

CORRIGENDA

Second Report of the Public Accounts Committee on the Accounts of 1948-49 (Railways and Defence Services).

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| 1. Page 2, line 13 | ... | ... | <i>for "Rs. 11,89 lakhs" read "Rs. 11,99 lakhs".</i> |
| 2. Page 10, para. 14, line 1 | ... | ... | <i>for "Committee's" read "Committee's".</i> |
| 3. Page 30, title of para. 47 | ... | ... | <i>for "Page 35" read "Para. 35".</i> |
| 4. Page 31, foot note | ... | ... | <i>for "Appendix XXXII" read "Appendix XXXI".</i> |
| 5. Page 73, line 1 | ... | ... | <i>for "Telegraph" read "Telegraphs".</i> |
| 6. Page 100, line 3 | ... | ... | <i>After the word "Partition" delete "I" and close parenthesis.</i> |
| 7. Page 104, para. 3, line 7 | ... | ... | <i>Insert "be" before "kept".</i> |
| 8. Page 109, top | ... | ... | <i>for "Appendix XV" read "Appendix XVII".</i> |
| 9. Page 117, under col. 3 of the statement, against 'B' | | | <i>for the indistinct figure, read "6".</i> |
| 10. Page 165, col. 2, against SL Nos. 24 and 25. | | | <i>for "17(v)" and "17(vi)" read "17(iv)" and "17(v)" respectively.</i> |

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE, 1951-52

Shri B. Das—*Chairman.*

MEMBERS

Shri Bhaurao Sakharam Hiray.

Prof. K. T. Shah.

Shri M. L. Dwivedi.

Pandit Krishna Chandra Sharma.

Pandit Munishwardatt Upadhyay.

Shri Tribhuan Narayan Singh.

Shri H. S. Rudrappa.

Shri S. N. Das.

Shri B. N. Munavalli.

Shri T. H. Sonavane.

Shri Ram Chandra Upadhyay.

Dr. Mono Mohon Das.

Shri Gokul Lal Asawa.

Shri Murlidhar Vishvanath Ghule.

SECRETARIAT

Shri M. N. Kaul—*Secretary.*

Shri S. L. Shakhder—*Officer on Special Duty.*

I N T R O D U C T I O N

I, the Chairman of the Public Accounts Committee, having been authorised by the Committee to submit the report on their behalf, present this Second Report on the Appropriation Accounts (Defence Services) and (Railways) of 1948-49.

2. Appropriation Accounts and Audit reports relating to the Defence Services and the Railways were laid on the Table of the House on the 9th August, 1951. The Committee met from the 25th to the 27th September, 1951—during the days when Parliament was in session—and concluded examination of these Accounts.

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

CHAPTER II

DEFENCE SERVICES

Financial working of the Defence Services.—The following table shows the original and final grants and charged appropriations and the expenditure actually incurred against each during the year 1948-49:

(In lakhs of rupees.)

	Original Grant or Appropriation.	Final Grant or Appropriation.	Actual Expenditure.
Total expenditure met from Revenue—			
(Voted)	1,29,58	1,68,99	1,57,46
(Charged) . . . . .	...	...	.04
Total expenditure met from Capital			
(Voted)	14,99	91,66	1,10,55
Grand Total			
(Voted)	1,44,57	2,60,65	2,68,01
(Charged) . . . . .	...	...	.04

There was thus an excess of Rs. 7.36 lakhs or 2.8 per cent. over the final grant, as against a saving of about 28 per cent. during the year 1947-48 (post-partition).

Excess Over Voted Grants.—In the following cases, actual expenditure exceeded the voted grants:

Item No.	Name of Grant.	Final Grant.	Actual Expenditure.	Excess.
		Rs.	Rs.	Rs.
1.	74-Defence Services Effective Army	84,03,75,000	84,62,26,315	58,51,315
2.	101-Defence Capital Outlay	91,66,17,000	1,10,55,27,188	18,89,10,188

The Committee regret that these excesses cannot be regularised at this stage.

2. *Budgeting and Control over expenditure.*—The Committee note that the standards of budgeting for the Defence Services during the year under review are still far from satisfactory. In particular they feel that there is much scope for improvement in estimating the stores and works expenditure as is apparent from the comparison of the figures shown under final grants.

with those under the actual expenditure relating to Grants Nos. 75, 76 and 77. It will be observed that the actual expenditure booked under these Grants registered savings to the extent of 21 per cent., 36 per cent. and 11 per cent. respectively, due mainly to less expenditure than estimated on stores (both imported and indigenous) and works. Works expenditure (including acquisition of land) provided for under Sub-Heads A and C of Grant No. 101 also registered savings to the extent of 20 per cent. and 50 per cent. respectively. Thus, there was a total saving of 17 per cent. mainly under works and stores during 1948-49. Further, surrenders of savings made at the time of the final grant were either inadequate or no surrender was made at all, as is evidenced from the fact that against the total saving of Rs. 11,89 lakhs accrued during the year, only Rs. 473 lakhs were surrendered by the Ministry of Defence. It is clear from these figures that the Ministry did not take proper stock of all their commitments towards the close of the year and failed to maintain a close watch over the flow of expenditure which resulted in the lapse of such a huge amount. The Committee deprecate the growing tendency on the part of the spending Departments to inflate their estimates or fail to surrender all anticipated savings as soon as they become known without waiting till the end of the year as also to appraise properly their commitments and liabilities when it becomes apparent that the actual expenditure is likely to fall short of the provision already made by them in the estimates. The Committee should like the Ministry of Defence and the Ministry of Finance (Defence) to follow the general recommendations made by them in Chapter III of their First Report relating to the Civil Accounts etc. in respect of the Defence Expenditure also.

3. *Allocation of Works Expenditure to 'Maintenance' or 'Capital'.—*The Committee were informed that necessary instructions on the subject were under issue. They desire that while issuing these instructions it should be made clear that they will apply only to temporary accommodation and not to other types as otherwise there is a danger of their being applied to other types of accommodation also. A copy of the instructions issued should be furnished to the Committee.

4. *Store Accounting.*—The Committee noted with satisfaction that there had been some perceptible improvement in the general standards of store-keeping and store-accounting in the stores depots of the three Services. They would, however, observe that now that more than 5 years have elapsed since the last War ended, the mere reason that the irregularities were the outcome of the war, does not constitute an adequate justification for attributing the 'accumulated discrepancies between actual stocks and account balances.' The Committee are concerned to find that, so long after the end of war, stores

accounts should still be inadequate for their primary purpose of ensuring the correct location and the quantity of stocks available to meet the requirements of the Services. This knowledge appears to the Committee to be essential to the economical management of the Services and they feel doubtful if full operational efficiency can exist without it. The Committee trust that, as already recommended by their predecessors, the stock-taking of all stores will be completed, as soon as possible, and thereafter, regular stock-taking will ensure that the current accounts accurately record the quantities of each category of stores in stock. Another point that engaged the attention of the Committee in this connection was that at present there did not exist any effective check against the inter-depot transfer of stores, as under the system in force, it is easy to transfer a certain category of stores which might be in excess in one depot in close proximity at the time of the stock verification of another depot. The Committee desire that the matter should be examined by the Ministry of Defence in consultation with the Ministry of Finance (Defence) and other Departments of the Government of India, if necessary, with a view to finding out a fool-proof method whereby such transfers of stores at the time of the depot stock-verification are eliminated.

The Committee also desire that now that things have settled down, adequate arrangements should be made for the proper storage of all kinds of stores which are at present lying in the open exposed to the inclemencies of weather and are likely to depreciate, thereby causing financial loss to Government.

The Committee further note that the Military Accountant General (now Controller General of Defence Accounts) has been qualifying his certificate on the Appropriation Accounts of the Defence Services that the stores transactions are not being properly linked. They feel that this 'non-linking' of stores tends to create confusion in the proper accountal and verification of the stores in the charge of the formations. The Committee, therefore, desire that the Ministry of Defence should devote their attention to this matter and hope that by the time the next year's Accounts come up before them, the Defence Accounts will reveal a more satisfactory picture.

5. *Amendment of the General Conditions governing the contracts placed by the Director-General, Supply and Disposals.*—The Committee observe from the audit comments contained in para. 8 of the Audit Report that in order to obviate losses being caused to Government for the execution of contracts in defective forms, Audit had suggested the amendment of the general conditions governing the contracts placed by the purchase organisations. The Committee note that no action has so far been taken by Government to implement this suggestion. They wish to re-inforce the suggestion made by

Audit and urge that the Ministry of Works, Production and Supply, who are primarily concerned in the case under reference, should in consultation with the other Ministries viz., the Defence, Railways etc., take urgent steps to draw up suitable forms of contract providing adequate safeguards to protect the interests of Government which should be adhered to strictly by the Purchasing Organisation in order to prevent losses being caused to the public Exchequer. In this connection, the Committee would also like to reiterate the recommendation made by the previous Committee in para. 6 of their Report on the Accounts of 1947-48 (post-partition) and strongly impress upon the Government of India the desirability of prescribing the standard forms of agreement for use for the purchase of all categories of stores etc.

6. Rate Book of Naval Stores.—The Committee feel that so long as the Indian Rate Book is not brought up-to-date, Government will continue to sustain losses in respect of payment issues. The delay in its preparation might not matter much in so far as the stores required for Government purposes were concerned, but they apprehended that it might affect recoveries of the supplies made to Officers. They attach great importance to the early compilation of an up-to-date Indian Rate Book for Naval stores for both the indigenous and imported stores and desire that a note showing the progress made in this direction should be furnished to them in due course.

7. Excess payments of compensation for damages by allied troops to properties, lands and buildings in Manipur.—The Committee regret to comment on the haphazard and unbusinesslike manner in which the amounts of compensation were determined and paid in the case reported in Para. 35 of the Audit Report. They are constrained to observe that the Officers handling the cases obviously did not make on-the-spot enquiries and are culpable of having made an excess payment of about Rs. 17 lakhs. Obviously, the chances of recovery of overpayment at such a distant date are very slender, as the Committee has been given to understand that the people of Manipur are opposing this move. The Committee urge strongly upon the Ministries of Defence and Finance (Defence) to evolve a suitable procedure in order to prevent the recurrence of such losses in future. It should also be ensured that there exists an adequate organisation to vouchsafe the correct payment and accounting of compensation claims in such instances. The Committee would press that as far as practicable overpayments should be recovered or at least taken into account in the case of individuals who may receive further payments under subsequent schemes of compensation. The Committee shall be glad to know, in due course, of the action taken in the matter.

8. *Non-recovery of hire charges for stores issued on hire.*—The Committee are informed with reference to the observations contained in Para. 36 of the Audit Report that the total outstanding as on 1st July, 1951 has come down to about Rs. 21 lakhs. The bulk of the outstanding they find is due from the Railway Department and the Principal, Thomason College, Roorkee. As regards the fixation of the responsibility for the non-maintenance of the records of payment of hire charges prior to 1st August, 1949, it has been explained by the Ministry that a thorough investigation could not be conducted due to the transfer or repatriation of the officers concerned consequent on the partition and the remoteness of time. The Committee do not regard these explanations as plausible. They desire that in order to prevent the continuance of such a state of affairs, the Defence Accounts Officer concerned should conduct a periodical check of the 'Register of Hire Charges' maintained in the Depots. The Accounts Officer should also keep a proper watch to ensure that recoveries of all amounts of hire charges are effected from the authorities concerned regularly and the matter pursued till it is finally adjusted. The Committee further desire that the existing machinery both in the Depots and the Accounts Offices, should be overhauled to see that such arrears of recovery of hire-charges are not allowed to accumulate as it becomes difficult to fix responsibility for oversight in the adjustment of such charges at a distant date.

9. *Investigation of losses on account of fraud, negligence, financial irregularities etc.*—During the examination of the Accounts, the Committee came across a number of cases involving loss of stores owing to the culpable negligence of the officers concerned, a lacuna in the existing rules, or due to errors in judgment etc. While the Committee appreciate the difficult circumstances under which some of the irregularities took place during the field-operations, they would observe that the mere fact that it was the offshoot of the war-time conditions should not be considered as an adequate justification for condoning the losses. They consider that while it may not be possible to take action against the officers who had either left for the U.K. or have retired, action should, as far as possible, be taken against those who had abetted those irregularities and are still in service. Another point which the Committee want to urge is the procrastination that generally takes place in the setting up of a Court of Enquiry. It should be noted that any delay in taking decisions in such cases is likely to afford an opportunity to the guilty or abetting officers to escape responsibility by manipulating things. The Ministry of Defence should impress upon all the officers employed in the three Services the sanctity of observing the standards of financial propriety in the matters of public expenditure. The Committee desire that

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the provisions of Chapter IV of Part I of their Report relating to the Civil Accounts etc. should also be carefully observed by the Ministry of Defence.

10. *Purchase of jeeps by the High Commissioner for India in U.K.*—The Committee have very carefully considered the comments contained in para 54 of the Audit Report. They agree entirely with the observations made by the Comptroller and Auditor-General of India on the various aspects of this deal. The attention of the Committee was also drawn to the recommendations contained in para 37 of the First Report of the Estimates Committee wherein they had recommended the setting up of a Committee to investigate the propriety and competence of the authorities concerned for entering into such defective agreements which have ultimately placed the Government of India in an embarrassing position. They also recommended the drawing up of model contract forms for making such purchases in order to ensure that Government does not stand to lose by ambiguity in language or defective terms. The Committee are concerned to note that no action has so far been taken by Government on these recommendations. They urge that early steps should be taken to implement the recommendations of the Estimates Committee with a view to taking disciplinary action against officials who are held responsible for the various defects and irregularities and to suggest such remedial and preventive measures as may be necessary to avoid recurrence of such state of affairs in future.

The Committee noticed that there was a tendency on the part of the representatives of the various Ministries who appeared before them in connection with this matter to shift responsibility from one Ministry to the other. It shows an extraordinary state of affairs that the area of responsibility between the indenting and the Administrative Ministries should not be clearly defined. The Committee have no doubt that while the Ministry which meets the expenditure from its grant for any stores or goods purchased through the Purchase Organisations is responsible to answer all questions concerning the transactions before the Committee, the Administrative Ministries which are directly in-charge of the Purchase Organisations or for the administration of the Missions abroad through whom such purchases might have been made should also own responsibility in so far as they are concerned. In the present case, neither the Ministry of Defence which was the indenting Ministry, nor the Ministry of W. P. & S. which was concerned with the over-all purchase work of the Government of India, nor the Ministry of External Affairs which was in administrative control of the Office of the High Commissioner, was in a position to take final responsibility in the various matters that were raised by the Committee. It

is of the utmost importance that any confusion or fluidity in the sphere of responsibility between the various authorities which come into the picture should be removed forthwith and the matter placed on a satisfactory footing. The Committee would like to have a detailed note as to the action which Government propose to take in this connection.

The Committee understand that the Financial Adviser attached to the High Commission in London is an Officer subordinate to him and has no powers to scrutinise independently the various proposals from the financial point of view. The Committee feel that the matter needs urgent consideration in order that the Financial Advisor functions efficiently and without any fear. The Committee also consider that it is essential for Government to re-examine the methods and organisation of the Director-General, India Stores Department, London with a view to defining in clear terms his duties and powers and his relationship with the High Commissioner and the Ministry of W. P. & S. in order to ensure that he functions efficiently.

As regards the 'new contract' for the supply of 1007 jeeps at a price different from that agreed to under the previous agreement, the Committee feel that it is entirely a new transaction requiring scrutiny and fresh sanction of the Government of India. The Committee while reserving their judgment in the matter desire that monthly report of the progress of supply of the jeeps under this contract should be submitted to them in order to enable the Committee to assess the extent to which the loss which has been incurred under the first contract has been made good in the 'new contract.'

CHAPTER III

RAILWAYS

11. *Financial Results of the Year.*—The following table compares the original and the revised estimates with the actual expenditure of the year under report:

(In lakhs of rupees.)

	Budget.	Revised.	Actuals.
Traffic Receipts (<i>less</i> Refunds)	1,90,00	2,04,50	2,13,11
Miscellaneous Receipts	3,15	3,45	3,60
Working Expenses (including depreciation and payments to worked lines)	1,59,78	1,68,71	1,73,33
Miscellaneous Expenditure (including rebate paid to worked lines)	1,00	1,17	1,04
Interest Charges	22,53	22,24	22,36
Surplus (+) or deficit (—)	+9,84	+15,83	+19,98
Contribution to General Revenues	4,50	7,34	7,34

The Accounts for 1948-49 are the first Accounts of the Railways in India for a complete year since the attainment of Independence and the division of the country. The working of the railways during the period under review ushered in a new era and showed a substantial increase in the total surplus which amounted to Rs. 19.98 crores. Out of this surplus, Rs. 7.34 crores were paid to the general revenues and of the balance, Rs. 12.64 crores were transferred to the Railway Betterment Fund and Rs. 11.80 crores to the Depreciation Reserve Fund on an *ad hoc* basis.

No share of the surplus of the year was allocated to the Railway Reserve Fund. To the opening balance of Rs. 6.84 crores, however, an amount of Rs. 2.69 lakhs representing the profit realised on the cancellation of certain investments was added during the year. A sum of Rs. 4.48 lakhs was withdrawn from this fund to meet the arrears of depreciation in respect of rolling stock replaced after 1942-43 under the special rules of allocation adopted from the year 1944-45. Thus at the end of the year, the balance in the fund stood at Rs. 6.82 crores, of which Rs. 15.58 lakhs was invested in shares of

branch lines and Rs. 9·87 lakhs in loans to branch line companies. The net accretion to the Depreciation Reserve Fund during the year (i.e., the excess of the amount paid into the Fund over the amount withdrawn from it for renewals and replacements) amounted to Rs. 5·83 crores, and the actual closing balance of the Fund stood at Rs. 101·58 crores at the end of the year.

As stated above, a sum of Rs. ·84 crores was appropriated to the Railway Betterment Fund during the year. Besides, the interest on the balance for the year, which amounted to Rs. ·43 crores was also credited to the fund. The withdrawals amounted to Rs. 2·32 crores and the balance in the fund on the 31st March, 1949 stood at Rs. 13·32 crores as against Rs. 14·37 crores on the 31st March, 1948.

12. *Excess over voted grants.*—There have been excesses in seven voted grants viz., 4, 7, 8, 9, 10, 11 and 16 during the year under report as against none during the year 1947-48 (post-partition). The excesses are shown below:—

Item No.	Name of the Grant.	Final Grant.	Actual Expenditure.	Excess.
		Rs.	Rs.	Rs.
1	4.—Revenue—Working Expenses—Administration	19,31,77,000	19,36,91,950	5,14,950
2	7.—Revenue—Working Expenses—Operation (Fuel)	24,03,11,000	24,54,77,284	51,66,284
3	8.—Revenue—Working Expenses—Operation other than Staff and Fuel	7,93,87,000	8,78,44,316	84,57,316
4	9.—Revenue—Working Expenses—Miscellaneous Expenses	32,93,59,000	37,39,18,643	4,45,59,643
5	10.—Revenue—Payments to Indian States and Companies	1,62,27,000	1,64,23,281	1,96,281
6	11.—Revenue—Working Expenses—Appropriation to Depreciation Reserve Fund	18,93,65,000	23,09,61,643	4,15,96,643
7	16.—Open Line Works—Additions	19,12,01,000	25,63,42,835	6,51,41,835

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

The Committee regret that these excesses cannot be regularised at this stage. They would, therefore, content themselves by urging that the Revised Estimates should be framed as accurately as possible after taking into account all the foreseeable factors, especially in cases where additional funds are required, so that adequate supplementary grants can be obtained during the course of the financial year.

13. *Accuracy of budgeting and control of expenditure.*—As pointed out above, the Accounts under review show a net excess (over the total grant) of about Rs. 8,29 lakhs or 4.14 per cent. under Revenue expenditure (exclusive of appropriation to the Railway Reserve Fund and Betterment Fund). Under Capital, Depreciation Reserve Fund and Betterment Fund, there was a saving of about Rs. 1,17 lakhs or 2.12 per cent. The details of excesses and savings are shown below:

(In lakhs of rupees.)

Year.	Total grant and appropriation.	Saving (—) or Excess (+).	Percentage of col. 3 to 2.
I	2	3	4
<i>Expenditure charged to Revenue.</i>			
1948-49	2,00,24	+8,29	4.14
<i>Expenditure charged to Capital, Depreciation Reserve and Betterment Funds.</i>			
1948-49	55,29	—1,17	2.12

During the year under review, out of 18 voted grants, there were excesses and savings in 7 and 10 grants, respectively.

14. *Budgeting and control over expenditure.*—The Committee's attention was invited to a Memorandum showing the financial results of the Indian Railways for 1950-51 (cf. Appendix III). They noted with some satisfaction that there had been an improvement in the standards of budgeting during the year 1950-51 although there had been lapses during the previous years. The Committee would, however, like to comment upon the deplorable state of affairs as exhibited by the high percentages of savings and excesses in a large number of the Railway Grants during the year under review. They would again urge that greater vigilance ought to be exercised by the Railway Board both at the time of obtaining additional funds and while surrendering the amounts which are not anticipated to be utilized by the close of the financial year. The Committee were constrained to note the huge number of cases involving budgetary defects enumerated in Annexure 'B' of Part I of the Railway Accounts. In view of the assurance given to the Committee by the Financial Commissioner, Railways, that in pursuance of the recommendations made in para. 15 of the Report of the Public Accounts Committee for 1947-48 (post-partition) the Railway Board had already tightened control over budgeting, the Committee hoped that the position would be considerably retrieved during the ensuing years.

The Committee attach great importance to the correctness of the budgeting process being impressed upon the various Railways as the needs of the country in the existing financial position are to a certain extent dependent on the surpluses in the Railway Budget. The Railways are the largest national undertaking run on commercial lines and it would be contrary to the interests of the State if any money is spent hastily or in an ill-conceived manner merely because it is available, nor should any amount be spent in anticipation of the grant of funds. In the case of likely savings, their existence should not be seized as an opportunity for incurring expenditure on items which have not been specifically provided for in the Budget. It is also desirable that the surrender of unutilized amounts is made in time so that those amounts could be made use of instead of being lapsed. The Committee desire that the observations contained in Chapter III of their First Report on the Appropriation Accounts (Civil) and (P. & T.) of 1948-49 on 'Budgeting and control over expenditure' should apply *mutatis mutandis* to the Railway Administration subject to necessary modifications to suit local requirements. The Committee would be glad if the attention of the Railway Administration is invited to these observations so that a sense of preservation of high standards of budgetary control and financial propriety—which are a pre-requisite of the successful handling of the finances of a commercial concern—is infused in their minds.

15. *Stock-verification and revaluation of stores during 1948-49.*—The Committee noted with concern that the closing balances of Stock Adjustment Account under 'Miscellaneous items' stood at Rs. 1.21 lakhs and Rs. 60 lakhs on the E.I. and E.P. Railways respectively. While the Committee appreciated the difficult conditions which were responsible for the accumulation of such a heavy balance on the E.P. Railway, which came into being only on the 15th August, 1947 as a result of the partition of the country, they were not satisfied with the explanations given by the spokesman of the Railway Board for the huge balances on the E.I. Railway. The fact that the work of budgeting and accountal of all railway stores purchased from abroad, which had hitherto been concentrated on the E.I. Railway Administration, had been transferred to the Railway Board's Office with effect from the current year and a separate Head of Account introduced in the Railway Board's Budget to record and adjust the cost of all those bulk purchases would not, in their opinion, ease the situation. The main factor in disturbing the balances under this suspense Head was the non-adjustment of the cost of stores purchased through the I.S.M., Washington and the I.S.D., London and the non-receipt of the shipping documents in support of the debit schedule, since the cost of stores received by the various stores organisations without proper documents was also adjusted under this Head. The

Committee consider that while the *minus* figures indicated only losses, the *plus* figures could not be regarded as satisfactory as these might be due to many reasons and might on occasions be more disastrous. The Committee are however, glad to know that the Railway Board have already asked the High Commissioner to ensure that all documents should be sent to them within a period of 2 months to which the transaction related. The Committee hope that when they take up consideration of the Railway Accounts for the subsequent year, the balances under this Suspense Head would be reduced to the minimum possible extent.

16. *Operation of other Suspense Heads viz., 'Miscellaneous Advances', 'Stores Suspense', and 'Manufacture Suspense'.*—The Committee noted that the estimating and budgeting under these suspense budget heads as revealed by the figures shown in Paras. 13(v), 15(ii) and 15(vi) of the Railway Audit Report, 1950 was far from satisfactory. Even the final anticipations in March, 1949 had turned out to be wide off the mark. In all these three instances, the figure of actual expenditure exceeded that of the final grant by about Rs. 14 crores.

The Committee suggest that budgeting under the 'Suspense Heads' should be made with meticulous accuracy and they should not be treated as a 'cloak' to cover transactions which have not been properly budgeted for. It should be borne in mind that only current and efficient items are placed in a suspense account. The Suspense Balances should be periodically reviewed more especially in the case of inter-railway transactions and a close liaison should be established between the Railways concerned. The cost of services rendered or supplies made should also be adjusted before the close of the financial year without resorting to the placing of the amounts in Suspense. The Committee desire that the Railway Board should issue general instructions to this effect to the various Railways concerned.

17. *Losses, Nugatory Expenditure, Financial Irregularities, etc.*—
(i) **Barwadih Sarnadih Construction.**—The facts of this case as revealed in the Audit Report showed that there was no adequate basis for the alleged urgency for starting this project without the preparation of proper estimates and with inadequate appreciation of the financial results. This, the Committee thought, was an extremely bad case resulting in large infructuous expenditure. The abandonment of the project constituted in itself an admission of the carelessness in the acceptance of the original location of the land for the construction of the proposed Railway line. According to the spokesman of the Railway Board, who appeared before the Committee, this project was taken up in the larger interests of the country for developing the coal resources of that area. The Committee do not feel satisfied that the decision in this case was taken with the full knowledge of the facts. The Committee wish to observe

that though the Government had the knowledge that the line would not be remunerative, there should have been a clear decision that they thought it necessary in the larger interests of the country to construct this line. The decision in such a case should be based either on revenue consideration or on wider national considerations.

(ii) **Expenditure on large projects without detailed estimates.**—The Committee noted the comments contained in para. 19 of the Audit Report in regard to the marked tendency on the part of the Executive Departments to commence works without preparation of the detailed estimates in contravention of the Code rules or to postpone the preparation of estimates indefinitely and wish to observe that the matter requires serious notice. While they appreciate the urgency that led to the execution of the two projects referred to in the Audit Report, viz., the Assam Rail Link and the Locomotive Manufacturing Works at Chittaranjan, they strongly urge that it should be emphasised on the Railway Administrations that no authority should, as a general rule, incur expenditure or undertake a scheme which may eventually involve expenditure from public funds until the detailed estimates in respect of the project have been sanctioned by the competent authority. The Committee view with great displeasure the tendency to make indiscriminate departures from the codal rules as such a course is fraught with grave consequences.

(iii) **Extra payment on the overloaded weigh-bridge coal.**—It is abundantly clear from the comments contained in para. 20 of the Audit Report that the role played by the Railway authorities in this case has been unbusinesslike. The Committee are pained to remark that had the Railway Administration been mindful and kept vigilance over the reduction of the rate of coal by the Ministry of Industry and Supply (now the Ministry of W.P. & S.) in April, 1949, the over-payment of Rs. 56,227 would have been avoided. The Committee suggest that in order to prevent recurrence of such instances involving over-payments, the Railway Board should evolve a proper procedure in consultation with the Ministry of W.P. & S. whereby the revision in the rate of coal is communicated immediately by the Coal Commissioner to the Railway Administration concerned before it is actually put into force. The Committee shall be glad to know, in due course, of the action taken in the matter.

(iv) **Remission of outstanding demurrage charges.**—The Committee consider that the remission of demurrage charges on such a large scale as reported in para. 28 of the Audit Report is unwarranted. The Committee would like to draw the attention of the Railway Board to para. 23 of the Report of the P.A.C. on the Accounts of 1943-44 wherein the then Committee had deprecated the tendency of the Railways to grant remissions of wharfage and demurrage charges to the extent of 50 per cent. The Committee wish to observe that

in spite of the criticism made by their predecessors about eight years ago, no improvement has been effected in this matter. The Committee are also not satisfied with the manner in which the waiver of demurrage charges in the case of special sidings is being handled and desire that the Railway Board should examine the whole question minutely and submit to them a Report, in due course, of the decision arrived at in the matter. The Committee further desire that the question of the revision of the existing powers delegated to the various officers on the Railways to sanction write-off of demurrage and wharfage charges should also be examined to see that no abuse thereof is being made, resulting in a financial loss to the Railways.

(v) **E. I. Railway Hiring of a portion of the Esplanade Mansions, Calcutta for the Public Relations and Publicity Offices.**—The Committee were distressed to note that the expenditure to the tune of Rs. 59,000 incurred by the Railway Administration on rent and maintenance of watch and ward staff for guarding the buildings which remained vacant for 3 years is a sad commentary of state-ownership and management of business by them. They should like to place on record their strong disapprobation over the manner in which the Railway Administration had handled this case which they characterise as a 'very bad case'. The Committee desire that a procedure should be evolved by the Railway Board for the guidance of the Railway Administrations whereby such instances of carelessness and remissness on the part of the Railway Administrations to utilize properly the leased buildings are eliminated.

18. *Efficiency of internal check.*—The Committee view with concern the growing deterioration in the standards of internal check and an increasing number of missing returns pertaining to coaching traffic submitted by the stations to the Accounts Offices. The Committee regard that the efficacy of 'internal check system' is the keystone of the efficient working of the Accounts Office and consequently for the better working of the administrative machinery as a whole. As one of the measures to tone up the efficiency in internal check, the Committee suggest that the Railway Board should consider the proposition whether or not it would be advantageous if in addition to the Inspectors placed at the disposal of the Traffic Department, internal auditors, who should be responsible officials, do the local audit of the station returns at the stations.

19. *Petty frauds and misappropriations.*—The nature of irregularities and frauds, mentioned in the concluding portion of second sub-para. of para. 33 of the Audit Report indicate the need for stricter control on the work of the station staff. The Committee do not regard the award of minor punishments, such as stoppage of increments etc., adequate for checking cases of deliberate frauds and misappropriation of public money and desire that the Railway Administrations should

take vigorous steps to counteract such deliberate actions on the part of the station subordinates. In this connection, the Committee would like to draw attention to the recommendations contained in para. 22 of the Report of the P.A.C. on the Accounts of 1946-47 and would desire to know what instructions were issued in regard to the handling of money and fixing of responsibility for losses.

20. *Cost-accounting of locomotives manufactured in the Chittaranjan Loco Workshops.*—The Committee note with satisfaction that as an immediate sequel to the observations made after their examination of the Railway Accounts of the last year, the Railway Board have deputed an officer to the U.K. and Germany to specialise in cost-accounting of locomotives and that he would be placed in-charge of the costing organisation in the Chittaranjan Workshops on his probable return in December, 1951. The Committee wish to reiterate their previous desire to be furnished with a memorandum on the costing of locomotives manufactured in the Chittaranjan Workshops *vis-a-vis* by the Telco in order to ensure that the Telco are not charging exorbitant prices as compared with those of the Railway Workshops.

The Committee learnt with concern that even in period 'C' which was supposed to have commenced from January 1949, provisional payments are being made to the Telco instead of paying firm prices and that the provisional payments made to that firm during the periods 'A' and 'B' had not yet been finalised as suggested by the last Committee. The Committee feel that it is high time that the Railway Board should settle with the Telco the question of payment of fixed price during the period 'C' which had already started, as they apprehend that disputes might arise later on and desire to be furnished with a Note outlining the arrangements agreed upon with the Telco.

21. *Mechanisation of Accounts.*—The Committee were informed that duplicating and calculating machines had been provided in some of the Railway Accounts Offices. They were further told that it had been decided to introduce machine accounting on a wide scale on the E.I. and the Nizam State Railways and that if the results proved encouraging, it was proposed to mechanise to the maximum possible extent. The Committee are in favour of mechanising of accounting and would stress the need for employing properly trained and right type of staff on this work.

22. *Economy effected by the regrouping of Railways.*—The Committee hope that by the time the next year's Accounts are presented to them, the process of integration of the Railways in India in six zones would have been completed and the Railway Board would be able to apprise them about the economy effected in their working cost and the results achieved by the implementation of the reorganization of the Railways.

**PROCEEDINGS OF THE TENTH MEETING* OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON THE 25TH SEPTEMBER,
1951.**

The Committee met from 3 P.M. to 6 P.M.

The following were present:—

Shri B. Das—*Chairman.*

Prof. K. T. Shah

Shri Tribhuan Narayan Singh

Shri S. N. Das

Shri T. H. Sonavane

Dr. Mono Mohon Das

Shri Gokul Lal Asawa

Shri Murlidhar Vishvanath Ghule

} *Members*

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

Shri G. S. Rau, Accountant-General on Special Duty, Office of the Comptroller and Auditor-General of India.

Shri S. M. Banerjee, Director of Audit, Defence Services.

Shri P. C. Padhi, Accountant-General, Food, Rehabilitation and Supply.

Shri M. V. Rangachari, Joint Secretary, Ministry of Finance.

SECRETARIAT

Shri M. N. Kaul—*Secretary.*

Shri S. L. Shakhder—*Officer on Special Duty.*

WITNESSES

Shri H. M. Patel, Secretary, Ministry of Defence.

Major-General K. S. Thimayya, Quartermaster General, Army Headquarters.

Major-General Sant Singh, Master General of Ordnance, Army Headquarters.

Major-General H. Williams, Engineer-in-Chief, Army Headquarters.

Air Commodore D. A. R. Nanda, I.A.F., A.O., P. & O., Air Headquarters.

Captain G. S. Kapoor, I.N., Chief of the Administration, Naval Headquarters.

*Proceedings of the first nine meetings deal with the (Civil) and (P.&T.) Accounts

Brigadier K. B. Rai, Chief Technical Examiner of Works, Army Headquarters.

Shri K. Bhawanishankar Rao, Financial Adviser, Ministry of Finance (Defence).

Shri R. Jagannathan, Controller-General of Defence Accounts.

Shri A. Shama Rao, Deputy Financial Adviser, Ministry of Finance (Defence).

Shri K. S. Krishnaswamy, Deputy Financial Adviser, Ministry of Finance (Defence).

Shri B. F. H. B. Tyabji, I.C.S., Joint Secretary, Ministry of External Affairs.

Shri J. Munro, Deputy Director-General (Supplies), Ministry of W.P. & S.

DEFENCE SERVICES

Ministry of Defence

23. The Committee took up consideration of the Appropriation Accounts (Defence Services) 1948-49 and the Audit Report, Defence Services, 1950.

