of the old Telegraph Building was abandoned on 31st March, 1949. In the meanwhile, these two vacant buildings were

*See Appendices II & III

a very high value. He further expressed the view that it would not adequately guarded or securely closed and some squatters took possession of them and are still in occupation of the one taken over from the Defence Department—the other (rent Rs. 2,560 per mensem) having been transferred to the control of another Department of the Government in August, 1950. The P. & T. Department thus paid rent totalling approximately to Rs. 4,60,000 for these two buildings upto 31st December, 1952, without making any use of either of them. Payment of rent at Rs. 7,000 per mensem in respect of one of the buildings still continues to be the liability of the P. & T. Department.

102. The representative of the P. & T. Department explained that when the proposal for the Calcutta Telephone Automatisation Project came up, a search area was indicated by the Consultants where it must be located in the most economical way. No suitable site which could meet these conditions could be procured. Therefore, the Department felt the necessity of pulling down the old C. T. O. building in Dalhousie Square which was built 80 years ago and was being uneconomically utilised. At that time, a decision was taken to rent buildings outside to locate the offices situated there and these two buildings were taken over—one from the Government of West Bengal and the other from the Defence Ministry. Both these were rented buildings and before the P. & T. Department could occupy them, they were forcibly occupied by unauthorised persons and they had not been able to evict them.

103. In reply to a question as to why the P. & T. Department continued to pay rent for these buildings although they had been occupied by unauthorised persons the representative of the Ministry stated that they have been trying hard to disown liability for paying the rent, but in vain. In fact, at one time they even stopped paying rent to one of the landlords but had to resume payment on legal advice. Even the attempts made by the Department to invoke the help of West Bengal Government at a higher level for evicting the premises was of no avail. The Committee wanted to know why the P. & T. Department was hasty in taking over the building which was already in the possession of another Department of the Government of India (Defence Department) and could be taken over at short notice when a firm decision to shift the offices was taken.

104. The representative of the Ministry replied that the Defence authorities did not require the building and were about to release it. He added that the position of getting buildings in Calcutta was so acute at that time that the Department thought it best to take possession of the building when it was available.

105. During the course of discussions, it has emerged that the P. & T. Department took possession of the buildings long before the matter was placed before the Standing Finance Committee, and that the Standing Finance Committee did not accept the proposal of dismantling the C. T. O. building. This showed that the buildings in question were taken on rent much ahead of the final decision on the proposal, which revealed lack of planning. The Committee desired that the P. & T. Department should, in consultation with the Rehabilitation Ministry, find out a way by which the Department would be relieved of this unnecessary liability which they had been incurring for the past six years.

106. The Committee then asked the representative of the P. & T. Department to submit to them a note giving the following information:—

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

107. *Para. 20 of Audit Report, 1953—Irregular closure of inoperative work orders.*—This para disclosed that the accounts of over a thousand inoperative work orders for jobs undertaken and completed during the Pre-Partition period from 1942 to 1947 could not be closed in the Alipore Workshops due mainly to a heavy variation of over Rs. 18 lakhs between the actual charges debited to these jobs and the value of the stores as challaned on their despatch after manufacture. The reasons for this heavy variation were stated to be (i) defective estimating or failure to revise the challaned rate to accord with the steep rise in the cost of raw materials and labour and (ii) irregular booking of charges against work orders due to concurrent running of various work-orders for the manufacture of the same kind of stores. The Committee wanted to know the steps that had been taken by the P. & T. Department to ensure that the work orders were not kept open for an indefinite period. The representative of the P. & T. Department stated that the period 1942—1947 to which this para related was very abnormal—the amount of stores required for war purposes was very large and the same kinds of stores were being manufactured under different work orders. He added that as a result of the discussions with the Accountant General, P. & T. last year, it was decided that all work orders should be closed every three months so that there would be no such variations in future. Another decision was that estimates should be prepared in respect of each work order as to how much raw material it would require and how much labour. Some progress had been made in this direction. Yet another step which the P. & T. Department took to set right matters was that they had deputed the Chief Cost Accounts Officer, Ministry of Finance, Government of India, sometime in 1953 to visit the Posts and Telegraphs Workshops, Alipore with a view to suggesting means of introducing the cost accounting system there. Later on, there being some difference of opinion on certain items with the Chief Cost Accounts Officer, they asked him to revisit the Workshops, and his final report was awaited by them. He further assured the Committee that before long they would introduce the cost accounting system in the Posts and Telegraphs Workshops because that system would enable them to know whether any wastage of material or labour occurred anywhere.

108. The Accountant General, Posts and Telegraphs informed the Committee that the P. & T. workshop, Alipore, Calcutta was not run as a commercial concern, but as a Government Department. It was a Government Workshop working on a 'no—loss—no—profit' basis and all the labour was paid monthly wages irrespective of the turnover. All the articles required by the Department were being manufactured there regardless of the fact that in some cases the cost of production was exorbitant compared to their prices in the market. The Manufacture Suspense Account 1951-52 (Alipore Workshop) as contained in pages 101-102 of the Appropriation Accounts (Posts and Telegraphs) merely gave the amount of stores consumed, the cost of labour and the articles manufactured. It was a point worth considering whether with that amount of stores and labour, the workshop could not produce 30 per cent. more. The whole organization, in his opinion, should be rationalised and streamlined.

109. The Committee then discussed the measures which should be adopted for this purpose. It was felt that the taking of time-tests in respect of the out-turn of each worker at various stages in the process of manufacture and also a proper method of estimating the stores and labour which were required for each stage, with suitable corrective in the light of the time-tests, would go a long way to improve the efficiency of the workshop. The General Manager, Posts and Telegraphs Workshops informed the Committee that this work was already in progress and would be completed within 1½ years. The schedules for line construction stores, he said, would be completed shortly but the difficulty was only about instrument stores.

110. The news about the death of Shri N. A. Borkar, a sitting Member of the Lok Sabha in the Nagpur Air Crash on 2nd February, 1955, having been conveyed to the Committee, they stood in silence for a minute and then adjourned to meet again at 10-30 A.M. on the following day.

Proceeding of the Twenty-eight sitting of the Public Accounts Committee held on Thursday, the 3rd February, 1955.

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

PRESENT

Shri B. Das—*Chairman.*

MEMBERS

2. Shri T. N. Singh.
3. Shri S. N. Agarwal.
4. Shri S. N. Das.
5. Shri Balwant Sinha Mehta.
6. Shrimati Ammu Swaminadhan.
7. Shri Amarnath Vidyalkar.
8. Shri S. V. Ramaswamy.
9. Shri U. C. Patnaik.
10. Shri C. P. Gidwani.
11. Shri V. P. Nayar.
12. Shri U. M. Trivedi.
13. Diwan Chaman Lall.
14. Shri Ram Prasad Tamta.

Shri P. C. Padhi, *Additional Deputy Comptroller & Auditor General of India.*

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

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES

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

Shri M. M. Philip, *Director General, Posts and Telegraphs.*

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

Shri H. R. Thadani, *Chief Engineer, Telecommunications Planning.*

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

Shri P. Srinivasan, *Director of Accounts, D.G., P. & T.*

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

Shri P. M. Sundaram, *General Manager, P. & T. Workshops, Calcutta.*

Shri B. D. Sud, *Chief Controller of Telegraphs Stores, Calcutta.*

Shri R. Narayanswamy, *Joint Secretary, Ministry of Finance.*

Appropriation Accounts (Posts and Telegraphs). 1951-52 and 1952-53 and Audit Reports thereon.

POSTS & TELEGRAPHS DEPARTMENTS—contd.

112. The Committee resumed further consideration of the Appropriation Accounts (P & T) for 1951-52 and 1952-53 and Audit Reports thereon.

113. *Para 23 of Audit Report, 1954—Delay in the Disposal of Surplus Stores lying in the custody of the Posts and Telegraphs Department.*—The representative of the P & T Department informed the Committee that they had appointed a Special Technical Committee to go into the matter and they had covered more than 60 per cent. of the items and arrangements for their disposal were in hand and they expected that during the course of the year, they would take steps to dispose them of. He added that they had already issued instructions to declare these stores surplus to the D. G. S. & D. In reply to a question, he informed the Committee that the value of the surplus stores had been estimated to be about Rs. 58 lakhs.

114. The Committee then drew attention to the recommendations made in Para 41 of their Tenth Report regarding the disposal of Defence Stores lying in the custody of the Posts and Telegraphs Department and wanted to know the action taken in the matter. The representative of the P & T Department stated that these war-time stores had been declared surplus to the D. G., S. & D. by the Ministry of Defence for disposal, and the latest position was that the D.G., S.&D. had asked for a detailed list. These lists, he said, had been furnished to them by the P & T Department. But now the D.G., S. & D. had asked that these stores should be physically verified before they took action to dispose them of. A part of the physical verification of the segregated stores had already been done and the rest was in hand and it was expected to be completed in about two months' time. Stores worth about Rs. 46 lakhs, he added, had been disposed of.

115. The Accountant General, Posts and Telegraphs pointed out to the Committee in this connection that as these figures had not been furnished to him, he was not in a position to say whether they were correct or not. He further stated that according to a statement sent to him by his Deputy, stores worth Rs. 59 lakhs only were declared as 'surplus'. Of these, stores worth Rs. 31 lakhs had been surveyed and stores worth Rs. 9 lakhs were ordered to be sold out as early as possible. Obviously, the Department had no use for those stores. The other Rs. 22 lakhs worth of stores had been offered to various indentors as alternatives to be used in place of stores which they had requisitioned and if they were able to make use of them, then the so-called surplus stores to the extent of Rs. 22 lakhs would be utilised by the Department. The balance of stores worth Rs. 28 lakhs was being reviewed with a view to see whether any portion thereof could be used as alternatives by the department in their current work; the balance should be declared as surplus or disposed of by sale, as early as possible. In reply to a question, he stated that the value of surplus stores was not a constant figure. While Rs. 59 lakhs was said to be the value of surplus stores on the 1st April, 1954, during the course of the year, more stores might have been declared surplus or used and thus it was a continuous process.

116. In reply to a question, the representative of the P & T Department informed the Committee that a Standing Surplus Stores Committee had been set up by the P & T Department to review all items declared 'surplus' by the Stores Depots from time to time. The Committee desired to be furnished with a copy of the *circular issued by the D. G., P. & T. regarding the constitution and scope of functions etc. of the Surplus Stores Committee.

117. The Committee pointed out that there was a mounting rise in the balance of the stores lying in stock with the Department during the last four years and they wanted to know what steps had been taken by them to arrest it. The representative of the P & T Department explained that the purchases of stores were related to turnover *viz.*, their stock balance on the 31st March, 1954 was Rs. 4.54 crores whereas during the current year, their turnover was expected to be Rs. 7 crores. He, therefore, pleaded that it was essential to hold sufficient stocks of stores in view of such a heavy turnover in order to maintain the efficient working of the Department. When questioned whether they had assessed the value of the stores which were no longer required by the P & T Department and could be disposed of, the representative of the Department expressed his inability to answer that.

To sum up, he stated that the stock balance of stores which the P & T Department could hold had now been fixed at Rs. 4.5 crores from 1953-54 in consultation with the Ministry of Finance and he did not expect that that limit would be exceeded. This limit, he said, had been fixed after taking into consideration certain factors, *viz.*, the time-lag involved in the procurement of stores through the D. G., S. & D., turnover etc.

118. *Para 26(b) of Audit Report, 1953—Undervaluation of released stores in a Telegraphs Engineering Division.*—In connection with the dismantling work in a Telegraph Engineering Division carried out in 1948, huge quantities of stores were left over for over a year at different places uncared for. As a result of this, a large quantity of stores worth about Rs. 24,300 were lost due to theft etc. The balance left was sold in January, 1952 for Rs. 33,100, whereas in the estimates for the relevant works a credit of only Rs. 3,760 was provided as sale proceeds of the unserviceable salvaged materials. The Committee pointed out that undervaluation of the released material in this manner by the Estimating Officers indicated that the estimates were not prepared with proper care nor with reference to the actual condition of the material that was being replaced or dismantled, and wanted to know the action taken against the Engineers at fault.

119. Explaining the extenuating circumstances, the representative of the P & T Department stated that iron wire was not usually considered to be a very valuable item of stores and it got rusted to a certain extent due to rain and exposure. Thus its price on recovery after it had served its useful life was fixed at about 4 per cent. of the book value and the value of the released material was estimated by the Engineer concerned at this rate. But during the intervening period, the prices of iron wire suddenly rose due to shortage of such material in the market and the scrap wire fetched

* See Appendix XII.

have been more appropriate and the loss due to pilferage avoided if the stores had been disposed of earlier instead of allowing them to accumulate.

When asked *whether the Divisional Engineer concerned while providing for the released value of stores in the estimate as Rs. 3,760, based it on the prevailing market value or the book value, the representative of the P. & T. Department stated that it was on the basis of book value. He informed the Committee that instructions had been issued that the stores released from works should be disposed of or utilised soon, and that while providing for the value of the released material in the estimate, it should be calculated in a more realistic manner keeping in view the current market price.

120. *Para 26(c) of Audit Report, 1953—Delay in submission of Completion Report of Works.*—The Committee noted that the Director General, Posts and Telegraphs had issued necessary instructions to the authorities concerned.

121. *Para 21 of Audit Report, 1954.—Unsatisfactory state of store-accounting.*—This para comments upon the unsatisfactory state of store-accounting which was mainly due to the arrears in reconciliation of the numerical balances in the priced ledgers cards with depot balances, wrong postings in the ledgers etc. The Committee wanted to know what special steps had been taken to clear up the arrears and what was the latest position in this behalf. They also drew attention to para 49 of their Tenth Report and asked what action had been taken against the officials who might have been found responsible for the discrepancies in the stores accounts. The representative of the P. & T. Department stated that out of 8,100 items of stores transactions reported in sub-para (i) of Para 21 of the Audit Report, 4,300 related to the period prior to 1st April, 1953 and out of these 4,300, 2,673 items had been disposed of, leaving a balance of 1,627. Thus the balance to be cleared was 38 per cent. only. In regard to the reconciliation of the numerical balances in the priced ledgers with the depot balances, reported in the Audit Report, he stated that out of the total number of 71,018 items 45,659 had been cleared off and the remaining 25,359 constituted 36 per cent. of the entire outstandings. He added that concurrently with the reconciliation of the numerical balances, they were also reviewing the ledger cards for irregular balances. Although much headway had been made in the adjustment of outstanding balance under the suspense head 'Stores-in-transit', yet the position in regard to 'Purchase' was not very satisfactory on account of the outstanding Bills for stores supplied by the Indian Telephone Industries, Ltd. He assured the Committee that they were making an all-out effort to complete the reconciliation of numerical balances and in six or seven months, the position would be very much better.

122. The Committee asked the representative of the P. & T. Department to apprise them of the latest position in regard to action taken by them on the recommendations contained in Para 49 of their Tenth Report referred to *ibid.*

*See Appendix XIII.

†See Appendix XVII.

