



Report of the
Public Accounts Committee
on the
Accounts of 1938-39.

VOLUME I—REPORT

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COMPOSITION OF THE COMMITTEE ON PUBLIC ACCOUNTS, 1940.

CHAIRMAN.

1. The Hon'ble Sir JEREMY RAISMAN, C.S.I., C.I.E.,
I.C.S., Finance Member.

Elected Members.

*Date of election or
nomination.*

- | | |
|--|---------------------|
| 2. Captain Sardar Sir SHEER MOHAMMAD
KHAN, C.I.E., M.B.E. | 18th March 1939. |
| 3. Sirdar JOGENDRA SINGH | Ditto. |
| 4. Professor N. G. RANGA | Ditto. |
| 5. Moulvi MOHAMMAD ABDUL GHANI .. | Ditto. |
| 6. Mr. MOHAMED AZHAR ALI' | 25th February 1940. |
| 7. Mr. J. Ramsay SCOTT | Ditto. |
| 8. Mr. SURYYA KUMAR SOM | Ditto. |
| 9. Sir Syed RAZA ALI | Ditto. |

Nominated Members.

- | | |
|---|------------------|
| 10. Dr. R. D. DALAL, C.I.E. | 17th March 1938. |
| 11. Khan Bahadur Shaikh FAZL-I-HAQ 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) ..	24,76	24,92	23,66
Expenditure charged to capital (Voted) ..	2,92	2,92	2,59
	27,68	27,84	26,25
Disbursements of loans and advances (Voted) ..	1,41	1,47	1,30
Total (Voted) ..	29,09	29,31	27,55
Expenditure charged to revenue (Non-voted) ..	78,40	79,02	78,91
Expenditure charged to capital (Non-voted) ..	14	10	8
	78,54	79,12	78,99
Disbursement of loans and advances (Non-voted) ..	..	1	1
Total (Non-voted) ..	78,54	79,13	79,00
Total expenditure charged to revenue ..	1,03,16	1,03,94	1,02,57
Total expenditure charged to capital ..	3,06	3,02	2,67
Total disbursements of loans and advances ..	1,41	1,48	1,31
GRAND TOTAL ..	1,07,63	1,08,44	1,06,55

There was thus a total saving of Rs. 189 lakhs or 1.74 per cent. of the final grant.

The following table compares the percentages of savings in the three main sections of the budget for the last five years :—

	1934-35.	1935-36.	1936-37.	1937-38.	1938-39.
Expenditure charged to revenue	—1.1	.56	.35	.73	1.32
Expenditure charged to capital	8.9	6.99	16.78	34.4	11.59
Disbursements of loans and advances	49.2	8.79	50.82	9.52	11.49
Combined percentage	2.9	1.69	3.21	1.24	1.74

The increase in the percentage under the revenue section as well as in the combined percentage was mainly due to the savings produced by the extensive economy measures adopted after the budget was framed in 1938 as soon as it became apparent that with the fall in revenue particularly under Customs there would be a large gap between revenue and expenditure on the year's working. This economy drive produced over Rs. 120 lakhs of savings as a result of a detailed pruning over the entire field of Central expenditure open to retrenchment which was carried out with the active co-operation of the administrative departments. In these circumstances we feel that the increased percentage of savings is to be taken as a measure of the success achieved by the Government in its economy drive and not as indicating any deterioration in the year's results.

2. *Excesses.*—In the following cases actual expenditure exceeded the grants voted by the Legislature :—

Item No.	Name of Grant.	Final Grant.	Actual Expenditure.	Excess requiring the vote of the Legislature.
		Rs.	Rs.	Rs.
1.	2.—Central Excise Duties	10,50,000	11,64,751	1,14,751
2.	14.—Legislative Assembly and Legislative Assembly Department . . .	9,37,000	9,52,872	15,872
3.	53.—Census	5,000	5,174	174
4.	73-A.—Stores and Workshop—Expenditure not charged to revenue .	1,000	1,85,697	1,84,697

The reasons for these excesses are briefly explained below :—

Item 1.—Share of the combined Central Excise and Salt establishment debitable against this Grant after the amalgamation of the two establishments was more than that provided for in the original budget for Central Excise establishment. As the ratio for working out the share was fixed after the close of the year, no funds could be provided to cover the excess.

Item 2.—Some bills of members of the Legislative Assembly were actually paid in March 1939 instead of in April 1939 as was anticipated.

Item 3.—Inadvertent omission to provide for this small excess.

Item 4.—Demand No. 73-A was introduced in 1938-39 to include the net requirements under Stores and Manufacture Suspense which used to be included previously in the Demand for Capital outlay on New Assets. The net amount required in the Budget Estimates being a minus figure (Rs. 1,26,000), a sum of Rs. 1,000 was voted by the Legislative Assembly. The actuals, however, belied expectations and the expenditure was Rs. 1,85,697 resulting in an excess of Rs. 1,84,697.

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 considerable savings accruing from the various post budget measures of economy already mentioned served to obscure the indication of the standard of budgeting achieved which is usually given by the percentage variations between the actuals and the original and modified appropriations. But we are glad to note the general conclusion arrived at by the Auditor General that the improvement noticed last year in regard to both budgeting and control has been maintained during the year under report. We have been impressed with the value of the system, introduced in accordance with our recommendation, of making lump sum cuts for probable savings in Grants where it is found, particularly in the case of Capital Works, that there have been large savings from year to year. Even though the system may at times lead to excesses we consider that these excesses are preferable to the provision of funds far in excess of actual expenditure and that the system should continue.

As regards our previous recommendation that larger units of Appropriation should be devised in a limited number of Grants, which was carried out as an experiment in the estimates for 1939-40, we are glad to learn that this process will be carried further during the revision of the Detailed Estimates and Demands for Grants, which is now to be carried out in consultation with the Auditor General. We have agreed that this proposal shall be tried as an experiment for one year on the assurance that the revision will in no wise impair the control of the Legislature over appropriations and that if after a year's trial it is found that any inconvenience or disadvantage from the point of view of the scrutiny which should be exercised by the Legislature has resulted from the change, the matter will be re-considered. In the meanwhile we trust that the expectation that the revised compilation of the Detailed Estimates and Demands for Grants will not only bring about a considerable saving in printing and paper but will be of real assistance to the Legislature, will prove correct and we shall await with interest the skeleton form of the final scheme which is to be circulated to us later.

5. *English Expenditure.*—We have again been struck by the wide variations noticeable under the sub-heads relating to English Expenditure in regard to leave and deputation salaries, to which our attention was specially drawn by the Auditor General. As recommended by us last year, the question whether the High Commissioner's estimates for leave salaries should not be based on leave programmes or forecasts furnished to him from India as well as on past actuals was duly taken up by the Finance Department and we have carefully considered the reasons put forward by them in favour of the existing procedure. But while we accept the proposition that it would be impracticable to frame the estimates solely on the basis of leave programmes which have to be framed some months in advance of the year to which they relate and which cannot take into consideration the allocation of leave salary between various departments and Governments, we consider that it should lead to more accurate budgeting if the High Commissioner's estimates are communicated to the Departments concerned with the request that they will intimate any broad modifications which 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. We therefore desire that the matter should be pursued on these lines and a further report submitted to us next year.

6. *Unnecessary Supplementary Grants.*—We have been gratified to learn that in 1938-39 for the second year in succession no supplementary Demand was presented to the Legislative Assembly which proved to be unnecessary and to note that the improvement which resulted from the instructions issued on our recommendations about the presentation of supplementary demands to the Legislature is being maintained.

7. *Works Expenditure.*—We have repeatedly drawn attention to the large savings under the Grants dealing with Works Expenditure especially in the provision for major works and the results of the action taken on our previous recommendations to counteract the persistent tendency towards over-budgeting for Works Expenditure should have been apparent in the Accounts under review. But in the year in question on account of the economy campaign that had to be undertaken after the budget was framed, a large number of works were either postponed or abandoned and the resulting savings under each class of works were so large as to obscure the variations from the more normal causes which still appeared to operate though to a lesser degree. We can therefore only repeat our previous recommendation that lump sum cuts should be applied vigorously at the time of the budget estimates, particularly in the case of new works, and trust that the changes introduced, including the preparation of a supplementary list of approved works to be financed out of savings, will lead to further improvement in the budgeting and control of this Grant in future.

8. *Report of the Military Accounts Committee.*—We append the report submitted by the Military Accounts Committee constituted to conduct a preliminary examination of the Military 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.—Railway Accounts.

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

	[Lakhs of Rupees.]		
	Budget.	Revised.	Actuals.
Traffic receipts (less refunds)	94,25	94,65	94,48
Miscellaneous receipts	1,46	1,49	1,49
Working expenses (including depreciation)	62,55	63,55	64,04
Miscellaneous expenditure	1,29	1,26	1,26
Interest charges	29,31	29,28	29,30
Surplus (+) or Deficit (—)	+2,56	+2,05	+1,37
Contribution to general revenues	2,56	2,05	1,37

The year's working thus resulted in a surplus of Rs. 1,37 lakhs, which, with the suspension of repayments of loans from the Depreciation Fund, was utilised in making a part payment of the contribution to general revenues.

10. *Excesses over voted grants.*—There were six excesses over voted grants as compared with seven in the previous year :—

Grant.	Final Grant,	Actual Expenditure.	Excess.
	Rs.	Rs.	Rs.
6-B.—Revenue—Working Expenses— Maintenance and Supply of Locomotive Power	17,63,85,000	17,81,58,557	17,73,557
6-C.—Revenue—Working Expenses— Maintenance of Carriage and Wagon Stock	5,74,35,000	5,75,46,379	1,11,379
6-G.—Revenue—Working Expenses— Miscellaneous expenses.	4,22,85,000	4,35,79,896	12,94,896
6-H.—Revenue—Working Expenses— Expenses of Electrical Department	3,76,40,000	3,80,25,115	3,85,115
8.—Revenue—Interest Charges	2,63,000	2,63,983	983
12.—Open Line Works	8,83,69,900	9,34,68,140	50,98,240

Brief explanations of these excesses are given below :—

Grant No. 6-B.—The chief cause of the excess was the increase in the consumption and stocking of coal and freight charges on coal.

Grant No. 6-C.—The excess was largely due to increase in the cost of repairs to coaching and goods vehicles owing to more intensive repairs required to be carried out during the year on almost all railways.

Grant No. 6-G.—The chief cause of the excess was larger payment of gratuities on account of premature retirements and deaths.

Grant No. 6-H.—The excess was chiefly due to heavier repairs to electric installations and renewal and replacement of dynamos, cells and batteries mainly on the East Indian and the Great Indian Peninsula Railways.

Grant No. 8.—The excess which is nominal was due to fluctuations in the rates of exchange.

Grant No. 12.—The excess was largely due to increase in the stores balances as a result of increased advance purchases during the year in view of the uncertain conditions in Europe.

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

11. *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.

12. *Accuracy of budgeting and control of expenditure.*—The accounts of the year show a total excess of Rs. 10 lakhs or 0.1 per cent. under Revenue expenditure (exclusive of withdrawals from and repayments to the Depreciation Reserve Fund) and an excess of Rs. 2 lakhs or 0.18 per

cent. under Capital expenditure. This compares as follows with the results achieved in the four preceding years :—

Year.	[In lakhs of Rupees.]		
	Final Grant and Appropriation.	Savings (—) or Excess (+).	Percentage of Column 3 to column 2.
<i>Expenditure charged to Revenue (excluding appropriations to and from the Depreciation Reserve Fund.)</i>			
1934-35	98,10	+8	.08
1935-36	93,52	—56	.57
1936-37	98,41	—1,35	1.37
1937-38	98,30	+63	.64
1938-39	99,64	+10	.10
<i>Expenditure charged to Capital and the Depreciation Reserve Fund.</i>			
1934-35	13,72	—4,56	33.24
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	.18

The position with regard to Revenue expenditure was better than that of the previous year while there has been a considerable improvement over the last three years. At the same time the substantial improvement in connection with the Capital Grants brought about last year was maintained and the final variation was made to appear still smaller by the fortuitous cancelling out of an uncovered excess of Rs. 51 lakhs under Grant No. 12 and a saving of Rs. 49 lakhs under Grant No. 11. The lump sum cut imposed this year on Grant No. 12 proved excessive largely due to the policy adopted during the course of the year of increasing the balances of imported stores in view of the threatening international situation and we hold to the opinion that such excesses resulting from the application of lump sum cuts are to be preferred to the previous very large savings that occurred year by year under the Capital heads. We therefore endorse our previous view that the procedure of lump sum cuts should be continued, though, as we have indicated in the proceedings, the proportion of the cut applied may now be somewhat restricted.

13. *Railway Accounts Department.*—The final report of the Auditor General on the experiment of placing the Chief Accounts Officer and his establishment under the control of the General Manager on two Railways together with the conclusions of Government thereon was examined by us with care. We were glad to learn that the objections raised by the Auditor General regarding the administrative arrangements for the Accounts staff which were not in consonance with the principles accepted by the Committee in approving of their transfer to the control of the General Manager, had been entirely removed by instructions issued by the Railway Board, who had fully accepted the propositions of the Auditor General as to the relations which should obtain between the different authorities concerned in this matter. As the Auditor General is satisfied that with the arrangements as now agreed upon there is no reason of

principle why the system under experiment should not be a success and that it is indeed desirable that it should be established if it will encourage General Managers to utilise more fully the accounts knowledge and financial advice of their Chief Accounts Officers, we have approved the extension of the system to other State Railways as and when it is found suitable to introduce the change.

14. *Unsanctioned Expenditure.*—A matter to which we devoted considerable attention was the question of delay in the settlement of items under objection, as indicated in the long list of cases given by the Chief Commissioner in Annexure A to the Appropriation Accounts held under objection as incurred without the sanction of competent authority. The cases examined by us did not appear to disclose any reprehensible lack of financial control and while in certain cases we have desired further investigation to see if the rules regarding the preparation of formal estimates require amendment, our general conclusion is that the question of exhibiting such items of expenditure as objectionable needs examination. For, as pointed out by the Auditor General, the list in Annexure A is presented by the Chief Commissioner of Railways, and it might well be decided to omit items merely requiring technical sanction and to leave it to the usual operation of audit to bring to notice cases in which subordinate authorities have exceeded the sanction of the competent authority or have failed to complete the procedure as regards the submission of estimates within a reasonable space of time. We therefore consider that the possibility of treating these cases as a domestic matter for settlement between the railway administrations and the audit authorities should be examined and we shall be glad if the Railway Board will let us have a report on the conclusions reached next year.

15. We desire to place on record our appreciation of the extremely valuable assistance and advice given to us by Sir Ernest Burdon, the late Auditor General, throughout his long association with the Committee and to thank his successor for the assistance we have received from him during the remainder of our proceedings.

A. J. RAISMAN.
 J. RAMSAY SCOTT.
 R. D. DALAL.
 M. A. GHANI.
 ABDUL HAMID.
 FAZL-I-HAQ PIRACHA.
 M. AZHAR ALI.
 SYED RAZA ALI.

H. A. C. GILL,
Secretary.
 31st August 1940.

**Proceedings of the 1st meeting of the Public Accounts Committee held
on Wednesday, the 14th August 1940, at 11 A.M.**

PRESENT :

The Hon'ble Sir JEREMY RAISMAN, C.S.I., C.I.E.,
I.C.S., Finance Member.

Chairman.

Moulvi MOHAMMAD ABDUL GHANI.

Mr. MOHAMMAD AZHAR ALI.

Mr. J. RAMSAY SCOTT.

Sir Syed RAZA ALI.

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

Khan Bahadur Shaikh FAZL-I-HAQ Piracha.

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

Mr. L. WILSON, Chief Commissioner, Railways.

Mr. B. M. STAIG, C.S.I., I.C.S., Financial Com-
missioner of Railways.

Mr. T. S. SANKARA AIYAR, C.I.E., Director of
Finance, Railways.

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

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,
Auditor-General of India.

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

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

Members.

Witnesses.

The Committee agreed that in the special circumstances of the year when the Chairman and the majority of the witnesses had urgent work to do in connection with the war, meetings should be held in the mornings only, starting at 10-30 A.M.

2. The Committee started their examination of the Railway Accounts by considering the items in the statement (Appendix I) showing the action taken on the recommendations made last year.

3. *Saloons maintained for the use of Railway officers.*—The Committee accepted as satisfactory the programme of reductions in total number of inspection carriages as outlined in the Railway Board's note (Appendix III) on the subject and desired that a further report to show the progress made in relation to this programme should be submitted next year.

4. *Railway Accounts Department.*—The memorandum (Appendix IV) on the experimental transfer of the Accounts Department in two railway administrations to the control of the General Manager together with the report of the Auditor-General was considered. The Auditor-General expressed himself as satisfied that with the arrangements now agreed upon

and put into effect with the issue of the latest instructions, there was no reason of principle why the system under experiment should not be a success and he would be glad if all Chief Accounts Officers were given the extended functions considered desirable in the interests of efficiency. On this, the Committee accepted the system in principle and agreed that it should be left to the Railway Board to extend it to all State-managed railways at such time as appeared to be suitable.

5. With regard to the remark made in paragraph 7 of last year's report that the position of railway revenues was not free from anxiety and that it was necessary to continue unremittingly the efforts to achieve a satisfactory result, the witnesses assured the Committee that all possible steps were being taken in this direction. The Committee noted that the railway authorities were still effecting economies by retrenchments in expenditure on the lines of the Pope Job Analysis and trusted that this would be continued.

6. *Classification of expenditure provided under an incorrect head in the budget.*—In connection with the memorandum submitted on this subject (Appendix V) it was stated that the Finance Department and the Auditor-General were in agreement with the view of the Railway Board that in the case of railways the correct classification should be followed in the accounts irrespective of whether the provision in the budget had been made under the correct unit or not. The Committee concurred in this conclusion and noted that the present procedure, according to which all important items which have been classified in the accounts under a unit different from that under which provision was made in the budget are brought to the notice of the Public Accounts Committee, would continue.