24. The Committee first took up para. 4 of the Audit Report, Defence Services, relating to the errors in letting out and operation of contracts in the Engineer-in-Chief's Branch. In regard to the case mentioned in sub-para. (a), the Committee wanted to know what action was taken against the delinquent officers responsible for causing loss to Government and also why the irregularities could not be detected earlier by the Defence Accounts Department. Explaining the reasons that actuated the Commander Works Engineer to enter into a contract for the supply of boulders from the three places situated farther away from Delhi, which was the normal source of supply, the representative of the Ministry of Defence stated that it was due to the difficulty of getting supplies from Delhi on account of unavailability of wagons. Demands for wagons were placed on the Controller of Railways Priorities on three occasions during July-August, 1948 and on each occasion those demands were turned down and no wagons were allotted. It was then that the Commander Works Engineer turned to the next nearest source of supply, viz., Hardwar and Kansrao which, of course, were farther away than the normal source of supply, viz., Delhi. The Engineer-in-Chief stated in this connection that in actual practice very little stone was available at Hardwar and the only place where it was available in larger quantity in that part of the country was Kansrao, which was very close to the river and where there were

ample supplies of boulders. He further stated that after studying the relevant papers, he had found that it was an error of judgment on the part of the officer concerned and that he could discover nothing that showed any malicious intent on the part of the officer. Replying to another question by a Member of the Committee whether lack of judgment on the part of the officer did not amount to inefficiency, it was stated by the E.-in-C. that when an officer showed lack of judgment he could not be forthwith punished, unless it was very grave. Certain other factors had to be taken into consideration before inflicting punishment. In this particular case, he stated that as a result of further observation, the officer had been found unfit to hold the post of C.W.E. It was, therefore, arranged that this officer should be demoted to the rank of an Executive Engineer and he was now on the point of leaving service on account of his illness. The Committee felt satisfied with the action taken by the E.-in-C. in the matter. Replying to the other point, the Controller-General of Defence Accounts informed the Committee that the irregularities were detected in July 1949 and the objections were raised by his Department.

25. As regards the case referred to in sub-para. (b) of para. 4 of the Audit Report, the Committee wanted to know the result of the Court of Enquiry held to investigate the irregularities. The representative of the Ministry of Defence read out to the Committee extracts from the Report of the Court of Enquiry which had held that as the irregularities had not been established and as it had already cost the Government heavy expense, the case should be dropped. The Committee further desired to know whether any Accounts Officer was also associated with the Court of Enquiry. They were informed that under the rules, the Courts of Enquiry were composed of Military Officers and wherever necessary the Accounts Officers were called in in the capacity of 'Advisers'. The Comptroller and Auditor-General informed the Committee that the Controller of Defence Accounts reserved his full rights to pass any judgment on the findings of the Court of Enquiry and it subsequently went to the Ministry of Defence who again had complete right to go into the merits of the case in consultation with the Ministry of Finance. He further stated that the Report in question had not so far been received in his Office and as soon as it came, the whole matter would be examined. The Committee desired that a self-contained note setting forth the decision arrived at by the Ministry of Defence as also the views expressed by the Ministry of Finance in this case should be submitted to them in due course.

26. The Committee then proceeded to consider para. 54 of the Audit Report relating to certain contracts entered into by the High Commissioner for India in the United Kingdom during 1948-49 for the

supply of jeeps and other military equipment. At the outset, the representative of the Ministry of External Affairs informed the Committee that his Ministry had nothing to do with the execution of the contracts referred to in this para. as the Ministry of Defence dealt directly with the High Commissioner for the supply of Defence Stores. He, therefore, expressed his inability to answer any questions on this matter. Explaining the role of the Ministry of Defence in a matter of this kind, the representative of that Ministry stated that the Ministry merely indicated its requirements, i.e., it said what precisely it wanted, but it did not enter into any contract itself nor was it concerned with deciding whether a particular contract should be placed with the firm 'A', 'B' or 'C'. The Ministry only stated what it wanted to have and gave the specifications and the dates of deliveries etc. That was all what the Ministry did and it was the purchasing agencies, viz, the Ministry of W.P. & S. in India, the D.G.I.S.D., London, and the India Supply Mission, U.S.A. that entered into actual contracts for the supply of goods. The Committee was informed that for obvious reasons the Ministry of Defence had been allowed to transmit their orders direct to the Purchasing Missions in the U.K. and U.S.A. It was added that before Independence, orders for war-like stores used to be placed direct on the Service Ministry concerned in the U.K. But since the Independence, these orders were placed on the High Commissioner for India in the U.K. It was further stated that they could place orders direct on the Purchasing Missions in the U.K. and U.S.A. for such stores only as could not be procured in India. In reply to a question whether copies of the orders for supplies placed with the D.G.I.S.D., London and the I.S.M., Washington were also sent to the Ministry of W.P. & S., the representative of the Ministry of Defence stated that they were not sent. He stated that it would not serve any useful purpose as that Ministry could not exercise any check over it. It was further added that the organisation of the High Commissioner was a somewhat peculiar one in the sense that different Ministries exercised a certain amount of control over different parts of his organisation, although for administrative purposes, the High Commissioner maintained control over all of them. The High Commissioner functioned under the administrative control of the Ministry of External Affairs and everything should ordinarily be routed through that Ministry but it was a matter of convenience that different Ministries corresponded directly with him in regard to the matters with which they were concerned. In regard to the question of control exercised by the High Commissioner over the various activities, it was stated that he being the head of the whole organisation had a right to intervene in matters like the execution of orders placed on the D.G.I.S.D., London by the Ministries. The Committee did not feel satisfied with the existing set-up of the High Commissioner's organisation which had resulted in this confusion.

The Committee desired to know whether the High Commissioner had satisfied himself about the reliability of the firms before placing the orders in question for the supply of jeeps. The representative of the Ministry of Defence deposed that they had no direct knowledge in this matter. He, however, read out the following extract from a note received from the High Commissioner in this regard:

"The reliability of the firms, Messrs. Anti Mistant Ltd. and C. and J. Knott was further established by the fact that all of them were and still are on the approved list of suppliers to the Ministry of Supply in the U.K. Finally, the High Commissioner was given satisfactory assurances by the firms that they had available to them the stores they undertook to supply".

The Committee further wanted to know (i) what business the firm mentioned above was doing in the past, (ii) what were the actual terms of the bank reference obtained regarding the financial position of the firm and from which bank, (iii) what kind of stores the firm were supplying to the Home and Foreign Governments. As the representative of the Ministry of Defence did not have the required information readily available, he promised to obtain the same from the High Commissioner and supply it to the Committee.

27. The Committee further desired to know the special circumstances which necessitated a departure in this case from the normal conditions prescribed for contracts, namely, (i) security for performance, (ii) penalty, and (iii) termination. They also wanted to know who was responsible for the omission of these conditions from the contract and why it was not brought to the notice of the Government of India. The representative of the Ministry of Defence stated in this connection that his Ministry could not be held responsible for the actions of the High Commissioner. He then read out to the Committee an extract from a letter from the High Commissioner in which it was emphasized that owing to the urgency of the supply, the High Commissioner could not insert the usual penalty clause in the contract deed to which the suppliers were not prepared to bind themselves. Further, such a course was adopted more readily as the legal advice was that the provision of such a clause was in fact supererogatory since such rights were in any case available without any express mention of them. Moreover, Section 51 of the British Sale of Goods Act afforded adequate protection to recover the damages in the case of breach of contract. It was reiterated that it was the emergency which led the High Commissioner to feel that he must find those supplies and he felt justified in agreeing to certain terms of the contract which ordinarily he would not have accepted. The Comptroller and Auditor-General felt that as the omission of penalty clauses or failure to demand security for

the due discharge of the contractual obligations was rather an important departure from the normal method, prior orders of the Government of India should have been obtained. In this connection, the Defence Secretary stated that their need for the stores in question was so urgent at that time that had a reference been made to the Government of India, which in his view ought to have been made in a matter of such important departure, the permission would have been given. The Committee observed that in this case the contract had been manifestly violated, and the *force majeure* clause provided for in the contract form that payments must be made after the inspection certificates had been obtained was not observed. The Committee desired to know the reasons that led to this departure. It also pointed out that the statement made by the Minister of Defence in the House sometime ago that the payment was made in accordance with the terms of the contract was not true to facts. The representative of the Ministry of Defence did not, however, agree with this view and he read out further extracts from a note in his possession to establish that the amounts paid from time to time had been paid not as 'an advance' but as 'part payment' for goods which had been inspected and were ready to be shipped. The Committee further pointed out that the first payment for 502 jeeps was made even though the inspection certificates promised by the firm had not been produced. It was only when the firm claimed the second payment that it was withheld because they had not produced the certificates of inspection for the first lot of 502 jeeps. The Committee further desired to know whether the Hunts said that they were unable to inspect the jeeps and whether the statement regarding their inability to inspect the jeeps was made by Anti-Mistants or the Hunts? As the representative of the Ministry of Defence had no information on this point, the Committee desired that the High Commissioner should be addressed for eliciting the information. They also wanted to know the basis on which the High Commissioner satisfied himself with the whole transaction, and whether the High Commissioner at any stage took the assistance of the D.G., I.S.D., London. The Committee further wanted to know from the representative of the Ministry of Finance (Defence) whether they were satisfied with the financial procedure adopted by the High Commissioner in the matter of purchase of jeeps. In reply, he stated that the original order was placed by the Ministry of Defence and at that time the necessity for the purchase of 2,000 jeeps was accepted. Thereafter, the contract was entered into by the High Commissioner in consultation with his Legal Advisers and probably his Financial Counsellor. The clauses of the contract were not referred to the Ministry of Defence or to the Ministry of Finance (Defence) here. They did not even get a copy of the contract in India. In reply to another question whether they approved of the manner of payments made in

this case, the representative of the Ministry of Finance (Defence) stated that they did not, and further they did not feel satisfied about the manner in which the contract was worked.

28. In regard to the question of fixing the responsibility for this deal, the representative of the Ministry of Defence informed the Committee that the High Commissioner had stated that he accepted full responsibility for the payments, etc., that were made and he still adhered to that statement.

29. The Committee then dealt with some of the salient features of the 'new contract' entered into by the High Commissioner for the supply of jeeps. They wanted to know if any bank references had been obtained by the High Commissioner in respect of the new suppliers. The representative of the Ministry of Defence stated that he had no precise information on the point and that the new contract was an attempt on the part of the High Commissioner to make the best of an 'unfortunate job'. The Committee desired to know the terms of the 'new contract', whether it had been finalised and signed, and also to have a copy thereof which the representative of the Ministry of Defence promised to furnish. The Committee also wanted to have an idea about the time when the jeeps would be supplied under the terms of the 'new contract'. In reply, they were informed that the deliveries under the 'new contract' were due to commence sometime in June 1951, and the total supply was to be completed in a period of 19 months. It was added that when deliveries were not forthcoming in June the Ministry of Defence made enquiries about it and they were assured that although the deliveries had been delayed, they would be completed in the original period. In reply to the question whether the Ministry of Defence were satisfied over the provisions of the 'new contract', the representative of the Ministry of Defence stated that if the contract worked well and deliveries came forward within the stipulated period, it should prove satisfactory to the Government. The fresh contract was an attempt to ensure that the loss, if any, to Government was reduced or that no loss occurred.

30. The Committee felt that the High Commissioner on his own authority had no power to enter into this 'new contract', because it was entirely a different deal. The old contract was for 2,000 jeeps at £250 each. That was what the Government of India had originally sanctioned. The execution of a 'new contract' for the supply of 1,007 jeeps at a different price was entirely a new transaction requiring fresh sanction of the Government of India and also required scrutiny of the Government. The Comptroller and Auditor-General observed that formal sanction of the Government of India was necessary for the execution of the 'new contract'.

**PROCEEDINGS OF THE ELEVENTH MEETING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON THE 26TH SEPTEMBER,
1951.**

The Committee met from 3 P.M. to 6 P.M.

The following were present:—

Shri B. Das—*Chairman*.

Prof. K. T. Shah

Shri Tribhuan Narayan Singh

Shri S. N. Das

Shri Gokul Lal Asawa

Shri M. V. Ghule

} *Members*

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

Shri G. S. Rau, Accountant-General on Special Duty, Office of the Comptroller and Auditor-General of India.

Shri S. M. Banerjee, Director of Audit, Defence Services.

Shri P. C. Padhi, Accountant-General, Food, Rehabilitation and Supply.

Shri M. V. Rangachari, Joint Secretary, Ministry of Finance.

SECRETARIAT

Shri M. N. Kaul—*Secretary*.

Shri S. L. Shakhder—*Officer on Special Duty*.

WITNESSES

Shri H. M. Patel, Secretary, Ministry of Defence.

Major-General K. S. Thimayya, Quartermaster General, Army Headquarters.

Major-General Sant Singh, Master General of Ordnance, Army Headquarters.

Major-General H. Williams, Engineer-in-Chief, Army Headquarters.

Air Commodore D. A. R. Nanda, I.A.F.; A.O., P. & O., Air Headquarters.

Captain G. S. Kapoor, I.N., Chief of Administration, Naval Headquarters.

Brigadier K. B. Rai, Chief Technical Examiner of Works, Army Headquarters.

Shri K. Bhawanishankar Rao, Financial Adviser, Ministry of Finance (Defence).

Shri R. Jagannathan, Controller-General, Defence Accounts.

Public Accounts Committee.

Shri A. Shama Rao, Deputy Financial Adviser, Ministry of Finance (Defence).

Shri K. S. Krishnaswamy, Deputy Financial Adviser, Ministry of Finance (Defence).

Shri J. Munro, Deputy Director-General (Supplies), Ministry of W. P. & S.

Shri S. K. Dutta, I.C.S., Deputy Secretary, Ministry of Commerce and Industry.

DEFENCE SERVICES—*contd.**Ministry of Defence—contd.*

31. The Committee resumed consideration of the Appropriation Accounts (Defence Services) 1948-49 and the Audit Report, Defence Services, 1950.

32. The Committee re-opened discussion on the points raised in para. 54 of the Audit Report, Defence Services, 1950, relating to the purchase of jeeps in the U.K. At the outset, the representative of the Ministry of Defence made over to the Chairman of the Committee a copy of the 'new contract' for the supply of jeeps. The Committee desired to know whether the Director-General, India Stores Department or the Military Advisers attached to the High Commissioner for India in the U.K. were consulted before finalising the contract for the supply of jeeps. The representative of the Ministry of W., P. and S. stated that they had no information on this point and added that the normal practice was that the D.G., I.S.D. was consulted on all these matters. In reply to another question whether any specifications of the second-hand vehicles to be purchased were sent over from India to the H.C. in the U.K., the Committee were informed that as they were getting second-hand jeeps, there was no question of giving detailed specifications. The second-hand jeeps stated to be available were reported to be in the condition 'new or as good as new', and that was the actual expression used in the contract. It was further added that the Ministry of Defence had actually placed an order for 2,000 new jeeps. They were informed by the High Commissioner that it was not possible at that time to get new jeeps but that he had located a supplier who could supply 2,000 second-hand jeeps which were 'new or as good as new'. It was on that description, it was stated, that they thought they would be reasonably safe in accepting the offer. In reply to a question whether it was after calling for tenders or advertising that the High Commissioner came to know that new jeeps were not available, it was stated that the D.G., I.S.D., usually had information of what goods were available or what the general availability situation was. It was added that they had no information as to what exactly the High Commissioner did in this case.

33. The Committee then considered the question of fixing responsibility for entering into this unsatisfactory deal. The representative of the Ministry of Defence again stressed his view-point that his Ministry could not be held responsible for the action of the High Commissioner. In regard to the High Commissioner's action, it was stated that the following main points which could be questioned stood out. Firstly, in selecting a firm which *prima facie* did not appear to be a firm of any consequence or experience in this particular field; secondly, certain important clauses of the standard contract were omitted from the contract entered into with the firm; thirdly, advance payments were made even though certain pre-requisite conditions were not fulfilled; and finally, in agreeing to modify the method and extent of inspection to be carried out without any apparently sufficient reason. The Committee was informed that bearing in mind the atmosphere and the conditions prevailing at the time when the Ministry of Defence asked for the supply of these stores, the action of the High Commissioner on the first two points was understandable, particularly as the need of the Ministry was vital and it was not possible to procure the stores in the normal way within the time by which the Ministry wanted to have their delivery. After ascertaining the availability of the stores from a possible alternative source he satisfied himself from the Ministry of Supply and the Bankers about the reliability and creditworthiness of the firm concerned. They undertook to supply the goods but refused to be bound by certain conditions of the standard contract. As the need was urgent and the High Commissioner was advised legally that there was not much risk involved inasmuch as the penalty clauses were in practice rarely found enforceable. It was, therefore, in these special circumstances that a deviation from the normal form of contract was agreed to. It was, however, admitted that it was difficult to justify wholly the High Commissioner's action in respect of the payment of advance and the modification of inspection arrangements. It was added that in respect of these variations from the contract he could have referred the matter to the Government here for orders and in the situation then obtaining, he would have in all probability received Government's approval.

34. As regards the question of ultimate responsibility in such a case, the Comptroller and Auditor-General cited an instance in the U.K. where a groundnut production scheme was launched by the Government and a Corporation was entrusted for doing business as an agent of the Government. When the Accounts of the Corporation came up before the U.K. Public Accounts Committee (1950 Session), the Ministry of Food accepted the responsibility for all expenditure on the scheme although there was a substantial degree of delegation of authority to their agents. Stretching an analogy from this in-

tance, the Committee observed that since the expenditure incurred on jeeps was intended for the defence of India, the ultimate responsibility for the deal should vest in the Ministry of Defence. The representative of the Ministry of Defence, however, urged that the Ministry of W., P. & S. was actually answerable for any action taken for the procurement of stores and not the Ministry for which it found the stores. The Committee deplored the tendency on the part of the Ministries to shift responsibility from one to the other.

35. The Committee desired to know if the prior approval of Government was obtained by the High Commissioner before entering into the 'new contract'. It was stated in reply that the High Commissioner was fully within his rights in taking purchase action against an outstanding indent which had been placed on him with the concurrence of the Ministry of Finance. The Committee was further informed that the 'new contract' was entered into with a view to seeing what could be done to obtain the supplies needed urgently and that too after ascertaining from the Ministry of Defence as to what would be accepted by them in the event of the old contract being changed in favour of a new one. The Committee agreed to watch the completion of this new contract before they offered their comments.

36. The Committee then proceeded to take up consideration of the 'Statement showing action taken on the recommendations of the Public Accounts Committee' relating to the Ministry of Defence.

(a) *Item 10: Allocation of Works Expenditure to 'Maintenance' or 'Capital'*.—The Committee were informed that necessary instructions on the subject were under issue. The Committee desired that while issuing these instructions the Ministry of Defence should make it clear that they will apply only to temporary accommodation and not to other types as otherwise there was a danger of their being applied to other types of accommodation also. The Committee desired to be furnished with a copy of the instructions issued by the Ministry in this respect.

(b) *Item 11*.—The Committee considered the Memorandum furnished to them by the Ministry (Appendix XIV) and desired to know what were the reasons for waiving the recovery of Rs. 1,26,433 referred to in para. 3(b)(iv) of the Memorandum. The Committee also wanted to know what was the present position of recoveries mentioned in para. 3(c) of the Memorandum. In regard to the first point, the Committee were promised to be furnished with a note stating the reasons for the waiver. As regards the second point, it was stated that there had been no change since the Audit Report was printed and actually no recoveries had been made. The Committee desired that the Ministry of Defence should explore all

possible avenues to effect recovery and that a report stating the attempts made by them in this respect should be submitted to the Committee in due course.

37. The Committee then proceeded to deal with the Appropriation Accounts, Defence Services, 1948-49.

38. The Committee first took up para. 10 and para. 25 (sub-para. 4) of the Appropriation Accounts and paragraphs 15 and 40 of the Audit Report—Store Accounting—and wanted to know whether necessary disciplinary and remedial action had been taken in cases where store accounts were not maintained at all or were not produced for check so that similar irregularities did not recur. The representative of the Ministry of Defence informed the Committee that most of the irregularities were the outcome of war conditions and they were trying to put everything on a satisfactory footing. The Committee were anxious that the general standards of store-keeping and accounting in the stores depots of the three Services, especially the Air Force which was established only recently, should be raised. The Committee pointed out that at present, there did not exist any effective check against the inter-depot transfer of stores, as under the present system, it was easy to transfer a certain category of stores which might be in excess in one depot in close proximity at the time of the stock-verification of the former depot. The representative of the Ministry of Defence agreed to examine the suggestion put forth by the Committee with a view to finding out a fool-proof method whereby the indiscriminate transfers of such stores at the time of depot stock-verification should be eliminated.

39. The Committee also wanted to know what action had been taken to remove the difficulties relating to inadequate storage accommodation, inexperienced personnel, etc. The representatives of the Ministry of Defence stated that they were now trying to reduce the number of locations. Lack of funds, it was stated, was the main difficulty in the way of providing adequate covered accommodation for storage purposes and even for the housing of the personnel. They were pressing the Disposals Directorate to release their accommodation after clearing the stores.

40. The Committee then took up para. 15 of the Financial Adviser's Review of the Appropriation Accounts relating to the disposal of surplus land and buildings. It wanted to know the policy followed in regard to the disposal of surplus land and buildings and also whether the requirements of the other Central Government Departments and of the State Governments were carefully ascertained before such property was disposed of to the public. The representative of the Ministry of Defence stated that if any property was surplus to the requirements of the Defence Services, it was offered

first to the other Ministries of the Government of India. If they were not interested, the other State Governments were given the first option, thereafter, other public utility organisations and so on. These bodies, it was added, went to the State Governments concerned and approached them to sponsor their case.

41. (a) The Committee then considered para. 25 (sub-para. 3) of the Appropriation Accounts, para. 11 of the Audit Report and para. 3 of the Audit Report on the Commercial Appendix regarding the non-linking of stores. It was pointed out that the Controller-General of Defence Accounts had been qualifying his certificate in that respect since 1941-42. The Committee wanted to know how long the war was to be taken as an excuse for that wholly unsatisfactory state of affairs. The representative of the Ministry of Defence stated that during the year 1948-49, to which the Accounts under review related, nearly warlike conditions existed. They had now taken steps to ensure that the current transactions were properly linked. He further stated that such a kind of difficulty was accentuated whenever there was disbandment of units and returns were not properly vouchered. He, however, admitted that by and large the current receipts should not present any difficulty and assured the Committee that they would look into the position and would take whatever extra steps were necessary to control it.

(b) Referring to sub-para. 6 of para. 25 of the Appropriation Accounts, the Committee wanted to know what was the amount outstanding against private bodies and what were the reasons on account of which recoveries were held up. They also wanted to know the reasons for giving credit to these private bodies and whether the principle of pre-payment could not be enforced in their case in order to avoid losses to Government. The representative of the Ministry of Defence stated that the amount of outstanding had now come down to Rs. 14,00,000. Some of the present outstanding items were under dispute and they would have to go to arbitration. As regards the question of enforcing pre-payment it was stated that it was being done wherever possible.

Page 21—Appendix E.—Suspense Balances—Debits

42. The Committee wanted to know the present position regarding the clearance of outstandings due from the U.K. Government. The Director of Audit, Defence Services informed the Committee that certain adjustments had been proposed by the Ministry of Finance in consultation with the U.K. Government and the matter was under reference with the Audit. At present Rs. 14 lakhs were being cleared.

43. The Committee then proceeded with further examination of the Audit Report, Defence Services.

Para. 7 of the Audit Report—Loss due to delay in disposal of rice.

44. The Committee wanted to know the reasons for the purchase of rice more than was necessary and for the delay in its disposal which had resulted in a loss of over one lakh of rupees. The representative of the Ministry of Defence stated that the whole transaction took place in 1943 when labour was working in forward areas. In view of the scarcity prevailing at that time the Garrison Engineer concerned had to stock some quantity of rice and sell it to the labour. If this had not been done, the labour would have gone away. Further, after some time rice became plentiful and cheaper in the market and the labour refused to buy this rice. The officer concerned asked for instructions for the disposal of the remaining stock of rice. This went up and down and the final decision was considerably delayed in the Army Headquarters. It was added that had the final decision been arrived at quickly, there would have been some loss but not so much. The Court of Enquiry had recommended that disciplinary action should be taken against the officer who was the last to inherit the muddle but Government had not yet come to a final decision in the matter. The Defence Secretary admitted that there had been an inordinate delay in taking a decision in this case and it was something which was inexplicable. The Committee was further informed that even if Government took the view that Senior Officers were responsible, no action could be taken against them as none of them were here now.

Para. 30 of the Audit Report—Rate Book of Naval Stores

45. The Committee observed that so long as the Indian Rate Book was not brought up to date, Government would continue to lose in respect of payment issues. It wanted to know whether, pending compilation of the revised handbook, *ad hoc* additions could not be made to the rates on the basis of the present prices. The representative of the Ministry of Finance (Defence) stated that as most of the stores were imported from the Admiralty, the rates had to be obtained from them. They had requested the Admiralty, several times for giving the Indian Navy their Rate Book but, as they treat their list as a very confidential document they could not part with it. They had, therefore, now taken in hand the preparation of a rate book. As the rate book for imported stores had to be built up from the invoices received from the U.K., it had been a slow process and it would take some time before the rate book was completed. As regards the indigenous stores, it was stated that they had got a fairly satisfactory rate book. The Committee felt that the delay in the preparation of the rate book might not matter so much in so far as stores required for Government purposes were concerned, but they apprehended that it might affect recoveries of supplies made to officers. The representative of the Ministry of Finance (Defence)

stated in this connection that instructions had been issued to the Controller of Naval Accounts that in the case of payment issues, he must take into account the latest known rates and, if he did not know them, he must consult some technical officer who would give him the rates. The payment issue transactions, he added, were a very small proportion of the total number of transactions. The Committee desired to be furnished, in due course, with a note showing the progress made in the matter of compilation of the up-to-date Indian Rate Book of Naval Stores for both the indigenous and imported stores.

Para. 32 of the Audit Report—Demand Registers

46. The Committee desired to know the latest position in regard to outstanding demands and their clearance. The Controller General of Defence Accounts stated that the present position was satisfactory: The outstandings had been reduced from about Rs. 1 crore and odd to about Rs. 20 lakhs. He said that there was one thing that he would emphasise that it was not a real loss or payment made to any persons not in Government employ and which might be treated as a dead loss. These were cases of advances to persons for which there was a recovery procedure which also acted almost automatically. He assured the Committee that every step necessary to improve the position was being taken and no loss had been caused to Government.

Page 35—Excess payment of compensation in Manipur

47. The Committee wanted to know whether or not the irregularities pointed out by the Audit were noticed by the Department and whether there were any chances of recovery of the overpayments made to the payees who had given written undertakings to refund the overpayments detected afterwards. The representative of the Ministry of Defence stated that it had been alleged that the overpayment of Rs. 16,56,898 arose due to wrong classification and assessment of compensation was done jointly by the Technical Officer of L. H. & D. Service and the Manipur State officials. At this distant date, he stated, it was difficult to establish that the classification was wrong and that the alleged overpayment resulted as a consequence thereof in view of the fact that the officers concerned of the L. H. & D. Service had left the service and had been repatriated. It did not seem feasible to make any investigations now in the absence of the officers concerned. As regards recovery of excess payments, it was stated that although the Manipur State officials made the payment on obtaining a written undertaking for the refund of excess payments detected subsequently, the State Government seemed to have made no real effort in that direction. On the other hand, they had represented that any move to effect recovery would be met with widespread opposition from the people of Manipur who were already

agitating for the payment of outstanding claims. The whole matter regarding recovery of excess payments, it was added, was under consideration. The Committee urged the Ministries of Defence and Finance (Defence) to take steps to prevent such things happening again and also to see that there existed an adequate organisation to vouchsafe the correct payment and account of money in such instances. The representatives of the Ministries promised to examine the suggestion made by the Committee in order to see what could be done to strengthen the organisation.

48. The representatives of the Ministries of Defence* and Commerce and Industry were asked to furnish written information to the Parliament Secretariat on the points which the Committee could not cover during their examination of the Defence Accounts and the Audit Report owing to lack of time.

*Since received and embodied in Appendix XXXII.

**PROCEEDINGS OF THE TWELFTH MEETING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON THE 27TH SEPTEMBER,
1951.**

The Committee met from 3 P.M. to 6 P.M.

The following were present:—

Shri B. Das—*Chairman*.

Prof. K. T. Shah

Shri Tribhuan Narayan Singh

Shri B. N. Munavalli

Shri Gokul Lal Asawa.

} *Members*

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

Shri P. H. S. Rao, Director of Railway Audit.

SECRETARIAT

Shri M. N. Kaul—*Secretary*.

Shri S. L. Shakhder—*Officer on Special Duty*.

WITNESSES

Shri A. K. Chanda, Financial Commissioner for Railways.

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

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

Shri H. K. L. Sethi, Director, Civil Engineering, Railway Board.

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

RAILWAY ACCOUNTS

Ministry of Railways

49. The Committee took up examination of the Appropriation Accounts of Railways in India for 1948-49 and the Railway Audit Report, 1950. At the outset, the Committee wanted to know how far mechanised system of work had been introduced in the Railway Offices and whether there were any automatic ticket-issuing machines on any Railway. The Member (Traffic) stated that at the Bombay V. T. Station on the G. I. P. Railway, suburban Railway tickets were issued through automatic machines and this system was soon being introduced on the E. I. Railway also. It was added that duplicating and calculating machines had also been provided in some of the Railway Accounts Offices. In reply to another question, the Financial Commissioner, Railways stated that they had encountered some difficulty on account of the non-availability of the spare parts but they had immediately appointed extra staff and their accounts were ready

and compiled on the due date. He added that they had taken steps to keep some reserve stocks of spare parts so that there was no breakdown in future. The Financial Commissioner, Railways, further informed the Committee that he had recently convened a meeting of the Financial Adviser and the Chief Accounts Officers of all the Railways in Bombay and as a result of the discussions held there, they had decided to introduce machine accounting in a more extensive manner on the E. I. and Nizam State Railways and if the results proved encouraging, they proposed to mechanise to the maximum possible extent. The Comptroller and Auditor-General informed the Committee that while he was all in favour of mechanising, he would suggest going a bit slow in this matter. He added that in mechanisation, if a thing went wrong, it was very difficult to locate where it had gone wrong. In this connection, he mentioned that some of the Accountants-General were of the opinion that the chaotic state of the Provident Fund Accounts was probably due to the mechanisation. The Committee, therefore, stressed the need for employing properly trained and right type of staff on the mechanisation work.

50. The Committee then took up consideration of the items contained in the Statement showing outstanding recommendations of the Public Accounts Committee relating to the Ministry of Railways.

(a) *Item 48—Rationalisation of the distribution of stocks between different Railways*

The Committee desired to know what steps had been taken by the Railway Board to rationalise distribution of stocks between the different Railways and also to remove the imbalance between different categories of stores held by them. The Financial Commissioner, Railways, informed the Committee that the Railway Board had set up the Railway Stores Enquiry Committee under the chairmanship of Mr. Shroff of the Tatas for the purpose of reviewing the working of the Stores Organisation on Indian Railways. The report of this Committee had been received and the Railway Board had, he said, accepted its recommendations. They had called from all the Railways in India statements showing their stock-holdings in relation to their annual consumption and steps had already been taken for redistributing surplus stores. All the necessary steps had already been taken for the rationalisation of the stores organisations on the Railways and this process, it was stated, was expected to bring about a reduction of the stores balances of different Railways by about 10 crores of rupees within a period of a year to 15 months. He further added that they were going to set up a

Directorate in the Railway Board's Office to co-ordinate the store-holding arrangements on all the Railways. He assured the Committee that the results of the improvement effected in this respect as a sequel to the implementation of the recommendations of the Committee would be reflected in the Budget for the ensuing year.

(b) *Item 52—Cost accounting of locomotives manufactured in the Chittaranjan Locomotive Workshops*

The Committee wanted to know whether the manufacture of locomotives had commenced. The Financial Commissioner, Railways, informed the Committee that in the Chittaranjan Locomotive Workshops, 11 locomotives had been commissioned and they expected that before the end of the year they would produce about 25 in these workshops. Elucidating the matter further, he said that there were three phases in the manufacture of locomotives. The first was assembly, the second was partial assembly and partial manufacture and the third was full manufacture. The production in the Chittaranjan Workshops had been planned on that basis and that 50 per cent. of the components used on the 11 locomotives, he stated, were manufactured at Chittaranjan. The boilers, it was stated, were not being manufactured in the Chittaranjan Workshops but were made by the Telco. The Telco, it was further stated, had not yet started the manufacture of the locomotives and their first locomotive was expected to be out in 1952. The Committee desired to be furnished with a memorandum on the costing of locomotives which the Financial Commissioner, Railways, promised to supply.

The Financial Commissioner further informed the Committee that so far as the costing arrangement in the Chittaranjan Workshops was concerned, they had sent an Officer on deputation to the U.K. and Germany to specialise in locomotive costing. He was returning in December next and would be placed in-charge of the costing organisation in Chittaranjan Workshops. He added that they wanted a Technical Cost Accountant, i.e., a person who would be able to say when the wastage margin was high. In regard to the arrangements made with the Telco for the manufacture of the locomotives, it was stated that until full production was established, the Railway Board paid them on the basis of landed cost of comparable equipment and the difference in the two costs went into the Development Fund which was utilised by the firm. The Committee observed that for certain items the Telco's cost might actually be higher than what they were getting in their workshops. As the Government had to pay the actual cost of production to Telco, it was suggested whether they could get those items produced at their own Workshops. In reply, it was stated that they

had no surplus capacity available anywhere and that the Telco were manufacturing for the metre-gauge while the Chittaranjan Workshops were manufacturing broad-gauge locomotives and the parts were not inter-changeable. The Committee expressed the fear that in the absence of any comparison between the costs of production at Telco and Chittaranjan Workshops, there was a risk of the Telco charging excessive prices. The Financial Commissioner, Railways, stated that the question of paying them an excessive price might arise in the initial stages as the first few locomotives would be comparatively more expensive, but as they went into full production, naturally the costs would come down and their locomotives would cost less than those imported. The Financial Commissioner admitted that recently there was a little dispute with Telco about their costs of production and they had sent a team of experts to have a general investigation. The report of these experts had just been received and it would be discussed with Telcos.