123. *Para 42(a) of Audit Report, 1954—Alipore Telegraphs Stores: case.*—In this case, one of the accused, a Class I Officer of the Telegraph Engineering Service, was, while on refused leave preparatory to retirement for six months, placed under suspension from the 3rd July, 1945. He continued to remain under suspension upto the 26th May, 1950—the date of the trial court order convicting him—and payment of subsistence allowances to him were stopped from that date pending issue of formal orders of his dismissal. Before, however, Government could issue the orders of dismissal, the Officer had preferred an appeal which was allowed by the Appellate Court setting aside the conviction and ordering a retrial. On receipt of these orders of the appellate court, this official was treated as continuing in service under suspension. As a consequence, he continued to receive the subsistence allowance even though he superannuated on the 8th May, 1945. The amount paid upto February, 1954 to the Officer as subsistence allowance from the 26th May, 1950 was of the order of Rs. 23,000. The Committee wanted to *know why this Officer was not retired after he had superannuated and thus the payment of this subsistence allowance avoided. The representative of the P. & T. Department stated that it was in accordance with the advice of the Law Ministry.

124. *Para 26(a) of Audit Report, 1954—Unusual methods adopted by the Executive to liquidate saving under 'Capital'.*—This para disclosed one of the numerous instances in which stores were accounted for as issued to the Engineering Divisions although they remained in the Depots pending despatch for quite a long time thereafter. In this manner the Engineering Divisions prevented lapse of 'unspent' funds and reduced the book balances of stores held in the Stores Depots. The irregularity having been pointed out by Audit in July, 1951, the D. G., P. & T. issued certain instructions in December, 1951 and according to the analysis of the stores-issue vouchers for the months of February and March, 1952 and 1953 made by Audit, it was noticed by them that stores to the extent of about Rs. 58 lakhs and Rs. 26.5 lakhs respectively (excluding petty items) were accounted for as issued to works though these had not been actually despatched before the 31st March of the respective years. The representative of the Comptroller and Auditor General further informed the Committee that this practice was in accordance with certain instructions issued by the Directorate General, Posts and Telegraphs. The Director-General, P. & T. informed the Committee that he was not aware of any such instructions. When the A. G., P. & T. referred to some correspondence between the Directorate and the Central Circle in this connection, the D. G., P. & T. observed that he had no knowledge of this and assured the Committee that he would look into the matter. He added that in September, 1952 instruction had been issued that no stores should be issued unless the work had been sanctioned by the competent authority. He hoped that there would be no complaints of the nature referred to in the Audit Report in future.

125. The Committee desired to be furnished with a †note stating the full facts of the above case with special reference to the following:

*See Appendix XIV.

†See Appendix IV.

- (a) Who was the Officer in the Directorate General, Posts and Telegraphs responsible for giving (telephonic) instructions on the 30th March 1951 for the issue of stores in order to avoid lapse of funds as reported in the Audit Report?
- (b) Did he obtain the approval of the competent authority before the issue of these instructions? If so, at what level? If not, what action has been or is proposed to be taken against that Officer?
- (c) Have any instructions since been issued by the D. G., P. & T. to ensure that such an irregular practice should not be restored to in future by the subordinate authorities?

126. The Committee then adjourned to meet again at 11 A.M. on the following day* to discuss the points arising from the examination by them of the P. & T. Accounts and Audit Reports thereon during their current session.

*Proceedings of the sitting held on the 4th February 1955 not printed as it was an informal one.

**Proceedings of the Twenty-eighth sitting of the Public Accounts
Committee held on Wednesday, the 4th May, 1955.**

127. The Committee sat from 10 A.M. to 1-05 P.M.

PRESENT

Shri B. Das—Chairman.

MEMBERS

2. Shri T. N. Singh.
3. Shri Ramananda Das.
4. Shri S. V. Ramaswamy.
5. Shri U. C. Patnaik.
6. Shri C. P. Gidwani.
7. Shri U. M. Trivedi.
8. Shrimati Violet Alva.
9. Diwan Chaman Lall.
10. Shri P. S. Rajagopal Naidu.
11. Shri Ram Prasad Tamta.
12. Shri Mohamed Valiulla.
13. Shri J. V. K. Vallabharao.

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

Shri P. C. Padhi, Additional Deputy Comptroller & Auditor-General of India.

Shri S. Gupta, Director of Railway Audit, Simla.

Shri P. N. Bhandari, Controller of Commercial Audit.

SECRETARIAT

Shri V. Subramanian—Deputy Secretary.

WITNESSES

Ministry of Railways (Railway Board):

Shri G. Pande, Chairman, Railway Board.

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

Shri P. C. Mukerjee, Member (Engineering), Railway Board.

Shri K. P. Mushran, Member (Staff), Railway Board.

Shri K. B. Mathur, Member (Transportation), Railway Board.

Shri D. P. Mathur, Director Finance (Accounts).

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

Shri D. U. Rao, Joint Director Finance (Budget).

Ministry of Finance (E.A.):

Shri H. S. Negi, Deputy Secretary.

Appropriation Accounts of Railways in India, 1951-52 and the Audit Report, 1953.

MINISTRY OF RAILWAYS (RAILWAY BOARD)

128. Para 14 of Audit Report—Inclusion of initial and additional normal depreciation in the cost of production of Locomotives and Boilers.—According to the terms of the contract, the price to be paid

to the TELCO during the initial periods known as periods 'A' and 'B' was the actual cost of production, and there was to be no element of profit whatever, during these periods. In the subsequent period, known as period 'C', the price to be paid was to be based on the estimated cost of production during period 'A' or period 'B', and a profit of 7 per cent on the total capital employed in the business. The cost included depreciation and, as provided for in the agreement, depreciation was to be charged 'at rates allowed by the Income-Tax authorities in ascertainment of income, profits or gains subject to Income-Tax under the provisions of the Indian Income-Tax Act'.

In pursuance of the decision reached in December, 1951 and July, 1952 between TELCO and the Railway Board, the initial and double depreciation charges were to be treated 'outside the costs' and to be carried over to a 'Deferred Depreciation Account' to be liquidated by Government over an agreed period. Before the details of the formula for the even spread could be evolved, Government and TELCO decided in July, 1954 to reverse their earlier decision and to treat these fortuitous Income-Tax allowances as normal depreciation to be included in the total cost of production of boilers and locomotives.

129. At the outset, the Committee drew attention to the audit comments given in this para and asked the Financial Commissioner, Railways to make his observations thereon.

130. Referring to the first part of the audit comments that according to this contract only the actual cost of production should be paid during the initial period by the Railway Board and the tax-allowances should not have been treated as depreciation, the Financial Commissioner Railways stated that when this contract was under negotiation on the basis of actual cost of production, the concession about allowing special depreciation as a relief for Income-tax purposes was announced by Government which was generally applicable to all Industries. This concession postulated that there must be a profit before it could be availed of by any Undertaking because, if there were no profits, no Income-tax became payable and, therefore, the advantage of this special depreciation would not be there. He observed that there was nothing on record to explain the considerations on which it was agreed to by the Railway Board at that time and added that this was perhaps considered to be the only way by which the advantage of this special depreciation could be given to TELCO, viz., to include this special depreciation as an item of element of production cost in the accounts of the TELCO.

131. As regards the second part of the audit comments as to why the C.B.R.'s, opinion viz., that it should have been specially provided that the normal fates on the basis of the expected life of the plant, etc. and not the initial depreciation should be the rates that should enter into production costs was not heeded, the Financial Commissioner, Railways referred to his earlier reply and observed that as TELCO was not earning a profit during the initial developmental periods, this was the only way of extending this concession to TELCO.

132. Coming to the third point that no legal opinion was obtained on the specific question of the admissibility of initial and double depreciation as an item of cost, as defined in the original Agreement, the Financial Commissioner, Railways stated that the Government

141. In reply to a question, the Committee were informed that the percentage of indigenous manufacture of components of locomotives and boilers to foreign components was 70 to 75 per cent. in the case of the TELCO, whereas it was about 85 per cent. in the case of Chittaranjan Locomotive Works.

142. When asked whether the Railway Board were satisfied with the manner in which the production programmes had been developed at the TELCO, more particularly in view of their experience in their own production unit at Chittaranjan, the representative of the Board stated that, in his opinion, the progress of manufacture by the TELCO should have been faster.

143. Having regard to the country's requirements of normal replacements which could not be met from the indigenous sources viz., C.L.W. plus TELCO, the Committee wanted to know whether it was proper to allow for a diversion of its (TELCO's) capacity for the purpose of manufacture of diesel trucks. The Financial Commissioner, Railways stated that this point was very carefully considered by them and the increase in the production of meter-gauge locomotives in TELCO was fully examined by the respective Ministries—Commerce and Industry and the Railways—and the decision was taken that the establishment of the Diesel Truck Industry was of such an importance that it should have a precedence over this to the extent that fifty locomotives and fifty boilers should be guaranteed to the Railways; the Diesel Trucks would then come in and after that, if there was any capacity left, that would go to the manufacture of additional locomotives. He added that Government attached great importance to the establishment of Diesel Engine manufacture in the country.

144. Reverting to the question of obtaining legal opinion on the specific issue of initial and double depreciation as an item of cost, the Comptroller and Auditor-General read out the Committee extracts from the note recorded by the Director of Railway Audit which *inter alia* stated that the question whether TELCO could claim the initial and double normal depreciation as an item of cost was not specifically referred to the Law Ministry.

145. Referring to the recommendations made by the P.A.C. in their earlier Report about taking over the TELCO and running it as a nationalised concern, the Financial Commissioner, Railways drew the attention of the Committee to the Memorandum submitted by the Railway Board on that subject (Appendix XX) wherein it had been suggested that TELCO was not likely to agree to sell the factory to Government voluntarily and legislation would have to be enacted for the purpose.

146. When questioned whether Government had got all that they expected from the TELCO, the Financial Commissioner, Railways stated that at the moment the answer was in the affirmative.

147. The Committee desired to be furnished with a statement showing the comparative cost of locomotives imported from abroad *vis-a-vis* those manufactured by the C.L.W. and TELCO.

148. The Financial Commissioner, Railways informed the Committee that the cost of production at TELCO was 33 1/3% higher

than the landed cost of an indential type of locomotive, while at C.L.W., it was 20% higher. The Comptroller and Auditor-general pointed out that this established that the State Unit was more efficient than the private unit.

RAILWAY AUDIT REPORT, 1953

149. *Para 15—Agreement for the purchase of locomotives of indigenous manufacture.*—This para dealt with some aspects of the agreement entered into by the Government with an Indian Company (TELCO.) for the manufacture and sale of Locomotive boilers and Locomotives required by the Government, which was commented upon in Para 22 of Railway Audit Report, 1949 (Post-Partition) and in Para 17 of the Fifth Report of the P.A.C. on the Accounts for 1949-50. The Indian Company, in turn, entered into a contract with a German firm in November, 1950, for manufacture by the latter of parts and components required in connection with Government's orders for Locomotives with the former, and made 'advance payments' under that contract to the German firm, for which they demanded reimbursement from Government. The Indian Company further desired that the commercial risk involved in these advance payments should be borne by Government, who should also assume the ownership of the parts and components. An advance of Rs. 27,27,379/- was made to the Company on the 6th December, 1950 by way of reimbursement treating it as an 'On account' payment against an order for 50 Y.G. Locos. placed by the Railway Board in May, 1950. The Railway Board, however, asked the Indian Company to obtain from the firm a German Bank's guarantee for £375,000 (equivalent to Rs. 50,08,676/9/-) and assign the same to Government. Pending the receipt of the assignment of this Banker's guarantee, Government, on the 6th February, 1952, authorised a further advance payment of Rs. 50 lakhs, which was raised to Rs. 58,48,680/- after a corresponding increase in the German Bank's guarantee. The latter sum was, thereafter, treated as a revolving credit to the Indian Company upto the 31st March, 1953, to be replenished to the extent of the value of the bills presented for the parts and components received. The arrangements relating to the grant of a revolving credit amounted to the virtual supply of free capital to the Indian Company, outside the terms of the agreement and without any corresponding benefit to Government, as the Agreement only provided for provisional payments for *work done* and not in anticipation thereof. Further, the Company could not furnish the list of assets which were to be regarded as belonging to Government, as distinct from the stores and parts hypothecated to the Imperial Bank for accommodation, as it had been found impossible to separate the two categories. The alternative proposal to obtain an indemnity bond from the Company, the Committee were informed, had since been implemented.

150. The Financial Commissioner, Railways informed the Committee that, with a view to ensure that the Government's interest involved in the provisional payment should not suffer in any manner, they got an assurance from the TELCO, and the latter entered into an agreement with the Imperial Bank under which, when submitting monthly statement of assets hypothecated to the bank, the value of goods against which provisional payment was received from the Government would be shown by them separately.

141. In reply to a question, the Committee were informed that the percentage of indigenous manufacture of components of locomotives and boilers to foreign components was 70 to 75 per cent. in the case of the TELCO, whereas it was about 85 per cent. in the case of Chittaranjan Locomotive Works.

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RAILWAY AUDIT REPORT, 1953

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151. In reply to a question, the Financial Commissioner, Railways stated that the amount of advance against the Indian Company stood at Rs. 2.15 lakhs on the 15th February, 1955.

152. Part II—Detailed Appropriation Accounts—Pages 114-115—P. & L. Accounts of Grainshops.—The Accounts for 1951-52 and 1952-53 disclosed that the stock of the value of Rs. 14,79,561 and Rs. 9.93 lakhs respectively were written off as a loss. The Committee pointed out that the salaries etc., of the grainshop staff came to nearly one rupee for every six rupees worth of sales, which was a very high proportion by any standard. They wanted to know whether the grainshops were still continuing in spite of these losses and decontrol of foodstuffs, and when they were expected to close down.

153. The representative of the Railway Board explained to the Committee the background of the opening of Grainshops for selling foodstuffs to the Railway employees at concessional rates during the War-time and also the steps taken as a result of the recommendations made by the Railway Grainshops Enquiry Committee and the implementation of the recommendations made by the Central Pay Commission in the matter of grant of Dearness Allowance towards the progressive decrease in the number of staff who availed of the Grainshop concession. He expressed the hope that gradually the number would diminish and eventually disappear.

154. Pages 411—427—Annexure J—Statement of important misclassifications and other mistakes detected.—The Committee wanted to know what steps had been taken to improve the standard of accounting on the Railways so as to minimise the mistakes reported in the Annexure. The Financial Commissioner, Railways informed the Committee that they had separately circulated to them a Memorandum (Appendix XIX) which showed some of the steps that they were taking to improve the general efficiency and he expressed the hope that as a result of these measures, the number of such misclassifications would come down. Referring to the misclassifications reported in the Accounts, the Financial Commissioner, Railways stated that these were due to lapses on the part of the Accounting Organisation and nothing more than that.

RAILWAY AUDIT REPORT, 1953

155. Para 28—In sufficient time allowed for submission of tenders.—This para reported cases where notice of less than a fortnight was given by the various Railways for the submission of tenders in many cases. The Committee wanted to know what steps had been taken by the Ministry of Railways to ensure that sufficient notice was given for tenders in respect of Works and Supplies. The Financial Commissioner, Railways stated that they had gone into the details of these cases after the Audit Para was brought to their notice and had come to the conclusion that there was no *mala fide* in any of them.

156. The Committee referred to the case relating to the reconditioning of 225 tons of non-ferrous scrap and wanted to know the names of contractors in this case. When asked whether this case had been investigated by the Railway Board and they had satisfied themselves that no *mala fides* were involved, the Financial Commissioner, Railways replied in the affirmative.

