



Report of the
Public Accounts Committee
on the
Accounts of 1939-40.

VOLUME I—REPORT.

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE, 1941.*Chairman.*

1. The Honourable Sir JEREMY RAISMAN, K.C.S.I., C.I.E., I.C.S.,
 Finance Member.
Date of election

Elected Members.

or
nomination.

2. Professor N. G. RANGA 18th March 1939.
 3. Moulvi MOHAMMED ABDUL GHANI Ditto.
 4. Mr. MOHAMED AZHAR ALI 25th February 1940.
 5. Mr. J. RAMSAY SCOTT Ditto.
 6. Sir SYED RAZA ALI Ditto.
 7. Lieut.-Colonel M. A. RAHMAN 17th February 1941.
 8. Pandit LAKSHMI KANTA MAITRA Ditto.
 9. Mr. H. M. ABDULLAH 28th March 1941.

Nominated Members.

10. Dr. R. D. DALAL, C.I.E. 17th March 1938.
 11. Khan Bahadur Shaikh FAZL-I-HUQ PIRACHA Ditto.
 12. Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E... .. . Ditto.

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE.

Part I.—Civil, Posts and Telegraphs and Defence Services.

Financial results of the year.—The following table compares the original and final grants and appropriations with the actual expenditure for the year :—

(In lakhs of rupees.)

	Original grant or appropriation.	Final grant or appropriation.	Actual expenditure.
Expenditure charged to revenue (voted) ..	23,99	25,53	31,99
Expenditure charged to capital (voted) ..	18	37	15
	24,17	25,90	32,14
Disbursements of loans and advances (voted) ..	96	1,21	1,18
Total (voted)	25,13	27,11	33,32
Expenditure charged to revenue (non-voted) ..	79,08	74,75	74,95
Expenditure charged to capital (non-voted) ..	8	9	4
	79,16	74,84	74,99
Disbursements of loans and advances (non-voted) ..	..	8	7
Total (non-voted)	79,16	74,92	75,06
Total expenditure charged to revenue ..	103,07	100,28	106,94
Total expenditure charged to capital ..	26	46	19
Total disbursements of loans and advances ..	96	1,29	1,25
Grand Total ..	104,29	102,03	108,38

There was thus a total excess of Rs. 635 lakhs or 6.22 per cent. over the final grant.

The following table compares the percentages of savings (—) or excesses (+) in the main section of the budget for the last five years :—

	1935-36.	1936-37.	1937-38.	1938-39.	1939-40.
Expenditure charged to revenue	—·56	—·35	—·73	—1·32	+6·64
Expenditure charged to capital ..	—3·93	—16·78	—34·4	—11·59	—53·69
Disbursements of loans and advances	—8·79	—50·82	—9·52	—11·49	—3·10
Combined percentages	—1·69	—3·21	—1·24	—1·74	+6·22

Unlike the previous four years when savings occurred under all the three sections separately as well as together, the accounts of the year 1939-40 show appreciable excesses both in the Revenue section and in expenditure as a whole. These excesses are, however, entirely fortuitous and due to the fact that the

actual revenue surplus of the year (Rs. 7,77 lakhs), which was credited to an *ad hoc* deposit head by debit as extraordinary expenditure under cover of a specific supplementary grant voted by the Legislature, turned out to be much larger than the estimated surplus (Rs. 91 lakhs). If this disturbing element were to be eliminated both from the total final grant and appropriation and the total expenditure, the net result would be a saving of Rs. 51 lakhs; expenditure charged to revenue would show a saving of .2 per cent. and the combined percentages for the year would be —.5.

2. In the following cases actual expenditure exceeded the grants voted by the Assembly :—

Item No.	Name of Grant.	Final Grant.	Actual expenditure.	Excess requiring the vote of the Legislature.
				Rs.
1	6.—Provincial Excise	4,58,000	4,65,739	7,739 .
2	23.—India Office and High Commissioner's Establishment charges	19,57,000	19,65,467	8,467
3	28.—Ports and Pilotage	13,25,000	13,28,536	3,536
4	38.—Education	6,53,000	6,53,017	17
5	59.—Mint	23,99,000	24,09,537	10,537
6	65.—Grants-in-aid to Provincial Governments	1,16,000	1,16,200	200
7	67-A.—Transfer to Revenue Reserve Fund ..	91,30,000	7,77,16,233	6,85,86,233
8	71.—Andamans and Nicobar Islands ..	35,60,000	35,89,101	29,101
9	75.—Capital Outlay on Vizagapatam Harbour	39,000	45,607	6,607

The reasons for these excesses are briefly explained below :—

Item 1.—Chiefly due to arrear claims having been paid during the year.

Item 2.—Mainly due to smaller recoveries of (i) surcharges on stores supplied to the Central Commercial Departments and to Provincial Governments and Burma owing to reduction in indents and (ii) Provincial Governments' share of the cost of High Commissioner's establishment on account of disbursements on their behalf falling short of the anticipated figure, partly counterbalanced by saving in expenditure.

Item 3.—Due to more consumption of coal during the present emergencies.

Item 4.—This is a petty excess.

Item 5.—Mainly due to expenditure on air raid precautions and loss on coinage operations in the Bombay Mint.

Item 6.—The excess is petty.

Item 7.—Represents the excess of actual revenue surplus over the anticipated surplus.

Item 8.—Mainly due to unexpected rise in prices of stores due to the war and heavy influx of volunteer convicts during the year.

Item 9.—Due to the actual expenditure incurred in connection with the appeal in a land acquisition case having exceeded the available provision.

We recommend that the necessary excess grants be voted by the Legislative Assembly.

3. *Minutes of Proceedings.*—We append the minutes of our proceedings which we desire, as usual, to be regarded as part of our report. In the following paragraphs we refer only to some of the more important questions considered in the course of our examination.

4. *Accuracy of budgeting and control over expenditure.*—The statistical results of the year have, as indicated above, been completely vitiated by the complication caused by the actual revenue surplus of the year turning out to be Rs. 6,35,26,000 more than was anticipated. Leaving this extraordinary item out of account, we are glad to see that, the percentages of actual expenditure to the total final grant and appropriation are better than they have been for the previous four years under all heads with the exception of expenditure charged to capital. This result is all the more commendable as the outbreak of war in the middle of the year contributed greatly to the difficulties in the way of budgeting, introducing an element of disturbance in many of the budget calculations. The result of this disturbance we have had occasion to notice while dealing with the detailed accounts of Grants and Appropriations. The large percentage variation under the head “Expenditure charged to Capital” is explained by a saving of Rs. 19 lakhs in Grant No. 77—Commuted Value of Pensions and of Rs. 7 lakhs in Grants Nos. 72 and 73 of the Posts and Telegraphs Budget. Though we realise that the expenditure charged to capital is small and that consequently comparatively small savings are magnified when expressed in terms of percentages and though we appreciate that the control of expenditure in Grant No. 77 is extraordinarily difficult, we trust that it will be found possible to prevent such large variations in future.

5. *Works Expenditure.*—The percentage of savings on the consolidated provision for works included under all the grants and non-voted appropriations was 10·04 during the year 1939-40. This result represents a very considerable improvement over the results of the four preceding years and we are pleased to see that our continued iteration of the necessity of improving budgeting for works and the suggestions we have made from time to time have now borne fruit. We notice that in the year under review no lump cut for probable savings was made in the budget and this has been explained as being due to the fact that provision included in the budget estimates for 1939-40 was confined to items which were of an inescapable nature or were remunerative. From the continued existence of comparatively large savings under ‘Works’, we are inclined to believe that no matter how imperative the nature of the work may be, the usual features of previous years, such as late sanction of estimates, postponement of works owing to non-completion of preliminaries, changes in designs, delay in land acquisitions, delay in the preparation of estimates and the like, cannot be completely eliminated and we suggest therefore that the system of lump-sum cuts, which we have on more than one occasion previously recommended, should continue.

We have also had cause to notice that in some Grants and Appropriations there has been expenditure on an appreciable number of major works for which specific provision had not been made in the budget. We would suggest that the programme for major works for the ensuing year should be thought out with great care at the time budget estimates are prepared and should thereafter, as far as practicable, be followed. Though we do not desire unduly to restrict the discretion of Departments to vary this programme in order to meet genuinely urgent requirements which may arise during the course of the year, we would emphasize that large variations from the Works programme, particularly without full and adequate explanation, are in ordinary circumstances not justifiable.

6. *Unnecessary Supplementary Grants.*—We observe that during the year under review there were presented to the Assembly two demands for supplementary grants which eventually proved to be unnecessary. This was a slight setback from the record of the two previous years when no unnecessary supplementary grant was taken. One of these demands related to Grant No. 12.—Executive Council and the other to Grant No. 64.—Miscellaneous, the amount under the former being Rs. 13,000 and under the latter Rs. 3,65,000. We note, however, that in both these cases the demands proved to be unnecessary owing to conditions brought about by the war—in the first by the cancellation of the tours of Hon'ble Members of Council and in the second by large and unexpected recoveries of expenditure in sterling from His Majesty's Government. We are pleased to note that in neither of these cases can it be said that the instructions about presentation of supplementary demands to the Legislature, issued by the Finance Department and approved by us in 1936, have not been observed.

7. *English Expenditure.*—We note that our recommendation that the High Commissioner's estimates for leave and deputation salaries should be modified on the basis of the knowledge about leave programmes available in India, was put into effect, as far as it was possible to do so, in the framing of the last budget. We recognize, of course, that the full effect of the modification in procedure suggested by us will not be felt till normal conditions return and communications cease to be subject to delay; but we will be interested to watch the effects of this modification on English estimates in future.

8. *Modifications of Appropriation Accounts.*—During the course of our detailed examinations of the Appropriation Accounts it occurred to us that it might be advantageous to reduce the present percentage of 15 prescribed as the limit below which no explanation of a modification of the original provision under a sub-head should be given in the Appropriation Accounts. We are not, however, certain whether a reduction in this percentage would in actual practice lead to any improvement in the picture of budgeting and control as presented to us, nor can we judge whether the advantage, if any, gained will be commensurate with the increase in the work of Accounts offices which this proposal will involve. We have therefore requested the Auditor General to investigate the point before we make any recommendation.

We also noticed that in certain cases the amounts appearing under the sub-head "contingencies" were rather large and have asked that the possi-

bility should be examined of splitting up the sub-head in such cases in order to give a clearer idea of the nature of the items on which the money has been spent.

9. *Reconstruction of the Demands for Grants.*—We have had an opportunity of examining the results of the revision of the form of the Detailed Estimates and Demands for Grants to which we agreed last year, but before we finally agree to the permanent adoption of the revised form, we would prefer to have some more experience of its working. We therefore agree to the continuation of the present form of Demands for Grants (subject to the omission of Part III, as recommended by the Finance Department) for the duration of the war.

10. *Report of the Military Accounts Committee.*—We append the report submitted by the Military Accounts Committee constituted to conduct a preliminary examination of the Defence Appropriation Accounts and connected documents. We endorse the recommendations and suggestions made by the Committee both in their report and in the proceedings of their meetings.

Part II—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 (less refunds)	94,75	97,30	97,65
Miscellaneous receipts	1,71	1,69	1,71
Working expenses (including depreciation)	64,25	65,35	64,85
Miscellaneous expenditure	1,12	1,11	1,07
Interest charges	28,96	28,92	29,11
Surplus (+) or Deficit (—)	+2,13	+3,61	+4,33
Contribution to general revenues	2,13	3,61	4,33

The year's working thus resulted in a surplus of Rs. 4,33 lakhs which was utilized in making a part payment of the contribution to general revenues. The balance of the arrears of contribution amounted to Rs. 35½ crores and that of loans taken from the depreciation fund to a little over Rs. 30 crores at the end of the year.

12. *Excess over voted grants.*—There were two excesses over voted grants as compared with six in the previous year :—

Grant.	Final Grant.	Actual Expenditure.	Excess.
	Rs.	Rs.	Rs.
1. 6.-A.—Revenue—			
Working Expenses—			
Maintenance of Structural Works .. .	7,74,50,000	7,89,71,656	15,21,656
2. 6.-D.—Revenue—			
Working Expenses—			
Maintenance of Ferry Steamers and Harbours. .. .	28,32,000	28,88,691	56,691

Brief explanations of these excesses are given below :—

Item 1.—The excess was mainly due to the repayment to the Depreciation Fund of Rs. 48½ lakhs (instead of Rs. 15 lakhs provided in the revised estimate) of the loan taken from the Fund in previous years for meeting the abnormal expenditure on the Hardinge Bridge Protection Works and earthquake damages and to increased repairs amounting to Rs. 14½ lakhs to bridges and other structural works damaged by severe floods, etc. The excess was partly counterbalanced by savings and partly financed from the supplementary grant of Rs. 18.65 lakhs leaving an uncovered excess of Rs. 15.22 lakhs.

Item 2.—The excess was mainly due to increased expenditure on account of increase in traffic and to special repairs to vessels. A supplementary grant was voted by the Assembly but this proved inadequate.

We recommend that the necessary excess grants be voted by the Assembly.

13. *Minutes of Proceedings.*—We append the minutes of our proceedings which we desire, as usual, to be regarded as part of our Report. In the following paragraphs we refer only to some of the more important questions considered in the course of our discussions.

14. *Accuracy of budgeting and control of expenditure.*—The accounts of the year show a total saving of Rs. 40 lakhs or 0.4 per cent. under Revenue expenditure (exclusive of withdrawals from and repayments to the Depreciation Reserve Fund) and a saving of Rs. 29 lakhs or 2.57 per cent. under Capital expenditure. This compares as follows with the results achieved in the four preceding years :—

Expenditure charged to Revenue (excluding appropriations to and from the Depreciation Reserve Fund).

Year.	(In lakhs of rupees.)		Percentage of column 3 to column 2.
	Final Grant and Appropriation.	Savings (—) or Excess (+)	
1935-36	98,52	—56	0.57
1936-37	98,51	—1,35	1.37
1937-38	98,30	+63	0.64
1938-39	99,64	+10	0.10
1939-40	1,00,52	—40	0.40

Expenditure charged to Capital and the Depreciation Reserve Fund.

Year.	(In lakhs of rupees.)		Percentage of column 3 to column 2.
	Final Grant and Appropriation.	Savings (—) or Excess (+).	
1935-36	14,85	—3,23	21.75
1936-37	11,18	—2,07	18.51
1937-38	10,70	—24	2.25
1938-39	13,50	+2	0.18
1939-40	11,30	—29	2.57

Although the position with regard to Revenue expenditure shows a nominal deterioration from ·10 to ·40 per cent., we are pleased to see that the actual expenditure has corresponded so closely to the total final grant and appropriation over a number of years. Expenditure outside the Revenue Accounts shows a deterioration from ·18 per cent. to 2·57 per cent. This deterioration is, however, only apparent as the figure for last year was so small owing to large compensating variations in Grants Nos. 11 and 12. We observe that this figure compares very favourably with those for 1935-36 and 1936-37 and is only slightly higher than that for 1937-38. There is, of course, room for further improvement.

15. *Unnecessary Supplementary Grants.*—There were during the course of this year two cases (Grants 6-C and 6-H) in which supplementary grants proved totally unnecessary, and certain others in which more funds were applied for than were eventually found to be required. While we appreciate the reasons leading to the presentation of these Supplementary demands and the reasons why expenditure did not eventually come up to expectations we would stress that great care should be taken before supplementary demands are presented to the Assembly ; and we trust that the recommendations made in this regard in our Report on the Accounts for 1935-36 will not be overlooked.

16. *Unsanctioned Expenditure.*—We took into consideration the note submitted by the Railway Board in pursuance of paragraph 14 of our Report on the Accounts for last year on the method of preparation of the statement of unsanctioned expenditure. We accept the conclusion of the Railway Board that there is no necessity for any radical change in the rules regarding the preparation of formal estimates. We also agree that the limit of Rs. 10,000 observed hitherto in regard to the exhibition of the data of unsanctioned expenditure in the Appropriation Accounts is unnecessarily low and should be raised to Rs. 25,000. We trust that these changes will serve to concentrate our attention on matters that are really deserving of our notice and prevent the time of the Committee being taken up by matters which, though they may be technically objectionable, are not intrinsically of much importance. We observe that the percentage of objectionable expenditure to expenditure audited was in 1939-40 only ·33 compared to ·58 in the previous year.

17. *Financial Irregularities.*—We devoted great care and spent considerable time on the examination of each of the financial irregularities mentioned in Chapter II of the Audit Report and we also gave some attention to the items of losses enumerated under each Grant. We are on the whole of the opinion that the losses that have resulted have only occasionally been due to defects in system and we are satisfied that where a defect has been disclosed, adequate steps have been taken to remedy it. In one or two instances we did not get complete satisfaction from the explanations furnished and in one case we have asked that the matter be fully examined and a report made to us.

18. *Losses on Strategic Railways.*—We had some discussion on the point whether the losses on strategic railways should be included in the Defence Budget. The present system is that the interest on the capital at charge of these lines together with the losses on their working is borne by general revenues, being deducted from the contribution that the Railways make to general

revenues each year. In view of the fact that the Defence Budget is no longer a contract budget and that it will make no ultimate difference to the incidence of this expenditure whether it is included in the Civil or the Defence side of the Budget, we agree that there is no necessity to change the present procedure with regard to the accounting of these charges, at any rate during the war.

19. We desire in conclusion to place on record our appreciation of the valuable assistance the Auditor General has rendered us throughout the sittings of this Committee.

A. J. RAISMAN.
 J. RAMSAY SCOTT.
 M. A. RAHMAN.
 ABDUL HAMID.
 S. RAZA ALI.
 M. A. GHANI.
 MOHD. AZHAR ALI.
 LAKSHMI KANTA MAITRA.
 R. D. DALAL.
 H. M. ABDULLAH.
 FAZL-I-HUQ PIRACHA.

B. K. NEHRU,

Secretary.

3rd September, 1941.

**Proceedings of the 1st meeting of the Public Accounts Committee held on
Monday, the 18th August, 1941 at 10-30 a.m.**

PRESENT :

The Honourable Sir JEREMY RAISMAN, K.C.S.I., C.I.E., I.C.S.,
Finance Member. *Chairman.*

Moulvi MOHAMMED ABDUL GHANI.

• Mr. MOHAMED AZHAR ALI.

Mr. J. RAMSAY SCOTT.

Sir SYED RAZA ALI.

• Lieut.-Colonel M. A. RAHMAN.

Pandit LAKSHMI KANTA MAITRA.

Dr. R. D. DALAL, C.I.E.

Khan Bahadur Shaikh FAZL-I-HUQ PIRACHA.

Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.

Mr. J. D. TYSON, C.B.E., I.C.S., Secretary, E. H. & L.
Department.

Mr. G. S. BOZMAN, C.I.E., I.C.S., Joint Secretary,
E. H. & L. Department.

Mr. B. SAHAI, I.C.S., Secretary, Imperial Council of
Agricultural Research.

Sir CAMERON BADENOCH, C.S.I., C.I.E., I.C.S., Auditor-
General of India.

Mr. P. M. RAO, Accountant-General, Central Revenues.

The Honourable Mr. C. E. JONES, C.S.I., C.I.E., I.C.S.,
Financial Secretary.

Members.

Witnesses.

The Chairman first explained that as he and the majority of the witnesses appearing before the Committee had urgent work to do in connection with the war, it was proposed that meetings should be held in the morning only, starting at 10-30 a.m., as was done last year.

2. *Grant No. 8-Forest.*—In connection with the saving in the voted section of the Grant which worked out at 6.2 per cent., it was explained that this was mainly due to the expenditure on leave and deputation salaries being below the average of previous years. Owing to the outbreak of war there was an early return of officers to duty and curtailment of leave so that the appropriation for leave salaries had naturally been found to be excessive.

3. *Grant No. 17-Department of Education, Health and Lands.*—In regard to the reappropriation under the sub-head "E.-Contingencies" a member raised the question whether this sub-head should not be split up to show the details of the expenditure incurred so that it could be seen that a proper control had been exercised. It was explained that each item of contingent expenditure is passed by the Controlling Officer and all bills and vouchers in

support of this expenditure are scrutinised in audit. Further, though certain detailed heads for different contingent expenditure are provided in the accounts for the purpose of control and for framing the budget estimates, these were not required in the appropriation accounts and their provision would be against the policy of the Public Accounts Committee that larger units of appropriation should be devised so as to lead to more accurate estimating.

4. *Grant No. 30—Survey of India.*—Attention was drawn to the large saving in the provision for stores from England ordered through the High Commissioner, particularly as there had been persistent savings on this account in the last few years. It was explained that the greater part of these savings was due to carrying forward of liabilities of one year to the following year. In addition to the Surveyor-General's estimates of his requirements of stores for the year, the High Commissioner invariably had a carry forward of stores which could not be supplied before the end of the preceding financial year. As at the present time the difficulties in obtaining supplies by the due date were considerably increased, and as any excess balance was surrendered and regranted next year, no change in procedure was considered desirable at present.

5. *Grant No. 33—Botanical Survey.*—In connection with the stock account of Government of India Cinchona bark, it was pointed out that the stock of bark had been verified without actual weighing. Though the amount of the stock had presumably been calculated from measurement of the volume of piles of bark, the Committee suggested that the possibility of a test check of quality as a safeguard against substitution over a number of years in addition to a quantitative check should be examined. The danger of substitution of inferior material has been brought home to the Committee by another incident reported in connection with the 1939-40 Accounts.

6. *Grant No. 35—Archaeology.*—With reference to item 8 of the statement of recommendations made in previous years (Appendix I) a note on the question of possible savings in the upkeep of gardens attached to ancient monuments (Appendix III) was submitted for the information of the Committee. The Department was not disposed to accept the proposal that municipalities should make a percentage contribution towards the upkeep of gardens attached to ancient monuments within their administrative areas, and the alternative of levying a charge for admission to all archaeological gardens was not considered desirable. It was pointed out that the proposal to retain the receipts from admission fees to meet the expenditure on the maintenance of the gardens was contrary to financial rules and moreover would provide no actual savings.

7. *Grant No. 37—Other Scientific Departments.*—In connection with item 7 of the statement of recommendations made in previous years, it was stated that as the appeal preferred by the Government of Bengal against the valuation of the Calcutta Museum buildings had been disposed of, the Corporation of Calcutta had again been addressed on the question of exempting the Museum from municipal taxes if the present small charge for admission on certain days was abolished, and their reply was still awaited.

8. *Grant No. 38—Education.*—The Committee agreed to recommend that the small excess incurred on this grant should be voted by the Assembly.

9. *Grant No. 41—Agriculture.*—Attention was drawn to the *proforma* account of the Sugar Excise Fund, which is kept to show the amount actually realised from the one anna of the excise duty per cwt. allotted for this purpose and from the receipts of the Imperial Institute of Sugar Technology, the amount actually spent and the balance available for distribution. The complexity of the accounts was explained as due to the balances of unpaid receipts brought forward from previous years in two separate accounts, a *pro forma* account and a Sugar Excise Fund account, and it was stated that from the year 1940-41 a new accounting procedure had been adopted, whereby the amount set aside each year from the excise duty will be credited to the Fund in that year and a single account will show both these receipts and the disbursements on account of grants to Provincial Governments and others with the balance available for further expenditure on the objects of the Fund.

10. *Grant No. 45—Civil Veterinary Services.*—The financial results of the production of serums by the Imperial Veterinary Research Institute, Izatnagar, were examined. The Committee noted that the year 1939-40 closed with a profit of Rs. 64,115 against a profit of Rs. 24,807 in the previous year, partly due to larger output, and considered that the position disclosed was satisfactory.

**Proceedings of the 2nd meeting of the Public Accounts Committee held on
Tuesday the 19th August 1941 at 10-30 a. m.**

PRESENT.