The Director of Railway Audit drew the attention of the Committee to the fact that the contract with the Telco was a cost-contract during the first two periods viz., 'A' and 'B' and the Railway Board had arranged that when the Telco prepared the provisional bills, these should be sent to the Financial Adviser and Chief Accounts Officer, E. I. Railway, for conducting a check whether these prices roughly tallied with the costs of their own manufacture. He then referred to Para. 61 of the Proceedings of the Meeting of the last Public Accounts Committee held on the 16th January 1951 wherein the Committee had suggested that the provisional payments made to the Telco during the periods 'A' and 'B' should be finalized. He pointed out that even in period 'C' which was supposed to have commenced from January 1949, provisional payments were being made instead of paying firm prices. The Committee felt that it was high time that the Railway Board settled with the Telco the payment of fixed price during the period 'C' which had already started as they apprehended that disputes might arise later in respect of these payments. The Financial Commissioner, Railways, informed the Committee that this matter had been taken up with the Tatas at a high level and it was proposed to hold discussions with the firm in the near future. The Financial Commissioner assured the Committee that they were not trying to slur over the defects but were doing everything that was possible to safeguard the interests of Government. The Committee wanted to be furnished with a note stating specifically whether any payment by way of subsidy had been made to the Telco during the periods 'A' and 'B'. The Financial Commissioner, Railways, informed the Committee that they could work out this figure by calculating the difference between the landed cost of imported locomotives and the amount paid to the

firm and he promised to furnish this information to the Committee. He also promised to submit to the Committee a note outlining the fresh arrangements agreed upon with the Telco after the discussions which the Railway Board contemplated to have with them in regard to the finalisation of the payments made during the periods 'A' and 'B' and the fixation of the firm price for period 'C' were concluded. He concluded by saying that the Telco had not made any profit up to date and that for watching their interests Government had appointed a Director on the Board of Management of the Telco in himself and had further nominated Shri Y. N. Sukhtankar, Secretary of the Ministry of Transport, as an additional Director.

51. The Committee then proceeded with the consideration of the Appropriation Accounts of Railways, Part II.

Statement showing results of stock verification and revaluation of stores during 1948-49 (pages 90-91)

52. The Committee observed that the closing balances of the Stock Adjustment Account under 'Miscellaneous items', as indicated in column 22 of the statement, were heavy on the E. I. and E. P. Railways. On the E. I. Railway, the balance (Rs. 1.21 crores) represented the value of stores received in stores depots without proper documents and some of them were as old as 1944-45. On the E. P. Railway, the unadjusted balance (Rs. 60 lakhs) was also on the same account. The rules, it was further pointed out, required that such items should be cleared from the Stock Adjustment Account within six months. The Committee wanted to know why these amounts had been allowed to stand so long under this Suspense Head and what steps had been taken by the two Railway administrations for the speedy clearance of these heavy balances. Explaining the position the Financial Commissioner, Railways, stated that there were special reasons for such heavy balances which were confined to the two Railways viz., E. P. and E. I. So far as the E. P. Railway was concerned, it had no existence before the partition and it formed an integral part of the late N. W. Railway. The E. P. Railway Stores Organisation was started in 1947—after the partition—with whatever stores were available in the two Divisions viz., Ferozepur and Delhi and that amount was reflected in this statement. The Railway Administration was not in possession of any documents showing as to when they were purchased and when they were paid for. They were, however, making every effort to clear it up. As regards the E. I. Railway, it was stated that there existed a system under which that Railway used to be debited or credited with all bulk orders placed by the Indian Railways for locos., wagons, etc., and they were responsible for distributing and clearing up the balances when they made supplies to other Railways. This arrangement was considered

by the Railway Board as very unscientific and unsatisfactory and they had discontinued it from the current year. They had introduced instead a head in the Railway Board's Budget for the current year and all these bulk purchases were now controlled by the Board itself. The Railway Board, it was stated, were not satisfied with this state of affairs. The Director of Railway Audit added that while the reply given by the Financial Commissioner, Railways, only explained the increase of total balance on the E. I. R., the stock-adjustment account represented the value of stores received in the stores organisations without proper documents. The Committee commented that while the *minus* figures indicated only losses, *plus* figures could be more disastrous as they might be due to many reasons. The representative of the Railway Board stated that the non-receipt of timely intimation about the cost of stores supplied or documents in support thereof from the Director-General, India Stores Department, London or the India Supply Mission, Washington, sometimes operated as a time-lag factor and resulted in the non-linking of payments made with particular stores. The Committee desired that suitable machinery should be devised whereby the documents in respect of the stores imported from abroad as also the adjustment of the cost involved was carried out by the High Commissioner within a certain time-limit after the completion of the transaction. The Committee was informed that the Railway Board had already issued necessary instructions to the High Commissioner that all documents should be sent to them within a period of 2 months to which the transaction related. The Committee wished that at the time of consideration of the Railway Accounts for the subsequent year, the balances under the head 'Suspense' should be reduced to the minimum possible.

53. The Committee then proceeded to deal with the Railway Audit Report, 1950.

Para. 5 (ii) and (iii) of the Audit Report—Excesses and savings over voted grants

54. The Committee observed that during the year under review, out of 18 voted grants, there were excesses and savings in 7 and 10 grants, respectively. They wanted to know what steps had been taken by the Railway Board to remove such defects in budgeting. The Financial Commissioner, Railways, invited attention to a Memorandum submitted to the Committee (Appendix III) showing the financial results of Indian Railways for 1950-51 which had been circulated to them, and which, according to him, reflected that their budgeting had been more accurate. The Committee agreed that there had been an improvement during the year 1950-51 although there had been lapses during the previous years. He further stated that

their budget arrangements had been remodelled and mentioned to the Committee the steps that the Railway Board had taken to improve the budgeting on the Indian Railways. Firstly, they had set up budget cells in the technical departments to work in close consultation with the Deputy Financial Adviser who was in charge of budgeting of the entire railway. They had also prescribed certain statistical returns, compiled in a book form, through which they watched the efficiency of the railways as a whole as also the effectiveness of financial control. Besides, they had decided to set up an efficiency audit team consisting of a Finance Officer, a Mechanical Engineer and a Traffic Officer at the Headquarters to go round and investigate the special problems on the railways which were shown by the statistical returns.

Para. 17 of the Audit Report—Barwadih Sarnadih Construction

55. The Committee observed that the case mentioned in this para. revealed that there was no adequate basis for the urgency which was the reason for starting the project without proper estimates and with inadequate appreciation of the financial results. This, they thought, was an extremely bad case resulting in large infructuous expenditure and the abandonment of the project was an admission of the carelessness in the acceptance of the original location of the land for the construction of the proposed railway line. The Financial Commissioner, Railways, stated that the construction of the railway line in question was undertaken in pursuance of the recommendations of the Indian Coalfields Committee. The Cabinet had approved this recommendation and later an inter-departmental Committee set up to examine all the projects recommended by the Indian Coalfields Committee gave this project the topmost priority. The E. I. Railway submitted an abstract estimate for about Rs. 1.71 crores and informed the Railway Board that this was liable to be exceeded. The Board authorised construction of the first 40 miles on the basis of that abstract estimate and the E. I. Railway was asked to submit detailed estimates. It was then thought that if they had to wait for the detailed estimates, one year would be wasted. When the detailed estimates for Rs. 3.30 crores came, they were approved by the Standing Finance Committee for Railways. In 1949, when the ways and means position of the Government deteriorated very considerably and all the Ministries were asked to review their construction programmes, the Railway Board did not limit their review only to projects which were to be taken up but also to projects which had already been sanctioned. As no effort had been made by the colliery-owners to open up the coalfields, Government felt that it would be possible to defer the completion of this project until their ways and means position had improved. In reply to a question whether the advice of the Financial Adviser and Chief Accounts

Officer, E. I. Railway, was obtained before reporting to the Railway Board in 1947 that this project would be financially justified, the Financial Commissioner, Railways stated that it was true that when the estimate of Rs. 1.71 crores came up before the Railway Board, the Financial Adviser and Chief Accounts Officer's views had been communicated to them. He had pointed out that this would not be an economical line but when the detailed estimate of Rs. 3.3 crores came up, the Financial Adviser and Chief Accounts Officer had certified that the return would be 4.08 per cent. taking the line as a whole. The Financial Commissioner further stated that that conclusion of the Financial Adviser and Chief Accounts Officer was not based purely on financial considerations. It was stated that the project was taken up in the larger interests of the country for developing the coal resources of that area. The Committee did not, however, feel satisfied that the decision in this case was taken with the full knowledge of the facts. Although Government had the knowledge that the line would not be remunerative, there should have been a clear decision that they thought in the larger interests of the country that the line must be constructed. The decision in such a case should be based either on revenue consideration or on wider national considerations. The Committee observed that it was evident from the facts illustrated by the Audit that at the beginning, no financial appraisal was made, but the Financial Commissioner, Railways, again stressed the point that the construction was taken up in pursuance of the decision of the Cabinet. He further informed the Committee that the project had not been abandoned but had been kept in abeyance and everything was being kept on a care and maintenance basis at a cost of a few thousand rupees. He expressed the hope that the project might be reopened shortly in the light of the recommendations contained in the Draft Outline of the Planning Commission's Report that the mineral resources of the country should be fully exploited. The area to be served with the projected railway line was rich in coal which required development.

Para. 19 of the Audit Report—Review of Expenditure on large scale projects

56. The Committee commented on the tendency of the Executive Departments to start works without preparation of the detailed estimates in contravention of the code rules and observed that this tendency for postponing the preparation of detailed estimates indefinitely required serious notice. The Financial Commissioner, Railways, conceded that there was a tendency on the part of the Railway administrations to delay preparation of detailed estimates, and informed the Committee that the Railway Board had in fact issued several instructions in the matter to the Railway Administrations. Referring to the audit comments contained in this para., he

mentioned that the special circumstances in which the construction of Assam Rail Link was taken in hand were in themselves an adequate justification for departing from the normal provisions of the code rules. If they devoted much time to the preparation of the detailed estimates, it would have delayed the construction of the line which ultimately would have resulted in the starvation of the people of Assam in the difficult times which followed in the wake of the partition of the country. This decision, he pleaded, was the right one which they had to resort to. The second case referred to in the Audit Report was that of the Chittaranjan Locomotive Workshops. Here again, the partition of the country was responsible for the change in the venue of the Workshops from Kancharapara to its present site viz., Chittaranjan and this decision had to be taken from the strategic and other points of view as the former place was considered to be a very unsatisfactory location for the factory. The Comptroller and Auditor-General drew attention of the Committee to a statement containing a list of a large number of other projects for which detailed estimates had not yet been prepared. The Committee observed that all that they wanted was that such indiscriminate departure from the prescribed code rules should not be allowed as it was fraught with grave consequences. The Financial Commissioner, Railways, assured the Committee that they would not find such a formidable list of projects undertaken without the sanction of detailed estimates when the Accounts for the next year come up before them.

Para. 20 of the Audit Report—E. I. and B. N. Railways—Extra payment on the overloaded weighbridge coal

57. The Committee observed that the overpayment to the extent of Rs. 56,227 would have been avoided, had timely action been taken by the Railways to reduce the rate as soon as the Ministry of Industry and Supply (now Ministry of Works, Production and Supply) reduced the rate in April, 1949. Before making each payment, the Railway authorities should have watched the prices. The Railway authorities, the Committee remarked, had been unbusinesslike. The Financial Commissioner, Railways, stated that the criticism contained in the Audit Report was valid and he accepted the position that if the Railway administration had been a little more careful, they might have avoided this over-payment. The Committee suggested that in order to prevent recurrence of such instances involving overpayments, the Railway Board must evolve a proper procedure in consultation with the Ministry of Works, Production and Supply whereby the revision in the rate of coal should be communicated immediately by the Coal Commissioner to the Railway Administration before it was actually put into force.

Para. 28 of the Audit Report—E. I. and B. N. Railways—Remission of outstanding demurrage charges

58. The Committee drew the attention of the representatives of the Railway Board to the very large amounts of demurrage charges waived by them. They described the whole business as 'unsatisfactory' and wanted to know what was being done to prevent such difficulties of realising large amounts that might arise in future on other Railways. The Member (Traffic), Railway Board, in explaining the matter told the Committee that the demurrage charges levied in the case referred to in this Para. were in the nature of a penalty on people who liked to detain wagons unnecessarily. He added that while going into the merits of each case, officers at various levels were authorised to remit these charges, either wholly or partially, if it was found that the detention was such that could not be avoided or that the consignee was not responsible for the demurrage. In this particular case, the demurrage charges went on accumulating and the question of individual waivers did not arise as they were not put forward. The Railway Board while reviewing the entire question considered that there was some justification for waiving demurrage. They had also appointed a Committee to go into the question of the operating difficulties and the Committee had made certain recommendations some of which had been implemented and the others were in the process of implementation. The Railway Board, he stated, came to the conclusion that some amount of remission was justified and they remitted upto 33 per cent. in the first instance; again a representation was made and the Railway Board in consultation with the Minister agreed that a 50 per cent. remission might be granted. The remission looked formidable because it was one lump sum. So far as the recurrence of such cases was concerned, he stated that they had gone into the whole question of revising the demurrage rules as existing at Tatanagar and the Indian Iron and Steel Company's siding and new rules had been brought into force recently. He, however, could not guarantee that cases of waiving of demurrage charges would not occur because that was in the day-to-day business of the Railways, but what the Railway Board had done so far was to see that what the firms complained as impediments in the way of their making the wagons available without incurring any demurrage charges were removed and a closer watch was kept on the release of wagons.

The Committee drew the attention of the spokesman of the Railway Board to Para. 23 of the Report of the Public Accounts Committee on the Accounts of 1943-44 wherein the Committee had deprecated the tendency of the Railways to grant remissions of wharfage and demurrage charges to the extent of 50 per cent. and had enjoined on

the then Railway Department to consider the question of reducing this percentage and issue necessary instructions to that effect. The Committee observed that in spite of these strictures of their predecessors passed about eight years ago, there was not much of improvement. The Committee further observed that they did not feel happy about the waiving of demurrage charges in the case of special sidings and desired the Railway Board to consider the whole question and submit to them a report, in due course, of the decision arrived at in the matter.

Para 32 of the Audit Report—E.I. Railway hiring of a portion of the Esplanade Mansions, Calcutta, for the Public Relations and Publicity Offices.

59. The Committee observed that the expenditure amounting to Rs. 59,000 incurred on rent and the maintenance of watch and ward staff for guarding the buildings which remained vacant for 3 years was a sad commentary of state-ownership and management of business. Explaining the circumstances that led to the payment of rent for these vacant buildings, the representative of the Railway Board stated that the Railway Administration could not proceed to execute the lease as in the first instance, the period under reference witnessed the Great Calcutta killing, and thereafter, followed the partition. Further delay was due to the fact that the state Officer considered that the lease should include a particular clause in the agreement to which the landlord was not agreeable. The Committee expressed their dissatisfaction over the manner in which the Railway Administration had handled this case which they described as 'a very bad case'. The representative of the Railway Board agreed with the observations of the Committee.

Para 34 of the Audit Report—Efficiency of Internal check—increase in the number of missing returns

60. The Committee was very much concerned to know that there had been an increase in the number of missing returns pertaining to coaching traffic submitted by the stations to the Accounts Offices. The representative of the Railway Board agreed with the Committee that the position as reported in the Audit Report was certainly unsatisfactory but since this question had been taken up, the number of missing returns, he stated, had come down from 5,435 to 286 in December, 1950, and he hoped that the next Audit Report would show a considerable improvement in the situation. The Committee asked the Railway Board to consider the suggestion whether it would not be advantageous if in addition to the Inspectors placed at the disposal of the Traffic Department, internal auditors who should be responsible officers do the local audit of the station returns at the stations.

61. *Regrouping of Railways.*—Before concluding, the Committee desired to have an idea about the economy effected in the regrouping of Railways experimented in the South by formation of the Southern Zone. The Financial Commissioner, Railways, informed the Committee that it was too early to assess the relative economy achieved by the regrouping at this stage and that it should be left to be considered at the time when next year's Accounts were taken up, by which time he hoped they would be able to arrive at some conclusions.

B. DAS,
Chairman,
Public Accounts Committee.

NEW DELHI;

Dated the 26th February, 1952.

APPENDICES

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APPENDIX I

APPENDIX II

APPENDIX I
STATEMENT SHOWING ACTION TAKEN OR PROPOSED TO BE TAKEN ON THE RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE

Serial No.	Year of Report	Paragraph of the Report or proceedings	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	1947-48 (post-partition)	4-R 3	Finance	The Ministry of Finance should frame necessary rules and regulations to ensure that the spending Ministries exercise proper checks and show complete responsibility in the matter of budgeting and keeping control over expenditure and in cases of laxity it should be the duty of that Ministry to take appropriate action in the matter.	The matter is under consideration.
2	1947-48 (post-partition)	5-R	Finance	The Ministry of Finance should once again draw the attention of all the Ministries to the suggestion contained in para. 7 of the Report of the Public Accounts Committee of the year 1944-45 and a suitable procedure should be devised in consultation with the Comptroller and Auditor-General whereby the Indenting Department should ascertain telegraphically the precise position in regard to supplies within the year and estimate as accurately as possible the total expenditure against its appropriations.	Necessary instructions have been issued to all concerned.
3	1947-48 (post-partition).	9-R 44-P	All Ministries of Govt. of India. <u>Posts and Telegraphs</u>	The Government of India should impress upon the Heads of Departments that replies to Audit objections should be sent with the utmost promptitude and that immediate steps should be taken to remove defects in the administrative system existing in their departments which may be brought to their notice through the Audit Notes.	The Ministries of Finance, Health, W. P. & S., Education, External Affairs, States, Rehabilitation, Food and Agriculture, Home Affairs, Defence, Commerce & Industry, Railways and Communications, and the D. G., P. & T., have stated that necessary instructions have been issued by them to

their subordinate and attached Offices. The Ministry of I. & B. has noted. The Ministry of Labour has stated that action is being taken. The Ministry of W. P. & S. has stated further as below :

“ In order to be sure that our instructions are being properly followed, we have introduced a system of calling for six-monthly statements showing the different stages of the disposal of the audit objections ”.

The Ministry of Finance has offered the following remarks :

“ The matter is still under examination ”.

Most of the other Ministries have stated that they are awaiting instructions from that Ministry. The Ministry of W. P. & S. has offered the following remarks :—

“ So far as the Central P. W. D. is concerned, the question of introduction of system of Administrative Audit was considered by an inter-departmental Committee consisting of (i) Deputy Auditor-General (ii) Joint Secy., Ministry of Finance, (iii) Chief Engineer, P. W. D., (iv) E.-in-Chief and (v) Deputy Secretary, Ministry of W. M. P. (now W. P. & S.) which was set up in 1948 to consider and advise the Government on the question of setting up an independent

With reference to the case mentioned in para. 21 (1) (3) of the Audit Report on Civil Accounts, 1949, the Ministry of Finance should formulate comprehensive rules and regulations for the institution of a system of 'Administrative Audit' in consultation with the Comptroller and Auditor-General and incorporate them in the existing Codes, etc., and a report submitted to the Committee in due course.

Finance

All other Ministries

4 1947-48 (post-10-R partibon) 95-P

Public Accounts Committee

Serial No.	Year of Report	Paragraph of the Report or proceedings Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
			<p>inspection. agency under the Ministry of W. P. & S. for technical examination of the expenditure on Central P.W.D. Works, on the model of the organisations of the Chief Technical Examiner and Chief Surveyor Works on the Deferment, a workable plan of such an organisation was drawn up. The implementation of the scheme has, however, been deferred for lack of funds owing to financial stringency." (<i>A copy of the Report has been furnished to the Committee</i>).</p>	
5	1947-48 (post-partition)	110-P J Finance	<p>With reference to Grant No. 72-Miscellaneous, sub-head I, 3.—Small Savings Scheme the Committee wished to have a note on the progress made in the re-organisation of this scheme and economy effected.</p>	<p>A note has been submitted to the Committee.</p>
6	1947-48 (post-partition)	7-R) 87-P Finance All other Ministries.	<p>Special steps should be taken to review the existing State Trading and Manufacturing Schemes under the control of the Government of India with a view to seeing that they were not sustaining any loss and that an adequate return commensurate with the capital invested in the scheme was forthcoming. A complete review of the schemes should be submitted by the Finance Ministry in respect of all the</p>	<p>The Ministry of Finance has stated as below : " The administrative Ministries have been requested to review the schemes and send their reports. An over-all review of the schemes will be prepared by the Ministry of Finance as soon as reports have been received".</p>

State Trading Schemes under the overall control of the Government of India before the consideration of the Accounts for 1948-49.

The Ministry of Communications has stated as below :—

“ So far as the Ministry of Communications, including its attached and subordinate offices except the P. & T. Department are concerned there are no schemes of State Trading under its control. As regards Manufacturing schemes the only scheme under the control of this Ministry is the Indian Telephone Industries, Ltd. Its first profit and loss accounts will be placed before the general meeting of the Company proposed to be held towards the end of July 1951. It will then be possible to have a financial picture of the working of the Company. The Company is still in the formative stage and the complete picture will only be available after the Factory has gone into full production which it is expected to do in the next two years’.

A Memorandum has been submitted to the Committee.

A Memorandum outlining in detail the various aspects of the financial control exercised by the Finance Ministry over Defence Expenditure should be submitted to the Committee.

A memorandum should be submitted to the Committee in due course showing the progress made in reviving the Equalisation Fund.

It was suggested that a Committee consisting of representatives of the Ministries of Finance, Defence and Law should be set up to go into the existing contract forms in use by the Defence Services with a view

The Ministry of Law has offered the following remarks :—

“ The necessity for the constitution of the proposed Committee will

7 1947-48 (post-partition) Finance (Defence)

8 1947-48 (post-partition) Defence

9 1947-48 (post-partition) Defence
All other Ministries. 5

7 1947-48 (post-partition) 3-P

8 1947-48 (post-partition) 5-P

9 1947-48 (post-partition) 6-R
7-P

Public Accounts Committee

Serial No.	Year of Report	Paragraph of the Report or proceedings	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
				<p>to drawing up standardised contract forms which should be strictly adhered to and no deviation therefrom made except under the express orders of the Government of India. At all events, every contract should be entered into only after competent legal and technical advice has been taken.</p> <p>It was further suggested that similar action should be taken in respect of other Ministries of the Government of India. The Committee also desired to be furnished with certain standard forms of major contracts which were in common use.</p>	<p>have to be considered by the administrative Ministry concerned in consultation with the Ministry of Law. So far as Ministry of Law is aware, there are standard forms of contract in the Defence Ministry and the other Ministries which place a large number of contracts. Whether these standard forms require amendment will depend on whether difficulties have been encountered in the practical working of the contracts entered into in those forms".</p> <p>The Ministry of Finance has offered the following remarks :—</p> <p>"The suggestion to standardise forms of contracts on the civil side also is being examined".</p> <p>The Ministry of Food and Agriculture has stated that necessary action is being taken to standardise the contract forms in use in that Ministry in consultation with the Ministries of Law and Finance.</p> <p>The D. G. P. & T has stated :—</p> <p>"A Committee consisting of the representatives of Posts and Telegraphs Department, Ministry of Law and Ministry of Finance (C) has been set up".</p>

A note explaining the position obtained in the C. P. W. D. has been submitted by the Ministry of Works, Production and Supply.

10 1947-48 (post-partition)

Defence

6-P

With reference to para. 12 of the Financial Adviser's Review on the Appropriation Accounts (Defence Services), the question of allocation of works expenditure to 'maintenance' or 'capital' should be further examined in consultation with Audit authorities and a report submitted to the Committee in due course.

A Memorandum has been submitted to the Committee.

11 1947-48 (post-partition)

Defence

9-P

The Committee desired to know the reasons which necessitated the conclusion of fresh contracts in the cases referred to in para. 7 of the Audit Report, Defence Services, 1949. They also desired to be apprized of the decision of the Government on the question of (i) taking disciplinary action, (ii) imposing penalties on the contractors and (iii) regularising the expenditure in this case.

A Memorandum has been submitted to the Committee.

12 1947-48 (post-partition)

Defence

11-P

A target date should be fixed by which all the ground balances of the entire Military stores should be verified and correct balances under each category of store entered in registers so that there was no room for any irregularity or fraud thereafter. The Committee should be informed in due course of the progress made in this respect.

A Memorandum has been submitted to the Committee.

The Committee should be furnished with a statement showing the total value of stores under each category on hand on the 15th August 1947 and 31st March, 1948.

Public Accounts Committee

Serial No.	Year of Report	Paragraph of the Report or proceedings.	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
13	1947-48 (post-partition)	12-P	Defence	A memorandum outlining the present procedure obtaining on the Defence side for the reconstruction of store accounts, and registers on the basis of duplicates of the relevant documents and vouchers, etc. should be furnished to the Committee. The Defence Ministry should issue necessary instructions to ensure that officers of proved integrity only be put in charge of store holding establishments.	A Memorandum has been submitted to the Committee.
14	1947-48 (post-partition)	13-P	Defence	A memorandum should be furnished to the Committee showing in detail how the stores were declared surplus or unserviceable and disposed of, which authorities were empowered to declare the stores unserviceable and how they were salvaged.	A Memorandum has been submitted to the Committee.
15	1947-48 (post-partition)	14-P	Defence	With reference to sub-para 4 of the M.A.G.'s Certificate contained in para. 30 of the Defence Accounts, the Committee desired that the question regarding adjustment of the outstanding amounts due from J.&K. State Government and other States and Departments should be expedited and the matter reported to them at an early date.	A Memorandum has been submitted to the Committee.
15-A	1947-48 (post-partition)	15-P	Defence	With reference to Appendix 'E' to the Appropriation Accounts, Defence Services, the matter re : recovery of the sum of Rs. 62 lakhs due to India from the U. K. Government should be pursued vigorously	

- 16 1947-48 (post-partition) 16-P Defence with that Government and the accounts relating to pre-partition year settled, as early as possible, so that the exact amount of debt that Pakistan owed to the Government of India could be determined. A Memorandum has been submitted to the Committee.
- 17 1947-48 (post-partition) 17-P Defence Adequate steps should be taken in consultation with Audit to prevent huge losses of cash overpayments etc. in future resulting from the negligence of the officers concerned. A Memorandum showing the measures adopted for tightening control in the matter should be submitted to the Committee in due course. A Memorandum has been submitted to the Committee.
- 18 1947-48 (post-partition) 18-P Defence It was suggested that one or two members of the Committee might visit one or two Military Stores Depots to appraise their proper working. The visit of the members of the P.A.C. to the C. O. D. Dehu and Delhi Cantt. was arranged in consultation with the Ministry of Defence.
- 18-A 1947-48 (post-partition) 19-P Defence With reference to para 12 of the Audit Report, Defence Services, the Committee felt that in such cases, the final settlement of dues of officers concerned should not be made unless the deficiency detected in stores had been made good. Necessary instructions have been issued.
- 19 1947-48 (post-partition) 20-P Defence With reference to para. 20 of the Audit Report 1949, the Committee wanted to know whether Government had accepted the suggestion of the Audit authorities for the restriction of the amount of imprest on the basis of actual immediate requirements and the periodical verification of balance being made by the officers of the Military Accounts Department. A report has been submitted to the Committee.

Public Accounts Committee

Serial No.	Year of Report	Paragraph of the Report or proceedings	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
20	1947-48 (post-partition)	21-P	Defence	The Committee wanted to know what procedure had been adopted to bring down the debtor balance in the pay accounts of other ranks and to restrict the future payments.	A Memorandum has been submitted to the Committee.
21	1946-47 1947-48 (post-partition)	34-P 23-P	Works, Production and Supply	Steps should be taken to accelerate the clearance of the outstanding sale accounts. A Memorandum stating the exact number of the outstanding sale accounts and their latest position may be furnished to the Committee at an early date.	The adjustment of sale accounts is primarily the responsibility of the D. A. G. (I. & S). In order to help him, however, the D.G. (S. & D) is also taking action to collect the required information for the completion of outstanding sale accounts and a further communication will be sent after details have been collected and reconciled by the D. A. G.
22	1947-48 (post-partition)	24-P	Defence	(i) With reference to para. 6 of the Audit Report, 1949, a Report setting forth the steps taken to realise the excess amount drawn by the parties as also the amount actually recovered should be submitted to the Committee. (ii) In order to obviate such losses being caused to Government in future, a procedure should be evolved in collaboration with the Civil authorities and the Audit to ensure that no payments on account of compensation are authorized unless the certificate of compensation is granted by the Military authorities requisitioning the land.	A Memorandum has been submitted to the Committee.

- 23 [1947-48 (post-partition) Defence 26-P A Memorandum setting forth the existing procedure followed by the M. E. S. authorities in scrutinising tenders whether they contained an estimate of the work to be executed item by item or whether they were prepared on a lump sum basis should be submitted to the Committee. A Memorandum has been submitted to the Committee.
- 24 [1947-48 (post-partition) Defence 26-P A Memorandum outlining the revised policy laid down by the Government of India for the provision of bread by the Army Service Corps to the Armed Forces and for the closing down of bakeries which were being run uneconomically should be submitted to the Committee. A Memorandum has been submitted to the Committee.
- 25 [1947-48 (post-partition) Defence 30-P With reference to para. 2 of the Defence Audit Report, the matter regarding accounting of overhead expenses, inasmuch as the charging of idle facilities to production cost was concerned, should be examined in the light of commercial principles in consultation with Audit and a report submitted to the Committee in due course. A Memorandum has been submitted to the Committee.
- 26 [1947-48 (post-partition) Defence 31-P (i) A Memorandum should be submitted showing the quantities and value of tinned food imported during the pre-partition period, as compared to those in the post-partition period. A Memorandum has been submitted to the Committee.
- (ii) The Committee also desired to know in detail the procedure regarding supply of food articles to the Defence personnel and to their families.

Public Accounts Committee

Serial No.	Year of Report	Paragraph of the Report or Proceedings	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
27	1947-48 (post-partition)	34-P	Communications All other Ministries	<p>The Committee wanted to know whether agreement similar to that entered into by Government with the Air India International Ltd., had been executed by the Government of India with any other Company whereby exemption from the payment of income-tax had been granted.</p>	<p>The Ministry of Railways has offered the following remarks :—</p> <p>“There is only one such case in the Railway Ministry. According to clause II of the agreement with Messrs. Schlieren, a Swiss firm, for the Manufacture in India of all metal light weight coaching stock the Government of India would be liable to reimburse to them to the extent of the Indian taxes that may be levied on all payments made to them”.</p>
27-A	1947-48 (post-partition)	48-P	Transport	<p>The outstanding balance under the Civil Transport Scheme should be credited to Revenue.</p>	<p>The Ministry of Communications has stated as below :—</p> <p>“ So far as the Ministry of Communications, including its attached and subordinate offices are concerned, no agreement of the kind entered into with the Air India International Ltd., has been executed with any other Company”.</p> <p>The Ministry of Finance whose concurrence was sought to the surrender of the profit amounting to Rs. 3 1/2 crores pending finalisation of accounts has advised</p>

Appendix I

that it may be deferred till the general question of treatment of the profits and losses accruing under the State Trading Schemes started before partition is settled.

The balance in the Civil Aviation Fund which will be available to be merged with General Revenues if the Fund is abolished with effect from 1st April, 1951, is estimated at Rs. 18,16,860/-.)

A Memorandum has been submitted to the Committee.

The D. G., P. & T. has stated as below :—
“ Action is being taken to set up the Committee.”

The Ministry of Finance has stated that the matter is still under consideration.

The Committee desired to be furnished with a note giving the up-to-date amount that was merged in the general balances.

The whole question of procedure for the purchase and issue of stores should be gone into by the Posts and Telegraphs Department in consultation with the Accountant General, Posts and Telegraphs and a detailed report submitted to the Committee dealing among other things with the remedial action taken by Government.

With reference to para. 8 of the Appropriation Accounts, Posts and Telegraphs, a uniform policy should be evolved by all Ministries for allocating contributions to the Renewals Reserve Fund constituted by them and that this matter should be regarded as urgent and gone into thoroughly by a Committee of experts.

So far as the P. & T. Department was concerned, a detailed examination of the matter should be undertaken as already recommended by the previous Committee in para. 75 of its Report relating to the year 1945-46.

28 1947-48 (post-partition). 6-P

29 1945-46 73-P

30 1947-48 (post-partition). 40-P

Posts & Telegraphs
Finance

Serial No.	Year of Report	Paragraph of the Report or proceedings	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
31	1947-48 (post-partition).	41-P	Posts & Telegraphs	With reference to the cases of defalcations or loss of public money referred to in para 14 (a) of the Audit Report, the Committee desired that recoveries should be made from the persons concerned in cases in which contributory negligence was proved.	Necessary instructions have been issued.
32	1947-48 (pre-partition), 1947-48 (post-partition)	14-P 45-P	Posts & Telegraphs	Further action taken in the case mentioned at item 6 of the outstanding recommendations of the previous Committee should be reported to the Committee in due course.	A Memorandum has been submitted to the Committee.
33	1947-48 (post-partition).	74-P	Natural Resources and Scientific Research.	A Memorandum setting forth details of the scheme relating to the purchase of Machinery for Mica Miners, particularly with regard to its financial aspect should be prepared and submitted to the Committee in due course.	A Memorandum has been submitted to the Committee.
34	1947-48 (post-partition).	74-P	Natural Resources and Scientific Research.	The net financial results of the working of the scheme named 'All India Reserve Pool of Electrical Generating Plant' after its accounts were finalised by the end of February, 1951, should be furnished to the Committee.	A Memorandum has been submitted to the Committee.
35	1947-48 (post-partition).	75-P	Comptroller and Auditor-General.	The Committee was promised to be furnished by the C. & A. G. in due course a report of an examination conducted by one of his Officers on the accounts of such projects as Bhakra-Naagal, Hirakud, Sindri and D.V.C.	The report has not yet been finalised and will be furnished to the Committee as soon as it is completed.

A note has been submitted to the Committee.

A complete and self-contained report of the clearance of the outstanding recoveries on account of food grains supplied to the Provinces and States should be submitted to the Committee.

A report was submitted to the Committee of 1950-51. A supplementary report has been submitted to the Committee of 1951-52.

The Agriculture Ministry should submit to the Committee a report showing whether the result achieved has been commensurate with the expenditure incurred on Grow More Food Schemes.

A note has been submitted to the Committee.

(i) A coordinated plan should be evolved in consultation with the Audit authorities in fixing the prices of tractors, the recovery thereof from the State Governments and its proper accountal.

(ii) A complete note outlining the formation of the Central Tractor Organisation, the necessity for its continued existence, the amount loaned by the International Monetary Fund, the mode of its repayment to the General Revenues, the method of recovery from the States, the amount of interest charged from the States and the circumstances that led to the commencement of the operations without making any adequate proper accounting arrangements, may be furnished to the Committee.

It has been decided to include the Accounts of the Central Tractor Organisation in the Commercial Appendix.

(iii) The desirability of including the accounts of this Organisation in the Commercial Appendix should be considered in collaboration with the Accountant General, Central Revenues.