157. The Committee having drawn attention to the sale of cinder without calling for quotations and giving proper notices, the Financial Commissioner, Railways promised to review the position.

158. As desired by the Committee, the Financial Commissioner, Railways undertook to issue clear instruction for observing the rules as laid down for calling for tenders after giving sufficient notice by way of advertisement etc.

RAILWAY AUDIT REPORT, 1953

159. *Para 29—Non-payment of Railway dues by a Commercial concern.*—In this case a certain Roadways Company were appointed as out-agents for the Railway and on its behalf allowed to collect its earnings for the Railway traffic booked by it. The Railways' share of these earnings was paid to them when accounts were presented to the Company. There was, as such, a time-lag between the date of collection of earnings and the payment thereof to the Railway. No security deposit had, however, been taken from the Company to cover the outstandings.

From 1st January, 1949, the state Government, in whose jurisdiction the Roadways Company were working, took over the operations of the Roadways without giving timely notice to the Railway, with the result that a sum of Rs. 2.56 lakhs pertaining to the Accounts from June, 1948 onwards remained outstanding with the Company at the time of the change-over. Some instalments amounting to Rs. 1.49 lakhs had since been paid. The balance of Rs. 1.07 lakhs was still outstanding and on which no interest had been promised to be paid by the Company. The Committee wanted to know the present position regarding recovery of the amount due from the Company. The Financial Commissioner, Railways stated that it was an agreement entered into with the old Assam-Bengal Railway and the Government came into the picture in 1942 only when the War was on and the fact that no security had been taken did not strike anyone. In reply to a question, he stated that the normal system was that every day's earning was to be deposited into the Treasury and the expenses of the out-agencies were to be paid by the Railways.

160. *Para 38—Rationalised distribution of stores.*—The Committee wanted to know what further reductions had been secured in balances of 'surplus stores' and 'scrap' after 31st March, 1953.

The Financial Commissioner, Railways stated that, actually, the store balance had come down to about Rs. 6 crores during the last two years. He further said that whatever surplus stores or over-indenting was pointed out by the Shroff Committee was reviewed by the Railway administrations, and it had now been rationalised. He added that the Shroff Committee recommended reduction of stores by Rs. 10 crores, but they were able to reduce it by rupees seven crores only.

161. The Committee then adjourned till 10 o'clock on the following day.

Proceedings of the Forty-fourth Sitting of the Public Accounts Committee held on Friday, the 5th May, 1955.

162. The Committee sat from 10 A.M. to 12-48 P.M.

PRESENT

Shri B. Das—*Chairman.*

MEMBERS

2. Shri T. N. Singh
3. Shri Amarnath Vidyalkar
3. Shri S. V. Ramaswamy.
5. Shri C. P. Gidwani
6. Dr. Indubhai B. Amin
7. Shri U. M. Trivedi
8. Shrimati Violet Alva
9. Shri Ram Prasad Tamta
10. Shri Mohamed Valiulla

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

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

Shri S. Gupta, *Director of Railway Audit, Simla.*

Shri V. R. Mahadevan, *Chief Audit Officer, F.R. & S.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

WITNESSES

Ministry of Railways (Railway Board)

Shri G. Pande, *Chairman, Railway Board.*

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

Shri P. C. Mukerjee, *Member (Engineering).*

Shri K. P. Mushran, *Member (Staff).*

Shri K. B. Mathur, *Member (Transportation).*

Shri D. P. Mathur, *Director Finance, (Accounts).*

Shri N. C. Dev, *Director, Finance (Expenditure).*

Shri D. U. Rao, *Joint Director, Finance (Budget).*

Ministry of Works, Housing and Supply

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

Shri T. C. Puri, *I.C.S., Deputy Secretary.*

Ministry of Finance (E.A. Department)

Shri Shiv Naubh Singh, *Deputy Secretary.*

MINISTRY OF RAILWAYS (RAILWAY BOARD)—contd.

AUDIT REPORT (RAILWAYS), 1953

163. *Para 26.—Infructuous expenditure in the purchase of Oil Tank Wagons from a Canadian Company.*—This case related to an order placed by the Railway Board on a Canadian Company through their agents in India for the supply of 350 Oil Tank Wagons.

According to Audit comments,

(i) the Railway Ministry incurred an expenditure of about Rs. 1,07 lakhs on this order of 350 Oil Tank Wagons. Including Customs duty (Rs. 4,774 per wagon), the cost came to about Rs. 30,623 per wagon. Out of this sum of Rs. 1,07 lakhs, nearly Rs. 11.23 lakhs represented the payment made merely on account of the promise of advance deliveries in July-October, 1948; but actually the supplies were made by the firm only in January-February, 1949, and received in India between January and June, 1949 i.e., about 3 months in advance of the deliveries promised by the firm in its first offer of Rs. 24,202/- per wagon. Thus the actual operation of the contract did not fulfil the purpose for which the increase in rate per wagon was accepted.

(ii) These 350 wagons were intended to be of 'TOR' design. The order on the Canadian Company for these wagons in January, 1948 was, however, placed for wagons of 'TO' design only, but at that stage the Wagon Manufacturing Panel of Indian firms, who got the earlier tender for the supply of 300 wagons of 'TO' design as their quotation was the lowest, were not called upon either to quote afresh for the additional 350 wagons or to increase the number of wagons on order from 300 to 650.

(iii) Again, the original quotation of the Belgian firm for the supply of 300 'TO' wagons, which amounted to a landed cost of Rs. 22,882 per wagon, was rejected on the ground that their delivery dates were quoted for August, 1948 to January, 1949 with a further condition in regard to the timely availability of material. Against this, the original offer of the Canadian firm for 350 wagons amounted to a landed cost of Rs. 24,202 per wagon with delivery dates between the second and third quarters of 1949 and subject to the condition relating to the availability of material. As a result of negotiations with the Canadian firm, order was ultimately placed with it at a landed price amounting to Rs. 30,623/- per wagon with delivery dates July—October, 1948. As the offer of the Belgian firm was not unfavourable, negotiations should have been conducted with that firm before finalising the deal with the Canadian firm.

When the Canadian firm advised their inability to conform to these delivery dates, because of certain conditions beyond their control, and stated that subject to availability of steel, the delivery would commence only during October—December, 1948, the Company were warned by the Railway Board that if wagons were not delivered strictly according to the promise (July—October, 1948) the justification for the extra thousand dollars per wagon would disappear. The wagons were, however, actually supplied between January and February, 1949, and the Railway Board ultimately left

it to the I.S.M., Washington, to negotiate, if possible, with the firm "rebate" on account of the late delivery of the wagons.

164. The Committee wanted to know why no action was taken by the Railway Board for about 5 years to find out what action had been taken by the I.S.M. regarding rebate and also the present position. The Financial Commissioner, Railways stated it was true that the matter was not pursued in the Railway Board's Office between December, 1948 and 1953. But as soon as this case came to their notice, they wrote to the I.S.M., Washington asking them to go on pressing for the refund. But unfortunately, the firm had refused to make any payment. He added that they were looking into the matter as to why it was not taken up earlier during the last five years.

165. In reply to a question, the Financial Commissioner, Railways stated that there was nothing on the files in the Board's Office to show that the then Member (Engineering), Railway Board, who was responsible for placing this order, had taken any action in the matter.

166. When asked why the contract did not provide that no penalty would be levied on account of delayed deliveries, the Financial Commissioner, Railways agreed with the Committee that when an enhanced price on promise of earlier deliveries was offered there should have been some clause stipulating what would happen if early delivery did not materialise due to any action within the control of the firm concerned. He admitted that it was an omission. Continuing, he further said, that the delay was due to the cancellation of the permit by the Canadian Government for the release of steel. He pleaded that all this took place in 1947 and 1948 and as such, the whole thing required to be viewed in the context of the circumstances then existing in the country. He could not, however, explain how the clause absolving the firm from payment of any penalty in case of delayed deliveries in any circumstances came to be included in the final contract, although it was rejected by the Board earlier.

167. When asked why the copy of the order placed on the Company had not been made available to Audit, the Financial Commissioner, Railways stated that it was purely an omission.

168. When questioned further why the Wagon Manufacturing Panel of Indian Firms was not invited to quote afresh for additional 350 wagons, the Financial Commissioner, Railways explained that the procedure followed in such cases generally was that first of all they had an Indian procurement programme by which they covered the Indian capacity, and then any surplus over that was advertised by inviting global tenders.

169. In reply to a question, the Chairman, Railway Board stated that they had already built up capacity for the manufacture of 6 to 12 thousand wagons in India and they were going ahead for more. Referring to the order placed in the case under consideration, he stated that the Indian firm supplied the wagons, five months after the Canadian firm had completed their supply.

170. The representative of the Ministry of Works, Housing and Supply pleaded that, in this case, his Ministry never really came into the picture. It was only at a very late stage when the Railway Board asked the I.S.M., Washington, to lodge a claim.

RAILWAY AUDIT REPORT, 1953

171. *Para 27—Purchase of defective and unserviceable rails.*—In May, 1948, the late Ministry of Industry and Supply, enquired of the India Supply Mission, Washington about the availability of 10,420 tons of 50 lb. rails and accessories required for a Railway Project in an Indian State. A month later, the Ministry cabled to the Mission stating that if 50 lb. rails were not available, 65 lb. rails to American Standards and Specifications would be acceptable. In August, 1948, the I.S.M. reported that 65 lb. rails could be procured more easily than 50 lb. ones and that the largest steel manufacturing concern in America had offered these rails @ 85:28 dollars per net ton F.A.S. New York. The Ministry intimated their acceptance of the quotation, increased the quantity to 15,200 tons and called for the final price and delivery period. After getting the acceptance of the late Ministry of I. & S., the I.S.M. placed a contract early in December, 1948, on a new manufacturing firm in Washington (whose financial standing was not ascertained) for first quality relaying rails for \$ 750,000 and the connected angle bars valued at \$ 48,220.5 (total \$ 798,220.5) with delivery dates extending upto December, 1949. Without any intimation to the Ministry, the I.S.M., however, introduced a condition in the contract, which was not mentioned in the original offer, that the material would be of first quality mixed with No. 2 quality relaying rails, and that No. 2 quality rails would not exceed 45 per cent of the total quantity, every effort being made to supply a majority of the first quality rails. No specifications of the rails or their lengths were shown in the contract. Within a month of the signing of the contract, the Railway for whom the rails were intended raised a doubt about the suitability of relaying rails for the construction of a new railway for which they were being obtained and asked for profiles of the worst rails as well as their lengths and other details. The I.S.M. replied that the suitability of the rails was assured by inspection. The inspection contract was placed on a private firm only on the 19th March, 1949.

172. The State Railway concerned placed a regular indent for 1092 tons only on the 24th May, 1949 which had arrived in May, 1949 and refused to commit itself to the purchase of the balance in view of the anticipated transfer of the Railway to the Central Government. Accordingly, the Ministry asked the I.S.M. to cancel the remaining portion of the contract but the I.S.M. replied solely on the basis of the firm's statement and without taking any steps for its verification, that the entire quantity of the relaying rails was at sea-board or *en route* to sea-board, and cancellation of the contract could be done only at full cost. The balance quantity was actually purchased by the firm subsequently from other petty stockists and was shipped from America and received in India upto February, 1950. On arrival at the Indian port, the rails were stocked at the local Railway Depot.

173. The Final Report of the Railway authorities showed that out of the 100 track miles received, 37 per cent were fit for the

main lines and 23 per cent for important sidings. Out of the remaining, 21 per cent could be made fit for unimportant sidings after straightening and removing kinks, while the balance of 19 per cent. was wholly unserviceable.

174. The loss on account of defective and wholly unserviceable supplies alone was about Rs. 10-57 lakhs (approximately).

175. The condition attached to the contract provided that the firm was responsible for any defect or fault detected by the purchaser in the stores on their arrival in India. A claim for \$ 2,00,000 approximately had been lodged against the firm and the case was under arbitration in America.

176. The Committee wanted to know the present position in regard to the claim made and the arbitration proceedings in this five year old case.

177. The representative of the Ministry of W. H. & S. stated that they had lodged a claim for damages in this case, and on 10-7-52, they put in a claim for arbitration and demanded 2,00,000 dollars. Actually, the suppliers filed the application for the stay of arbitration proceedings and three applications were filed in the New York Court. These were rejected and the matter was then taken up to the Appellate Court. He added that they did not know what was going to be the outcome of this case as the judgment was still reserved. He further admitted that this case had been badly handled.

178. Stating the action taken against the persons concerned who had handled the case, the representative of the Ministry of Works, Housing and Supply stated that these persons who were American nationals were locally recruited. One of them had actually tendered his resignation and it was accepted forthwith while the other had retired much earlier. He added that there was nothing further which they could do in the matter.

179. Referring to the explanation given by the Purchase Officer concerned, the representative of the Ministry of Works, Housing and Supply stated that it had been found by the Ministry that that was a gross mishandling of the case and this matter, therefore, was further investigated. The view of the Ministry, he said, was that the financial standing of the firm should have been gone into. Continuing, he said that in this particular case, the standing instructions that the I.S.M. should have gone only to a registered firm and obtained security deposit had not been followed by the Purchase Officer, who did not have any previous experience. That Officer, he added, made a series of mistakes.

180. When the Comptroller and Auditor-General, however, pointed out that the Works, Housing and Supply Ministry should have consulted the Ministry of Railways before placing the order, the representative of the W. H. & S. Ministry accepted that it would have been a prudent course, although the rules in force at that time did not require this.

181. When asked to explain the implication of the expression 're-fail', the Chairman, Railway Board stated that in America it

meant 'second-hand rails'. The Railway Board, he said, were not, however, consulted in the matter, although it was pointed out to the General Manager, Mewar Railway when he came to the Railway Board for a discussion. Second-hand rail, he pointed out, was quite in order for new construction.

182. As regards the inspection, the representative of the Ministry of W. H. & S. stated that a detailed enquiry was made by them which showed that so far as the railway stores were concerned, there were really two leading firms who were competent to inspect and who were professional Inspectors in this line. One was Robert Hunt and the other was Pittsburg Testing Laboratory.

183. The Comptroller and Auditor-General pointed out at this stage that this firm of Inspectors who were appointed by the I.S.M. was also the firm of Inspectors of the suppliers, who had been hired by the suppliers for purchasing the very rails which were to be supplied to the I.S.M.

184. The Secretary, Ministry of W. H. & S. then read out to the Committee some extracts from the explanations given by the Purchase Officer, I.S.M. which *inter alia* stated that he had been dealing with such work before and his experience showed that compared to the market prices then prevailing, the offer made to him was reasonable. He, however, added that as probably the first quality rails were not available and as the rails were needed, the Purchase Officer seemed to have used his discretion in favour of buying these rails as he felt that the second quality rails were only slightly poorer than the first quality, just by one per cent.

185. The representative of the Ministry of Works, Housing and Supply, however, stated that the inspection was entirely defective. Otherwise, there was no reason why such a large quantity of rails should have been found unserviceable.

186. When asked about the action taken against the firm concerned the representative of the Ministry of Works, Housing and Supply stated that it had been black-listed.