The Honourable Sir JEREMY RAISMAN, K.C.S.I., C.I.E., I.C.S.,
Finance Member. *Chairman.*

Moulvi MOHAMMED ABDUL GHANI.

MR. MOHAMED AZHAR ALI.

Mr. J. RAMSAY SCOTT.

Sir SYED RAZA ALI

Lieut.-Colonel M. A. RAHMAN.

Pandit LAKSHMI KANTA MAITRA.

Dr. R. D. DALAL, C.I.E.

Khan Bahadur Shaikh FAZL-I-HUQ Piracha.

Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.

The Honourable Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Financial Secretary. *Witness.*

Sir CAMERON BADENOCH, C.S.I., C.I.E., I.C.S., Auditor-General of India.

Mr. P. M. RAO, Accountant-General, Central Revenues.

} *Members.*

.11. *Accurac of budgeting.*—In examining the statistics of savings or excesses on the voted grants and non-voted appropriations, as compared with previous years, the Committee noted that unlike the previous four years when savings occurred uninterruptedly in the voted sections under revenue and capital expenditure, the accounts of 1939-40 show a large excess as compared with the final grant. It was explained that this excess was due to the transfer of the actual revenue surplus of the year to the Revenue Reserve Fund under the cover of a specific supplementary grant, and if this disturbing element was eliminated the net result would be a saving of 3·6 per cent. which compared favourably with the savings of the previous two years. The Committee appreciated that the outbreak of war had introduced an element of disturbance upsetting a great many of the budget calculations and that the excess over the original voted grant under revenue and capital expenditure was in a large measure due to causes directly or indirectly connected with the war. Making allowance for this fact, the Committee agreed with the conclusion recorded in the Audit Report that the improvement noticed last year in regard to both budgeting and control had been maintained during the year under review, though there still appeared to be scope for further improvement.

12. *Reconstruction of the Demands for Grants.*—In connection with item 11 of the statement of previous recommendations, the Committee took into consideration the memorandum (Appendix IV) on the revision of the Detailed Estimates and Demands for Grants which has been carried out by the Finance Department in consultation with the Auditor-General. The Finance Secretary

explained that the reduction in the size of the Demands for Grants had not only resulted in a substantial saving in paper and printing but had produced a more handy and intelligible volume which contained all that was important in the previous compilation without sacrificing any information which was of real use to the Legislature. So far as was known to the Finance Department the members of the Legislature had not felt any inconvenience from the revised arrangement, and subject to the omission of Part III it was proposed to continue for the time being the present scheme which had proved satisfactory from all points of view. The Committee, while reserving their opinion as to whether the change should be adopted as a permanent measure on the return of normal times, agreed to the proposal for the period of the war.

13. *Leave and deputation salaries.*—With reference to item 9 of the statement of previous recommendations, the Committee considered the note submitted by the Finance Department (Appendix V). It was explained that owing to the great delay in communications on account of the war full details of the High Commissioner's estimates had not been received by the time the budget was prepared though broad summaries under each head were obtained by telegram and circulated to the Departments. Therefore while the practice of modifying the High Commissioner's estimates in consultation with the authorities in India would be continued, it would not be possible to ascertain the extent of the improvement capable of being brought about by this procedure until normal conditions returned.

14. *Grant No. 7—Stamps.*—The Financial review of the working of the Security Printing Press, Nasik, was examined, and it was noted that the year 1939-40 had been one of steady progress. There had been an all-round rise in the demand for the products of the Press, and this together with certain increased selling rates brought into force during the last quarter of the year accounted for the appreciable increase in the value of sales. The percentage of net profit on sales in 1939-40 had been 25 as compared with 14·7 in 1938-39, while the percentage of net profit on the capital worked out at 19·7 as compared with 10·7 in the previous year. The Committee noted that the working of the Security Printing Press disclosed a satisfactory state of affairs.

15. *Grant No. 23—India Office and High Commissioner's Establishment Charges.*—The small excess of Rs. 8,467 on this Grant was explained as due to smaller recoveries on account of stores supplied to the commercial departments of the Central Government and to the Provincial Governments which were governed by variable factors and could not be estimated with precision. The Committee agreed to recommend that the excess should be voted by the Assembly.

16. *Grant No. 59—Mint.*—With reference to item 14 of the statement of last year's recommendations, a note (Appendix VI) was submitted on the formation of a Reserve Fund from the profits from the circulation of small coin to meet losses on the return of such coin in periods of trade depression. It was explained that with effect from the current year only a sum of Rs. 45 lakhs from the profits from the circulation of small coin was being taken to revenue, and that the balance over this figure was to be credited to a suspense

account which would be available to even out the receipts over a series of years. The Committee approved of the adoption of the new procedure which was designed to keep the revenue receipts from this source stable from year to year and thus to mitigate, instead of aggravating, the difficulties experienced from the large return of small coin from circulation in years of depression.

There was a small excess of Rs. 10,537 in this Grant caused mainly by expenditure on Air Raid Precautions and loss on coinage operations in the Bombay Mint which the Committee agreed to recommend for regularisation by the Assembly.

17. *Grant No. 65—Grants-in-aid to Provincial Governments.*—There was a petty excess of Rs. 200 in this Grant due to this sum having been paid in excess of the original appropriation to the Coorg Government. The Committee agreed to recommend the regularisation of the excess by a vote of the Assembly.

18. *Grant No. 67—A—Transfer to Revenue Reserve Fund.*—The large excess under this head was explained to be due to the fact that the actual revenue surplus for the year, which in accordance with the decision of Government was to be credited to an *ad hoc* deposit head by debit to expenditure, turned out to be much larger than estimated. The special supplementary grant obtained from the Legislature on account of the transfer to the Revenue Reserve Fund had been based on the revised estimates for the year, and as the actuals were not known until some months after the close of the year the final excess could not be covered. The Committee decided to recommend that the excess should be regularised by a vote of the Assembly.

19. *Grant No. 77—Commutated Value of Pensions.*—Attention was drawn to the fact that the additional appropriation sanctioned during the year in the non-voted section of this grant had proved unnecessary and that the final saving had worked out at 50·97 per cent. as against the saving of 15·08 per cent. in 1938-39 and 17·65 per cent. in 1937-38. It was explained that the control of this Grant was particularly difficult as it was impossible to forecast accurately the number of applications which would be received. In response to a query about the administration of this Grant, the Committee were assured that all such applications for the commutation of pensions were allowed unless there were objections on medical grounds.

**Proceedings of the 3rd meeting of the Public Accounts Committee held on
Wednesday the 20th August, 1941, at 10-30 a. m.**

PRESENT.

The Honourable Sir JEREMY RAISMAN, K.C.S.I., C.I.E., I.C.S., Finance Member.—*Chairman.*

Moulvi MOHAMMED ABDUL GHANI.

Mr. MOHAMED AZHAR ALI.

Mr. J. RAMSAY SCOTT.

Sir SYED RAZA ALI.

Lieut.-Colonel M. A. RAHMAN.

Pandit LAKSHMI KANTA MAITRA

Dr. R. D. DALAL, C.I.E.

Khan Bahadur Shaikh FAZL-I-HUQ PIRACHA.

Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.

Mr. J. F. SHEEHY, C.S.I., I.C.S., Member, Central Board of Revenue.

Mr. K. K. CHETTUR, First Secretary, Central Board of Revenue.

The Honourable Mr. S. N. ROY, C.S.I., C.I.E., I.C.S., Secretary, Communications Department.

Sir FREDERICK TYMMS, C.I.E., M.C., Director of Civil Aviation.

Mr. M. K. SEN GUPTA, Financial Adviser, Communications.

Mr. A. D. GORWALA, I.C.S., Deputy Secretary, Communications Department.

Prof. A. S. BOKHARI, Controller of Broadcasting.

SIR CAMERON BADENOCH, C.S.I., C.I.E., I.C.S., Auditor-General of India.

Mr. P. M. RAO, Accountant General, Central Revenues.

The Honourable Mr. C. E. JONES, C.S.I.; C.I.E., I.C.S., Financial Secretary.

Members.

Witnesses.

20. *Grant No. 1—Customs.*—With reference to the *pro forma* accounts of receipts and expenditure relating to overtime and holiday fees, it was explained that it was not the intention of Government to make any profit out of the levy of these penalties and fees and it was for this reason that payments were made out of these amounts to Seamen's and Custom's Welfare Institutions. The excess of receipts over expenditure was, however, credited to general revenues.

With reference to the variations under 'Establishment Charges paid to other Governments, Departments, etc.', it was stated that the system for collection of customs duties on articles consigned by post was that the Posts and Telegraphs Department collected the duty and charged four annas per parcel in order to recoup themselves for the expenditure incurred.

21. *Grant No. 2—Central Excise Duties.*—It was explained that the decrease in payments to the Indian States of their share of Match Excise Duty was due to complete figures not being available before the close of the year. In order to avoid this difficulty it had now been decided that in future payments would be made a year in arrears.

22. *Grant No. 3—Taxes on Income including Corporation Tax.*—With reference to paragraph 49 of the proceedings of the Committee for 1938-39, it was stated that statistics were now being compiled by the new mechanical process and that next year's budget estimates would be based on the statistics so compiled.

23. *Grant No. 4—Salt.*—The variations in the sub-head "A. (2)" were explained as being due to the decision to split up the Northern India Salt and Central Excises Department into two offices, each under the control of a Collector, one for North-Western India and one for North-Eastern India, from the 1st April 1939. This necessitated the establishment of a new office at Calcutta with its incidental expenses. These had been counterbalanced by the cessation of payments formerly made to the Government of Bengal who used to perform these functions on behalf of the Government of India. The Committee were glad to note that the new arrangements were considered to be more economical and more satisfactory than the old ones.

The point was raised that the charges for printing match banderols should be taken directly to the Demand for Central Excises instead of first being debited to 'Salt'. It was stated that as the Departments of Central Excises and Salt were run on a joint basis and there were a large number of charges which had to be shared between the two, it was more convenient to lump them all together and then to transfer a portion of the total charges to the Department of Central Excises instead of attempting to take direct debits to the latter head. The Committee agreed that the present procedure should continue.

The Committee commented on the apparently large amount of wastage in salt written off in Bombay. It was explained that this wastage occurred mainly at the Kharaghoda Works from two large salt heaps which were stored in the open and had been exposed to two monsoons.

It was explained that the large apparent decrease in Government capital invested in Salt Works during the year 1939-40 was due mainly to a reduction in stocks due to heavy indents on salt having been made owing to war conditions. The Committee were glad to note that the profits of the Salt Manufacturing Branch were higher in 1939-40 than in the previous year.

24. *Grant No. 6—Provincial Excise.*—There was an excess in this grant of Rs. 7,739 for which a supplementary grant had not been obtained as it was

considered that the excess would not materialise. The Committee agreed to recommend the regularisation of this excess by a vote of the Assembly.

25. *Grant No. 31—Meteorology.*—The Committee noted that there had been persistent overbudgeting in this grant, but were gratified to see that the percentage of savings, which had been steadily rising from 1935-36 to 1938-39 when it reached 7·4, had this year fallen to 2·05.

26. *Grant No. 47—Aviation.*—Attention was drawn to the large percentage of savings in this Grant over a series of years. It was explained that during the year under review the final saving in the Grant was due entirely to the fact that a sum of Rs. 6 lakhs for which provision had been made for payment towards the share capital of the Indian Trans-Continental Airways, Limited, could not be paid and that but for this saving there would have been an excess of Rs. 1,80,000. It was explained that this payment was not made because certain “Ensign” land planes, which were required for the England-India Section of the Empire Air Service, could not be made available owing to the outbreak of the war and that it was for the same reason that no other arrangements to obtain other aeroplanes in substitution for these could be made.

27. *Grant No. 48—Capital Outlay on Civil Aviation charged to Revenue.*—Objection was taken to the large number of delays in the preparation of estimates and in settling technical details and the like, which had taken place during the year under review, owing to which funds could not be spent on the items for which they had been provided. It was explained that great caution was necessary in incurring large sums of expenditure on capital account in matters of this kind and that progress had been slow because it was not considered wise to take the risk of capital assets being wasted. It was further explained that a large part of the savings were utilised on urgent works which were necessary for war purposes. The Committee were of the opinion that the original appropriations were too large and that their inclusion in the budget estimates was premature. The Committee noted that the percentage of saving during 1939-40 was higher than in 1938-39 and that this was probably due to the fact that a lump deduction for probable savings was not made in the year under review. They desired to stress yet again their previous recommendation that lump cuts should be applied vigorously in the provision for works expenditure at the time of the budget estimates. ♣

28. *Grants Nos. 49 and 50—Broadcasting and Capital Outlay on Broadcasting charged to Revenue respectively.*—The Committee were informed that during the year under review three new transmitting stations had been opened at Dacca, Trichinopoly and Delhi respectively, and that further schemes for the opening of new transmitting stations were under consideration.

The Committee were gratified to learn that the ‘Indian Listener’ had shown a profit for the first time this year since its inception. They were also pleased to note that the loss on all the publications which the All-India Radio publishes had been reduced very considerably during the year under review as compared to the previous year.

29. *Grant No. 75—Capital Outlay on Vizagapatam Harbour.*—With reference to item No. 15 in the statement of outstanding recommendations, it was stated that the Bengal-Nagpur Railway had been addressed in the matter and that their reply was being awaited. The Committee were glad to see that the receipts of the Vizagapatam Port increased and the expenditure decreased in 1939-40 as compared with 1938-39. The Committee agreed to recommend the excess in this Grant for regularisation by a vote of the Assembly.

Proceedings of the fourth meeting of the Public Accounts Committee held on Thursday, the 21st August 1941, at 10-30 a. m.

The Honourable Sir JEREMY RAISMAN, K.C.S.I., C.I.E., I.C.S.,
Finance Member.—*Chairman.*

Moulvi MOHAMMED ABDUL GHANI.

Mr. MOHAMED AZHAR ALI.

Mr. J. RAMSAY SCOTT.

Sir SYED RAZA ALI.

Lieut.-Colonel M. A. RAHMAN.

Pandit LAKSHMI KANTA MAITRA.

Mr. H. M. ABDULLAH.

Dr. R. D. DALAL, C.I.E.

Khan Bahadur Shaikh FAZL-I-HUQ Piracha.

Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.

The Honourable Mr. H. C. PRIOR, C.I.E., I.C.S., Secretary, Labour
Department. *Witness.*

Sir CAMERON BADENOCH, C.S.I., C.I.E., I.C.S., Auditor General of India.

Mr. P. M. RAO, Accountant General, Central Revenues.

The Honourable Mr. C. E. Jones, C.S.I., C.I.E., I.C.S., Financial Secre-
tary.

} *Members.*

30. *Grant No. 60.—Civil Works.*—The Committee were gratified to see that the saving in the voted portion of this Grant was 4·75 per cent in the year under review as compared to 23·12 per cent in 1938-39 and 5·1 per cent in 1937-38. They regarded this result as displaying a considerable improvement on the results of the previous years. The percentage of saving on the total non-voted final appropriation was 1·2 against ·36 in the previous year. This was mainly due to the postponement of two major works, namely, the construction of the Residency buildings in Bahrein and the construction of a block of flats and servants' quarters in the Viceregal Estate, Simla, which alone accounted for a saving of Rs. 2,04,000. It was stated that the extension and improvements of the pilgrims' camp at Karachi, the postponement of which had been the subject of criticism by the Committee in the previous year, had been completed during the year under review.

Review of Works Expenditure.—In reviewing the Works Expenditure as a whole the Committee were pleased to note that the percentage of savings in the consolidated provision for works included under all the grants and non-voted appropriations was only 10·04 during 1939-40 as compared with 47·78 in the previous year and figures of almost the same order in the remaining three years of the last quinquennium. The Committee noted that although the usual features of previous years, such as late sanction of estimates, postponement of

works, etc., had continued to operate, their cumulative effect on producing savings was less marked than in the previous years. The result of the year was all the more satisfactory because no lump cut for probable savings had been made in the budget estimates of the year. The absence of a lump cut was explained as being due to the fact that the provision included in the budget estimates for 1939-40 was confined to items which were considered to be either of an absolutely inescapable nature or were remunerative. The Committee noted that savings in works occurred mainly in Grant No. 48.—Capital Outlay on Civil Aviation and in the appropriation 'Baluchistan', the grants in respect of which are controlled by the Departments of Communications and External Affairs, respectively.

31. In connection with this Grant, the Committee reviewed the powers of sanctioning works and of sanctioning reappropriations therefor, which had been delegated to the departments of Government and to individual officers. The Committee were informed that the present delegation of powers was so designed as to ensure the maximum elasticity in administration with the maximum of financial control and they agreed that no change in the present system was at the moment necessary.

32. The Committee reviewed the *pro forma* accounts of the Central Public Works Department Nursery at Jurbagh and were gratified to note that there had been an improvement in the management resulting in a profit of Rs. 3,915 against a deficit of Rs. 5,872 during the previous year.

33. *Grant No. 63—Stationery and Printing.*—Attention was drawn to the savings under the various sub-heads 'Pay of Establishments' in this Grant. It was explained that these savings were not due to any policy of retrenchment, or of keeping vacancies deliberately unfilled, but were due to the normal course of events in which men of higher grades retired, and it took some time to fill the vacancies resulting from these retirements. The Committee considered that this disclosed that sufficient deductions had not been made from these heads at the time of framing the budget on account of probable savings, and desired that adequate deductions should be made in future.

34. In connection with the Commercial Accounts of the Government of India Presses, it was noticed that the increase in the expenditure on the Presses compared with the previous year was primarily due to contribution having been made to the Depreciation Fund during the year, while none was made in the year before. It was explained that this omission in the previous year was not due to any desire to show artificial economy in the working of the Presses, but that the Depreciation Fund had reached a very large figure (about Rs. 11 lakhs) owing to contributions to it having been made on an unnecessarily high scale in the past, and it was not considered necessary to go on increasing the Fund. The decision to omit contributions to it was taken with the full approval of the Auditor General. It was further explained that the whole question of the contribution to be paid to this Fund in future was now under investigation.

35. With reference to paragraph 301(c) of the Commercial Appendix to the Appropriation Accounts (Civil), 1939-40 and the Audit Report, 1941, it was explained that the stock-taking was not done by the store-keepers themselves,

but by the officers of the Press deputed by the Manager for the purpose. The Committee stated that as long as the verification of stocks was not made by the person holding direct charge of the stocks, they had no objection to this course being followed.

36. In reviewing the Grants for which the Department of Labour was responsible, the Committee felt that judging by the number of Grants in which there had been savings, there seemed to be a tendency to overbudgeting which they trusted would be remedied in future.

The Committee then adjourned till 10.30 A.M. on Friday morning.

Proceedings of the 5th meeting of the Public Accounts Committee held on
Friday, the 22nd August, 1941, at 10-30 a. m.

PRESENT :

The Honourable Sir JEREMY RAISMAN,
K.C.S.I., C.I.E., I.C.S., Finance Member— *Chairman.*

Moulvi MOHAMMED ABDUL GHANI.

Mr. MOHAMED AZHAR ALI.

Mr. J. RAMSAY SCOTT.

Sir Syed RAZA ALI.

Lieut.-Colonel M. A. RAHMAN.

Pandit LAKSHMI KANTA MAITRA.

Mr. H. M. ABDULLAH.

Dr. R. D. DALAL, C.I.E.

Khan Bahadur Shaikh FAZL-I-HUQ Piracha.

Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.

The Hon'ble Mr. E. CONRAN-SMITH, C.I.E., I.C.S.,
Secretary, Home Department.

Sir RICHARD TOTTENHAM, C.S.I., C.I.E., I.C.S.,
Additional Secretary, Home Department.

Mr. J. HENNESSY, Principal Information Officer.

Mr. D. C. DAS, I.C.S., Under Secretary, Home
Department.

Mr. MUKUNDLAL CHOPRA, Representing the Delhi
Administration.

Mr. O. K. CAROE, C.S.I., C.I.E., Secretary External
Affairs Department.

Mr. V. B. ARTE, Under Secretary, External Affairs
Department.

Sir CAMERON BADENOCH, C.S.I., C.I.E., I.C.S., Auditor General of
India.

Mr. P. M. RAO, Accountant General, Central Revenues.

The Honourable Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Financial
Secretary.

Home Department.

37. With reference to item 18 of the statement of outstanding recommendations, it was stated that exhaustive instructions as to the action to be taken by the Head of a Department or office as soon as a case of defalcation or fraud comes to his notice had already issued and that there hardly seemed to be a case for issuing further general orders in the matter. The Auditor General stated

that he was satisfied that the orders in force fully met the needs of the case and any further elaboration of them was unnecessary; he thought however that it was necessary for Government to insist on these instructions being observed. The Committee desired that a copy of these orders and instructions should be laid before them.

38. *Grant No. 12—Executive Council.*—It was noted that a supplementary demand for Rs. 13,000 had been presented for this Grant, but that it had ultimately proved unnecessary. It was explained that there had been an unexpected saving owing to the cancellation of the tours of members of the Executive Council following upon the declaration of war. On an enquiry by a Member it was stated that the pay of the new Members of the Executive Council had been fixed at Rs. 5,500 per month, while the existing Members of Council had voluntarily agreed to have their salaries reduced to this sum.

39. *Grant No. 15—Home Department.*—With reference to sub-head ' B.—Bureau of Public Information ', it was suggested that it would be desirable to gather together in one place all the amounts spent on propaganda, these being scattered about at present over a number of grants and appropriations. It was explained that with the establishment of a new Department of Information, a new demand would probably have to be opened which was expected to accommodate all expenditure on Publicity. This would meet the point raised.

40. *Grant No. 27—Police.*—It was explained that the surrender of the entire non-voted appropriation of Rs. 22,000 in this Grant was due to the refusal, owing to the outbreak of war, of leave to officers who would otherwise have gone on leave. The Committee noted that this was the third successive year in which there had been large savings in the non-voted appropriation in this demand and considered that there was still room for improvement in the estimation of English charges.

41. *Grant No. 68—Delhi.*—As the Area Demands are composed of a number of ' Accounts ' and a very large number of sub-heads, all of which are not administered directly by the Department responsible for the control of the Grant as a whole, which is not properly able to defend detailed items in the Grant except with the aid of the Department directly concerned, the Committee desired that the ' Key-statement ' should, in future, show those portions of the Area Demand which are controlled by Departments other than the Department responsible for the Demand as a whole, against the Departments responsible for the individual sub-heads.

42. With reference to sub-head ' D.—Transfers to the General Police Fund ' in Account V.—Police, it was explained that the modification of the original Demand was due to the abolition of the General Police Fund. This Fund, which was established under the Police Act of 1861 and which had its counterparts in most of the Centrally Administered Areas as well as the Provinces, was financed partly from the receipts of levies for punitive police and partly from receipts in connection with police employed for the benefit of private individuals and firms. The charges made to private employers included an element of indirect cost, while only the direct costs were credited to genera

revenue, the remainder being credited to the Fund. The Fund was abolished because the Government of India Act, 1935, had made the continuance of such a Fund illegal and similar funds in the Provinces as well as in other Centrally Administered Areas had been or were being abolished.

43. *Grant No. 71—Andamans and Nicobar Islands.*—There was an excess of Rs. 29,101 in this Demand, due mainly to large excesses in various sub-heads of Account I, counterbalanced by savings in Account II, for which a supplementary grant could not be obtained. The Committee agreed to recommend the regularisation of this excess by a vote of the Assembly.

44. With reference to sub-head F. 2.—‘Education’ in Account I, the Committee wished to know what amount had been spent separately on primary and secondary education and on grants-in-aid to private schools. This information is not available from the Accounts in the manner in which they are now presented. It was explained that it would involve additional accounting to exhibit the information in the form in which the Committee wanted that it should be shown. The Committee, however, desired that the question whether it is not possible to exhibit this information in the Accounts without undue elaboration, should be investigated by the Finance Department and the Auditor General, and a report submitted to it in due course.