A note has been submitted to the Committee.

In regard to the reclamation of Terar areas of U.P. which had been undertaken on the basis of the recommendations of the Russell Report, it should be investigated whe-

35-A 1947-48 (pre-partition) 3-R 29-P

Food & Agriculture

35-B 1945-46 2-P

Food and Agriculture

36 1947-48 (post-partition) 78-P

Food and Agriculture

36-A 1947-48 (post-partition) 79-P

Food and Agriculture

Public Accounts Committee

Serial No.	Year of Report	Paragraph of the Report or proceedings	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
37	1947-48 (post-partition)	80-P	Food and Agriculture	<p>With regard to the Scheme for the purchase of Agricultural and Dairy Machinery, the Committee desired to be furnished with a detailed Memorandum tracing the origin and growth of this scheme and the financial implications involved in its working.</p> <p>ther in view of the impending denudation and erosion after deforestation, there was a danger of this land becoming barren before further money was invested.</p>	A note has been submitted to the Committee.
37-A	1946-47	53-F	Works, Production and Supply	<p>The Committee desired that a report should be submitted in due course on the case mentioned in para. 16 of the Civil Audit Report.</p>	<p>The question of taking any disciplinary action against the officer concerned for the irregularities referred to is receiving the attention of the competent authorities.</p>
37-B	1947-48 (pre-partition)	11-A P	Works, Production and Supply	<p>The Committee desired that a report of the final action taken in the cases mentioned in paras. 1 and 2 of the Civil Audit Report should be submitted to them.</p>	<p>The question of taking any disciplinary action against the officer concerned for the irregularities referred to is receiving attention of the competent authorities.</p>
38	1947-48 (post-partition)	83-P	Commerce and Industry	<p>With reference to the question of allocation of the profits accruing from the operation of the Standard Cloth Scheme, the Committee desired that an agreement should be arrived at between the Ministries of Finance and Commerce and Industry and the Comptroller and Auditor-General about the quantum of the Profits and the</p>	<p>Necessary action is being taken and a report will be submitted to the Committee as soon as the matter is finalized.</p>

deductions to be made on account of interest and overhead and other ancillary expenses before distributing them to the States and the matter reported to them in due course.

- | | | | | | |
|----|------------------------------|------|-------------------------------|---|---|
| 39 | 1947-48
(post-partition). | 84-P | Commerce and Industry. | In connection with the Import of Japanese Cloth, the Committee wished to be apprised of the result of the claim preferred with the Customs Department for the refund of Rs. 10,96,624 which represented the excess sum already paid on that account. | The claim for Rs. 10,52,515 (out of the claim for Rs. 10,96,624) has been admitted by the Customs Department and necessary adjustment will be made in the accounts for 1950-51. |
| 40 | 1947-48
(post-partition). | 88-P | Works, Production and Supply. | A statement showing the amount of the net deficit after final settlement of the outstanding issues in regard to the recovery from Messrs. Sir Lindsay Parkinson and Co. Ltd., in connection with the scheme for the production and supply of Coal, should be prepared and submitted to the Committee in due course. | The Committee's directive has been noted and the required statement will be submitted in due course. |
| 41 | 1947-48
(post-partition). | 88-P | Commerce and Industry. | A review of the working of the undermentioned State Trading Schemes showing their latest financial position should be prepared and placed before the Committee along with the accounts for the year 1948-49 after getting it verified by the Accounts— | Necessary reviews have been submitted. |
| | | | | (i) 'Consumer Goods imported on Government account'; | |
| | | | | (ii) 'Purchase of Paper'. | |
| 42 | 1947-48
(post-partition). | 89-P | Works, Production and Supply. | Commenting on the disposal of the Reserve stores under the late D.G.M.P., the Committee desired that a procedure should be evolved whereby the irregularities noticed in this case are avoided in future. | The practice of stock-verification has since been revised and arrangements have been made to carry out physical verification of stores at least once a year. |

Serial No.	Year of Report	Paragraph of the Report or proceedings	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6
42-A	1947-48	90-P	Works, Production and Supply. <hr/> All other Ministries.	In order to safeguard the interests of Government, a procedure should be evolved whereby adequate security deposits are invariably obtained from the contractors before they are permitted to tender for any sale.	<p>The Ministry of Railways has stated:—</p> <p>“ A definite provision exists in the State Railway Codes which require tendering firms to deposit with the Treasurer of the Railway money equal to 10 per cent. of the amount offered, without which deposit, the tenders will not be considered.”</p> <p>The Ministry of Works, Production and Supply has offered the following remarks:—</p> <p>“ In accordance with the existing procedure, earnest money is taken from all tenderers representing 10 per cent of the value of the tender. This money is returned to those whose tenders are not accepted and, in the case of the successful tenderers the earnest money is converted into security deposit which is refunded to the party on the satisfactory completion of the contract.”</p> <p>The Ministry of Finance has stated as below:—</p> <p>“ The existing rules and orders on the security deposits do provide for taking the necessary Security Deposits and no amendment to the Rules is considered necessary by this Ministry. Admi-</p>

Administrative orders were issued in 1948 instructing all Disposal Officers that no tenders should, in any case, be considered without earnest money; the amount being 10 per cent. of the price tendered or a higher percentage, if considered desirable in any particular case.

The suggestion of the Public Accounts Committee has besides been brought to the notice of all the Ministries by the Parliament Secretary and no further action is therefore considered necessary".

The contents have been noted by some other Ministries and the D.G. P. & T.

With reference to the case mentioned in para. 21 (i) (2) of the Audit Report, the Committee desired to know in due course of the action taken against the defaulting Officer.

The orders issued by the then Finance Department in 1947-48 for securing Parliamentary control over the utilisation of unanticipated credits should be applied to Railway Grants also.

Where a grant had been obtained for a specific purpose, the approval of the Legislature should be obtained through a token demand for its diversion to other purposes.

43 1947-48 . . . 93-P . . . Works, Production and Supply.

43-A 1945-46 . . . 15-R 14-P . . . Railways . . .

43-B 1945-46 . . . 15-P . . . Railways . . .

The question of taking any disciplinary action against the concerned officer for the irregularities referred to, is receiving the attention of the competent authorities.

A Memorandum has been submitted to the Committee.

The suggestion of the Committee is feasible in cases where savings are available for diversion from the supplementary grants taken in the Autumn session of the Legislature. In the case of the supplementary grants taken at the end of the year during the budget session on the basis of the revised estimates, it will not be possible to follow this course, obviously because of time factor.

Public Accounts Committee

Serial No.	Year of Report	Paragraph of the Report or proceedings	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6
44	1947-48 (post-partition).	14-R 54-P	Railways	A Committee comprising of an Accounts Officer and an Engineering Officer should be set up immediately by the Railway Board to review all the cases mentioned in Annexure 'A' of Part II of the Appropriation Accounts of the Railways in India and the progress made in the matter reported to the Public Accounts Committee.	A Memorandum has been submitted to the Committee.
45	1947-48	53-P	Railways	The Committee also desired to be furnished with a Memorandum showing the improvement effected in the clearance of the items held under objection, as shown in Annexure 'A' mentioned above, with special reference to the expenditure relating to (i) the A.R.P. Works on B.G. and M.G. system of B.B. and C.I. Railway and (ii) Kharagpur Kalaunda Doubling. A report showing the progress made in the early clearance of the balances outstanding under suspense on 31st March, 1948 should be submitted to the Committee at the time of the examination of the Accounts for the year 1948-49.	A Memorandum has been submitted to the Committee.
46	1947-48 (post-partition).	16-R 65-P	Railways	With reference to the case mentioned in para. 24 of the Railway Audit Report, the Committee suggested that a suitable procedure	A Memorandum has been submitted to the Committee.

As regards the case mentioned in para. 24 of the Railway Audit Report, due to distance of time, it has not been possible to connect the relevant records as the original procurement was done by the United States Government and shipping was handled by the British Shipping Mission in Washington.

The Railway Administrations have been instructed to bring to the notice of the staff concerned that any wanton indifference or carelessness on their part in the handling or despatch of goods or transshipment will be regarded as misconduct and will be liable to disciplinary action.

The matter is under the consideration of the Ministry of Works, Production and Supply in consultation with the Railway Ministry.

A Memorandum has been submitted to the Committee.

A Memorandum has been submitted to the Committee.

should be laid down in consultation with the Indian Purchase Missions abroad whereby shortages are recouped soon after the delivery of the Locomotives, plants, etc. imported from foreign countries. The Committee also wanted to have a report of the progress made in this case.

The existing rules regulating the Discipline and Conduct of Railway Servants should be reviewed to see that adequate action is taken against the Railway Staff who are found wantonly indifferent or careless in the handling or despatch of goods or bad transshipment.

There should be no over-capitalization in the Railway Collaterals and commercial principles should be adopted for purposes of providing for depreciation.

The committee desired to know the steps taken by the Railway Board to rationalize distribution of stocks between the different Railways and also to remove imbalance between different categories of stores held by them in the light of the recommendations of the Shroff Committee.

Adequate steps should be taken by the Railway Administrations to impart proper training to the staff in the Railway Accounts Offices and to conduct regular courses and a detailed Memorandum showing the steps taken to improve this aspect of the matter

Railways

Railways

Railways

Railways

18-R
67-P

19-R
69-P

20-R
70-P

21-R
50-P

1947-48
(post-partition).

1947-48
(post-partition).

1947-48
(post-partition).

1947-48
(post-partition).

47

47-A

48

49

Serial No.	Year of Report	Paragraph of the Report or proceedings	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
		3	4	5	6
50	1947-48 (post-partition).	22-R 51-P	Railways	<p>should be submitted to the Committee in due course. A departmental examination should be prescribed, the passing of which should be made an essential condition for confirmation of Upper Division Clerks in the Railway Accounts Offices.</p> <p>The progress made in the separation of the Financial and Accounts functions on the Railways should be reported to the Committee.</p>	The matter is under consideration.
51	1947-48 (post-partition).	60-P	Railways	<p>The Committee desired to know in due course of the instruction issued by the Railway Board to the Railway Administrations regarding the timely adjustment of inter-railway transactions to avoid lapse of funds.</p>	Necessary instructions have been issued to the Railway Administrations.
52	1947-48 (post-partition).	63-P	Railways	<p>A Memorandum outlining the technical and commercial aspects of the method of costing of the manufacture of locomotives by the Tatas as compared with the units manufactured in the Chittaranjan Locomotive Workshops should be furnished to the Committee in due course after getting the details scrutinized by Audit.</p>	Noted. A Memorandum will be submitted in due course after the manufacture of locomotives has been commenced by the Tatas.
53	1947-48 (pre-partition) 1945-46	32-P 41-P.	Labour	<p>The Committee suggested that the question of taking adequate disciplinary action against the officers concerned should be taken up again by the Ministry.</p>	Matter is still under correspondence with the Government of Bihar, and no final decision has yet been reached.

- 54 1945-46 . . . 70-P . . . Information and Broadcasting . . . The Committee enquired whether it was necessary to include the accounts of All India Radio in the Commercial Appendix to the Appropriation Accounts as it was not clear whether the service was really a commercial one. . . . A report was submitted to the Committee of 1950-51.
- 55 1947-48 . . . 2-R . . . Home Affairs . . . The Committee suggested that the review of the Classification, Control and Appeal Rules should be considered as early as possible to secure that prompt disciplinary action was taken against Government servants responsible for committing irregularities, etc. . . . Action is being taken in the matter. (A report was also submitted to the Committee of 1950-51).
- 56 1947-48 . . . 8-R . . . All Ministries of the Government of India . . . Before Statutory Corporations involving financial commitments by Government are created, the Comptroller and Auditor-General should be consulted in regard to the provisions for accounting and audit control. . . . The recommendations of the Committee have been noted by the Ministries of Finance, Commerce and Industry, Labour, I. and B., Rehabilitation, W.P. and S., Education, Communications, Food and Agriculture and Defence.

APPENDIX II

STATEMENT COMPARING EXPENDITURE WITH GRANTS FOR 1948-49.

Number and Name of Grant or Appropriation	Original Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure compared with original Grant or Appropriation More + Less—	Expenditure compared with Final Grant or Appropriation More + Less—
	Rs.	Rs.	Rs.	Rs.	Rs.
PART I.—RAILWAYS					
A.—EXPENDITURE CHARGED TO REVENUE.					
1. Revenue—Railway Board:					
Voted	32,25,000	34,87,000	34,59,649	+2,34,649	—27,351
2. Revenue—Audit:					
Voted	17,84,000	21,09,000	20,16,870	+2,32,870	—92,130
3. Revenue—Miscellaneous Expenditure:					
Voted	42,00,000	55,05,000	47,94,021	+5,94,021	—7,10,979
4. Revenue—Working Expenses—Administration:					
Voted	18,98,43,000	19,31,77,000	19,36,91,950	+38,48,950	+5,14,950
5. Revenue—Working Expenses—Repairs and Maintenance:					
Voted	41,94,44,000	46,37,40,000	45,24,83,699	+3,30,39,699	—1,12,56,301
6. Revenue—Working Expenses—Operating Staff:					
Voted	25,20,13,000	25,45,01,000	25,07,07,116	—13,05,884	—37,93,884
7. Revenue—Working Expenses—Operation (Fuel):					
Voted	20,77,78,000	24,03,11,000	24,54,77,284	+3,76,99,284	+51,66,284
8. Revenue—Working Expenses—Operation—Other than Staff and Fuel:					
Voted	7,93,87,000	7,93,87,000	8,78,44,316	+84,57,316	+84,57,316
9. Revenue—Working Expenses—Miscellaneous Expenses:					
Voted	32,30,37,000	32,93,59,000	37,39,18,643	+5,08,81,643	+4,45,59,643
10. Revenue—Payments to Indian States and Companies:					
Voted	1,52,99,000	1,62,27,000	1,64,23,281	+11,24,281	+1,96,281
11. Revenue—Working Expenses—Appropriation to Depreciation Fund:					
Voted	11,18,41,000	18,93,65,000	23,09,61,643	+11,91,20,643	+4,15,96,643
12. Revenue—Interest Charges:					
Charged:	22,52,81,000	22,52,81,000	22,55,50,643	—17,30,357	—17,30,357
13. Revenue—Appropriation to Betterment Fund	83,62,000	83,62,000	83,62,000	....	...
14. Revenue—Appropriation to Reserve	4,50,00,000	4,50,00,000	...	—4,50,00,000	—4,50,00,000
Total—Railway Expenditure Charged to Revenue	1,88,64,94,000	2,05,58,11,000	2,09,36,91,115	+20,71,97,115	+3,78,80,115
Total { Charged	22,52,81,000	22,52,81,000	22,55,50,643	—17,30,357	—17,30,357
Voted	1,66,12,13,000	1,83,05,30,000	1,87,01,40,472	+30,89,27,472	+3,96,10,472
B. EXPENDITURE CHARGED TO CAPITAL:					
15. Capital Construction of New Lines:					
Voted	3,27,60,000	4,90,91,000	4,91,37,551	+1,63,77,551	+46,551
16. Open Line Works Additions:					
Voted	14,70,60,000	14,70,61,000	23,73,90,644	+9,03,30,644	+9,03,29,644
17. Open Line Works—Replacements:					
Voted	6,46,70,000	6,46,70,000	5,74,24,422	—72,45,578	—72,45,578

Number and Name of Grant or Appropriation	Original Grant or Appropriation	Grant or Final Grant or Appropriation	Expenditure	Expenditure compared with Original Grant or Appropriation More + Less—	Expenditure compared with Final Grant or Appropriation More + Less—
PART II.—DEFENCE SERVICES:					
A.—EXPENDITURE CHARGED TO REVENUE:					
74. Defence Services— Effective—Army: Voted	66,42,30,000	84,03,75,000	84,62,26,000	+ 18,19,96,000	+ 58,51,000
75. Defence Services— Effective—Royal Indian Navy: Voted	5,80,93,000	5,80,93,000	4,56,15,000	— 1,24,78,000	— 1,24,78,000
76. Defence Services— Effective—Air Force: Voted	13,34,44,000	13,34,44,000	8,56,86,000	— 4,77,58,000	— 4,77,58,000
77. Defence Services— Effective—Supplies and Stores: Voted	32,75,77,000	53,41,13,000	47,44,04,000	+ 14,68,27,000	— 5,97,09,000
78. Defence Services Non-Effective: { Charged Voted	11,24,67,000	12,39,19,000	12,26,26,000	+ 4,000 + 1,01,59,000	+ 4,000 — 12,93,000
Total—Defence Services Charged to Revenue:	1,29,58,11,000	1,68,99,44,000	1,57,45,61,000	+ 27,87,50,000	— 11,53,91,000
Total { Charged Voted	1,29,58,11,000	1,68,99,44,000	1,57,45,57,000	4,000 + 27,87,46,000	+ 4,000 + 11,53,87,000
B.—EXPENDITURE CHARGED TO CAPITAL:					
101. Defence Capital Out- lay	14,98,76,000	91,66,17,000	1,10,55,27,000	+ 95,56,51,000	+ 18,89,10,000
Total—Defence Services	1,44,56,87,000	2,60,65,61,000	2,68,00,88,000	+ 1,23,44,01,000	+ 7,35,27,000
Total { Charged Voted	1,44,56,87,000	2,60,65,61,000	2,68,00,84,000	4,000 + 1,23,43,97,000	+ 4,000 + 7,35,23,000

APPENDIX III

FINANCIAL RESULTS OF INDIAN RAILWAYS FOR 1950-51 (APPROXIMATE ACTUALS)

Gross traffic receipts amounted to 263.03 crores against the revised estimate of 263.40 crores, or a decrease of 37 lakhs.

Ordinary working expenses (excluding depreciation) came to 180.24 crores or a decrease of 7 lakhs as compared with the revised estimate of 180.31 crores. Contribution to depreciation reserve fund was 30.00 crores, which is the same as provided for in the revised estimate. Payments to worked lines amounted to 25 lakhs and recorded an increase of 1 lakh as compared with the revised estimate of 24 lakhs.

Net traffic receipts amounted to 52.54 crores and were 31 lakhs less than the revised estimate of 52.85 crores.

Net result of miscellaneous transactions accounted for the *minus* receipt of 4.52 crores which was less than the revised estimate (*minus* 6.04 crores) by 1.52 crores.

The net revenue, before meeting dividend amounted to 48.02 crores against the revised estimate of 46.81 crores or an increase of 1.21 crores.

Total dividend charges amounted to 32.58 crores or an increase of 1 lakh over the revised estimate of 32.57 crores. The surplus amounted to 15.44 crores, or an excess of 1.20 crores over 14.24 crores anticipated in the revised estimate.

In accordance with the decision taken at the time of revised estimate, the surplus has been distributed as follows:—

Railway Development Fund.	10.00 crores
Railway Revenue Reserve Fund.	5.44 "

The appropriation to the depreciation reserve fund during the year was Rs. 30.00 crores. A sum of Rs. 3.59 crores representing interest on the fund balance was also credited to it. The revised estimate of appropriation to the fund was 33.68 crores inclusive of 3.68 crores on account of interest. The withdrawal from the fund amounted to 26.41 crores, or 4.68 crores less than that provided for in the revised estimate. The net accretion to the fund was 7.18 crores and the closing balance stood at 123.96 crores against the revised estimate of 119.37 crores. These are provisional figures as the final division of the depreciation reserve fund balance between India and Pakistan has not yet been made.

Rs. 10.00 crores were credited to the Development Fund from the surplus of the year. A sum of Rs. 53 lakhs representing interest on the Fund balance was also credited to it. The withdrawal from the fund was 4.80 crores, or 1.20 crores less than 6.00 crores provided for in the revised estimate. Thus, there was a net accretion of Rs. 5.73 crores and the balance in the fund stood at 20.00 crores as against 18.78 crores anticipated in the revised estimate.

Appropriation to Railway Revenue Reserve Fund from surplus of the year was 5.44 crores against 4.24 crores provided in the revised estimate. A sum of Rs. 34 lakhs on account of interest on the fund balance was also credited to it. The closing balance in the fund stood at Rs. 14.00 crores against Rs. 12.79 crores in the revised estimate.

- The capital expenditure during the year amounted to Rs. 24.91 crores, or an increase of 0.78 crore over the figure of revised estimate (24.13 crores). The capital-at-charge at the end of the year was 828.65 crores. The amount included in this figure on account of the E. P. and Assam Railways and such portions of the B. A. Railway as have been merged in the E. I. Railway, is only provisional, as final decision has not yet been reached in regard to the distribution between India and Pakistan of the capital liability as it stood on 14th August 1947.

The ratio of total working expenses (including contribution to depreciation reserve fund) to gross traffic receipts was 79.93 per cent. against 79.84 per cent. in the revised estimate.

The ratio of net revenue to the capital-at-charge was 5.79 per cent. against 5.05 per cent. in the revised estimate.

The following statement compares the results of working for the year 1950-51, with the revised estimate for that year:

(In crores of rupees.)

	Revised estimate	Approximate latest actuals
1. Gross traffic receipts	263.40	263.03
2. Ordinary working expenses	180.31	180.24
3. Depreciation	30.00	30.00
4. Payments to worked lines	0.24	0.25
5. Net traffic receipts	52.85	52.54
6. Net miscellaneous receipts	—6.04	—4.52
7. Net Revenue	46.81	48.02
8. Dividend	32.57	32.58
9. Surplus	14.24	15.44
10. Railway Development Fund	10.00	10.00
11. Railway Revenue Reserve Fund	4.24	5.44

APPENDIX IV

COPY OF RAILWAY BOARD'S LETTER NO. 51-B-2498, DATED THE 18TH APRIL, 1951 TO THE GENERAL MANAGERS, ALL INDIAN RAILWAYS

SUBJECT:—*Delays in meeting audit requirements.*

The Public Accounts Committee have made the following recommendation in their report on the accounts for 1947-48:—

“The Government of India should impress upon the Heads of Departments that replies to Audit objections should be sent with the utmost promptitude and that immediate steps should be taken to remove defects in the administrative system existing in their departments which may be brought to their notice through the Audit Notes”.

In this connection attention is invited to Board's letter No. 46-B-2498/3, dated 21st May 1946 (copy reproduced below for ready reference) wherein it was very clearly stated that within 6 weeks of the receipt of an audit para. from the Chief Auditor a Railway Administration should complete the verification of the facts in, and the scrutiny of, the draft paragraph and send a reply to the Chief Auditor. In actual practice, however, every year cases came to the notice of the Board where acceptance or rejection of a draft paragraph is not communicated within the prescribed time limit. The Board trust that the Railways will try their utmost to comply with audit requirements as far as possible.

COPY OF RAILWAY BOARD'S LETTER NO. 46/B/2498/3 DATED THE 21ST MAY, 1946 TO THE GENERAL MANAGERS OF INDIAN GOVERNMENT RAILWAYS

SUBJECT:—*Delays in meeting Audit Requirements.*

In para 12 of their Report on the accounts of 1943-44 copy forwarded to you under Railway Board's letter No. 46/B/2494, dated 12th January 1946—the Public Accounts Committee remarked as follows:—

“12. Delays in meeting Audit Requirements. We are concerned to note that many of the executive officers of the

Posts and Telegraph Departments, specially in the Bengal and Assam and Bihar and Orissa Circles, have inordinately delayed their replies to Audit Inspection Reports. We regard it as essential in conditions recently obtaining when there has been so much scope for improper practices, that replies to Audit enquiries should be furnished as early as possible and we desire the Department to circularise its subordinate offices impressing upon them the necessity of doing so.

We have also observed that Departments of Government sometimes delay greatly the return of draft paragraphs of Audit Reports sent to them for acceptance. Such delays are undesirable and there is no real reason why they should occur, for the agreement sought is basically on questions of fact about which normally there cannot be much dispute. We suggest that no more than a period of six weeks should be allowed to Departments to accept or modify the terms of paragraphs sent to them failing which Audit should be at liberty to consider its own draft as final."

2. As the immediate spending authority to whom the Chief Auditor originally presents the draft para. for possible inclusion in the Audit Report is the General Manager of the administration concerned, it has been decided that the time limit of six weeks should count from the date the draft para. is received by the Railway Administration from the Chief Auditor. It is, therefore, imperative that, within six weeks of the receipt of an audit para. from the Chief Auditor, a Railway Administration should complete the verification of the facts in and the scrutiny of the draft paragraph and send a reply to the Chief Auditor. Necessary instructions to implement this decision without fail should be issued to the departments of the administration concerned.

APPENDIX V

MEMORANDUM FOR THE PUBLIC ACCOUNTS COMMITTEE ON THE IMPROVEMENTS EFFECTED IN THE CLEARANCE OF THE ITEMS HELD UNDER OBJECTION AS SHOWN IN ANNEXURE 'A' TO THE APPROPRIATION ACCOUNTS OF RAILWAYS IN INDIA, 1947-48-PART II—DETAILED APPROPRIATION ACCOUNTS.

The Public Accounts Committee, at their meeting held on the 15th January 1951, recommended as follows:

“A Committee comprising of an Accounts Officer and an Engineering Officer should be set up immediately by the Railway Board to review all the cases mentioned in Annexure 'A' to Part II of the Appropriation Accounts of the Railways in India and the progress made in the matter reported to the Public Accounts Committee.

The Committee also desired to be furnished with a Memorandum showing the improvement effected in the clearance of items held under objection, as shown in Annexure 'A' mentioned above, with special reference to the expenditure relating to (i)-the A. R. P. works on the B. G. and M. G. Systems of the B. B. & C. I. Railway, and (ii) Kharagpur-Kalaikunda Doubling on the B. N. Railway. (Memorandum in respect of item (i) has been submitted to the Committee)”.

2. The Board very carefully considered the recommendations of the Public Accounts Committee in regard to the setting up of a Committee for the purpose of reviewing the position of outstanding items of unsanctioned expenditure and they came to the conclusion that the object in view would be more speedily achieved if each Railway deputed special staff for the work instead of a Committee of the Railway Board touring all the Railways. Accordingly, the General Managers were addressed to depute special staff immediately for reviewing all the items of unsanctioned expenditure included in Annexure 'A' to the Appropriation Accounts relating to the year 1947-48 (Post-partition) and 1948-49 as also for the year 1949-50 which are in the process of compilation. The seriousness of the present position in regard to heavy outstanding under unsanctioned expenditure was also impressed on the F. A. & C. A. C's. of the

Railways, who were asked to render every possible assistance to the General Managers for effecting an improvement in the position.

3. Apart from these measures, the Headquarters of the B. N., E. I., B. B. & C. I., G. I. P. and O. T. Railways, which accounted for the bulk of the items of outstanding unsanctioned expenditure, were visited by the Director, Finance (Budget), Railway Board, and all major items of unsanctioned expenditure were individually scrutinized and discussed by him with the General Managers and other Executive and Accounts Officers concerned with a view to taking such measures as may be necessary to regularise the objectionable expenditure in each case. The items which had been referred by the Railways to the Railway Board for according necessary sanction, were also vigorously pursued with a view to expediting their clearance.

4. As a result of the adoption of these measures, a large number of items of unsanctioned expenditure included in the Appropriation Accounts for 1947-48 (Post-partition) and 1948-49 has since been removed from objection as indicated below:—

(In thousands of rupees)

	1947-48		1948-49	
	No. of items	Amount	No. of items	Amount
1. Objectionable items as appearing in Annexure 'A' to the Appropriation Accounts, Part II	5320	28,95,03	6085	43,46,27
2. Amount since regularised	1240	20,43,88	927	31,73,97
3. Amount still outstanding	4080	8,51,15	5158	11,72,30

The position on each Railway is indicated in the Annexure. Although an appreciable reduction in the number of items and amounts of objectionable expenditure has been effected during the last three months, as would be observed from the details given in this Annexure, the outstandings on some of the Railways are still heavy and the over-all position is still far from satisfactory. The Railway Board are, therefore, vigorously pursuing the matter with the Railways concerned so as to secure very early regularisation of the objectionable expenditure to the maximum extent possible.

5. In regard to the particular works referred to by the Public Accounts Committee, viz., (i) A. R. P. works on B. G. and M. G. Systems of the B. B. & C. I. Railway and (ii) Kharagpur-Kalaikunda Doubling, it may be stated that both these works have since been regularised under proper sanction. As regards item (i), a memorandum detailing the circumstances in which the expenditure was incurred without proper sanction and the reasons for the delay in the regularisation of the expenditure incurred was circulated to the members of the P. A. C. at their last meeting. As regards item (ii), the expenditure has been regularised through completion estimate sanctioned by the Board in February 1951. This was a fairly big work, containing many sub-items, undertaken during the war as an emergency measure without a detailed estimate, at the request of the Defence Department and under orders of the Railway Board. The delay in the preparation of the detailed estimate and issuing of sanction has been mainly due to arrears both in the Executive and Accounts Offices of the B. N. Railway. The condition in these offices has since improved and the procedure has also been tightened by arranging to bring objectionable items of expenditure under monthly review. The set-up and supervision in the Estimating Section of Chief Engineer's Office and Expenditure Section of the Accounts Office has also been since strengthened and it is expected the position will continue to improve.

ANNEXURE TO THE MEMORANDUM ON THE IMPROVEMENTS EFFECTED IN THE CLEARANCE OF THE ITEMS HELD UNDER OBJECTION AS SHOWN IN ANNEXURE "A" TO THE APPROPRIATION ACCOUNTS OF RAILWAYS IN INDIA, PART II, FOR 1948-49

(In thousands of rupees)

S. No.	Name of Railway	Unsanctioned Expenditure included in the Appropriation Accounts				Unsanctioned Expenditure cleared to-date				Balance still outstanding									
		Items of objection amounting to Rs. 25,000 each and more	No. of Items	Amount	No. of Items	Items of objection amounting to Rs. 25,000 each and more	No. of Items	Amount	No. of Items	Items of objection amounting to Rs. 25,000 each and more	No. of Items	Amount	Total						
1	Assem.	...	1	10	1	...	...	...	...	1	10	1	10					
2	A.R.L.P.	1,34,59	116	4,48	167	1,37,07	33	91,66	47	2,70	80	94,36	18	40,93	69	1,78	87	42,71	
3	B.N.	3,71,09	199	2,97	203	8,74,06	2	3,63,69	...	...	2	3,63,69	2	7,40	199	2,97	201	10,37
4	B. B. & C. I.	1,14,95	117	4,09	191	1,19,04	65	95,48	7	62	72	96,10	9	19,47	110	3,47	119	22,94	
5	D.H.	7,85,59	710	10,26	912	7,95,85	69	85,65	...	...	69	85,65	133	6,99,94	710	10,26	843	7,10,20
6	E.I.	...	1	10	1
7	E. P.	19,16,01	1828	26,52	1965	19,36,53	100	17,54,86	...	3,40	100	17,58,26	37	1,61,15	1828	17,12	1865	1,78,27	
8	G. I. P.	53,20	269	4,36	288	57,56	9	33,75	56	1,21	65	34,96	10	19,48	213	3,15	233	22,60	
9	M. & S. M.	8,36,45	1756	10,66	1872	8,47,11	87	7,06,02	240	3,52	327	7,09,54	29	1,30,43	1516	7,14	1545	1,37,57	
10	O. T.	45,41	188	7,19	257	52,60	25	15,00	68	3,02	93	18,02	44	30,41	120	4,17	164	34,58	
11	S. I.	9,43	93	3,39	110	12,82	16	9,14	91	3,31	107	12,45	1	29	2	8	3	37	
12	C. C. A.	2,52	96	2,66	102	5,18	2	69	10	25	12	94	4	1,83	86	2,41	90	4,24	
		7,62	12	73	17	8,35	5	7,62	12	73	17
	TOTAL	42,74,86	5385	71,41	6085	43,46,57	408	31,55,94	519	18,03	927	31,72,97	292	11,18,02	4866	53,38	5158	11,72,90	

ANNEXURE TO THE MEMORANDUM ON THE IMPROVEMENTS EFFECTED IN THE CLEARANCE OF THE ITEMS HELD UNDER OBJECTION AS SHOWN IN ANNEXURE 'A' TO THE APPROPRIATION ACCOUNTS OF RAILWAYS IN INDIA, PART II FOR 1947-48.

(Figures in thousands of rupees)

S. No. of Railway	Unsanctioned Expenditure included in the Appropriation Accounts			Unsanctioned Expenditure cleared to-date			Balance still outstanding											
	Items of objection amounting to Rs. 25,000 each and more	No. of Items	Amount of unit	Items of objection amounting to Rs. 25,000 each and more	No. of Items	Amount of unit	Items of objection amounting to Rs. 25,000 each and more	No. of Items	Amount of unit									
1 Assam	14	32,61	55	2,82	69	35,43	10	29,25	32	2,09	42	31,34	4	3,56	23	73	27	4,09
2 A.R.L.P.	2	21,32	...	...	2	21,32	2	21,32	...	...	2	21,32	...	...	...	...	...	...
3 B.N.	108	1,28,78	223	11,08	331	1,39,86	100	1,22,65	116	2,11	216	1,24,76	8	6,13	107	8,97	115	1,5,10
4 B. B. & C.L.	207	11,05,01	816	9,99	1023	11,15,00	81	4,51,87	...	...	81	4,51,87	126	6,53,14	816	9,99	942	6,63,13
5 E.L.	120	6,54,70	1736	14,88	1856	6,69,48	98	5,86,03	...	...	98	5,86,03	22	68,67	1736	14,88	1758	83,55
6 E.P.	15	20,86	77	2,36	92	23,22	12	16,32	52	1,50	64	17,82	3	4,54	25	86	28	5,40
7 G.I.P.	128	6,53,08	1401	9,69	1529	6,62,77	114	5,80,54	360	7,62	474	5,88,16	14	72,54	1041	2,07	1055	74,61
8 M. & S. M.	54	36,99	187	4,98	241	41,97	38	34,55	104	2,78	142	37,33	16	2,44	83	2,20	99	4,64
9 O.T.	16	5,89	92	2,68	108	8,57	16	5,89	90	2,60	106	8,49	...	...	2	8	2	8
10 S.L.	9	1,76,48	63	81	62	1,77,29	9	1,76,48	6	28	15	1,76,76	...	...	47	53	47	53
11 C.C.A. . . . .	...	...	7	2	7	2	...	...	...	...	...	...	...	...	7	2	7	2
TOTAL	673	28,35,72	4657	59,31	5320	28,95,03	480	20,24,90	760	18,98	1240	20,43,88	193	8,10,82	3887	40,33	4080	8,51,15

APPENDIX VI

MEMORANDUM ON THE CLEARANCE OF THE BALANCES OUTSTANDING UNDER SUSPENSE ON THE 31ST MARCH, 1948

The Public Accounts Committee in their meeting held in January, 1951 recorded as follows:—

“A report showing the progress made in the early clearance of the balances outstanding under suspense on 31st March 1948 should be submitted to the Committee at the time of the examination of the accounts for the year 1948-49.”