7. *Allocation of write-back adjustments on account of abandoned projects.*—With reference to the memorandum on this subject (Appendix VI) the Auditor-General stated that he was satisfied that the practice under the revised rules of transferring the cost of abandoned assets to the Depreciation Fund did not contravene the sound principles of accounting. The Committee thereupon accepted the conclusions embodied in the note and agreed that the revised rules should continue.

8. *Auction Sales on Railways.*—It was stated that the question of modifying the agreements of the East Indian and Eastern Bengal Railways with their auctioneers so as to secure payment of the auctioned materials before removal was still under consideration but would be settled shortly. The Committee desired to be informed next year whether the matter had been satisfactorily settled.

9. *Chief Commissioner's Review of the Appropriation Accounts.*—The financial results of 1938-39 were compared with those of earlier years as well as with the year 1939-40, a summary of the approximate financial results of which (Appendix VII) was furnished to the Committee. It was pointed out that in the period of 15 years from 1924-25 to 1938-39 the Indian State-owned railways had met all charges on commercial and strategic lines, including renewals and interest, and in addition had been able to pay a contribution of Rs. 45½ crores to general revenues and to accumulate a reserve of Rs. 25½ crores, results which were by no means unsatisfactory, and that the approximate figures for 1939-40 showed a

surplus of about Rs. 4.33 crores which was nearly Rs. 3 crores more than that of 1938-39 and only Rs. 1|3 crore below the full contribution due under the Railway convention.

10. *Grant No. 6-B.*—The explanations for the increase in working expenses during the year under review, which was stated to be mainly on account of coal, repairs to rolling stock and flood damages, were examined at length. It was explained that as regards coal there was not only a rise in prices, but consumption had been greater on account of increased traffic demands and the measures adopted for the speeding up of goods and passenger traffic and at the same time stocks had been increased by an extra 30 days supply. As regards the increased expenditure on repairs, the heavy increase in train miles run in 1937-38 had made itself severely felt in repairs to rolling-stock in 1938-39 and the situation had been further aggravated by the general increase in the price of materials required for repairs. The Committee noted that these factors were to be taken into consideration in regard to grant No. 6-B., where there was a marked increase in expenditure for no increase in receipts, and that in large part they explained the excess that occurred even after a substantial supplementary grant had been obtained from the Assembly.

11. *Grant No. 6-G.*—The excess under this head was explained as mainly due to larger payments on account of gratuities and it was stated that instructions had already been issued to the railway administrations to improve budgeting for gratuity payments, the effect of which would it was hoped be apparent when the accounts for 1939-40 were compiled.

12. *Grant No. 6-H.*—The sudden increase in the figures under this head and the uncovered excess that occurred after the taking of an inadequate supplementary grant was explained as due to the fact that in order to bring all the expenditure on electric traction services, communications and train control arrangements under one head on all railways the scope of the demand had been widened from the year under review. This enlargement involved the transfer to this grant of large sums previously budgeted for and booked under other heads and though every effort had been made to forecast the correct expenditure, in the absence of proper data the forecast proved inaccurate. It was hoped that with the experience since gained the budgeting under this head would in future be more accurate.

13. *Grant No. 11.*—Attention was drawn to the fact that the expenditure on new construction had been as much as Rs. 49 lakhs less than the amount provided in the budget. It was explained that the chief reason for the saving was the non-payment of the purchase price for a railway as the one year's notice required to be given under the terms of the contract could not be issued owing to the unexpected delay in the preparation of revised estimates necessitated by the rise in prices.

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

**Proceedings of the 2nd meeting of the Public Accounts Committee held
on Thursday, the 15th August 1940, at 10-30 A.M.**

PRESENT :

The Hon'ble Sir JEREMY RAISMAN, C.S.I., C.I.E.,
I.C.S., Finance Member.

Chairman.

Moulvi MOHAMMAD ABDUL GHANI.

Mr. MOHAMMAD AZHAR ALI.

Mr. J. RAMSAY SCOTT.

Sir Syed RAZA ALI.

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

Khan Bahadur Shaikh FAZL-I-HAQ Piracha.

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

Mr. L. WILSON, Chief Commissioner, Railways.

Mr. B. M. STAIG, C.S.I., I.C.S., Financial Com-
missioner, Railways.

Mr. T. S. SANKARA AIYAR, C.I.E., Director of
Finance, Railways.

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

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,
Auditor-General of India.

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

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

Members.

Witnesses.

14. The Committee continued their examination of the Railway Appropriation Accounts in conjunction with the Chief Commissioner's Review and the Audit Report. A certain difficulty was experienced in following the explanations and comments on the various points in turn in each of these three volumes and the Committee desired 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 grant.

15. *Grant No. 12.*—Attention was drawn to the fact that this grant which had been showing heavy savings in the past had for the last two years been showing excesses. This was stated to have been brought about by the system of lump sum cuts which had been revived from the budget of 1936-37. In discussion it appeared that though in 1938-39 the lump sum cut of about 16 per cent. made on the gross provision in the estimate proved excessive, so far as the expenditure on rolling stock and engineering works was concerned, the revised estimate and final grant proved fairly accurate and the excess occurred mainly under the suspense balances on account of increased purchases of stores. It was explained that with the growing uncertainty of the

international situation a general policy had been adopted of increasing the balances of imported stores and while the budgeting under Stores Suspense had always been a matter of great difficulty and on some Railways there appeared to be a lack of correlation between the Stores Suspense budget and other parts of the grant, instructions embodying a scheme for framing more accurate estimates in the Stores budget were under consideration. The Committee accepted the policy of increasing the Stores balances as fully justified, but hoped that the closer attention which is being given to the budgeting for Stores Suspense would produce more accurate results in future. They also endorsed the views of their predecessors that excesses brought up by the application of lump sum cuts were preferable to the large savings that occurred previously. While therefore they desired that the system of lump sum cuts should continue, the Committee expressed the view that the proportion of the cut applied might be somewhat restricted.

16. *Excesses over Grants.*—After considering the more important variations between the actual results of the year and the original anticipations, the Committee decided to recommend that the excesses which had occurred over the final grants in the voted section of Grant No. 6-B, Grant No. 6-C, Grant No. 6-G, Grant No. 6-H, Grant No. 8 and Grant No. 12 be regularised by a vote of the Legislative Assembly.

17. *Irregular re-appropriations.*—The Committee were gratified to note the report of the Auditor-General that there had been no cases of irregular re-appropriations from one grant to another on the Railways during the year under review.

18. *Restriction of expenditure to amounts fixed in Revised Estimates.*—A member suggested that the practice by which the Railway Board intimated to the Railway Administrations the amounts fixed for their revised estimates for Revenue Grants by the middle of January each year so that the latter might have sufficient notice of any reductions made in their demands, should also be extended to the Open Line Works Grant. It was explained however that for Capital Heads it was undesirable to restrict the work to be carried out to the revised estimates and as this was also the view of the Auditor General the Committee considered that no change was required in the existing procedure.

19. *Unsanctioned expenditure.*—Considerable discussion then took place regarding the items of expenditure held under objection as incurred without the sanction of competent authority which were listed in Annexure 'A' to the Appropriation Accounts. The comparison of the figures for 1938-39 with those of the previous years appeared to indicate that the position with regard to unsanctioned expenditure which had been commented on last year had deteriorated further. Further definite instances were examined which seemed to indicate that the system required to be revised. Thus in one case where the Railway Board had decided that estimates were required to be prepared for certain Scattered Renewals carried out during 1937-38 the matter was still under correspondence. In another, expenditure had been incurred on under-frames, wheels and axles for certain carriages, but submission of the detailed estimate had been held over pending receipts of the Railway Board's sanction to the proposal for building the vehicles themselves. The Auditor-General supported the view that the question of exhibiting these items differently

needed consideration, and to enable the Committee to make a definite recommendation in this respect, the Chief Commissioner for Railways undertook to examine the present position as regards the cases quoted and to let the Committee have further information on the subject at its next meeting.

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

Proceedings of the 3rd meeting of the Public Accounts Committee held
on Friday, the 16th August 1940, at 10-30 A.M.

PRESENT :

The Hon'ble Sir JEREMY RAISMAN, C.S.I., C.I.E.,
I.C.S., Finance Member.

Chairman.

Moulvi MOHAMMAD ABDUL GHANI.

Mr. MOHAMMAD AZHAR ALI.

Mr. J. RAMSAY SCOTT.

Sir Syed RAZA ALI.

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

Khan Baladur Shaikh FAZL-I-HAQ Piracha.

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

Mr. L. WILSON, Chief Commissioner, Railways.

Mr. B. M. STAIG, C.S.I., I.C.S., Financial Com-
missioner of Railways.

Mr. T. S. SANKARA AYYAR, C.I.E., Director of
Finance, Railways.

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

Mr. J. D. TYSON, C.B.E., I.C.S., Secretary, Educa-
tion, Health and Lands Department.

Mr. G. S. BOZMAN, C.I.E., I.C.S., Joint Secretary,
Education, Health and Lands Department.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,
Auditor-General of India.

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

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

Mr. P. M. RAU, M.A., Accountant General, Central
Revenues.

Members.

Witnesses.

20. The Committee continued their consideration of the question of unsanctioned expenditure and were informed by the Financial Commissioner that since the statement given in Annexure A of the Appropriation Accounts had been prepared and after a reference by the Railway Board to railway administrations in March last, when attention was drawn to the apparent deterioration in the position as compared with the previous year, out of those items quoted in the Audit Report 9 items amounting to Rs. 29.35 lakhs under objection for want of estimate, and 24 items, totalling about 4½ lakhs, under objection on account of excesses over estimates, had been cleared.

21. The Committee examined in some detail a few of the larger outstanding items, with a view to ascertaining how far the objections were merely of a technical nature or suggested the absence of proper

financial control. In regard to items 4 and 5, totalling over 28 lakhs on page 104 of the Appropriation Accounts (which have since been regularised), they were informed that these items were included in the programme of the East Indian Railway for 1938-39 after sanction by Government at an estimated cost of approximately the sums under objection. The wagons in question had been put out to tender and supplied by contracting firms. It appeared, therefore, that the preparation of a further estimate was a formality. The Committee however desired that the case should be further investigated to see if the rules regarding estimates in such cases required amending, to eliminate unnecessary work, or if the matter was purely of a technical nature not requiring inclusion in a list of unsanctioned expenditure in the Chief Commissioner's report to the Committee.

22. In regard to item 1 on page 95 and item 1 on page 105 of the Statement, each of over 11 lakhs, it was explained that the necessity for detailed estimates had arisen incidentally, consequent on certain changes in the allocation rules in 1936-37, the implications of which in regard to the standing orders on the subject of detailed estimates had not been appreciated at the time. As, in consequence of that change, the works in question were chargeable to the Depreciation Fund, instead of to revenue, detailed estimates became necessary as the rules stood. It was only in November 1939 that the matter was considered by the Board on its merits when it was decided that detailed estimates should be prepared. The Chief Engineer had, however, represented that, considering the nature of the work, the preparation of detailed estimates would involve much infructuous labour which would not improve financial control. The matter had therefore been the subject of discussion between the G. I. P. Railway Administration and the Chief Auditor of the Railway. The solution arrived at by these two authorities had been submitted for the consideration of the Director of Railway Audit who it was understood had agreed and would be considered by the Railway Board. If accepted, it would ultimately involve some modification of the standing orders in paragraph 920 of the Engineering Code. This would also have the effect of regularising the expenditure that had been placed under objection in the past.

23. The Committee then considered items 4—9 on page 103 of the Statement and items 6—10 on page 104. They were informed that these items related to expenditure on underframes, wheels and axles for vehicles included in the rolling stock programmes of certain years including 1938-39 submitted by railways, approved by the Board and the Standing Finance Committee and sanctioned by Government. At this stage of original inclusion in the programme, though the necessity for the number of vehicles is accepted, under the procedure in force, precise details of design are not determined. These come up to the Board later for scrutiny. This takes time as improvements are constantly being aimed at. Meanwhile the construction of underframes, wheels and axles which are standard, proceeds and expenditure thereon, pending the sanction of a detailed estimate for the whole vehicle, is placed under objection. Ordinarily this may take some time to clear, but in the particular cases under discussion, the railway administrations on their own initiative after the sanction to the rolling stock programme had been conveyed had with a view to the better utilization of rolling stock and also to meeting more fully what,

in their view, were the requirements of the travelling public, submitted revised proposals. In regard to the items of the E. I. R., the administration's revised proposals had been the subject of prolonged discussion between the Board and the administration, and finality had not yet been reached. The expenditure on the underframes was therefore still under objection. Detailed information was not immediately available to the Committee in regard to the E. B. R. items, but it was clear from the remarks in the report that, as in the E. I. R. case, there was a subsequent modification of a sanctioned programme. It was urged by the Board that this had been caused and that the delay had occurred, in an effort to spend the funds provided, to better advantage. In the view of the Board, there need be no apprehension that nugatory expenditure had been incurred, as the money spent was on items equally suitable for any type of body which it might be decided finally to construct on them.

24. It did not appear to the Committee that in the circumstances explained the foregoing cases disclosed any reprehensible lack of financial control, but they felt that the question of exhibiting such items of expenditure as objectionable should be further examined. In regard generally to the delays disclosed in the regularization of these and some other items they noted the remarks in paragraph 37 of the Audit Report, but felt that it was desirable that they should again emphasise the importance they attached to the prompt settlement of items under objection, which also covered delays on the part of the Railway Board.

25. The Committee next considered in detail the financial irregularities detailed in Chapter II of the Audit Report which were mostly cases of losses or of expenditure which might be regarded as nugatory to a greater or less extent. In this connection the Auditor General stated that the few frauds reported during the year were mostly due to dishonest action on the part of officials which the inspecting staff had failed to detect ; none were due to any defect in the rules or to deliberate malpractice on the part of the higher officials of the Railway Administrations. The writes-off were generally due to the irregular grant of concessions to the staff through oversight and to Railways making experiments. As regards the closing of the Agra-Bah feeder line, this was a case of attempted expansion that had to be given up when the expectation of earnings on which it was constructed proved incorrect. The Committee while agreeing that such cases were bound to occur in the administration of any large commercial undertaking desired that special care should be exercised before embarking on such schemes of expansion in future. The Committee concurred in the Auditor General's final conclusion that, judging from the magnitude and volume of the transactions on railways taken as a whole, the results of audit might be regarded as generally satisfactory.

The Committee then concluded their examination of the Railway Accounts and the witnesses representing the Railway Board withdrew.

26. The Committee then took up the examination of the Civil Appropriation Accounts, starting with those for which the Department of Education, Health and Lands was responsible.

With reference to the savings noted under a number of sub-heads in Grant No. 8-Forest, attention was drawn to paragraph 9 of the Audit Report where it was stated that savings had occurred in almost all the

grants on a much larger scale than in previous years due to the extensive measures of economy put into force after the budget was framed. The Committee agreed that this was an important factor that would have to be taken into consideration in assessing the accuracy of the budgeting under practically all Grants.

27. *Map Accounts.*—In connection with the note (Appendix VIII) submitted with reference to item 4 of last year's recommendations (*vide* Appendix I), regarding the possibility of reducing the number of superseded maps of the Map Record and Issue Office of the Survey of India, it was stated that the question had been examined in consultation with the Surveyor General. While it would be fallacious to regard the loss on superseded maps as equivalent to their face value, it was also uneconomical to print too few copies in an edition as this might necessitate incurring heavy expenditure on a reprint. The number of copies superseded in 1938-39 had been only half the number superseded in the previous year and the out-of-pocket loss on these copies was less than 5 per cent. of their face value. But with a view to making maps more up-to-date and to increase their sales, it was stated that the Survey of India would in future be re-issuing maps more frequently, which would involve a steady increase in the number of different maps superseded. The Committee accepted the argument that a large factor of safety had to be allowed to avoid the risk of premature exhaustion of stock and noted the assurance given that every effort would be made to prevent avoidable loss through supersession.

28. *Mathematical Instrument Office.*—In connection with item No. 1 of last year's recommendations regarding the manufacture by the Mathematical Instruments Office of articles required by the Army, it was stated that with the outbreak of war the position had completely changed now that both the Army workshops and the M. I. O. were working to capacity. The Committee agreed that there was no need to pursue the matter further for the present.

29. *Botanical Survey.*—The report (Appendix IX), regarding the question of the retention of the post of the Director of Botanical Survey was considered by the Committee, who accepted the decision reached as meeting their wishes.

30. *Grant No. 37. Other Scientific Departments.*—The note on the Bose Research Institute, Calcutta (Appendix X) submitted with reference to item No. 5 of the statement of recommendations made in the previous year, was next considered. The Committee were glad to note that the main requirements of their previous recommendation were now satisfied as audited accounts were now being received regularly from the Bose Research Institute. However on the suggestion of the Auditor-General the Committee desired that in future the copy of the accounts and the audit certificate received from the Institute should be shown to the Accountant-General, Central Revenues, for his inspection.

31. *Grant No. 41. Agriculture.*—With reference to item 3 of the statement of recommendations made in the previous year it was stated that the scheme for the establishment of a Central Dairy Research Institute had been accepted by the Government of India in principle and would be undertaken when funds permitted. The Wellington Milk Depot had been closed on termination of the contract with the Army authorities and was retained only on a care and maintenance basis pending final disposal.

Proceedings of the 4th meeting of the Public Accounts Committee held on Monday, the 19th August, 1940 at 10-30 A.M.