187. When further asked about the steps taken to prevent the recurrence of such a case, the representative of the Ministry of Works, Housing and Supply stated that so far as the rules were concerned, they had been considerably revised, and powers of the Head of the Mission were defined, and he had to act in consultation with the Financial Adviser. The powers of the Purchase Officer, he added, had also been laid down.

188. As regards the adjustment of the sum of about Rs. 7 lakhs representing the value of totally unserviceable rails which was lying under 'Suspense' as the Railway Board had refused to accept debit for this amount, the Financial Commissioner, Railways stated that the general question as to what action should be taken to adjust the cost of the defective supplies made through the default of the Ministry of Works, Housing and Supply, was under consideration of the Government of India and he, therefore, suggested that this might be left over till a decision in the matter was arrived at.

189. When asked to express his opinion in the matter, the representative of the Ministry of Works, Housing and Supply stated

that the Ministry of Railways should accept this debit straightway.
RAILWAY AUDIT REPORT, 1953

190. *Para 37—Non-availability of files relating to compensation claims for Audit scrutiny.*—This para disclosed that the position regarding the supply of relevant files by some of the Railway Administrations had not been quite satisfactory and in many cases, Audit was ultimately told that some of these had either been destroyed under the time-limit laid down for their preservation or were not traceable.

191. The Committee desired to know what steps had been taken to retrieve the position. The representative of the Railway Board stated that now all records relating to compensation claims were to be preserved for a period of one year by the Railway Administration after the last payment was made and that a proper record of the files destroyed should be maintained. He added that the cases regarding compensation claims were not likely to go on for more than a year. He promised to examine the question whether it would not be better to preserve the files for 3 years in cases where there was a decree or settlement out of Court.

AUDIT REPORT, 1954.

192. *Para 7—Delay in the introduction of Government Rent Rules on the Southern (ex-South Indian) Railway.*—In this case, Government Rent Rules were not enforced on this Railway from 1947 when substantial increase in pay took place due to the introduction of the Prescribed Scales of Pay thus resulting in an excess payment of about Rs. 6 lakhs per annum. The Committee wanted to know why recoveries were not enforced from 1st March, 1952 when the staff had already been warned that rent recoveries made were provisional from that date. The Financial Commissioner, Railways stated that a Committee was appointed by the General Manager of the Railway concerned to go into this question. While they were considering this issue, the regrouping came in and then they thought that it was not the proper time to introduce them as the whole process had to be gone through again. He pleaded that the local circumstances on that Railway were such that they came to the conclusion that they should not force it down but should wait for a favourable time. The Chairman, Railway Board informed the Committee that they had since issued orders that the recoveries of rent at the new rates should be enforced with effect from the 1st May, 1955.

193. *Para 8—Continuance of unsanctioned posts on the North Eastern Railway.*—This para disclosed that on the 30th April, 1953 as many as 8,863 posts were being operated upon by different departments of this Railway, in many cases for over a year, without the sanction of competent authority and even without a definite request in writing from the departments concerned. The Administration stated that a proper watch could not be kept because of the abnormal conditions following the War, the Partition of the country, and the regrouping of Railways. Audit specially took up the matter in July, 1952 in respect of the 3,183 posts, and not less than 1,994 posts, involving an expenditure of about Rs. 2½ lakhs per mensem were so allowed to be continued without detailed scrutiny of the justification for their continuance.

194. The Committee asked the reasons for the continuance of such unsanctioned posts. The Chairman, Railway Board stated that these posts related to the *ex-Assam Railway* and the *ex-O. & T. Railway*. Narrating the abnormal conditions that prevailed especially on the Assam Railway as a result of Partition of the country and the hectic days following that and the difficulties the Railway Administration had to experience in defining precisely the duties of these posts and determining the number of personnel required for manning the different posts before the justification therefor could be accepted by the Accounts, contended that it was definitely a difficult job which they were not in a position to undertake on account of the situation then prevailing. He further informed the Committee that at present there was no unsanctioned post left.

195. *Para 9—Overpayment of Special Pay on the Central (ex-G.I.P.) Railway.*—In this case, in June, 1950, the Chief Traffic Manager submitted for the sanction of the General Manager a proposal for certain additional staff in a particular office and for the grant to them and also to the existing staff of that office of a special pay at 30 per cent. In recommending the proposals to the General Manager, the Finance Branch of the Accounts Office stated that the additional staff asked for was within his own powers of sanction, but that the grant of special pay required the sanction of the Railway Board. The General Manager, however, accorded his sanction to both the proposals in August, 1950 without obtaining sanction of the Railway Board in respect of the special pay. The need for higher sanction was again brought to the notice of the General Manager by the Accounts Office in September, 1950, but no action was taken by the General Manager to amend his sanction. This payment continued to be made till August, 1951, when the fact came to the notice of the General Manager. The irregular payment aggregated to Rs. 8,829. The General Manager approached the Railway Board in January, 1952 who sanctioned the waiver of recovery in April, 1952.

196. The Committee pointed out that although the irregularity came to notice in August, 1951, the question of fixing responsibility was still under consideration of the Administration. The representative of the Railway Board stated that they had just received the explanations of the officials concerned and after examining them, they would decide in the course of the next few days what action should be taken against them.

197. *Para. 10—Coal handling work at a Port on Western (ex-Saurashtra) Railway.*—In this case, the Chief Mechanical Engineer of the *ex-Saurashtra Railway* invited tenders in December, 1950 for the handling of sea-borne coal arriving at a port during 1951. The lowest tender at annas ten per ton for each operation was accepted by him. On a representation by another contractor who had done this kind of work in the past, the General Manager of that Railway appointed him for the same work at a rate of Rs. 1-8-0 per ton for each operation. The fact of this appointment was advised by him to the Chief Mechanical Engineer telegraphically on the 12th February, 1951. On the 14th February, the Chief Mechanical Engineer, however, entered into a formal agreement with the first contractor and he did not advise the General Manager till the 24th April, 1951 that

he had already given a contract for the work to another contractor at -/10/- per ton. Though the agreement with the first contractor had not been terminated and that with the second contractor had not been executed formally, the Chief Mechanical Engineer allowed the second contractor to handle two shipments without executing the formal agreement. The amount paid in excess of the lowest tender was Rs. 25,450. The first contractor, who was not allowed to perform the work, had claimed damages of Rs. 7,272 towards his 'loss of business' and the claim was stated to be under consideration of the Railway Administration.

198. The Committee wanted to know the decision arrived at in the matter. The Financial Commissioner, Railways stated that as there were certain other serious charges also against the officials concerned, an Enquiry Committee had been appointed and their recommendations were under consideration of the Government.

199. *Para 11.—Loss on the cancellation of a supply order on the Central (ex-G.I.P.) Railway.*—In this case, bulk orders for a non-standard article (steel keys for track), still under trial, were placed by a comparatively junior Engineer in contravention of the rules. The high price at which the order was actually placed (57 per cent. over the estimated cost) and which vitiated the justification for the purchase of non-standard keys was not taken up by the Administration with the Director-General, Supplies and Disposals. The issue of a clearance certificate by the Personnel Officer of the Chief Engineer in favour of the Engineer on the 17th October, 1950 and the payment of his Provident Fund dues on the 27th October, 1950, after receipt of enquiry papers from the Railway Board on the 16th October, 1950 without taking any action against him in respect of the amount involved in the compensation, was not correct especially when the Chief Engineer had expressed dissatisfaction in this case as early as in March, 1949.

The Committee wanted to know why the Chief Engineer did not take any action against the Engineer concerned when the unsatisfactory aspects of the case came to his notice in March, 1949. They also pointed out that the speed with which the dues of the Engineer had been settled was open to suspicion.

The Financial Commissioner, Railways stated that although *prima facie* it looked that there was a collusion, they referred this case to the Special Police Establishment after the Audit para had reached them. The Special Police after making enquiries told the Railway Board that they had no evidence to show that there was any collusion. Therefore, the Board did not pursue the matter further.

As regards the expeditious payment made to the officer concerned, the representative of the Railway Board undertook to look into the matter with a view to seeing whether there was any procedural irregularity or special consideration had been shown to him.

200. *Para 14.—Provisional Payments.*—This para disclosed that there were a large number of cases involving heavy amounts and awaiting regularisation over a long period on all Railways (except the N. E. Railway for which figures were not yet available).

The Committee wanted to know the present position in regard to the regularisation of such payments and also what measures had been taken to prevent such payments continuing to remain unregularised for prolonged periods in future. The representative of the Railway Board stated that they scrutinised the details of the provisional payments which exceeded the time limit of three months and they had discovered that in almost all cases of this kind, payments were made to avoid infringement of the Payment of Wages Act. As delay would have meant infringement of the Act, payments could not have been stopped. He pleaded that as a result of implementation of the Adjudicator's award from 1948 onwards, a very large number of posts was created. Their creation and the subsequent extension of duration involved a considerable amount of work in the preparation of justification etc. The result of all that was delay in finalising the current cases and delay in the issue of sanctions. He further stated that they were considering the issue of instructions to the Railway Administrations to follow the codal rules strictly, which allowed payments being made for definite periods not exceeding three months. He also undertook to improve the matter further in this regard.

201. *Para. 15.—Annexure 'A' of the Appropriation Accounts of Railways in India for 1952-53 (Part II).*—The Committee wanted to know the present position in regard to the various defects and items of arrears.

The Financial Commissioner, Railways informed the Committee that they had taken necessary steps to improve the situation and assured them that the progress made in this behalf would be reflected in the next Appropriation Accounts.

202. *Para 18.—Refusal to accord ex-post-facto sanction.*—The Committee discussed at some length the implications underlying the refusal by the Finance to accord *ex-post-facto* sanctions. The Comptroller and Auditor-General reiterated his earlier views that expenditure which had been incurred without any sanction was an illegal expenditure and the only authority which could give it the cloak of legality was Parliament, unless the Ministry of Finance revised its previous conclusion and gave *ex-post-facto* sanction. The Committee, however, deferred further consideration of the matter till a note on the subject was prepared by their Secretariat and considered by them during their June, 1955 session, when they also decided to examine the representative of the Ministry of Finance, if necessary, on this point.

203. *Para 19.—POINTS OUTSTANDING FROM PREVIOUS REPORTS.—(A) Railway Audit Report, 1950—para. 32—Ex-E.I. Rly.—Hiring of a portion of the Esplanade Mansions, Calcutta for the Public Relations and Publicity Offices.*—The Comptroller and Auditor-General informed the Committee that although more than eight years had elapsed and the Railway Administration had spent about 1½ lakhs of rupees for structural alterations over the building, its lease had not so far been executed. The Financial Commissioner, Railways assured the Committee that a new landlord had since come on the scene and they hoped to finalise the lease shortly.

204. (B) *Railway Audit Report, 1951—para. 42—Inadequacy of rent realised for railway quarters.*—The Financial Commissioner, Railways informed the Committee that they had come to certain tentative conclusions which required the approval of the Government before these could be enforced.

205. The Committee then adjourned till 10-30 A.M. on Saturday, the 7th May, 1955.

**Proceedings of the Forty-fifth Sitting of the Public Accounts
Committee held on Saturday, the 7th May, 1955.**

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

PRESENT

Shri B. Das—Chairman.

MEMBERS

2. Shri T. N. Singh
3. Shri S. N. Das
4. Shri Balwant Sinha Mehta
5. Shri Amarnath Vidyalkar
6. Shri U. C. Patnaik
7. Shri C. P. Gidwani
8. Shrimati Violet Alva
9. Shri P. S. Rajagopal Naidu
10. Shri Mohamed Valiulla
11. Shri J. V. K. Vallabharao

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

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

Shri S. Gupta, *Director of Railway Audit, Simla.*

Shri P. N. Bhandari, *Controller of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

WITNESSES.

Ministry of Railways (Railway Board):

Shri G. Pande, *Chairman, Railway Board.*

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

Shri P. C. Mukerjee, *Member (Engineering).*

Shri K. P. Mushran, *Member (Staff).*

Shri K. B. Mathur, *Member (Transportation).*

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

Shri D. P. Mathur *Director Finance (Accounts).*

Shri K. S. Bhandari, *Deputy Financial Adviser and Chief Accounts Officer, Chittaranjan Locomotive Works.*

Shri K. Sadagopan, *Chief Administrative Officer, Integral Coach Factory, Perambur (Madras).*

Ministry of Finance (E.A.):

Shri H. S. Negi, *Deputy Secretary.*

Ministry of Production:

**Shri R. K. Ramadhayani, I.C.S., Chairman,
Coal Board.**

Shri Swarup Krishan, I.C.S., Joint Secretary.

MINISTRY OF RAILWAYS (RAILWAY BOARD)—contd.**Costing of Locomotives manufactured in the Chittaranjan Locomotive Works vis-a-vis by the TELCO—**

207. The Committee took up consideration of the Memorandum outlining the technical and commercial aspects of the method of costing of the manufacture of locomotives by the TELCO, as compared with the units manufactured in the Chittaranjan Locomotive Works submitted to the last Committee (Appendix XXI of the Tenth Report of the Public Accounts Committee—Vol. II).

208. At the outset, the Committee wanted to know the amount of the provisional payment made to the TELCO. The Deputy Financial Advisor and Chief Accounts Officer, Chittaranjan Locomotive Works, who also dealt with the Accounts of the TELCO, stated that upto 19th February, 1955 it amounted to Rs. 6.41 crores. He further said that upto the end of March, 1955, the TELCO had manufactured 129 locomotives and 302 boilers and the total amount paid to them up to that date came to Rs. 6.96 crores.

209. The Committee wanted to know whether there was a proper allocation of machine hours, depreciation, over-heads, etc. between the locomotive and boiler components manufactured by the TELCO vis-a-vis other components etc. manufactured by them from time to time. The Deputy F.A. & C.A.O., Chittaranjan Locomotive Works stated that the TELCO had three constituents viz., Structural Shop, Locomotive Shop in which mainly the manufacturing processes were carried out, and the third was the Common Services including the Administration. He added that so far as the Structural Shop was concerned, quite a substantial portion of the work of road rollers and other contracts was carried out independently of the Loco Shop. Thus whatever expenditure was incurred in the Structural Shop, it was debited to those orders which did not pertain to the Locomotive and Boiler Shops.

210. In reply to a question, the Deputy Financial Advisor and Chief Accounts Officer stated that they had posted an Accounts Officer in the TELCO whose function it was to check their Accounts. In regard to the common services, he said, the Railway Board had arrived at a formula by means of which they had come to a satisfactory arrangement. So far as the Loco side was concerned, it was true that some part of the work was done on behalf of non-loco shops. The formula provided that there should be a fair and equitable charge to non-loco establishments in respect of the services rendered by that part of the factory which was debited to the Railway Accounts. He further said that so far as the Loco shop was concerned, there was a system which indicated whether a job order pertained to a Loco shop, a Boiler shop or a Truck shop. So, on the basis of that, the Accounts were compiled and, therefore, it was not really composite thing, but was broken up.

211. In reply to a question, the Deputy Financial Advisor and Chief Accounts Officer informed the Committee that he was satisfied

that the allocation between the Government project and non-Government project was equitable. Further, in determining the machine hour rates, factor of allowing initial depreciation as well as double normal depreciation to be charged to Government and non-Government Projects was taken into account.

212. When questioned about the allocation of the idle hours, the Deputy Financial Advisor and Chief Accounts Officer informed the Committee that these were borne by the Locomotive Shop because that was considered part of the development expenditure.