2. The Railway Board, while communicating this to the Railway Administrations impressed upon them that special staff should be deputed to review all items outstanding under the various Suspense heads for more than three months with particular reference to items outstanding for more than a year and send reports to the Board on the progress made in the clearance of the suspense balances on 31st March, 1948. As a result of the special drive made by the Railway Administrations, substantial reductions have since been made in the clearance of the suspense balances as shown below:—

(In thousands of rupees)

	Balance out- standing on 31st March, 1948 as shown in the App. Accounts 1947-48		Cleared upto 31st January, 1950		Subsequent clearance to-date		Balance still outstanding	
	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.
	1. Misc. Adv. Revenue	6,48,07	11,65,36	1,64,87	1,90,03	4,51,37	8,37,06	31,83	1,38,27
2. Misc. Adv. Capital	1,74,22	7,28,22	45,95	2,19,53	1,18,42	2,69,89	9,85	2,38,80
3. Purchases	29,79,75	17,19,61	9,25,38	6,61,52	10,28,39	5,62,11	10,25,98	4,95,98

3. The Railway Administrations were also told to pursue vigorously the clearance of suspense balances at the end of the 31st March, 1949 shown at pages 92 to 93 of the Appropriation Accounts

of Railways for 1948-49, Part II, placed separately before the Committee in this meeting. In this year also considerable progress has been made as the following figures would show:—

(In thousands of rupees)

	Balance outstanding on 31st March, 1949 as shown in the Appropriation Accounts (1948-49)		Cleared upto 31st December 1950		Subsequent clearance to-date		Balance still outstanding	
	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.
1. Misc. Adv. Revenue	7,01,86	14,32,38	5,74,69	10,47,45	90,41	1,69,53	36,76,	2,15,40
2. Misc. Adv. Capital	2,19,59	13,01,60	15,53	5,96,47	1,85,06	2,80,64	19,00	4,24,49
3. Purchases	49,73,98	36,77,49	19,02,28	11,51,30	5,67,24	6,22,49	25,04,46	19,03,70

4. Here again, although some progress has been made in the clearance of Suspense balances, during the last three months the outstandings are still very heavy. What is most disturbing is that the irregular balances (e.g. debit items under Purchases) are of considerable magnitude and indicate lack of co-ordination between the various Departments. This has been pointedly brought to the notice of the Railway Administrations as well as personally discussed by the Director, Finance (Budget), Railway Board, with the officers concerned on each of the major Railways. On these Railways special sections have been set up and staff have been deputed to go round the various Railways Offices, as well as Civil Accounts Offices concerned, such as offices under the Accountant General, Food, Rehabilitation and Supply to collect necessary particulars for clearing very old items which could not so far be obtained by correspondence. It is expected that by the adoption of these measures substantial results will be achieved during the next few months in reducing the irregular balances.

5. There are clear rules that the Railways should review the Suspense balances currently and half-yearly reports on the review should be put up to the Financial Adviser and Chief Accounts Officers for their scrutiny. These reports were previously submitted to the Railway Board also, but with the transfer of the control of the Accounts Department to the General Managers, they were no longer required to be submitted to the Board. The heavy accumulation of Suspense balances on the Railways had, however, necessitated a review of these arrangements and the Railway Board have

already issued orders in October 1950 that the half-yearly reviews of suspense balances as at end of 31st May and 30th November should be submitted to the Board in future as in the past, until the position shows a distinct improvement. These reviews have since been received in the Board's Office from most of the Railways and carefully examined and all cases of heavy balances have been taken up with the Railways concerned. The progress made by the Railways in reducing Suspense balances is being carefully watched by the Board and substantial improvement is expected in the current year.

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APPENDIX VII

MEMORANDUM ON PUBLIC ACCOUNTS COMMITTEE'S SUGGESTION FOR EVOLVING A SUITABLE PROCEDURE FOR RECOUPMENT OF SHORTAGES AFTER DELIVERY OF LOCOS., PLANT, ETC., IMPORTED FROM FOREIGN COUNTRIES.

With reference to the case mentioned in para. 24 of the Railway Audit Report relating to the loss in respect of shortages of loco. spares, claim for refund for which was not preferred in time, the Public Accounts Committee suggested that a suitable procedure should be laid down in consultation with the Indian Purchasing Missions abroad whereby shortages are recouped soon after the delivery of the locos., plants, etc., imported from foreign countries. The matter has been examined in detail in consultation with the Directorate-General of Supplies and Disposals. According to that Directorate-General the instructions laid down in 1946 fully deal with the procedure to be followed by the controlling officers in lodging claims in respect of short landed or damaged stores. In fact it has been observed in practice that some shortages were discovered by the consignees on receipt of the consignments where the packages were in an outwardly sound condition and when the matter was brought to the notice of that Directorate, it was immediately taken up with the I.S.M., Washington with a view to get the loss made good by the Suppliers. In many cases, they succeeded in getting replacements free of cost or getting some compensation. In the particular case of the Railway Ministry, the loss appears to have resulted due to the lapse in not pursuing the matter at all in time with the suppliers to get replacements. To avoid any further loss in future, it has been agreed that in such cases the matter should be reported immediately, in any case not later than three months of the receipt of the stores, with the following full particulars.

- (i) Name of vessel.
- (ii) Date and Port of sailing of the vessel.
- (iii) B/L. and invoice number and date.
- (iv) Nature of discrepancy. Full details together with sufficient evidence documentary and/or photographic.
- (v) Whether the case was received in a sound condition or damaged condition at the Port and in the latter event whether it was surveyed.
- (vi) Copy of survey report if any.

It is hoped that as a result of the tightening up of the procedure no further losses will occur.

APPENDIX VIII

MEMORANDUM ON THE RATIONAL DISTRIBUTION OF STOCKS

In para. 20 of the report of the Public Accounts Committee on the Accounts of 1947-48 (post-partition) the Committee desired to know the steps taken by the Railway Board to rationalise distribution of stocks between the different railways, and also to remove imbalance between different categories of stores held by them in the light of recommendations of the Shroff Committee.

The Committee also desired to be apprised, in due course, of the action taken by the Railway Board on the recommendations of the said Committee.

2. The recommendations of the Shroff Committee concerning points raised by the P. A. C. are reproduced below:—

- “(a) All railways should immediately be directed that before the end of the current year reductions of “Stores Balances, appropriate to each Railway, should be brought about with the object of attaining an overall reduction of Rs. 10 crores. This, of course, should not be deemed as a final directive of attainable reduction as full implementation of the various recommendations should bring Stores Balances for all times to much lower level.
- (b) A fuller investigation should be immediately undertaken in regard to heavy stocks at present carried by railways, with a view to better utilisation of items in short supply on other railways or in other Government Departments.
- (c) A comprehensive catalogue of all surpluses should be compiled with two objectives, in view, (i) to immediately stop any further indenting of such items by any of the railways, and (ii) to hold such surpluses as a Central stock for distribution amongst railways as and when required.”

These recommendations have been accepted by the Ministry of Railways and instructions have already been issued to railways to implement them. The Railways have been asked to conduct a careful review of their holdings as on 31st March, 1951, and to report to

the Railway Board all items held by them in excess of 12 months average requirements. These reports are due to be received by the end of June, 1951, when action will be taken by the Railway Board to remove the imbalance between different railways of these stocks. The Railways have also been directed to work for a reduction in their Stores Balances so as to achieve the proposed target of Rs. 10 crores by the end of the current year. The progress of this directive will be watched by the Railway Board and prompt action will be taken to see that surplus stocks with the railways are utilised to the best advantage without undue delay.

APPENDIX IX

MEMORANDUM ON THE TRAINING OF CLERKS IN THE RAILWAY ACCOUNTS OFFICES

In para. 21 of the Report on the Appropriation Accounts for 1947-48 (post-partition), the Public Accounts Committee have recommended as follows:

“During the course of our examination of the Appropriation Accounts, we found that a very large number of cases of important misclassifications and other mistakes had been detected during the period under review. These mistakes, we are told, were due to the negligence on the part of the Accounts Staff as also due to their lack of knowledge of rules and regulations. To remedy this state of affairs, we endorse the suggestion of the Comptroller and Auditor-General that adequate steps should be taken by the Railway Administrations to impart proper training to the staff in the Railway Accounts Offices and to conduct regular courses, so that specialised knowledge of the different branches of the Railways is acquired by the staff. We suggest also the introduction of a departmental examination, the passing of which should be obligatory, before an Upper Division clerk is confirmed.”

2. Instructions were issued to the Railways for taking immediate steps for the implementation of the Committee's recommendations and as a result, training classes have since been started on the B. N., G. I. P., O. T., E. I., E. P., and Southern (M. & S. M.-and S. I.) Railways and the Railway Clearing Accounts Office. The Chittaranjan Locomotive Works are expected to start classes by the middle of July 1951. On each of these Railways, two experienced Accountants have been deputed for taking the training classes.

3. The programme of training consists of lectures by the training Accountants, followed by intensive training in the practical working of the various branches of railway accounting. The course of training for each clerk will extend to about 2 months and about 100 clerks are expected to be trained on each Railway at a time.

4. As regards the suggestion of the Committee regarding the introduction of a departmental examination for confirmation in the Upper Division of Clerks, the Railway Board consider that as all posts of Upper Division Clerks on the Railways are filled by promotion of Class II Clerks, who have passed the qualifying examination prescribed for the purpose, it is not necessary to lay down another examination which they must pass before confirmation. They are, however, required to pass a stiff test before crossing the efficiency bar at the stage of Rs. 120 in the scale Rs. 80—5—120—E.B.—8—200—10/2—220 and instructions have been issued that confidential reports on these Clerks should be written up with proper care and due weightage should be given to adverse remarks in the reports at the time of confirmation.

APPENDIX X

COPY OF RAILWAY BOARD'S LETTER No. 50 AC.I/71, DATED THE 5TH JULY 1951 TO ALL GENERAL MANAGERS AND CHIEF ADMINISTRATIVE OFFICERS, INDIAN RAILWAYS AND CHITTARANJAN LOCOMOTIVE WORKS, THE SUPERINTENDENT, CUTCH STATE RAILWAY, THE DIRECTOR, RAILWAY CLEARING ACCOUNTS OFFICE, AND THE CONTROLLER OF COAL ACCOUNTS.

SUBJECT:—*Inter-Railway Adjustments.*

While examining the Appropriation Accounts for 1947-48 (post-partition period), the Public Accounts Committee had observed as under:—

“60. The Committee then considered the question of raising of debits by the different railways against each other. It was pointed out that in spite of the recommendation made by the previous Committee in para. 20 of its Report on the Accounts for 43-44 to the effect that a railway should not make any entry in its estimates relating to payments to or receipts from another railway till the other railway had agreed to make a corresponding reverse entry in its own estimates, that procedure was not being followed. The Committee stressed the need for maintaining adequate correlation between the different railways in regard to the adjustment of debits and desired that it should be impressed on the Railways to follow rigidly the procedure recommended by the Committee to avoid lapses of funds. It was also emphasised that while consolidating the budget estimates submitted to them by the Railway concerned, the Railway Board should ensure that the provision of credits anticipated by an individual railway is set off by contra debits to be raised by the other railway concerned. The Committee wished to be apprised in due course of the instructions issued in this matter by the Railway Board.”

2. A few instances disclosing inadequate correlation between the railways in this regard were also brought to notice by the Director of Railway Audit, *vide* paras. 12(iv) and 19(xi) of the Railway Audit Report, 1949.

3. In this connection attention is invited to Railway Board's letter No. 45-B-4109, dated 17th September 1945 (copy enclosed), drawing attention to the comments of the Public Accounts Committee on the accounts for 1943-44 and the Railway Board's instructions thereon. The procedure regarding inter-railway adjustments has already been laid down in the Code (*vide* para. 1410-A, read with para. 1414-A), whereby one railway cannot debit or credit itself till the other railway accepts the corresponding credit or debit: thus ensuring correlation in the accounts of the two railways. Instructions were also issued in Railway Board's letters No. 51 Ac.I/TT/2, dated 23rd January 1951 and 23rd May 1951, in which attention of the Railways was drawn to the existing instructions laid down in the Code and the necessity for taking prompt action in the matter of acceptance and final account of the transfer transactions in the accounts of the year concerned was emphasised. If these instructions had been strictly followed, lapse of funds would have been avoided.

4. The Railway Board once again emphasise the need for maintaining close correlation between the Railways and desire that the rules and extant orders on the subject issued from time to time should be strictly adhered to and all round attempts made to ensure timely adjustment of inter-railway transactions to avoid lapse of funds, so that there should be no adverse comments from the Public Accounts Committee on the subject in future.

5. Please acknowledge receipt of this letter.

COPY OF RAILWAY BOARD'S LETTER No. 45-B-4109, DATED THE 17TH SEPTEMBER 1945 TO THE GENERAL MANAGERS, B. & A., B.N., B.B. & C.I., E.I., G.I.P., M. & S.M., N.W., O.T. and S.I. Railways.

Estimates of Payments to other Railways

The Public Accounts Committee, at its recent meeting in last August, have again commented on the unsatisfactory position of budgeting by Railways under the head 'Payments to other Railways', and have observed that 'at the stage of making budget estimates, a railway should not make any entry in its estimates relating to payments to or receipts from another railway till the other railway had agreed to make a corresponding reverse entry in its own estimates'. In this connection attention is invited to Railway Board's letter No. 44/B/4109, dated 5th March 1945, which should be strictly followed, so that there may not be any occasion hereafter for the Public Accounts Committee to make any adverse comment on this subject.

APPENDIX XI

MEMORANDUM ON THE ARREARS IN THE INTERNAL CHECK AND UNSATISFACTORY STATE OF ACCOUNTS ON THE RAILWAYS.

Para. 68 of the Proceedings of the P.A.C.'s meeting held on the 15th January, 1951, reads as under:—

“With regard to para. 37 of the Audit Report (1949) which revealed arrears in the internal check and unsatisfactory state of accounts, the Committee stressed the necessity for vigorous efforts being made by the Railway Board to place the matter on a satisfactory footing. The Committee hoped that the next report would reveal better results of test-check.”

2. Para. 34 of the Audit Report, 1950, which has come up for consideration by the Committee at this meeting, reviews the position up to end of December, 1949. This review shows that there has been improvement in the scale check of establishment claims on the B.N., B.B. & C.I.; M. & S.M. and O.T. Railways, maintenance of the Scale Audit Registers and Gang Registers for labour staff on the E.I. Railway, and test-check of the work of staff by the Gazetted Officers and subordinate supervising staff on the B.N. and G.I.P. Railways. As against these, there has been either no progress or positive deterioration under certain other items of work, e.g., Provident Fund Accounts were not maintained satisfactorily during 1949 on the G.I.P., O.T. and S.I. Railways; there was increase in the arrears of reconciliation of suspense registers on the O.T., B.B. & C.I. and E. I. Railways; works registers were not properly maintained on the B.B. & C.I. and E.I. Railways; the Stores Accounts were unsatisfactory on the B.B. & C.I., E.I. and O.T. Railways; stock verification on the O.T., Assam, B.N. and B.B. & C.I. Railways and inspections on the B.N., B.B. & C.I., E.I. and Assam Railways continued to be behind schedule.

3. According to the position reported recently by the Railways to the Board the arrears referred to in the preceding paragraph have been reduced to a large extent. The items still outstanding are reconciliation of suspense balances under 'Purchases' on the B.B. & C.I. and E.I. Railways and under 'Workshop Suspense' on the B.B. & C.I. Railway. The state of the Priced Ledgers and irregular balances in the Stores Accounts on the E.I. Railway and the stock verification

on the Assam Railway still continue to be unsatisfactory. Special sections have been formed on all these Railways to pull up these arrears and bring the work up-to-date.

4. The Railway Administrations are required to take stock of the position of arrears half-yearly at the end of June and December. With the transfer of control of the Accounts Departments to the General Managers, reports on these half-yearly reviews were not being submitted to the Railway Board. In view, however, of the seriousness of the present position, the Railway Board issued orders to the Railways in September, 1950 requiring the submission to them of the half-yearly arrear reports as at the end of June and December every year. These reports will continue to be received in the Board's Office till the state of work returns to normal. The reports for the half year ended the 31st December, 1950 received from the Railways have been carefully examined by the Board and all items of heavy arrears have been taken up with the Railways concerned. The urgent necessity for taking vigorous steps in this matter has also been brought pointedly to the notice of the General Managers and the F. & CAOs. It is expected that the effect of the drive will be reflected in the report on the accounts for the year 1950-51.

APPENDIX XII

[Ministry of Finance (Defence)]

MEMORANDUM ON THE FINANCIAL CONTROL EXERCISED BY THE MINISTRY OF FINANCE OVER DEFENCE EXPENDITURE

The organisation and functions of the Ministry of Finance (Defence) and the procedure followed in regard to the Budgetary control over Defence expenditure have been described in Appendices B and C to "Defence Services Estimates 1951-52".

2. This Memorandum gives in some greater detail an account of the general principles of Financial administration and the main processes of control as they are actually carried out.

General Principles of Financial Administration

3. The Demands for Grants required to meet the expenditure on Defence Services are voted by Parliament each year and within the sums so voted, the Ministry of Defence has to arrange for financing of services for which that Ministry is responsible. The total sum placed at the disposal of the Ministry to meet expenditure on the Defence Services is based on an estimate of requirements but is limited by the total resources at the disposal of Government and other demands made on those resources.

4. When the grants for Defence Services are voted by Parliament, sub-allotments are made to various administrative and executive authorities in respect of items of expenditure susceptible to local control and these authorities are responsible for the correct and economical expenditure of the grants allotted to them. Expenditure falling into categories which represent mostly obligatory charges (such as pay and allowances, etc.) dependent on strength and composition of Defence forces and various other factors which are governed by Policy decisions of the Government of India, is controlled centrally by the Ministry of Defence and the Services Headquarters. Although this Memorandum deals primarily with the duties and the methods of the Defence Division of the Ministry of Finance, it has to be remembered throughout that the financial control is a joint responsibility of the administrative and financial authorities and that their functions are complementary and inseparable.

5. The head of the Defence Division of the Ministry of Finance has three distinct functions. He is—

- (i) the Principal representative of the Finance Ministry charged with the responsibility of scrutinising and according sanction to proposals involving expenditure on Defence Services.
- (ii) the Financial Adviser to the Ministry of Defence and the three Services Headquarters.
- (iii) the Chief Accounting Officer for Defence expenditure.

6. The status of the head of the Division as the Principal representative of the Finance Ministry in the field of Defence expenditure marks the character of his office. It is in virtue of this character that he and his officers exercise their powers of effective criticism on proposals for expenditure. It is also in virtue of this character that the head of the Branch, in any case in which there is a sustained difference of opinion between the administrative and the financial authorities, can require that any proposal involving expenditure shall be submitted to the Hon'ble the Minister for Defence and to the Hon'ble the Minister for Finance.

7. The designation of the Financial Adviser emphasizes the advisory, as distinct from the restrictive, functions of the Branch. It is in this capacity that the head of the Branch is a member of the Defence Minister's Committee as well as a member of the other Committees at Defence Headquarters. It is in this capacity also that he and his officers co-operate with the Branches of Defence Headquarters in preparing the Budget and other estimates, supply the Services Headquarters with all information to enable them to discharge their financial responsibilities and advise them in regard to the preparation of proposals for expenditure and in the disposal of financial business generally.

8. In his capacity as Chief Accounting Officer for Defence expenditure he has an individual and personal responsibility for the internal audit (as distinct from the statutory audit of the Comptroller and Auditor-General) and accounting of Defence expenditure and this responsibility is discharged through the Military Accountant General. In this capacity, the Financial Adviser also prepares the Appropriation Accounts, which is a review of the financial administration of the year based on the accounts of that year.

The method of control

9. The main processes of the methods of financial control, as they are actually carried out, are:—

- (a) the preparation of the Budget estimates;

- (b) the watch over expenditure against Budget grants;
- (c) the reappropriation of savings;
- (d) the disposal of the day-to-day business of administration.

The preparation of the Budget Estimates

10. It is needless to emphasize the importance of a correct initial estimate of the sums required to finance the Defence Services for any particular year. On the correctness of this initial Budget estimate depends the whole financial administration of the year. The amount required for the year is built up from a mass of detailed estimates under different heads. The estimate under each detailed head is prepared in the first instance by the administrative Branch concerned in co-operation with the Deputy Financial Adviser [see organisation of the Ministry of Finance (Defence) described in Appendix B to the "Defence Services Estimates 1951-52"] attached to it and the Ministry of Defence. The actual method of preparation varies in accordance with the data available for estimating the requirements under each head, but in all cases account is taken of factors such as the expenditure in previous years, changes of policy, the probable trend of prices, etc. The estimates prepared by the Branches of Services Headquarters in consultation with their Deputy Financial Advisers and the Joint/Deputy Secretaries of the Ministry of Defence are then submitted to the Central Budget Section under the Financial Adviser where they are subjected to a general critical examination and checked with reference to statistics maintained in that Section. They are then examined by the Financial Adviser and the Secretary to the Government of India in the Ministry of Defence. All differences of opinion between the administrative and financial authorities are generally settled at (or prior to) this stage. It will be noticed that at all stages in the preparation of estimates there is a close collaboration between the administrative and financial authorities, the object being to arrive at a figure which will make sufficient but not more than sufficient provision to cover the charges likely to be incurred during the year. The total figures of the estimates, thus worked out, are submitted to the Defence Committee of the Cabinet, who consider the demand for Defence in relation to the resources of the country and fix a ceiling for Defence expenditure. Thereafter the figures are communicated to the main Finance Ministry.

The watch over expenditure against the Budget Grants

11. The main material for watching expenditure against the Budget Grants is provided by the Military Accounts Department. The actual expenditure under each detailed head of account is

recorded by the Controllers of Accounts all over India and reported to the Military Accountant General at Headquarters in whose office the figures are consolidated. The consolidated figures are available in the third week after the end of the month to which they relate. These figures are reported both to the administrative branches and to the sections of Ministry of Finance (Defence) to enable them to watch the progress of expenditure against the Grants. At intervals throughout the year stock is taken of the general progress of expenditure. The first of these reviews is made about the last week of August when figures are available of the actual expenditure during the first four months of the year. By that time, indents for stores have, for the most part, been got out, building works are in progress and orders have been issued for the introduction of any new measures which were included in the Budget estimates. On the basis of this information as well as the periodical reports on supply prospects furnished by authorities who are responsible for procuring stores for Defence Services whether in India or abroad, the original budget estimates are reviewed. This review gives a general idea of the likelihood of the provision under each of the Main heads being overspent or underspent. A summary of the review is sent to the Ministry of Defence by the Financial Adviser with a note drawing attention to points of importance and it is then considered whether any special action is necessary, e.g. the issue of orders requiring the restriction of expenditure under any particular head during the remainder of the year or the submission of supplementary demands for grants to Parliament if it is apparent that the expenditure during the year is likely to exceed the grant originally sanctioned by Parliament.

12. The second general review is made about the end of November on the basis of 7 months' actual expenditure. In the interval between August and November, monthly returns of actual expenditure continue to be received and progress is watched under the individual heads, particular attention being paid to those heads under which the previous review disclosed substantial variation from the original Budget estimates. Towards the end of December, a formal revised estimate is prepared and if this revised estimate shows an unavoidable increase over the sanctioned grant (including the supplementary grant, if any) under any of the Demands for Grants, further action is taken by the Ministry of Defence to obtain additional grant from the Parliament.

The reappropriation of savings

13. The authorities exercising the powers of reappropriations, i.e., the utilisation of savings in the Budget provision under one head to

meet excess expenditure under another head, within each demand for grant, and the extent to which such reappropriations are permissible by each sanctioning authority has been described in paragraph 4 of Appendix 'C' to the "Defence Services Estimates, 1951-52". Reappropriations are permissible only between the 'expenditure' heads. Thus, excess receipts and recoveries which are required to be accounted for as *bona fide* Receipts cannot be utilised to meet expenditure in excess of the sanctioned grant. Also, the savings from the provision made under a head cannot be utilised for expenditure on any new service. A clear definition as to what exactly constitutes a 'new service' has not been laid down nor is it possible to lay it down.

Throughout the year some unit or another will be reorganising, certain new units may be raised and certain others disbanded, large bodies of troops may be moved from one area to another for tactical or security reasons and these involve considerable expenditure. Again, the problem of improving and developing arms and equipment is more or less a continuous one and new types and patterns are introduced as and when the trials of these prove successful. It is obvious that the expenditure on such items as are described above cannot be treated as expenditure on any 'new service', and therefore reappropriation of savings which might come to light in the course of the year are made towards remedying defects in organisation and equipment. It is only measures such as the construction of new works projects (other than those of operational necessity), the opening of new factories and other installations, grant of new concessions (e.g. increase in rates of pay and allowances, scales of rations and clothing), purchase of vessels are treated as new measures. In respect of such new measures prior approval of the Standing Finance Committee is called for even if they could be financed from savings under other heads within the grant. If no savings are available the expenditure is not incurred before obtaining the sanction of the Parliament (if it is in session) or obtaining an advance from the Contingency Fund (in urgent cases). The financial concurrence to reappropriation of funds within the grant is accorded keeping in view the broad principle described above. While this gives greater elasticity to the Defence administration, it imposes additional responsibilities on the controlling authorities, both administrative and financial. The primary restriction remains that the total budget provision must on no account be exceeded without the necessary sanction from Parliament, but since the specific object of reappropriation within the grant as a whole is to enable progress to be made in the right direction, it is incumbent on the controlling authorities to take measures to ensure that the grant is either spent, provided this can be done economically, or the unspendable portion of the grant surrendered in time.

14. Mention has already been made in the preceding paragraph of the periodical review of the financial position. When financial sanction is given to apply savings to measures not strictly falling under the category of "new service" but at the same time not specially included in the original estimates, reappropriations are notified and their effect taken into account in the estimates. Towards the end of the year, in March, a formal statement known as the Modified Appropriation is prepared. This contains the latest estimates of the amounts which will be expended under each sub-head of the Demand and it is in this form that the variations from the original grant together with any supplementary grant that may have been voted by Parliament are formally sanctioned by the Ministry of Finance (Defence).

The closeness with which the modified appropriation corresponds, in total and in detail to the actual expenditure of the year has always been regarded by the Finance Ministry and the Public Accounts Committee as a test of the efficiency of budgetary control.

The disposal of the day-to-day business of administration

15. In the disposal of the day-to-day business of administration the functions of the Defence Division are those of the Ministry of Finance in general, though its organisation and distribution in sections attached to the main spending Branches is designed to make its association closer than is possible in the case of the civil administration. All proposals involving expenditure from the Defence Services estimates have to be referred to this Division before orders are issued. It is impossible to specify here in detail how each class of cases is dealt with in the Ministry of Finance (Defence), but the following general description will convey an idea of the variety of work coming up for financial scrutiny. Generally speaking, every field of activity on the Defence side is subjected to critical examination from the financial point of view. Some of the important items of work carried out by the Ministry of Finance (Defence) throughout the year in respect of all the three Services are—

- (i) Scrutiny of all proposals for the fixation or re-fixation of the establishments of units and formations within the overall strength and composition of the Defence forces laid down by Government from time to time.
- (ii) Review of funds required for the employment of Industrial Labour.
- (iii) Scrutiny of changes in rates of pay and conditions of service.
- (iv) Review of scales of equipment.
- (v) Review of reserves.

- (vi) Scrutiny of indents in respect of "central purchase" articles of stores keeping in view the stock position and other relevant factors.
- (vii) Scrutiny of scales, specifications and estimates of costs in respect of works projects.
- (viii) Review of the activities of the manufacturing Establishments.

Proposals for "new" expenditure are dealt with in much the same way, but in addition, this Division is required to estimate the cost of the new services or to check any estimate that may already have been made by the administrative Branch.

16. The financial scrutiny of proposals mentioned in the preceding paragraph is intended to secure that they are in accordance both with general financial principles and with any particular regulations that may be applicable or that they are not open to criticism on the ground of extravagance. It is open to the Finance Ministry to suggest modifications which will reduce cost. The scrutiny will also ensure that the cost can be met from the budget grant.

Orders of the Government of India on proposals referred to in the preceding paragraph, when they are finally accepted, are issued by the Ministry of Defence. Copies thereof are communicated to the Controllers of Military Accounts by the Ministry of Finance (Defence) so that they know that the orders have received financial concurrence. The Controllers of Military Accounts are the officials responsible for the internal audit of Defence expenditure.

17. The attachment of sections of the Ministry of Finance (Defence) to the main spending departments allows of their being brought into the preparation of new schemes at an early stage. Where this is done they can save time and labour by pointing out at an early stage that a particular scheme is open to objections on financial principles and is therefore not worth proceeding with or more frequently, by assisting the Service Headquarters in giving the scheme a form in which it is not open to financial objections.

18. Apart from the above, the Ministry of Finance (Defence) considers and puts forward proposals on its own initiative for reduction in expenditure whenever such reduction appears practicable. For instance, if the circumstances under which a concession or an allowance had been granted change subsequently and warrant modification or withdrawal of the concession, the matter is promptly taken up with the administrative authorities for effecting the necessary change. Similarly, if the working of a rule or a system leads to

abuse or extravagance, the administrative authorities are asked to consider the question of amending the rule or modifying the system as deemed appropriate.

19. The above is a brief description of the formal handling of financial matters by the Defence Division of the Ministry of Finance. The organisation, as constituted, ensures a close, continuous and effective financial control over Defence expenditure.

APPENDIX XIII

REPORT REQUIRED BY PARA. 5 OF THE PROCEEDINGS OF THE PUBLIC ACCOUNTS COMMITTEE ON THE ACCOUNTS OF 1947-48 (POST-PARTITION).

Revival of equalisation funds in the Defence Services

As was explained to the Committee at its meeting held on the 9th January 1951 the object of an Equalisation Fund is to ensure that there are no violent changes in the level of Defence expenditure from year to year, on account of periodical replacement of major items of equipment like aircraft, naval vessels and vehicles. This object is normally achieved by making an annual provision in the Defence budget, as contribution to this Fund, for utilisation as and when funds are actually required for replacement of those major items. These annual contributions are based on the cost of the average lives of vehicles, aircraft, etc.

2. This method of financing expenditure on replacement of major items of equipment is a natural corollary to a contract system of budgeting, which in turn can work satisfactorily only under stable conditions and when no major changes in organisation or equipment are contemplated. As the Committee is aware the three Services are still in the process of reorganisation, with a view to maintaining a balanced force for the defence of the country, and it will take some years before their ultimate composition, strength and types of equipment are finally determined. Moreover, a large amount of expenditure is already being incurred in initially equipping the two expanding Services, viz., Air Force and Navy, and in replacing the war time vehicle fleet of the Army. In the circumstances, it is considered that it is premature to consider the revival of these Funds at this stage, and that the further examination of the question will necessarily have to be postponed for the next two or three years.

APPENDIX XIV

(Ministry of Defence)

REPORT REQUIRED BY PARAGRAPH 9 OF THE PROCEEDINGS OF THE PUBLIC ACCOUNTS COMMITTEE ON THE ACCOUNTS OF 1947-48 (POST-PARTITION).

Rescission of contracts

As a result of abnormal and unprecedented conditions prevailing in certain areas of Uttar Pradesh following partition, and on the request of contractors for termination of contracts in view of their inability to continue performance of the same, fresh contracts had to be concluded to meet requirements of troops.

2. The Government Solicitor has advised that in view of the contractors' inability to carry on the contracts, the Area Commander was entitled to rescind the contracts held by them and to make alternative supply arrangements at their risk and expense.

Financial Effect

3. The total number of contracts so rescinded was 123. Cases involving 99 contracts have been reviewed at Army HQ and the following decisions implemented:—

- (a) In 4 cases which were rescinded due to withdrawal of troops from the stations concerned, and where NO extra expenditure to the State was involved the security deposits amounting to Rs. 5,800/- were refunded to the contractors, in consultation with the Government Solicitor and Ministry of Finance (Defence).
- (b) In 11 cases, recoveries of the undermentioned amounts on account of extra expenditure involved and forfeiture of security deposits concerned were enforced:—

	Rs.
(i) Total amount of extra expenditure ... involved.	2,37,833 4 5
(ii) Amount recovered from contractors ...	1,11,399 15 5
(iii) Amount of security deposits forfeited ... to the Government.	33,100 0 0
(iv) Amount—recovery of which was waived as a special case.	1,26,433 5 0

(c) In the remaining 84 cases, involving a total extra expenditure of Rs. 8,49,346/2/7 and security deposits amounting to Rs. 1,92,940, orders were passed for recovery of the amount involved and forfeiture of security deposits.

4. The information in respect of the total amount since realised against para. 3(c) above is awaited.

5. The cases pertaining to the remaining 24 contracts are under consideration.

Disciplinary Aspect

6. In accordance with clause 8 of IAFZ-2120 (forming part of the contracts concerned) (extract reproduced below) the officer sanctioning the contract, may rescind the contract by giving notice to the contractors in writing, if the contractors decline, neglect, or delay to comply with any demand or requisition or in any way fail to perform or observe any condition of the contract.

The Government Solicitor held that contractors' request for termination of their contracts was tantamount to refusal on their part to perform the contracts concerned and as such the Officer sanctioning the contracts, i.e., General Officer Commanding, U.P. Area, was authorised to "rescind" the contracts.

In case of such rescission, any extra expenditure incurred by the Government in making alternative supply arrangements is recoverable from the contractors and the security deposits lodged by them in respect of the contracts concerned are liable to forfeiture by the Government.

The Controller of Military Accounts, Eastern Command, in all such cases forfeited the security deposits concerned and withheld payment of all pending bills for adjustment of Government dues incurred in making alternative supply arrangements. The net amount still required to be recovered from the contractors on this account is being ascertained and necessary action for recoveries of these dues will be taken on receipt of this information.

As regards the 99 cases already finalised, since rescission of the contracts, as advised by the Government Solicitor, did NOT violate the terms of the contracts concerned, NO question of discipline, in as far as rescission is concerned, is involved.

As regards other cases (24 in number, which have NOT yet been finalised) the disciplinary aspect, if any, will be carefully examined. It is, however, considered that as most of the officers who held executive posts in U.P. Area at that time, have since been repatriated to U.K. or released, it may NOT be ultimately possible to take disciplinary action, even if justified.

EXTRACT FROM CONTRACT FORM No. I.A.F.Z.-2120.