PRESENT :

The Hon'ble Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member.	<i>Chairman.</i>
MOULVI MOHAMMAD ABDUL GHANI.	}
Mr. MOHAMED AZHAR ALI.	
Mr. J. RAMSAY SCOTT.	
Sir SYED RAZA ALI.	
Dr. R. D. DALAL, C.I.E.	
Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA.	
Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.	}
Mr. J. D. TYSON, C.B.E., I.C.S., Secretary, Educa- tion, Health and Lands Department.	
Mr. G. S. BOZMAN, C.I.E., I.C.S., Joint Secretary, Education, Health and Lands Department.	
Mr. S. BASU, I.C.S., Secretary, Imperial Council of Agricultural Research.	
The Hon'ble Mr. C. E. JONES, C.I.E., I.C.S., Secretary, Finance Department.	
Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor General of India.	
Mr. A. C. BADENOCH, C.S.I., C.I.E., I.C.S. Deputy Auditor General of India.	}
Mr. P. M. RAU, Accountant General, Central Revenues.	

32. As this was the last occasion Sir Ernest Burdon would be present at their meetings the Committee desired to place on record their appreciation of the extremely valuable assistance and advice rendered to the Public Accounts Committee by Sir Ernest Burdon throughout his term of office as Auditor-General. As expressed on their behalf by the Chairman and endorsed by Mr. Ramsay Scott and Sir Raza Ali, the Committee thanked Sir Ernest Burdon for the great interest he had taken in their work and the valuable assistance that he had given them during his long association with the Public Accounts Committee.

33. *Grant No. 35.—Archæology.*—Reverting to this Grant, a member enquired into the action taken on the report of Sir Leonard Woolley on the administration of the Archæological Department. It was stated that the Government of India had as yet taken no decision on the recommendations made by Sir Leonard Woolley and the Committee desired that they might be supplied with a note next year on the question of the possible savings involved in one of the alternatives proposed in the report.

34. *Grant No. 45.—Civil Veterinary Services.*—Attention was drawn to the large decrease in the net profit on the working of the Biological Products Section of the Imperial Veterinary Research Institute, Izatnagar. It was explained that the object of the section is to provide a reliable supply of serum at cost and that except in the case of orders from abroad, which are small in comparison to the total issues, the selling rate is based on the cost of production. Further in the year under review the difference between the reduced selling rate and the cost of production of the stocks carried forward from the previous year was very small. However the fact that there was a substantial net profit on the year was satisfactory and there was no objection on financial grounds.

35. *Grant No. 55.—Emigration—External.*—Reference was made to the additional appropriation under A. 1. Pay of Officers—non-voted, due to the appointment of a non-voted officer in place of a voted officer as Agent-General in South Africa. The Committee realised that it was not within the scope of their functions to make a recommendation as regards the policy of filling this post, but desired to recommend that if at the time of framing the budget it is not known whether a particular post will be held during the budget year by an officer whose salary is voted or non-voted, provision should be made under a voted head if the post is one which is usually held by an officer whose salary is voted.

36. *Grant No. 71.—Andamans and Nicobar Islands.*—With reference to the financial review of the working of the Forest Department, Andamans, given in paragraphs 158—171 of the Commercial Appendix, the Committee noted with gratification that the accounts for 1938-39 showed a substantial profit representing a return of 18·2 per cent. on the average capital invested and that the year's working had been satisfactory.

37. *Grant No. 75.—Capital Outlay on schemes of Agricultural Improvement and Research.*—The Committee noted with satisfaction that the total expenditure incurred on the removal of the Imperial Institute of Agricultural Research from Pusa to the Delhi Province, now completed, had been Rs. 32,78,000 against the Project Estimate of Rs. 36 lakhs.

38. The Committee next took up consideration of the portions of the Appropriation Accounts and Audit Report for which the Finance Department was responsible and at the point Sir Ernest Burdon vacated his seat in favour of his successor, Mr. Badenoch.

It was noted that though savings had occurred in 73 out of 76 voted grants, this was mainly due to the economy measures adopted after the budget was framed. As a result of the instructions issued for a 10 per cent. cut in contingencies, the non-filling of vacancies unless essential and postponement where possible of sanctioned works and with the willing assistance of the administrative Departments concerned a saving of Rs. 1¼ crores had been achieved in mid-year out of the restricted field of retrenchment which was in practice limited to Rs. 15½ crores. It was also noted that while there were only three cases of excesses over voted grants as compared with eleven in the previous year, in none of the cases where supplementary grants were obtained was there any saving on the original grant. The Committee were gratified to note the comment of the Auditor-General that the statistics both as to the number and amount of the excesses showed there had been a considerable improvement over the results of the last four years and that as regards control over expenditure the improvement noticed last year had been generally maintained.

39. *Leave and Deputation Salaries.*—Considerable discussion then took place on the note submitted by the Finance Department (Appendix XI) with reference to item 13 of the statement of previous recommendations as to whether the High Commissioner's estimates for leave salaries should be based on leave programmes or forecasts furnished to him from India as well as on past actuals. The difficulties involved were explained and it was stated that after consultation with the High Commissioner it had been decided not to make any change at present in the existing procedure. The Committee however while agreeing that it was impracticable to frame the estimates on the basis of leave programmes, considered that it should be possible to communicate the High Commissioner's estimates to the Departments concerned so that they could intimate any broad modifications that appeared to be required in the light of any knowledge in their possession as to the number of officers likely to be on leave. The Committee therefore desired that the matter should be pursued further in the light of this discussion and a report on the subject submitted to them next year.

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

Proceedings of the 5th meeting of the Public Accounts Committee held on Tuesday, the 20th August 1940 at 10-30 A.M.

PRESENT :

The Hon'ble Sir JEREMY RAISMAN, C.S.I., C.I.E.,
I.C.S., Finance Member.

Chairman.

MOULVI MOHAMMAD ABDUL GHANI

Mr. MOHAMED AZHAR ALI.

Mr. J. RAMSAY SCOTT.

Sir SYED RAZA ALI.

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

Khan Bahadur SHAIKH FAZL-I-HAQ PIRACHA.

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

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

Sir P. R. RAU, Additional Secretary, Finance
Department.

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.

Mr. A. C. BADENOCH, C.S.I., C.I.E., I.C.S.
Auditor General of India.

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

Members.

Witnesses.

40. In connection with item 9 of the statement of recommendations made last year the Committee took into consideration the memorandum (Appendix XII) submitted by the Finance Department setting out their proposals for reducing the size of the compilation of Detailed Estimates and Demands for Grants. It was explained that this compilation which together with its supplements at present covers 1,600 pages octavo, goes into far too much detail for the main purposes for which it is compiled and as owing to the war it is essential for Government to economise in the use of paper so far as possible, it is proposed to revise the structure of each demand as indicated in the memorandum. The Auditor General stated that he was satisfied that the proposed revision would in no wise impair the control of the legislature over appropriations and that the revised Detailed Estimates and Demands for Grants would supply all the information required by audit. Certain members however were critical of introducing the proposed change at the present time, but on the assurance of the Finance Member that if after a year's trial the Committee found that any inconvenience or disadvantage had resulted from the change he would reconsider the matter, the Committee agreed that as a measure of war economy the experiment might be made for one year. The Committee on this understanding accepted the proposed revision of Demands in principle and agreed that the details should be worked out.

in consultation with the Auditor General and a skeleton form of the final scheme circulated to the members of the Public Accounts Committee later.

41. With reference to item 15 of the statement of last year's recommendations 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 be a separate provision for amortisation of Railway debt, it was explained that the question would be duly considered before the first five year period under the Niemeyer Award expires on 31st March 1942 and that in any case it would have to be taken up during 1941-42 in connection with the future treatment of the Railway surplus with the expiry of the railway moratorium.

42. The Committee were informed that as recommended by them last year (item 17 of Appendix I) the question whether the Appropriation Accounts of the Crown Representative and the Audit Report thereon should be laid on the table of the Central Legislature had been re-examined and that there was no doubt about the legal position which was that under section 171 of the Government of India Act these Accounts had to be presented to the Secretary of State and could not be laid on the table. However the reports were being published and copies placed in the library of the House.

43. *Grant No. 23.—India Office and High Commissioner's Establishment charges.*—Comment was made that the Finance Department was responsible for dealing with the Appropriations under sub-head G.—Trade Department as this includes the provision for the Trade Commissioners who are the concern of the Commerce Department. It was explained that the actual control over expenditure was carried out by the High Commissioner in London but the Committee suggested that in future this sub-head should be entered under Commerce Department in the Key Statement.

44. *Grant No. 25.—Audit.*—With reference to the substantial savings secured under this Grant in furtherance of the economy campaign, it was explained that audit had been restricted for a limited period only. Full inspections had since been resumed and furthermore audit was now covering a good deal of the ground previously omitted owing to the temporary suspension of inspections.

45. *Grant No. 59.—Mint.*—The question was raised as to the method of disposal of the profits derived from the circulation of small coin. It was explained that in the past this profit had been taken to revenue, but that a proposal was under examination for the formation of a reserve fund from the profits in excess of an average figure with which to meet the loss on return of small coins in periods of trade depression.

The Committee approved of this course and desired to be informed of the action taken next year.

46. *Grant No. 78.—Commuted Value of Pensions.*—It was noted that with effect from 1st April 1938 the full amount of the commuted value of pensions in respect of services on Railways and in the Posts and Telegraphs Department is being met from the revenues of these two Departments direct instead of from General Revenues. As in the past General

Revenues had met the charge in the first instance and had then been repaid by these Departments in equated annual instalments, the Committee were gratified that this improvement had been carried out.

47. *Grant No. 1.—Customs.*—Attention was drawn to the *pro-forma* account of the receipts and expenditure under the head “Overtime and Holiday Allowances”, supplied in accordance with the recommendation made by the Committee last year (Item 18 of Appendix I) and the justification for the grant to Institutions was questioned in the light of the *minus* figure under Head “VI—Amount available for payment to Seamen’s and Customs Welfare Institutions” out of penalty fees. It was explained that as the receipts from penalty fees had fallen considerably due to the trade depression, thereby diminishing the margin available for distribution to Institutions, it had been decided in 1932 with the approval of the Standing Finance Committee that the sum to be distributed should not be reduced below a certain minimum, which was fixed at Rs. 60,000. Further the correctness of including under expenditure payments of penalty fees on account of Crown overtime was under examination and if these were excluded the balance shown as available for payment to Institutions was likely to be a *plus* figure. The Committee were content to leave the procedure as at present and to see the position disclosed by the revised statement next year.

48. *Grant No. 2.—Central Excise Duties.*—The excess of Rs. 1,14,751 disclosed under this Grant was explained as due to the fact that the ratio for the share of the cost of the combined Central Excise and Salt establishment to be transferred to Grant 2.—Central Excise Duties had been fixed after the close of the year so that no funds could be provided to cover the excess. The Committee decided to recommend that the excess should be regularised by a vote of the Legislative Assembly.

49. *Grant No. 3.—Taxes on Income.*—With reference to the figures for the receipts and expenditure of the Income-tax Department in recent years, it was stated that a Statistical Branch had now been formed and with the revision and simplification of the returns and their compilation by mechanical process it would make it easier to appraise more accurately the trend of income-tax revenues. The Committee noted this development with satisfaction and hoped that it would lead to a more accurate estimating of income-tax receipts in future.

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

Proceedings of the 6th meeting of the Public Accounts Committee held
on Wednesday, the 21st August 1940 at 10-30 A.M.

PRESENT :

The Hon'ble Sir JEREMY RAISMAN, C.S.I., C.I.E.,
I.C.S., Finance Member.

Chairman.

MOULVI MOHAMMAD ABDUL GHANI.

Mr. MOHAMED AZHAR ALI.

Mr. J. RAMSAY SCOTT.

Sir SYED RAZA ALI.

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

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA.

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

The Hon'ble Mr. S. N. ROY, C.S.I. C.I.E., I.C.S.,
Secretary, Communications Department.

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

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

Lt. Commander W. H. WATT, Director of Civil
Aviation in India.

Mr. M. K. SEN GUPTA, Financial Adviser, Com-
munications.

Sir GURUNATH BEWOOR, C.I.E., I.C.S., Director-
General, Posts and Telegraphs.

Mr. A. BROKENSHAW, Chief Engineer, Posts and
Telegraphs.

Mr. A. K. ROY, Assistant Financial Adviser, Com-
munications.

Mr. A. C. BADENOCH, C.S.I., C.I.E., I.C.S.,
Auditor General of India.

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

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

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

Members.

Witnesses.

50. *Grant No. 47.—Aviation.*—Attention was drawn to the large saving under sub-head B.1-Special Grants-in-Aid for Aviation purposes. It was explained that previously the unspent balance of the revenue realised from the additional tax on petrol consumed for aviation purposes had been carried forward from year to year in the original provision made under this sub-head without regard to the actual requirements.

But with effect from the accounts for 1939-40 a fund to accommodate the unspent balance of revenue had been opened, as recommended by the Public Accounts Committee in their Report on the accounts of 1936-37, and it is expected that such large variations would not occur in future.

51. *Grant No. 48.—Capital Outlay on Civil Aviation charged to Revenue.*—It was noted that the smallness of the saving that had occurred under this Grant was due to the provision of a lump deduction for probable savings made under sub-head “ D ” and it was stated that last year’s recommendation (Item 21 of Appendix I) that the estimates should be framed on a more modest scale so as to correspond more closely with the actual achievement had been acted on in framing the budget estimates for 1940-41 under Demand No. 47.—Aviation with which this Demand had now been amalgamated.

52. *Grant No. 49.—Broadcasting.*—With regard to the saving that had occurred under this grant which worked out to 7·8 per cent. as against 9·26 per cent. in the preceding year, it was explained that as a part of the economy campaign, the construction of the Dacca and Trichinopoly stations had been held back for 6 months and if the savings on account of this delay and the resumption of the lump provision of Rs. 30,000 by the Finance Department were excluded, the net saving in the Grant worked out to only 1·3 per cent. which was satisfactory in comparison with previous years.

53. *All India Radio.*—With reference to the recommendation made by the Committee last year (Item 22 of Appendix I) that every effort should be made to place the radio publications on a self-supporting basis, the steps taken by all-India Radio to secure more advertisements and to reduce the costs of production were explained and the Committee were glad to learn that as a result of these efforts the loss, which in 1938-39 was Rs. 1,15,000, had been reduced to only a little over Rs. 6,000 in 1939-40.

With regard to Anti-Piracy work it was stated that with the increase of staff appointed for the anti-piracy campaign in 1939, not only was there a considerable increase in the number of licenses issued but many more prosecutions were instituted, and at the same time with the requisite legal sanction it had been possible to compound a large number of cases detected by levying double the amount of the fee due. The Committee expressed their approval of these measures and considered that while a number of convictions in selected cases had a valuable deterrent effect, the use of the provision for settling minor offences on payment of double fees in cases where warnings had previously been given was also most valuable.

54. *Vizagapatam Port.*—As regards the disappointing financial result of the working of the Vizagapatam Port during 1938-39, it was stated that this was due to the marked decline in the exports of manganese ore in that year and that the position had since improved considerably so that after providing for depreciation, though not for interest, the loss on the working of the Port had been brought down from Rs. 3,23,000 in 1938-39 to close on Rs. 45,000 in 1939-40. With regard to the previous recommendation of the Committee (Item 20 of Appendix I) that as the Port was unlikely to pay its way unless the Railway had a stake in its development, the question of handing over the Port to the Bengal Nagpur Railway

should be pursued, it was stated that the question was still under discussion with the Railway, though it was doubtful if they would accept liability for the interest on the capital invested. The Committee while endorsing their previous view that the Port and the branch line should be run together, desired that the question should be kept in view and a further report on the position submitted next year.

55. The Committee then examined the financial review of the working of the Posts and Telegraphs Department for the year 1938-39. It was noted that the surplus of approximately Rs. 19 lakhs had been utilised to pay off the accumulated losses which had resulted since 1927-28 and that at the end of the year there was only about Rs. 17 lakhs outstanding on this account. The Committee were glad to learn that the profits had continued to improve and that for 1939-40 they had reached the figure of Rs. 89½ lakhs, out of which the liability mentioned above had been finally paid off. As regards the loss on Telegraphs which had been over Rs. 37 lakhs in 1938-39, the Director-General, Posts and Telegraphs stated that this had been considerably reduced in the following year and that taking Telegraphs and Telephones together the position was now satisfactory. The Committee accepted the view that Telegraphs were a security service which could not be unduly restricted by the closure of all uneconomic offices and that the policy should be to see that taking both Telegraphs and Telephones there should be no loss on the working of the two branches together.

56. *Losses on Press Traffic.*—The Note (Appendix XIII) on the losses on Press Telegrams, submitted in connection with item No. 28 of the statement of recommendations made by the Committee last year was considered. It was explained that the complete abolition of the concession for multiple address press telegrams would impose a sudden and fairly heavy burden on the press so that a modified concession had been devised. But as the press had recently been subjected to extra charges in other ways, Government were reluctant to withdraw at this moment a concession enjoyed for many years and considered that the proposed modifications should not be introduced till conditions again became normal. In view of the present conditions, the Committee accepted the view that the existing charges should continue.

57. With reference to the Note (Appendix XIV) submitted in connection with item 31 of the statement of past recommendations, the Committee were informed that in future the Posts and Telegraphs Department would see that wherever practicable the views of the technical department are obtained before budget provision for works expenditure is made. When this is not possible due to any particular reasons, a part of the cost of the work based on previous experience of similar cases, would be provided in the budget with the approval of the Finance Department.

58. In considering the Memorandum (Appendix XV) submitted in connection with item 32 of last year's recommendations it was stated that the present practice of charging capital expenditure on post office buildings and vans to revenue is in consonance with the general policy of Government and has neither prevented the provision of the necessary funds nor imposed any serious burden on Central Civil Revenues. Furthermore from the present year the expenditure on all postal buildings costing not

more than Rs. 20,000 is being debited to Posts and Telegraphs revenues which will reduce the burden on Central Civil Revenues and will at the same time relieve the Posts and Telegraphs Department of the liability of meeting interest charges on these amounts. As in the opinion of the Auditor General the present practice was sound, the Committee agreed that no change was required.