45. The Committee expressed themselves as not quite satisfied with the present rule that no explanation of a modification of the original provision under a sub-head should be given in the Appropriation Accounts unless the modification amounted to more than 15 %. The Committee were tentatively of the opinion that the limit of 15 per cent. should be reduced to 10 per cent. but before making any recommendation on this point they desired the Auditor General to investigate and report in consultation with the Finance Department whether a reduction in the percentage limit below which no explanations are required, would in practice lead to any improvement in the picture of budgeting and control as presented to the Committee.

External Affairs Department.

46. *Tribal Areas.*—With reference to Note 5 of the Appropriation Accounts on this appropriation, it was explained that the original orders of the Government of India regulating the grant of ‘good conduct and good service pay’ to the personnel of the Zhob Militia and the Mekaran Levy Corps were drafted in an ambiguous manner and were capable of more than one interpretation. One interpretation of these orders was followed till 1937, when the Inspecting Officer of the Frontier Corps took over the supervision of Baluchistan formations, and suggested that the interpretation given to these orders was wrong. This contention was upheld and the amounts which had been paid under the previous interpretation of the rules were written off. The Committee agreed that, in the circumstances, the write-off was justified.

47. In connection with the items of Secret Service Expenditure, it was explained that the Finance Department had laid down, in regard to each item of secret expenditure in all the Grants and Appropriations, which particular officer was to administer the expenditure and to give the necessary certificate to Audit that the expenditure had actually been incurred. As pointed

out in the Audit Report, all such certificates for secret Service expenditure relating to the year under review had been received and accepted by Audit.

48. It was noticed by the Committee that under certain sub-heads of this appropriation the detailed head 'Contingencies' accounted for not only a large proportion of the expenditure of the sub-head, but also for sums of money which were relatively large in themselves without giving further details of the items on which contingent expenditure had been incurred. It was also noticed that the practice in regard to what charges should be accounted for under 'Contingencies' in this appropriation did not seem to be uniform; for whereas in some cases as, for example, in A₁—Frontier Constabulary—N. W. F. P., separate detailed sub-heads had been shown for clothing and arms and ammunition, in other cases, as in A₂—South Waziristan Scouts, or A₃—Tochi Scouts, all such expenditure had been lumped together under one detailed head 'Contingencies'. The Committee desired, notwithstanding its recommendation that the units of appropriation should in general be large rather than small, that the Finance Department and the Auditor General should investigate whether it would not be desirable to split up the head 'Contingencies' under "Tribal Areas" when expenditure against it amounted to a large sum, as so to give some idea in the Appropriation Accounts of what the items were on which these sums were spent. The Committee wished a report to be made to them in regard to this matter in due course.

49. With reference to the Works Expenditure in Baluchistan and the Tribal Areas, the Committee noticed that there was an appreciable number of major works in both appropriations on which there had been expenditure but for which specific provision had not been made in the budget. It was explained that in certain cases the execution of these works was considered to be urgent and the decision to execute them was taken after the budget had been framed. It was also urged that in the matter of works, the External Affairs Department had to rely largely on the Military Engineering Service which had many other preoccupations. The Committee were of the opinion that the programme for major works for the ensuing year should be thought out well in advance and should be included in the budget. While the Committee recognised that variations from this programme would be inevitable and while they did not desire to interfere with the discretion of Departments to vary this programme in order to meet urgent requirements, which arose during the course of the year, they desired to emphasise that large variations, particularly without adequate explanation, were, in ordinary circumstances, open to objection.

50. With reference to item No. 19 in the statement of outstanding recommendations, it was stated that His Majesty's Government, who had been approached, disered that a decision on the question of the incidence of Persian Gulf expenditure should be postponed till the end of the war. The Government of India had accepted this suggestion and the Committee agreed that the question should be postponed.

The Committee then adjourned till 10-30 A.M. on Monday the 25th August.

**Proceedings of the 6th meeting of the Public Accounts Committee held on
Monday the 25th August, 1941, at 10-30 a. m.**

PRESENT :

The Honourable, Sir JEREMY RAISMAN,
K.C.S.I., C.I.E., I.C.S., Finance Member— *Chairman.*

Moulvi MOHAMMED ABDUL GHANI.

Mr. MOHAMED AZHAR ALI.

Mr. J. RAMSAY SCOTT.

Sir Syed RAZA ALI.

Pandit LAKSHMI KANTA MAITRA.

Mr. H. M. ABDULLAH.

Dr. R. D. DALAL, C.I.E.

Khan Bahadur Shaikh FAZLI-I-HUQ Piracha.

Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.

Mr. W. H. SHOEBERT, E. D., I.C.S., Director General
of Posts and Telegraphs.

Mr. M. K. SEN GUPTA, Financial Adviser, Communica-
tions.

Mr. P. J. EDMUNDS, Chief Engineer, Posts and Telegra-
phs.

Mr. A. K. ROY, Assistant Financial Adviser, Communi-
cations.

Sir CAMERON BADENOCH, C.S.I., C.I.E., I.C.S., Auditor General of
India.

Mr. M. SUBRAMANIAM, Accountant-General, Posts and Telegraphs.

The Honourable Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Financial
Secretary.

Members.

Witnesses.

Posts and Telegraphs Department.

51. With regard to the recommendation made last year (item No. 16 of Appendix I), that the ex-gratia payment of interest on Post Office Cash Certificates held in excess of the prescribed limit should not be treated as infructuous payments, it was stated that this was not now done and that such cases were not now included in the list of losses.

52. With reference to the recommendation (item No. 17 of Appendix I) that the question of increasing the stock limit for stores should be considered, it was stated that the stock limit had been increased provisionally from 21 lakhs to 34 lakhs for general stores. The policy of the Department was to

build up stocks, but owing to the difficulty in obtaining stores during war-time and to the increase in the rate of issue due to increased activity, it had not been possible to attain this figure. The production in the Posts and Telegraphs Workshops was being speeded up as rapidly as possible, and it was hoped that they would produce stores of the value of Rs. 72 lakhs in 1942-43, the corresponding figures for 1938-39 and 1940-41 being about Rs. 22 lakhs and 40 lakhs respectively.

53. The Committee then considered the financial review of the year's working of the Department. It was noted that the Telegraph Branch showed a loss during the year of only Rs. 2,000 as against much greater losses in previous years. The improvement in the working of this Branch was considered to be due largely to the additional traffic caused by the war. In answer to an enquiry why the Telegraph Branch had consistently shown a loss over a period of years, it was stated that the main reasons were that in India the net-work of telegraph lines had to cover enormous distances resulting in a relatively large amount of capital being invested and that there was before the war some unused capacity both in staff and equipment.

54. With reference to the Radio Branch which showed a profit of Rs. 48,000 during the year, it was stated that the service was chiefly used by Shipping and Civil Aviation. From the latter, charges are recovered on a no-profit basis.

55. The Committee were gratified to note that the Department as a whole had made a profit during the year of Rs. 89,59 lakhs. About Rs. 7½ lakhs of this had been paid to general revenues to clear the arrears of press losses brought forward from previous years and the remaining Rs. 82 lakhs now stood at the credit of the Department. It was stated that from the year 1940-41 the arrangement for the disposal of the profit of the Department was that the revenue due to the increase in rates made in 1940, which increase was designed to be a measure of taxation, should be transferred outright to general revenues. The estimated yield of these increased rates was 33 lakhs in 1940-41 and is 100 lakhs in 1941-42. Further, as the recent surpluses of the Department were largely due to war conditions and Government traffic had contributed substantially to them, it had been decided that on the accumulated surplus beyond 100 lakhs the Department would not be credited with any interest.

56. The Committee next considered the memorandum (Appendix VII) regarding inter-branch adjustments for rent of telephone trunk wires, the capital cost of which is debited to the Telegraph Branch. It was explained that the present rules of allocation between the telegraphs and telephones were unfair to the former. The modifications proposed were considered to form a fairer basis of allocation and would result in the Telegraph Branch receiving about Rs. 4 lakhs more from the Telephone Branch than under the procedure hitherto followed. The Committee agreed that the new rules were more equitable and approved of their introduction, with effect from the accounts for 1940-41.

57. The Committee next considered the memorandum on the computation of the value of stamps used for telegraph purposes (Appendix VIII). It was explained that meticulous calculations for purposes of inter-branch adjustments were hardly necessary and that even an error as large as two per cent.

in the correct computation of postage stamps used for telegrams would result in an error in the allocation of charges of not more than about Rs. 2 lakhs. The Committee agreed that as by discontinuing the present system of direct computation, the staff could be more profitably utilised, the system should be discontinued and the system of the half-yearly count, which alone was in force previously, would suffice for the purpose.

58. The Committee then took up the consideration of the Audit Report. They noted that the reduction of Rs. 100 made by the Legislative Assembly in the original Demand for Grant No. 10 was, in distributing the Grant, taken under sub-head 'C.—General Administration' which on the year's working showed an excess over the final grant. The reduced Grant as a whole was, however, not exceeded. The Committee were of the opinion that when a reduction was made by the Assembly in the Grant as a whole, it was desirable to show it under a separate Abstract of the Grant.

59. The Committee noted that in Grant No. '74.—Capital Outlay on Telephone Projects' there had been a saving of Rs. 13,85,000 or 39·6 per cent of the original estimate. It was admitted that budgetting in this Grant had been defective and that the Telephone Development Fund being new, adequate methods had not yet been worked out for the control of expenditure in this Grant. It was also explained that the bulk of savings were due to unforeseen works, for which provision had been made in the budget, not materialising during the course of the year.

60. Attention was also drawn to the large saving of 24·6 per cent in Grant No. '72.—Indian Posts and Telegraphs Department'. These savings were due to a variety of causes, a large part of these falling under the head "Works". It was hoped that the adoption of the procedure recommended by the Public Accounts Committee in their Report on the Accounts of 1937-38, that budget provision should be made only after consultation with the technical departments, would reduce the extent of savings in future. The Committee noted that in the year under report no lump cut was imposed for probable savings. It was explained that this was done because the provision itself had been severely pruned and it was considered that a further lump cut would not be justified. The Committee desired to reiterate its previous recommendation that a lump-sum cut for probable savings should be made and that, if the occasion demanded it, the cut should be drastic.

61. The Committee then reviewed the cases of injudicious reappropriations and surrenders. It was explained that budgetting during the year had been extremely difficult because of the outbreak of the war. The expenditure during the first ten months of the year did not, therefore, give a correct indication of that in the last two months.

62. The Committee next considered the statement of losses written off. Particular attention was drawn to item No. 6, in which a loss of Rs. 533 had to be written off because the Branch Postmaster responsible for the misappropriation in question who was a schoolmaster was exempt from furnishing a security under the Departmental Rules. It was explained that it was not the rule but the exception not to take security from extra-Departmental postmasters, that the rules regulating the taking of security and the selection of

these postmasters had, since the case in question, been tightened up and that the whole question had been examined recently on the basis of recommendations of three officers appointed on special duty for this purpose. The Committee were gratified to see that the amount of losses written off during the year under report was less than in any of the previous 5 years. The percentage of loss written off (Rs. 19,355) to the total transactions in the Department (which amounted to Rs. 320 crores) was infinitesimal.

63. The Committee then took into consideration the memorandum (Appendix IX) regarding the fixing of percentages of variations between grant or appropriation and actual expenditure below which explanations need not ordinarily be furnished in the Appropriation Accounts. They agreed that the present percentages, which had been given a trial of four years at the instance of the Committee, had worked well in practice and should therefore be continued permanently.

**Proceedings of the 7th meeting of the Public Accounts Committee held on Tuesday
the 26th August, 1941 at 10-30 A. M.**

PRESENT :

The Honourable Sir JEREMY RAISMAN,
K.C.S.I., C.I.E., I.C.S., Finance Member.

Chairman.

Moulvi MOHAMMED ABDUL GHANI.

Mr. MOHAMED AZHAR ALI.

Mr. J. RAMSAY SCOTT.

Sir SYED RAZA ALI.

Pandit LAKSEMI KANTA MAITRA.

Mr. H. M. ABDULLAH.

Dr. R. D. DALAL, C.I.E.

Khan Bahadur Shaikh FAZL-I-HUQ Piracha.

Khan Bahadur Sir ABDUL HAMID,
C.I.E., O.B.E.

Sir GEORGE SPENCE, C.S.I., C.I.E., I.C.S.,
Secretary, Legislative Department.

Mr. N. N. KAUL, Bar-at-Law,
Deputy Secretary, Legislative Assembly Department.

Mr. D. G. CHAMBERS, I.C.S.,
Under Secretary, Defence Department.

The Honourable Mr. A. DEC. WILLIAMS, C.I.E., I.C.S.,
Secretary, Defence Co-ordination Department.

Mr. J. C. DONALDSON, C.I.E., M.C., I.C.S.,
Joint Secretary, Office of the Secretary to the
Governor General (Public).

Sir CAMERON BADENOCH, C.S.I., C.I.E., I.C.S.,
Auditor General of India.

Mr. P. M. RAO, Accountant General, Central Revenues.

The Hon'ble Mr. C. E. JONES, C.S.I., C.I.E., I.C.S.,
Financial Secretary.

Members.

Witnesses.

64. The Committee considered the Appropriation Accounts for which the Legislative, Legislative Assembly and Defence Departments and the Secretaries to the Governor-General (Defence Co-ordination and Public) are responsible.

Legislative Department.

65. With reference to sub-head L. 1 (4) of the Appropriation ' External Affairs ', it was explained that the system by which the amount payable by any country to the League of Nations was determined, was that each country was

assigned a number of units which in the case of India was 48. The total expenditure of the League was then divided by the total number of units (which at present was 522) and multiplied by the unit value which was given to the particular country. The expenditure on this account during the year under report was Rs. 10.78 lacs but had fallen in the present year to Rs. 7.55 lacs owing to the activities of the League having been greatly curtailed.

Defence Department.

66. *Ecclesiastical Affairs.*—It was noticed that the amount under ' A.-4.—Pay of Chaplains, etc., in Bengal ' was much less than that under ' A.-6.—Pay of Chaplains, etc., in the Punjab '. It was explained that the charges did not depend on the size of the population but on the number of ' entitled personnel ' which meant the number of people who were entitled to spiritual ministrations by a Chaplain. These were chiefly European Military, Civil and Railway personnel in Government employ and their dependants, and their number was larger in the Punjab than in Bengal.

Secretariat of the Governor-General.

67. The Committee then examined the Accounts of the Appropriation ' Secretariat of the Governor-General '. The functions of the two parts of the Secretariat (Defence Co-ordination and Public) which were first set up during the year 1938-39, were explained to the Committee. The large increases in the appropriations of the sub-heads ' B.-1 ' to ' B.-4 ' in this Appropriation were stated to be due to the considerable expansion that occurred in the Secretariat of the Governor-General, Defence Co-ordination on the outbreak of war.

68. The large surrenders in the Appropriation ' Principal Supply Officers' Committee ' were explained as being due to the fact that this Committee was transferred from the control of the Secretary to the Governor-General (Defence Co-ordination) and was merged in the Department of Supply in the middle of the year and the provision for the remainder of the year was not required.

69. In continuation of the discussion, recorded in paragraph 31 of the proceedings, which the Committee had at its meeting on the 21st August 1941, the Finance Secretary made a statement, the substance of which is recorded in a note (Appendix X), on the powers of the Finance Department and of the other Departments of Government as well as individual officers to reappropriate funds within a grant.

The Committee then adjourned till 10-30 A. M. on Wednesday, the 27th August.

**Proceedings of the 8th meeting of the Public Accounts Committee held on
Wednesday the 27th August, 1941 at 10-30 A. M.**

PRESENT :

Mr. J. RAMSAY SCOTT (up to 11-30 A. M.).

The Honourable Sir JEREMY RAISMAN, K.C.S.I., C.I.E.,
I.C.S., Finance Member.

} *Chairman.*

Moulvi MOHAMMED ABDUL GHANI.

Mr. MOHAMD AZHAR ALI.

Mr. J. RAMSAY SCOTT.

Sir SYED RAZA ALI.

Lieut.-Colonel M. A. RAHMAN.

Pandit LAKSHMI KANTA MATTRA.

} *Members.*

Mr. H. M. ABDULLAH.

Dr. R. D. DALAL, C.I.E.

Khan Bahadur Shaikh FAZL-I-HUQ PIRACHA.

Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.

Sir ALAN LLOYD, C.S.I., C.I.E., I.C.S., Secretary Com-
merce Department.

Mr. N. R. PILLAI, C.I.E., C.B.E., I.C.S., Additional
Secretary, Commerce Department.

Rai Bahadur KIRPA RAM, Director of Co-ordination,
Supply Department.

Mr. M. IKRAMULLAH, I.C.S., Deputy Secretary, Supply
Department.

Khan Bahadur K. UBAIDULLAH, Under Secretary, Sup-
ply Department.

} *Witnesses.*

The Honourable Sir L. WILSON, Chief Commissioner of
Railways.

Mr. B. M. STAIG, C.S.I., I.C.S., Financial Commis-
sioner, Railways.

Mr. I. S. PURI, Director of Finance, Railway Depart-
ment.

Mr. D. C. CAMPBELL, Controller of Railway Accounts.

Sir CAMERON BADENOCH, C.S.I., C.I.E., I.C.S., Auditor General of
India.

Mr. P. M. RAO, Accountant-General, Central Revenues.

Mr. RAM GOPAL, Controller of Supply Accounts.

Mr. E. R. SESHU IYER, Director of Railway Audit.

The Hon'ble Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Financial Secretary.

Commerce Department.

70. *Grant No. 28.—Ports and Pilotage.*—It was explained that the expendi-
ture on the Bengal Pilot Service was fully covered by the recoveries made from

shipping companies. The administration of the Mercantile Marine Department, however, was not self-supporting, approximately half of its expenditure only being normally recovered from ships in the shape of fees, etc. The Committee were pleased to see that the surplus on account of the Bengal Pilot Service for the year 1939-40 was larger than in any of the previous 5 years. It was stated that the accumulated surplus amounting at the end of 1939-40 to Rs. 8,80,000 was kept as a reserve fund for the eventual replacement of pilot vessels. This amount was not, however, sufficient for the purpose and would have to be augmented, when the eventuality arose, from general revenues.

There was a small excess of Rs. 3,536 in this Grant mainly due to more coal having been consumed owing to the present emergency than was anticipated. The Committee agreed to recommend the regularisation of this excess by a vote of the Assembly.

71. *Grant No. 29.—Lighthouses and Lightships.*—The Committee noted that the surplus of receipts over expenditure during the year amounted to Rs. 2,57,000 against Rs. 2,24,000 in 1938-39 but that this apparently increased surplus was due to a change in the method of accounting but for which the surplus would have amounted only to Rs. 99,000. Taking into consideration all the factors which had operated during the year, the committee regarded the results of the year's working as satisfactory. They also noted with satisfaction that there were adequate amounts standing to the credit of the General Reserve and the Depreciation Funds.

72. *Grant No. 57.—Miscellaneous.*—The Committee considered the income and expenditure account of the scheme for the registration of Accountants and observed that the deficit for the year under review was even larger than that of 1938-39 in spite of the Committee's recommendation in their report on the Accounts of 1937-38, that this scheme should be made self-supporting. It was explained that the increased deficit during the year was due to an increase in expenditure on account of travelling allowances of members of the Indian Accountancy Board and its committees due to the necessity for more prolonged sittings. The policy of Government continued to be that the scheme should be placed on a self-supporting basis. The Committee trusted that steps would be taken to put this policy into effect and that the results of the next year would show an improvement.

Department of Supply.

73. With reference to entry 'B-1 (6).—Deduct—Establishment charges recoverable from other Governments, Departments, etc.,' it was explained that although the Contracts Directorate was, in the year under review, a part of the Department of Supply, the normal peacetime cost of this organization continued to be recovered from Defence Estimates.

RAILWAYS.

74. The Committee then proceeded to examine the Appropriation Accounts of the Railways in conjunction with the Audit Report and the Review prepared by the Chief Commissioner. The Chief Commissioner laid before the Committee a summary of the approximate financial results of the Indian State-owned Railways in 1940-41 (Appendix XI). The financial results of the working of

railways for the year 1939-40 were compared with these and with the results of previous years. The Committee noted that with the outbreak of war in the year under review there had been a change in traffic conditions with the result that the surplus for 1939-40 amounted to Rs. 4 1/3 crores, which was the highest surplus recorded since the general recovery in 1936-37. They noted also that the same trend had continued and that the surplus for the year 1940-41 had amounted to a very much larger figure.

75. The Committee then considered the cases of supplementary grants obtained during the year, which had eventually proved to be unnecessary. In Grant No. 6-C where a supplementary grant of Rs. 19 lakhs was obtained and the saving in the total grant was Rs. 33·27 lakhs, it was explained that the chief cause of the saving was the postponement of the payment for certain Diesel cars obtained for the North-Western Railway, as the conditions with which, under the terms of the contract for their purchase, these cars had to comply before payment became due, had not been satisfied within the financial year. Another item which served to increase the savings was unanticipated credits to the extent of Rs. 9½ lakhs, of which only Rs. 6 lakhs were expected to accrue at the time the revised estimates were prepared. In Grant No. 6-H, a supplementary grant of Rs. 8·49 lakhs was obtained, while the savings in the total grant amounted to Rs. 9·88 lakhs. It was explained that this was primarily due to unanticipated credits arising from a change in the method of calculation of the cost of energy supplied, which resulted in larger recoveries being made. This change instituted in the previous year had not been fully appreciated by certain railways until clearer instructions had been issued by the Board during the year under review, with the result that its effect was not fully taken account of in the budget. The Committee desired that great care should be taken before a supplementary demand was presented to the Assembly.

76. The Committee were pleased to note that control of expenditure as judged by the percentage of saving or excess on the final grant or appropriation continued to be satisfactory, the saving in grants relating to expenditure charged to revenue having shown only a nominal increase to ·40 per cent. against ·10 per cent. in 1938-39. The position with regard to expenditure charged outside the Revenue account showed a deterioration from ·18 per cent. to 2·57 per cent., but this was only apparent as the net variation in 1938-39 was due to large compensating variations in Grants Nos. 11 and 12. The percentage for the year compared very favourably with that for 1935-36 and 1936-37 and was only slightly higher than that for 1937-38.

77. In reviewing cases of injudicious surrenders or withdrawals within the grant, causing excess over allotments, attention was drawn to Grant No. 8—Interest Charges. In this Grant the original appropriation for 'Interest on Debt' was reduced, while the final result showed an excess. The Committee agreed that as the rate of interest to be applied was not known till after the close of the year, very accurate budgeting was not possible in this Grant.

78. As desired by the Public Accounts Committee last year, a memorandum (Appendix XII) was presented to the Committee on the method of preparation of the statement of unsanctioned expenditure in the Appropriation Accounts.

The Committee agreed with the Railway Board that no radical change was called for in the rules regarding the preparation of formal estimates in certain cases. They also agreed with the proposal that the limit of Rs. 10,000 observed hitherto with regard to exhibition of the particulars of unsanctioned expenditure in Annexure 'A', 'A (i)' and 'A (ii)' to the Appropriation Accounts should be raised to Rs. 25,000, but preferred to await the effect of these changes before considering any further modification of practice. The Committee were pleased to observe that the percentage of objectionable expenditure to expenditure audited was only .33 compared to .58 in the previous year, both of which percentages were satisfactory.

The Committee then adjourned till 10-30 A. M. the next day.