8. The officer sanctioning the contract may rescind his contract by notice to me/us in writing—

- (i) If I/we assign or sub-let my/our contract without his written approval, or if I/we attempt to do so.
- (ii) If I/we or any of my/our agents or servants shall—
 - (a) be guilty of fraud in respect of the contract, or any other contract entered into by me/us with Government, or
 - (b) directly or indirectly give, promise or offer any bribe, gratuity, gift, loan, perquisite, reward or advantage, pecuniary or otherwise, to any officer or person in the employment of the Government in any way relating to such officer's or person's office or employment.
- (iii) If any such officer or person, mentioned in sub-paragraph (ii)(b) of this para., become in any way directly or indirectly interested in the contract.
- (iv) If I/we decline, neglect, or delay to comply with any demand or requisition or in any other way fail to perform or observe any condition of the contract.
- (v) If I/we or any of my/our partners become insolvent or apply for relief as an insolvent debtor or commence any insolvency proceedings or make any composition with my/our creditors or attempt to do so or, in the case of our being a registered company, any order be duly made or any resolution be duly passed for the winding up of the company.
- (vi) If it should transpire that ~~I am~~
~~We are~~ doing business conjointly with any other contractor(s) or that ~~I am a partner~~
~~We are partners~~ in any other firm(s) on the approved list of R.I.A.S.C. Contractors.

In case of such rescission, my/our security deposit (or such portion thereof as the officer sanctioning the contract shall consider fit or adequate) shall stand forfeited and be absolutely at the disposal of Government, without prejudice to any other remedy or action that the Government may have or take. If this contract be for supply at more than one station, its rescission under these conditions shall not be affected by the acceptance, meanwhile or subsequently, of supplies services accepted or made at any station in ignorance of the rescission.

APPENDIX XV

REPORT REQUIRED BY PARA. 6 OF THE PROCEEDINGS OF THE PUBLIC ACCOUNTS COMMITTEE ON THE ACCOUNTS OF 1947-48 (POST-PARTITION) ON THE ALLOCATION OF WORKS EXPENDITURE TO 'MAINTENANCE' OR 'CAPITAL'.

Under the current M.E.S. works procedure the cost of abnormal repairs to buildings necessitated by technical reasons is being charged to 'maintenance' even if these repairs enhanced the capital value of the buildings. This practice is slightly different from the C.P.W.D. rule according to which any work which resulted in a genuine increase in the permanent value of a building is treated as an 'original work'. This rule is appropriate for the C.P.W.D. to follow as they are concerned mainly with permanent buildings. In the case of the M.E.S. however it will not be reasonable to follow the same definition as they deal with altogether different types of structures in these days.

2. As is well known Defence Services buildings were constructed to temporary specifications during the period of war and their life was expected to be about three years in respect of Hutted types, and about one year for Basha types. The Basha type of structures has in general been declared unserviceable and has been either demolished or destroyed by weathering action, except for an odd few where the *chattai* matting walls over dwarf walls have been replaced by full brick walling. The Hutted type of buildings although built for a life of 3 years, has served for more than double that period already and will still be required to be maintained for a good many years until replaced by permanent construction. The Hutted type usually consists of brick walling with squared timber or bully trusses, purlins, ratters, manglore tiles or A.C. or C.G.I. sheets thatch or country tile roof, cement or stone fellors, and unseasoned hard wood joinery in doors and windows.

The timber that was available was usually unseasoned and borer beetle infested and straight from the forest, and we had to make the best use of it by improvisation. Most of the Roof Trusses had to be built up of short lengths with wooden pins, instead of normal solid lengths and correct sections. The timber being unseasoned and inferior in quality and borer beetle infested, distortion by warping:

and breakages after short period was a common occurrence. Joinery in doors and windows being also of raw timber, warping was most severe.

3. It may be stated that a major portion of M.E.S. estimates for abnormal repairs pertains to replacement of such timber in roof trusses, purlins, common rafters, battens, verandah posts and bressummers. Repairs to such types of structures could hardly be covered by the normal maintenance allowance laid down in the Regulations. As already pointed out, most of the Hutted accommodation has to be kept in a full state of repair until permanent accommodation is built. The work is a normal repair but as the same feature appears in a series of buildings and simultaneously, it must be treated as an abnormal repair work. Since abnormal repairs of this kind are essentially repair work, the cost should follow the incidence of normal repair, even though in some cases the capital cost of the buildings might appreciate on account of the superior quality of the material used or superior specifications adopted for carrying out these repairs.

4. This question has been re-examined in consultation with Audit as suggested by the Committee and for the reasons stated above it has been decided to adhere to the practice hitherto followed. As suggested by Audit, instructions will issue shortly asking the engineering authorities to suitably enhance the rental value of buildings which have been improved as a result of these abnormal repairs.

APPENDIX XVI

(Ministry of Defence)

REPORT REQUIRED BY PARA. 11 OF THE PROCEEDINGS OF THE PUBLIC ACCOUNTS COMMITTEE ON THE ACCOUNTS OF 1947-48 (POST-PARTITION)

Verification of Ground Balances of Military Stores

In para. 11 of the Proceedings of the Public Accounts Committee on the accounts of 1947-48 (post-partition), the Committee desired that they should be informed of the progress made in regard to the fixation of a target date by which all the ground balances of the Military Stores should be verified and correct balances under each category of store entered in registers so that there was no room for any irregularity or fraud thereafter. The position in respect of each category of stores is as follows:—

Army Service Corps Stores

Stock verification is carried out by the Supply Depots every month and any balance not accounted for is entered in the ledgers after investigating the cause for the discrepancy. The fact that monthly verifications are carried out regularly by Officers Commanding, Supply Depots, is verified by the local audit authorities quarterly. The need for fixing a particular date for verification of ground balances does not, therefore, arise.

Ordnance Stores

Large quantities of Ordnance stores at present held in the various Depots were procured during the period of the war in packages of all sorts and in a large number of cases the markings outside these packages bear no relation either in type or in quantity to their contents. It will therefore be appreciated that before a thorough stock verification is carried out, it is necessary in the first place to examine systematically all the packages for their contents. With this end in view, a re-organisation programme is in progress in the various Ordnance Depots, under which all doubtful boxes are to be checked and re-packed. The number of doubtful packages is very large and the check entails:—

- (a) opening of the packages;
- (b) checking of contents in regard to quantity and condition;
- • and
- (c) preservation and re-packing of the contents

As at present planned, 31st March 1954 has been provisionally fixed as the target date for complete stock verification in this manner. On account of the enormous magnitude of the task involved, it is not possible to fix an earlier date, considering the rather limited trained manpower and financial resources that can be made available for the purpose.

Engineer Stores

Under the existing rules, all stores are required to be checked 100 per cent. annually. This is now being done in the case of all Engineer Stores Depots except in one which holds a considerable proportion of stores back-loaded from Engineer Stores/Parks and other Store Holding Formations, on their closure. In view of the magnitude of the task involved, this Depot has been re-organised and 1st April 1952 has been fixed as the target date for the completion of physical verification of stores.

Naval Stores

According to the existing instructions, a complete cycle of stock verification of all stores is carried out in Naval Stores Depots, Ships and Establishments once every 12 months and the balance in the ledgers is adjusted as necessary from the stock taking reports.

Air Force Stores

The stock holding formations of the Air Force are faced with difficulties similar to those in Ordnance Depots. A thorough examination of the stocks held is necessary, and on account of lack of trained staff, 100 per cent. verification will take a number of years. Necessary statistics are, however, being collected to assess the magnitude of the work involved. On examination of the statistics, a target date will be fixed and the conclusion reached by Government will be communicated to the Public Accounts Committee in due course.

Medical Stores

At present, receipts and issues are properly accounted for and relevant registers and supporting documents are being maintained accurately. Stock verification is carried out periodically in medical store holding units. Final figures arrived at after completion of the cycles of stock verification each year, are treated as firm opening balances for the succeeding year. The question of fixing a target date for the verification of ground balances does not arise.

Factories

There are 1,191 items of which physical verification was not completed by the due date, viz., 31st March, 1948. All these items except 5 were subsequently checked. These five are items of scrap of which large stocks exist and are widely scattered, making physical verification impracticable as such scrap is difficult to handle and 100 per cent. weighment would require considerable labour, occupied over very long periods. In addition, verification would involve disorganising labour and transport used for production. It is, however, the intention to verify these 5 items as soon as stocks drop to a level making it economical to do so.

2. The Public Accounts Committee also desired that they should be furnished with a statement showing the total value of stores under each category on hand on the 15th August 1947 and 31st March 1948. In this connection it may be stated that in the Defence Services all store accounts are maintained on a quantitative basis and no priced stock accounts are kept except in the case of Factories. In order therefore to determine the value of stores held on a particular date, the stocks held on that date in the various Depots, will have to be ascertained and then priced. The magnitude of this task may be visualised from the fact that the number of items involved is over five lakhs in the case of Ordnance stores, 3 lakhs in respect of Air Force and nearly 76,000 in the case of Navy and all these stores are held in Depots situated all over the country. Some of the depots (in existence on 31st March, 1948) have since closed down and the information relating to the stock held by them at the time may not now be forthcoming. In addition prices are not available in respect of a substantial portion of the stores obtained during the war from abroad. Even if some special arrangements are made to collect the necessary data—which incidentally will involve considerable time and labour and appreciable extra expenditure—it may not be physically possible to get the work completed within a reasonable period of time. It is therefore regretted that it is not possible to furnish the information asked for by the Committee.

APPENDIX XVII

(Ministry of Defence)

REPORT REQUIRED BY PARA. 12 OF THE PROCEEDINGS OF THE PUBLIC ACCOUNTS COMMITTEE ON THE ACCOUNTS OF 1947-48 (POST-PARTITION).

In para. 12 of their proceedings on the accounts of 1947-48 (post-partition), the Public Accounts Committee desired to be furnished with the procedure for the reconstruction of store accounts and registers if the originals are lost or misplaced. The particular case referred to by the Committee, in which considerable delay and difficulty occurred in reconstructing the accounts, pertained to a Royal Naval establishment over which the Indian Navy had no control.

2. Generally speaking, however, duplicate vouchers (issue/receipt/invoices) are always held by the accounts authorities and the stores depots. The broad features of accounting can be classified as follows:—

- (a) Receipts.
- (b) Holdings.
- (c) Issues.
- (d) Stock taking Report.

(a) Receipts.—All incoming stores are recorded in Receipt Vouchers which indicate the—

Consignor

Consignee

Quantity

Railway Receipt No. etc.

Copies of Receipt Vouchers are held by (i) the consignor (ii) the consignee and (iii) the Military Accounts Department. These Receipt Vouchers are serially numbered for each Depot.

(b) Holdings.—Stock Ledgers are maintained and all transactions relating to the holding of stock (receipts from various sources and issues to several Units/formations) are recorded serially.

Loose Leaf Ledger Folio Control Book is maintained to show the number of sheets in use at any time in the above Ledger.

All Receipt and issue Vouchers are pasted in the Ledgers against the items of stores to which they refer.

In addition to the stock ledgers maintained in the Stock Control Room, the contents of all stocks, bins, compartments, etc. are recorded in Tally Cards placed close alongside stocks, etc. The Tally Cards give ready information regarding stock in hand of the items of stores to which they relate. Receipts and issues are recorded in these Tally Cards as they occur.

(c) *Issues*.—All outgoing stores from Stores Formations, etc. are similarly recorded on issue Vouchers which clearly indicate the actual details of issues and copies of these Issue Vouchers are distributed as in the case of Receipt Vouchers.

(d) *Stock taking report*.—The stock of each article held in the Depot is checked annually and recorded in the stock taking report. This report indicates the balance as shown in the ledger and Tally Cards in addition to the physical balance on a particular date.

3. It would thus be seen that if the records of a unit/formation/establishment are misplaced, lost or damaged, the accounts can generally be reconstructed with the duplicates in the possession of the consignors/consignees, and the Military Accounts authorities.

4. The Committee had also suggested that only officers of proved integrity should be put in charge of store holding establishments.

It may be mentioned in this connection that if there are definite reasons for doubting the integrity of any officer, disciplinary steps are taken against him and he is not allowed to hold a position of trust and responsibility.

APPENDIX XVIII

REPORT REQUIRED BY PARA. 13 OF THE PROCEEDINGS OF THE PUBLIC ACCOUNTS COMMITTEE ON THE ACCOUNTS OF 1947-48 (POST-PARTITION) SHOWING IN DETAIL HOW DEFENCE STORES ARE DECLARED SURPLUS OR UNSERVICEABLE AND DISPOSED OF, WHICH AUTHORITIES ARE EMPOWERED TO DECLARE THE STORES UNSERVICEABLE AND HOW THEY ARE SALVAGED.

General

Stores are declared surplus after a thorough scrutiny of the stocks with reference to the provision reviews held periodically by the Services/Branches of the Defence Headquarters. Before the 1939-45 war, the Defence Services themselves disposed of their surpluses. During the 1939-45 war, however, there were large accumulations of stores and, in order to dispose of them, they were declared to the Director General of Disposals who was the Central agency for disposing of surpluses of the entire Government of India. In the interest of economy and expeditious disposal, it has been decided this year that stores of Rs. 5,000 and below in value in a single category, and salvage and scrap without any monetary limit, should be disposed of directly by the Defence authorities.

The detailed procedure followed by each Service/Branch is given below.

Master General of the Ordnance Branch

Declaration and disposal of surplus stores

Up to January 1948, surplus stores of Rs. 1,000 and below in a single category were declared direct to Regional Commissioners (Disposals), by Central Ordnance Depots, and surplus stores of value over Rs. 1,000 in a single category were declared to the D.G.D. through Army Headquarters for disposal.

In February 1948, the monetary limit of surplus stores, which were declared through the Regional Commissioners (Disposals), was raised from Rs. 1,000 to Rs. 5,000 (per single category) and stores valued up to Rs. 100, it was decided, should be disposed of by army authorities concerned.

The present procedure is that up to Rs. 5,000 (per single category) surplus stores are disposed of under local arrangements and quantities in excess of this monetary limit are declared to the D.G., S. & D.

In determining the net surpluses, all-India liabilities and assets of all Ordnance stores are calculated in connection with the annual provision reviews. The liabilities are based on the policy directives regarding Army strength and reserves furnished by the Ministry of Defence and the requirements of other services in respect of common-user items. The assets include all existing stocks and those dues-in against demands already placed on suppliers. The quantities revealed surplus as a result of provision reviews are then further examined and, depending on the nature of the store, requirements for the next 5 to 10 years, or even more in the case of non-perishable stores, are retained with the concurrence of Ministry of Finance (Defence). The balance quantities are declared as surplus for disposal in the manner already indicated above. The D.G., S. & D. then becomes responsible for the sale of articles declared to him.

Prior to declaration of surpluses requirements of other Defence Services (i.e. Army, Navy and Air Force, D.G.O.F. & M.E.S., etc.) are ascertained and if any stores are required by them, these are issued on free transfer.

Salvage of Stores

Unserviceable stores on receipt in Salvage Section/Sub-Depot are given a second conditioning by the ordnance depot personnel, before declaring them as salvage (beyond economical repair), that is unfit for further use.

The object of this second conditioning is:—

- (i) To retrieve/recover all serviceable components such as buttons, buckles, soles, etc.
- (ii) To retrieve/recover components of mechanical transport which are in short supply from abroad, and for which indigenous sources have NOT been established. A list of such components is issued by Master General of the Ordnance Branch from time to time.

Declaration of Unserviceable Stores

The sources from which Salvage Sections/Sub-Depots receive unserviceable stores and the authorities competent to declare stores for transfer to Salvage are given below:—

- (i) *Ordnance Returned Stores Sub-Depots.*—Stores which are condemned/declared as unserviceable or unwanted repairable by qualified conditioners/technical experts are transferred to Salvage from Ordnance Returned Stores Sub-Depots. The competent authority for transfer in this instance is the Ordnance Officer in Charge of the R.S.S.D.

- (ii) *Units*.—Stores, which are condemned *in situ* by the representative of Ordnance/Electrical and Mechanical Engineers at Condemnation Boards, as unserviceable and unwanted repairable are sent to Salvage direct by units. The authority for this transfer is the Condemnation Report prepared by the unit under instructions from the Ordnance Representative at Formation Headquarters.
- (iii) *Ordnance Depots*.—Stores held in Ordnance Depots stocks and found unserviceable through deterioration, etc. are also disposed of through Salvage Organisation in the same manner as stores declared unserviceable by unit condemnation boards.
- (iv) *Electrical and Mechanical Engineers Workshops*.—Stores found to be unserviceable are transferred to Salvage under the authority of the Officer-in-Charge Workshops.
- (v) Unserviceable Ordnance Stores are also received from the Medical, the Navy and the Air Force Units. These are inspected and then condemned as unserviceable or unwanted repairable by the respective officers.

Disposal of Unserviceable Stores

- (i) Before the 15 November, 1950 unserviceable and unwanted repairable stores reported to the Regional Commissioner of Disposals of the area concerned by Salvage Depots (through the medium of Auction Catalogues) were disposed of under his supervision as under:—
- (a) Transfer to other Government Departments, Central or Provincial, e.g. Railways, P. & T.
 - (b) Issue to Fabricators and reconditioning Contractors.
 - (c) Sale to foreign countries.
 - (d) Sale to nominated parties for use of Government or otherwise.
 - (e) Sale to public by negotiation.
 - (f) Sale by auction.
- (ii) With effect from the 15 November 1950 the disposal of unserviceable stores irrespective of monetary limit has been taken over by the Master General of the Ordnance Branch (MG/OS-24). The present procedure for disposal of unserviceable stores is as follows:—
- (a) Unserviceable stores are reported separately to Army H. Qrs. every month for disposal instructions by Salvage Sections/Sub-Depots concerned.

- (b) The reserve/guiding prices of unserviceable stores requiring disposal are fixed by Ministry of Finance (Defence).
- (c) These prices are then intimated to the Brigs. Ordnance at Command H.Q. who in turn make necessary arrangements for publicity, date and duration of auction, detailing auctioneer from the approved panel, etc.
- (d) Stores are correctly lotted in advance for viewing by prospective purchasers and sold in lots.
- (e) Stores are sold to the highest bidder who is required to deposit 25 per cent. of the sale price as earnest money. The balance of the value is paid by the buyer in the Imperial Bank of India within six working days of the sale. At the buyer's option payments in cash may be made in full to the auctioneer during the sale. All purchased lots must be removed by successful bidders within 27 working days from the date of auction.
- (f) The authority for collecting the stores is the Sale Release Order bearing the full signature of the Supervising Officer or any other officer so authorised by the D.O.S./Brig. Ordnance concerned.
- (g) On completion of an auction a Sale Account is prepared and submitted to the C.M.A. concerned for necessary checking.
- (h) The disposal of unserviceable/Salvage stores to the categories in para. (1) (a) to (f) is also authorised by the Master General of the Ordnance Branch (MG/OS-24) with the concurrence of Ministry of Finance (Defence).
- (iii) Unserviceable stores are also issued to the units of the Army, Navy and Air Force under the following conditions:—
- (a) Serviceable/repairable MT components and assemblies found on unserviceable vehicles which are in short supply from abroad as notified by the Master General of the Ordnance Branch from time to time, are recovered/retrieved for issue against legitimate demands to workshop units and to ordnance establishments only. The underlying object of this being to prevent the chances of waste thereby augmenting our depleted stocks of MT components and parts and to assist in the speedy repair of our vehicles.

- (b) All other Salvage and scrap (including scrap arisings such as frames and axles from MT breakdown) are issued to any Defence Service unit or establishment on presentation of a demand signed by the Commanding Officer and stating the purpose for which it is required. The underlying purpose of such demands must be to ensure economy in material or transport, and to make the utmost possible use of the material available in Salvage Depots.

The competent authority to approve the issue is the Officer-in-Charge Salvage Section/Sub-Depot.

- (iv) Unserviceable stores are also transferred to Ordnance Factories and other Government Factories under the Ministry of Industry and Supply (now Works, Production and Supply). The competent authority to sanction the transfer is the Director of Ordnance Services.

Quarter Master General's Branch

The following categories of stores are dealt with by the Q.M.G.'s Branch:—

A. Army Service Corps Stores (Foodstuffs, Hygiene Chemicals P.O.L.).

B. Remount Veterinary and Farms Stores.

These are dealt with seriatim.

A. ARMY SERVICE CORPS STORES

During 1947-48, wartime surpluses of ASC foodstuffs, hygiene chemicals and P.O.L. Stores were disposed of as under:—

Foodstuffs—

1. Surplus stocks with a declared estimated storage life of 2 months or less.

Any stocks declared as having an estimated storage life of 2 months or less, and which could not be consumed within its life in the station at which held, were deemed to be surplus and disposed of as follows:—

- (a) If the value did not exceed Rs. 10,000, by the Depot Commander, without reference to higher authority, by sale to the best advantage of the State,
- (b) If the value exceeded Rs. 10,000, by the competent financial authority.

The above instructions were also applicable to stocks declared as unfit for human consumption, but fit for animal feed, and unfit stocks recommended for destruction.

2. Surplus stocks with a declared estimated storage life of more than 2 months but less than 4 months. Any stocks which had a declared estimated storage life of more than 2 months but less than 4 months which were surplus to requirements or could not be consumed in the Command/Delhi District within the estimated storage life, was disposed of as follows:—

- (a) If the value was Rs. 10,000 or less, by the BASC-Command/CASC Delhi District without reference to higher authority, by sale to the best advantage of the State.
- (b) If the value was more than Rs. 10,000, disposal orders of the Director of Supplies and Transport, Army Headquarters were obtained by the BASC Command/CASC Delhi District.

3. Surplus stocks with an estimated storage life of more than 4 months.

Any stocks with a declared estimated storage life of more than 4 months, which was surplus to requirements or could not be consumed within its life in the Command/Delhi District, were disposed of as follows:—

- (a) If the value was Rs. 1,000 or less, by the BASC Command/CASC Delhi District by sale to the best advantage of the State.
- (b) If the value was more than Rs. 1,000, disposal orders of the Director of Supplies and Transport were obtained by BASC Command/CASC Delhi District.

As from 10 Mar. 1948—

- (a) All foodstuffs which were categorised 'D' by Military Food Laboratory and had a book value of Rs. 2,000 or less were disposed of by stock-holders themselves.
- (b) All foodstuffs categorised 'D' and having a book value of more than Rs. 2,000 were reported to Regional Commissioner of Disposals direct by the stock-holders.
- (c) Foodstuffs placed in a category higher than 'D' were reported to Director General of Supplies and Disposals through this HQ.

Procedure as revised on 29 Jun. 1948—

- (a) Cat. D, E, F and G foodstuffs with the exception of waste ghi with book value less than Rs. 2,000 were disposed of locally by stock-holders.
- (b) Following were reported direct to RCD by stock-holders:
 - (i) Cat. 'D', 'E', 'F' and 'G' foodstuffs with value over Rs. 2,000 and waste ghi.
 - (ii) All foodstuffs categorised C1 and C2 irrespective of value.
 - (iii) All foodstuffs of Cat. A and B of a value of Rs. 2,000 or less.
- (c) All foodstuffs categorised A and B of a value over Rs. 2,000 were placed to DGSD through this HQ.

Procedure as revised in Oct. 1948—

- (a) Meat items categorised A and B irrespective of value were reported to DGSD.
- (b) Non-meat items categorised A and B were dealt with as under:—
 - (i) If the value exceeded Rs. 2,000 they were reported to DGSD.
 - (ii) If the value was less than Rs. 2,000 they were reported to RCD direct.
- (c) Meat and non-meat items of Cat. C and D irrespective of value were reported direct to RCD.

*Procedure as revised on 25 Jun. 1949—**(A) Meat Items—*

- (a) Cat. A and B—
 - (i) If the book value was Rs. 2,000 or below they were disposed of direct by the stock-holders.
 - (ii) If the book value exceeded Rs. 2,000 they were reported to DGSD through this HQ.
- (b) Cat. C and D—

They were reported to the RCD concerned irrespective of value.
- (c) Cat. E and F—
 - (i) If book value was Rs. 2,000 or less, they were disposed of direct by the stock-holders.
 - (ii) If the value exceeded Rs. 2,000 they were reported to RCD.

(B) Non-meat items (except waste ghi)—

- (a) Cat. A and B—
 - (i) If book value was Rs. 2,000 or less they were reported to RCD.

(ii) If the value exceeded Rs. 2,000 they were reported to DGSD through this HQ.

(b) Cat. C and D—

They were reported to RCD irrespective of value.

(c) Cat. E and F—

(i) If the book value was Rs. 2,000 or less they were disposed of by stock-holders direct.

(ii) If the value exceeded Rs. 2,000 they were reported to RCD.

(C) Waste Ghi—

This was reported to DGSD irrespective of value.

All ASC foodstuffs are analysed by the Military Food Laboratory; and their report on the condition of these stores is accepted as final. Foodstuffs are classified as 'fit for human consumption', 'unfit for human consumption but fit for animal/commercial purposes' and 'unfit for all purposes and recommended for destruction'.

NOTE.—To facilitate turnover of stocks in these groups, the stocks are graded into categories as under:—

Group	Category	Estimated storage Life (Abbreviation E. S. L.)	Period from the date of the last Lab. report after which stocks are to be resampled.
I	2	3	4
I	A	9 months	5 months
	B	6	3 "
	C	3	2 "
II	D (with date)	Until the date indicated.	Not to be resampled except on the recommendation of a Disposal Board.
III	E	May be fed to animals.	(a) if Veterinary authorities permit; (b) if not, should be resampled for further disposal orders.
	F	May be disposed of for commercial proposes.	Not to be examined except on the recommendation of a Disposal Board.
	G	Unfit for human con- sumption, cannot be categorised E or F and should be destroy- ed.	

Hygiene Chemicals—

The hygiene chemical surpluses were disposed of as under:—

- (a) Stores with book value of Rs. 100 or below were disposed of by the Officers Commanding of the depots.
- (b) Stores with book value over Rs. 100 but below Rs. 5,000 were reported to the Regional Commissioners of Disposals for disposal.
- (c) Stores with book value of Rs. 5,000 and above were reported to the Director General of Disposals by the Army H.Q.

P.O.L. Stores—

(a) *Serviceable obsolete types of containers.*—During 1947-48 after retaining stocks to make up the deficiency in the post-war types of containers, all were declared surplus. However, most of those were withdrawn and brought into use as soon as the Kashmir operation started.

(b) *Unserviceable containers.*—All containers found unserviceable, whether obsolete or post-war type, were declared surplus and disposed of as follows:—

All containers found unserviceable whether obsolete or post-war type were declared surplus and disposed of. All POL containers held in a depot or received from other units were checked, tested and reclassified periodically by the officer commanding of the depot. If any container, after survey, was found unfit for further use the same was declared by the officer commanding of the depot as unserviceable.

Most of such containers were sent to Salvage Depots. Where this was considered uneconomical in labour and transport these were disposed of through the Regional Commissioner of Disposals by auction at site.

Procedure for the disposal of Hygiene Chemicals and P.O.L. has not changed after 1947-48.

With effect from 15 November 1950—

- (i) Surplus stores up to a limit of Rs. 5,000 book value for any single category of stores are disposed of by Defence Services.
- (ii) Disposal of Salvage and Scrap irrespective of value is also arranged by Defence Services.
- (iii) Surplus stores with book value exceeding Rs. 5,000 are reported to DGSD for disposal.

B. REMOUNT VETERINARY AND FARMS STORES

ANIMALS

The following procedure was adopted during post-partition period for the declaration of animals as unserviceable:—

(a) *Remount cases*—

- (i) Officer Commanding of the unit prepared a casting roll and submitted the same to the Area Commander for countersignature.
- (ii) The Area Commander, after countersignature, forwarded the same to the Command Remount, Veterinary and Farms Corps Officer.
- (iii) The Command RVFC officer after inspecting the animal recorded his opinion, and submitted the roll to the Director of Remount, Veterinary and Farms who issued final orders for casting.

(b) *Veterinary cases*—

- (i) OC unit prepared the casting roll and submitted it to the Deputy Assistant Director, Remount, Veterinary and Farms of the Area concerned.
- (ii) The DADRVF of the Area after inspecting the animal, recorded his opinion and submitted the roll to the Area Commander.
- (iii) Area Commander issued final orders for casting.

Since February 1951, animals recommended for cast and sale are examined by a station board convened by the O.C. Unit on whose strength the animals are borne. The Board includes a veterinary officer. The recommendations of the Board are put up to the sanctioning authority as specified above.

Animals cast for sale are disposed of in the following order of priority.

- (a) Sale to entitled customers.
- (b) Sale by public auction at any price irrespective of the minimum prices laid down.

Engineer-in-Chief's Branch

Large quantities of stores were inherited by the Engineers after the cessation of war from the stocks built up during the war years.

2. To determine which of these stores were to be retained and which of them should be disposed of, a Stores Holding Committee was set up in the E-in-C's Branch. The functions of this Committee were to determine the requirements of various items of Engineers stores and equipment, inclusive of all reserves.

This Committee was guided by the following principles:—

- (a) That certain stocks of non-indigenous items should be retained as it is difficult to obtain them.
- (b) Indigenous commodities in short supply and which are non-rotting should also be retained.
- (c) The items easily obtainable should not be retained.
- (d) The storage life of each commodity should be assessed and the stocks of such commodities held must be calculated in conjunction with the turn-over of such stocks, thus preventing unnecessary deterioration in storage.
- (e) List of truly surplus stores produced as a result of this screening could be declared to DGD (now DGSD) for disposal.

3. The authority for declaring stores surplus to requirements rests with the Stores Holding Committee.

4. To determine the serviceability or otherwise of Engineers stores and equipment, Departmental Boards of Technical Officers are convened to carry out surveys. On the findings of these Boards, Engineers Stores and equipment are either sent for disposal to the D.G.S. & D. where they exceed Rs. 5,000 in value in a single category, or are disposed of locally, if they do not exceed this limit. Where the stores are recommended for salvage, all retrievable spare parts are removed by the stock-holding formations, and the remaining residue sent to the nearest Salvage Depot for further disposal.

5. The powers of Military Engineer Service Officers for disposal or write off of all unserviceable or surplus stores, tools, plant, furniture or materials obtained from dismantled buildings, are given in item (vii) of Table 'B' of M.E.S. Regs. These are reproduced below:—

E-in-C.—Full powers.

C.E.—Full powers.

CWE/SE—Rs. 25,000.

GE/EE—Rs. 10,000.

S.D.O. if an A.E.Ic. Independent Sub-Division—Rs. 5,000.

S.D.O. if an A.E.—Rs. 500.

Director General of Armed Forces Medical Services

1. Medical Stores are held at Armed Forces Medical Stores Depot, Bombay. The question of surpluses if any, is gone into by the Officer Commanding of the unit (Lt.-Col.) and a representative of the Ministry of Finance (Defence). The working papers are again scrutinised at the office of the DGAFMS by the Provisioning Officer (Major) and nett quantities revealed as surpluses are declared to the DGSD if they exceed Rs. 5,000 in value in single category. If they do not exceed this limit, the stores found surplus are disposed of by the Depots under local arrangements.

Air Headquarters

Surpluses in the Indian Air Force are declared on the basis of provisioning reviews, which are carried out in a six monthly cycle covering all the vocabulary sections. The retention figures thus arrived at are notified to the stock-holding depots, with instructions that actual stocks held are to be advised to the Air Headquarters. On receipt of the above data that Hqrs. authorises the Depots to declare the surpluses over and above the overall retention figure for disposal.

As regards unserviceable stores, the Technical staff at lower formations inspect the stores and categorises them according to different categories viz. Serviceable, Repairable or Beyond Economical Repairs. This categorisation is done by specialist officers irrespective of the rank held by such Officers. In the absence of such officers, categorisation is carried out by Senior N.C.Os. who are qualified to do the job.

Stores which are categorised as 'beyond economical repairs' are transferred to the nearest Salvage Depot for disposal, after any components which may be required have been removed from the items.

Naval Headquarters

Naval stores returned to stock from ships and establishments are surveyed by technical authorities of the Bombay Dock Yard, and unserviceable items are dealt with in accordance with the recommendations of the Surveyors. Items which can be repaired are brought on charge as repairable and are subsequently repaired. Items which are beyond repair are salvaged and sold to the best advantage of the State. Stocks are declared surplus after provision reviews at the N.H.Q. Generally surpluses are declared only after providing for five years' requirements. Items exceeding Rs. 5,000 in value in a single category are declared to the D.G., S. & D. while those below Rs. 5,000 in value are disposed of locally.

Directorate General of Ordnance Factories

The following drill was observed regarding disposal of stores by Ordnance Factories during the period 15th August 1947 to 31st March 1948:—

The Superintendents/Officers-in-Charge of Factories were authorised to declare unserviceable stores as surplus after meeting their 5 years' requirements or even more, if necessary. The surpluses of perishable stores or materials likely to deteriorate were declared after keeping quantities for the period up to which these stores could be preserved without any effect on quality.

During the period in question the following monetary limits were prescribed for the officers mentioned below to declare stores direct to the then DGD. Beyond these limits the sanction of the Government of India was required to be obtained.

Director General of Ordnance Factories—up to Rs. 100,000.

Deputy Director General—up to Rs. 50,000.

Assistant Director General—up to Rs. 10,000.

Superintendents/Officers-in-Charge—up to Rs. 5,000.

The declarations of surplus stores from one factory were always scrutinised by the Directorate General of Ordnance Factories to see whether the stores being declared as surplus could be utilised by other factories. The stores were declared to the DGD only when none of the factories could utilise them. In addition, a Salvage Section was formed in each factory and detailed instructions were laid down in order to ensure that all possible use was made of surplus and waste stores.

The drill outlined above has, however, been modified to the extent necessary to conform to the decision that the Ministry of Defence will now undertake to dispose of surplus arisings in Defence Installations up to the value of Rs. 5,000 in a single category and salvage and scrap without any limit.

APPENDIX XIX

REPORT REQUIRED BY PARA. 14 OF THE PROCEEDINGS OF THE PUBLIC ACCOUNTS COMMITTEE ON THE ACCOUNTS OF 1947-48 (POST-PARTITION) ON THE ADJUSTMENT OF OUTSTANDING AMOUNTS DUE FROM STATES.

A statement showing the outstandings against the various States, as on the 31st March 1948 and 31st March 1951 is attached (Annexure I). It will be seen that considerable progress has been made in recovering the outstanding amounts due from the authorities concerned, and that the total outstandings on the 31st March 1951 amount to Rs. 1,20,94,348/4/-, against a total of Rs. 2,32,34,915, as on the 31st March 1948.

2. The matter of effecting recoveries of the outstanding amounts is being vigorously pursued. In addition, the following special measures have been taken:—

- (a) A touring team, consisting of representatives of the Military Accountant General and the Master General of the Ordnance Branch, visited a number of the former Indian States, against whom the outstandings were pretty heavy, with a view to settling on the spot as many of the outstanding items as possible. As a result of this, considerable progress was made.
- (b) The assistance of Deputy Controllers of Military Accounts, posted to Part 'B' States has also been utilized in this matter.
- (c) Amounts due on account of grants-in-aid, which were due to certain States have not been paid as it is proposed to set them off against the amounts outstanding from these States.