59. *Renewals Reserve Fund.*—The Committee were informed that the question of the annual contribution to the Renewals Reserve Fund had been reviewed, and that as explained in the Memorandum (Appendix XVI) furnished by the Director General, Posts and Telegraphs, it had been decided in concurrence with the Auditor General that the annual contribution should be fixed at Rs. 25 lakhs per annum for the next five years. It was considered that this amount would provide for all expenditure on renewals and replacements and would also leave a sufficient margin for additions to the reserve so as to provide for the increasing capital of the Department.

60. *Grant No. 73-A.*—With regard to the excess of Rs. 1,84,697 over the nominal Grant of Rs. 1,000 that had occurred under this Demand, it was explained that as the net amount required for the transactions under Stores Suspense and Manufacture Suspense Accounts had been estimated at a *minus* sum representing a reduction of stock, a nominal grant of Rs. 1,000 had been voted under the new Demand No. 73-A. created for this purpose. In the event however due to heavier receipts from out stations as well as the issue of fewer stores, there was a net increase of Rs. 1,85,697. This was the final result of numerous small receipts and issues, which it was most difficult to forecast and there was no defect in the procedure for dealing with these transactions under Stores Suspense which had the approval of the Auditor General. The Committee decided to recommend that the excess be regularised by a vote of the Legislative Assembly.

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

Proceedings of the 7th meeting of the Public Accounts Committee held on Thursday, the 22nd August 1940, at 10-30 A.M.

PRESENT :

The Hon'ble Sir JEREMY RAISMAN, C.S.I., C.I.E.,
I.C.S., Finance Member.

Chairman.

Moulvi MOHAMMAD ABDUL GHANI.

Mr. MOHAMMAD AZHAR ALI.

Mr. J. RAMSAY SCOTT.

Sir SYED RAZA ALI.

Members.

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

Khan Bahadur SHAIKH FAZLI-HAQ PIRACHA.

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

Sir GURUNATH BEWOOR, C.I.E., I.C.S., Director-General, Posts and Telegraphs.

Mr. A. BROKENSHAW, Chief Engineer, Posts and Telegraphs.

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

Mr. A. K. ROY, Assistant Financial Adviser, Communications.

Witnesses.

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

Mr. JOSSELYN HENNESSY, Principal Information Officer.

Mr. P. A. MENON, I.C.S., Deputy Secretary, Home Department.

Mr. MUKANDLAL CHOPRA, Representing the Delhi Administration.

Mr. A. C. BADENOCH, C.S.I., C.I.E., I.C.S., Auditor-General of India.

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

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

61. *Financial Irregularities.*—During the examination of the financial irregularities mentioned in the Audit Report on the Posts and Telegraphs Appropriation Accounts, it was noticed that there had been a decrease in the total amount of Savings Bank frauds committed during the year under report as compared with the previous year and it was hoped that as a result of the changes in procedure introduced on the recommendation of the Special Officers appointed in 1938 to propose measures for the prevention of frauds in connection with Savings Bank and Cash Certificate transactions such frauds would be minimised in future.

In connection with the defalcation of over Rs. 50,000 by the Treasury Contractor of a General Post Office, it was stated that the Contractor had been convicted and his security forfeited and that the question of any defect in the rules which might have facilitated the defalcation had been examined and several departmental rules had been amended. With regard however to the responsibility of the departmental officials concerned, audit considered there was a tendency for undue delay in starting departmental proceedings and coming to a decision about writing off the loss. The Director General, Posts and Telegraphs stated that he had already taken up the matter of the delay in framing charges in this case and though the departmental enquiry had had to be held up till the appeal had been disposed of and the necessary documents could be obtained from the Courts, he agreed that a certain delay had occurred and he had issued instructions to all administrative officers that special efforts should be made to see that there was no avoidable delay in such cases in future. The Committee endorsed the view that it was most important 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 they agreed with the Auditor General 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 others involved should be kept ready for being taken up immediately the Court has come to a final decision.

62. *Publication of the Shipping Gazette.*—With regard to the financial justification for the publications of the Hooghly River Shipping Gazette the Committee, while agreeing that this did not form part of the legitimate functions of the Posts and Telegraphs Department and was definitely the business of the Port Commissioners, were glad to learn that publication of the Gazette had in fact been discontinued by the Department with effect from 1st July 1940 and that this was now being undertaken by the Port Trust Commissioners.

63. With reference to Grant 10.—Sub-head G.—Pensionary Charges, a member enquired whether there was any demand for a provident fund in place of pensions. It was stated that while the general demand was for both pensions and provident fund, the matter had been considered very carefully and it had been found that there was no scope for a compulsory provident fund without unduly cutting down pensionary benefits. There was however the general provident fund and also an attractive Postal Insurance scheme open to all Post Office employees, while at present interest rates a Government servant on retirement at 55 can commute half his pension into a lump sum payment equal to approximately 13 years purchase.

64. As regards the case reported at serial No. 33 of the list of losses written off of an ex-gratia payment of interest on Post Office Cash Certificates held in excess of the prescribed limit, the Committee was of the opinion that the payment of the interest on the additional sum invested need not be treated as an infructuous payment and such cases might in future be omitted from the list of losses.

65. Attention was drawn to the large savings that had occurred under Grant No. 73-Capital Outlay and the Committee while of the opinion that there was room for improvement in the original estimating,

expressed the hope that the more drastic lump sum cuts adopted in the present year's estimates would show an improved result.

66. *Surplus Stores.*—With regard to the balance of surplus stores, it was considered that the limit at present prescribed was too low and the Committee desired to recommend that the question of increasing the limit so as to avoid giving rise to an apparent irregularity should be considered.

67. *Grant No. 15.—Home Department.*—With reference to the saving that had occurred in this Grant under Sub-head C. 4—Secret Service Contingencies, it was explained that this was mainly due to special economy measures and that acting on the recommendations made by the Committee last year, a lump sum reduction of Rs. 58,000 had been made in the estimates for 1939-40 under this sub-head.

68. *Grant No. 53.—Census.*—In connection with the small excess that had occurred under this Grant, it was explained that this was mainly due to leave salary adjustments on account of officers who had been loaned for duty in the Census of 1931. An expenditure of only Rs. 649 had been incurred in 1938-39 on preliminary work connected with the Census to be held in 1941. The Committee agreed to recommend the regularisation of the excess by a vote of the Assembly.

69. *Grant No. 68.—Delhi.*—A member drew attention to the savings that had occurred under Account VII.—Medical—B.4.—Hospitals and Dispensaries, Contingencies. It was explained that the saving was due partly to the economy measures enforced that year and partly to the fact that as the Irwin Hospital was new, it was difficult to make an accurate estimate of the number of patients that were likely to be treated and the amount of medicine they would require.

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

Proceedings of the 8th meeting of the Public Accounts Committee held on Friday, the 23rd August 1940, at 10-30 A.M.

PRESENT :

The Hon'ble Sir JEREMY RAISMAN, C.S.I., C.I.E.,
I.C.S., Finance Member,

Chairman.

Moulvi MOHAMMAD ABDUL GHANI.

Mr. MOHAMMAD AZHAR ALI.

Mr. J. RAMSAY SCOTT.

Sir SYED RAZA ALI.

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

Khan Bahadur SHAIKH FAZLI-HAQ PIRACHA.

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

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

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

Mr. H. C. PRIOR, C.I.E., I.C.S., Additional Secre-
tary, Commerce Department.

Mr. N. R. PILLAY, C.I.E., C.B.E., I.C.S., Joint
Secretary, Commerce Department.

Mr. GHULAM MOHAMMAD, Chief Controller,
Indian Stores Department.

Mr. A. C. BADENOCH, C.S.I., C.I.E., I.C.S.,
Auditor-General of India.

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

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

Members.

Witnesses.

70. *Agency buildings at Bahrain.*—With reference to the work of installing water borne sanitation in the Agency building at Bahrain, which has been put in hand by the Resident without waiting for sanction and for which an *ex-post facto* sanction had had to be accorded, it was explained that administrative approval for the work had been accorded in the previous year provided funds could be found and that in the year in question the work was to have been carried out if the money originally provided had not been withdrawn on account of the economy campaign. However though the work was of great urgency it was admitted that the procedure adopted was highly irregular and strong departmental disapproval had already been expressed. The Committee while considering that there were certain mitigating features in the case desired to express their disapproval of the action taken by the officer in question.

71. *Tribal Areas.*—In examining the review of the works expenditure under this head, the Committee was gratified to note the comment of the

Audit authorities that the watch over expenditure had been satisfactory and that taking into account the special economy measures the original provision had been fairly precisely estimated.

72. *External Affairs.*—In connection with item No. 27 of the statement of recommendations made by them last year, the Committee were informed that the Government of India had set forth their views on the incidence of Persian Gulf expenditure to His Majesty's Government, whose reply was now awaited. It was desired that a further report on the question should be furnished to the Committee next year.

73. *Baluchistan.*—It was noticed that the progress on the reconstruction of Quetta had been slower than originally anticipated, the expenditure to the end of 1938-39 having been approximately Rs. 20 lakhs out of a total estimate of Rs. 67 lakhs. The Committee were however glad to learn that the discussion as to the best form of anti-earthquake structure had yielded valuable economies and had brought about a large reduction in the cost of construction.

74. *Grant No. 28.—Ports and Pilotage.*—Attention was drawn to the decrease in the surplus from the Bengal Pilot Service and it was explained that this was due to the revision in the scale of pilotage fees, as the number of vessels that visited and departed from the Port during 1938-39 was greater than in the previous year.

75. With reference to item No. 34 of the statement of past recommendations, it was stated that after careful consideration it had been decided that the Depreciation Reserve Fund for the Bengal Pilot Service would have to be maintained but that contributions to the Heavy Repairs Reserve Fund could cease. Contributions to this latter Fund had accordingly been discontinued.

76. *Grant No. 29.—Lighthouses and Lightships.*—It was noted that the net receipts from the Lighthouses and Lightships Department had come to Rs. 9,24,343 in 1938-39, against which the total revenue expenditure including contribution to the Depreciation Reserve Fund had amounted to Rs. 6,99,903. While the abolition of the Additions and Replacements Reserve Fund, the accumulated balance of which had been merged in the General Reserve Fund, had been mainly responsible for the increase in the surplus by the amount of the previous contribution, the financial result of the year's working was considered to be extremely satisfactory.

77. *Grant No. 51.—Indian Stores Department.*—With reference to the report (Appendix XVII) submitted in connection with item 33 of the statement of recommendations made by the Committee last year, it was stated that Sir James Pitkeathly, the then Chief Controller of Stores, who had been deputed to make a detailed examination of the London Store Department, had come to the conclusion that the amalgamation of the India Store Department, London, with the Stores Department in India was impracticable. The High Commissioner for India and the Director General, India Store Department, London, who had been consulted in the matter, had also expressed the same view, and after careful consideration the Government of India had decided that the present arrangement should continue.

78. *Grant No. 57.—Miscellaneous Departments.*—The Committee examined the income and expenditure account of the scheme for the registration of Accountants and with reference to the suggestion made by them last year (Item 37 of Appendix I) they were glad to note that the deficit on the working for 1938-39 had been reduced considerably as compared with the previous year and that it was the definite policy that the scheme should be placed on a self-supporting basis in the near future.

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

Proceedings of the 9th meeting of the Public Accounts Committee held
on Tuesday, the 27th August 1940, at 10-30 A.M.

PRESENT :

The Hon'ble Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member,	<i>Chairman.</i>
Moulvi MOHAMMAD ABDUL GHANI.	} <i>Members.</i>
Mr. J. RAMSAY SCOTT.	
Sir SYED RAZA ALI.	
Dr. R. D. DALAL, C.I.E.	
Khan Bahadur SHAIKH FAZI-I-HAQ PIRACHA.	
Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.	} <i>Witnesses.</i>
Sir GEORGE SPENCE, C.S.I., C.I.E., I.C.S., Secre- tary, Legislative Department.	
MIAN MOHAMMAD RAFI, Secretary, Legislative Assembly Department.	
Mr. C. M. G. OGILVIE, C.B.E., I.C.S., Secretary, Defence Department.	
Mr. A. C. BADENOCH, C.S.I., C.I.E., I.C.S., Auditor-General of India.	
Mr. P. M. RAU, Accountant-General, Central Revenues.	

79. The Appropriation Accounts relating to the Legislative Department, the Legislative Assembly Department and the Defence Department were examined.

In connection with the Legislative Department, the Committee were informed that India's contribution towards the expenses of the League of Nations had been paid for the current year on the reduced basis of 48 units out of a total of 817, as fixed in pursuance of the recommendations of the Allocation Committee of 1939, and that it appeared reasonable to anticipate that with the recent reduction in the staff of the League Secretariat the total expenditure and consequently the share to be paid by India would be considerably reduced next year. Some members desired to record their view that, having regard to the small measure of benefit which, in their opinion, was obtained by this country, India's contribution to the League should not exceed Rs. 2 lakhs.

80. *Grant No. 14.—Legislative Assembly and Legislative Assembly Department.*—The small excess that had occurred in the voted section of this grant, after a supplementary grant of Rs. 1,05,000 had been obtained on account of the convening of a special session, was explained as due to the fact that some Legislative Assembly members' bills which were prepared during the later part of March 1939 had, contrary to expectations, been paid in that month instead of in April 1939. The Committee decided to recommend that the excess should be regularised by a vote of the Legislative Assembly.

81. *Defence Department*.—The re-appearance of the Appropriation for the Defence Department Secretariat in the Civil Estimates, while in the previous year the funds required had been allotted under the Appropriation “Defence Services”, was stated to be due to the decision to revert, with effect from 1938-39, to the old form of presenting the expenditure in the Books of Demands under a separate Grant for the Defence Department in the Civil Estimates.

The Committee went through the Appropriation Accounts of the Secretariat Staff of the Governor General and of the Principal Supply Officers Committee and decided that there were no questions on which they desired to examine the Secretary to the Governor General (Public) and the Secretary to the Governor General (Defence Co-ordination).

The draft report of the Military Accounts Committee was then considered and adopted by the Committee.

The Committee adjourned till 2-30 P.M. next day.

**Proceedings of the 10th meeting of the Public Accounts Committee held
on Wednesday, the 28th August 1940, at 2-30 P.M.**

(PRESENT :

The Hon'ble Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member,	<i>Chairman.</i>
Moulvi MOHAMMAD ABDUL GHANI.	}
Mr. MOHAMMAD AZHAR ALI.	
Mr. J. RAMSAY SCOTT.	
Sir SYED RAZA ALI.	
Dr. R. D. DALAL, C.I.E.	
Khan Bahadur SHAIKH FAZL-I-HAQ PIRACHA.	
Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.	}
The Hon'ble Mr. M. S. A. HYDARI, C.I.E., I.C.S., Secretary, Labour Department.	
Mr. S. H. ZAHEER, I.C.S., Additional Deputy Secretary, Labour Department.	
Mr. A. C. BADENOCH, C.S.I., C.I.E., I.C.S., Auditor-General of India.	
The Hon'ble Mr. C. E. JONES, C.I.E., I.C.S., Secretary, Finance Department.	
Mr. P. M. RAU, Accountant-General, Central Revenues.	<i>Witnesses.</i>

82. *Grant No. 60.—Civil Works.—Review of Works Expenditure.*—A detailed examination of the actual expenditure as against the original provision for works confirmed the observations of audit that the bulk of the saving on the original provision, both in the case of the non-voted Appropriation and the voted Grant, was due to retrenchment and economy in expenditure undertaken on account of the financial stringency and to the consequent postponement or abandonment of works. It was explained that though the usual features of previous years, such as late starting of works due to delay in land acquisition or non-completion of preliminary formalities, had continued to operate, the major part of the savings was due to deliberate decisions taken as part of the economy campaign and though a supplementary list of works in contemplation, from which selected works could in the ordinary way have been financed from savings from budgeted works, had been appended to the budget estimates, none of these works could be undertaken during the year owing to the financial stringency. Some criticism was however expressed as to the particular works selected for postponement, such as the extension and improvement to the Pilgrims Camp at Karachi, though it was pointed out that the work had been resumed in the following year.

83. Attention was drawn to the large re-appropriations for minor works by transfer from sub-head D.-Reserve with Local Governments and it was stated that now that the Central Works in Madras, Bombay,

Bengal, Bihar and Sind had been taken over by the Central Public Works Department from 1st April 1940 it was expected that there would be less need for utilising this system of transfers from reserve.

84. In connection with this reorganisation the Committee considered the report (Appendix XVIII) submitted in connection with item 23 of the statement of last year's recommendations, describing the re-distribution of the work and staff of the Central Public Works Department. It was noted that excluding the Famine Division, there were now 14 divisions as against 16 in 1938 as the Delhi Aviation Division and the Special Division No. II had been abolished and that the total economies expected as a result of the changes effected were estimated at approximately Rs. 90,000 per annum.

85. With reference to the instances of uncovered excesses, which appeared to indicate defective estimating and control, it was stated that the majority of these were on account of the deduction of establishment charges which were mainly due to the *pro-rata* system of distribution. When works in the Provinces were carried out through the agency of the Provincial Governments or the Defence Department the total expenditure on account of establishment charges was distributed on the basis of the actual outlay of the year. This *pro-rata* share varies with the actual works expenditure and cannot be accurately estimated until the work charges for the year are definitely ascertained. It was this difficulty in estimating that was mainly responsible for the variations noted.