**Proceedings of the 9th meeting of the Public Accounts Committee held on
Thursday the 28th August 1941 at 10-30 A. M.**

PRESENT :

The Honourable Sir JEREMY RAISMAN, K.C.S.I., C.I.E., I.C.S., Finance Member.	} <i>Chairman.</i>
Moulvi MOHAMMED ABDUL GHANI.	
Mr. MOHAMED AZHAR ALI.	} <i>Members.</i>
Mr. J. RAMSAY SCOTT.	
Sir SYED RAZA ALI.	
Lieut.-Colonel M. A. RAHMAN.	
Pandit LAKSHMI KANTA MAITRA.	
Mr. H. M. ABDULLAH.	
Dr. R. D. DALAL, C.I.E.	
Khan Bahadur Shaikh FAZL-I-HUQ, PIRACHA.	
Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.	
The Hon'ble Sir LEONARD WILSON, Chief Commissioner of Railways.		} Witnesses.
Mr. B. M. STAIG, C.S.I., I.C.S., Financial Commissioner, Railways.	
Mr. I. S. PURI, Director of Finance, Railway Board.	
Mr. D. C. CAMPBELL, Controller of Railway Accounts.	
Sir CAMERON BADENOCH, C.S.I., C.I.E., I.C.S., Auditor General of India.	
Mr. E. R. SESHU IYER, Director of Railway Audit.	
The Hon'ble Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Financial Secretary.	

79. The Committee continued their examination of the Railway Accounts. In dealing with Annexure C to the Chief Commissioner's Review, attention was drawn to the comparatively high percentage that ordinary working expenses showed to earnings on the Eastern Bengal and Assam Bengal Railways. It was explained that the increase during the year under review on the Eastern Bengal Railway was mainly due to the special adjustment between revenue and the Depreciation Fund alluded to at the end of paragraph 21 of the Chief Commissioner's Review and to considerable extra expenditure caused by floods during that year. The reason why the percentage of working expenses to earnings on these Railways was generally higher than on other Railways was that their receipts (as shown in Annexure D to the Chief Commissioner's Review) were for the size of the systems, comparatively speaking, low, this being partly due to competition with river traffic. The Assam Bengal Railway was now being taken over by Government and it was proposed to amalgamate it with

the Eastern Bengal Railway. It was expected that this would lead to a reduction in the working expenses of both the Railways and also possibly to any increase in earnings.

80. The Committee next turned their attention to Annexure E to the Appropriation Accounts which showed the working expenses of strategic railways. A member suggested that the net loss on strategic railways should be charged to the Defence Services Estimates as these railways were run primarily for Defence purposes and that, therefore, their inclusion in the Defence Budget would give a better idea of the total sum that was being spent on the defence of the country. The member's attention was drawn to the fact that the incidence of loss on strategic railways was regulated by the second sub-paragraph of paragraph 2 of the Resolution regarding the separation of railway from general finance adopted by the Legislative Assembly on the 20th September 1924, which ran as follows follows :—

“ Interest on the capital at charge of, and the loss in, working strategic lines shall be borne by general revenues and shall consequently be deducted from the contribution so calculated in order to arrive at the net amount payable from railway to general revenues each year.”

The manner in which this arrangement worked for the year under review was shown in statement “ No. 22A showing the calculation of railway contribution to general revenues ” at page 107 of the Combined Finance and Revenue Accounts of Central and Provincial Governments in India for the year 1939-40. The Committee agreed that no change in the method of accounting for the incidence of this loss was necessary at any rate during the war.

81. The Committee next went on to consider in detail each of the financial irregularities mentioned in Chapter II of the Audit Report. With reference to paragraph 27 of the Audit Report, it was explained that the oversight was that of a Permanent Way Inspector who had omitted to report that the siding in question was being maintained by the Railway Administration instead of by the Indian State. The Committee noted that this loss was not due to any defect in system but to an omission by a particular individual.

In regard to the scheme for the transfer of the repair of metre gauge locomotives from Saidpur to Kanchrapara, the Committee were of the opinion that the facts of the case disclosed that the scheme had been adopted without as much consideration having been given to all the relevant factors necessary for its successful operation as they deserved. They were also inclined to the view at the ultimate reduction to 10 miles in the scheme for the relaying of 18 miles of track on the Kakurgachi Chord indicated that originally inadequate consideration had been given to the actual requirements but it was explained that the abandonment of the scheme was probably due to a drive for economy.

82. The Committee were not satisfied with the explanation given for the loss on the supply of timber to the Defence Department by the Eastern Bengal Railway in 1932 (paragraph 29 of the Audit Report). They considered that the Railways had been more accommodating to the Defence Department than could be justified under any circumstances and felt that the Departments concerned should make clear to all responsible officers that no plea of urgency

or secrecy can excuse neglect of ordinary financial precautions such as taking receipts for transfer of money or stores.

83. The loss recorded in paragraph 30 was explained as being due to an abnormal departure from the normal system. The Committee trusted that the abolition of the system of "custody stores" would obviate the recurrence of such a loss. With reference to the case recorded in paragraph 31, it was explained that Financial Advisers and Chief Accounts Officers of Railways now kept a register of the capital cost of saloons which they had not formerly done and that expenditure figures furnished by the Mechanical Department were now checked by them before final acceptance. There was therefore no likelihood of loss on this account being repeated in future. With reference to paragraph 32, it was explained that the Board considered that the all-round charge of 4 per cent. to cover the cost of maintenance and repairs of vehicles reserved for other Government Departments, which had been found sufficient by all the other Railways, should be adequate in the North Western Railway also, and the reason why this was not so was now being investigated by that Railway.

84. The Committee expressed their dissatisfaction with the system which had made it possible for orders to be given for injectors by the Eastern Bengal Railway without detailed specification of the type of injector desired having been stated (paragraph 33). They were, however, informed that the practice had been discontinued and that detailed specifications were now being supplied.

85. There was then considerable discussion on the case mentioned in paragraph 35 of the Audit Report. It was explained that the officer in question was the Chief Mining Engineer and the extra duties he performed *ex-officio* were those of Chairman of the Coal Grading Board and Chairman of the Soft Coke Cess Committee. For the former of these he received extra remuneration of Rs. 500 per mensem and for the latter Rs. 300 per mensem. The point was raised why the entire sum which had been overpaid to the officer was not recovered from him, in instalments if necessary, but it was explained that the usual practice was that overpayments, if they were received by the Government servant concerned in good faith, were not recovered for more than a period of one year from the date the irregularity was discovered, as recovery for a longer period was considered inequitable. The Committee felt that *prima facie* these allowances were excessive and that the amounts paid and the justification for them should be re-examined by Government. They desired further that the question whether this remuneration had been correctly classified as fees should be further investigated and a report made to the Committee on this point.

86. The Committee then considered the statement showing remissions and abandonments of claims to revenue, detailed in Annexure C to the Appropriation Accounts. The grand total of revenue abandoned or remitted amounted to Rs. 35,90,278 but this was a very small percentage of the total railway revenues. It was explained that most of these abandonments and remissions were due to the impossibility of recovery or to the recovery threatening to prove more costly than the amount to be recovered. The Committee were satisfied with the statement of the Auditor General that he considered that in the cases under report there was no reason to believe that the discretion vested

in the railway authorities to remit or abandon revenue had been improperly exercised.

87. In accordance with the recommendation of the Committee made last year, a 'Key' statement had been prepared, which correlated the references to each Railway Grant contained in the various accounts and reports with which the Committee had to deal. The Committee found that the 'Key' statement was not as helpful as it was expected to be and desired that it should be discontinued. Instead, they requested the Auditor General, in consultation with the Financial Commissioner of Railways, to prepare a programme to guide the Committee in dealing with the documents which they had to examine.

88. The Committee then took into consideration the Report of the Railway Board on Railway Officers' saloons and reserved inspection carriages (Appendix XIII). It was explained that all the material set free by the condemnation of these carriages would either be used again if it was serviceable or sold as scrap.

89. The Committee then went on to consider the report by the Railway Board on auction sales of railways (Appendix XIV) and noted that the East Indian Railway had already revised their contracts so as to secure payment for the auctioned materials before removal, and that the Eastern Bengal Railway were following suit.

90. The Committee then proceeded to consider the accounts of the Reserve Fund of the Railways. They noted that the Depreciation Fund, at the end of the year under review, stood at Rs. 30.75 crores. With reference to footnote (a) on page 57 of the Chief Commissioner's Review, attention was drawn to paragraph 21 of the Review and it was explained that while ordinarily expenditure on repairs was financed directly from revenue, the expenditure on the Hardinge Bridge Protection Works and repairs to Earthquake damages had been so large that in the financial conditions then obtaining it had been deemed advisable, after consulting the Auditor General, to spread it over a number of years. A loan had therefore been taken from the Depreciation Fund and repaid in annual instalments from revenue.

Proceedings of the 10th meeting of the Public Accounts Committee held on Friday the 29th August, 1941 at 10-30 A. M.

PRESENT :

The Honourable Sir JEREMY RAISMAN, K.C.S.I.,
C.I.E., I.C.S., Finance Member.

} *Chairman.*

Moulvi MOHAMMED ABDUL GHANI.

Mr. MOHAMED AZHAR ALI.

Mr. J. RAMSAY SCOTT.

Sir SYED RAZA ALI.

Lieut.-Colonel M. A. RAHMAN.

} *Members.*

Pandit LAKSHMI KANTA MAITRA.

Mr. H. M. ABDULLAH.

Dr. R. D. DALAL, C.I.E.

Khan Bahadur SHAIKH FAZL-I-HUQ PIRACHA.

Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.

The Hon'ble Sir LEONARD WILSON, Chief Commissioner
of Railways.

Mr. B. M. STAIG, C.S.I., I.C.S., Financial Commissioner,
Railways.

} *Witnesses.*

Mr. D. C. CAMPBELL, Controller of Railway Accounts.

Sir CAMERON BADENOCH, C.S.I., C.I.E., I.C.S., Auditor-
General of India.

Mr. E. R. SESHU IYER, Director of Railway Audit.

The Hon'ble Mr. C. E. JONES, C.S.I., C.I.E., I.C.S.,
Financial Secretary.

91. The Committee continued their examination of the accounts of the Depreciation Fund. It was explained that the annual contribution to this Fund was at the rate of 1/60th of the total capital at charge. The previous system had involved a meticulous calculation based on the normal life of each asset. In the interest of simplicity it had been replaced several years ago by the present one which was calculated to give approximately the same result.

92. The Committee then went on to examine the Appropriation Accounts of each Grant.

Grant No. 6-A.—There was an excess of Rs. 15, 21,656 in this Grant, which however amounted to less than 2 per cent. of the total. This was due mainly to the write-back to this Grant of the entire outstanding balance of expenditure on the Hardinge Bridge Protection and Training Works amounting to Rs. 48½ lakhs. The decision to write back the entire amount this year was made because the revenue position had improved considerably and it was felt that

there was no reason to delay payment of the debt to the Depreciation Fund any longer. The decision on this matter was, however, taken after the revised grant had been fixed and a supplementary grant could therefore not be presented to the Assembly. The Committee agreed to recommend that this excess should be regularised by a vote of the Assembly.

With reference to an item of loss of Rs. 2,76,000 caused by fire on the Eastern Bengal Railway, it was explained that the policy of Government was not to insure its property with outside bodies, but to carry the risk itself. Government made arrangements for protection against fire, but fires were infrequent and a large capital outlay for this purpose was therefore difficult to justify.

93. *Grant No. 6-B.*—In connection with this Grant, the Committee were pleased to see that the percentage of locomotives and wagons under or awaiting repairs to the average number on the line had shown a decrease during the year under review compared to the previous year. The improvement, the Committee learnt, was due to the success of measures taken by the Board to expedite repairs in Workshops.

94. *Grant No. 6-D.*—There was an excess in this Grant of Rs. 56,691 due mainly to increase in traffic, necessitating the payment of more handling charges. Although a supplementary grant of Rs. 1·02 lakhs was obtained from the Assembly, this proved inadequate as the increase in traffic was greater than was expected. The Committee agreed to recommend the regularization of this excess to the Assembly.

95. *Grant No. 6-E.*—Attention was drawn to three items of loss on the North Western Railway caused by excess payments to railway servants. Two of these were due to the fact that the Railway Administration did not know that the employee in question was in receipt of a pension from the Defence Department. The Auditor General explained that till a few years ago the procedure with regard to verifying whether an employee was in receipt of a Government pension or not was somewhat defective in all the Departments of Government. The matter was taken up by Audit, as a result of which a large number of cases of this kind were discovered and the cases under discussion were probably the result of the investigation then made. The safeguard now prescribed against recurrence of a mistake of this kind was that employees are now themselves asked to certify whether they are in receipt of a pension or not.

With regard to the third case, it was explained that the complexity of grades in the Services in which this system existed was such that occasional mistakes were almost inevitable.

96. *Grant No. 6-F.*—The Committee noted that although the supplementary grant of Rs. 2·23 lakhs obtained for the expenses of the General Departments had proved excessive, the budgeting in this Grant was very satisfactory as the percentage variation of the expenditure from the budget was only ·5.

97. *Grant No. 6-G.*—In this Grant also the Committee noted that the percentage variation was less this year than in the previous year. They were pleased to see, in particular, that there had been an improvement in budgeting under the head 'Gratuities'.

98. *Grant No. 5.*—Under the sub-head ' Net earnings payable to Worked Lines ', the original provision had been reduced by Rs. 15·71 lakhs, whereas the final figures showed an excess of Rs. 9·47 lakhs. Briefly, these variations were due to the fact that whereas in the earlier part of the year the earnings of these lines fell below budgetary expectations, the sharp improvement in traffic caused by the outbreak of war in the latter half of the year resulted in figures of earnings of worked lines and consequently of paymanets due to them considerably exceeding anticipations.

99. The Committee then went on to consider Grants Nos. 11 and 12 relating to Works Expenditure outside the Revenue Account. They were gratified to observe that the results of the year under review in both these Grants were better than they had been for many years. Although the very close budgeting in Grant No. 12 was due to the fortuitous credit on account of the Hardinge Bridge Protection and Training Works, but for which there would have been an excess in this Grant, the Committee were pleased to observe that the system of lump cuts recommended by them had, on the whole, worked well. They trusted that the policy of making lump cuts would continue though the extent of the cut would have to depend on the conditions anticipated from time to time. Admittedly in view of the difficulties created by the war in regard particularly to the supply of plant and materials, the difficulty of accurate estimating under this head would be accentuated.

The Committee then adjourned till 11-30 A. M. on Wednesday, the 3rd of September 1941 for considertation of their report.

Report of the Military Accounts Committee, 1941.

We are appointed in pursuance of the recommendation made in paragraph 31 of the Report of the Public Accounts Committee on the Accounts of 1929-30 to make a preliminary examination of the Appropriation Accounts of the Defence Services and connected documents. We have been assisted in this work by the Auditor-General, the Defence Secretary, the Financial Adviser, Military Finance, the Secretary of the Supply Department and the Military Accountant-General. The results of our examination are, as usual, embodied in the proceedings of our meetings which we desire to be treated as a part of our report. The following paragraphs deal only with some of the more important points.

2. As the Audit Report covers the results of the test audit of all expenditure on the Defence Services brought to account in India including the expenditure debitable to His Majesty's Government without attempting to distinguish between the cases fully or partially affecting one Government or the other, we have had before us the results of audit over the entire field of Defence expenditure. With small modifications the quantum of audit has remained the same as before the war, though to ensure that the allocation of charges between H. M. G. and the Government of India is correct and in accordance with the Financial Settlement agreed upon between them, the scope of the check of classification in audit has had to be suitably increased. We examined the method of determining the division of charges on account of war measures for which the two Governments are jointly liable with considerable care. In the case of the expansions of recruiting activities, headquarter organisations and specialised training, the amount to be shared has been taken as the excess of actual expenditure for the year over the corresponding original budget provision, while the divisible expenditure on account of the expansion in the duty strength of officers has been calculated on the basis of capitation rates which have been applied to the excesses over normal strengths. As regards the division of these amounts between the two Governments, where as in the case of the increase in recruiting expenses which has been divided in the proportion of the extra recruits raised in connection with overseas and purely Indian requirements respectively, an accurate basis for dividing the charges is readily available, the expenditure has been divided in this proportion, but where no simple or obvious method of dividing the amounts can be found the expenditure has been allocated equally between the two Governments. As the result of our examination we are satisfied that in regard to the accounts of 1939-40 the terms of the Financial Settlement have been fairly worked to the detriment of neither party. In general we are glad to note that the Auditor General has certified that the standard of financial administration continues to be satisfactory.

3. *Expenditure of the Military Engineer Services.*—We are glad to note that a detailed procedure for war emergency works has been prepared after consultation between the Engineer-in-Chief and the Financial Adviser, Military Finance, by which while the preparation of project estimates will be dispensed with, works will be sanctioned by the competent authority on the basis of properly prepared approximate estimates. As for the period of the war the great bulk of the works carried out will be those urgently required for the pro-

secution of the war and mainly in temporary construction, we accept this as a practical and satisfactory solution of the problem to enforce a reasonable standard of financial control without causing such delay as would retard the war effort. As regards the normal works programmes, which except for the Quetta Project are now comparatively few, we agree that no change in the present system of framing estimates is required for the period of the war.

4. As in previous years, we have noted that the percentage of establishment charges to works expenditure of the Military Engineer Services has been considerably higher than that of the Central Public Works Department. While we appreciate that the work of the Central Public Works Department has been concentrated in a few areas and that the M. E. S. has to deal with a large number of scattered projects, we were gratified to learn that in the year under report the percentage for the M. E. S. has decreased by nearly 1·34 per cent. and we note that for 1940-41 a comparable figure for the rate of establishment charges will be provided by the Central P. W. D., since they took over the execution of all Central Civil and Aviation works in the various provinces with a few exceptions from April 1940.

5. We are indebted to the Department of Supply for a very full account of the methods adopted by them for the purchase of stores and of the arrangements in force in regard to war contracts. While before the war purchases were made as a rule by open tenders and competition was effective over most of the field, as a result of the urgent and increasing demands made on the industrial resources of India on account of the war, the competitive system has necessarily had to give way to limited and single tenders and to settlement by negotiation with individual suppliers as well as with industries as a whole. The organisation devised for the closer control on the prices paid for Government purchases and for more intimate contact with industry was explained to us in detail. It is now recognised that contracts in which the price payable is based on the actual costs plus an agreed margin of profit have many objections and although we recognise that such contracts are unavoidable in some cases, we endorse the view that they should gradually be eliminated as and when the experience gained from their working renders it possible to arrange contracts at fixed prices. These fixed prices would naturally be based on the ascertained economical cost of production, and should be subject to review at specified intervals.

6. A further point in this connection which was brought forcibly to our notice was that while for the examination of contracts based on estimated costs or negotiated in the light of such costs, a departmental costing organisation is essential, the greatest difficulty is being experienced in obtaining sufficient trained cost accountants for this work. Furthermore, even though following the Australian model, it has been decided to supplement the departmental organisation by the employment of the firm's own private auditors working under the instructions of Government, the staffs of these private firms of accountants have been so reduced by men being called up for military service that in many cases the trained accountants left with them are insufficient to carry out the work required by the Supply Department. We therefore make a strong recommendation that the supply of qualified accountants should not be further reduced by recruitment for the Defence Services and trust that the instructions that have just been issued for no more accountants to be called up without

consulting the Supply Department will ensure that this is brought about. We also recommend that steps should be taken to transfer experienced cost accountants who have already been called up from the Army to the Supply Department where their use for the war effort will be considerably greater, and that the training of young Indian registered accountants in cost accounting should be pursued in consultation with the Advisory Panel of Accountants.

7. The cases of financial irregularity brought to notice in the Audit Report were examined by us in detail and we generally approve of the action taken to fix the responsibility, which we trust will ensure that similar losses do not occur in future. We have, however, taken special note in our proceedings of a serious irregularity brought to light from the investigation of the incomplete store accounts in a Garrison Engineer's office and have asked to be furnished with a report of the disciplinary action taken in this case. For the rest, we endorse the finding of Audit that the standard of general financial administration continues to be satisfactory.

8. We desire to place on record our indebtedness to the Auditor-General for the valuable assistance given to us in our examination of the accounts.

(Sd.) H. A. C. GILL,
Secretary.

(Sd.) A. J. RAISMAN.

(Sd.) FAZL-I-HUQ PIRACHA.

(Sd.) RAZA ALI.

(Sd.) MOHAMMED ABDUL GHANI.

(Sd.) C. E. JONES.

Dated the 29th August, 1941.

RECEIVED

**Proceedings of the first meeting of the Military Accounts Committee held on
Wednesday, the 13th August 1941 at 10-30 A. M.**

PRESENT :

The Hon'ble SIR JEREMY RAISMAN, K.C.S.I., C.I.E., I.C.S., Finance Member.	} <i>Chairman.</i>
Moulvi MOHAMMED ABDUL GHANI. Sir Syed RAZA ALI. Khan Bahadur SHAIKH FAZL-I-HUQ PIRACHA	
Hon'ble Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Financial Secretary.	} <i>Members.</i>
Mr. C. M. G. OGILVIE, C.S.I., C.B.E., I.C.S., De- fence Secretary.	
Mr. E. T. COATES, C.S.I., C.I.E., I.C.S., Financial Adviser, Military Finance.	} <i>Witnesses.</i>
Mr. M. R. COBURN, C.I.E., O.B.E., Additional Financial Adviser, Military Finance.	
Mr. J. PARLBY, O.B.E., Military Accountant General	
Mr. K. A. JOSEPH, Deputy Financial Adviser, Military Finance.	
Sir CAMERON BADENOCH, C.S.I., C.I.E., I.C.S., Auditor General of India.	
Mr. C. V. S. RAO, Director of Audit, Defence Services.	

The Committee first considered the military items in the statement (Appendix I) showing action taken or proposed to be taken on the recommendations made in previous years.

2. *Item 21.*—The Defence Secretary stated that as recommended by the Committee last year the revised rules for the allocation of Ecclesiastical expenditure had been brought into operation with effect from the 1st of April 1941 and that a suitable formula for the distribution of the connected pensionary charges was under discussion between the Auditor-General and Defence Department.

3. *Item 22.*—In regard to the recommendation that the question of the simplification of heads in the Defence budget might be pursued as far as present conditions permitted in order that the conclusions reached might be carried into effect after the war, the Committee were informed that it would not be possible to make further progress with this proposal during the period of the war and that the question would be taken up when the Defence budget was revised at the end of the war.

4. *Item 23.*—The Financial Adviser, Military Finance, explained that the question of devising a revised system of framing estimates for M. E. S. Works on

the lines of that adopted in England had lost its immediate practical interest because during the period of the war the great bulk of the works carried out consisted of those urgently needed for the prosecution of the war. As the preparation of detailed project estimates involves much time and labour, it has been decided that the preparation of project estimates for works needed for the prosecution of the war should be dispensed with and the measure sanctioned by the competent authority on the basis of an approximate estimate. A detailed procedure for such war emergency works had been laid down (Appendix XV) while for peace-time works like the Quetta Project the ordinary full procedure would continue to be applied.

The Committee then took up the examination of the Appropriation Accounts of the Defence Services for the year 1939-40 along with the Report of the Director of Audit, Defence Services.

5. In connection with the financial settlement with His Majesty's Government for the allocation of Defence expenditure for the duration of the war, the Chairman explained that Indian audit will operate over the whole field of Defence expenditure whether met from Indian revenues or by His Majesty's Government and that the Auditor-General's report with the comments of the Public Accounts Committee would be referred for consideration in the first place by the Secretary of State for India and then by H. M.'s Treasury. In this connection the Committee considered the note of the Auditor-General on paragraph 3 of the Audit Report (Appendix XVI) and noted that the Comptroller and Auditor-General of the United Kingdom had agreed to admit the accounts of the expenditure on Defence Services which is to be borne by the United Kingdom without further detailed examination on the strength of the audit undertaken in India. The Auditor-General stated that two members of the staff of the Comptroller and Auditor-General had visited India last cold weather to obtain first hand knowledge of Indian accounting and audit procedure and that he had reason to believe that the Comptroller and Auditor-General would be generally satisfied with the Indian system of audit and would be able to accept the certificate of the Auditor-General of India without requiring any modification of the Indian system.