213. When asked to clarify the point, the Financial Commissioner, Railways stated that the proportion of the non-Locomotive work done in the Locomotive side had been fairly substantial—about 30 per cent. Further, the whole of the developmental expenditure was to be borne by the Locomotive Shop and the entire cost of training and machines and idle capacity in the Locomotive establishment was to be debited to the Locomotive Account.

214. Explaining the reasons why the TELCO were allowed to use their spare capacity for undertaking other jobs, such as manufacture of road rollers and underframes etc., the Financial Commissioner, Railways stated that originally the guarantee that was given by the Railway Board in the Agreement was for 50 locomotives and 50 boilers. The TELCO Workshop was also conceived as a general Engineering-cum-Locomotive Workshop and not a purely Locomotive shop. He, therefore, pleaded that they would not be right in saying that the TELCO had done anything which was not contemplated at the time of entering into the Agreement, as the Company were doing work mostly for the Government—the road-rollers were required by the State Government and the underframes were wanted by the Railways.

215. The Comptroller and Auditor-General, however, drew the attention of the Financial Commissioner, Railways to the fact that they had not examined the point raised by him viz., whether the machine hours had been so calculated that the subsidiary business like the manufacture of trucks etc., which was a commercial venture undertaken by the TELCO was not getting any benefit at the expense of the Railways and suggested that that should be got examined by the Railway Board by deputing some technical experts. The Financial Commissioner, Railways undertook to do the needful.

216. In reply to a question, the Financial Commissioner, Railways stated that before incurring any capital expenditure, the TELCO had to obtain the approval of the Railway Board. He further mentioned that considering the extent to which the manufacture of Locomotives and Boilers had been delayed by the TELCO, there was no doubt that they had paid much more than what they could have ever contemplated to pay for a project of that nature and for the development of this Industry. He agreed with the Committee that they must take care to see that the surplus capacity of the TELCO was not utilised at the expense of the Locomotive Project and that the promise of implementing the measures regarding the manufacture of locomotive production was fulfilled.

217. In reply to a question, the Deputy Financial Advisor and Chief Accounts Officer, Chittaranjan Locomotive Works, stated that

the pricing of components manufactured by the TELCO was not done. For complete units of boilers, they quoted the price to the Railway Board. He further said that the data were there, but the prices were not continuously being compiled because the work involved so much labour that ultimately, without getting the proportionate or corresponding benefit, there would be extra charges. He added that instead of controlling it on the basis of price, they controlled it on the basis of man-hours put in. As regards the components imported by the TELCO from abroad, he informed the Committee that it was laid down by the Railway Board that before the fixed price period, a certain number of components would be manufactured in the country. At that time, it was also decided that a technical team should examine whether production had been established at the specified level. He further stated that so far as the Boilers were concerned, these were now being manufactured cent. per cent. in India. So far as the Locomotives were concerned, they had been using 70 to 75 per cent. of the Indian product. Finally, the TELCO could not import anything without the permission of the Government.

218. Referring to the recommendation made by the last Committee for taking over the TELCO as a State Undertaking, the Comptroller and Auditor-General observed that he recoffeted that in 1949 when the TELCO were in financial difficulties, they came to the Railway Board and had discussions with them in the course of which they said that Government might take over the concern unless they were given a loan of Rs. 2 crores. But the Government decided that instead of taking over the TELCO they would rather render financial assistance to them and also take some shares in the Company. The Financial Commissioner promised to look into the papers.

219. In reply to a question, the Financial Commissioner, Railways stated that so far as the TELCO was concerned, there was a definite agreement upto 1961 whereby they were supposed to remain the Managing Agents of this Undertaking.

220. The Comptroller and Auditor-General, however, pointed out that on the basis of facts and figures furnished by the Railway Board and what had been noticed by Audit, it was quite clear that the TELCO had not come upto expectations. This, therefore, established the case for the concern being taken over by the Government. The Financial Commissioner, Railways contended that it would be rather premature to express an opinion that the TELCO had not come upto to their expectations. They had now reached the target production. It was true that their cost of production was now 33-1/3 per cent. over the landed cost whereas in the C.L.W. Locomotives it was only 20 percent. The reason for this, he said, was that in Chittaranjan Locomotive Works, they were charging depreciation at a very low rate—on the basis of the Railway rates—whereas in the TELCO they were charging depreciation at the rates allowed under the Income Tax Law. So far as the efficiency of the TELCO was concerned, he assured the Committee that they would see that all possible steps were taken to improve it and bring down the cost. On the question of nationalisation, he urged that as it had got order wider repercussions, it need not be considered at this stage.

221. *Revision of Agreement with the Swiss firm 'SCHLIEREN' for the manufacture of all-metal light-weight coaches.—* The Committee considered the working during the past one year of the Supplemental Agreement entered into by the Railway Board with the Swiss firm on the 27th June, 1953 after keeping in view the comments made by the Committee in their previous Report.

The Chief Administrative Officer, Integral Coach Factory, Perambur (Madras) gave a brief account of the salient features of the working of the supplemental agreement. He stated that the Schlieren had since submitted 700 approved drawings covering the design of the coach. Further, the Schlieren had, in terms of the agreement, drawn up a complete list of plant and machinery required for the shops which was approved by Government and they had asked the firm to invite global tenders and help them in the procurement of plant and machinery. These tenders were examined by a Departmental Committee with the help of the team from the Schlieren and they had now entered into contracts for the supply. On the advice of the Schlieren and as a measure of financial prudence, the target of production of 350 coaches a year on single shift had been clamped at 250 coaches in the first instance. The work of erecting the machinery at the Factory had already commenced on the basis of the detailed lay-out drawings furnished by the Schlieren. Out of 523 machines inspected by the Schlieren Engineers, 455 had been received in the Factory and the balance of 68 had yet to be received. Continuing, he said, that the Schlieren had also submitted drawings for the lay-out of the basic training school which was functioning at Perambur since March, 1954 and the satellite shops to suit the training programme in the different trade categories in which the Apprentices would be given training.

As regards the raw materials for the establishment of production in the Coach Factory, he said, that the Schlieren had furnished a complete list of raw materials and consumable stores, including various components which were required in connection with the manufacture of the coach shell, and they had taken procurement action on the basis of that.

The Chief Administrative Officer, Integral Coach Factory, assured the Committee that they would adhere to the schedule for starting of the production as laid down in the Supplemental agreement, according to which it would be started in the second half of 1955. He further mentioned that the following targets of production of total number of unfurnished coaches in the first five years had been laid down:

1st year	20
2nd year	100
3rd year	200
4th year	300
5th year of production and thereafter upto the end of the Agreement.	350

222. In reply to a question, the representative of the Railway Board stated that if the B.G. coaches of this particular type manufactured by the Integral Coach Factory were found satisfactory, they might consider to extend it to the Metre Gauge type also.

223. The Comptroller and Auditor-General pointed out that the 3½ per cent. export cess which the Swiss Government were levying for exporting any goods outside Switzerland was discontinued in October, 1949. In terms of that, a payment of 2,17,000 Swiss Francs was demanded by the Company. He, therefore, asked the Financial Commissioner, Railways to examine whether that amount was not reimbursable to the Government of India in view of the fact that no exports materialised till 1951. The Financial Commissioner, Railways stated that they were examining that aspect.

224. The Auditor-General further pointed out that a sum of about 1,17,363 Swiss Francs had been paid to the Swiss firm on account of the bankers clearing fees, which should not be included in the cost of production or "firm price".

The Financial Commissioner, Railways, stated that this point too was under their consideration and suggested that it might be taken up later on when they had arrived at some definite conclusion in this behalf.

225. In reply to a question, the Chief Administrative Officer, Integral Coach Factory stated that the ultimate cost of the manufacture of a coach would be between Rs. 80 and 85 thousand in the first year, which he said, would be very competitive with the present price of the conventional type of a coach.

226. As regards the number of Swiss Experts to be employed during the first three years, he said that the ceiling had been fixed at 40.

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227. *Para 13—Loss on Railway Collieries*—This para indicated that out of the total number of eleven Railway collieries which were under the control of the Chief Mining Engineer, losses aggregating Rs. 62,03,017 were incurred on six of them during the year 1952-53. These six collieries were Kurhurbaree, Serampore, Sawang, Jarangdih, Deulbera and Talcher. The Committee wanted to know the remedial measures which had actually been adopted for the elimination or reduction of losses on the Railway Collieries. The representative of the Ministry of Production stated that loss in some of these collieries had come down in subsequent years. He further said that the two collieries—Kurhurbaree and Serampore—were something like 85 years old. Consequently a great deal of the reserves of the colliery had been exhausted and in the previous years, naturally the mining operations were also directed to places where the coal was fairly easy to get. Contraction in capacity also necessitated a certain amount of reduction of labour strength although it had not been possible to make that reduction on account of the industrial dispute pending with the Labour Tribunal. At the moment, he said, they had already served notices on 1,400 workers and there were two courts whose permission they had to obtain in order to carry out that retrenchment. To sum up,

he said that the losses had been due to the dwindling output and their inability to reduce the establishment substantially.

228. As regards other collieries also, he said, the reserves were on the verge of depletion and they had to obtain coal from a comparatively large number of places by maintaining that establishment which would suffice for a larger output.

229. In reply to a question, the representative of the Ministry of Production stated that the total surplus workers in these Railway collieries as estimated by the Railway Enquiry Board were something like 8,000.

230. The Comptroller and Auditor-General having pointed out that the Railway Collieries were making a profit of 43 lakhs of rupees, the Committee wanted to know what steps were being taken by the Ministry of Production to tap new sources of coal because some of these collieries were getting exhausted. The representative of the Ministry stated that the State Colliery at Korba in Madhya Pradesh was going to be started in the near future and they were making preliminary survey and prospecting of the area in detail.

231. When asked about the administration of these collieries, the representative of the Ministry stated that they would be run departmentally.

232. The Committee then adjourned to meet again on the 20th June, 1955.

Proceedings of the Forty-sixth Sitting of the Public Accounts Committee held on Monday, the 20th June, 1955.

233. The Committee sat from 10 A.M. to 11-30 A.M.

PRESENT

Shri B. Das—*Chairman.*

MEMBERS

2. Shri Shree Narayan Das
3. Shri Amarnath Vidyalkar
4. Shri S. V. Ramaswamy.
5. Shri C. P. Gidwani.
6. Shri U. M. Trivedi.
7. Shrimati Violet Alva.
8. Shri J. V. K. Vallabharao.

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

Shri S. Gupta, *Director of Railway Audit.*

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

Shri K. K. Das—*Under Secretary*

234. At the outset, the Comptroller and Auditor-General informed the Committee that the question of regularisation of unauthorised expenditure for which *ex-post-facto* sanction is not accorded by competent authority was discussed by him with the Finance Secretary and the Financial Commissioner, Railways who had promised to submit a note on the subject to the Committee in due course, for their information. He further stated that in the case of Ministries where the Accounts functions had been separated from Audit, arrangements existed for scrutiny of expenditure in accounts, such a situation *viz.*, failure to obtain financial concurrence for the expenditure before it was incurred, would not arise, as the Accounts Officer had been definitely directed not to make any payment unless there was proper sanction for it. In view of the assurance given by the Comptroller and Auditor-General that the matter was engaging the attention of the Government, the Committee desired to postpone further consideration till such time as they were furnished with a note on the subject by the Ministry of Finance. It was decided to insert a para to this effect in the Introductory Chapter of the draft Thirteenth Report of the Committee and also a note in the portion relating to para 18 of the Audit Report on Railways (1954).

235. The Committee considered the question of the procedure to be adopted in reporting their review of outstanding items of

previous reports. It was decided that wherever the action of the Ministries was to be concurred in and no further action was called for or no comments were to be expressed, there would be no need to refer to these items in the current Report of the Committee. These items may, however, be included in the statements of review of outstanding items attached to the current Report. It was also agreed that wherever matters of principle were involved, however, the review together with the comments of the Committee may be included in the body of the current Report.

236. The Committee then took up consideration of the Draft Thirteenth Report on the Appropriation Accounts (Railways) and (Posts and Telegraphs), 1951-52 and 1952-53 and approved it subject to certain additions and alternations. They desired that wherever substantial modifications were involved they might be apprised of the same at their next sitting.

237. The Committee then decided to meet again at 10 A.M. on Wednesday, the 22nd June, 1955 to take up consideration of the Draft Fourteenth Report on the Appropriation Accounts (Defence Services), 1951-52 and 1952-53.

Proceedings of the Forty-seventh Sitting of the Public Accounts Committee held on Wednesday, the 22nd June, 1955.

238. The Committee sat from 10 A.M. to 12-15 P.M.

PRESENT

Shri B. Das—*Chairman.*

MEMBERS

2. Shri Ramananda Das
3. Shri Shree Narayan Das
4. Shri Amarnath Vidyalankar
5. Shri S. V. Ramaswamy
6. Shri U. C. Patnaik
7. Shri C. P. Gidwani
8. Shri U. M. Trivedi
9. Shrimati Violet Alva
10. Shri Ram Prasad Tamta
11. Shri Mohamed Valiulla
12. Shri J. V. K. Vallabharao

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

Shri P. C. Ghosh, *Dy. Director of Audit. Defence Services, New Delhi.*

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

Shri K. K. Das—*Under Secretary.*

239. At the outset, the Committee desired that the re-drafts of certain Paras and sub-Paras, as the case might be, of the Draft Thirteenth Report on the Appropriation Accounts (Railways) and (Posts & Telegraphs), 1951-52 and 1952-53 as prepared in the light of their discussions at their earlier sitting held on the 20th June, 1955 should be circulated to them.

The Committee then adjourned to meet at 10 A.M. on Thursday, the 23rd June, 1955.

Proceedings of the Forty-eight Sitting of the Public Accounts Committee held on Thursday, the 23rd June, 1955.

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

PRESENT

Shri B. Das—*Chairman.*

MEMBERS

2. Shri Shree Narayan Das
3. Shri Amarnath Vidyalankar
4. Shri S. V. Ramaswamy
5. Shri U. C. Patnaik
6. Shri C. P. Gidwani
7. Shri U. M. Trivedi
8. Shrimati Violet Alva
9. Shri Ram Prasad Tamta
10. Shri Mohamed Valiulla
Shri A. K. Chanda, *Comptroller and Auditor-General of India.*
Shri P. C. Ghosh, *Deputy Director of Audit, Defence Services.*
Shri S. Venkataramanan, *Accountant General, Central Revenues.*
Shri V. R. Mahadevan, *Chief Audit Officer, Food, Rehabilitation and Supply.*

SECRETARIAT

Shri M. Sundar Raj—*Deputy Secretary.*

Shri K. K. Das—*Under Secretary.*

241. The Committee considered the re-drafts of the undermentioned Paras and sub-Paras of their draft Thirteenth Report on the Appropriation Accounts (Posts & Telegraphs) and (Railways), 1951-52 and 1952-53 and approved them subject to minor additions and alterations:

Chapter I New Para 4.

II 19 (Part sub-para), 22, 24 and 42.

III 64, 66, 67, 72 (vii) and 87.