86. The Committee noticed that the *pro-forma* account of the Central P. W. D. nursery at Jurbagh, New Delhi, for 1938-39 showed a loss of Rs. 5,872 against a profit of Rs. 1,219 in the previous year. This appeared to reveal an unsatisfactory tendency and the Committee desired that the position should be carefully watched to see that there was no such deterioration in the nursery as to affect its financial position.

87. *Grant No. 63.—Stationery and Printing.*—In connection with item 26 of last year's recommendations it was stated that the desirability of having cost accounts for each item of work in order to facilitate the pricing of Government publications had been duly examined. The printing expenditure under each item of work is scrutinised annually in accordance with the cost accounting system already in force and the actual cost of production plus an addition of 60 per cent. to cover agents' commission, postage, packing, etc., is divided by the total number of copies printed. In view of this the Committee agreed that an examination of the detailed expenditure under each of the various operations involved was unnecessary.

88. Attention was drawn to the large increase in the original provision for the purchase of paper during the course of the year. It was explained that this was largely due to the increased demands received from Provincial Governments and the Defence Department which was reflected in the larger recoveries made that year. For the information of a member it was stated that the value of paper purchased abroad had gone down from Rs. 9½ lakhs in 1925-26 to less than Rs. 1½ lakhs in 1938-39, while the purchases of paper manufactured in India had increased in the same period from Rs. 36 lakhs to close on Rs. 45 lakhs.

89. In connection with the suggestion made last year (item 25 of Appendix I) that a procedure should be laid down for limiting the number of copies of Government publications printed, it was stated that all print orders of publications are scrutinised by the Manager of Publications who fixes the number of copies to be printed in consultation with the Department concerned. In the case however of scientific and technical publications, the Central Publication Branch makes a special scrutiny and has been able, with the concurrence of the Departments concerned, to curtail substantially the number of copies printed. The Committee expressed their approval of the action taken and trusted its effect would be apparent in future years.

This concluded the examination of the Accounts and the Committee then adjourned till 11-30 A.M. on August 31st when the draft Report was to be considered for adoption.

Report of the Military Accounts Committee, 1940.

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, 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. *Revision of Regulations.*—Though there has been some dislocation in the work of revising the Army Regulations owing to the outbreak of war, we are glad to note the substantial progress that has been made during the year when the Pension and Passage Regulations have been finally revised and reprinted and the revision of the remaining Regulations has been put in hand so far as this is possible in present circumstances. We have also been glad to learn that the revised arrangement referred to last year under which the work of revision was to be carried out with the active participation of the Director of Audit, Defence Services, was duly introduced and has worked satisfactorily.

3. *Expenditure of the Military Engineer Services.*—We are glad to note the continued improvement in the budgeting for works expenditure that has been brought about by the system of lump sum cuts and that, as desired by us last year, the tendency to over-estimate the cost of works, which has again been apparent in the majority of cases dealt with in the Appropriation Accounts this year, has been brought to the special notice of the authorities concerned. For, our conclusion after examining variations between the year's expenditure and the original Appropriations for individual works, was that while the defects underlying the variations in question were not so marked as in previous years they still persisted to a degree which could be improved upon. These variations were mainly attributed to the system of financing a programme of works then in force under which an interval of more than a year obtained between the according of administrative approval to a work and its commencement. While for the period of the war when only urgent works will be carried out for which sanction is to be accorded on an approximate estimate, the matter may be considered to have lost its immediate practical interest, we hope that it will be possible for the question of devising a revised system of framing estimates on the lines of that adopted in England to be considered further in due course.

4. A number of questions previously pending have as might be expected ceased for the time being to be of any practical importance. Thus with the great reduction in the number of heads included in the Budget Estimates for defence expenditure consequent on the agreement for the allocation of this expenditure between His Majesty's Government and the Government of India, the proposals for the simplification of headings in the Defence Budget are shelved. Again, as the Defence Reserve Fund will cease to be operated on for the duration of the financial settlement with His Majesty's Government, the question of its continuance is no longer at issue. We also realise that for the period of war the scope

for the introduction of improved schemes of accounting arrangements will be strictly limited and are content that as certified by audit the standard of general financial administration is being maintained at its recent high level.

5. We desire to place on record our indebtedness to Sir Ernest Burdon, the late Auditor-General, for the valuable assistance given to us in our examination of the accounts.

A. J. RAISMAN.
M. ABDUL GHANI.
M. AZHAR ALI.
C. E. JONES.

H. A. C. GILL,
Secretary.
The 31st August, 1940.

**Proceedings of the first meeting of the Military Accounts Committee
held on Monday, the 12th August 1940, at 11 A.M.**

PRESENT :

The Hon'ble Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member,	<i>Chairman.</i>
Moulvi MUHAMMAD ABDUL GHANI.	} <i>Members.</i>
Mr. MOHAMMAD AZHAR ALL.	
The Hon'ble Mr. C. E. JONES, C.I.E., I.C.S., Finance Secretary.	
Mr. C. M. G. OGILVIE, C.B.E., I.C.S., Secretary, Defence Department.	} <i>Witnesses.</i>
Mr. E. T. COATES, C.I.E., I.C.S., Financial Adviser, Military Finance.	
Mr. M. R. COBURN, O.B.E., Addl. Financial Adviser, Military Finance.	} <i>Witnesses.</i>
Mr. V. NATESAN, Deputy Financial Adviser, Military Finance.	
Mr. J. PARLBY, O.B.E., Military Accountant- General.	
Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor General.	
Mr. C. V. S. RAO, Director of Audit, Defence Services.	

At the outset of the proceedings the Chairman suggested that in the special circumstances existing this year when he and the majority of the witnesses were engaged in urgent work on account of the war, the Committee should sit only in the mornings starting at 10-30 A.M. to enable the work to be completed by 1-30 P.M. This was agreed to by the Auditor-General and the members of the Committee. It was also stated that one of the members, Captain Sirdar Sir Sher Mohammad Khan was engaged in military duties and would be unable to attend the meetings.

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

3. *Item No. 38.—Allocation of Ecclesiastical Expenditure.*—With reference to the note (Appendix XIX) on this subject, it was stated that as soon as the method of apportioning pensionary charges had been settled in consultation with the Auditor-General, the rules would be completed. The Committee was glad to note the assurance of the Defence Secretary that it was almost certain that the revised allocation would be brought into operation, with effect from the next financial year.

4. *Item No. 39.—Revision of Army Regulations.*—With reference to the note (Appendix XX), submitted on this subject it was stated that despite the dislocation in the work of revising the Regulations caused by the outbreak of the war, real progress had been made. The

Committee agreed that the results, especially considering the circumstances of the year, were satisfactory.

5. *Item No. 40.—Simplification of Budget headings.*—In considering the note (Appendix XXI) on this subject it was explained that for the period of war the Budget heads for defence expenditure have been greatly reduced and simplified and the Committee agreed that this was a question that at the moment was of no great urgency, though it might be pursued as far as present conditions permitted in order that the conclusions reached might be carried into effect after the war.

6. *Item No. 41.—Percentage of establishment charges in the Military Engineer Services.*—The Committee noted that according to paragraph 24 of the Audit Report the percentage of establishment charges to works expenditure for the year under review worked out at 20.3 as compared with the corresponding percentage of 15.6 in the Central Public Works Department. It was explained, however, that the Military Engineer Services has to deal with a large number of scattered projects, so that a fairer comparison would be with the Provincial Public Works Departments whose establishment percentage was far higher than that of the Central Public Works Department whose work was concentrated in a few areas. The Committee agreed that this was a relevant consideration which should be duly considered, but was of the opinion that the percentage of establishment charges was an important criterion to apply and that with the decentralisation of the work of the Central P. W. D. there would be material for a fairer comparison in future.

7. *Item No. 42.—Defence Reserve Fund.*—The Committee noted that for the currency of the financial settlement between India and His Majesty's Government, the Defence Reserve Fund would cease to be operated upon, so that the question of its justification had ceased for the time being to be of any practical importance.

8. *Item No. 43.—Review of the Organisation of the Medical Stores Department.*—The Defence Secretary explained that consideration of the main recommendations of the departmental committee that had examined the organisation of the Medical Stores Department had been deferred till after the war. Thus the proposal for a variable surcharge on the prime costs of various commodities designed to bring the charges made to public bodies in line with market prices was inapplicable at the present time. A certain amount of action was, however, being taken on the minor recommendations.

9. *Item No. 44.*—The Financial Adviser, Military Finance stated that the question of reducing the margin included in works estimates of the M. E. S. for possible omissions and unforeseen items of expenditure was still under consideration and a note on the position reached would be supplied to the Committee. (Appendix XXII).

10. *Item No. 45.*—It was stated that instructions for recoveries on account of rent, water and electricity to be made within the time allowed had been issued and that as the money had to be collected on account of Bills presented to private individuals, it was a matter of executive vigilance to see that these instructions were complied with. The Committee expressed the view that this situation should continue to be watched.

11. *Item No. 48.—Disposal of surplus and obsolete Stores.*—The Committee considered the note (Appendix XXIII), submitted on this subject and noted the assurance given that whenever it is possible to sell stores by auction this is done and that sale by private treaty is adopted only when sale by auction or competitive tender is uneconomical.

The Committee then took up the consideration of the Report of the Director of Audit, Defence Services.

12. *Paragraph 8, read with paragraph 12.*—In examining the variations between the original appropriations and the actuals for the year 1938-39, it was noted that the net variation was small and was the result of the balancing of the excesses due to the various unforeseen demands that arose during the year and the savings brought about by the curtailment of expenditure. The Committee were accordingly gratified to note the remarks of the Director of Audit, Defence Services on the success achieved in keeping expenditure as a whole within the limits of the appropriation in the face of heavy and unforeseen demands.

13. *Paragraph 10.*—The difficulties in estimating the cost of printing incurred by the Central Revision Section and the action taken by way of centralisation and the posting of a special estimator were explained by the Defence Secretary. The Committee trusted that the new arrangements which had been put into effect from 1st April 1940, would improve the estimating under the Heads in question.

14. *Financial irregularities—Paragraphs 14 to 21.*—The Committee examined the items mentioned in these paragraphs and agreed that the deterrent action taken in these cases had been appropriate. In this connection the Auditor-General drew attention to paragraph 7 of the Prefatory Remarks where it was pointed out that the cases of financial irregularity represented only a small percentage of the total financial transactions of the year and that the comments on such cases must not be understood as conveying any general reflection on the administration of public expenditure. The Committee were glad to note the general remark of the Director of Audit that the standard of financial administration had been maintained during the year at its recent high level.

15. *Paragraph 31.*—With regard to certain faultily expressed rules and orders which were found to have conferred wider benefits than their framers had intended and which had now been amended, the Financial Adviser stated that the new organisation which had been set up for drafting Army Instructions was expected to minimise such errors in future.

Appropriation Accounts.

16. *Paragraph 7.*—The Committee noted the action taken in view of the heavy unforeseen demands that seriously disturbed the budgetary position during the course of the year and endorsed the view that in so far as the modified appropriation could be considered as the criterion for judging the efficiency of financial control over expenditure a considerable measure of success had been attained.

The Committee adjourned till 10.30 A.M. next day.

**Proceedings of the 2nd meeting of the Military Accounts Committee
held on Tuesday, the 13th August 1940, at 10-30 A.M.**

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PRESENT :

The Hon'ble Sir JEREMY RAISMAN, C.S.I., C.I.E.,
I.C.S., Finance Member,

Chairman.

Moulvi MOHAMMAD ABDUL GHANI, M.L.A.

Mr. MOHAMMAD AZHAR ALI, M.L.A.

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

Members.

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

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

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

Witnesses.

Mr. V. NATESAN, Deputy Financial Adviser,
Military Finance.

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

Mr. A. C. BADENOCH, C.S.I., C.I.E., I.C.S.,
Deputy Auditor-General.

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

The Committee continued their examination of the Appropriation Accounts.

17. With regard to the variations between expenditure and original appropriation under Head I—Fighting Services the main increases were explained as due to the changes in pay and allowances sanctioned for British troops.

18. *Paragraph 66.*—With regard to the decrease in expenditure for Mechanical Transport Stores, it was explained that this was due to the disbandment of certain subsidised M. T. sections which were found to be both expensive to maintain in time of peace and unsuitable when required in time of war.

19. The Committee then examined at length the administration of the M. E. S. finances. It was noted with satisfaction that the net lapse in the year 1938-39, particularly in view of the policy of retrenchment then in force, as compared with the corresponding figures for the previous years, indicated a commendable improvement in budgeting and that the percentage of amounts spent during the year according to the original programme showed an improvement as compared with the previous year. The Committee, however, considered that it should be possible to bring the net lapse into a still smaller compass in future years now that the

system of applying a lump sum cut to the estimates had been introduced with effect from the budget for 1939-40.

20. With reference to the statement given in Appendix H to the Appropriation Accounts showing cases of variations between the year's expenditure and the original appropriation for individual works, certain instances of underspending of allotments appeared to indicate that provision was at times included in the budget without sufficient certainty that the money would be spent in the year. The Financial Adviser, Military Finance, however, explained the working of the present system under which budget provision for works was made on the basis of an estimate prepared three years previously and stated that while it was doubtful whether the introduction of a revised system was worth while in time of war, during this period a more rapid procedure would be in force which would eliminate the delay between preparation of the estimate and execution of the work which was the main cause of these variations. The Committee while noting that the defects underlying the variations were not so marked as in previous years agreed that in view of the fact that a contract grant of Rs. 3 crores was made available for the M. E. S. each year this implied a certain discretion as to alternative works and that these variations had not the same significance as with a grant which varied from year to year and which purported to be built up from a number of specific items.

21. The Committee noted with satisfaction the comment in paragraph 93 that the low percentage which the objectionable outlay bore to the total expenditure indicated that the M. E. S. authorities continued to take effective steps to ensure compliance with the basic conditions for controlling expenditure.

22. With reference to the new standard schedule of rates brought into effect during 1938-39 it was stated that their adoption had had the effect of improving considerably the methods of payment for M. E. S. works but that as experience has shown that the new schedules were defective in certain respects recompilation was being taken in hand. As regards the serious irregularity that had occurred in connection with the printing of the new schedules whereby copies much in excess of actual requirements had been printed at a private press on unnecessarily high quality of paper at a greater cost than was justified, the Committee were glad to learn that there was no question of any deliberate dishonesty and that action had been taken that would ensure that such an irregularity would not occur again.

23. With regard to the expenditure connected with the reconstruction of Quetta, the Committee noted with satisfaction that the rates in the case of both the two lump sum contracts for Group XII and Group XIII entered into during the year were cheaper than those in previous similar contracts and approved of the administrative reasons on account of which one of these contracts had been given to the contractors for Group I, at 12 per cent. below their rates for that Group.

24. *Appendix D.*—The Committee examined with interest the statement showing details of important items of losses in stores and agreed that this was improved by the annotations included in the Appropriation Accounts for the first time this year.

Commercial Appendix.

25. *Dairy Farms.*—Attention was drawn to the fact that the consolidated profit and loss account of the farms showed a large decrease in profit as compared with the previous year, and it was explained that while this was mainly due to the amalgamation of certain grass farms with dairy farms, the primary function of the Military Dairy Farms was to provide a reliable source of pure milk, butter and cream for the Army at those stations where such facilities were not available and that a large profit was not aimed at. Supplies were therefore sold at prices sufficient to cover expenses and the system was not extended to places where adequate and suitable private enterprise for the supply of milk, etc., already existed.

26. *Medical Stores Departments.*—It was noted that the net result of the working during the year of all the four depots showed a loss of approximately Rs. 2 lakhs and the Defence Secretary explained that this was the net cost after deducting receipts from civil sales which had to be paid for maintaining an organisation capable of supplying the Army in time of war with medical supplies up to the value of Rs. 40 lakhs. The Committee were glad to note that the cost of no drug manufactured in the factories during the year under review was in excess of the market rate and to learn that the educational effect of the orders given to private firms under the inspection and control of the factories since the outbreak of war was bringing about a great improvement in the trade in India.

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>Department of Education, Health and Lands.</i>
1	1935-36	10-R. and 7-P.	That early steps should be taken to implement last year's recommendation regarding the manufacture by the Mathematical Instrument Office of articles required by the Army.
	1936-37	1-P.	
	1937-38	6-P.	
2	1935-36	8-P.	That a further report on the question of the necessity for retaining the post of Director of Botanical Survey should be submitted next year.
	1936-37	5-P.	
	1937-38	7-P.	
3	1936-37	9-P.	That the establishment of a Central Research Institute for dairy farm research should be expedited and the question of terminating the contract for the Wellington Milk Depot with the military authorities should be taken up independently.
	1937-38	11-P.	
4	1937-38	4-P.	That the possibility of reducing the number of superseded maps in the Map Record and Issue Office should be further examined and a note on the subject should be submitted next year.
5	1937-38	9-P.	That a report should be submitted to the Committee next year as to why the Bose Research Institute, Calcutta, should not be required to submit an audited account of its receipts and expenditure.
6	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 tickets to the Museum on certain days should be abolished.
7	1937-38	10-P.	That the Department of Education, Health and Lands should satisfy themselves whether non-provincial students get reasonable facilities in provincial institutions to which Central grants-in-aid are given.
8	1937-38	12-P.	That the annual reports of the Imperial Council of Agricultural Research should be circulated to the members of the Public Accounts Committee.
			<i>Finance Department.</i>
9	1935-36	5-R., 17-P. and 22-P.	That the result of the adoption of larger units of appropriation in certain Grants in the estimates for 1939-40 as an experimental measure to see if it would lead to more accurate estimating and to economy should be reported to the Committee in due course.
	1936-37	4-R. and 20-P.	
	1937-38	4-R. and 25-P.	

*recommendations made by the Central Public Accounts Committee.***Action taken or proposed to be taken.**

The position has changed since the outbreak of war and the Committee agreed that there was no need to pursue the matter further for the present.