6. *Paragraph 8.*—In regard to the division of charges on account of war measures for which the British and Indian Governments are jointly liable under the financial settlement, it was explained that these joint measures mainly related to the expansion of recruiting activities, the expansion of Defence Headquarters organizations and the expansion of training establishments for imparting specialised training to officers and men. Where an accurate basis for dividing the charges is readily available, the expenditure is divided in this proportion, but where no simple or obvious method of dividing the amounts can be found, it has been agreed that the expenditure should be allocated equally between the two Governments. It was pointed out that the proportion which joint measures occupy is small. When Indian troops are sent overseas the cost of their raising, training and equipment is recovered from His Majesty's Government, except in the case of equipment sent out from the United Kingdom whether for troops of the various expansion schemes proceeding overseas or for such troops remaining in India, which is supplied free by that Government.

7. *Military Engineer Services.*—In regard to paragraph 12 of the Appropriation Accounts, the Committee noted the appreciable improvement in the working of the Military Services in that the percentage of objectionable outlay to the total expenditure during the year under report had worked out at 1·73 as compared with 2·55 in the previous year and that the amounts due on account of rent, water and electricity, which were not recovered within the prescribed time, had decreased considerably.

8. The Committee noted that the percentage of establishment charges to works expenditure for 1939-40, *viz.*, 18·96, had decreased by nearly 1·34 per cent. over that worked out for the year 1938-39 as the result of the fuller utilisation of all works establishment on modernisation and war works. On the question whether the rate of establishment charges in the M. E. S. was reasonable, it was noted that the M. E. S. had to deal with a large number of scattered projects, while the work of the Central P. W. D., whose establishment percentage for the same year worked out at 16·25, was concentrated in a few areas. However, as the Central P. W. D. had taken over the execution of all Central Civil and Aviation works in the various Provinces with effect from April 1940, there would be a fairer comparison available with effect from the Accounts of 1940-41.

9. *Reconstruction in Baluchistan.*—In the case of the lump sum contracts given for two groups of works on the basis of certain previous contracts without bills of quantities, the Committee endorsed the view that the working of these contracts had shown that a lump sum contract cannot be easily based upon a previous one without bills of quantities unless the work is completely identical.

10. In examining the original and modified appropriations as compared with the actuals for the year under report, the Committee agreed that in the special circumstances due to the outbreak of war, the variations did not call any comments. The certificate of the Military Accountant-General was noted and the majority of items held under objection were stated to have since been settled.

11. *Paragraph 36.*—Attention was drawn to the delay in settlement of the rates of hire for vessels requisitioned for local naval defence purpose, which was mainly responsible for the variation between the appropriation and expenditure under the new main head 3 “War measures chargeable to Indian revenues”. It was explained that the rates could not be settled before the vessels were requisitioned, and as this involved an important question of principle which would apply to all requisitioned property, a provisional payment of 10 shillings a ton was being made and the whole question examined in detail in consultation with the Commerce Department.

12. *Paragraph 43.*—In connection with the variation between the expenditure and original appropriation under Defence Services—non-effective-Head II—Air Forces, it was stated that this was due to a considerable refund paid to India by the Air Ministry. According to a revised method of calculation for non-effective charges agreed to by the Air Ministry, India is to pay on the basis of a service share of the actual pensions in course of payment and past payments from 1919-20, which had been approximately calculated pending a settlement,

had been recalculated on this basis. A sum of 17 lakhs representing the amount paid in excess by India had accordingly been refunded.

13. *Appendix D.*—With reference to the statement showing “Losses in stores, etc.” in Military Engineer Services written off during the year 1939-40, attention was drawn to the large sum on account of deficiencies not caused by theft or fraud. It was explained that this was on account of the book value of buildings which though recorded in the registers were found to be no longer in existence. The buildings in question had been demolished with authority but this had not been duly recorded. As no authority was now traceable for their demolition, the book value of the buildings had been written off by Government and steps taken to see that the registers were properly maintained in future

14. With reference to paragraph 5 of the prefatory remarks to the Audit Report where it was stated that though Defence expenditure is non-voted, the Defence Appropriation Accounts stand on the same footing as the other Appropriation Accounts so far as examination by the Public Accounts Committee is concerned, a member made a suggestion that fuller details as to the production of munitions, stores, etc. in India might be given in the accounts for the information of the Committee. It was explained that the accounts of the year under report had been greatly simplified by the effect of the financial settlement and that the Committee had a definite statutory function to deal with the accounts as presented to the Legislature and to see how the actual expenditure compared with the appropriation and that the manner in which the money had been spent conformed with the canons of financial propriety.

Proceedings of the 2nd meeting of the Military Accounts Committee held on Thursday, the 14th August 1941, at 10-30 A. M.

PRESENT :

The Honourable Sir JEREMY RAISMAN, K.C.S.I., C.I.E., } *Chairman.*
I.C.S., Finance Member.

Moulvi MOHAMMAD ABDUL GHANI. }

Sir Syed RAZA ALL. }

Hon'ble Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Financial } *Members.*
Secretary.

Mr. C. M. G. OGILVIE, C.S.I., C.B.E., I.C.S., Secretary, }
Defence Department.

Mr. E. M. JENKINS, C.S.I., C.I.E., I.C.S., Secretary, }
Supply Department.

Mr. E. T. COATES, C.S.I., C.I.E., I.C.S., Financial }
Adviser, Military Finance.

Mr. M. R. COBURN, C.I.E., O.B.E., Additional Financial } *Witnesses.*
Adviser, Military Finance.

Mr. R. S. SYMONS, I.C.S., Additional Financial }
Adviser, Supply.

Mr. J. PARLBY, O.B.E., Military Accountant- }
General.

Sir. CAMERON BADENOCH, C.S.I., C.I.E., I.C.S.,
Auditor General of India.

Mr. C. V. S. RAO, Director of Audit, Defence
Services.

Mr. RAMGOPAL, Controller of Supply Accounts.

15. In regard to the war time purchase of stores, the Committee first considered the memorandum submitted by the Department of Supply Appendix XVII) describing the methods of purchase and financial control, together with the note of the Auditor-General on this subject (Appendix XVIII). The attention of the Committee was first drawn to the fact that it was extremely difficult to recruit even reasonably qualified cost accountants for the Supply Department's staff. The Auditor General pointed out that owing to recruitment for the army, the staff of private firms of accountants had been greatly reduced, and the trained accountants now left with them were insufficient to carry on their ordinary work much less to undertake the big responsibilities now being put on them by Government and the Supply Department. As regards the training of ordinary accountants, as the great majority had had no experience of factory work the training in cost accounting would be a lengthy process. The Committee was of the opinion that it was vital in the public interest that the supply of qualified accountants should not be further reduced, and for this purpose recommended that Accountancy should be declared to be

a key occupation. Further, the Committee agreed with the Auditor-General that, if possible, steps should be taken to get experienced cost accountants, already recruited for the army, transferred to the Supply Department, where their usefulness for the war effort would be much greater. The Committee also recommended that the possibility of training young Indian registered accountants in cost accounting should be considered in consultation with the Advisory Panel of Accountants.

16. The Committee then considered at length the methods adopted for fixing the contract prices for stores. As in view of urgency and for other reasons, the open tender system was being increasingly replaced by limited and single tenders, special arrangements had to be made to ensure that prices were reasonable. The change over that was taking place from the system of allowing actual costs plus a margin for profit to a fixed price system was approved. It was explained that in the early stages of the war, certain contracts had had to be given for payment of actual cost of manufactured articles plus a margin for profit, but this arrangement, which left no incentive to economical production, was now being abandoned as rapidly as possible. It was noticed that it had been found possible to effect considerable reductions in the profit margins allowed. In view of the dearth of departmental cost accountants, it had been decided in suitable cases to employ the firms' own auditors who would work and report under instructions from Government and would be paid by Government for this work. These reports would be reviewed departmentally and Government also reserved the right of employing their own departmental accountants in addition to, or in substitution of the firms' auditors in important cases, or where such a course was considered necessary.

17. As regards the question whether powers of local purchase were being properly used, the Committee were informed that orders restricting such purchases had recently been issued and that monthly statements of all local purchases had been called for to enable the Government of India to see that these orders were effective and that local purchases were resorted to only in real emergencies.

18. *Paragraph 10 of the Audit Report.*—As regards the incomplete store accounts and irregularities in stock in a certain Garrison Engineer's Office, which was reported by audit, the Committee noted that the omission to fix a reserve price for the auction of old copper wire, whereby the price realised had steadily decreased, while the price of copper had been steadily appreciating, indicated, a serious irregularity and desired to be furnished with a report on the disciplinary action taken in due course.

19. *Paragraph 11.*—In regard to the incorrect recovery of rent for certain buildings on the basis of a provisional rate fixed before the construction accounts for the buildings were closed due to the failure to complete the register of buildings, the Committee observed that in cases of this nature the investigation of the capital cost of particular items should be pursued individually regardless of the completion of the general register. Where a provisional rate for the recovery of rent was fixed the actual rate should be worked out as soon as the required information became available.

20. *Paragraph 12.*—Attention was drawn to the loss incurred by Government due to non-occupation of accommodation reserved for officers serving with Army Headquarters in a hotel at Delhi. It was explained that the accommodation was arranged on account of the unusually large number of officers who had to move down to Delhi at the outbreak of war and that this was cancelled within a month. The Committee noted that in order to avoid similar losses in future, officers for whom private accommodation was reserved, are now required to enter into an undertaking to occupy such accommodation if allotted to them.

21. The Committee noted the remark of the Director of Audit, Defence Services, that the standard of financial administration continued to be satisfactory.

22. *Paragraph 24.*—Attention was drawn to the case of an Aircraft Depot where the stocks of one of the sections had been verified by the store holder himself, and it was stated that the regulations had since been amended to make it clear that this was prohibited. It has also been agreed to detail persons other than the store-keepers for the verification of stocks as soon as personnel became available.

23. *Paragraph 26.*—The Committee were glad to learn that as a result of the new organisation set up last year for drafting Army Instructions the number of cases of faultily expressed rules and orders were appreciably less in the year under report than that noticed in previous years.

24. *Dairy Farms.*—The reasons for the net loss of Rs. 73,369 shown by the consolidated profit and loss accounts of the Military Dairy Farms for 1939-40 as against the net profit of Rs. 15,601 in the previous year were examined. It was explained that this was mainly due to the purchase of a dairy farm at Kalsi which had shown a loss of Rs. 58,940 during the first year of its working as a Military Dairy. A contractor had only just started the farm with the backing of the Military authorities, when two British Regiments on whose custom he was relying, were transferred out of India at short notice under the orders of His Majesty's Government, and to reduce the compensation payable to a minimum, the farm had to be bought and taken over as a military dairy. The slight increase in overhead charges was the result of the amalgamation of certain grass farms with local dairy farms, and the loss incurred in running the farms in 1939-40 would be treated as a set-off against the accumulated profits in the reserves fund. The Committee, however, considered that there was a case for increasing the selling prices for the milk, butter and cream sold to the troops and desired that action should be taken to fix the selling prices so that while no undue profit was made out of the troops the farms should be made to pay their way.

APPENDIX I.

**Statement showing action taken or proposed to be taken on
recommendations made by the Central Public Accounts
Committee.**

Statement showing action taken or proposed to be taken on

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
<i>Railways.</i>			
1	1934-35 1935-36 1936-37 1937-38 1938-39	12-P. . . . 9-R. and 26-P. 7-P. 5-P. 3-P.	That a further report to show the progress made in relation to the programme of reductions in the total number of inspection carriages should be made to the Committee next year.
2	1937-38 1938-39	18-P. . . . 8-P.	That the Committee be informed next year whether the question of modifying the agreements of the E. I. and E. B. Railways with their auctioneers so as to secure payment of auctioned materials before removal had been satisfactorily settled.
3	1938-39	12-R. . . . and 15-P.	That while the procedure of lump sum cuts should be continued, the proportion of the cuts applied should be somewhat restricted.
4	1938-39	14-R. . . . and 19 to 24-P.	That the possibility of treating the cases of unauthorised expenditure at present enumerated in Annexure A to the Appropriation Accounts as objectionable as a domestic matter for settlement between the railway administrations and the audit authorities should be examined and that a report on the conclusions reached should be submitted to the Committee next year.
5	1938-39	14-P. . . .	That in future a 'key' statement should be prepared, on the lines of that supplied by the Auditor General on the Civil Appropriation Accounts, to correlate the references on each Railway grant contained in the various accounts and Reports presented to the Committee.
<i>Education, Health and Lands Department.</i>			
6	1937-38 1938-39	9-P. . . . 30-P.	That a copy of the audited accounts and the audit certificate received from the Bose Research Institute, Calcutta, should be shown to the Accountant General, Central Revenues.
7	1937-38	9-P. . . .	That the Corporation of Calcutta should be moved to exempt the Calcutta Museum from the municipal taxes and with this end in view the small charge for admission to the Museum on certain days should be abolished.
8	1938-39	33-P. . . .	That a note should be supplied to the Committee next year on the question of the possible savings involved in one of the alternatives proposed in Sir Leonard Woolley's Report on the administration of the Archaeological Department.

recommendations made by the Central Public Accounts Committee.

Action taken or proposed to be taken.

The Committee considered the report (Appendix XIII) on the subject.

The Committee considered the report (Appendix XIV) on the subject.

This has been noted.

The Committee considered the memorandum (Appendix XII) on the subject and agreed that the limit of Rs. 10,000 observed hitherto with regard to exhibition of the particulars of unsanctioned expenditure in the Appropriation Accounts should be raised to Rs. 25,000.

The 'Key' statement will be prepared in future and that for the accounts for 1939-40 will be supplied to the Committee at its next meeting.

The action desired has been taken, vide note 1 at page 137 of the Appropriation Accounts (Civil) 1939-40 and the Audit Report 1941.

The Corporation of Calcutta had again been addressed on the question of exempting the Museum from municipal taxes if the present small charge for admission on certain days was abolished, and their reply was still awaited.

The Committee considered the note (Appendix III) furnished on the subject.

Statement showing action taken or proposed to be taken on

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
9	1937-38 1938-39	5-R. . . . 1-P. and 21-P. 5-R. and 39-P.	<p style="text-align: center;"><i>Finance Department.</i></p> <p>That the question should be considered of communicating the High Commissioner's estimates of leave and deputation salaries paid in England to the Departments concerned for them to intimate any broad modifications which would appear to be required on the basis of their knowledge as to the number of officers likely to be on leave during the budget year and that a further report on this question be submitted next year.</p>
10	1937-38 1938-39	9-R. and 29-P. 41-P.	<p>That the Finance Department should examine whether in addition to the annual provision of Rs. 3 crores for reduction or avoidance of debt there should not be a separate provision for amortisation of Railway debt, once the first quinquennium of the Niemeyer Award is over.</p>
11	1938-39	4-R. . . . and 40-P.	<p>That the scheme for the revision of the compilation of the Detailed estimates and Demands for Grants should be tried as an experiment for one year.</p>
12	1938-39	4-R. . . . and 7-R.	<p>That the system of making lump sum cuts for probable savings should continue, though this may at times lead to expenditure in excess of provision, and should be applied vigorously at the time of the budget estimates particularly in the case of new works.</p>
13	1938-39	43-P. . . .	<p>That control of sub-head G.-Trade Department in Grant No. 23—India Office and High Commissioner's Establishment charges should be taken over by the Commerce Department against whom this sub-head should be shown in future in the Key Statement.</p>
14	1938-39	45-P. . . .	<p>That the result of the examination of the proposal for the formation of a reserve fund from the profits from the circulation of small coin in excess of an average figure with which to meet the loss on the return of small coin in periods of trade depression should be reported to the Committee next year.</p>
15	1935-36 1936-37 1937-38 1938-39	12-R. and 111-P. . . . 8-R. and 41-P. 19-R. and 48-P. 54-P.	<p style="text-align: center;"><i>Communications Department.</i></p> <p>That as the Port of Vizagapatam is likely to continue to be a burden on the general tax-payer unless the Railway has a stake in its development the question of handing over the Port to the Bengal Nagpur Railway should be actively pursued and a report should be submitted to the Committee next year.</p>

recommendations made by the Central Public Accounts Committee.

Action taken or proposed to be taken.

The Committee considered the note (Appendix V) submitted on the subject.

The question will be considered in connection with the Budget for 1942-43.

The Committee considered the memorandum (Appendix IV) and while reserving their opinion as to whether the change should be adopted as a permanent measure, agreed to the proposal for the period of the war.

Noted.

Noted.

The Committee considered the note (Appendix VI) on the subject and approved of the procedure indicated therein.

The Committee were informed that the B. N. Railway had been addressed in the matter and that their reply was being awaited.

Statement showing action taken or proposed to be taken on

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
			<i>Posts and Telegraphs.</i>
16	1938-39	64-P.	That the <i>ex-gratia</i> payment of interest on Post Office Cash Certificates held in excess of the prescribed limit need not be treated as infructuous payments and that in future such cases might be omitted from the list of losses.
17	1938-39	66-P.	That as the stock limit for stores at present prescribed appeared to be too low, the question of increasing the limit should be considered so as to avoid giving rise to an apparent irregularity in regard to the balance of surplus stores.
			<i>Home Department.</i>
18	1938-39	61-P.	That in cases of fraud or defalcation departmental proceedings as to the responsibility of the officials concerned should be started as soon as possible and that in most instances the departmental enquiry should be instituted before the Court proceedings and where one official is being prosecuted the cases against the other officials involved should be kept ready for being taken up immediately the Court has come to a final decision.
			<i>External Affairs Department.</i>
19	1929-30 1934-35 1935-36 1936-37 1937-38 1938-39	114-P. 27-P. 78-P. 60-P. 72-P. 72-P.	That a decision on the question of the incidence of Persian Gulf expenditure should be arrived at as soon as possible and a further report furnished to the Committee next year.
			<i>Labour Department.</i>
20	1938-39	86-P.	That the position in regard to the Central Public Works Department Nursery at Jurbagh, New Delhi the <i>pro-forma</i> account of which for 1938-39 revealed an unsatisfactory tendency should be carefully watched to see that there was no such deterioration in the nursery as to affect its financial position.
			<i>Defence Services.</i>
21	1926-27 1928-29 1929-30 1933-34 1934-35 1935-36 1936-37 1937-38 1938-39	25-R. 91-P. 118-P. 36-P. 20-P. 57-P. 2-P. (Mily.) 2-P. (") 3-P. (")	That the revised rules for the allocation of Ecclesiastical expenditure should, if possible, be brought into operation with effect from the financial year 1941-42.

recommendations made by the Central Public Accounts Committee.

Action taken or proposed to be taken.

It was explained to the Committee that such cases were not now included in the list of losses.

The Committee were informed that it was the policy of the Postal Department to build up stocks but success had been limited owing to difficulties in obtaining supplies and to increased consumption consequent on war.

Exhaustive instructions as to the action to be taken by the Head of a Department or office as soon as a case of defalcation or fraud comes to notice have already been issued. So far as cases of fraud referred to in paragraph 61 of the Report are concerned, it is hoped that the action by the Director General, Posts and Telegraphs, would prove effective. There hardly seems to be a case for issuing further general orders in the matter. The Committee desired that a copy of the instructions and orders should be laid before them.

The Committee agreed that the decision should be postponed till the end of the war.

Suitable steps have been taken by the Chief Engineer, Central P. W. D. to avoid a loss to Government on the working of the Nursery which is now being run at a reasonable profit.

The Committee were informed that the revised rules had been brought into operation with effect from the 1st April 1941 and that a suitable formula for the allocation of pensionary charges was under discussion.

Statement showing action taken or proposed to be taken on

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
22	1936-37 1937-38 1938-39	4-R. and 15-P. } 6-P. } M. A. C. . 5-P. }	That the question of the simplification of headings in the Defence Budget though of no great urgency at the moment, may be pursued as far as present conditions permit in order that the conclusions reached may be carried into effect after the war.
23	1938-39	3-R. and 20-P.	That the question of devising a revised system of framing estimates for M. E. S. Works on the lines of that adopted in England may be further considered in due course in order to reduce the variations between the estimates and the actual cost of works which were mainly attributed to the procedure under which an interval of more than a year obtained between the according of administrative approval to a work and its commencement.

recommendations made by the Central Public Accounts Committee.

Action taken or proposed to be taken.

The Committee were informed that it would not be possible to pursue the matter during the war and that the question would be taken up when the form of Defence Budget was revised at the end of the war.

The Committee considered the procedure outlined in Appendix XV and agreed that the procedure should be applied to all works needed for the prosecution of the war while for peace time works like the Quetta Project the ordinary full procedure would continue to be applied.

APPENDIX II.

Statement Comparing expenditure with grants for 1939-40.