APPENDIX I

I. POSTS AND TELEGRAPHS DEPARTMENT

Statement showing action taken on proposed to be taken on the recommendations of the Public Accounts Committee

S. No.	Item No. as per the summary of the recommendation	Ministry or Deptt. concerned	Particulars of item	Remarks of the Ministry or action taken thereon.	Comments by the Public Accounts Committee
1	2	3	4	5	6

FIFTH REPORT—(Accounts for 1949-50).

1	(Para 32).	D.G.P. & T.	A Statement showing the findings of the Japanese Cable Committee as also action taken by Government in the matter should be furnished.	A memorandum on the subject has been submitted separately. (See Appendix V).	See Para 32 of this Report. Further report on item 7 should be expedited.
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TENTH REPORT—(Accounts for 1950-51).

2	(Para 52).	Do.	The principle of discrimination in the grant of concession for the free supply of meals and tea to a section of the staff of the Calcutta Telephone District is unjust and should be discontinued. The decision arrived at in the matter should be reported to the Committee.	A note has been submitted to Lok Sabha Secretariat under Ministry of Communications Memorandum No. TE.28-52/49/B, dated 15th April, 1954. (See Appendix XV).	No comments.
3	26(i).	Do.	The P. & T. Department should arrive at an early decision on the recommendations made by IBCON, the Swiss Firm of Experts, in the matter of fixing the maximum and minimum limits for the maintenance of stores balances under various categories of the P. & T. Stores and take all possible measures to bring down the stock balances without detriment to the efficient working of the Department.	A Memorandum will be submitted to the Committee.	See Para 27 of the Report. This may be expedited.

4	26(ii)	D.G.P. & T.	The Committee should be informed of the decision arrived at by the P. & T. Department in the implementation of the recommendations made by them last year for the adoption of the stores system existing on the Railways with necessary modifications to suit their local requirements.	A Memorandum will be submitted to the Committee.	See Para 27 of the Report.
5	27	Do.	Unserviceable stores which are a carry-forward of the last war should not be kept too long and allowed to deteriorate further. These should, therefore, be disposed of to the best advantage of the Exchequer.	Action is being taken to dispose of stores surplus to requirements of the Department.	The Committee should be apprized of the latest position.
6	28	Do.	The Committee should be informed of the decision taken by the Government on the recommendations of the J. J. Committee set up at their instance to determine the average lives of assets of the P. & T. Department for evolving a scientific and rational basis for contribution to the Renewals Reserve Fund in accordance with the accepted commercial practice.	The matter is under consideration in consultation with the Comptroller and Auditor-General.	The Committee should be apprized of the latest position.
7	29	Do.	The P. & T. Department should look into the constitutional and financial propriety of setting up the Telephone Development Fund in consultation with the Ministry of Finance (C) and Audit and submit to the Committee a report in due course.	A Memorandum has been submitted to the Committee. (See Appendix XVI).	No comments.
8	30	Do.	Reckless disregard of rules and the manipulation of accounts as disclosed in the Audit Report under review merits stronger punitive action. The results of the investigation made by the Special Police in the case referred to in para 17 of the Audit Report (P. & T.) 1952 as also the action taken against the persons responsible both on the Executive and Accounts sides should be intimated to the Committee in due course.	The S. P. E. have completed their investigations and prosecutions against persons found guilty of committing the fraud have since been launched. As the matter is being taken to the Court by the S. P. E. Departmental action against the subsidiary offenders has been stayed on the advice of the SPI.	No comments.

9 31

Do.

The Committee desire that the P. & T. Department should without waiting for the judgment of the High Court in the appeals filed by the two principal accused officials involved in the case referred to in Para 18 of the Audit Report 1952 proceed with the fixation of responsibility of other officials at fault and award them suitable departmental punishment. They should be apprized of the action taken in the matter in due course.

The matter is receiving attention.

Further report should be furnished to the Committee.

10 33

Do.

The Committee should like to know the action taken by the Department against the persons responsible for discrepancies disclosed in the results of physical verification of stores balances.

A Memorandum has been submitted to the Committee.
(See Appendix XVII).

See Para 28(ii) of the Report.

11 35

Do.

With a view to regulate the working of the expenditure from the Postal Life Insurance Fund on proper commercial basis the P. & T. Department should either put an Insurance Expert as the head of the Postal Life Insurance Organisation or run it as a Corporation constituted under an Act of Parliament.

The matter is under examination.

Further Report should be furnished to the Committee.

12 36

Do.

The Committee should like to know the final decision arrived at in the matter as a result of the inter-Ministerial discussion on the subject of provision of a separate Press for the P. & T. Department.

A Memorandum has been submitted to the Committee.
(See Appendix VI).

See Para 33 of the Report.

The Committee should like to watch further development in this case.

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

13	38	D.G.P. & T.	Early decision should be arrived at in the case relating to the loss due to failure to observe the stipulated terms and conditions in the contract for supply of mustard oil as commented upon in Para 29 of the Fifth Report of the Public Accounts Committee (1952-53).	On the advice tendered by the U.P. S. C. the Officer at fault has been censured.	See Para 38 of the Report.
14	39	Do.	The Committee should be informed of the result of the reference made to the U.P.S.C. in the case relating to the irregularities in connection with the expenditure incurred by a Telegraph Engineering Division on account of jungle-cutting, in the light of the comments contained in Para 30 of their Fifth Report.	The matter is under consideration of U.P.S.C. which have been reminded.	See Para 39 of the Report.
15	41	Do.	The Committee are convinced that the establishment charges by the Calcutta Automatisation Project are high as compared with the actual outlay on the Project, excluding payments to outside agencies for supplies and services rendered. There is, therefore, no ostensible justification for the employment of such a large contingent of staff as 32-Gazetted and 313 non-Gazetted Officers.	The matter is receiving attention. A Memorandum on the subject will be submitted.	This should be expedited.
			At least two posts of Divisional Engineers and 5-6 Assistant Engineers and a number of posts in the ranks of Supervisors and Clerks can be easily axed without in any way impairing the efficient execution of the Project. The Ministry of Communications should immediately examine this and retrench the posts in the cadre of Divisional Engineers, Assistant Engineers etc. as already recommended by the Committee last year. Action taken in the matter should be communicated to the Committee.	Do.	Do.
16	42	D.G.P. & T.	An Examination should be undertaken by the P.&T. Department to see whether the supplies received by the Calcutta Automatisation Project from the A.T.E. and I.T.I. under the terms	A Memorandum has been submitted to the Committee. (See Appendix XVIII).	Consideration deferred.

of the contract were at fair and reasonable prices not more unfavourable than from other parties.

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| 17 | 43 | Finance
(Communications). | The Ministry of Finance (Communications) should carefully examine the extent to which the element of delay in the execution of this Project is likely to affect its remunerativeness at the time of revision of the 1949 estimates, which is stated to be under consideration of the Government at present. | The matter is under consideration in consultation with the D. G. P. & T. | The matter should be expedited. |
| 18 | 45 | Communications. | With greater experience over the working of the Indian Telephone Industries, Ltd., for the past few years, it should be possible for them to avoid unnecessary accumulation of large cash balances with them, which are disclosed in the balance sheet for the period under report. | The cash balances stood at 39.8 lakhs only on 31-3-1953 against the total outstanding liability of Rs. 215.4 lakhs. At the end of March, 1954, the cash balances stood at minus figure as there was an overdraft to the extent of Rs. 17,63,104/-. It will, therefore, be observed that every effort is being made not to accumulate unnecessary cash balances. | Deferred consideration till next year's accounts are taken up. |
| 19 | 46 | Do. | The holding of stores worth Rs. 95 lakhs by the I.T.I. shows a lack of proper planning and foresight on the part of the previous management in investing lakhs of public money in indiscriminate purchases. The Committee should like to know the disciplinary action taken against the officials at fault. | The actual value of materials in over-stock, after taking into consideration the requirement of factory for one year, is only about Rs. 35 lakhs. The matter is being further investigated in order to find out whether the responsibility for the over-stocking can be fixed on any particular officer or officers. | Do. |

47 **Communi-
cations.**

Specific provision regarding inspection of goods supplied by the A. T. E. in the U. K. by our own agency before shipment should have been made in the agreement. The expediency of an independent inspection being carried out by the India Stores Department, London, may be considered by the Ministry.

The inspection of the highly specialised stores required by the I.T.I. cannot be done satisfactorily in the U. K. The experience of the P.&T. Deptt. with regard to such inspection in the U. K. has not been very happy. For a satisfactory inspection of these stores, it would be necessary to employ a very large team of technical officers the cost of which would be incommensurate with the results achieved and further this would absolve the A. T. E. Co. of any responsibility if the stores on receipt in India are found to be defective. The I. T. I. have entered into an arrangement with the A. T. E. Co. regarding the rejection and shortage in the supply received from A. T. E. Under the arrangement, any rejections above 1.25% of the stores have to be replaced by the A. T. E. Co. Ltd. The normal terms of supply of the A. T. E. Co. are F. O. B., but in case of bulk rejections, the A. T. E. are required under these arrangements to replace the Material free at site. These concessions would not be possible under an arrangement, for inspection in the U. K. In view of the above reasons it would not be advantageous for the I.T.I. to provide for inspection in the U. K. by D. G., I. S. D., London.

Deferred consideration till next year's accounts are taken up.

21

48 Communications.

The Comptroller and Auditor General of India should have been consulted before entering into a commitment for relying upon the certificate furnished by the firm's (A. T. E.'s) Auditors in the manner of verification of the reasonableness of the prices charged by them.

The Agreement with the A. T. E. Co., Ltd. does not provide for any certification of the prices for the equipment supplied by them to the I. T. I. The arrangement regarding certification is an informal arrangement between the A. T. E. and the I.T.I. At the request of both the A. T. E. and the I. T. I. the British Post Office have agreed to give a certificate in respect of prices charged to the I. T. I. for particular types of equipment which are also supplied to the British Post Office on the understanding that the cost of certification is reimbursed to it by the A. T. E. and I. T. I. Where for equipment or material, no B. P. O. prices exist, it has been arranged with the A. T. E. Co. Ltd. that their auditors would certify that the prices charged by the I. T. I. are the lowest that have been charged to any other customer. It will, therefore, not be reasonable to ask the B. P. O. to have their prices verified by the audit officers of the Government of India. It would also be unreasonable to demand from the A. T. E. Co. that their books should be examined by our Audit Officers. Certification of the prices by the Company's own

Deferred consideration till next year's accounts are taken up.

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| 22 | 49 Communi-
cations. | Government should explore the import markets for the products of the I. T. I. in order to utilise fully the capacity of the factory and if necessary, take up the question of the revision of the contract in this behalf. | auditors is probably the farthest limit upto which a supplier can reasonably be expected to go. | The Agreement with the A. T. E. Co. Ltd. already provides for the export of the products of the I.T.I. to Ceylon, Pakistan and Burma. The A. T. E. have also agreed to the I.T.I. supplying equipment to Indonesia. The I.T.I. is exploring the position in Ceylon, Burma and Indonesia to see if they can establish a market for its products in those countries. If it is found that India can establish a market in any other country, the question of obtaining A. T. E. Coy's concurrence to the export of telephone equipment to that country will be considered. The agreement provides that such concurrence will not be unreasonably withheld. For the present efforts are being directed to neighbouring friendly countries like, Ceylon, Burma and Indonesia. No amendment of the agreement is, therefore, considered necessary. | Deferred consideration till next year's accounts are taken up. |
| 23 | 50 Do. | A clause providing for revision in the agreement whenever considered necessary according to circumstances by the contracting parties should invariably be made in all such agreements entered into by Govt. in future. | The recommendation of the Committee has been brought to the notice of the officers in the Ministry (main) and the offices attached and subordinate to it for guidance. | Do. | |
| 24 | 51 Communi-
cations. | The Ministry of Production should collect the statistics of the annual requirements of the State Industries for the supply of specialised | This Ministry has already communicated its requirements to the Ministry of Production for | Deferred consideration till next year's accounts are taken up. | |

1	2	3	4	5	6
			materials like bright steel etc. and consider the possibility of their manufacture in India.	being co-ordinated with the requirements of the other Ministries.	
25	52	Do.	<p>The maximum output should be obtained from the use of all the machines lying un-used in the I.T.I. and a balance stock of components for the different projects should be maintained.</p> <p>The committee stress the desirability of making the fullest use of the machinery in the interest of the country's industrial development.</p>	<p>The I.T.I. is already trying to utilize the spare capacity of the machines by getting commercial orders for screws, nut bolts, turn parts, etc. The factory has executed some of the orders from private firms. It is expected that as a result of these efforts, the percentage of machines utilization would improve in future.</p>	Do.

II. RAILWAY BOARD

Fifth Report (on the Accounts for 1949-50)

26	6	Railways Defence.	<p>A conference should be arranged between the Ministries of Railways and Defence in order to arrive at an agreement for the final adjustment of the sum of about Rs. 8 lakhs which is outstanding for recovery from the Ministry of Defence on account of the rent for the land leased to the late Defence Department in the Vizagapatam Port.</p>	<p>Ministry of Railways have stated as below :</p> <p>This question has been settled and only a petty sum of Rs. 34/- is outstanding.</p> <p>The Ministry of Defence have stated as under :</p> <p>“ The entire amount payable by way of rental for the period up-to 31st March, 1953 was paid to the Vizagapatam port authorities and adjusted in September, 1953.”</p>	No Comments.
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Tenth Report (on the Accounts for 1950-51)

27	1	Railways.	The production capacity of the Chittaranjan Locomotive Works should be utilised to the maximum possible extent. With this end in view, the Committee desire that the Railway Board should explore the possibility of undertaking other ancillary industries in these workshops in the second shift and, if necessary, even augment the existing plant and machinery in the greater national interest.	The suggestion of the Committee has been carefully considered. In view of Government's recent decision to increase that Factory's output of locomotives and boilers to 200 average-size locomotives and 100 spare boilers per year which involves working a second shift and also augmenting the existing plant and machinery and housing facilities etc., it is not likely that any spare capacity will be available for the manufacture of any other product in these works in the second shift, though this question of exploring possibilities of undertaking ancillary work will always be kept in view.	No comments.
28	2	Do	The excesses over voted grants and charged appropriation as pointed out in this para should be regularised by Parliament in the manner prescribed in Article 115 of the Constitution. The Committee would, however, draw attention to Article 114 (3) of the Constitution whereby no money shall be withdrawn from the Consolidated Fund of India except under appropriations made by law passed in accordance with the provisions of this Article. Such excesses are, therefore, unauthorised and steps should be taken in future years to keep the expenditure well within the provision and to obtain funds in time so as to avoid such excesses.	Action is being taken to have the excesses relating to 1950-51 over voted grants regularised by Parliament in the manner prescribed in Article 115 of the Constitution. P.A.C.'S observations have been conveyed to Railway Administrations advising them to avoid excesses over voted grants. [Ministry of Railways letter No. 54. B(c)-2498(2) dated 27-12-54]. (See Appendix XXIV)	No comments.
29	3	Railways.	Although the Audit and Accounts on the Railways were separated long ago, there is not the necessary co-ordination between the Railway Administrations and the Accounts	A Memorandum is submitted. [See Appendix XIX.]	See Para 47 of the Report.

Offices in the formulation of estimates etc. The Committee feel that the Railway Accounts Offices should be further strengthened and re-organised, if necessary.