3. At present the largest amount outstanding is that against the Jammu and Kashmir State. It may, however, be mentioned that of the sum of Rs. 26,27,828/12/-, shown as outstanding against this State, a sum of Rs. 7,26,207/8/- approximately, represents the cost of free issues to the Jammu and Kashmir State Forces in connection with the J. & K. operations, but these issues were erroneously shown as payment issues. This error is being corrected and it would bring down the outstanding amount to about Rs. 19,00,000. The question of recovering this amount is being pursued.

Annexure I

STATEMENT SHOWING OUTSTANDING AMOUNTS AGAINST FORMER INDIAN STATES ON ACCOUNT OF PAYMENT ISSUES OF STORES.

Name of the State	Outstanding amounts on 31-3-1948			Outstanding amounts on 31-3-1951		
I	2			3		
PART 'B' STATES						
I. Rajasthan Union.—	Rs.	A.	P.	Rs.	A.	P.
1. Jaipur	10,54,943	0	0	88,357	15	0
2. Jodhpur	10,85,306	0	0	2,02,085	5	0
3. Bikaner	3,22,744	0	0	1,14,314	13	0
4. Alwar	82,440	0	0	6,533	14	0
5. Bharatpur	22,000	0	0	16,197	1	0
6. Dholpur	7,500	0	0	121	3	0
7. Udaipur (Mewar)	26,080	0	0	16,236	11	0
8. Jaisalmer	33,000	0	0	662	11	0
9. Kotah	99,000	0	0	42,439	13	0
10. Bundi	12,000	0	0	768	3	0
	24,000	0	0			
11. Jhalawar	1,000	0	0	...		
12. Kishangarh	6,000	0	0	5,946	11	0
				4,93,664	4	0
II. PEPSU.—						
1. Patiala	9,27,120	0	0	77,091	3	0
2. Kapurthala	87,101	0	0	9,728	11	0
3. Nabha	90,067	0	0	37,740	1	0
4. Faridkot	1,00,090	0	0	1,19,072	12	0
5. Jind	19,000	0	0	3,292	5	0
6. Malerkotla	57,000	0	0	254	7	0
7. Kalsia	Nil			155	6	0
				2,47,334	13	0
III. Madhya Bharat.—						
1. Gwalior	6,92,713	0	0	42,759	10	0
2. Indore	1,98,683	0	0	12,679	10	0
3. Dhar	4,000	0	0	667	8	0
4. Dewas (Sr.) . . . . .	...			71	14	0
5. Ratlam	38,420	0	0	137	8	0
6. Rajgarh	605	0	0	Nil		
7. Narasingarh	1,000	0	0	Nil		
8. Dewas (Jr.)	18,000	0	0	Nil		
9. Joara	1,500	0	0	231	0	0
10. Bandwara	Nil			Nil		
11. Barwani	1,000	0	0	Nil		
				56,547	2	0
IV. Saurashtra Union.—						
1. Nawanagar	39,024	0	0	256	15	0
2. Bhavanagar	7,000	0	0	Nil		
3. Porbander	3,000	0	0	Nil		
4. Wankaner	2,000	0	0	Nil		
5. Rajkot	23,000	0	0	8	6	0
6. Morvi . . . . .	...			46	5	0
7. Junagarh	8,500	0	0	805	2	0
				1,116	12	0
V. Travancore-Cochin.—						
1. Travancore	2,75,079	0	0	27,557	12	0
2. Cochin	18,000	0	0	Nil		

	1			2			3		
	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.
VI. Hyderabad	11,70,104	0	0	4,68,906	9	0			
VII. Mysore	8,59,490	0	0	95,852	2	0			
Jammu and Kashmir	2,78,000	0	0	26,27,828	12	0			

PART 'C' STATES.

I. Himachal Pradesh.—

1. Mandi	23,033	0	0	10,656	9	0
2. Nahan (Sirmur)	17,067	0	0	4,887	13	0
3. Dhani	...			10	7	0
4. Chamba	1,000	0	0	143	4	0
5. Suket	3,000	0	0	49	2	0
6. Jubbal	2,000	0	0	Nil		

II. Vindhya Pradesh.—

1. Rowa	2,06,071	0	0	40,625	9	0
2. Panna	8,000	0	0	5,014	7	0
3. Datia	10,000	0	0	2,054	10	0
4. Samdhar	1,000	0	0	1,197	15	0
5. Ajaigarh	6,000	0	0	Nil		
6. Chatarpur	6,000	0	0	Nil		
7. Dungarpur	18,000	0	0	Nil		
8. Nagod	2,000	0	0	Nil		
9. Nowgong	2,40,000	0	0	Nil		

III. Kutch

III. Kutch	30,000	0	0	206	4	0
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IV. Tripura

IV. Tripura	1,18,630	0	0	4,125	5	0
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V. Bhopal

V. Bhopal	5,81,830	0	0	Nil		
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VI. Manipur

VI. Manipur	5,265	0	0	1,014	4	0
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VII. Bilaspur

VII. Bilaspur	21,000	0	0	Nil		
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PART 'A' STATES

I. States merged with Punjab (I).—

1. Pataudi	1,000	0	0	213	4	0
2. Dujwana	3,000	0	0	Nil		

II. States merged with Bombay Province.—

1. Kolhapur	16,000	0	0	8,800	13	0
2. Baria	35,000	0	0	10,841	6	0
3. Sirohi	24,000	0	0	9,902	3	0
4. Rajpipla	21,000	0	0	497	5	0
5. Baroda	3,39,067	0	0	12,169	9	0
6. Phaltan	Nil			Nil		
7. Idar (Himmatnagar)	1,500	0	0	Nil		
8. Miraj	Nil			Nil		
9. Akkalkot	19,000	0	0	Nil		
10. Lunawada	17,000	0	0	Nil		

III. States merged with U.P.—

1. Tehri Garhwal	19,000	0	0	5,696	3	0
2. Rampur	80,981	0	0	12,258	2	0
3. Banaras	11,000	0	0	797	12	0
4. Jasdev	...			22	1	0

IV. States merged with West Bengal.—

1. Cooch-Behar	8,90,796	0	0	1,93,926	5	0
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V. States merged with Madhya Pradesh.—

1. Raigarh	10,000	0	0	102	0	0
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VI. States merged with Orissa.—

1. Patna	233	0	0	Nil		
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GRAND TOTAL

GRAND TOTAL	1,04,83,915	0	0	43,43,348	4	0
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VII. Other Ministries, Private bodies etc.	1,27,51,000	0	0	77,51,000	0	0
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	2,32,34,915	0	0	1,20,94,348	4	0
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APPENDIX XX

(Ministry of Defence)

REPORT REQUIRED BY PARA. 16 OF THE PROCEEDINGS OF THE PUBLIC
ACCOUNTS COMMITTEE ON THE ACCOUNTS OF 1947-48 (POST-
PARTITION) ON THE OVER-ESTIMATING OF WORKS EXPENDITURE.

Instructions have been issued to all the Chief Engineers, to ensure that estimates are prepared more realistically, anticipating market trends as accurately as possible, on the basis of prevailing contractors' percentages in the area, prices of materials and labour and any other known factors affecting the estimates.

APPENDIX XXI

(Ministry of Defence)

REPORT REQUIRED BY PARAGRAPH 17 OF THE PROCEEDINGS OF THE PUBLIC ACCOUNTS COMMITTEE ON THE ACCOUNTS OF 1947-48 (POST-PARTITION) ON THE PREVENTION OF LOSSES OF CASH, OVERPAYMENTS, ETC.

The Committee wanted adequate steps to be taken, in consultation with the audit authorities to prevent in future huge losses of cash, over-payments etc. resulting from the negligence of the officers concerned; and desired that a memorandum showing the measures adopted for tightening control in the matter should be submitted to them in due course.

A Special Army Order (No. 12/S/51) has been issued, which—

- (i) contains a list of all previous orders issued on the subject,
- (ii) gives a resume of the important decisions on the subject,
- (iii) stresses the need for keeping cash in hand to the absolute minimum, and
- (iv) emphasises the responsibility of Imprest Holders to make good any loss of cash entrusted to their charge.

A copy of the above quoted Special Army Order is attached.

APPENDIX XXII

(Ministry of Defence)

REPORT REQUIRED BY PARAGRAPH 20 OF THE PROCEEDINGS OF THE PUBLIC ACCOUNTS COMMITTEE ON THE ACCOUNTS OF 1947-48 (POST-PARTITION).

With reference to para. 20 of the Audit Report for 1949, the Committee wanted to know whether Government had accepted the suggestion of the Audit authorities for the restriction of the amount of imprest on the basis of actual immediate requirements and the periodical verification of balance being made by the officers of the Military Accounts Department. It has been agreed that the following procedure should be adopted:

- (a) The maximum amount of cash balance that can normally be held at any time by an Imprest Holder should be fixed by Brigade or equivalent Commander in consultation with the F.C.M.A. (O. & C.H.), Clearing House, Poona.
- (b) Should the circumstances warrant a change in the amount of Imprest, such increase or decrease will be subject to the approval of the sanctioning authority.
- (c) The amount in the hand of an Imprest Holder will be restricted by the sanctioning authority to actual and immediate requirements, and will not normally exceed ten days' requirements. Cash for payment of normal pay and allowances in the first week of a month may, however, be obtained on required basis.
- (d) Use of Emergency Cash Requisitions should be resorted to in emergency only when time does NOT permit of funds being obtained from the normal source.

The above procedure will be modified, as follows, for units and formations located in the J & K area and elsewhere which have no banking facilities:—

- (a) Divisional/Area Commanders may authorise units to keep cash reserve up to a maximum period of 15 days' requirements.

(b) Where it is not possible to anticipate demands, HQ Commands may authorise units to keep cash reserve up to a maximum period of 1 month's requirements.

(c) Demands for cash reserve for period exceeding 1 month's requirements, should be forwarded to Army HQ through F.C.M.A. (O. & C.H.), Clearing House, Poona, for sanction. (This will include any heavy cash reserve for winter months).

2. The question of periodical verification of balances being made by officers of the Military Accounts Department is under consideration.

3. Formal orders notifying the agreed procedure will be issued as soon as possible.

APPENDIX XXIII

(Ministry of Defence)

REPORT REQUIRED BY PARAGRAPH 21 OF THE PROCEEDINGS OF THE PUBLIC ACCOUNTS COMMITTEE ON THE ACCOUNTS OF 1947-48 (POST-PARTITION).

The Committee wanted to know what procedure had been adopted to bring down the debtor balance in the pay accounts of other ranks and to restrict the future payments. Several instructions have already been issued by Army Headquarters from time to time to lower formations to the effect that there should be restricted issue of advances to personnel whose accounts are heavily in debt. It has been impressed on all concerned that advances of pay are to be within the authorised entitlement, and that the Imprest Holders should be personally responsible for any loss to Government. Command Headquarters have been asked to take a serious view of any disregard of the orders on the subject.

2. A consolidated special Army Order, containing instructions for the guidance of officers dealing with field imprest accounts, has been issued to bring home to all officers the importance of preventing over-issues and thereby reduce debtor balances of Army personnel. A copy of this Special Army Order (No. 12/S/51) was attached to the report submitted with reference to paragraph 17 of the proceedings of the P.A.C. on the accounts of 1947-48 (Post-partition).

3. It may be added that as a result of the instructions already issued on the subject, there has been a marked improvement in the state of debtor balances. The total amount of debtor balances has come down from about Rs. 107 lakhs in August 1949 to about Rs. 76 lakhs in February 1951.

APPENDIX XXIV

(Ministry of Defence)

REPORT REQUIRED BY PARA. 24 OF THE PROCEEDINGS OF THE PUBLIC ACCOUNTS COMMITTEE ON THE ACCOUNTS OF 1947-48 (POST-PARTITION).

In para. 24 of their proceedings quoted above, the Public Accounts Committee wanted (i) to be informed of the steps taken to realise the excess amount and (ii) that a procedure should be evolved in collaboration with the civil authorities so as to ensure that excess payments in connection with requisitioning of land are not made.

2. As regards (i) above, the Government of West Bengal (in whose jurisdiction the overpayment in question occurred) have reported that attempts were made to recover the excess amount drawn by the owners amicably, but without result. Consequently, in consultation with the Ministry of Law, the State Government has been asked to take legal action for the recovery of the overpayment. The outcome is awaited.

3. With a view to avoiding a recurrence of such instances, suitable instructions are being issued to the Deputy Directors of Military Lands and Cantonments not to authorise payment of compensation to the owners unless it has been certified by the competent officer of the unit for which the lands or buildings have been requisitioned that the possession of the lands or buildings for which the compensation is payable, has been assumed by him and that the same has remained under his occupation for the period the compensation has been assessed. It is also being made clear that in the event of any overpayment or other incorrect payment being made, the officer signing the certificate will be held personally responsible for any loss caused to Government thereby.

APPENDIX XXV

REPORT REQUIRED BY PARA. 26 OF RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE ON THE ACCOUNTS OF 1947-48 (POST-PARTITION) ON THE EXISTING PROCEDURE FOLLOWED BY M.E.S. AUTHORITIES IN SCRUTINISING TENDERS.

Invitation to tender is what may be called the fourth stage—as regards cost—in the career of a Works Project, the first three stages being—

- (1) Indication of cost,
- (2) Administrative approval, and
- (3) Technical Sanction.

Although at stage one, only a very rough Approximate Estimate is given, at stages two and three the anticipated cost of the Project is worked out in detail by taking out the areas and quantities of various types of works involved and pricing them at rates already obtained in open competition for similar work. Thus Administrative Approval, without which no work can be put out to tender, is a reasonable forecast of what the tender should be.

When tenders are received, the comparison of the amount of the lowest tender with the Administrative approval amount would give a general idea whether the tender is reasonable or not. In addition, before accepting the tender the Surveyor of Works Staff of the accepting authority checks the reasonableness of the tender by taking out details and pricing them at local market rates; and if the final figure so worked out compares favourably with the tendered amount the tender is taken as reasonable and accepted—otherwise the job is put out for re-tender.

As regards the question whether tenders contain an estimate of the work to be executed item by item or they are prepared on a lump sum basis, the position is as under:—

When tenders are invited for different classes of buildings each class of building is pre-priced by the M.E.S. as a separate item in the tender and contractors quote a percentage on or off the M.E.S. price. External and internal services are also treated as separate items.

In exceptional cases when tenders are invited on Drawings and Specifications and the M.E.S. estimate of the items is not given in the tenders, contractors are asked to quote a price separately for each item in the tender.

APPENDIX XXVI
(Ministry of Defence)

REPORT REQUIRED BY PARAGRAPH 28 OF THE PROCEEDINGS OF THE PUBLIC ACCOUNTS COMMITTEE ON THE ACCOUNTS OF 1947-48 (POST-PARTITION) ON THE SUPPLY OF BREAD BY THE ASC TO THE ARMED FORCES.

With the departure of British troops from India, the requirements of bread for the Defence Services have considerably decreased. The following revised policy has, therefore, been adopted for the provision of bread by the ASC to the armed forces:—

- (a) Bread should be baked under ASC arrangements only at those stations where the requirements for both free and payment issues are 300 lbs. or more per diem. Bakery units at such stations will be disbanded and replaced by civilian bakery personnel.
- (b) The requirements of one or more stations can however be combined for purposes of economical running of bakeries, provided suitable arrangements can be made for delivery of bread at these stations.
- (c) Steps will be taken to ensure that all overhead charges in the production of bread are kept to the minimum.
- (d) In stations where, owing to fluctuations of hospital strengths and payment issue requirements, the daily consumption of bread temporarily falls below 300 lbs., the bakery may continue to function provided:—
 - (i) The average daily requirements do NOT fall below 250 lbs.
 - (ii) It is anticipated that requirements will increase to 300 lbs. or more within a period of NOT more than two months. If, however, within two months the average daily requirements do NOT come upto 300 lbs., arrangements will be made for obtaining bread through local contracts.
- (e) Field Bakery units in operational areas will, however, continue to function until such time as the operations last.

Public Accounts Committee

- (f) In stations where bread is required for payment issues only, NO Government bakery will be established; but the O.C. station, with the prior approval of the Area Commander, should institute a small committee from amongst the entitled personnel, with a view to undertaking the production of bread on a co-operative basis. No trading will, however, be permitted. For this purpose, the committee will employ its own bakers and kneaders but will be authorised to obtain the ingredients for the production of bread on payment from the ASC. Any accommodation, bakery equipment, electricity, water and other facilities used by the committee for the production of bread will be charged for in accordance with the existing rules. Expenditure thus incurred will NOT be included in the annual production accounts of ASC bakeries, as the bread produced under this arrangement will be purely a private concern of the committee and will function outside Government accounts. The amounts realised as cost of ingredients and for facilities afforded to the Committee will be credited to the Defence Services Estimates.
- (g) Every endeavour will be made to meet the requirements of bread for the Air Force/Navy at stations where they are located.

APPENDIX XXVII

(Ministry of Defence)

REPORT REQUIRED BY PARAGRAPH 30 OF THE PROCEEDINGS OF THE PUBLIC ACCOUNTS COMMITTEE ON THE ACCOUNTS OF 1947-48 (POST-PARTITION).

Vigorous endeavours have been, and are still being, made to ensure maximum utilisation of spare capacity in Ordnance Factories, in order to reduce payments on account of idle facilities.

With a view to economic utilisation of the manufacturing capacity of Ordnance Factories, orders were issued in April 1950, according to which demands for all classes of stores required by Defence Services within the range of Ordnance Factory manufacture will be placed on Ordnance Factories. Only those items which cannot be produced in Ordnance Factories will be obtained through other agencies. If spare capacity exists after all service demands have been taken into consideration, work will be undertaken for other Ministries and private parties. In fact, other Government Departments are encouraged to place orders against spare capacity.

The further aspect of this matter, i.e., how far the exclusion of such idle facilities from costs of production is justified in the light of commercial principles of accounting is receiving consideration. The outcome will be made known in due course.

APPENDIX XXVIII .

(Ministry of Defence)

REPORT REQUIRED BY PARAGRAPH 31 OF THE PROCEEDINGS OF THE PUBLIC ACCOUNTS COMMITTEE ON THE ACCOUNTS OF 1947-48 (POST-PARTITION).

Prior to partition, enormous imported tinned stocks, provisioned by WAR OFFICE (U.K.) for the prosecution of the war against JAPAN were held in INDIA. Owing to the withdrawal of British troops from INDIA, a large surplus of these tinned items was left behind, and until this surplus was consumed or otherwise disposed of, no import was necessary. The value of these surplus stocks cannot be computed, at present. Imports of these foodstuffs (Milk powder, Fruits, Vegetables and Potatoes) again became necessary in 1948-49, when the Ministry of Food arranged these supplies. In 1949-50 the entire requirements of Tinned Milk and skimmed Milk powder and a part of Tinned vegetables, potatoes and fruits were imported, as indigenous producers were unable to meet all the requirements. From 1950-51, only Tinned Milk, Milk powder, Hops and Yeast are being imported. The quantities so imported are:—

Item	Year	Quantity Imported (Tons)	Value in Rupees
Milk Powder	1948-49	200	27,133
Milk Tinned	do	2742	32,17,349
Fruit Tinned	do	219	2,38,260
Veg. Tinned	do	307	3,89,395
Pots Tinned	do	70	
Milk Tinned	1949-50	2617	73,28,800
Milk Powder	do	700	12,13,333
Fruits Tinned	do	100	2,38,000
Veg. Tinned	do	1181	19,85,760
Pots Tinned	do	655	10,75,386
Milk Tinned	1950-51	3577	53,83,385
Milk Powder	do	1100	19,06,667
Hops	do	(Lbs) 1000	2,787
Yeast	do	(Lbs) 4512	7,896

The issue of rations to Defence Service personnel may be classified into two categories:—

- (a) Free issues.
- (b) Payment issues.

2. *Free issues.*—Free issue of rations is made to the service personnel (rank and file) but NOT to their families or to civilians paid from the Defence Services Estimates (except those in J. and K.). Free rations are issued at the scales laid down by the Government. The rations are drawn by units for their men from Supply Depots established in various military stations. Units then arrange cooking of the meals for their men in unit cook houses. Men do NOT draw rations direct from the Depots.

3. *Payment issues.*—Payment issues are made to the following:—

- (a) Officers (other than in J. & K.) and officer cadets.
- (b) Other serving personnel living with their families who prefer to draw the ration allowance in lieu of free issue.
- (c) Serving personnel who draw ration allowance when it will NOT be administratively convenient for Government to arrange free issue.
- (d) Families of serving personnel.
- (e) Military pensioners and their household.
- (f) Civilians paid from Defence Services Estimates and their household who may be permitted by Government to draw rations on payment.
- (g) Servants of officers, officer cadets and JCOs.

4. All payment issues will be strictly on pre-payment i.e. the purchaser will pay in cash on the counter for the articles before receiving them. NO cheques are accepted in lieu of cash. Rations on payment are drawn from Retail Shops ASC/Unit ration stands. Monetary limits for the various categories of personnel have been prescribed.

5. The scale of issue to service personnel will be the troops scale. Issue of rationed articles on payment to their families and entitled civilians will be restricted to the civil scale obtaining in the station concerned.

6. The officer in charge Retail Shop ASC/Unit ration stand is personally responsible for seeing that NO payment issues of ASC stores are made except on pre-payment to an individual irrespective of his status and financial position.

APPENDIX XXIX

STATEMENT SHOWING ITEMS OF EXPENDITURE OVER RS. 2,000/- IN EACH CASE—REFERRED TO IN THE FIRST SUB-PARA OF PARA 25 OF APPROPRIATION ACCOUNTS, DEFENCE SERVICES 1948-49 IN RESPECT OF WHICH SANCTION OF THE GOVERNMENT OF INDIA IS AWAITED.

Serial No.	Brief particulars of items	Amount involved	Head of Account	Circumstances in which expenditure was incurred without obtaining sanction of the Government of India or was admitted without proper authority	Present stage of the action taken to regularise the expenditure
1	2	3	4	5	6
2	<p>Unauthorised use of Government Transport by lady welfare workers for visiting J. & K. Casualties in Hospitals and in connection with welfare work.</p>	<p>Rs. 5,179</p>	<p>Sub Major Head C (d).</p>	<p>The use of Government Transport was authorised in view of the extreme shortage of civilian mode of conveyance and for maintaining good morale and spirit of the casualties from Jammu and Kashmir Area and for the success of Welfare Campaign for Troops in that Area. As the use of transport in such cases is not provided for in the existing rules Government sanction therefore is necessary.</p>	<p>The case is under consideration of the Q.M.G.'s Branch.</p>
2	<p>Supply of Transport to Kashmir State Government for transport of timber to Military Engineer Services and Army Service Corps contractors, etc. during 1948-49.</p>	<p>1,86,750</p>	<p>Sub Major Head C (d).</p>	<p>Transport was supplied free under the orders of H. Qrs., Western Command to Indian Army contractors, contractors sponsored by the J. & K. State and to departments of that State, although the provision of free transport was not authorised in such cases. A Statement of such supplies was furnished to H.Qrs., Western Command for investigation. As a result, a sum of Rs. 17,400 was recovered from certain Army Service Corps contractors. As regards the others, the question of obtaining Government sanction to regularise the supply is under consideration of Headquarters, Western Command.</p>	<p>The matter is under reference by the C.M.A., Western Command to H. Qrs., Western Command, New Delhi.</p>

The item is being reviewed by the L.A.O. in the light of orders issued in Army Instruction 77/51 authorising free use of Government transport from residence to Railway Station and place of duty in lieu of mileage allowance.

The matter is under consideration of Army Headquarters.

Army Headquarters have been requested by the CMA EC Meerut to obtain the sanction of the Government of India.

The use of transport in these cases was not authorised and hence was placed under objection.

According to Army Instruction (India) 676/45, matriculation is prescribed as the minimum requisite qualification for appointment to the clerical grade. In this workshop, individuals were employed as clerks on daily rates of pay even though they did not possess the above minimum qualification. Their employment for the period from August 1945 to March 1947 has been regularised and their continuance in employment beyond March 1947 requires to be regularised under Government Orders.

Sanction of the Government for the conveyance of personnel in Government transport existed only upto 14-6-48 and the provision of conveyance beyond that date was not authorised. It was considered absolutely necessary to provide transport to personnel who worked overtime, and to those on early shift, as they were living at Allahabad for want of accommodation at the Ordnance Depot and as the facility of train services was not available to such personnel.

3 Irregular use at Army H. Qrs. of Government Transport by several high ranking officers from January 1948 to March 1949.

4 Irregular employment of non-matric clerks in certain Workshops from 1-4-47 onwards.

5 Unauthorised provision of Government transport to certain Extra Temporary personnel (viz., early shift drivers, conservancy staff etc.) from Allahabad to an Ordnance Depot and back during the period 15-6-48 to 22-3-50.

\$1,378 Sub Major Head C (d).

20,453 Main Head 2

50,748 Do.

1	2	3	4	5	6
6	Payment of compensation to the owner for his bungalow No. 145 B.C. Lines, Meerut.	4,000	6 M.E.S.	Payment was made provisionally subject to Government sanction.	The matter is under reference to B-in-C, Army Headquarters.
7	Extra expenditure due to delay in dehiring 12 buildings which remained vacant for a considerable time and in some cases for nearly a year.	25,000	Do.	Timely action was not taken by the Administrative authorities for releasing the buildings as and when they fell vacant and therefore by extra expenditure was caused to State. This extra expenditure requires to be regularised.	The matter is under reference to Army Headquarters.
8	Overpayment to conservancy establishment on account of house rent, city compensatory allowance, interim relief and advance of pay during the period 1-1-48 to 31-5-49.	13,534	5 C (a)	Payments were made due to erroneous interpretation of orders and instructions on the part of the Administrative authorities and regularisation of the expenditure is necessary.	Sanction of Government of India is still awaited. Out of Rs. 23,794/- a sum of Rs. 10,250 has been recovered from serving personnel upto 30-4-51 thus leaving a balance of Rs. 13,534/-.
9	Unauthorised payment of extra duty pay to Chowkidars at Rs. 15/- p.m. from 11-1-47 to 30-4-48 in an Ordnance Depot.	16,166	Main Head 3-F	Payment was made provisionally at the instance of Headquarters (late) Patna Sub-Area Dinapore.	Sanction of the Government of India is awaited.
10	Erroneous payment of war gratuity in addition to contractual gratuity to Indian Territorial Force personnel transferred to the Regular Army.	Extra amount not known.	Main Head 1-A	War gratuity was erroneously paid to I.T.F. personnel transferred to the Regular Army under A.I.F. 371/46 while they were only entitled to contractual gratuity. The overpayment was due to the original orders on the subject not being clear and the exact intention of the orders was made clear only in 3/48.	The case is under consideration by A.G.'s Branch, Army Headquarters.
11	Over-issue of Field Advances to a certain Junior Commissioned Officer.	6,062	Main Head 1-A	21 Field Advances paid to the JCO were not recorded in his pay book A.B. 64M by the Officer who made the payments. The J.C.O. at the time of final settlement of his account, disputed the above advances. But acquittance rolls in respect	Do.

of these payments were produced and the accounts of the individual resulted in a heavy Dr. balance. The J.C.O. was Court Martialled, was awarded 6 months' rigorous imprisonment and was dismissed from Service. The over-payment requires to be regularised under Government orders.]

12 Over-drawal of Field Advances by an Ex-Havildar Clerk.

10,692 Main Head 1-A

The matter is under investigation by the A.G.'s Branch.

While serving in Malaya the individual drew large advances on the authority of forged letters, etc. purporting to authorities from the Field Pay Office. This has resulted in the Dr. Balance in his accounts. He has since become a deserter.

13 Over-issue of pay and allowances to the heirs of 41 prisoners of war in certain Training and Record Centres.

67,735

Do.

Final report from the F.C.M.A. (O.Rs.) regarding the exact amount involved is still awaited. The matter is under reference to the Officer-in-Charge, F.P.O., Pioneer Corps Depot and Records.

Pay and allowances of individuals who were notified as believed prisoners of war with effect from 15-2-1942 and subsequently reported as missing with effect from 15-11-45 were to be restricted upto 15-2-42. Mainly due to misapprehension of orders on the point by the Field Pay Officers, pay and allowances were erroneously admitted in their cases upto 15-11-45 (and in some cases even upto 1-9-46) and payment thereof was made to their heirs in the form of Terminal credit balances. Out of a total of 44 cases amounting to Rs. 71,461-4-0, a sum of Rs. 3,726-11-0 has been recovered in 3 cases from the payees concerned through the Civil authorities. Action has also been put in hand to recover the overpayment in the remaining 41 cases amounting to Rs. 67,734-9-0 wherever possible through the Civil Authorities. The overpayments

made in other Centres is also being ascertained. The amount that proves irrecoverable ultimately will require to be regularised under Government orders.

14 Unauthorised issue of supplementary rations (rice 46824 lbs., Dal 11955 lbs., Sugar 5977 lbs.) to recruits in excess of 90 days during the period 1-4-48 to 31-3-49.

17,982 Sub Major Head A

The question of regularisation is under active consideration of Air Headquarters.

The Air Officer Commanding Group sanctioned the issue of extra rations to recruits for a period exceeding 90 days as a general rule under A.F. (I) 93/48, as no specific limitation of period was laid down therein. This was objected to in audit as according to the original, issues for a period exceeding 90 days are not authorised.

15 Unauthorised use of Government Transport for the conveyance of officers and civilians between their residences and a depot during the period from 1-4-48 to 30-11-48.

21,616 Do.

Do.

Conveyance was provided by the Officer Commanding to the Officers under para 10 of A.F. (I) 22/47 to Civilians due to non-availability of public conveyance to them during office hours and to the non-admissibility of conveyance allowance to them. The Officer Commanding considered the use of Government transport was economical to the State. The provision of the above conveyance was objected to in audit as it was unauthorised under the existing rules.

16 Expenditure on Air Force works audited by A.G.C.P. and Berar as Sub Audit Officer. Excess expenditure are the amount of administrative approval (i.e.) expenditure incurred in excess of 20 per cent. of the amount administratively approved.

5,72,806 Sub Major Head C
(F) (a) (i).

The matter is under consideration of Air Headquarters.

Expenditure placed under objection, as revised final sanctions are obtained only when the completion costs are known and they are being ascertained. Out of a total expenditure of Rs. 11,12,406 a sum of Rs. 5,72,806 only still awaits Government sanction.

APPENDIX XXX

(MINISTRY OF DEFENCE)

SUBJECT:—*Analysis of items in the consolidated Trading Account and Profit and Loss Account of Military Farms for the year 1948-49.*

As desired in para. 32 (reproduced below) of the Proceedings of the Military Accounts Committee on the accounts of 1943-44, Commandwise Trading Account and Profit and Loss Account of Military Farms, in support of the consolidated accounts printed at pages 9 to 11 of the Commercial Appendix to the Appropriation Accounts: Defence Services, 1948-49 are enclosed for the information of the members of the Public Accounts Committee:—

“32. The Committee observed that the only trading account of Military farms which was furnished in the Appendix was a consolidated account of all farms. As the number of farms had greatly increased they desired that separate trading accounts for farms by Commands or circles should be furnished in future in order to enable them to see which set of farms was being run at a profit and which at a loss. This would enable them to exercise better control”.

2. The data contained in the statement has been test checked by the Director of Audit, Defence Services.

Command-wise Trading account of

Dr.

Particulars	E.C.	S.C.	W.C.	Total
I	2	3	4	5
	Rs.	Rs.	Rs.	Rs.
To stock on 1st April 1948				
• Dairy produce	35,935	9,98,821	34,884	10,69,640
Ice, Salt and acid etc.	27,264	36,552	38,767	1,02,583
Grains Fodder	12,90,587	22,05,802	5,51,185	40,47,574
Other miscellaneous stores	9,37,920	11,41,412	5,29,214	26,08,546
To Purchases				
Ice, Salt, acid etc.	89,585	1,90,332	51,528	3,31,445
Custom duty on imported material . . . . .	...	...	...	...
Dairy produce and Hire of cattle	7,43,185	20,15,937	28,12,416	55,71,538
• Dairy produce received from Farms	14,95,452	4,91,315	2,35,750	22,25,527
To cultivation charges	3,51,410	6,12,223	2,00,722	11,64,355
To rent of land	34,388	35,709	8,972	79,069
To feed of animals including rent of grazing land and grazing charges.	22,72,018	34,46,316	11,49,754	68,63,038
To rail and other transport charges	2,63,361	5,59,420	2,12,792	10,41,573
To gross profit carried over	38,25,642	38,41,419	31,94,252	1,03,61,313
TOTAL	1,13,73,747	1,55,78,258	90,20,276	3,59,72,281
Percentage of gross profit on turn over	39.5	31.3	40.4	35.3

Command-wise Profit and Loss account of

To administrative staff	2,06,856	2,89,394	73,889	5,70,139
To pay and allowance of staff and officers	22,52,747	25,14,509	11,70,932	59,33,133
To Military Accounts Department charges	44,360	53,823	34,505	1,32,733
To leave and superannuation allowance	24,367	14,759	13,059	52,195
To travelling allowance	57,091	65,653	19,866	1,42,619
To Accommodation				
I. Deferred revenue Expenditure brought forward from previous year	3,02,402	3,13,865	6,240	
II. Expenditure during the year	21,607	1,34,606	29,998	
III. Total I and II	3,24,009	4,48,471	36,238	
IV. Less Deferred revenue Expenditure carried over	35,467	13,740	741	

Military Farms in India for the year 1948-49

CR.