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Ra.	Ra.	Ra.	Ra.
PART I.—CIVIL.				
A.—EXPENDITURE CHARGED TO REVENUE.				
1. Customs :				
Voted . . .	79,07,000	77,97,249	1,09,751	..
Non-voted . . .	4,86,910	4,84,575	2,335	..
2. Central Excise Duties :				
Voted . . .	10,15,000	10,14,456	544	..
Non-voted . . .	32,95,753	32,61,844	33,909	..
3. Taxes on Income includ- ing Corporation Tax :				
Voted . . .	76,34,000	75,14,081	1,19,919	..
Non-voted . . .	1,73,918	1,71,597	2,321	..
4. Salt :				
Voted . . .	58,42,000	58,26,394	15,606	..
Non-voted . . .	44,18,597	44,16,077	2,520	..
5. Opium :				
Voted . . .	24,21,000	22,45,232	1,75,768	..
Non-voted . . .	1,47,967	1,47,963	4	..
6. Provincial Excise :				
Voted . . .	4,58,000	4,65,739	..	7,739
Non-voted . . .	26,675	26,675	..	..
7. Stamps :				
Voted . . .	18,80,000	18,48,314	31,686	..
Non-voted . . .	1,87,600	1,89,393	..	1,793
8. Forest :				
Voted . . .	5,77,000	5,41,319	35,681	..
Non-voted . . .	2,82,000	2,83,462	..	1,462
9. Irrigation (including working expenses), Navi- gation, Embankment and Drainage Works :				
Voted . . .	2,08,000	2,00,197	7,803	..
Non-voted . . .	10,68,472	10,77,806	..	9,334
11. Interest on Debt and Other Obligations and Reduction or Avoidance of Debt :				
Voted . . .	93,92,000	92,52,174	1,39,826	..
Non-voted . . .	11,41,95,800	11,07,70,836	34,24,964	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL—contd.				
A.—EXPENDITURE CHARGED TO REVENUE—contd.				
12. Executive Council :				
Voted . . .	1,31,800	1,18,012	13,788	..
Non-voted . .	5,11,411	5,09,459	1,952	--
13. Council of State :				
Voted . . .	1,28,000	1,18,580	9,420	..
Non-voted . .	..	--	..	--
14. Legislative Assembly and Legislative Assembly Department :				
Voted . . .	8,21,000	6,70,223	1,50,777	--
Non-voted . .	56,900	57,156	..	258
15. Home Department :				
Voted . . .	8,37,000	7,72,003	64,997	..
Non-voted . .	20,30,834	20,35,589	..	4,755
16. Legislative Department :				
Voted . . .	4,07,000	4,05,144	1,856	..
Non-voted . .	2,02,800	2,02,360	440	--
17. Department of Educa- tion, Health and Lands :				
Voted . . .	6,11,900	6,04,917	6,983	--
Non-voted . .	2,35,772	2,34,922	850	--
18. Finance Department :				
Voted . . .	5,83,000	5,75,400	7,600	..
Non-voted . .	11,72,271	11,80,852	--	8,581
19. Commerce Department :				
Voted . . .	4,39,900	4,33,037	6,863	..
Non-voted . .	1,96,025	1,98,392	--	2,367
20. Department of Labour :				
Voted . . .	4,64,000	4,23,419	40,581	..
Non-voted . .	1,97,741	1,96,127	1,614	--
21. Department of Communi- cations :				
Voted . . .	2,04,000	2,01,184	2,816	..
Non-voted . .	1,35,358	1,35,066	292	..
22. Central Board of Re- venue :				
Voted . . .	5,41,000	5,37,762	3,238	..
Non-voted . .	2,11,720	2,09,584	2,136	..
23. India Office and High Commissioner's Estab- lishment Charges :				
Voted . . .	19,57,000	19,65,467	..	8,467
Non-voted . .	22,97,000	22,89,265	7,735	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL—contd.				
A.—EXPENDITURE CHARGED TO REVENUE—contd.				
24. Payments to Other Gov- ernments, Departments, etc., on account of services rendered :	1,20,000	1,18,577	1,423	..
25. Audit :				
Voted . . .	90,12,000	88,17,257	1,94,743	..
Non-voted . .	8,97,800	8,87,732	10,068	..
26. Administration of Justice :				
Voted . . .	88,000	68,967	19,033	..
Non-voted . .	3,58,700	3,30,290	28,410	..
27. Police :				
Voted . . .	6,45,000	6,26,573	18,427	..
Non-voted . .	..	..	..	..
28. Ports and Pilotage :				
Voted . . .	13,25,000	13,28,536	..	3,536
Non-voted . .	9,96,921	9,87,237	9,684	..
29. Lighthouses and Light- ships :				
Voted . . .	9,32,000	9,31,509	491	..
Non-voted . .	10,000	10,076	..	76
30. Survey of India :				
Voted . . .	16,05,000	14,78,221	1,26,779	..
Non-voted . .	6,84,850	6,79,125	5,725	..
31. Meteorology :				
Voted . . .	19,93,000	19,52,158	40,842	..
Non-voted . .	89,000	89,078	..	78
32. Geological Survey :				
Voted . . .	2,63,000	2,35,394	27,606	..
Non-voted . .	2,00,440	1,99,834	606	..
33. Botanical Survey :				
Voted . . .	49,000	38,971	10,029	..
Non-voted . .	26,500	24,930	1,570	..
34. Zoological Survey :				
Voted . . .	1,66,000	1,39,388	26,612	..
Non-voted . .	46,000	45,987	13	..
35. Archæology :				
Voted . . .	10,16,000	9,82,176	33,824	..
Non-voted . .	75,598	75,708	..	110
36. Mines :				
Voted . . .	1,47,000	1,42,173	4,827	..
Non-voted . .	94,522	93,758	764	..
37. Other Scientific Depart- ments :	2,75,000	2,73,110	1,890	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL—contd.				
A.—EXPENDITURE CHARGED TO REVENUE—contd.				
38. Education :				
Voted	6,53,000	6,53,017	..	17
Non-voted	1,000	958	42	..
39. Medical Services :				
Voted	6,90,000	6,85,171	4,829	..
Non-voted	2,63,280	2,59,295	3,985	..
40. Public Health :				
Voted	8,41,000	8,02,675	38,325	..
Non-voted	2,34,189	2,30,273	3,916	..
41. Agriculture :				
Voted	28,91,000	27,89,966	1,01,034	..
Non-voted	56,076	53,670	2,406	..
42. Imperial Council of Agri- cultural Research De- partment :				
Voted	7,01,000	6,98,981	2,019	..
Non-voted	1,65,504	1,65,462	42	..
43. Scheme for the Im- provement of Agricul- tura lMarketing in India :	4,49,000	4,42,805	6,195	..
44. Imperial Institute of Sugar Technology :	1,000	..	1,000	..
45. Civil Veterinary Ser- vices :				
Voted	7,29,000	7,06,896	22,104	..
Non-voted	30,000	29,740	260	..
46. Industries :				
Voted	8,45,000	8,35,853	9,147	..
Non-voted	400	377	23	..
47. Aviation :				
Voted	39,54,000	35,33,963	4,20,037	..
Non-voted	165	165	..	..
48. Capital Outlay on Civil Aviation charged to Revenue :	1,000	..	1,000	..
49. Broadcasting :	25,96,000	25,46,706	49,294	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL—contd.				
A.—EXPENDITURE CHARGED TO REVENUE—contd.				
50. Capital Outlay on Broadcasting :		..		
Voted . . .	1,000	..	1,000	..
51. Indian Stores Department :				
Voted . . .	21,16,000	20,84,383	31,617	..
Non-voted	83,200	82,276	924	..
52. Commercial Intelligence and Statistics :				
Voted . . .	7,38,000	7,03,598	34,402	..
Non-voted . .	77,199	77,454	..	255
53. Census :				
Voted . . .	42,000	29,278	12,722	..
Non-voted . .	93,030	85,088	7,942	..
54. Emigration—Internal :				
Voted . . .	12,000	8,018	3,982	..
55. Emigration—External :				
Voted . . .	1,47,000	1,45,891	1,109	..
Non-voted . .	1,90,122	1,89,424	698	..
56. Joint Stock Companies :				
Voted . . .	1,58,000	1,56,074	1,926	..
57. Miscellaneous Departments :				
Voted . . .	4,76,000	4,56,009	19,991	..
Non-voted . .	25,908	25,623	285	..
58. Currency :				
Voted . . .	12,64,000	12,42,320	21,680	..
Non-voted . .	1,33,350	1,711	..	15,361
59. Mint :				
Voted . . .	23,99,000	24,09,537	..	10,537
Non-voted . .	1,22,289	1,22,832	..	543
60. Civil Works :				
Voted . . .	71,74,000	68,33,186	3,40,814	..
Non-voted . .	22,43,867	22,16,526	27,341	..
61. Central Road Fund :				
Voted . . .	1,61,00,000	1,61,00,000	..	..
62. Superannuation Allowances and Pensions :				
Voted . . .	1,10,13,000	1,05,88,306	4,24,694	..
Non-voted . .	1,71,83,100	1,72,97,858	..	1,14,758

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant, or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL—contd.				
A.—EXPENDITURE CHARGED TO REVENUE—contd.				
63. Stationery and Printing :				
Voted	53,74,000	53,33,622	40,378	..
Non-voted	54,404	52,133	2,271	..
64. Miscellaneous :				
Voted	15,90,000	11,15,536	4,74,464	..
Non-voted	2,51,659	2,53,957	..	2,298
65. Grants-in-aid to Provincial Governments :				
Voted	1,16,000	1,16,200	..	200
Non-voted	3,03,00,000	3,03,00,000	..	..
66. Miscellaneous Adjust- ments between the Cen- tral and Provincial Gov- ernments :—				
Voted	1,62,000	1,54,928	7,072	..
67. Expenditure on Retrench- ed personnel charged to Revenue :				
Voted	5,000	..	5,000	..
67-A. Transfer to Revenue Reserve Fund :	91,30,000	7,77,16,233	..	6,85,86,233
68. Delhi :				
Voted	48,73,000	48,66,064	6,936	..
Non-voted	2,92,536	2,85,012	7,524	..
69. Ajmer-Merwara :				
Voted	49,85,000	48,75,392	1,09,608	..
Non-voted	2,85,994	2,84,604	1,390	..
70. Panth Piploda :				
Voted	13,000	11,510	1,490	..
71. Andaman and Nicobar Islands :				
Voted	35,60,000	35,89,101	..	29,101
Non-voted	1,65,550	1,69,518	..	3,968
Staff, Household and Allow- ances of the Governor General :				
Non-voted	18,14,173	18,07,918	6,255	..
Secretariat of the Governor General :				
Non-voted	4,22,403	4,16,653	5,750	..
Principal Supply Officers Com- mittee :				
Non-voted	78,360	78,129	231	..
Federal Public Service Commis- sion :				
Non-voted	5,05,363	5,03,925	1,438	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Ra.	Ra.	Ra.	Ra.
PART I.—CIVIL—contd.				
A.—EXPENDITURE CHARGED TO REVENUE—conold.				
<i>Defence Department :</i>	6,45,873	6,42,065	3,808	..
<i>Ecclesiastical :</i>	30,49,902	30,22,323	27,579	..
<i>Payments to Crown Representa- tive</i>	1,42,20,793	1,41,05,188	1,15,605	..
<i>Tribal Areas :</i>	1,99,03,814	1,88,59,339	1,44,475	..
<i>External Affairs :</i>	70,32,032	69,55,358	75,674	..
<i>Baluchistan :</i>	60,96,513	60,45,892	50,621	..
<i>Department of Supply :</i>	6,56,100	6,49,089	7,011	..
<i>Miscellaneous Expenditure connected with the War :</i>	9,43,874	8,31,586	1,12,288	..
Total—Expenditure Charged to Revenue . . .	38,96,28,477	45,06,46,708	77,93,594	6,88,11,825
Total { <i>Voted</i> . . .	14,78,94,600	21,28,94,532	36,45,898	6,86,45,830
{ <i>Non-voted</i> . . .	24,17,33,877	23,77,52,176	41,47,696	1,65,995
B.—EXPENDITURE CHARGED TO CAPITAL.				
75. Capital Outlay on Vizaga- patam Harbour :	39,000	45,607	..	6,607
76. Delhi Capital Outlay :	18,05,000	17,74,006	30,994	..
77. Commuted Value of Pen- sions :				
<i>Voted</i> . . .	1,000	—14,47,570	14,48,570	..
<i>Non-voted</i> . . .	8,84,600	4,33,720	4,50,880	..
77-A. Capital Outlay on Schemes of Agricultural Improvement and Re- search :	..	—433	433	..
Total—Expenditure Charged to Capital . . .	27,29,600	8,05,330	19,30,877	6,607
Total { <i>Voted</i> . . .	18,45,000	3,71,610	14,79,997	6,607
{ <i>Non-voted</i> . . .	8,84,600	4,33,720	4,50,880	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL—concl'd.				
C.—DISBURSEMENT OF LOANS AND ADVANCES.				
78. Interest Free Advances :	61,67,000	60,27,596	1,39,404	..
80. Loans and Advances bear- ing interest :	59,75,000	58,11,735	1,63,265	..
<i>Advances to Crown Represen- tative for Loans to Indian States and Notabilities :</i>	<i>8,46,840</i>	<i>6,68,434</i>	<i>1,78,406</i>	..
Total—Disbursements of Loans and Advances	1,29,88,840	1,25,07,765	4,81,075	..
Total { Voted	1,21,42,000	1,18,39,331	3,02,669	..
{ Non-voted	8,46,840	6,68,434	1,78,406	..
Total.—Civil	40,53,46,917	46,39,59,803	1,02,05,546	6,88,18,432
Total { Voted	16,18,81,600	22,51,05,473	54,28,564	6,86,52,437
{ Non-voted	24,34,65,317	23,88,54,330	47,76,982	1,65,995
PART II.—POSTS AND TELEGRAPHS.				
A.—EXPENDITURE CHARGED TO REVENUE.				
10. Indian Posts and Tele- graphs Department :				
Voted	10,73,72,900	10,70,47,478	3,25,422	..
Non-voted	90,35,700	90,82,830	..	47,130
B.—EXPENDITURE CHARGED TO CAPITAL.				
72. Capital Outlay on Indian Posts and Telegraphs Department—(Not charged to Revenue) :	18,34,000	13,82,231	4,51,769	..
73. Stores and Workshop Expenditure not charg- ed to Revenue :	1,000	—2,50,714	2,51,714	..
74. Appropriation to the Telephone Development Fund (not charged to Revenue) :	1,000	..	1,000	..
Total—Expenditure Charged to Capital :	18,36,000	11,31,517	7,04,483	..
Total.—Posts and Telegraphs	11,82,44,600	11,72,61,825	10,29,905	47,130
Total { Voted	10,92,08,900	10,81,78,995	10,29,905	..
{ Non-voted	90,35,700	90,82,830	..	47,130

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART III.—RAILWAYS.				
A.—EXPENDITURE CHARGED TO REVENUE.				
1. Revenue—Railway Board :				
Voted	9,39,498	9,07,646	31,852	..
Non-voted	4,85,000	4,85,518	..	518
2. Revenue—Audit :				
Voted	14,90,000	14,70,113	19,887	..
Non-voted	2,17,000	2,16,184	816	..
3. Revenue—Miscellaneous Expenditure :				
Voted	15,44,899	11,94,756	3,50,143	..
Non-voted	15,56,000	15,05,346	50,654	..
5. Revenue—Payments to Indian States and Companies :				
Voted	3,12,25,000	3,06,46,479	5,78,521	..
6-A. Revenue—Working Expenses—Maintenance of Structural Works :				
Voted	7,74,50,000	7,89,71,656	..	15,21,656
Non-voted	23,41,000	23,26,455	14,545	..
6-B. Revenue—Working Expenses—Maintenance and Supply of Locomotive Power :				
Voted	18,14,34,900	17,97,76,261	16,58,639	..
Non-voted	10,38,000	10,41,701	..	3,701
6-C. Revenue—Working Expenses—Maintenance of Carriage and Wagon Stock :				
Voted	6,13,00,000	5,79,72,520	33,27,480	..
Non-voted	4,73,000	4,79,167	..	6,167
6-D. Revenue—Working Expenses—Maintenance of Ferry Steamers and Harbours :				
Voted	28,32,000	28,88,691	..	56,691
Non-voted	18,000	17,830	170	..
6-E. Revenue—Working Expenses—Expenses of Traffic Department :				
Voted	9,91,98,000	9,91,50,930	47,070	..
Non-voted	12,79,000	13,07,928	..	28,928
6-F. Revenue—Working Expenses—Expenses of General Departments :				
Voted	3,87,83,000	3,87,39,668	43,332	..
Non-voted	23,56,000	23,77,642	..	21,642

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART III.—RAILWAYS—				
<i>contd.</i>				
A.—EXPENDITURE CHARGED TO REVENUE—contd.				
6-G. Revenue—Working Ex- penses—Miscellaneous Expenses :				
Voted . . .	4,29,35,000	4,34,74,149	4,60,851	..
Non-voted . . .	11,84,000	11,85,217	..	1,217
6-H. Revenue—Working Ex- penses of Electrical Department :				
Voted .. .	3,87,69,000	3,77,81,495	9,87,505	..
Non-voted . . .	2,67,000	2,80,967	..	13,967
7. Revenue—Appropriation to Depreciation Reserve				
Fund : . . .	12,58,54,000	12,58,53,963	37	..
8. Revenue—Interest Charges :				
Voted . . .	2,64,000	2,63,064	936	..
Non-voted . . .	28,89,53,000	29,08,24,557	..	18,71,557
Total—Railway expenditure charged to Revenue . . .				
	1,00,51,86,297	1,00,11,39,903	75,72,438	35,26,044
Total {				
Voted . . .	70,50,19,297	69,90,91,391	75,06,253	15,78,347
Non-voted . . .	30,01,67,000	30,20,48,512	66,185	19,47,697
B.—EXPENDITURE CHARGED TO CAPITAL.				
11. Capital—New Construc- tion :				
Voted . . .	79,60,000	69,90,239	9,69,761	..
Non-voted . . .	47,000	37,508	9,492	..
12. Open Line Works :				
Voted . . .	10,48,70,000	10,29,58,142	19,11,858	..
Non-voted . . .	1,30,000	1,02,551	27,449	..
Total.—Railway expenditure charged to Capital . . .				
	11,30,07,000	11,00,88,440	29,18,560	..
Total {				
Voted . . .	11,28,30,000	10,99,48,381	28,81,619	..
Non-voted . . .	1,77,000	1,40,059	36,941	..
Total.—Railways . . .				
	1,11,81,93,297	1,11,12,28,343	1,04,90,998	35,26,044
Total {				
Voted . . .	81,78,49,297	80,90,39,772	1,03,87,872	15,78,347
Non-voted . . .	30,03,44,000	30,21,88,571	1,03,126	19,47,697

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.		
			Less than granted.	More than granted.	
	Rs.	Rs.	Rs.	Rs.	
PART IV.—DEFENCE SERVICES.					
A.—EXPENDITURE CHARGED TO REVENUE.*					
<i>58. Defence Services—Effective—</i>					
<i>Non-voted</i>	40,87,54,000	41,56,44,000	..	68,90,000	
<i>59.—Defence Services—</i>					
<i>Non-effective—</i>					
<i>Non-voted</i>	8,79,78,000	8,69,99,000	9,79,000	..	
Total.—Defence Services (Non-voted)	49,67,32,000	50,26,43,000	9,79,000	68,90,000	
GRAND TOTAL	2,13,85,16,814	2,19,50,92,971	2,27,05,449	7,92,81,606	
TOTAL {	Voted	1,08,89,39,797	1,14,23,24,240 (a)	1,68,46,341	7,02,30,784
	Non-voted	1,04,95,77,017	1,05,27,68,731 (b)	58,59,108	90,50,822

* The figures are gross.

(a) This amount is more than that given in statement No. 3 of Part A of the Finance Accounts of the Central Government for 1939-40 by Rs. 8,27,328 which is due to the fact that credits to capital for the value of assets sold and abandoned in the Posts and Telegraphs Department have not been taken into account in the Appropriation Accounts of that Department as the Demand was for the gross capital expenditure.

(b) This amount is less than that given in statement No. 3 of Part A of the Finance Accounts of the Central Government for 1939-40 by Rs. 278 which is due to rounding.

APPENDIX III.**Note regarding possible savings in the upkeep of Gardens attached to ancient monuments.**

At their meeting held on the 19th August, 1940, the Public Accounts Committee desired that they should be supplied with a report this year on the question of possible savings involved in one of the recommendation of Sir Leonard Woolley regarding the upkeep of the gardens attached to the ancient monuments. The question is dealt with below.

2. All the gardens referred to by Sir Leonard Woolley are in Northern India and as the finances of the Archæological Department are derived from Central Government, Sir Leonard considered it unfair that South India should contribute quite a disproportionate amount to the amenities of the Northern cities. He accordingly proposed two alternatives, *viz.*,

- (1) that municipalities should make percentage contribution towards the upkeep of gardens within their own administrative areas, or
- (2) if it were impossible to persuade the municipalities to pay such subsidies or to maintain them on terms which would leave to the department a measure of control incompatible with archæological responsibilities, the proceeds of entrance-fee to certain monuments under the control of Archæological Department which amounted to Rs. 75,000 a year should not be surrendered to Government but should be retained by the Archæological Department as a partial off-set to the garden expenses.

3. There are altogether 25 monuments under the control of the Archæological Department which have parks or gardens attached to them and the total annual expenditure on their maintenance amounts to Rs. 96,978 (including a sum of Rs. 10,974 paid to the United Provinces Government for supervision and maintenance of gardens in United Provinces). All gardens, except one, are situated within the limits of municipalities or Notified area Committee. There is no admission free to any of the gardens as such but the gardens in Lahore and Delhi Forts are situated within the archæological areas and a fee of annas two per head is charged for admission to these areas. Sir Leonard's first proposal has not yet been put to the municipal committees concerned, as the Department is not disposed to accept it. The Department is equally opposed to a possible alternative, namely, the levy of a charge for admission to all Archæological gardens. It is not feasible to adopt Sir Leonard's second suggestion, to retain receipts from admission fee to certain monuments and meet expenditure on the maintenance of gardens therefrom, as it is contrary to financial rules. Moreover, no actual savings will accrue to the Central Government by adopting the suggestion.

APPENDIX IV.**Memorandum regarding the revision in the form of the compilation of the Detailed Estimates and Demands for Grants.**

At their meeting on the 20th August 1940, the Public Accounts Committee agreed that a revision of the Detailed Estimates and Demands for Grants should be carried out by the Finance Department in consultation with the Auditor General and the results examined after one year. The details were worked out in consultation with the Auditor General and a skeleton of a demand was circulated to the members on the 27th November 1940. The Demands for Grants presented to the Legislature in February 1941 followed the arrangements of this skeleton. The volume of the Demands for Grants for 1941-42 contains about 464 pages as compared with about 850 pages of the previous compilation.

2. The Demands now contain broadly :—

- (i) Part I showing the estimated amount of the voted demand and the non-voted appropriation for the ensuing financial year.
- (ii) Part II showing the distribution by sub-heads of the amounts shown in Part I and also of the current year's budget and revised estimates and the previous year's actuals.
- (iii) Part III showing the distribution by circles of account for each sub-head.
- (iv) Annexure showing by important categories the details of the provisions under "Pay of Officers" and "Pay of Establishments" in the current and ensuing years.
- (v) In addition, important items of new expenditure are indicated by means of footnotes which also contain references to the proceedings of the Standing Finance Committee in respect of schemes examined by that Committee.

3. Parts I and II repeat the old arrangement except that the number of subheads in Part II has been reduced wherever feasible by adopting larger units of appropriations.

Part III is mostly an elaboration of the previous Part II-A which gave distribution only in lump and not for each sub-head.

The annexure and the footnotes contain, between them, in condensed form, all the important information which used to be found scattered in a mass of details in Part III of the old compilation.

4. While resulting in a substantial saving in paper and printing, the present compilation contains in essentials all that was important in the previous compilation. It has not sacrificed any information which is really useful to the Legislature and so far as the Government of India are aware, the members of the Legislature have not felt any inconvenience by these revised arrangements.

5. The Government of India have carefully re-examined this matter in the light of experience in consultation with the Auditor General. They have

now come to the conclusion that Part III of the present compilation is unnecessary and does not justify the labour and cost of compiling it. As explained in the Memorandum considered by the Public Accounts Committee on the 20th August 1940, this part is useful mostly for appropriation audit purposes and, to a slight extent, for administrative control purposes. It is, however, of no practical utility or value from the point of view of the Legislature and in view of the imperative need for economy of time, of labour and of paper, it is considered unnecessary to include it in the Demands for Grants. This part has this year taken more than 150 pages and in many cases taken up much unnecessary space.

6. Subject to the omission of Part III the Government of India propose to continue for the time being the present scheme which has proved satisfactory from all points of view. The Auditor General is fully in agreement with this proposal and the Government of India hope that the Public Accounts Committee will also concur in it.

APPENDIX V.**Note regarding estimating of leave and deputation salaries paid in England.**

In paragraph 5 of their Report on the Appropriation Accounts of 1938-39, the Public Accounts Committee desired that the question of modifying the High Commissioner's estimates for leave and deputation salaries on the basis of the knowledge about leave programmes available in India should be pursued and that a further report should be submitted to them.

2. Owing to the great delay in communications caused by war conditions full details of the High Commissioner's estimates reached India very late this year and in some cases actually after the preparation of the budget. Broad summaries under each head were however obtained by telegram and circulated to Departments. The time available for detailed examination was very short but the estimates were checked as far as possible and corrected where necessary in the light of the information available. The practice of modifying the High Commissioner's estimates in consultation with the authorities in India will be continued in future though it will not be possible to ascertain the extent of the improvement in estimating capable of being brought about by this procedure till normal conditions return.

APPENDIX VI.**Note regarding formation for Reserve Fund from profits from the circulation of small coin.**

In paragraph 45 of the Proceedings on the Appropriation Accounts of 1938-39, the Public Accounts Committee desired to be informed of the result of the examination of the proposal for the formation of a Reserve Fund from the profits from the circulation of small coin to meet losses on return of small coin in periods of trade depression.

As explained in paragraph 26 of the Budget speech for 1941-42, it has been decided that with effect from the current year, only a sum of Rs. 45 lakhs from the profits from the circulation of small coin will be taken to Revenue and that any balance over this figure will be credited to a Suspense Account which will be available to even out the receipts over a series of years. This figure of 45 lakhs represents the average profits from Bronze and Nickel coinage during 1933-34 to 1937-38 which were taken as normal years. The new procedure will tend to keep the revenue receipts from this source stable from year to year and will mitigate instead of aggravating the difficulties experienced in years of depression on this account.