30 4 Do The Railway Board should once again draw the attention of the Railway Administrations to the recommendations made by the Committee in Para 7 of their Fifth Report and should also themselves exercise a rigid overall control at the time of consolidating the Budget Estimates submitted by the Railways. The Committee feel that the overall budgetary standard and control over expenditure on the Railways needs improvement and should, therefore, like to know the measures evolved by the Railway Board to set matters right in this direction.

A Memorandum is submitted. See Para 47 of the Report. [See Appendix XIX]

31 5 Do. The Committee reaffirm the views which have been expressed by them on a number of occasions in the past that it is highly undesirable that large sums should be lying under "Suspense" and not charged to the proper heads of accounts. They observe that such a procedure, if followed indiscriminately, will vitiate parliamentary financial control, which the Committee desire should be zealously safe-guarded by the spending Department.

The extent rules contained in No comments. Chapter 10 & 16 of the Indian Railway Accounts Code Vol. 1 cover the recommendations of the P.A.C. In order to ensure speedy clearance of Suspense Balances the Railway Board have also arranged for—

- (i) A review in the Railway Boards Office of the Balances under all Suspense heads every half year.
- (ii) Examination in the Railway Board's Office of the statement of balances under seven important heads every month.

(iii) Periodical inspection by Director, Finance (Accounts) Railway Board to see that these instructions are being carried out.

32	6	Railways	Since a Parliamentary Committee on separation of Railway Finance from General Finance has already been appointed to review the existing Convention, the Committee hope that the question of appropriation to the Depreciation Reserve Fund as a charge to the Working Expenses shall receive due consideration.	On the basis of the recommendation of the Parliamentary Committee, Parliament has approved an increased charge to Working Expenses for appropriation to Depreciation Reserve Fund of Rs. 35 crores a year for the Convention Period of five years commencing from 1-4-1955.	No comments.
33	(Para 16)	Do.	As desired by the Committee, the Financial Commissioner, Railways agreed to review the case referred to in Para 2 of Railway Audit Report, 1952-Part I and to submit a report to them in due course.	A note is submitted. (See Appendix XXV)	No comments.
34	7	Do.	The Committee regard the explanations offered by the Railway Board in the matter of purchase of certain equipment for experimental purposes at an approximate cost of Rs. 56,800 without financial concurrence as unsatisfactory and express their displeasure over the manner in which the Board handled this case. The Committee hope that a closer co-ordination shall subsist in future between the different Directorates in the Railway Board's Office in handling such cases and that such instances involving irregular spending of public money shall not be repeated in future.	P.A.C.S'. observations on the case have been duly brought to the notice of Officers and staff in Railway Board's Office for future guidance.	No comments.

1	2	3	4	5	6
35	8	Do.	In view of the assurance given to the Committee by the Railway Board that they are doing their best to minimise the losses in the working of the Catering Departments on the B. N. and S. I. Railways (now parts of the Eastern and Southern Railways) and were watching the progress continuously the Committee do not desire to make any further comments at this stage and they look forward for a better picture of the working of the Catering Department.	Observations of the P.A.C. have been conveyed to the Eastern and Southern Railway Administrations for their guidance. [Ministry of Railways Memo. No. 677-7G/Pt. H/54, dated 20-10-54]. [See Appendix XXVI]	No comments.
36	9	do.	(i) Payments should not have been continued when the Financial Adviser and Chief Accounts Officer had pointed out that the payments were not covered by the existing orders. (ii) Action should be taken against the persons responsible for the delay caused in the disposal of the case referred to in this para in the Railway Boards' Office.	(i) Necessary instructions have been issued. [Ministry of Railways letter No. 54-B(c)-2498/(9) dated 24-12-54] [See Appendix XXVII] (ii) A Memorandum is submitted.	No comments. See Para 81 of the Report.
37	10	do.	The Administration failed to follow the provisions of para 806 of the Indian Government Railway Code for the Accounts Department, Part I which clearly lays down that if Audit objects to any payment of a recurring nature and it is considered necessary to continue them pending settlement of the objection, they may be made provisionally and subject to recovery, the payee receiving the payments being so informed. The Committee desired that such breaches of the codal rules both by the Executive and Accounts Offices should be severely dealt with by the Railway Board.	Observations of the P.A.C. have been communicated to all Railway Administrations for their guidance. [Ministry of Railways letter No. 54-B-2498 (para 23), dated 29-10-54] [See Appendix XXVIII]	No comments.
38	11	do.	Abnormal delays involved in instituting the disciplinary proceedings against the delinquent	(i) Necessary instructions have been issued.	(i) No comments.

			officials have a demoralizing effect on their staff.	[Ministry of Railways letter No. E-53/Pu. 2-4 dated 14-12-53] [See Appendix XXIX]	
			No action has been taken against the Station Master or other supervisory staff in the case referred to in this para. The Railway Board should examine this aspect of the matter and report to the Committee in due course.	(ii) A Memorandum has been submitted to the Committee. [See Appendix XXX]	(ii) See Para 82 of this Report.
39	12	Railways.	It is high time that the Railway Board investigated into the causes of the high percentage in the amount of total demurrage and wharfage charges waived by the various Railway Administrations and take necessary steps to reduce it. A para on the subject should be included yearly in the Railway Boards' Review on the Annual Appropriation Accounts indicating the results achieved.	(i) The general question regarding waiver of demurrage and wharfage charges is under investigation. (ii) A para on the subject will be included yearly in the Railway Board's Review on the Annual Appropriation Accounts commencing from 1953-54 Accounts.	Further report should be expedited. No comments.
40	13	Do.	The Committee do not feel satisfied with the explanations offered by the Railway Board for not taking disciplinary action against the Bill Passing Officers for their failure to detect the fraud disclosed in para 26 of the Audit Report, 1952—Part II (Railways) and are of the opinion that the punishment awarded to the subordinate staff has also been lenient.	A memorandum has been submitted. [See Appendix XXXI.]	No comments.
41	1	Do.	(i) It is a very dangerous practice to destroy any documents which are the subject matter of correspondence and on which objection has been raised and which remains unsettled. (ii) The question of taking disciplinary action against the staff responsible for destroying the records should be examined by the Railway Board and suitable punishment awarded to the persons at fault.	(i) Necessary instructions have been issued. [Ministry of Railways letter No. 54-B(c)-2498(14) dated 15-10-54 [See Enclosure to Appendix XXXII]	No comments. No comments.

42 15 Do. The Committee should be apprised of the actual commencement of period 'C'—the date when TELCO would reach the target of 100 boilers a year.

The decision arrived at by the Railway Board on the recommendation made by the Committee last year to take over from TELCO the manufacture of boilers and locomotives and running it as a State-owned Industry should be intimated to the Committee.

The question of payments made to TELCO provisionally, which has been lingering on for the last 7 years or so, should be decided without any further delay and the payment already made be finalised.

A memorandum has been submitted. [See Appendix XX.] See Paras 60 and 61 of the Report.

43 16 Do. The Committee should like to watch the working of the Supplemental Agreement with Schlieren for the manufacture, of all metallight-weight coaches.

Committee's observations do not appear to call for any remarks. See Paras 77 to 79 of the Report.

44 17 Do. The procedure followed generally for departing from the long-established rules regarding the execution of works, contracts, and the preparation of various documents, such as measurement books, etc. and justification for rates paid in the case of negotiated contracts, work orders etc. leaves much to be desired. An emergency is no justification for such wholesale failure to record contemporarily the reasons and justification for what has been done. Where an established procedure is not followed in regard to the tenders etc., it is vital that the Department should ensure that there are adequate contemporary records and docu-

A Memorandum has been submitted. [See Appendix XXXIII.] No comments.

ments from which correctness of the action of the Executive authority can either be established or disapproved ; otherwise the risk of malpractices and losses to Government are obvious. There may equally be the risk of Officers getting into difficulties and blame even though there may have been no actual loss or malpractice.

Government should take adequate steps to prescribe a comprehensive procedure which should be followed in cases in which a strict adherence to the normal rules may not be wholly practicable.

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|----|----------------------------------|---|---|----------------------------|
| 45 | 18 Railways | The Railway Board should furnish a comprehensive Memorandum on the economy effected by regrouping of Railways at the time the Committee take up consideration of the Railway Accounts relating to the next year. | A Memorandum has been submitted. [See Appendix XXII.] | See Para 83 of the Report. |
| 46 | 19 Do. | The Railway Board should discuss the question of separation of Financial and Accounts functions on the Railways especially the position of the Financial Adviser and Chief Accounts Officer in the integrated set-up of Finance and Account with the Comptroller and Auditor General of India and thereafter submit to the Committee a comprehensive Memorandum at the time they next take up examination [of the Railway Accounts. | A Memorandum has been submitted. [See Appendix XXXIV]. | No comments. |
| 47 | 20 <u>Production</u>
Railways | The Ministry of Production should arrive at a firm decision about the ownership as well as management of the Railway Collieries as their present wavering policy is likely to affect considerably the economical and efficient management and working of these collieries. | The Ministry of Production have stated as follows :
"The ownership as well as management of the Railway Collieries has been taken over by the Ministry of Production w.e.f. 1-4-54." | No comments. |

The Ministry of Railways have stated as under :

"From 1-4-54 the management and ownership of Railway Collieries vest in the Ministry of Production."

48	21	Labour Railways	The Ministry of Labour should bring forth a measure to amend the Payment of Wages Act during the next session of Parliament as any delay involved in the amendment of the existing provisions of the Act is likely to accumulate further the outstanding debits against the station staff and it will not be possible to effect the recoveries when they become very old.	Ministry of Labour have stated as follows:— "The matter has been taken up with the Ministry of Railways." Ministry of Railways have stated as follows: "The matter is under examination."	Further report should be submitted to the Committee.
49	22	Railways.	Action taken against the Officer responsible for referring the two cases reported in para 19 of the Railway Audit Report, 1951 in respect of which the contractors had signed 'no claim' certificates should be reported to the Committee.	A Memorandum is submitted. (See Appendix XXIII).	See Para 84 of this Report.
50	23	Do.	The Committee feel that the act of conveying mere displeasure to the Officers through whose negligence the loss of stores had been caused on the Locomotive Building Works Project, Kanchrapara did not constitute an adequate punishment. They have taken this view after considering all the facts and circumstances of the case now mentioned by the Railway Board and regret to observe that in spite of this decision, the Board have again reiterated the old position that mere warning was sufficient and have not brought out any additional facts in support of their contention.	A Memorandum has been submitted to the committee.*	No comments.

If there are any facts and reasons with the Railway Board to justify the adequacy of this lenient punishment, these should be communicated to the Committee.

Eleventh Report (on Hirakud Dam Project)

51

- 3 Irrigation & Power

 Railways.

The Committee do not see why the Railway Department should not be debited their share of the cost of the bridge forthwith. The question of apportionment of the expenditure incurred on the construction of the Mahanadi Bridge between the respective Ministries should be carefully gone into in consultation with the Comptroller and Auditor General of India and an agreed settlement arrived at. The Committee should be informed, in due course, of the action taken in the matter.

The Committee would, however, suggest that no part of this expenditure should be debited to the Hirakud Dam Project either by way of its share of the construction cost or of interest on the capital outlay thereon.

The Ministry of Railways have stated as below:
"The matter is under consideration."

The Ministry of Irrigation and Power have stated as below:
"The matter is under consideration."

The Committee await further comments from the Ministries of Irrigation and Power and Railways.

*Not printed.

APPENDIX II

Summary of the main Conclusions/Recommendations of the Thirteenth Report of the Public Accounts Committee on the Appropriation Accounts (Posts and Telegraphs) and (Railways), 1951-52 and 1952-53.

Sl. No.	Para No. of the Report	Ministry or Department concerned	Conclusions/Recommendations
1	2	3	4
1	8	P. & T. Department.	The excesses over voted grants and charged appropriation pointed out in this para may be regularised by Parliament in the manner prescribed in Article 115 of the Constitution. The Committee would also, in this connection, draw the attention of the P. & T. Department to the recommendations made by them in para 38 of their Tenth Report and impress upon them the desirability of keeping expenditure within the budget provision made in that behalf and obtaining funds, whenever required, in time in the constitutional manner to avoid excesses as these are unauthorised.
2	9	Do.	<p>(i) Energetic action should be taken by the P. & T. Department to impress upon all the Officers concerned the need for closer estimating.</p> <p>(ii) The incurring of expenditure without a grant to cover it is a grave irregularity which derogates from the efficiency of Parliamentary control over expenditure.</p>

3 10 P. & T. Department. Under the rules, no work can be commenced unless funds have been provided. The present practice of executing works without funds by the P. & T. Department is most unsatisfactory as it whittles away Parliamentary control.

The Committee hope that the P. & T. Department would take necessary steps to avoid repetition of irregularities of the kind pointed out in Para 12(3) of the Audit Report (P. & T.), 1954.

4 12 Do. It is needless to emphasise the importance of accurate initial accounts and their expeditious compilation for proper exercise of budgetary control by the spending Departments. The initial accounts of the P. & T. Department (especially the Works Accounts) which were not accurate and had not been kept up-to-date, should be put on a satisfactory footing.

5 12 P. & T. Department.
Home Affairs. The existing procedure for the disposal of disciplinary cases, which requires that in every case where a criminal act is in question the departmental proceedings should be held up pending the results of the criminal prosecution, needs revision as it leads to delays which help the delinquent officials to escape punishment.

In view of the judgment of the Supreme Court in the case, 'S.A. Venkataraman Vs. the Union of India and Another' (1954) that the departmental proceedings may be completed and appropriate penalties under the Service Rules may be awarded and thereafter the Government servant can be properly prosecuted in a criminal court the Committee urge the Government to re-examine the matter with a view to amending the existing rules so as to enable them to take suitable departmental action against their employees in cases of irregularities committed by them without having wait for the outcome of any prosecution that may be launched in a regular court. If the rules were so amended, the Committee feel, there would not be any scope for the type of cases mentioned in Para 16 of Audit Report (P. & T.), 1953.

6 P. & T. Department. (i) In the case referred to in Para 18 of Audit Report (P. & T.), 1953, the Committee are constrained to observe that the renting of the two buildings much ahead of the final decision about the demolition of the existing building and fixing a definite date for

vacating it was unjustified and indicates unimaginative conduct and indifference to the financial interest of the State. It also shows that the Officers who were responsible for the taking over of these buildings lacked foresight and acted against all canons of financial propriety. On the basis of the evidence tendered before them, the Committee have come to the conclusion that the plea of urgency and the need for precautionary measures has no force in the particular circumstances of this case.

- 17 P. & T. Department. (ii) The Posts & Telegraphs Department should, in consultation with the Ministry of Rehabilitation, explore the possibility of getting themselves relieved of the unnecessary liability for the payment of Rs. 7000/- per mensem in the form of rent in respect of the old building hired in Calcutta for housing the Central Telegraph Office which they have been incurring for nearly seven years.
- Ministry of Rehabilitation.

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W. H. & S.

The Committee are perturbed that an incorrect statement was made to Audit by the D. G., S. & D. that as the persons concerned in the case referred to in Para 31 of Audit Report, 1954, 'had left Government service, no disciplinary action could be taken against them,' although the dealing Assistant is still in Government service.