The Committee accepted the decision reached in the Report (Appendix IX) submitted on the subject.

The scheme for the establishment of a Central Dairy Research Institute has been accepted by the Government of India in principle. Detailed proposals are under consideration and their acceptance will depend largely on funds being available. The contract for the supply of milk to the Military authorities was terminated on the 1st April 1940.

A note (Appendix VIII) was submitted to the Committee.

The note on the subject (Appendix X) was considered by the Committee.

The Executive Officer of the Calcutta Corporation has postponed consideration of the question of exemption as an appeal is pending in the Small Causes Court, Calcutta against the valuation for purposes of assesment. The Museum Trustees have been asked to request the Corporation again to consider the application for exemption.

Steps have been taken, where necessary, to ensure that adequate facilities to non-provincial students are given by provincial institutions to which Central grants-in-aid are given.

The reports are circulated to the Members of the Public Accounts Committee in their capacity as members of the Central Legislature.

The Committee considered the memorandum (Appendix XII) submitted by the Finance Department setting out their proposals for reducing the size of the compilation of Detailed Estimates and Demands for Grants.

Statement showing action taken or proposed to be taken on

Serial No.	Year of Report.	Paragraph of the Report or Proceedings. ii	Recommendations or suggestion.
<i>Finance Department—contd.</i>			
10	1937-38	4-R. . . . and 14-P.	That the Finance Department should make a note of large or progressively rising savings under particular heads so as to make suitable cuts in the next budget.
11	1937-38	4-R. . . . and 13-P.	That where difficulties of recruitment are expected, the provision in the budget estimates should be subjected to a substantial cut for probable savings ; and later on, if there is an excess on account of earlier recruitment than anticipated, there would be no objection to the submission of a supplementary demand to the Legislature.
12	1937-38	4-R. . . . and 70-P.	That in the case of non-voted appropriations, as in the case of voted grants, the original appropriation also should be brought to notice, particularly when large additions are made by executive orders.
13	1937-38	5-R., 1-P. and 21-P.	That the Finance Department should examine whether the High Commissioner should not be asked to base his estimates for leave salaries on leave programmes or forecasts furnished to him from India, as well as on past actuals.
14	1937-38	6-R., 20-P. and 50-P.	That in view of the persistence of large savings in the provision for works expenditure, lump cuts should be applied more closely and rigorously in future at the time of budget estimates, especially in respect of new works, in order to counteract the tendency towards overbudgeting.
15	1937-38	9-R. . . . and 29-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.
16	1937-38	3-P. . . .	That the total gross and net savings under each grant should be analysed to indicate how much of the savings is due to larger receipts and how much is due to less expenditure.
17	1937-38	16-P. . . .	That the legal position as regards the question whether the Appropriation Accounts of the Crown Representative and the Audit Report thereon should be laid on the table of the Central Legislature should be re-examined.

recommendations made by the Central Public Accounts Committee.

Action taken or proposed to be taken.

Noted.

Noted.

Effect has been given to this recommendation in the Appropriation Accounts (Civil) for 1938-39.

The note (Appendix XI) submitted on the subject was considered by the Committee.

Noted.

The Committee were informed that the question will be taken up during 1941-42.

Effect has been given to the recommendation in the Appropriation Accounts (Civil) for 1938-39.

The question has been re-examined and the legal opinion is that the Accounts of the Crown Representative cannot be laid on the table of the Central Legislature.

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>Central Board of Revenue.</i>
18	1937-38	34-P.	That the note in the Appropriation Accounts under Grant No. 1-Customs regarding the overtime and Holiday Allowances should be expanded so as to include the information given in the explanatory note contained in the Detailed Estimates of Demands for Grants.
19	1937-38	36-P.	That a note similar to that under Customs, giving the statistics of receipts and net expenditure for the last five years should be produced under Grants No. 2-Central Excise Duties, No. 3-Taxes on Income including Corporation Tax, No. 4-Salt and No. 5-Opium.
			<i>Communication Department.</i>
20	1935-36 1936-37 1937-38	12-R. and 111-P. 8-R. and 41-P. 10-R. and 48-P.	That as the Port of Vizagapatam is likely to continue to be a burden on the general taxpayer 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.
21	1937-38	44-P.	That as the actual expenditure under Grant No. 48-Capital Outlay on Civil Aviation charged to Revenue has in the past fallen far short of the estimates, the estimates should in future be framed on a more modest scale so as to correspond more closely with the actual achievement.
22	1937-38	46-P.	That every effort should be made to place the radio publications on a self-supporting basis during 1939-40.
			<i>Labour Department.</i>
23	1935-36 1936-37 1937-38	6-R., 69-P. and 116-P. 43-P. 52-P.	That a further report be submitted next year on the question of the justification for the staff employed in the Central Public Works Department.
24	1936-37 1937-38	50-P. 56-P.	That the result of the amalgamation of sub-heads under the Civil Works Grant in the budget estimates for 1939-40 should be reported to the Committee in due course.

recommendations made by the Central Public Accounts Committee.

Action taken or proposed to be taken.

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In the Appropriation Accounts for 1938-39 the note has been expanded accordingly.

A note on the lines desired by the Public Accounts Committee has been inserted under each of the Grants in the Appropriation Accounts for 1938-39.

The Committee were informed that the question was under discussion. The Committee reiterated their previous recommendation and desired that a report should be submitted next year.

Noted. The Committee's recommendation has been borne in mind in framing the budget estimates for 1940-41 under Demand No. 47-Aviation with which Demand No. 48-Capital Outlay on Civil Aviation has been amalgamated.

Intensive work has been done by All India Radio to secure more advertisements and arrangements have been made with certain Advertising Agents for securing advertisements for the various journals. Tariffs have been revised in the case of Indian language journals, action has been taken to include better photographs, more attractive reading matter and brief excerpts from broadcast talks in the Indian Listener. As regards reduction in the cost of production, it is proposed to revise the format of the Indian language journals and instructions have been issued to the Controller of Broadcasting to secure supplies of cheaper newsprint paper with the assistance of the Department of Supply, if necessary,

The Committee considered the Report (Appendix XVIII) submitted on the subject.

Noted.

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>Labour Department.—contd.</i>			
25	1936-37 1937-38	54-P. . . . 61-P.	That the Labour Department should, in consultation with other Departments of the Government of India, lay down a procedure for limiting the number of copies of Government publications printed, especially in the case of technical and scientific publications, the demand for which is very limited.
26	1937-38	60-P. . . .	That the desirability of having the cost accounts for each item of work should be examined, with a view to facilitate the pricing of Government publications.
<i>External Affairs Department.</i>			
27	1929-30 1934-35 1935-36 1936-37 1937-38	114-P. . . . 27-P. 78-P. 60-P. 72-P	That a decision on the question of the incidence of Persian Gulf expenditure should be arrived at as soon as possible.
<i>Posts and Telegraphs.</i>			
28	1936-37 1937-38	10-R. and 76-P. 11-R. and 76-P.	That in view of the loss on the working of the Telegraph Branch as a whole, to which the issue of Press telegrams at concessional rate contributes in no small degree, the possibility of curtailing the concession in the case of multiple address Press telegrams should be examined.
29	1937-38	77-P. . . .	That in future two tables showing the percentage of working expenses to revenue should be prepared, one exclusive of interest and depreciation and the other inclusive of these charges.
30	1937-38	79-P. . . .	That in future the estimates for Grant No. 73—"Capital Outlay on P. & T. not charged to Revenue" should be subjected to a really adequate and effective lump sum cut.
31	1937-38	79-P. . . .	That the budget provision for works expenditure should, as in the case of Civil Works, be made only after consultation with the technical department.

*recommendations made by the Central Public Accounts Committee.***Action taken or proposed to be taken.**

Arrangements exist under which the Manager of Publications scrutinises all print orders of publications for fixing finally the number of copies to be printed in consultation with the Department concerned. The number of copies to be printed is fixed on the basis of past sales of similar publications and other relevant considerations and every possible care is taken to guard against overprinting. In the case of scientific publications, however, a long range view of their sales is taken as, in their case, the sales cannot be expected to be quick and it is not economical to arrange for frequent reprints. The Central Publication Branch now makes a special scrutiny of print orders for scientific and technical publications and has been able, with the concurrence of the Departments concerned, to curtail substantially the number of copies printed. The effect of this action will not, however, be apparent until after some years.

The printing expenditure under each item of work, *e.g.*, composition, imposition, etc., is scrutinised annually in accordance with the cost accounting system already in force in the Government of India Presses. In determining the sale price of publications, 60 per cent. is added to the actual cost of production as worked out on the basis of cost accounting system and the amount is divided by the total number of copies printed. Out of the 60 per cent. surcharge, two thirds represents agents' commission which is a fixed charge. The remaining is intended to cover certain items of expenditure such as postage, packing, advertising, etc. In view of this, an examination of the detailed expenditure under each of the various operations involved in printing a publication is unnecessary.

The Committee desired that a further report on the question should be furnished to them next year.

The Committee considered the memorandum (Appendix XIII) submitted on the subject and agreed that in view of the present conditions the existing concessions should continue.

Necessary action has been taken. /

Noted. A substantial lump sum cut has been made in the estimates for the year 1940-41.

The Committee considered the memorandum (Appendix XIV) submitted 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.
32	1937-38	88-P.	<p style="text-align: center;"><i>Post and Telegraphs.—contd.</i></p> <p>That the desirability of making provision under Grant "No. 73 Capital Outlay on Posts and Telegraphs not charged to Revenue" for capital expenditure on post office buildings which is accounted for under major head '21-Posts and Telegraphs—Capital Outlay charged to Revenue' and financed from Central Civil Revenues should be examined.</p>
33	1932-33 1933-34 1934-35 1935-36 1936-37 1937-38	31-P. 14-R. 23-P. 62-P. 55-P. 90-P.	<p style="text-align: center;"><i>Commerce Department.</i></p> <p>That the decision on the question of amalgamating the India Store Department in England with the Stores Department in India should be expedited and a report submitted to the Committee next year.</p>
34	1936-37 1937-38	65-P. 93-P.	<p>That the final decision on the question of cessation of the annual contributions to the Heavy Repairs Reserve Fund and the Depreciation Reserve Fund for the Bengal Pilot Service should be reported to the Committee next year.</p>
35	1937-38	91-P.	<p>That the necessity for maintaining the subsidiary accounts of the Indian Stores Department in their present form inclusive of <i>pro forma</i> credits from non-commercial departments should be re-examined and a report should be submitted to the Committee next year.</p>
36	1937-38	94-P.	<p>That in order to know how far the expenditure on Ports and Pilotage was covered by the fees received, a statement should in future be included in the Appropriation Accounts indicating the total receipts as against the expenditure under this head excluding the items relating to the "Dufferin" and the grant-in-aid to the Vizagapatam Port.</p>
37	1937-38	96-P.	<p>The scheme for the Registration of Accountants should be placed on a self-supporting basis in the near future.</p>

recommendations made by the Central Public Accounts Committee.

Action taken or proposed to be taken.

The Committee considered the Report (Appendix V) submitted on the subject and agreed that no change was required in the present practice.

The Committee were informed of the decision that the amalgamation was not practicable (*vide* Appendix XVII).

The Committee were informed of the decision that the Depreciation Reserve Fund would have to be maintained but that contribution to the Heavy Repairs Reserve Fund would cease.

It was decided that the question should not be pursued in the present circumstances.

A statement has been included in the Appropriation Accounts for 1938-39.

The Committee were informed that the deficit had been considerably reduced in 1938-39 and it was the definite policy that the scheme should be placed on a self-supporting basis in the near future.

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>Defence Services.</i>			
38	1926-27 1928-29 1929-30 1933-34 1934-35 1935-36 1936-37 1937-38	25-R. 91-P. 118-P. 36-P. 20-P. 57-P. 2-P (Mily.). 2-P (Mily.).	That every effort should be made to give effect to the revised allocation of Ecclesiastical expenditure in the budget for 1940-41.
39	1930-31 1931-32 1932-33 1933-34 1934-35 1935-36 1936-37 1937-38	1-R. } 2-R. } 2-P. } 4-R. } 2-R. } and } 2-P. } M. 1935-36 2-R. } A. and } C. 2-P. } 1936-37 2-R. } and } 3-P. } 1937-38 2-R. } and } 3-P. }	That a report on the progress made in the revision of Army Regulations should be submitted to the Committee next year.
40	1936-37 1937-38	4-R. } and } M. 15-P. } A. 1937-38 6-P. } C.	That a report should be submitted next year on the result of the reduction and simplification of budget headings referred to in the last sentence of the Financial Adviser's Memorandum on the processes of estimating now in force and suggestions for their improvement.
41	1936-37 1937-38	2-P. } M. 4-R. } A. and } C. 7-P. }	That the Defence Department should make an endeavour to reduce the percentage of establishment charges in the Military Engineer Services by effecting further economies, and the ratio should be reported upon annually, clearly irrelevant factors being discounted and the calculation of the ratio being made on the same basis as that made by the Accountant General, Central Revenues in respect of Central Public Works Department Establishment Charges.
42	1936-37 1937-38	6-R. } M. and } A. 29-P. } C. 1937-38 6-R. } and } 9-P. }	That the justification for the continuance of the Defence Reserve Fund on the basis on which it has been maintained hitherto, appears to have ceased, and that the question of continuing any such device in future should require separate justification.

recommendations made by the Central Public Accounts Committee.

Action taken or proposed to be taken.

It has not been possible to give effect to the change in 1940-41, but every endeavour is being made to bring the revised allocation into operation with effect from 1941-42 (*vide* Appendix XIX).

The Committee considered the Report (Appendix XX) submitted on the subject and were of the opinion the progress made was satisfactory.

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

This has been dealt with in para. 91 of the Appropriation Accounts of Defence Services for the year 1938-39.

Noted. During the currency of the financial settlement between India and His Majesty's Government, the Defence Reserve Fund will cease to be operated upon.

Statement showing action taken or proposed to be taken on

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
43	1936-37 1937-38	53-P. } M.A.C. 12-P. }	That a report should be submitted to the Committee on the results of the review of the present organisation of the Medical Stores Departments which is now under consideration by a departmental committee.
44	1937-38	5-R. } M.A.C. 21-P. }	That the inclusion in works estimates of the Military Engineer Services of a substantial margin for possible omissions and unforeseen items of expenditure is to be deprecated and estimates should approximate more closely to actual requirements.
45	1937-38	21-P. M.A.C.	That recoveries on account of rent, water and electricity should be made within the time allowed.
46	1937-38	21-P. M.A.C.	That special efforts should be made to see that there is as little delay as possible in the payment of contractors' bills including their final bills.
47	1937-38	24-P. M.A.C.	That the total number and total cost of works which have been postponed or abandoned as a result of military policy should be shown in Appendix I to the Appropriation Accounts along with the details of works over Rs. 50,000, the Director of Audit, Defence Services, drawing attention to any other cases which, in his opinion, require to be brought to the notice of the Public Accounts Committee.
48	1937-38	30-P. M.A.C.	That any departure from the procedure of sales of surplus, obsolete and waste stores by auction should require special justification.
49	1934-35 1935-36 1936-37 1937-38	12-P. . . . 9-R. . . . and 26-P. 7-P. 5-P.	That a further report should be submitted next year on the results of the investigation into the utilization of reserved carriages maintained for the use of railway officers.

Railways.

*recommendations made by the Central Public Accounts Committee.***Action taken or proposed to be taken.**

This has been dealt with in paragraph 28 of the Commercial Appendix to the Appropriation Accounts for the year 1938-39. The Committee were informed that the consideration of the main recommendations of the departmental committee had been deferred till after the war.

A note (Appendix XXII) was supplied to the Committee.

The Committee were informed that necessary instructions had been issued. The Committee expressed the view that the situation should continue to be watched.

Noted.

Effect has been given to this recommendation in the Appropriation Accounts for 1938-39, *vide* Part C of Appendix H.

The Committee considered the Report (Appendix XXIII) submitted on the subject.

A report was furnished to the Committee (Appendix II).

Statement showing action taken or proposed to be taken on

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
50	1936-37 1937-38	7-R. 14-P. and 23-P. 5-R. and 10-P.	<p style="text-align: center;"><i>Railways—contd.</i></p> <p>That it is essential that the conditions of service of the Accounts Staff of the North Western and Great Indian Peninsula Railways who have been placed under the control of General Manager as an experimental measure must be such that they should feel free to maintain a critical, though of course impartial, attitude both in financial cases and in the exercise of internal accounts check; and any arrangements which operate against this condition should be removed immediately. A final report on the result of the experiment should be submitted next year by the Auditor General, together with the conclusions of Government thereon, and that report should specify how far the Committee's recommendation in respect of the conditions of service of the Accounts staff is being implemented in actual practice.</p>
51	1937-38	7-R.	<p>That the position of railway revenues is not free from anxiety and it is necessary to continue unremittingly the efforts to achieve a satisfactory result.</p>
52	1937-38	8-R. 35-P. and 41-P.	<p>That in relaxation of the general principle that accounts classification should follow the budget, the rectification of important errors in classification in the following categories should not be left over till the next year, viz., (i) adjustments between revenue, capital and depreciation fund, (ii) transactions which affect the revenue surplus payable to General Revenues and (iii) transactions regulated by contracts with Railway Companies. As regards the question whether the rectification of errors in these categories should be restricted to the transactions of the year in which the error is detected, or whether it should cover the transactions of earlier years also, each case should be judged on its own merits, but ordinarily, there should be no general re-opening of past accounts.</p>
53	1937-38	9-R. and 43-P.	<p>That the existing rules as regards the allocation between revenue and depreciation fund of expenditure written back from capital on account of abandoned projects should be re-examined in the light of correct accounting principles, and if a change in the rules is decided upon, the date from which effect will be given to the revised rules should be settled with deference to the statutory obligations under paragraph 6 (3) of the Government of India (Distribution of Revenues) Order, 1936.</p>

recommendations made by the Central Public Accounts Committee.