APPENDIX VII.

Memorandum Re :— Rent of telephone trunk wires for purposes of Inter-branch Adjustment.

For purposes of the *pro forma* Profit and Loss Accounts of the various Branches of the Post and Telegraph Department, all trunk telephone lines are considered to be the property of the Telegraph Branch which is debited with the entire cost of constructing and maintaining them. For the use of those lines the Telephone Branch pays rental to the Telegraph Branch. This rate is Rs. 32 per mile of copper wire and Rs. 20 of iron wire when a line is in sole use of the Telephone Branch. Such sole use of a line by the Telephone Branch is, however, rare and in most cases one or more telegraph circuits are super-imposed on the trunk telephone circuit so that the line is in joint use of both the Telegraph and Telephone Branches. In case of joint use, the principle of apportionment is that each Branch should share the rental in proportion to the number of circuits obtained by each. Thus, when one telegraph circuit is super-imposed on a trunk telephone circuit, the telephone branch is debited with half the prescribed rental.

2. This method of apportionment has been in force since 1926 but it is not fair to the Telegraph Branch. Normally, a telegraph circuit requires only one wire whereas a telephone circuit requires two wires. Under the present arrangement when a telegraph circuit is super-imposed on a telephone circuit the telegraph bears the entire cost of one wire, which is all it requires, although it has not the exclusive use of one wire.

3. It is, therefore, considered that a more correct method of apportionment in case of super-imposed circuits would be to apportion the rent according to the number of wires which would be required by each Branch if there had been no super-imposition. Thus, where one telegraph circuit is super-imposed on a telephone circuit, the telegraph branch should bear 1/3rd of the rental ; where two telegraph circuits are so super-imposed, the rental would be shared equally and so on. In other countries different methods are followed for this apportionment but it may be of interest to state that the one now proposed for the Indian Posts and Telegraphs Department is already in vogue in South Africa and is the simplest. It is accordingly proposed to adopt the new method with effect from the accounts of 1940-41 the result of which will be that the Telegraph Branch will receive about 4 lakhs more from the Telephone Branch in respect of that year.

APPENDIX VIII.

Memorandum regarding the Computation of value of stamps used for Telegraph purposes.

Prior to 1st April 1935, the value of postage stamps affixed on inland-telegrams was calculated every year in the Telegraph Check Office, based on the computation by actual count of the value of telegrams issued for a period of two weeks in every half year. In pursuance of the discussions in the Legislative Assembly, the Public Accounts Committee was informed in August 1935 that, as an experimental measure the telegraph offices had been asked to keep an account with effect from 1st April 1935, of the value of postage stamps affixed on inland telegrams so that the telegraph share of stamp revenue might be computed directly. Telegraph offices were required to show the value of postage stamps used on inland telegrams as an additional item in the monthly statement of statistics submitted to the Accounts Officer, Telegraph Check Office, Calcutta. The Public Accounts Committee was also informed at the same time that the question of modifying (or dispensing with) half-yearly enumeration and compilation in the Telegraph Check Office would be considered after some experience was gained of the new arrangement.

2. The half-yearly count taken by the Telegraph Check Office was continued side by side in order (1) to serve as a test on the accuracy of the value determined on the direct method, and (2) to collect other statistics such as number of " State ", " Raj ", " Private " telegrams, etc. The results obtained under the two methods for the years 1935-36, 1937-38 and 1938-39 compare as follows :—

In 1935-36.—The value of postage stamps on the basis of direct count was less by 0·022 per cent.

In 1937-38.—The value on the basis of direct count was greater by 1·68 per cent.

In 1938-39.—The value on the basis of direct count was greater by 0·26 per cent.

It is clear that the old method was sufficiently accurate but it was discontinued after 1933-39 with a saving of Rs. 5,000.

3. The new method of computation has thrown a considerable amount of extra work particularly in the large offices, in compiling the monthly figures, because the compilation has to be done for each and every telegram. By discontinuing it staff will be set free who can be utilised for meeting demands of telegraph traffic which has increased considerably after the war. It is proposed, in consultation with the Auditor-General, to revert with effect from the 1st October 1941 to the old method, which, it is considered, in present circumstances is the more economical of the two.

APPENDIX IX.**Memorandum regarding the fixing of percentages of variations between grant for appropriation and actual expenditure below which explanations need not ordinarily be furnished in the Appropriation Accounts of the Posts and Telegraphs Department.**

At the meeting held on the 2nd August 1937, the Public Accounts Committee approved for a period of 2 years (*vide* paragraph 95 of the proceedings) of the limits below which explanations need not ordinarily be furnished in the Appropriation Accounts of the Posts and Telegraphs Department in respect of variations between the grant or appropriation and the actual expenditure. The question was again considered in connection with the simplification of the Demands for Grants of the Department introduced from 1938-39, and it was agreed by the Committee at the meeting on 18th August, 1939, that the existing limits might be continued for another 2 years as it was obviously preferable to watch the effect of the simplification on the same basis as before.

2. The grants and sub-heads in the Posts and Telegraphs Department are, as a rule, individually much larger than they are in Civil Departments and the number of subordinate controlling units under the D. G., P. & T. is also very large. Being a commercial Department, the Posts and Telegraphs Department has to adjust its expenditure more closely to the necessities of traffic from time to time and for this reason there are variations which do not occur in non-commercial Departments. Consequently the existing limits applicable to the Posts and Telegraphs Department are in some respect wider than those applicable to other Civil Departments. The main differences are that no explanations are necessary for variations of less than Rs. 1,000 instead of Rs. 100 and for savings of Rs. 10,000 or more explanations are necessary only when these exceed 6 per cent. of the final grant instead of 3 per cent. An examination of the Appropriation Accounts for the last few years has shown that if the civil limits had been applied, no difference would have been made to the picture of budgeting and control. For these reasons, it is considered that the limits previously approved for a limited period may stand with the proviso that in any individual case the Accountant General will have full discretion to make any comments he considers necessary irrespective of the limits. The approval of the Committee is requested to this proposal which is supported by the Auditor General.

APPENDIX X.

Note regarding Powers of Reappropriation.

The powers of the Governor General in Council are exercised by the Finance Department and as such Finance Department have full powers of re-appropriations except, of course, that no re-appropriations are legally permissible between different grants and between non-voted and voted portions of a grant. Nor can Finance Department provide funds by re-appropriation for a new service without at least a token grant being voted by the Legislature.

2. The other Departments of the Government of India exercised full powers of re-appropriations subject to the following restrictions :—

Finance Department's concurrence is required for re-appropriations—

- (a) from ' Pay of Officers ' to other sub-heads,
- (b) between Indian and English portions of a grant,
- (c) between Revenue and Capital portions of a grant,
- (d) from and to the sub-heads for secret service expenditure,
- (e) to meet expenditure, other than contingent expenditure, involving further outlay in a future financial year,
- (f) of unanticipated credits (*i.e.*, recoveries not anticipate in Budget), and
- (g) of provision allowed for specified new items for other purposes.

3. Authorities subordinate to the Departments of the Government of India have generally been delegated the same powers as the Departments themselves exercise, except that, in respect of civil works expenditure they cannot sanction re-appropriations from or to the units " Major Works " , " Minor Works " , and " Repairs " and in the case of Irrigation works, from the unit " Works " to the unit " Maintenance and Repairs " .

4. The main rules regulating the powers of the Departments of the Government of India are contained in the Book of Financial Powers. These have been supplemented from time to time by *ad hoc* instructions.

The powers of the subordinate authorities have mostly been prescribed in orders issued by the Departments with Finance Department's concurrence.

All these rules and orders are now being collected in the proposed revised issue of the Book of Financial Powers which is under preparation here.

APPENDIX XI

Summary of approximate financial results of Indian State-owned railways in 1940-41.

The latest approximate figures of revenue and expenditure of State-owned railways for 1940-41 show the following results :—

Gross traffic receipts amounted to 111·94 crores or 14·29 crores more than in the previous year.

Ordinary working expenses (excluding depreciation) amounted to 53·01 crores or 75 lakhs more than in the previous year. The amount set apart for depreciation was 12·64 crores, or 5 lakhs more than in the previous year.

Net traffic receipts amounted to 46·29 crores, or 13·49 crores more than in 1939-40.

Miscellaneous transactions resulted in a net receipt of 85 lakhs, or 21 lakhs more than in the previous year.

The net revenue before meeting interest charges was 47·14 crores, or 13·70 crores more than in 1939-40.

The total interest charges amounted to 28·63 crores, or 43 lakhs less than in 1939-40.

There was a surplus of 18·46 crores against 4·33 crores in 1939-40. Out of this 12·19 crores will be paid to general revenues and 6·27 crores to the reserve fund.

The appropriation to the depreciation reserve fund amounted to 12·64 crores, and the amount withdrawn from that fund was 7·19 crores which included the cost of abandoned assets and a portion of the cost of dismantled lines written off the Capital account during the year. The net accretion to the fund during the year amounted to 5·45 crores.

The balance at credit of this fund now stands at 36·20 crores. This does not take into account 30·29 crores withdrawn from the fund to meet losses during deficit years. In addition to this, 31·21 lakhs have been invested from this fund in the purchase of branch line shares and stock, and 9 lakhs have been advanced to branch line companies as loans.

The amount appropriated to the reserve fund during the year was 6·27 crores. The fund also received a credit of 6·11 lakhs from the sale proceeds of Hardwar-Dehra Railway shares ; this amount included a profit of 1·26 lakhs. A sum of 90 lakhs was debited against the fund during the year. This represented the difference between the original cost of certain lines dismantled for shipment overseas and the amount debited to the depreciation reserve fund on their account. The amount at credit of the fund at the close of the year was 5·86 crores. This includes investments (face value) in railway shares, etc., to the tune of 43 lakhs, and also a sum of 2·51 crores representing one-fifth of the surplus in 1940-41 in respect of commercial lines. This amount is ordinarily payable to general revenues in 1942-43, but, for the reasons stated in para. 27 of the Budget Speech of the Hon'ble the Railway Member, will be paid in 1941-42.

The total capital expenditure during the year amounted to about 2·31 crores. The stores balances have increased by 1·21 crores, i.e., from 11·24 crores at the end of 1939-40 to 12·45 crores at the end of 1940-41.

At the end of 1939-40 the liabilities of the railways amounted to 66 crores, of which 30·29 crores represented loans from the depreciation fund and 35·71 crores unpaid contributions to general revenues from 1931-32 to 1939-40. Although under the moratorium railway revenues are not yet liable to repay these loans or unpaid contributions, except the unpaid contribution of 30 lakhs for 1939-40, a payment of 3·75 crores will be made to general revenues against these arrears. The unpaid contribution of 30 lakhs for 1939-40 will also be paid. Thus, the total liabilities of the railway now amount to 61·95 crores.

The ratio of ordinary working expenses to gross traffic receipts was 47·4% against 53·5% in the previous year.

The ratio of the total working expenses (including contribution to the depreciation fund) was 58·6% against 66·4% in the previous year.

The ratio of net revenue to the capital-at-charge was 6·19% against 4·41% in the previous year.

The following statement compares the results of working for the year 1940-41 with the revised estimates for the year and the actuals for the previous year :—

	1939-40 Actuals.	(In crores). 1940-41.	
		Revised estimates.	Latest ap- proximate actuals.
1. Gross traffic receipts	97·65	109·25	111·94
2. Ordinary operating expenses	52·26	54·07	53·01
3. Depreciation	12·59	12·64	12·64
4. Net traffic receipts	32·80	42·54	46·29
5. Net miscellaneous receipts	0·64	0·79	0·26
6. Interest	29·11	28·74	28·00
7. Surplus	4·33	14·59	18·46

APPENDIX XII.

Memorandum on the method of preparation of the statement of unsanctioned expenditure (Annexure 'A' to the Appropriation Accounts of Railways in India).

The Public Accounts Committee in para. 14 of their report on the Appropriation Accounts of Railways in India for 1938-39 desired that the question of exhibiting in the Appropriation Accounts items of expenditure, incurred without the sanction of competent authority, and held under objection during the year, should be examined and a report on the conclusions reached submitted to them this year.

In this connection the Committee raised two points, *viz* :—

- (a) Examination of the necessity for the amendment of the rules regarding the preparation of formal estimates in certain cases.
- (b) Improvement in the method of exhibition of the particulars of unsanctioned expenditure in the Appropriation Accounts.

In regard to (a), the cases to which the Committee devoted particular attention were scattered renewals of permanent-way—a matter which was reported to be then under correspondence, and wagons which had been put out to tender. The former has been settled satisfactorily by the amendment of the Code. As regards the latter, the Railway Board have come to the conclusion that estimates should continue to be prepared so that the sanctioning authorities may be aware of the allocation of expenditure between Capital, Depreciation Fund and Revenue, and the Accounts and Audit authorities may have an opportunity of checking it. In regard to the rules generally, the Railway Board consider that no radical change is called for.

As regards (b), the following conclusions have been arrived at in consultation with the Director of Railway Audit and have been agreed to by the Auditor General, *viz*. —

(i) The limit of Rs. 10,000 observed hitherto in regard to the exhibition of the data of unsanctioned expenditure in Annexures 'A', 'A(i)' and 'A(ii)' to the Appropriation Accounts of Railways in India should be raised to Rs. 25,000.

(ii) Annexure 'A' should be presented in the same form as at present except in regard to the re-arrangement of the figures necessitated by (i) above.

(iii) The material at present furnished in Annexure 'A(i)' and 'A(ii)' (to which the Committee's criticism was mainly directed), should be received as usual from local offices, but a selection should be made by the Controller of Railway Accounts and the Director of Railway Audit, of the important items that deserve to be exhibited in these annexures. As Annexures 'A(i)' and 'A(ii)' should show only important items, the totals of the figures therein will not agree with those in Annexure 'A', as at present. The headings of the Annexures should, therefore, be suitably

modified. In making the selection; the following principles will be borne in mind :—

- (a) Works or schemes, relating to the year under review, which have been sanctioned by the Railway Board or the Standing Finance Committee will be excluded.
- (b) Expenditure on advance purchase of certain specified materials, such as wheels and axles, under-frames, etc., relating to the year under review, will also be excluded provided that it has been included in the sanctioned programme of the year.
- (c) The intention is generally to exclude from the Annexure items of expenditure relating to the year concerned and which do not indicate irregularities of a serious nature or risk of nugatory expenditure.

It has not been found practicable to give full effect to these conclusions in the Annexures relating to the year 1939-40.

APPENDIX XIII.

Report on Railway Officers' Saloons and reserved inspection carriages.

In para. 3 of the Proceedings of their meeting held on the 14th August 1940, the P. A. C. desired to be furnished with a further report showing the progress made in the programme of reductions anticipated in the number of reserved carriages, According to the information now available, the present position is as indicated below :—

Railways.	No of carriages to be reduced as agreed in 1940.	Previously reported position.	Present position.
A.B.	4 M.G.	These carriages have reached their normal life and are expected to be condemned without replacement by 1941-42.	No change.
B.B.&C.I.	3 B.G. 2 M.G.	Will be condemned shortly without replacement. One bogie carriage has already been condemned and will not be replaced. One 4-wheeled carriage will be scrapped without replacement when it reaches the end of its life in June 1945.	No change.
B.N.	5 B.G.	One has already been withdrawn and condemned. Three will be condemned in March 1941 and one in 1941-42. None of these will be replaced.	Two carriages have since been condemned. One will be condemned during the current year and one in June 1942.
E.B.	4 N.G.	Have already been condemned without replacement.	No remarks.
E.I.	8 B.G.	One bogie carriage will be condemned without replacement in November 1940. One 4-wheeled carriage has already been condemned. One will be condemned after 2 years and three after 5 years. The condemnation of two more will be considered in 1942.	The anticipated condemnation of a bogie carriage has since been confirmed.
G.I.P.	24 B.G.	8 have been scrapped without replacement. The disposal of the remainder is being further examined.	Sanction has been given to the conversion of 14 out of the 16 surplus carriages into Pay Clerks' and Bridge Inspector Vans on renewal account during 1940-41, 1941-42 and 1942-43. The other two vehicles are being retained until they can either be converted or transferred to another railway.
M.&S.M.	3 B.G.	One B.G. vehicle is being offered for sale to another railway. The other two will be condemned in September-October, 1942.	The proposed sale of the B.G. carriage not having materialised, it will be converted into an Inspector's van on renewal account during the current year.

Railways.	No of carriages to be reduced as agreed in 1940.	Previously reported position.	Present position.
5 M.G.	All these five vehicles are to be condemned without replacement, one in December 1940, two in April 1941, one in June 1941 and one in October 1941.	Of the 5 M.G. carriages, 3 proposed to be condemned in December 1940 and April 1941 have been retained in service. Examination shows that they still have a further 3 years useful life. The one proposed to be condemned in June 1941 is expected to be scrapped in August 1941.	
N.W.	.. 12 B.G.	Eleven carriages have already been withdrawn and stored till disposed of. The 12th carriage will be withdrawn in about December 1940. All the 12 will be disposed of without replacement.	The 12th carriage has since been withdrawn from service and stored. One carriage has, however, had to be utilised in connection with urgent work for the Defence Department.
S.I.	1 B.G...	Scrapping will be undertaken within 4-5 years.	No change.

APPENDIX XIV.**Report on auction sales on Railways.**

At their meeting on the 14th August 1940, the Public Accounts Committee, in dealing with the auction sales on Railways, desired to be informed whether the question of modification of the agreements of the East Indian and Eastern Bengal Railways with their auctioneers so as to secure payment of the auctioned materials before removal had been satisfactorily settled.

2. The East Indian Railway have since revised their agreements with their two auctioneers, Messrs. Mackenzie, Lyall & Co. and Messrs. M. X. de Noronha & Son. The terms of the revised agreements meet the point raised by the Public Accounts Committee. A prepayment system has been introduced by which the auctioneers will deposit the full value of the material before any delivery of the material is given. On the Eastern Bengal Railway also the auctioneers have agreed to revise their agreement on the lines of the East Indian Railway agreement, and the draft revised agreement is under consideration.

APPENDIX XV.

Copy of Government of India, Defence Department letter No. 52534/II/1/Q.-3, dated the 26th April 1941.

SUBJECT.—*Procedure for War Emergency Works.*

In supersession of the orders contained in the communications noted below relating to the above subject, the Governor General in Council has decided that the procedure to be followed in regard to works services connected with the present emergency shall be as shown in the attached memorandum :—

1. Defence Department No. 52534/1/Q-3, dated 7th February 1940, as amended from time to time.
2. Defence Department No. 54058/1/Q-3, dated 2nd May 1940, paragraphs 2-B and 3-B, only.
3. Defence Department No. 57745-II/1/E-1, dated 20th May 1940.
4. Army Headquarters No. 52534/3/Q-3, dated 10th June 1940.
5. Army Headquarters No. 59289/1/E-5, dated 5th July 1940, paragraphs 7-10 only.
6. Army Headquarters No. 52534/Q-3, dated 31st July 1940.
7. Army Headquarters No. 52534/II/Q-3, dated 30th January 1941.
8. Army Headquarters No. 56530/Q-3, dated 5th March 1941.

2. The procedure will not apply to works services of the normal works programme of which there are now comparatively few, and for which the normal peace procedure will be followed. Where the instructions contained in the Memorandum are at variance with the Regulations for the Military Engineer Services, the instructions will apply.

Enclosure to Defence Department letter No. 52534/II/1/Q.-3, dated the 26th April 1941.

MEMORANDUM.

The procedure for war emergency works is detailed below.

2. *Object.*—The object is to ensure completion of work with the minimum of delay but with full regard to observance of the maximum obtainable economy in money and stores compatible with that object.

The need for such economy and conservation of resources will be readily appreciated.

3. *Stages of Procedure.*—The stages of procedure in regard to a service are :—

- (i) Acceptance of necessity for a work. This necessitates a rough costing to ascertain the financial implications of the work.
- (ii) Preparation of accommodation statement.
- (iii) Preparation of approximate estimate.

- (iv) Administrative approval to the approximate estimate.
- (v) Preparation of contract documents and/or other action to put work in hand.
- (vi) Commencement of work, but see paragraph 11 below.
- (vii) Progress reports.
- (viii) Completion report, including statement of expenditure as compared with estimate.

These stages are dealt with in further detail below.

4. *Acceptance of necessity.*—Powers of the competent financial authority for acceptance of the necessity for works are delegated as follows :—

	Authorised Works. Rs.	Special Works. Rs.
(A) General Officer Commanding-in-Chief, Command Commander Western (Independent) District	1,00,000	30,000
(B) General Officer Commanding District Independent Area Commander ..	10,000	5,000
(C) Other Brigade and Area Commanders	5,000	1,000
(D) Station Commanders	1,000	500

Proposals for acceptance of the necessity of works in excess of the limits at A above should be referred to Army Headquarters.

In cases of extreme urgency the General Officer Commanding-in-Chief of a Command, and the Commander Western (Independent) District may accept the necessity for a work up to any amount, but in such cases a copy of their acceptance letter must be sent immediately with brief reasons to Army Headquarters.

Authorised works are those which are covered either by Barrack Synopsis (India) 1939 or the pamphlet on hutted scales of accommodation. Special works are those which are not specifically covered by Barrack Synopsis (India) 1939 or the pamphlet on hutted scales of accommodation.

5. To enable the competent financial authority to know whether a particular work is within his powers or not, the authorities in A to D above are authorised to call for rough costs from their engineer advisers. These rough costs will be based on the best information available at the time. No fresh acceptance of necessity will be required unless the amount of the subsequent administrative approval (see 17 below) exceeds the original rough costs by more than 20 per cent.

6. The competent financial authority when issuing his acceptance letter will normally include the following points :—

- (i) Scope of work.
- (ii) Type of construction.
- (iii) The nature of details required in the approximate estimate. No approximate estimate will be required for works costing Rs. 20,000 or less.

(iv) Whether work should be commenced in whole or in part prior to administrative approval of approximate estimate.

7. The competent financial authority will send a copy of the acceptance letter to his financial adviser. The decision as to the scope of the work, type of construction, and the method of execution rests entirely with the competent financial authority, subject to any special or general orders of the Quartermaster General in India or the Government of India in the matter.

8. Reference paragraph 6 (i) above. Sufficient details, *e.g.*, approximate establishments should be given to enable lower formations to proceed without further instructions. In particular, specific indication should be given of the special works which the competent financial authority decides to include. In the case of units with fixed establishments, these will be adhered to. In the case of units whose establishments are not fixed, or are under revision, the approximate establishments as issued by Army Headquarters will be taken as the basis for subsequent calculations.

9. Reference paragraph 6 (ii) above. Generally speaking all works will be in temporary construction. In the cases of additions to existing permanent structures, and of armouries and detention cells, it may be essential to build in a more permanent manner. Competent financial authorities will use their judgment in these types of cases, and will detail which buildings shall be in a permanent or semi-permanent construction, and which shall be in temporary construction. All other cases of permanent construction exceeding Rs. 1,000 in each case shall be referred to Army Headquarters.

10. Reference paragraph 6 (iii) above. The competent financial authority, for works costing over Rs. 20,000 will indicate the degree of subdivision which he requires in the approximate estimate. It would normally comprise a schedule of items.

11. Reference paragraph 6 (iv) above. If the work is so urgent that the delay in issuing administrative approval based on the approximate estimate, cannot be accepted, the competent financial authority is empowered to order its commencement in whole or in part, prior to administrative approval. In doing so, however, the competent financial authority must endeavour to ensure that no accommodation is constructed in excess of requirements. If necessary such orders can be restricted to a portion of the project in the first instance, provided that arrangements are foreseen and made to complete the remainder later. This emergency procedure does not dispense with the necessity for the issue of administrative approval based on subsequently prepared approximate estimate at the earliest possible moment.