The Committee deplore the manner in which the Ministry has acted in the matter. While in their first note the Ministry had stated that the explanation of the then Director of Administration and Co-ordination, D.G., S. & D. who had altered the draft had been called for, in their subsequent note the Ministry state that they are unable to place the final responsibility on that officer and that they have called for a note from the Section Officer who dealt with this case in the D. G., S. & D. and who is now working in the I. S.M. Washington. It is highly improper of the Ministry to submit notes to the Committee without a full and careful consideration of all aspects of the case. The Committee cannot but conclude that the Ministry have failed to appreciate the serious nature of the irregularities and have not acted with the promptitude and earnestness necessary for determining responsibility and for taking deterrent disciplinary action.

The impression in the mind of the Committee is that the significant amendment was made by the then Director of Administration and Co-ordination.

The Committee wish that a greater sense of urgency and reality would prevail in the Ministry in investigating irregularities.

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| 8 | 20 | P. & T.
Department | The Committee do not see why work orders should be kept open for long periods in the P. & T. Workshops, Alipore. In order to ensure detection of irregular allocation of expenditure between work orders [as in the case referred to in Para 20 of the Audit Report (P. & T.), 1953] the Committee suggest that bulk orders on workshops should be split up into smaller items, which would enable the respective work orders being closed at the end of each half year and the correct position assessed at more frequent intervals than is possible under the existing arrangements. |
| 9 | 22 | Do. | No method of checking up of employees or of preventing waste in materials, whether intentional or accidental, can be carried out without an effective cost system providing for the comparison between the limits fixed in respect of labour and materials for each item of work with the actual performance. The P. & T. Department should consider the desirability of introducing such a cost accounting system in the P. & T. Workshops, which may vary according to local requirements but the essential feature of which should be the estimating, in advance, of the time that should be spent and the materials that should be used and a systematic comparison of the results of actual performance with such estimates. |
| 10 | 23 | Do. | No assessment is possible from the Manufacture and Suspense Account (1951-52) of the Alipore Workshops (which merely gives the amount of stores consumed, the cost of labour and articles manufactured) as to the extent to which the output is commensurate with the expenditure incurred. There is no doubt that if proper steps are taken to rationalise and streamline the Organisation, the output could be increased by over 30%. As it is, the Committee have to express their displeasure over the conditions prevailing in the P. & T. Workshops, Alipore and in the methods of accounting adopted there at present. |

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Do.

In the view of the Committee, the warning issued to the Officer in the case referred to in Para 26 (a) of the Audit Report (P. & T.), 1954 is not a sufficiently deterrent penalty.

The Committee would urge that cases involving a flagrant evasion of the prescribed financial and accounting rules should be severely dealt with.

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27

Do.

The Committee should like to know why it has not been possible for the P. & T. Department to work within the ceiling limits of the Stock balances fixed for the various categories of stores.

The Committee would urge upon the Government the desirability of taking an early decision on the Report of Messrs. IBCONS (a Swiss firm of Experts) regarding the fixation of suitable limits of stores balances submitted to Government in 1952 so as to avoid injudicious locking up of capital and losses due to deterioration of stores, not to speak of the larger establishment and godown space required to deal with such excessive quantities of stores.

The Committee would like to repeat the note of caution sounded by them already in Para 25 of their Fifth Report, namely, that the maintenance of excessive stocks involved the tax-payer in a twofold loss *viz.*, firstly, loss of interest on the capital unnecessarily locked up, and secondly, loss arising from the stores becoming obsolete and unsaleable or disposable only at a rate lower than the cost price.

The Committee had desired the P.&T. Department to examine the desirability of adopting the stores system existing on the Railways with suitable modification to suit their set-up but so far they have not been informed of the decision taken by the Department. The P. & T. Department should expedite the matter which is already more than two years old.

13	28 (i)	P. & T. Department	The Committee hope that the results of an all-out effort made by the P. & T. Department to complete reconciliation of numerical balances in the priced ledger cards with depot balances would be reflected in the next year's Audit Report. The 'corner stone' of the entire structure of stores-accounting is proper maintenance of the numerical and priced ledgers.
14	28 (ii)	Do.	The P. & T. Department should submit to the Committee a further report on the progress made in the reconciliation of the remaining discrepancies in the stores balances found during the over-all stock verification of stores as commented upon in Para 49 of their Tenth Report and also the action initiated by them to fix the responsibility and to take suitable action against the officials responsible for these discrepancies.
15	29	Do.	The P. & T. Department should furnish the Committee with information called for by them on points arising from Para 27 of Audit Report (P. & T.), 1954—Execution of the Telephone Expansion Project in the Bombay Telephone District—much in advance of the time when they take up examination of the next year's Audit Report.
16	30	Do.	(i) The Committee suggest that the P. & T. Department should devise some machinery not only to enforce recoveries of the outstanding telephone revenue bills but also to arrest their further increase. (ii) The information called for by the Committee about the latest position of outstandings on 31-12-54 etc. should be expedited.
17	35	Do.	The Committee would emphasise the desirability of arriving at an early decision on the 'J. J. Committee Report', which has been outstanding for about a decade or so.
18	36	Do;	The Committee would press for an early decision on the recommendation made by them in Para 53 of their Tenth Report that with a view to regulate the working of the Postal Life Insurance Fund on proper commercial lines the P. & T. Department should either put an Insurance Expert as the head of the P.L.I. Organisation or run it as a Corporation constituted under an Act of Parliament.
19	37	P. & T. Department.	The Committee attach great importance to the expeditious disposal of all disciplinary cases. The Committee are surprised that although a period of more than 1½ years had elapsed since they last examined the P. & T. Department on the case commentes

upon in Para 47 of their Tenth Report, the Department have not as yet been able to arrive at any decision. This should be expedited.

20 39 Do. It is inexplicable why it should have taken two years or so for the U.P.S.C. to give their recommendations in the case commented upon in Para 30 of the Fifth Report of the P.A.C. The Committee would like to be informed if the Ministry of Communications have urged upon the U.P.S.C. the urgency of this matter, and suggest that this long out-standing question should be settled by personal discussion.

RAILWAYS

21 45 Railways The Committee recommend that the excesses over voted grants and charged appropriation pointed out in this para be regularised by Parliament in the manner prescribed in Article 115 of the Constitution. 103

22 47 Do. The Committee would watch the results of the measures taken by the Railway Board as a result of the recommendations made in Para 13 of their Tenth Report towards improvement in the standard of budgeting and control of expenditure on the Railways.

23 49 Do. In view of the high proportion of establishment costs and the fact that a great majority of the staff have opted for the grant of Dearness Allowance in cash, the Railway Board should earnestly consider the question of winding up, without incurring any further losses, the Grainshops Organisation.

24 56 Railways C.& A. G. The Committee are doubtful whether the provisions of the existing clause 5 (v) of the First Schedule to the contract entered into by the Railway Board with TELCO for manufacture and sale of locomotive boilers and locomotives required by Government could be invoked for recouping the excess payments already made to TELCO on account of the inclusion of initial and additional normal depreciation in the cost of production of

locomotives and boilers, as there was no agreement for such a course being taken through any price formula or for effecting cash recoveries from the Company. The Railway Board should carefully watch this and the Committee would also like Audit to make a particular mention of this aspect in their future Reports.

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Railways

All other
Ministries.

While entering into contracts with any Company in future instead of giving any concession through letters, Government should invariably make specific provision in this behalf either in the agreement itself or execute a supplemental agreement, if need be.

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Railways

Audit

The Committee are unable to accept the view of the Financial Commissioner, Railways that the payment of Rs. 1.14 crores made to TELCO on account of initial and double depreciation was an advance payment of the depreciation as it would in any case have been paid by 1961. In the view of the Committee, it is not an 'advance payment' but an 'additional payment' especially when this additional depreciation had also been allowed on equipment etc. which had been purchased over a period of years after the agreement. Obviously, the additional depreciation on such assets will not be extinguishable by 1961. The Committee note the point made by the ~~Financial~~ ~~Commissioner~~ Financial Commissioner that these payments would be taken into account at the time of determination of the firm price and await the note promised to be submitted to them on the subject.

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Railways

A team of technical experts should be appointed by the Railway Board to go into the whole question of the costing system in force in TELCO and also examine the extent to which the indigenous material and capacity are being utilized by the Company in the manufacturing processes. They should particularly investigate whether the subsidiary business like the manufacture of trucks etc., which is a commercial venture undertaken by TELCO, was not getting any benefit at the expense of the Railways and whether these activities were not hampering the progress of manufacture of the boilers and locomotives according to the time schedule laid down in

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the agreement, and if so, to what extent. The investigation should also include the apportionment of idle time of the machines among the various accounts.

The Committee were perturbed to note from the Railway Board's *Memorandum that owing to the delay in the manufacture of boilers and locomotives, higher prices had to be paid by Government. The Railway Board should assess the magnitude of the loss and inform the Committee of the steps proposed to be taken to recover the loss from the Company.

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Do.

The Committee note the considerations urged by the Railway Board for Government not taking over TELCO and welcome the assurance given by the Financial Commissioner Railways that the building up of price from estimates of labour, materials and overheads will be checked by the appropriate experts, which was the surest way of arriving at a demonstrably fair and reasonable price. The Committee would like to watch the future development in this case before coming to any conclusions.

Without commenting in the wisdom of diverting a part of the installed capacity for purposes other than those for which it was intended, the Committee would draw attention to the fact that this diversion of capacity has retarded the attainment of self-sufficiency in the matter of manufacture of locomotives and boilers for the Indian Railways

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64

Do.

The Committee should like to know who were the officers responsible in the Railway Board for not pursuing the case relating to the purchase of oil tank wagons, referred to in Para 26 of the Audit Report, 1953 and finding out from the I.S.M., Washington what action had been taken by them in claiming rebate from the Canadian firm on account of the late delivery of the wagons. The Committee should also like to know what action the Railway Board propose to take against them for the loss caused to the Exchequer through their contributory negligence.

The Committee are surprised that negotiations had not been conducted in this case with the Belgian firm before finalising the deal with the Canadian firm. They are not satisfied with the justification put forward for the favourable treatment accorded to the Canadian firm. The Committee wish to record their dissatisfaction over the manner in which this transaction was handled by the Railway Board.

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W.H. & S.

Railways

- (i) In the case referred to in Para 27 of the Audit Report (Railways), 1953 relating to the purchase of defective and unserviceable rails, the I.S.M., Washington failed to observe the elementary principles of prudence in placing reliance, without verification, on the statement of the foreign firm concerned about the shipment of the rails. The Committee would like to express their disapprobation over the perfunctory manner in which the Mission handled this transaction from the very start.
- (ii) The Ministry of Works, Housing & Supply should have consulted the indenter, viz., the Ministry of Railways before asking the I.S.M. to go ahead and place the order with the firm.
- (iii) While the contract contained a provision that the firm was responsible for any defect or fault detected by the purchaser in the stores on their arrival in India, the Committee fail to understand why the claim could not be preferred earlier against the firm and earnest attempts made to effect recovery. The Committee would like to know the action taken against the officials responsible for the delay in preferring the claim.
- (iv) It is somewhat extraordinary that the inspection contract was placed on the same private firm which had been hired by the supplying firm in connection with the purchase of these very rails. The Committee are perturbed that the salutary principle that the Inspectors should not in any way be connected with the purchase of the particular goods has been departed from in this case.

*See Appendix XX.

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The Inspection Reports were also reported to contain an unusual type of statement that they covered only the condition of rails seen by the Inspector and, reflected his best judgement and no liability was accepted for defects that might have been overlooked by him or for efforts of judgment or for claims that might ensue from the ultimate receiver of the merchandise. It passes the comprehension of the Committee how Inspection Reports based on random inspection, particularly when the goods were second hand, were accepted by the I.S.M., Washington.

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Works,
Housing &
Supply

Railway

This case (relating to the purchase of unserviceable rails) has been grossly mishandled by the I.S.M., Washington and requires further detailed investigation. It is a said commentary on the working of the Purchase Wing of the Mission. The Committee would like to have a fuller report on the transaction and what action is proposed to be taken against other officials at fault.

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Railways

Works, Housing
& Supply.

The debit for Rs. 7 lakhs representing the value of totally unserviceable rails which was lying under 'Suspense' should be adjusted as a valid charge against the Railway concerned, without requiring the Ministry of Works, Housing and Supply to insist on too meticulous a fulfilment of the normal requirements of the supplies conforming to original specifications which it is in any case now impossible to do.

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Railways.

Judging from the sequence of events in the case referred to in Para 11 of the Audit Report (Railways) 1954, the Committee feel that undue leniency had been shown to the Engineer at fault by the Railway Administration. The speed with which the settlement of the dues of the Engineer had been effected leaves the impression that this officer was able to circumvent the rigours of a further enquiry into his conduct and thus evade any punishment that might have been inflicted upon him and which might also have caused him some pecuniary loss.

			The Railway Board should re-examine this case and take action against the officers responsible for helping the Engineer to escape.
34	71	Railways	The Railway Board should issue instructions to all the Railway Administrations that the Code rules which require that provisional payments should be made only in very exceptional cases and that such payments should not exceed a period of 3 months, should be strictly adhered to by them.
35	72	Do.	The Railway Board should issue clear instructions for the strict adherence by the Railway Administrations of the prescribed procedure for the calling of tenders.
36	73	Do.	The Railway Board should review the procedure with respect to the sale of cinder without inviting quotations etc. and submit a note to the Committee stating the measures adopted or proposed to be adopted to prevent any abuse of powers vested in the subordinate authorities in this behalf.
37	74	Do.	The Railway Board should pay unremitting attention towards the progressive reduction in the accumulation of 'surplus stores' and 'scrap', the balance in stock of which is still on the high side. The Committee hope that the next year's Audit report will present a better picture in this behalf.
38	4 e 76	Do.	As soon as a decision is reached on the question relating to <i>ex-post-facto</i> sanction by competent authority for regularisation of expenditure incurred without proper sanction the Railway Board should take necessary steps to regularise the unauthorised expenditure in the case referred to in Para 18 of the Audit Report, 1954.
39	78	Do.	The Railway Board should examine whether the sum of 217,000 Swiss Francs if not reimbursable to the Government of India by the Swiss Firm Schlieren in view of the fact that the Swiss Government had discontinued the levy of export cess from October, 1949 and the exports to India did not materialise till 1951.
40	79	Railways	The Railway Board should examine and submit a note to the Committee on the justifiability of the payment of the sum of 117,363 Swiss Francs having been

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be made to Schlierer on account of the bankers' clearing fees which should not be included in the cost of production or 'firm price'.

41 81

Do.

The Committee regard the explanations given by the Railway Board for not taking disciplinary action against the Officers responsible in their Office, for the delay in the disposal of the case, commented upon in Para 19 of their Tenth Report, as unsatisfactory and express their displeasure over the manner in which the Board have handled this case. On the Board's own admission, there was actually a delay of 8 months in their office after the case became ripe for decision, which does not reflect well on the working of the Board. The Railway Board should re-examine the case and take disciplinary action against the persons at fault.

42 82

Do.

The Committee would like to know the action taken against the Transportation Inspector (Commercial) in the case commented upon in Para 21 of their Tenth Report.

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43 83

Do.

The Committee should like to watch further results in the matter of economy effected by the regrouping of Railways. They at the same time would suggest that the Railway Board should evolve some method by which to segregate the financial effect, if any that may have arisen out of the regrouping.

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