Particulars	E.C.	S.C.	W.C.	Total
6	7	8	9	10
	Rs.	Rs.	Rs.	Rs.
By sale of dairy produce	62,66,345	1,00,40,641	70,15,472	2,33,22,458
By cost of Dairy produce transferred between Farms	14,96,452	4,94,315	2,35,760	22,26,527
By sale of agricultural produce	17,32,065	17,50,445	4,02,026	38,84,536
By sale of produce ex-Development Farms	1,65,000	(—) 75	2,58,185	4,23,110
By value of Stock on the 31st March 1949				
Dairy produce	81,454	2,71,915	29,361	3,82,730
Ice, salt, Acid etc.	27,116	27,438	4,145	59,699
Grain and Fodder	9,62,370	18,75,781	6,72,351	35,10,502
Other Miscellaneous stores	6,42,906	11,17,516	3,98,418	21,58,840
Bad debts	39	282	3,558	3,879
TOTAL	1,13,73,747	1,55,78,258	90,20,276	3,59,72,281

Military Farms for the year 1948-49

By gross profit brought forward	38,25,642	38,41,419	31,94,282	1,08,61,343
By Miscellaneous Receipt	16,71,513	21,68,531	6,17,652	44,57,696
By interest on Government Account	(—)29,239	(—)1,79,298	(—) 7,676	(—)2,16,213
By receipt from casualties and Condemnations	27,892	50,311	17,157	95,360
By transfer of stores from Revenue to Capital	3,77,939	2,75,820	1,89,438	8,43,197

	1	2	3	4	5
V. Net Expenditure III <i>minus</i> IV		2,88,542	4,34,731	35,497	7,58,770
To water and Electricity		41,446	1,25,949	59,273	2,26,669
To conservancy charges		4,234	1,309	5,338	10,880
To telephone charges		6,373	9,111	4,509	19,993
To part cost of central veterinary Laboratory		4,997	7,692	1,833	14,522
To cost of free medical treatment.					
To plant and machines repairs					
I. Value of stock spare parts at the beginning of the year		3,83,610	4,38,779	1,00,548	
II. Expenditure during the year		2,79,665	3,39,970	1,92,377	
III. Total of I and II		6,63,275	7,78,749	2,92,925	
IV. <i>Less</i> stock of spare parts		3,17,496	5,01,038	98,576	
V. Net Expenditure III (—) IV		3,45,779	2,77,711	1,94,349	8,17,840
To Miscellaneous stores, stationery etc.		10,90,130	6,84,268	4,72,681	22,47,079
To loss of cash		874	...	...	874
To Depreciation					
(i) Building		98,811	54,134	77,772	2,30,717
(ii) Live-stock		2,29,513	2,61,662	1,56,458	6,47,633
(iii) Plant and Machinery		92,752	1,01,997	61,876	2,56,625
To casualties of cattle etc.		67,935	60,385	44,338	1,72,658
To condemnation of cattle etc.		46,700	75,935	76,277	1,98,912
To interest on capital		1,66,317	3,18,434	1,33,198	6,17,949
To Bad debts		39	282	3,558	3,879
To Development farms		1,34,144	...	1,53,725	2,87,870
To net profit made during year		6,69,739	8,05,035	12,17,810	26,92,584
TOTAL		58,73,747	61,56,783	40,10,853	1,60,41,383
Percentage of net profit on turn over		6.9	16.5	15.4	9.02

6	7	8	9	10
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TOTAL	<u>58,73,747</u>	<u>61,56,783</u>	<u>40,10,853</u>	<u>1,60,41,383</u>
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APPENDIX XXXI

WRITTEN INFORMATION FURNISHED BY THE MINISTRY OF DEFENCE ON THE REMAINING POINTS ARISING OUT OF THE APPROPRIATION ACCOUNTS (DEFENCE SERVICES) FOR 1948-49 AND THE DEFENCE AUDIT REPORT, 1950 WHICH COULD NOT BE COVERED BY THE COMMITTEE.

Audit Report, Defence Services 1950

Para. 36—*Non-recovery of hire charges:*

Q. 1.—*What is the progress made in the recovery of the hire charges and the disciplinary action taken against the delinquent officers?*

A.—The total amount involved is Rs. 24,29,948-15-0.

Of this amount a sum of Rs. 3,31,786-9-0 has been realised. The total outstandings as on 1st July 1951 are Rs. 20,98,162-6-0.

Of Rs. 20,98,162-6-0 outstanding the bulk is made up of the following items:—

- (i) Rs. 15,74,428-3-0 was due from East Punjab Railway on account of hire charges. They have now agreed to purchase the stores involved. The transactions are, therefore, being converted into payment ones.
- (ii) Rs. 86,722-11-0 from E.I. Railway who have also agreed to purchase the stores involved. Necessary action is in hand to convert the transactions into payment ones.
- (iii) Rs. 1,96,650-13-0 is due from E.I.R. The recovery is still being pursued.
- (iv) Rs. 83,893-15-0 is due from Principal, Thomason College, Roorkee. The matter is being pursued with the college authorities.

As regards to the fixation of the responsibility for the non-maintenance of the records of payment hire issues prior to 1st August 1949, a thorough investigation could NOT be conducted due to the following reasons:—

- (i) For period prior to partition various personnel affected have either left for U.K. or Pakistan or have left service.

- (ii) For period after partition i.e. 1948, heavy arrears of work existed in COD, Kanpur and also immediate issues for Kashmir/Hyderabad Operations were being attended to. Furthermore on account of the lapse of time the investigation cannot lead to any tangible results.

In view of this, the disciplinary aspect of the case was dropped.

Para. 37—Fraud in a Detail Issue Depot:

Q. 2.—Why was no disciplinary action taken against the subordinates who rendered the fraud possible by falsifying the records?

A. The three subordinates viz. Hav./Clerk Dhanna Singh, Nk. T. K. Narayanan and Nk. Gulwant Singh were dealt with summarily by the O.C. Unit and were awarded "severe reprimand".

No further disciplinary action can be taken against the individuals as punishment once awarded cannot be enhanced nor can an individual be retried for the same offence *vide* I.A.A. Rule (15) (I), note (C)5 and I.A.A. Section 66.

Para. 39—Delay in utilising or surrendering accommodation:

Q. 3.—How did the delay occur? What action has been taken against those responsible for the delay and what measures have been adopted to prevent recurrence of such delays?

A. Office Accommodation in Jehangir Building, Mahatma Gandhi Road, Bombay, which was occupied by the Office of the Controller of Naval Accounts was vacated on 26th January 1949. Due action was taken by the Administrative Commandant to inform Headquarters Bombay, who on 11th March 1949 allotted the accommodation to the Inspection Wing, Technical Development Establishment (Vehicles). The building remained unoccupied pending approval of the Director of Technical Development at Army Headquarters. The Director of Technical Development stated that the Technical Development Establishment (Vehicles) which was located in the Ordnance Depot, Sewri, Bombay, should not embark on separate accommodation but should ask for two rooms and a telephone from the local military authorities. Apparently administrative reasons prompted this decision. The local military authorities made efforts to secure suitable accommodation for Technical Development Establishment (Vehicles) but were unsuccessful. Consequently the Director of Technical Development ultimately had to approve the above accommodation being occupied by the Technical Development Establishment (Vehicles) on 26th July 1949.

Meanwhile when it came to the knowledge of Headquarters Bombay Area that the building was still vacant the accommodation was allotted to Commander, Royal Indian Engineers (Projects) on 12th August 1949 who moved the Posts and Telegraphs Department for the installation of Telephones before occupying the premises. The Post and Telegraphs Department in spite of repeated contacts did not instal the telephones. However, the building was occupied by the Commander, Royal Indian Engineers (Projects) from 26th October 1949 and was handed over to Barrack Officer (East) Bombay on 7th December 1949.

In Bombay and Calcutta the accommodation position is acute and, therefore, before surrendering any accommodation, it is necessary to ascertain whether it is really surplus to overall requirements of the Central Government. In pursuance of this, H.Q. Bombay Sub-Area asked on 21-12-1949 the Estate Manager, Government of India, Bombay, on vacation of the accommodation by Commander, Royal Indian Engineers whether the building was required for civil departments of the Central Government. The Estate Manager, in turn, asked for more particulars of the building. Pending receipt of his final acceptance, the Naval authorities were also approached, who replied on 6-2-1950 that the building was not required by them. After exploring the possible needs of the various military departments, it was transferred to the control of the Works, Mines and Power (now W. P. & S.) on 22-2-50.

It will be appreciated that delays in allotment and occupation of accommodation do occur sometimes due to circumstances beyond the control of the allotting authority. Examination of requirements is frequently necessary when a building falls vacant and takes some time. In this case the time taken was somewhat long as the offices to whom the allotments were made could not for certain reasons come forward promptly to occupy the building. In view of the facts stated above, holding of a Court of Inquiry at this stage will not serve any useful purpose and it will be difficult to fix responsibility for the delay on individuals.

To prevent recurrences of such delays, instructions have been issued to local authorities, to re-allot or dispose of all accommodation falling vacant as quickly as possible. It has been enjoined on them that the offices using the accommodation should be asked to give advance intimation of their intention to vacate the accommodation allotted to them so that arrangements may be made to re-allot/

dispose of it in time to obviate infructuous expenditure. Every endeavour should be made to allot or release the buildings within 15 days of their vacation and responsibility be fixed on the officers concerned in the event of undue delay. With these instructions it is expected such irregularities will not recur in future.

The Admiral's House in Bombay which was then being used as an officers' mess was vacated on 25-10-48 on the closing down of the mess. It was occupied by the office of the C.D.A. (Navy) in March 1950.

Reasons for the house remaining vacant for 16 months

This was a permanent Navy building and N.H.Q. were anxious to utilize it for the Navy. Several alternative proposals for its use by the Navy were considered at different stages before it was finally decided to give over the building to the C.D.A. (Navy). These proposals are briefly described below:—

- (i) At first it was proposed to utilize this building as an office for Commodore-in-Charge Bombay. Commodore-in-Charge Bombay was asked to obtain estimates from the M.E.S. for additions and alterations necessary to convert the building into his office. The matter was thoroughly investigated by him and it was reported that the building was not suitable for his requirements. On receipt of his report in the middle of January 1949, this proposal was given up.

Time taken. 2½ months.

- (ii) It was then proposed that the building be converted into Junior Officers' flats as there was a shortage of officers' accommodation in Bombay. Indication of cost and plans for the proposed alterations were, therefore, asked for. These were prepared by local engineers and were received early in April 1949. The proposal was examined in detail at N.H.Q. and it was decided that the conversion cost of Rs. 80,000 was very high. The proposal was, therefore, dropped.

Time taken 4 months.

- (iii) Commodore-in-Charge Bombay was then asked to examine the proposal locally and suggest any better use of the building. In the beginning of July 1949, the following suggestions were received from him.

- (a) To hand over the building after some additions and alterations to the Controller of Defence Accounts (Navy) for use as his office.

(b) To convert it into 3 senior officers' flats.

Time taken.

2 months.

(iv) As it was always the intention of N.H.Q. to use this building, if possible, for the Navy, Commodore-in-Charge Bombay was told to forward estimate for (b) above to allow the proposal to be examined in detail. The estimates were received in the beginning of November 1949.

Time taken.

4 months.

It may be mentioned that both in items (ii) and (iv), measurements had to be taken and drawings prepared before estimates could be made out and this accounts for the period taken.

(v) On receipt of the estimates this proposal too was found to be uneconomical. Commodore-in-Charge Bombay was accordingly apprised of this decision and told to hand over the building to the C.D.A. (Navy). Before, however, the C.D.A. (Navy) Office could actually move into this building, it was necessary to carry out several additions and alterations to it. These were carried out by the MES after the necessary administrative approval was accorded by the C.F.A. and funds arranged.

All this took

3½ months.

Action taken against these responsible for the delay

The analysis given above will explain the time taken. It will be appreciated that detailed investigations had to be made including preparation of drawings and estimates of the various proposals which had to be considered and this entailed a considerable amount of time. It could not be said that there was any undue and excessive delay.

Measures adopted by N.H.Q. to prevent the recurrence of such delays

Instructions have been issued to all concerned that no Government owned or hired building should be allowed to remain unallotted for a long time after its vacation, and if a particular hired or requisitioned accommodation is not required, steps should be taken to release the same.

Para. 41—Loss of paints:

Q. 4.—What is the result of the staff Court of Enquiry?

A.—The Court of Inquiry after examining all the witnesses involved has come to the conclusion that NO *prima facie* case for disciplinary action can be established as NO responsibility can be pin-

pointed to any particular person/s. This opinion has been endorsed by HQ Eastern Command and accepted by the Ministries of Finance (Defence) and Defence.

Para. 46.—Manufacture of crankshafts for supply to a private firm:

Q. 5.—Has the legal liability of the firm been established and have necessary instructions been issued that no private jobs should be undertaken under any circumstances without entering into formal agreements?

*A.—*The legal liability of Messrs. Cooper Engineering Company to pay for the crankshafts on the basis of costs of production is still under the consideration of Ministry of Commerce and Industry.

Since 31st August 1946 no private jobs are undertaken by Ordnance Factories without entering into a formal agreement. Instructions have been issued to ensure that Ordnance Factories do not enter into contracts which might involve unspecified liability and that no accounting problems arise between them and the Commercial houses.

Q. 6.—Is the procedure laid down for the execution of "Deposit works" under which advance payment is required to be made by the party on whose behalf the work is undertaken not followed in the Ordnance Factories to obviate such disputes arising at a later stage?

*A.—*Factories have strict instructions that for minor work "cash with order" should be the recognised form of payment and for orders covering several months work and involving large amounts "Security Deposit or one month's payment at maximum production rate in advance" should be demanded. The Accounts authorities are also watching closely this aspect of transactions with firms. Prepayment is not however insisted upon against orders from Government Departments or recognised firms of known financial stability.

In regard to order from Messrs. Cooper Engineering Co. Ltd. for Crankshafts the complications in which we are now involved are due to:—

(a) the order having been placed on the Director General, Ordnance Factories by Director General, Industries and Supplies (now Director General, Supplies and Disposals) and the transaction having been treated by D.G.O.F. as one between Ordnance Factories and D.G.I. & S., another Government Department.

(b) the order having been accepted by the Director General, Ordnance Factories prior to the introduction of the procedures referred to above in regard to acceptance and execution of trade order by Ordnance Factories.

Para. 47.—Delay in watching adjustment of an advance.

Q. 7.—Why was no action taken against the Garrison Engineer who was mainly responsible for the loss?

A.—On the 3rd August 1945, a sum of Rs. 23,000 was advanced by the late Garrison Engineer (Major E. Elington), 903 Indian Works Section, Tezpur, to Captain C. T. Bonney for payment to 10 Eastern States Labour Pioneer Corps. An entry to that effect was made in the cash book on the same day. It was subsequently observed that the original vouchers, which were to be submitted to the audit authorities in support of the entry in the cash book, were not forthcoming. Although the irregularity occurred in August 1945, it was pursued by the internal check authorities in October 1947 with the Garrison Engineer, Shillong, by which time the Garrison Engineer had left, Capt. Bonney had been released, and 903 Indian Works Section had been disbanded, its records being taken over by the G. E. Shillong. In spite of all efforts and protracted correspondence it was not possible to trace how the amount in question was expended nor were any records available to enable the disciplinary aspect of the case to be examined. In the circumstances of the case, it was decided by the Government of India to treat the case as closed *vide* the Ministry of Defence letter No. 41437/AG/PS3(E)/3611-A/D.5, dated the 11th April, 1950 (copy reproduced below).

Copy of letter No. 41437/AG/PS3(E)/3611-A/D-5, dated the 11th April, 1950.

SUBJECT:—Regularisation of the sum of Rs. 23,000 on account of loss of vouchers by G. E. Shillong.

I am directed to refer to the correspondence ending with Headquarters, Eastern Command No. 220102/12/A(PS-2), dated the 1st August 1949, to the address of Army Headquarters, A.G's Branch, New Delhi, regarding an advance of Rs. 23,000 (Rupees twenty three thousand only) given by late G.E. 903 Indian Works Section, Tezpur, to Captain C. T. Bonney on 3rd August 1945 for payment to 10 Eastern States Labour Pioneer Corps, which could not be accounted for due to the loss of relevant vouchers in the office of the Garrison Engineer, Shillong, and to say that the President, after due consideration, is pleased to decide that the case should be treated as closed.

Para. 52.—Loss of Stores in a Military Engineer Services Division.

Q. 8.—Has the Engineer-in-Chief considered the desirability of conducting an immediate investigation of such losses in future? The delay might hamper (i) proper investigation (ii) chances of recovery and (iii) action against persons responsible for the losses.

A.—This loss occurred during the abnormal years of the late War. The delay was due to the fact that the loss statement was under scrutiny for a long time between the staff, Engineer and accounts authorities. Additional information required by various authorities:

had to be collected and at least once the whole loss statement had to be revised. Moreover, the Chief Engineer first wanted to regularise the loss locally as unavoidable loss and later under the scope of General Waiver letter to which the Controller of Military Accounts did not agree. Such delays are not common. For the future, instructions have also been issued that losses of stores should be promptly investigated and regularised, *vide* Army Headquarters No. 8529/32/E3A, dated the 10th July, 1950, and No. 9623/21/Q3 (Wiii), dated the 25th January, 1951, and also Army Instruction No. 346 of 1949 (copies reproduced below).

Copy of Army Headquarters No. 8529/E3A, dated the 10th July, 1950, to Chief Engineers, Southern, Eastern and Western Commands.

SUBJECT:—Courts of Inquiry in losses of stores

Several cases have recently come to light in which Courts of Inquiry were held after a lapse of 1—4 years from the dates of discovery of losses.

2 In each case the inquiry proved inconclusive as the individuals responsible for the losses were either not available or material evidence against them to warrant punishment could not be adduced owing to the passage of time.

3. Time factor is, therefore, a matter of paramount importance and should be impressed upon all officers in your Command, who deal with stores.

4. All cases of delay in arranging investigations of circumstances leading to a loss or irregularity will be inquired into from disciplinary point of view by C.Es., and a report with full details rendered to this Hqrs.

5. It is desired that the contents of this letter are brought to the notice of all concerned.

6. Please acknowledge.

Copy of Army Headquarters No. 9623/21/Q3(Wiii), dated the 25th January, 1951, to Headquarters, Southern, Eastern, and Western Commands.

SUBJECT!—Courts of inquiry in losses of stores

From the examination of proposals submitted to Army HQ for regularization of losses of buildings and Engineer and other stores, it has been noticed that in several cases inordinate delays have occurred in holding courts of inquiry for investigating reasons for each loss.

2. It is pointed out that any delay in holding the inquiry defeats the object with which the investigation is made, as in majority of cases either the persons who would be in the knowledge of the facts of the case are not available to give evidence before the court or the relevant documents are found missing. In some cases the persons found guilty by the court are not available and cannot be punished for their misconduct or neglect of duty.

3. Government takes serious view of cases in which the investigation made by a court of inquiry is incomplete for non-availability of relevant witnesses or documents, due to lapse of time.

4. You are, therefore, requested to issue suitable instructions to all lower formations impressing on all Commanders the necessity for holding courts of inquiry when necessary as soon as the loss is brought to their notice. If there are unavoidable circumstances which preclude prompt investigation, they should be explained in the proceedings of the court of inquiry. *

5. A copy of the instructions issued by you should please be forwarded to this H.Q.

6. Instructions on the above subject have also been issued through Engineer channel vide Army H.Q. letter No. 8529/32/E3A dated 10 July 1950.

Army Instruction 1949.

348. Instructions for regulating the enforcement of responsibility for losses, etc.

1. The cardinal principle governing the assessment of responsibility is that every public officer should exert the same vigilance in respect of public expenditure and public funds generally as a person of ordinary prudence would exercise in respect of the expenditure and the custody of his own money. While, therefore, the competent authority may, in special cases, condone an officer's honest errors of judgment involving financial loss, if the officer can show that he has acted in good faith and done his best up to the limits of his ability and experience, personal liability must be strictly enforced against all officers who are dishonest, careless or negligent in the duties entrusted to them.

2. It is of the greatest importance to avoid delay in the investigation of any loss due to fraud, negligence, financial irregularity, etc. Should the administrative authority require the assistance of the CMA/FCMA in pursuing the investigation, he may call on that officer for all vouchers and other documents that may be relevant to the investigation; and if the investigation is complex and he needs the assistance of an expert audit officer to unravel it, he should apply forthwith for that assistance to the Adjutant General, Army Headquarters who will then negotiate with the Military Accountant General for the services of an investigating staff. Thereafter the administrative authority and the audit authority will be personally responsible within their respective spheres, for the expeditious conduct of the enquiry.

3. In any case in which it appears that recourse to judicial proceedings is likely to be involved, competent legal advice should be taken as soon as the possibility emerges. In the case of losses involving a reasonable suspicion of fraud or other criminal offence, a prosecution should be attempted unless the legal advisers consider that the evidence available is not such as will secure a conviction. The reasons for not attempting a prosecution should be placed on record in all such cases.

4. In cases where loss is due to delinquencies of subordinate officials and where it appears that this has been facilitated by laxity of supervision on the part of a superior officer, the latter should also be called strictly to account and his personal liability in the matter carefully assessed.

5. The question of enforcing pecuniary liability should always be considered as well as the question of other forms of disciplinary action. In deciding the degree of an officer's pecuniary liability, it will be necessary to look not only to the circumstances of the case but also to the financial circumstances of the officer, since it should be recognised that the penalty should not be such as to impair his future efficiency.

In particular, if the loss has occurred through fraud, every endeavour should be made to recover the whole amount lost from the guilty persons, and if laxity of supervision has facilitated the fraud, the supervising officer at fault may properly be penalised either directly by requiring him to make good in money a sufficient proportion of the loss, or indirectly by reduction or stoppage of his increments of pay.

It should always be considered whether the value of Government property or equipment lost, damaged or destroyed by the carelessness of individuals entrusted with their care should not be recovered in full up to the limit of the Government servant's capacity to pay.

6. Steps should be taken to ensure that a Government servant concerned in any loss or irregularity which is the subject of any enquiry, is not inadvertently allowed to retire on pension while the enquiry is in progress; and accordingly, when a pensionable Government servant is concerned in any irregularity or loss, the authority investigating the case should immediately inform the CMA & P and the authority competent to sanction pension, and it will be the duty of the latter to make a note of the information and to see that pension is not sanctioned before either a conclusion is arrived at as regards the Government servant's culpability, or it has been decided by the sanctioning authority that the result of the investigation need not be awaited.

7. The fact that officers who were guilty of fraud or irregularities have been demobilised or have retired and have thus escaped punishment, should not be made a justification for absolving those who are also guilty but who still remain in service.

8. A. Is 16/30 and 34/36 are cancelled.

COMMERCIAL APPENDIX TO THE APPROPRIATION ACCOUNTS (DEFENCE SERVICES) FOR THE YEAR 1948-49 AND THE AUDIT REPORT THEREON.

Para. 5.—Heavy Rejections.

Q. 9.—To what extent rejections have now been reduced?

A.—In the Ordnance Factory, Muradnagar there were rejections in the manufacture of 3" Mortar Bomb Bodies, Hand Grenades No. 36-M and .303" A.P. Cores during 1948-49.

Average percentage rejection of Mortar Bombs and Grenades over past 2 years is approximately 20 per cent. as against 45 per cent. for the years 1944 to 1949: Production of armoured piercing cores has stopped. This considerable improvement in the percentage rejection has been achieved due to the staff being more experienced now and other remedial measures to improve the quality of castings.

APPENDIX XXXII

PROCEEDINGS OF THE MEETING OF THE PUBLIC ACCOUNTS
COMMITTEE HELD ON THE 16TH FEBRUARY, 1952.

The Committee met from 10 A.M. to 12 NOON.

The following were present:

Shri B. Das—*Chairman*.

Pandit Krishna Chandra Sharma
Shri H. S. Rudrappa
Shri S. N. Das
Dr. Mono Mohon Das

} *Members*

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

SECRETARIAT

Shri M. N. Kaul—*Secretary*.

Shri S. L. Shakhder—*Officer on Special Duty*.

The Committee took up consideration of the Draft Report on the Appropriation Accounts (Civil) and (Posts and Telegraphs) of 1948-49 and unfinished Accounts (Civil) of 1947-48 (post-partition). The Comptroller and Auditor-General suggested a revised draft of para 5 of the 'Introduction' relating to the early presentation of the Accounts and Audit Reports to Parliament which was approved by the Committee.

2. The Committee then discussed at some length the measures that should be devised to strengthen parliamentary and audit control over Government industrial undertakings financed from the Consolidated Fund and also whether it was within the competence of the Executive Government to set up organisations like Sindri Fertilizers and Chemicals Ltd. without specific legislation being passed by Parliament. The Committee considered that the working of the State sponsored Corporations should be regulated by Statutes of Parliament and their finances subjected to audit by the Comptroller and Auditor-General and scrutiny of the Public Accounts Committee. They accordingly desired that this para should be revised in the light of discussions in the meeting and approved by the Chairman.

3. The Committee considered paragraph 33 relating to the Whisky deal in the U.K. and decided that it should be redrafted in the light of the discussions and submitted to the Chairman for approval.

4. The Committee deleted paragraph 8 of the 'Introduction' and paragraphs 20 and 39 of the report. The report was then approved subject to some minor additions and alterations here and there.

5. The Committee then took up consideration of the Second Draft Report on the Appropriation Accounts (Defence Services) and (Railways) for 1948-49 and approved paras 1—9 thereof. The Committee had not concluded their deliberations when they rose for lunch. They decided to meet again at 4 P.M. to complete the report.

**PROCEEDINGS OF THE MEETING OF THE PUBLIC ACCOUNTS
COMMITTEE HELD ON THE 16TH FEBRUARY, 1952.**

The Committee met from 4 P.M. to 6 P.M.

The following were present:

Shri B. Das—*Chairman*.

Pandit Krishna Chandra Sharma

Shri S. N. Das

Dr. Mono Mohon Das

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

} *Members*

SECRETARIAT

Shri M. N. Kaul—*Secretary*.

Shri S. L. Shakhder—*Officer on Special Duty*.

The Committee resumed further consideration of the Second Draft Report on the Appropriation Accounts (Defence Services) and (Railways) for 1948-49.

They considered para. 10 of the Draft Report relating to the purchase of jeeps from the U.K. After some discussion the Committee decided to retain the existing paragraph and desired that suitable additions should be made therein incorporating *inter alia*, their recommendations in regard to the proper functioning of the I.S.D., London and the setting up of an independent Financial authority for advising the High Commissioner for India. The Chairman was authorised to approve the revised paragraph.

The Report on the Defence Accounts was adopted by the Committee subject to some minor additions or alterations here and there.

2. The second part of the Report relating to the Appropriation Accounts (Railways) was approved without any modification.

3. Before the Committee adjourned, they desired to place on record their appreciation of the valuable guidance given by the Chairman and the Comptroller and Auditor-General during the conduct of their business. They also expressed their gratitude to the

Secretary to Parliament, who had also been working as Secretary to the Committee, for the valuable assistance and co-operation given to the Committee by him and the staff of the Parliament Secretariat in the discharge of their functions.

4. The Committee authorised the Chairman to sign the Report on their behalf, as usual, and present it to Parliament on the 26th February, 1952.

5. The Committee then adjourned *sine die*.

APPENDIX XXXIII

STATEMENT SHOWING THE PARTICULARS OF THE MEETINGS OF THE PUBLIC ACCOUNTS COMMITTEE, THE ATTENDANCE OF MEMBERS AND THE SUBJECTS DISCUSSED ETC.

Date.	No. of Members attending the meeting	Duration	Business transacted
25th Septr. 1951	8	3 Hours	Consideration of the Accounts relating to the Defence Services for 1948-49.
26th Septr. 1951.	6	3 Hours	Ditto.
27th Septr. 1951	5	3 Hours	Consideration of the Accounts relating to the Railways in India for 1948-49.
16th February 1952.	5	4 Hours	Consideration of the draft report on the Accounts of (Railways) and (Defence Services) for 1948-49. etc

APPENDIX XXXIV

SUMMARY OF THE RECOMMENDATIONS OF THE SECOND REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE APPROPRIATION ACCOUNTS (DEFENCE SERVICES) AND (RAILWAYS) OF 1948-49.

Serial No.	Paragraph of the Report	Ministry or Department concerned	Recommendations
1	2	3	4
1	2	Defence.	<p>Spending Departments should avoid inflating their estimates. All anticipated savings should be surrendered as soon as they become known without waiting till the end of the year. Departments should appraise properly their commitments and liabilities when it becomes apparent that the actual expenditure is likely to fall short of the provisions made already in the estimates. The general recommendations made in Chapter III of the Committee's Report relating to the Civil Accounts should also be followed by the Ministry of Defence.</p>
2	3	Defence.	<p>While issuing instructions regarding allocation of Works Expenditure to 'Maintenance' or 'Capital' the Ministry of Defence should make it clear that these apply only to temporary accommodation and not to the other types. A copy of the instructions issued should be furnished to the Public Accounts Committee.</p>
3	4	Defence.	<p>As recommended last year, the initial stock-taking of all stores should be completed as soon as possible and thereafter it should be ensured that the accounts accurately record the quantities of each category of stores in stock, which should be verified in the progress of stock-taking at regular intervals.</p>
4	4	Defence.	<p>Under the existing system it is easy to transfer a certain category of stores which may be in excess in one depot to another depot which is situated nearly at the time of the stock verification of that depot. A fool-proof method should be devised in consultation with the Ministry of Finance (Defence) to evolve an effective check to counteract such indiscriminate inter-depot transfer of stores.</p>
5	4	Defence.	<p>Adequate arrangements should be made for the proper storage of bulk of the Defence stores at present lying in the open exposed to the inclemencies of weather.</p>

6	4	Defence.	It should be impressed upon the subordinate authorities to devote their immediate attention to the proper linking of stores transactions.
7	5	Defence.	Urgent steps should be taken by Government to draw up suitable forms of contract providing adequate safeguards to protect the interests of the Public Exchequer and these forms should invariably be used by the purchasing organisations.
8	6	Defence.	A Rate-book of naval stores should be compiled urgently. A note showing the progress made in this direction should be furnished to the Committee.
9	7	Defence.	The recovery of over-payments mentioned in para. 35 of the Audit Report (Defence Services), 1950 should, as far as practicable, be effected or these over-payments should at least be taken into account in the case of individuals who may receive further payments under subsequent claims of compensation. A suitable procedure should be evolved in order to prevent the recurrence of such losses in future. An adequate organisation should be set up to vouchsafe the correct payment and accounting of compensation claims in such instances.
10	8	Defence.	The existing machinery, both in the depots and the Accounts Offices, should be overhauled to see that arrears of recovery of hire charges of the type referred to in para. 36 of the Audit Report (Defence Services), 1950 are not allowed to accumulate as it becomes difficult to fix responsibility in such cases at a distant date.
11	9	Defence.	Delays in the setting up of courts of inquiry or for instituting proceedings involving losses on account of fraud, negligence, financial irregularities etc., should be avoided. The sanctity of observing the highest standards of financial propriety in the matters of public expenditure should be impressed upon all the spending authorities under the control of the Ministry of Defence.
12	10	Defence Works, Production and Supply	The Recommendations contained in para 37 of the First Report of the Estimates Committee relating to the purchase of jeeps in the United Kingdom should be implemented without delay.
13	10	Defence Works, Production and Supply. External Affairs.	The tendency on the part of the Ministries concerned to shift responsibility from one to the other should be avoided. Any confusion or fluidity in the sphere of responsibility between the various authorities responsible for the placing of indents or execution thereof should be removed forthwith and the matter placed on a satisfactory footing. A detailed note showing the action proposed to be taken by Government in this connection should be furnished to the Committee.

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14	10	Defence <u>Works, Production and Supply.</u> External Affairs.	Government should re-examine the methods and organisation of the D. G. I. S. D., London with a view to defining in clear terms his duties and powers and his relationship with the High Commissioner and the Ministry of Works, Production and Supply in order to ensure that he functions efficiently.
15	10	Do.	Monthly report of the progress made in the supply of jeeps under the "New Contract" should be submitted to the Committee.
16	25-P	Do.	A self-contained note setting forth the decision arrived at by the Ministry of Defence as also the views expressed by the Ministry of Finance in regard to the case reported in Para. 4 (b) of the Audit Report (Defence Services), 1950 disclosing the circumventing of restrictions in rules for concluding a "Term Contract" should be furnished to the Committee.
17	14	Railways	The importance of correct budgeting process should be impressed upon the various Railway Administrations. No money should be spent hastily or in an ill-conceived manner merely because it is available, nor should any amount be spent in anticipation of the grant of funds. A sense of preservation of high standards of budgetary control and financial propriety which are a pre-requisite to the successful handling of the finances of a commercial concern, should be infused in the Railway Administrations.
18	15	Do.	Immediate steps should be taken to reduce to the minimum possible extent the existing high closing balances of Stock Adjustment Account under "Miscellaneous Items".
19	16	Do.	Budgeting under the 'Suspense Heads' should be made with meticulous accuracy and they should not be treated as a 'cloak' to cover transactions which have not been properly budgeted for. Only current items should be placed in a Suspense Account.
20	17 (f)	Do.	It is suggested that decisions in the construction of Railway lines should be based either on the revenue consideration or on wider national considerations. Instances such as the abandonment of the construction of the Barwadh Sarnadh Railway line after incurring expenditure should be avoided.
21	17 (ii)	Do.	It should be emphasized on the Railway Administrations that no authority should, as a general rule, incur expenditure or undertake a scheme which may eventually involve expenditure from public funds until the detailed estimates in respect of the project have been sanctioned by the competent authority.

23	17 (4)	Railways	In order to prevent the recurrence of over-payments of the nature mentioned in para. 25 of the Railway Audit Report, 1956, the Railway Board should formulate proper procedure in consultation with the Ministry of W. P. & S. whereby the revision in the rate of coal is communicated immediately by the Coal Commissioner to the Railway Administrations concerned before it is actually put into force.
23	17 (5)	Do.	In order to prevent recurrence of losses of the nature referred to in Para. 28 of the Railway Audit Report the Railway Board should examine the procedure regarding the remission of demurrage charges and submit a report to the Committee.
24	17 (6)	Do.	The Railway Board should consider the question of the revision of the existing powers delegated to various authorities on the Railways to sanction write-off of demurrage and wharfage charges, in order to ensure that they are not abused by those authorities.
25	17 (6)	Do.	The Railway Board should evolve a proper procedure for the guidance of Railway Administrations so that instances of carelessness and remissness to utilise properly the leased buildings are eliminated.
26	18	Do.	The Railway Board should consider the proposition of associating internal auditors with the job of compilation and checking of the station returns.
27	19	Do.	The Railway Administration should take vigorous steps to counteract cases of deliberate frauds and mis-appropriation of public funds as the award of minor punishments, such as stoppage of increments etc., would not be a sufficient check for the stoppage of such acts.
28	20	Do.	A memorandum on the costing of locomotives manufactured in the Chittaranjan workshops <i>vis-à-vis</i> those manufactured by the Telco should be furnished to the Committee.
29	20	Do.	The question of payment of fixed prices during the period 'C', which had already started, should be settled with the Telco as it is apprehended that disputes might arise later. A note outlining the arrangements agreed upon with the Telco in this regard should be furnished to the Committee. The provisional payments made in respect of periods 'A' and 'B' should also be finalised urgently.
30	31	Do.	In view of the difficulty of rectifying mistakes in the compilation of accounts, it is stressed that properly trained and right type of staff should be employed on the mechanisation work.
31	22	Do.	A memorandum showing the results of the economy achieved in the working cost of the Railways consequent on the integration and regrouping of the entire Railway system into six zones should be furnished to the Committee.