12. *Procedure on receipt of acceptance of necessity.*—On receipt of the letter of acceptance from the competent financial authority the Q. staff of the formation concerned will compile with the least possible delay the necessary accommodation statement, which will show in detail the actual building construction necessary for the particular accommodation required. The responsibility for the correctness of this statement rests with the Commander of the formation concerned.

13. The scales of accommodation are laid down in Barrack Synopsis (India) 1939, and the pamphlet on hutted Scales of Accommodation. These scales are intended as a close but not a meticulous guide, and petty variations from them in individual cases not of general application can be made at the discretion of the competent financial authority.

14. A copy of the accommodation statement will be sent to the Controller of Military Accounts for information and one copy will be sent to the Military Engineer Services authorities for preparation of, and attachment to, the approximate estimate.

15. On receipt of the accommodation statement the Military Engineer Services authorities will prepare the approximate estimate in the manner indicated by the competent financial authority.

They have no authority to include in the approximate estimate any accommodation other than that laid down in the accommodation statement except where such is necessary for the staff employed on the project. They will, however, make the necessary additions for all external services and will also include a sufficient allowance for any additional staff which may be necessary, and finally 5 per cent. for contingencies.

16. The approximate estimate when compiled will be submitted to the competent financial authority. It need not be sent to the financial adviser of the formation as the competent financial authority must in any case take full responsibility for the correctness of the approximate estimate. The competent financial authority consults his financial adviser at this stage if he so wishes, and in the event of any doubtful points arising it is very desirable that this should be done.

17. *Administrative approval to estimates.*—The powers of administrative approval to approximate estimates for works, the necessity for which has been accepted by the competent financial authority, *vide* paragraph 4 above, are shown in annexure A.

In the case of projects comprising both authorised and special works the competent financial authorities' powers for special works will be in respect of each individual special work item.

The powers of competent financial authorities in regard to administrative approval of estimates will be in respect of each subhead of the project. Individual subheads over 15 lakhs will require the administrative approval of the Government of India and should be sent to Army Headquarters for the purpose. Sufficient detail should be given to indicate the scope of the project and the type of construction recommended.

18. A copy of all administrative approvals will be sent to the Controller of Military Accounts concerned, but will only be sent to Army Headquarters when the acceptance for the necessity of the work has emanated from Army Headquarters.

19. *Execution of work.*—In conjunction with the preparation of the accommodation statement the formation headquarters will arrange for a siting board to determine the lay out. In order that there should be no delay because establishments are not firm the accommodation statement may in the first instance only contain such items as are definitely firm, or such portion of the required accommodation as it is certain will not be in excess of authorized scales. The siting board will, in such cases, allow space for any likely additions that can be foreseen.

20. As soon as possible after the accommodation statement has been received by the Military Engineer Services, a notice of tender will be issued covering the firm accommodation required. In determining what is firm accommodation the instructions in paragraph 7 of Quartermaster General's Branch letter No. 59737-Q.-3, dated 26th March 1941, should be followed. The notice of tender should specify that the Government of India do not guarantee to execute the work, and that the deviation on the contract may be as much as 50 per cent. During the period that the contractors are preparing their tenders, the contract documents and the approximate estimate should be prepared so that the successful tenderer can be ordered to start work as soon as administrative approval has been accorded or earlier as the case may be.

While the normal method of tendering is by competitive tender Chief Engineers are authorised to offer contracts by single tender up to 10 lakhs with the concurrence of the Controller of Military Accounts concerned, and the Engineer-in-Chief is authorised to offer contracts on a single tender up to any amount with the concurrence of the financial adviser. These powers are intended to be used in cases of specialist work and where the urgency of the work renders it desirable to avoid delay by going to competitive tender. The General Officer Commanding-in-Chief, a Command and the Commander Western (Independent) District in the case of single tenders up to 10 lakhs, will be the final authority in the case of divergence of opinion between the engineer and financial authorities concerned.

21. *Contract documents.*—Scrutiny of Contract Documents when in standard form by the financial adviser prior to acceptance is not necessary, but the original document should be sent to him for custody.

Chief Engineers are empowered to alter standard contract documents to suit war conditions, particularly with reference to security deposits, percentage payments, speed of payments and similar matters, in consultation with their financial adviser. Where, however, the proposed alteration deviates considerably from existing procedure Chief Engineers should send a copy of their proposals to the Engineer-in-Chief, for information.

22. *Acceptance of contracts, technical Sanction, etc.*—The powers of technical sanction and acceptance of contracts are laid down in Military Engineer Services Regulations Table B. Chief Engineers are hereby authorised to increase the powers of any Officer subordinate to them to the extent they consider necessary within their own limits for technical sanction of design and acceptance of contracts.

23. *Deviations from contracts.*—There are two kinds of deviations :—

(a) Those due to administrative reasons, such as change in establishments, etc.

(b) Those due to technical reasons.

In (a) above the Commander of the formation concerned will be responsible for ordering any deviation considered necessary, and the Military Engineer Services will in no circumstances order such deviations.

In (b) above the Engineer authorities will order such deviations as are necessary for technical reasons. These deviations will be governed by instructions already issued by the Engineer-in-Chief. They will be covered by the 5 per cent. contingency allowed in every approximate estimate and where this is not sufficient the extra cost will be met from the permissible excess.

24. *Allotment.*—No allotment of funds will be made for modernisation or war emergency works. To enable the financial authorities to prepare their estimates a consolidated statement will be sent monthly by Commands to Army Headquarters showing each new work ordered to be commenced giving the authority and the approximate cost and the funds required in each financial year. This statement will be submitted in the form in annexure B. Revised estimated requirements will also be communicated to Army Headquarters for modernisation and war emergency works by the 15th of August, October, December and February in each year.

25. *Excesses.*—Excesses up to 20 per cent. above the amount of administrative approval may be incurred without the necessity for a revised administrative approval. Excesses will be determined on the total amount of the project as a whole and not on individual items. Savings will not be explained.

As soon as it is evident that an excess over the amount of the administrative approval is likely to exceed 20 per cent., the cost will be referred to the competent financial authority authorised to give a revised administrative approval with a brief report of the reasons for the excess. The competent financial authority will decide whether the revised administrative approval is necessary, or whether the excess shall be explained on the completion report. When a project is nearing completion the latter will be the normal procedure.

26. *Expenditure returns.*—To enable Army Headquarters to watch expenditure one copy of the monthly expenditure return prepared by Commanders Royal Engineer will be submitted to the Engineer-in-Chief, Army Headquarters, direct.

In the remarks column of these returns the date of the completion of the work will be entered as each new work is completed.

27. *Completion report.*—When the work is finally completed and the final bills have been paid, the completion report will be rendered under existing regulations.

ANNEXURE "A".

POWERS OF ADMINISTRATIVE APPROVAL.

Authority.	For authorised works.	For special works.
(A) A. G. O. C.-in-C., of a Command or Commander, Western (Independent) District (Q. M. G. in the case of services directly under A. H. Q.) except—		
(i) Army Ordnance and Clothing Factories (other than works required from military necessity in connection with the Defence of an ordnance or clothing factory).		
(ii) Technical works of Arsenal and Depots and General Stores and Clothing Inspectorate, Cawnpore, under the control of the Director of Ordnance Services ..		
(iii) R. A. F.		
(iv) R. I. N.		
M. G. O. and A. G. C. in respect of services under their control, except—	15,000	30,000
(i) Non-technical works for Arsenal, Depots, and General Stores and Clothing Inspectorate, Cawnpore, under the control of Director of Ordnance Services which will be administered by the G. O. C.-in-C.		
(ii) Works connected with the defence of an ordnance or clothing factory, arising out of military necessity, which will be administered by the G. O. C.-in-Chief, Command.		
(B) G. O. C. District or Independent Area Commander ..	10,000	5,000
(C) Other Brigade and Area Commanders	5,000	1,000
(D) Station Commanders	1,000	500

ANNEXURE "B".

STATEMENT OF WAR EMERGENCY WORK.

Sanctioned during the month of 1941.

Serial No.	Particulars of work.	Estimated Expenditure.				Authority.	Scheme to which the measure relates.	Classification (a) H. M. G. measure (b) Joint measure (c) Indian measure.	Head of Account.
		1941-42	1942-43	Subsequent year.	Total.				

NOTES :—

1. This statement will be rendered in duplicate to A. H. Q. by the 15th of every month through the C. M. A. concerned.
2. Works the estimated cost of which is less than Rs. 5,000 in each case should be lumped together in one item.
3. The class of the unit for which accommodation, etc., is being provided, as also the scheme to which the measure relates (e.g., 1940 Expansion, Local Defence, Air Raid Precautions, etc., etc.) or A. H. Q. letter promulgating the measure should invariably be indicated.
4. This statement does away with the necessity of sending to A. H. Q. separate copies of administrative approvals for amounts less than Rs. 1,00,000.

APPENDIX XVI.

Note by the Auditor General on paragraph 3 of the Audit Report, Defence Services, 1941.

Under the arrangement between India and His Majesty's Government for the allocation of Defence expenditure incurred by India which has been explained in the extracts from the Hon'ble Finance Member's Budget speech reproduced in paragraph 3 of the Appropriation Accounts, His Majesty's Government is responsible for all Defence Services expenditure (other than non-effective charges) brought to account in India less the portion the liability for which has been undertaken by India. The accounting effect of the arrangement is that the Defence Services accounts in India, other than the non-effective account and the account of items relating to Indian liability, are accounts of His Majesty's Government. The question of the agency by which and the extent to which this expenditure should be audited was carefully considered by the Government of India (and the Auditor General of India) in consultation with His Majesty's Government (and the Comptroller and Auditor General in the United Kingdom) and the following arrangement has been made.

2. The expenditure on Defence Services brought to account in India, which is to be borne by United Kingdom, has to be accounted for to the House of Commons by the India Office, and under the Exchequer and Audit Department Acts the Comptroller and Auditor General in the United Kingdom has to examine this account on behalf of the House of Commons. For the sake of convenience, however, and under the discretion vested in him by the Acts he has agreed to admit these accounts without further detailed examination on the strength of the audit undertaken in India. In order that first-hand knowledge of the Indian accounting and audit procedure might be obtained two members of his staff visited India last cold weather and though no formal communication from Comptroller and Auditor General has been received it is believed they were generally satisfied with the Indian system. It is understood that this arrangement corresponds to that made in connection with the expenditure in Canada, the audit of which is conducted for United Kingdom Ministries by the Auditor General of Canada.

3. The quantum of audit on the whole remains much the same as before the war, though some small expansion in some cases and modifications in others have had to be made to adapt it to war time expenditure, especially to ensure that the allocation of charges between the two Governments is correct and in accordance with the agreement made by them. For the sake of completeness and also because it is not always possible to distinguish, in the initial stages, transactions relating to one Government from the other, the Audit Report covers the results of the test audit of all Defence expenditure including the expenditure debitable to His Majesty's Government, though the latter will not be shown in the Appropriation Accounts themselves. This arrangement has also the approval of His Majesty's Government and it is intended that a copy of the comments of the Public Accounts Committee on the accounts and the Audit Report should be sent to that Government. The Military Accounts Committee have therefore before them a full picture of the results of audit over the entire field of Defence Services expenditure.

APPENDIX XVII.

Memorandum describing the methods of purchase and financial control thereon in wartime.

In this memorandum a brief description is given of the methods of purchase followed by the Department of Supply, the control exercised by the Finance Department and the checks applied by the Auditor General.

2. Before the war there were two purchasing organisations of the Central Government, the Indian Stores Department under the Commerce Department and the Contracts Directorate as part of the Defence Department Organisation. On the eve of the war the Department of Supply was formed to deal with war supplies. Both the Purchasing Organisations were transferred to the control of the new department, though on different dates. Changes as dictated by experience were made from time to time in the organisation. The Indian Stores Department and the Contracts Directorate have now merged in one single purchasing organisation of the Supply Department. It is divided into two parts, one dealing with munitions and engineering items at Calcutta and the other with general stores and motor vehicles at Delhi.

3. Before the war purchases were made as a rule by open tenders advertised in the daily press and trade journals. The other methods that were employed in specific circumstances for special reasons were—

- (1) Limited tenders when only the suppliers believed to be able to deliver the goods were invited to tender ;
- (2) Single tenders when only one supplier was invited to tender. This method was and is used largely for proprietary articles and only rarely in other cases.

No officers of the Finance Department were attached to the Purchasing Organisation. Competition was generally effective over most of the field and the open and limited tenders provided sufficient protection for the financial interests of Government. Contracts exceeding a specified financial limit were subject to the approval of Government. In the Contracts Directorate financial control conformed more closely to the general practice in the Defence Department. All important deviations from standard conditions of contracts required the approval of Government. All cases requiring the approval of Government were decided in consultation with the Finance Department.

4. Demands made on the industrial resources of India as a result of the war rendered changes in the methods of purchase inevitable. Goods produced by India were required in much large quantities than before. New articles had to be produced necessitating the creation of new sources of production or the diversion of existing sources to new items of supply. Deliveries according to schedule and the maintenance of adequate standards of quality were essential to the prosecution of the war. These requirements indicated the necessity of closer control not necessarily of a statutory character, on the prices paid for Government purchases and of more intimate contact with industry.

As a natural corollary, the open tender has been steadily giving place to limited and single tenders and to settlement by negotiation with individual suppliers as well as with industries as a whole. Limited and single tenders are the most effective means of meeting urgent demands. Settlement by negotiation is the only means when new articles are required, or the demands are so large as to absorb the entire or an overwhelming proportion of existing capacity.

5. In these circumstances it was realised very early during the war that new methods of control must be devised to fill the vacuum created over an ever widening area by the absence of effective competition. An organisation has gradually been evolved in which representatives of the Finance Department are closely associated with all important purchase operations. Their responsibilities may be described briefly as follows :—

- (1) When purchases are made by open or limited tenders the concurrence of the Finance Department must be obtained to proposals to accept other than the lowest offer if the offer proposed to be accepted exceeds the lowest offer by a certain prescribed limit. If the lowest offer is in itself unreasonable consultation with the Finance Department takes place before action is taken ;
- (2) offers against single tenders are dealt with in consultation with the Finance Department. Single tenders cannot be used for other than proprietary articles except with the concurrence of the Finance Department ;
- (3) settlements by negotiations are effected in consultation with the Finance Department in all their stages ;
- (4) departures from standard conditions of contract are made in consultation with the Finance Department.

6. The following are the broad categories of the contractual arrangements thrown up in the circumstances set forth in the foregoing paragraphs and requiring special attention :—

- (a) contracts settled by negotiations in which the price payable is actual cost *plus* an agreed margin of profit. The actual cost is usually subject to an agreed maximum ;
- (b) contracts settled by negotiations with individual firms in which price is negotiated on the basis of estimated costs for a specified period ;
- (c) contracts placed with individual firms under arrangements made with an industry as a whole. Arrangements usually provide for the submission by individual firms of cost quotations certified by auditors ;
- (d) special contracts for the construction and operation of Government factories by private firms as agents of Government. For obvious reasons no place has been given in this list to standard contracts made on offers against open, limited or single tenders. They are generally the same as in peace-time and do not require detailed explanation. The following paragraphs describe the position in respect of the categories enumerated above.

7. All contracts other than those entered into at competitive rates require in varying degrees a proper examination of the accounts of contractors in order to establish that payments charged in Government accounts are in accordance with contractual arrangements. This necessitates the employment of qualified cost accountants.

The Supply Finance Department have established a small cost accounting organisation for this purpose. For an ideal arrangement it is necessary to secure the services of technical cost accountants for each type of industry. India has no such cost accountants, and in fact there are very few accountants with general qualifications in cost accounts of an adequate character. After sustained effort and search Government have been able to secure a few accountants. The number of contracts has been increasing and is beyond the capacity of any organisation which Government can expect to bring into being. In view of these difficulties the following arrangement has been made with the concurrence of the Auditor General :—

- (1) Auditors of contractors may be employed as auditors on behalf of Government subject to certain conditions ;
- (2) in all cases where prices are related to costs, actual or estimated, a brief statement outlining the system of cost accounts observed by the firms concerned should be prepared either by departmental accountants or contractors' auditors and kept on record for reference. This statement should in particular describe the basis on which common expenses are apportioned to various categories of products, departments or contracts of the firm ;
- (3) the checks to be exercised by the accountants, departmental or private, should be laid down by Government ;
- (4) in all important cases first checks should be applied by departmental accountants. On receipt of their reports Government should decide whether subsequent audits should be conducted by departmental accountants or private auditors ;
- (5) other cases may be entrusted to private auditors but the Finance Department must always be on the alert to pick up cases that should for any reasons be transferred to departmental accountants ;
- (6) reports of private auditors should be reviewed by departmental cost accountants.

Under this arrangement the duties of Government cost accounting organisation will be to deal with all audits classed as important and to keep the work of private auditors constantly under review. Important audits will be entrusted to private auditors when they have become routine and therefore ceased to be important.

8. Some explanation is required of the arrangement contemplated in respect of factories constructed and operated by private firms as agents of Government.

Government have decided that cases which do not require anything more than verification of facts may suitably be entrusted to the auditors of contractors. In other cases audits should be carried out by Government accountants till such time as all technical questions regarding the basis on which common expenses should be allocated to Government business and other business of the firm are settled. When the audits become routine and are reduced to the level of verification of facts they may be assigned to the auditors of agent firms.

9. In all cases in which examination of contractors' accounts is required to establish the validity of payments made under the contracts the responsibility for checking the accounts lies on the Auditor General. It has however been agreed with him that, while he reserves his right to check the accounts, he will not exercise it so long as he is satisfied that the arrangements made by Government for such examination through departmental agency or by private auditors are satisfactory. He will examine the reports and records of departmental accountants and call for such explanations from Government as he may consider necessary to satisfy himself that arrangements are satisfactory and that adequate check is being exercised in individual cases.

APPENDIX XVIII.

Note by the Auditor General on paragraph 17 of the Audit Report, Defence Services, 1941—War time purchases of stores.

In connection with the scrutiny of expenditure on the purchase of stores one of the functions of audit is to see that purchases have been made as economically as possible. In normal circumstances this is secured by watching that purchases are generally made by calling for tenders in the open market and that the lowest tenders are accepted unless there are valid reasons against this course. In the special circumstances created by the war the competitive system has necessarily had to give way to other special arrangements for purchase. The necessity however still remains—and it is perhaps even more urgent than during peace time—for audit to see that the prices paid are fair and reasonable.

2. The question of the methods to be adopted to ensure that the prices paid are reasonable where Government contracts cannot be placed under conditions of effective competition has received considerable attention in England during the past few years. It has generally been accepted that the only alternative to competition as the basis of a fair fixed price contract is the estimation of the costs to be incurred, either by means of technical costing or by the application of the results of post costing past contracts—or by a combination of those methods. It is understood that some of the big purchasing departments in the United Kingdom are well equipped with staffs of technical costing officers and departmental accountants whose business is to prepare either independent estimates of costs or to check the costs quoted by the firms with reference to their books and to assist the departments generally in negotiating prices.

3. The Comptroller and Auditor General in the United Kingdom is generally content to review the basis of the fixing of prices as contained in the reports of the departmental accountants and he does not ordinarily conduct a check of the firms' books. In regard also to expenditure from public funds on the construction of ('shadow') factories by firms on behalf of Government which has to be accounted for to the satisfaction of the Comptroller and Auditor General in pursuance of his statutory functions the same arrangement obtains. The accounts of such expenditure are initially examined by the Ministry's departmental auditors and the Comptroller and Auditor General reviews the periodical statements of such expenditure and the departmental auditors' reports thereon.

4. Profiting by the experience in the United Kingdom and the Dominions the Supply Finance Branch here have since last year set up a small departmental costing organisation to help it in its war time purchases. In consequence of the difficulty of obtaining qualified personnel it has however been found necessary to follow the Australian model and to supplement the departmental organisation by the employment of the firms' own private auditors working under instructions from Government. Information regarding the types of contracts and the safeguards adopted by the Supply Department in respect of these various types is given by the Supply Department itself and this note is concerned with stating the position of the Auditor General of India.

5. Ordinarily the attitude of the Auditor General in respect of contracts made by Government is that, while his Department scrutinises the contract generally to see that there is no clause obviously and unnecessarily disadvantageous to Government, and that prices or rates in the contract are *prima facie* reasonable, he does not go behind the contract to examine the negotiations leading to a fixed price or a schedule of rates, but scrutinises all payments to secure that they are in accordance with the contract terms. When, however, as in war time, fixed price contracts have in many instances to give way to contracts based directly or indirectly on actual costs, the function of the Auditor General in auditing payments in terms of such contracts is not so clear. The Auditor General of India has, however, decided that, while he should retain the power in any exceptional case to call for the accounts of the actual costs of a contractor claiming payment under the "costs plus" form of contract, he will not in fact exercise this power unless the special circumstances of any case indicate that this is necessary. In reaching this decision the Auditor General of India has been influenced by the example of the Comptroller and Auditor General of the United Kingdom, who does not ordinarily demand that his Department should examine the books of the contracting firm. There are further reasons for this decision. In the first place, the Indian Audit Department does not command a sufficiency of technical knowledge and experience to cope with the work that would be involved in a direct examination of firms' accounts. In the second place, it is clearly the duty of the Government Department making the contract to satisfy itself regarding the actual costs on the basis of which it passes a payment, and, if the Auditor General is satisfied that such costs examination is as adequate as possible in the circumstances, it would be a waste of time and effort at a time like the present to duplicate that examination. Finally, there is not such a regimentation of industry in India as in Great Britain, and while firms are with difficulty persuaded to agree to a scrutiny by departmental cost accountants, they would object strongly to a further examination by staff of the Auditor General. It would be clearly infructuous to provoke the opposition such a course would cause unless there were clear necessity.

In ideal conditions the Auditor General might limit his acceptance of costs examination to that conducted by departmental cost accountants. But even in the United Kingdom where the purchasing departments are far more adequately staffed with qualified cost accountants, it has been found advisable and economical to depend upon statements of costs certified by firms of commercial accountants subject, where necessary, to departmental spot checks. In other countries of the Empire, *viz.* Australia, this practice is usual, and the Auditor General of India has agreed to accept under stated conditions costs as certified by private firms of accountants.

6. The Supply Department has taken the Auditor General fully into their confidence in all discussions regarding forms of contract and methods of check of cost accounts. The Auditor General is consulted before any new departure is adopted. In fact so close is the co-operation that the representatives of the Comptroller and Auditor General of the United Kingdom remarked that the Auditor General of India seemed to be more concerned in executive decisions than the Comptroller and Auditor General of the United

Kingdom ever was. The difference really is only in method of working, pre-audit with influence before the event, or post-audit with criticism after it. The suggestions of the Auditor General have not affected policy but only the application of policy. In the following cases the instructions of the Supply Department were issued in consultation with the Auditor General, and have been accepted by him as adequate to secure the correctness of payments and satisfactory facilities for audit check :—

(a) Instructions regarding the duties and the scope of check of departmental cost accountants. These instructions include provision for the preparation of a report on the examination by the departmental cost accountants and the record of certain material. This report and such material is placed before a representative of the Auditor General who may make such criticism as he considers necessary.

(b) Instructions to private auditors regarding the extent of their check of cost accounts and the form of their certificate to these accounts. The Auditor General has to be satisfied that reports by private auditors receive adequate consideration in the Supply Department, and his representative can see the papers dealing with such consideration.

(c) Instructions to private auditors on the check of expenditure from public funds on the construction and management of factories by private firms on behalf of Government. The Auditor General has a special responsibility for the audit of such expenditure, but for reasons already explained has agreed to accept the audit of private auditors. It is intended that the agreement with contractors should require them to keep full and separate accounts of expenditure from Government funds, and that the private auditors should prepare such statements of expenditure based on the accounts as the Auditor General may require. The private auditors are also to be asked to report on the accounts. The Auditor General can ask for any further information he requires and in the last resort can demand access to original documents.