Action taken or proposed to be taken.

Necessary instructions in the matter have been issued with the concurrence of the Auditor General. The report submitted (Appendix III) was considered by the Committee.

The Committee were assured that all possible steps were being taken in this direction.

A memorandum on the subject (Appendix IV) was submitted for the consideration of the Committee who accepted the conclusion that in the case of railways the correct classification should be followed in the accounts irrespective of whether the provision in the budget had been made under the correct head or not.

A note (Appendix V) was submitted to the Committee, who accepted the conclusions embodied therein and agreed that the revised rules should continue.

Statement showing action taken or proposed to be taken on

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
54	1937-38	18-P.	That the question of modifying the agreements of the East Indian and Eastern Bengal Railways with their auctioneers with a view to secure payment for the auctioned materials before the materials sold are removed should be re-examined and should be submitted to the Honourable the Finance Member for final decision.
55	1937-38	29-P.	That some of the explanations for the variations under Grant No. 12 given in the Chief Commissioner's Review could have been more informative without being less brief.
56	1937-38	45-P.	That the orders recently issued by the Railway Board to various State Railways to make necessary adjustments in 1939-40 accounts in respect of the expenditure on renewals of certain assets charged to Depreciation Fund in 1937-38 should be cancelled.

recommendations made by the Central Public Accounts Committee.

Action taken or proposed to be taken

The question was stated to be still under consideration.

The wishes of the Committee have been complied with in drafting the explanations for 1938-39.

This has been done.

APPENDIX II.

Statement Comparing expenditure with grants for 1938-39.

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.				
A.—EXPENDITURE CHARGED TO REVENUE.				
1. Customs :				
Voted	79,22,000	75,35,562	3,86,438	..
Non-voted	44,22,675	44,19,443	3,232	..
2. Central Excise Duties :				
Voted	10,50,000	11,64,751	..	1,14,751
Non-voted	34,12,532	34,12,532	..	..
3. Taxes on Income includ- ing Corporation Tax :				
Voted	78,28,000	73,97,321	4,30,679	..
Non-voted	1,78,510	1,77,761	749	..
4. Salt :				
Voted	64,72,000	60,46,748	4,25,252	..
Non-voted	43,86,445	43,52,504	33,941	..
5. Opium :				
Voted	24,37,000	24,14,635	22,365	..
Non-voted	1,41,129	1,40,924	205	..
6. Provincial Excise :				
Voted	4,97,000	4,16,559	80,441	..
Non-voted	23,350	23,309	41	..
7. Stamps :				
Voted	16,79,000	14,66,206	2,12,794	..
Non-voted	2,00,187	1,93,929	6,258	..
8. Forest :				
Voted	6,02,000	5,64,041	37,959	..
Non-voted	2,91,081	2,82,070	9,011	..
9. Irrigation (including working expenses), Navi- gation, Embankment and Drainage Works :				
Voted	2,09,000	1,55,720	53,280	..
Non-voted	12,26,228	12,04,961	21,267	..
11. Interest on Debt and Other Obligations and Reduction or Avoidance of Debt :				
Voted	96,44,000	96,39,622	4,378	..
Non-voted	13,36,51,780	13,15,89,153	20,62,627	..

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 . . .	1,28,000	1,17,250	10,750	..
Non-voted . . .	4,88,160	4,88,568	..	408
13. Council of State :				
Voted . . .	1,34,000	1,26,793	7,207	..
14. Legislative Assembly and Legislative Assembly Department :				
Voted . . .	9,37,800	9,52,872	..	15,872
Non-voted . . .	63,000	62,509	491	..
15. Home Department :				
Voted . . .	9,43,000	8,27,751	1,15,249	..
Non-voted . . .	19,84,960	20,03,564	..	18,604
16. Legislative Department :				
Voted . . .	4,03,000	3,79,213	23,787	..
Non-voted . . .	1,93,297	1,92,685	612	..
17. Department of Educa- tion, Health and Lands :				
Voted . . .	6,43,000	6,07,995	35,005	..
Non-voted . . .	2,65,404	2,64,596	808	..
18. Finance Department :				
Voted . . .	5,65,000	5,60,057	4,943	..
Non-voted . . .	10,36,722	10,38,195	..	1,473
19. Commerce Department :				
Voted . . .	4,50,000	4,24,863	25,137	..
Non-voted . . .	1,94,442	1,94,595	..	153
20. Department of Labour :				
Voted . . .	4,13,000	3,87,675	25,325	..
Non-voted . . .	1,51,169	1,48,860	2,309	..
21. Department of Communi- cations :				
Voted . . .	1,82,000	1,81,253	747	..
Non-voted . . .	1,09,240	1,11,400	..	2,160
22. Central Board of Re- venue :				
Voted . . .	3,09,000	2,82,668	26,332	..
Non-voted . . .	1,57,989	1,57,727	262	..
23. India Office and High Commissioner's Estab- lishment Charges :				
Voted . . .	17,58,000	16,81,996	76,004	..
Non-voted . . .	23,58,000	23,50,376	7,624	..

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 Governments, Departments, etc., on account of services rendered :				
Voted . . .	1,25,000	1,00,804	24,196	..
25. Audit :				
Voted . . .	95,05,000	89,70,318	4,34,682	..
Non-voted . . .	9,21,930	9,18,381	3,549	..
26. Administration of Justice :				
Voted . . .	1,12,000	96,028	15,972	..
Non-voted . . .	3,29,297	3,26,990	2,307	..
27. Police :				
Voted . . .	1,66,000	1,56,651	9,349	..
Non-voted . . .	21,215	21,065	150	..
28. Ports and Pilotage :				
Voted . . .	18,20,000	17,60,083	59,917	..
Non-voted . . .	9,87,477	9,79,629	7,848	..
29. Lighthouses and Light-ships :				
Voted . . .	9,13,000	9,09,093	3,907	..
Non-voted . . .	10,000	10,076	..	76
30. Survey of India :				
Voted . . .	19,40,000	16,63,150	2,76,850	..
Non-voted . . .	7,25,400	7,21,898	3,502	..
31. Meteorology :				
Voted . . .	20,60,000	19,06,648	1,53,352	..
Non-voted . . .	99,183	94,595	4,588	..
32. Geological Survey :				
Voted . . .	2,18,000	2,13,180	4,820	..
Non-voted . . .	2,32,530	2,29,099	3,431	..
33. Botanical Survey :				
Voted . . .	61,000	47,137	13,863	..
Non-voted . . .	27,120	26,208	912	..
34. Zoological Survey :				
Voted . . .	1,37,000	1,28,812	8,188	..
Non-voted . . .	46,200	46,199	1	..
35. Archaeology :				
Voted . . .	12,51,000	10,40,885	2,10,115	..
Non-voted . . .	72,170	72,218	..	44
36. Mines :				
Voted . . .	1,56,000	1,34,963	21,037	..
Non-voted . . .	1,03,284	1,00,142	3,142	..
37. Other Scientific Departments :				
Voted . . .	3,05,000	2,76,085	28,915	..

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 . . .	6,74,000	6,69,445	4,555	..
Non-voted . . .	4,241	3,222	1,019	..
39. Medical Services :				
Voted . . .	7,04,000	6,98,751	5,249	..
Non-voted . . .	2,32,353	2,32,612	..	250
40. Public Health :				
Voted . . .	10,63,000	7,24,445	3,38,555	..
Non-voted . . .	2,48,753	2,40,287	8,466	..
41. Agriculture :				
Voted . . .	35,79,000	33,62,277	2,16,723	..
Non-voted . . .	66,470	66,145	325	..
42. Imperial Council of Agricultural Research Department :				
Voted . . .	7,53,000	7,09,219	43,781	..
Non-voted . . .	1,98,759	1,96,115	2,644	..
43. Scheme for the Improvement of Agricultural Marketing in India :				
Voted . . .	5,10,000	4,82,255	27,745	..
44. Imperial Institute of Sugar Technology :				
Voted . . .	3,41,000	2,51,603	89,397	..
45. Civil Veterinary Services :				
Voted . . .	8,97,000	6,81,163	2,15,837	..
Non-voted . . .	36,400	35,236	1,164	..
46. Industries :				
Voted . . .	9,07,000	8,16,059	90,941	..
Non-voted . . .	450	429	21	..
47. Aviation :				
Voted . . .	32,53,000	29,70,230	2,82,770	..
Non-voted . . .	14,013	13,656	357	..
48. Capital Outlay on Civil Aviation charged to Revenue :				
Voted . . .	1,000	..	1,000	..
49. Broadcasting :				
Voted . . .	22,32,000	20,56,972	1,75,028	..

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 charged to Revenue :				
Voted	1,000	..	1,000	..
51. Indian Stores Department :				
Voted	22,94,000	21,94,193	99,807	..
Non-voted	1,15,800	1,14,591	1,209	..
52. Commercial Intelligence and Statistics :				
Voted	7,76,000	6,53,429	1,22,571	..
Non-voted	71,665	71,709	..	44
53. Census				
Voted	5,000	5,174	..	174
Non-voted	2,048	2,047	1	..
54. Emigration—Internal :				
Voted	12,000	10,176	1,824	..
55. Emigration—External :				
Voted	1,92,000	1,32,860	59,140	..
Non-voted	1,83,466	1,84,327	..	861
56. Joint Stock Companies :				
Voted	1,47,000	1,44,401	2,599	..
57. Miscellaneous Departments :				
Voted	4,16,000	3,73,580	42,420	..
Non-voted	18,470	18,469	1	..
58. Currency :				
Voted	15,64,000	13,64,429	1,99,571	..
Non-voted	1,53,752	1,53,237	515	..
59. Mint :				
Voted	19,76,000	19,42,445	33,555	..
Non-voted	1,14,269	1,15,191	..	922
60. Civil Works :				
Voted	84,73,000	65,13,739	19,59,261	..
Non-voted	22,25,160	22,16,521	8,639	..
61. Central Road Fund :				
Voted	1,70,00,000	1,56,00,000	14,00,000	..
62. Superannuation Allowances and Pensions :				
Voted	1,10,28,000	1,04,90,905	5,37,095	..
Non-voted	1,77,06,109	1,76,94,629	11,480	..

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 . . .	53,43,000	52,78,624	64,376	..
Non-voted . . .	52,621	52,438	183	..
64. Miscellaneous :				
Voted . . .	18,68,000	13,94,057	4,73,943	..
Non-voted . . .	3,09,882	3,12,977	..	3,095
65. Grants-in-aid to Provincial Governments :				
Voted . . .	1,72,000	1,71,600	400	..
Non-voted . . .	3,03,00,000	3,03,00,000	..	..
66. Miscellaneous Adjustments between the Central and Provincial Governments :				
Voted . . .	1,72,000	1,61,213	10,787	..
67. Expenditure on Retrenched personnel charged to Revenue :				
Voted . . .	7,000	2,411	4,589	..
68. Delhi :				
Voted . . .	54,65,000	52,41,376	2,23,624	..
Non-voted . . .	3,21,790	3,16,633	5,157	..
69. Ajmer-Merwara :				
Voted . . .	16,26,000	15,37,981	88,019	..
Non-voted . . .	2,77,261	2,76,293	968	..
70. Panth Piploda :				
Voted . . .	13,000	12,414	586	..
71. Andaman and Nicobar Islands :				
Voted . . .	31,90,000	30,92,312	97,688	..
Non-voted . . .	1,92,990	1,92,178	812	..
Staff, Household and Allowances of the Governor General :				
Non-voted . . .	20,53,119	20,49,895	3,224	..
Secretariat staff of the Governor General :				
Non-voted . . .	75,526	72,704	2,822	..
Principal Supply Officers Committee :				
Non-voted . . .	21,084	20,525	559	..
Federal Public Service Commission :				
Non-voted . . .	4,48,300	4,51,859	..	3,559

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—concl'd.					
<i>Defence Department :</i>					
<i>Non-voted</i>	5,89,698	5,87,804	1,894	..	
<i>Ecclesiastical :</i>					
<i>Non-voted</i>	29,96,642	30,24,900	..	28,258	
<i>Payments to Crown Representa- tive :</i>					
<i>Non-voted</i>	1,26,34,616	1,26,03,877	30,739	..	
<i>Tribal Areas :</i>					
<i>Non-voted</i>	1,99,31,288	1,99,20,471	10,817	..	
<i>External Affairs :</i>					
<i>Non-voted</i>	64,09,257	63,86,905	22,352	..	
<i>Baluchistan :</i>					
<i>Non-voted</i>	49,64,440	49,34,992	29,448	..	
Total—Expenditure Charged to Revenue	40,20,10,798	38,96,94,161	1,25,07,354	1,90,717	
Total {	Voted	14,05,28,000	13,04,75,126	1,01,83,671	1,30,707
	Non-voted	26,14,82,798	25,92,19,035	23,23,683	59,920
B.—EXPENDITURE CHARGED TO CAPITAL.					
75. Capital Outlay on Schemes of Agricultural Improvement and Re- search :					
Voted	23,000	20,389	2,611	..	
76. Capital Outlay on Vizaga- patam Harbour :					
Voted	3,86,000	22,072	3,63,928	..	
77. Delhi Capital Outlay :					
Voted	15,75,000	9,87,869	5,87,131	..	
78. Commuted Value of Pen- sions :					
Voted	1,000	—17,61,643	17,62,643	..	
<i>Non-voted</i>	10,04,843	8,53,324	1,51,519	..	
78-A. Expenditure on Re- trenched personnel charged to capital :					
Voted . . . . .	..	—498	498	..
Total—Expenditure Charged to Capital	29,89,843	1,21,513	28,68,330	..	
Total {	Voted	19,85,000	—7,31,811	27,16,811	..
	Non-voted	10,04,843	8,53,324	1,51,519	..

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.—DISBURSEMENTS OF LOANS AND ADVANCES.				
79. Interest Free Advances :				
Voted . . .	51,51,000	51,29,217	21,783	..
80. Loans and Advances bearing interest :				
Voted . . .	95,29,000	79,06,762	16,22,238	..
<i>Advances to Crown Representa- tive for Loans to Indian States and Notabilities :</i>				
Non-voted . . .	71,000	62,000	9,000	..
Total—Disbursements of Loans and Advances . . .	1,47,51,000	1,30,97,979	16,53,021	..
Total { Voted . . .	1,46,80,000	1,30,35,979	16,44,021	..
{ Non-voted . . .	71,000	62,000	9,000	..
<hr/>				
Total.—Civil	41,97,51,641	40,29,13,653	1,70,28,705	1,90,717
Total { Voted . . .	15,71,93,000	14,27,79,294	1,45,44,503	1,30,797
{ Non-voted . . .	26,25,58,641	26,01,34,359	24,84,202	59,920
<hr/>				

**PART II.—POSTS AND TELE-
LEGRAPHS.**

**A.—EXPENDITURE CHARGED
TO REVENUE.**

**10. Indian Posts and Tele-
graphs Department :**

Voted . . .	10,86,66,000	10,61,27,236	25,38,764	..
Non-voted . . .	91,71,000	91,49,833	21,167	..

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 II.—POSTS AND TELEGRAPHS—contd.					
B.—EXPENDITURE CHARGED TO CAPITAL.					
73. Capital Outlay on Indian Posts and Telegraphs Department—(Not charged to Revenue):					
Voted . . .	21,83,000	14,57,668	7,25,332	..	
73-A. Stores and Workshop Expenditure not charged to Revenue :					
Voted . . .	1,000	1,85,697	..	1,84,697	
73-B. Appropriation to the Telephone Development Fund (not charged to Revenue) :					
Voted . . .	2,50,00,000	2,50,00,000	..	..
Total—Expenditure Charged to Capital :					
Voted . . .	2,71,84,000	2,66,43,365	7,25,332	1,84,697	
Total.—Posts and Telegraphs					
	14,50,21,000	14,19,20,434	32,85,263	1,84,697	
Total	Voted . . .	13,58,50,000	13,27,70,601	32,64,096	1,84,697
	Non-voted . . .	91,71,000	91,49,833	21,167	..

PART III.—RAILWAYS.**A.—EXPENDITURE CHARGED TO REVENUE.****1. Revenue—Railway Board :**

Voted . . .	8,99,800	8,97,711	2,069	..
Non-voted . . .	4,72,000	4,64,658	7,342	..

2. Revenue—Audit :

Voted . . .	14,37,000	14,18,694	18,306	..
Non-voted . . .	3,08,000	3,08,916	..	916

3. Revenue—Miscellaneous Expenditure :

Voted . . .	19,17,800	12,67,664	6,50,136	..
Non-voted . . .	15,54,000	15,02,581	42,419	..

5. Revenue—Payments to Indian States and Companies :

Voted . . .	3,31,75,000	3,28,41,086	3,33,914	..
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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—<i>contd.</i>				
6-A. Revenue—Working Ex- penses—Maintenance of Structural Works :				
Voted . . .	7,48,55,000	7,46,71,594	1,83,406	..
Non-voted . .	24,80,000	24,92,450	..	12,450
6-B. Revenue—Working Ex- penses—Maintenance and Supply of Loco- motive Power :				
Voted . . .	17,63,85,000	17,81,58,567	..	17,73,557
Non-voted . .	10,18,000	10,06,470	11,530	..
6-C. Revenue—Working Ex- penses—Maintenance of Carriage and Wagon Stock :				
Voted . . .	5,74,35,000	5,75,46,379	..	1,11,379
Non-voted . .	4,99,000	4,81,314	17,686	..
6-D. Revenue—Working Ex- penses—Maintenance of Ferry Steamers and Harbours.				
Voted . . .	27,93,000	27,67,529	25,471	..
Non-voted . .	17,000	16,784	216	..
6-E. Revenue—Working Ex- penses—Expenses of Traffic Department :				
Voted . . .	9,89,85,000	9,88,11,091	1,73,909	..
Non-voted . .	13,86,000	13,71,984	14,016	..
6-F. Revenue—Working Ex- penses—Expenses of General Departments :				
Voted . . .	3,86,99,900	3,75,96,883	11,03,017	..
Non-voted . .	23,30,000	23,15,471	14,529	..
6-G. Revenue—Working Ex- penses—Miscellaneous Expenses :				
Voted . . .	4,22,85,000	4,35,79,896	..	12,94,896
Non-voted . .	10,41,000	10,09,859	31,141	..
6-H. Revenue—Working Ex- penses of Electrical Department :				
Voted . . .	3,76,40,000	3,80,25,115	..	3,85,115
Non-voted . .	2,64,000	2,61,625	2,375	..

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>concl'd.</i>					
A.—EXPENDITURE CHARGED TO REVENUE—concl'd.					
7. Revenue—Appropriation to Depreciation Reserve Fund :					
Voted . . .	12,57,00,000	12,56,11,417	88,583	..	
8. Revenue—Interest Charges :					
Voted . . .	2,63,000	2,63,983	..	983	
<i>Non-voted</i> . .	<i>29,25,54,000</i>	<i>29,26,95,223</i>	..	<i>1,41,223</i>	
Total—Railway Expenditure Charged to Revenue .	99,63,84,500	99,73,84,934	27,20,085	37,20,519	
Total {	Voted . . .	69,24,70,500	69,34,57,599	25,78,831	35,65,930
	<i>Non-voted</i> . .	<i>30,39,14,000</i>	<i>30,39,27,335</i>	<i>1,41,254</i>	<i>1,54,589</i>
B.—EXPENDITURE CHARGED TO CAPITAL.					
11. Capital—New Construc- tion :					
Voted . . .	54,50,000	5,63,388	48,86,612	..	
<i>Non-voted</i> . .	<i>16,000</i>	<i>17,150</i>	..	<i>1,150</i>	
12. Open Line Works :					
Voted . . .	8,83,69,900	9,34,68,140	..	50,98,240	
<i>Non-voted</i> . .	<i>91,000</i>	<i>91,500</i>	..	<i>500</i>	
Discharge of Debentures :					
<i>Non-voted</i> . .	<i>4,10,28,000</i>	<i>4,10,50,818</i>	..	<i>22,818</i>	
Total—Railway Expenditure Charged to Capital .	13,49,54,900	13,51,90,996	48,86,612	51,22,706	
Total {	Voted . . .	9,38,19,900	9,40,31,528	48,86,612	50,98,240
	<i>Non-voted</i> . .	<i>4,11,35,000</i>	<i>4,11,59,468</i>	..	<i>24,468</i>
Total.—Railways—	1,13,13,39,400	1,13,25,75,930	76,06,697	88,43,227	
Total {	Voted . . .	78,62,90,400	78,74,89,127	74,65,443	86,64,170
	<i>Non-voted</i> . .	<i>34,50,49,000</i>	<i>34,50,86,803</i>	<i>1,41,254</i>	<i>1,79,057</i>

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>India—Non-voted</i> .	<i>37,43,07,000</i>	<i>37,36,65,000</i>	<i>6,42,000</i>	<i>..</i>
<i>England—Non-voted</i> .	<i>6,40,72,000</i>	<i>6,37,80,000</i>	<i>2,92,000</i>	<i>..</i>
<i>59.—Defence Services—</i>				
<i>Non-effective—</i>				
<i>India—Non-voted</i> . . .	<i>3,77,99,000</i>	<i>3,78,99,000</i>	<i>..</i>	<i>1,00,000</i>
<i>England—Non-voted</i> .	<i>4,77,93,000</i>	<i>4,77,89,000</i>	<i>4,000</i>	<i>..</i>
<i>60.—Defence Reserve Fund—</i>				
<i>Non-voted</i> .	<i>—44,14,000</i>	<i>—24,43,000</i>	<i>..</i>	<i>19,71,000</i>
Total.—Defence Services (Non-voted)	<i>51,55,57,000</i>	<i>52,06,90,000</i>	<i>9,38,000</i>	<i>20,71,000</i>
GRAND TOTAL .	<i>2,21,56,69,041</i>	<i>2,19,81,00,017</i>	<i>2,88,58,665</i>	<i>1,12,89,641</i>
GRAND TOTAL {	Voted	<i>1,07,93,33,400</i>	<i>1,06,30,39,022</i> (a)	<i>2,52,74,042</i> 89,79,664
	Non-voted	<i>1,13,63,35,641</i>	<i>1,13,50,60,995</i> (b)	<i>35,84,623</i> 23,09,977

*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 1938-39 by Rs. 4,19,937 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 1938-39 by Rs. 155 which is due to rounding.

APPENDIX III.

Note by the Railway Board on Railway Officers' saloons and reserved inspection carriages.

At their meeting held on 21st August 1939, the Public Accounts Committee asked for a further report on the above subject to be submitted to them. Investigations have now been completed and it has been found possible to effect reductions in the total number of inspection carriages as follows :—

Railway.	No. of carriages reduced or programmed to be reduced in the near future.	Remarks.
A. B.	.. 4 M. G. ..	.. These carriages have reached their normal life and are expected to be condemned without replacement by 1941-42.
B. B. and C. I.	3 B. G. ..	.. Will be condemned shortly without replacement.
	2. M. G. ..	.. 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 5 years' time.
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.
E. B.	.. 4 M. G. ..	.. Have already been condemned and not replaced.
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-
G. I. P.	.. 24 B. G. ..	.. 8 have been scrapped without replacement. The disposal of the remainder is being further examined.
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.
	5 M. G. ..	.. All these five are to be condemned without replacement, one in December 1940, two in April 1941, one in June 1941 and 1 in October 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.
S. L.	.. 1 B. G. ..	.. Scrapping will be undertaken within 4-5 years.

APPENDIX IV.**Memorandum by the Government of India on the experimental transfer of the Railway Accounts Department to the General Manager.**

As desired by the Public Accounts Committee in para. 5 of their Report on the accounts of 1937-38, Volume I—Report, Part II—Railways, the final report of the Auditor General in connection with the experimental transfer of the Accounts Department in two railway administrations to the control of the General Manager is submitted herewith. In regard to the particular issue alluded to by the Committee last year, namely, the importance of ensuring that the conditions of service of the Accounts staff are such that they should be free to maintain a critical, though of course impartial, attitude both in financial cases and in the exercise of internal accounts check, para. 4 of the Auditor General's report indicates the broad lines on which he considers that action should be taken to secure this object. As stated by him, his views have been accepted by the Railway Board and copies of their letters Nos. 0937-F, dated the 25th June, and 176|Admn.|37|II of the 6th July 1940, to the railway administrations concerned giving effect to them are attached herewith for the Committee's information.

2. In regard to the general conclusions to be drawn as to the value of the experiment, the Railway Board can, at present, add little to the observations contained in para. 6 of the Auditor General's report. It will be seen from the details he gives in regard to its working on the North-Western Railway, that adjustments have been found necessary from time to time in the light of experience, and the effect of the very recent orders of June and July 1940, alluded to in the preceding paragraph of this memorandum, cannot, of course, yet be judged. On the Great Indian Peninsula, the other railway on which the experiment was initiated, the introduction of the experiment has, however, in the view of the Government of India, led to a fuller appreciation by the various departments of the position of the Chief Accounts Officer as the financial adviser of the railway, and has tended to bring the latter into closer contact with all aspects of the working of the railway, to the advantage of all concerned. The Government of India adhere to the views expressed in para. 7 of the memorandum on this subject placed before the Committee in 1938, when it was stated that an arrangement which treats the Chief Accounts Officer as independent of the General Manager and owing allegiance to an authority outside his administration, tends to be subversive of that unity and harmony which is essential to the successful working of the railway and to weaken in the General Manager that sense of responsibility for the financial prosperity of his undertaking as a business concern, which it is of the utmost importance to retain. Now that any positive objections to the system under experiment have been removed, the Government of India are confident that it will, in the end, have the effect of encouraging General Managers to utilise more fully the financial advice and accounting experience of their Chief Accounts Officers and they consider that the system should now be established on State-managed railways.

Report of the Auditor-General of India on the experiment of placing the Chief Accounts Officer and his staff under the control of the General Manager.

A reference is invited to paragraph 5 of the Report of the Public Accounts Committee on the Accounts of 1937-38, Volume 1—Report, Part II—Railways, in which the Public Accounts Committee desired that a final report should be submitted by the Auditor General this year on the working of the experiment and that the report should specify how far their recommendation in respect of the conditions of service of the Accounts staff was being implemented in actual practice. Subsequent proceedings directed to this end have been as follows.

2. The Railway Board found that certain arrangements for the administration of establishments which were in force on the North-Western Railway were not in consonance with the principle accepted by the Public Accounts Committee and they issued orders, with the concurrence of the Auditor General, early in January 1940, to the General Manager, North-Western Railway removing the control of the Accounts staff from the personnel Branch. It was decided that establishment matters relating to the Accounts staff, *e.g.*, postings, promotions, leave, disciplinary action, etc., should be dealt with originally in the Accounts Branch from which also the orders should issue and not from the Personnel Branch. It was also provided that the Personnel Branch should be consulted in these matters before orders were issued and in the event of a difference of opinion between the two branches the matter should be referred to the next higher authority and ultimately, if necessary, to the Financial Adviser and Chief Accounts Officer and the General Manager. The General Manager, North-Western Railway was requested to give effect to these orders as early as possible, and by March 1940, he had made the detailed arrangements necessary to implement them.

3. After examining the material collected for his report to the Public Accounts Committee and in the course of a preliminary summing up of his impressions—in May 1940—the Auditor General found it necessary to represent to the Railway Board that in his opinion even the orders passed in the case of the North-Western Railway in January 1940, had not eliminated those possibilities of danger which have been stressed each time the matter has been discussed in the Public Accounts Committee. He had in fact further evidence that, in the North-Western Railway at any rate, his original conception of the arrangements contemplated had definitely not been fulfilled in certain important respects. For example, he felt that by certain existing arrangements for making the annual confidential reports on the Chief Accounts Officer and the Junior Accounts Officers, for granting leave to the latter, directing their tours regulating their travelling allowances, etc., etc., barriers had been interposed between the Chief Accounts Officer and his staff and similar barriers had either been interposed or were likely to arise between the Controller of Railway Accounts and his Chief Accounts Officer, and if these existing practices continued and were extended to other railways it would be hard for the Auditor General to say that the arrangements for securing the professional efficiency and not merely the independence of the Railway Accounts Department as a whole were properly and scientifically founded.

4. The Auditor General's conception of the relations which should subsist between the different authorities concerned in this matter is briefly as follows :—

- (1) The Controller of Railway Accounts as the professional agent of the Railway Board should continue to organise, train, and control, at any rate professionally the Railway Accounts establishments as a whole : he should be responsible for their professional efficiency and for the correctness of the accounts and accounting procedure. To secure this there should be free communication of every kind between the Controller of Railway Accounts and the Chief Accounts Officer on all accounts matters including those which might have an administrative aspect, and the Controller of Railway Accounts' right of inspection should be full and unfettered.
- (2) There should be a similar relation between a Chief Accounts Officer and his accounting staff both officers and subordinates. The Accounts Branch in a Railway should be a concrete unit under single professional control.
- (3) Subject to the above, the Accounts Branch may be under the general superintendence of the General Manager, and the latter should have ample power to see in a general way that the Accounts Branch is doing its proper business from day to day, and to demand accounts, financial information and advice, from the Chief Accounts Officer as and when required for the due administration of the Railway. The General Manager should be at liberty to criticise the Chief Accounts Officer and his accounts to the Controller of Railway Accounts and indeed up to the Railway Board but he should not be expected or indeed allowed to make the regular reports on the professional competence of the Chief Accounts Officer or any of his Officers.
- (4) The matter having been fully ventilated on these lines, the Railway Board have accepted entirely all the Auditor General's propositions and in June and July 1940, orders were issued definitely and clearly affirming them.
- (5) The Auditor General's only positive objection to the system under experiment has thus been removed. As regards other aspects of it, the only conclusions of detail which he feels justified in expressing at this stage are largely negative.

It cannot be said that the experiment had resulted in any really appreciable improvement or efficiency either in the field of accounts or of financial advice. Certainly there has been no change which was not possible under the old system. It cannot be said there has been any marked change for the better in relations between the Chief Accounts Officer and the General Manager. The Chief Accounts Officer has not markedly become a more important factor in the running of the individual railways nor have General Managers obtained any better information or mere speedy accounting results. On the other hand it cannot be said that the facilities for audit or means of obtaining information for the Public Accounts Committee have diminished. In his memorandum presented last

year, however, the Auditor General postulated that in the end he would only be able to pronounce upon the success or otherwise of the experiment for a limited point of view and that the opinion of the Railway Board would necessarily be of more value than the opinion of the Auditor General on the question whether the experiment results in the administration of railways being more efficient or more successful financially. Nevertheless the Auditor General can now express himself as satisfied that with the arrangements as now agreed upon there is no reason of principle at all why the system under experiment should not be a success and it is indeed desirable that it should be established if as anticipated it will in the end have the effect of encouraging General Managers to utilise more fully the accounts knowledge and financial advice of their Chief Accounts Officers.

COPY OF RY. BOARD LETTER No. 0937-F., DATED THE 25TH JUNE, 1940, TO
THE GENERAL MANAGER, N.-W. RY.

SUBJECT :—*Transfer of Accounts Department under the control of General Manager.*

I am directed to refer to the correspondence ending with the Railway Board's letter No. 0937-F, dated the 4th January 1940, on the above subject. As a corollary to the experiment in progress the Divisional, Workshops and Stores Accounts Officers on your railway were placed, in relation to their Divisional Superintendents, the Superintendent, Moghalpura Workshops, and the Controller of Stores, respectively, in more or less the same position as that of the Chief Accounts Officer *vis-a-vis* yourself. After considering the operation to date of this organisation and with a view to the removal of any barriers which it may have created to the detriment of the Chief Accounts Officer's control of his staff, a situation inconsistent with the Board's view that the Accounts branch on a railway should be a concrete unit under single professional control, the Board have decided that the position in regard to the direct subordination of these Accounts Officers to the Chief Accounts Officer as it existed before the initiation of the experiment should be restored. The consultation between the Personnel and Accounts Branches prescribed in paragraph 1 of the Board's letter No. 0937-F, dated the 4th January 1940 should be continued, the object being to secure to the fullest extent practicable consistently with their conditions of service, uniformity of treatment, in the matters referred to in that letter as between the accounts staff and the other branches of the administration. Confidential reports on officers of the Accounts branch should be prepared, in the first instance, by the Chief Accounts Officer or his officers and submitted to you for your consideration. If before recording your views, you consider it desirable to consult administrative officers, the Board have no objection to your doing so.

COPY OF RY. BOARD'S LETTER No. 176|Admn.|37|II, DATED THE 6TH JULY,
1940, TO THE GENERAL MANAGERS, N.-W. RY. AND G. I. P. RY.

SUBJECT :—*Transfer of control of the Railway Accounts Department to the General Managers of the State-managed Railways.*

I am directed to refer to the Railway Board's letter No. 176|Admn.|37|II, dated the 31st October 1938, on the above subject, and to say that the apprehension has been expressed that the transfer of control therein effected

has tended to weaken the position of the Controller of Railway Accounts *vis-a-vis* the accounts officers of the railways concerned and thereby to impair the efficiency of the accounts administration. I am, therefore, to explain that in the position created by the transfer the Controller of Railway Accounts should be regarded as the professional agent of the Railway Board. In this capacity he will continue to organize, train and control, from the professional point of view, railway accounts establishments as a whole, and be responsible for their professional efficiency as also for the correctness of the accounts and accounting procedure. To enable him to discharge these responsibilities, he is at liberty to correspond freely with the Chief Accounts Officer of your railway and the latter with him, on all accounts matters, including those which might have an administrative aspect. The Chief Accounts Officer must, however, keep you in touch with this correspondence, if it is of importance to the administration of the railway. Further, as the professional agent of the Board in accounts matters, the Controller of Railway Accounts must continue to have complete facilities for the inspection of your accounts branch, and it will be his duty to secure that the transfer of control does not impair the thoroughness of his inspections. He will arrange to keep you informed when he proposes to inspect, and will communicate to you the results of his inspections should they be of sufficient importance as to require your attention.

2. In connection with the discharge of the functions indicated in the foregoing paragraph, the Controller of Railway Accounts should receive from the Chief Accounts Officer the returns prescribed in the enclosure to this letter.

3. Where the above instructions conflict with those in paragraph 4 of the Board's letter No. 176|Admn.|37|II, dated the 31st October, 1938, the latter should be treated as superseded.

4. Subject to the above, the Accounts Branch is under your general superintendence like any other branch of the administration, and you have full authority to see that it is discharging its function therein and to demand from it accounts, financial information and advice as you require them. You are also at liberty to criticise the Chief Accounts Officer on his accounts to the Controller of Railway Accounts or to the Railway Board. In regard to the regular confidential reports on officers of the Branch, subordinate to the Chief Accounts Officer, instructions have already been issued to you in the Board's letter No. 0937-F, dated the 25th June 1940. Such reports on the Chief Accounts Officer himself will be prepared in the first instance by the Controller of Railway Accounts who will be concerned primarily with the Chief Accounts Officer's professional competence. The Controller of Railway Accounts will forward the report to you for submission to the Railway Board with such remarks as you may have to offer regarding, *e.g.*, the Chief Accounts Officer's general administrative ability, capacity for co-operation with you and your other heads of departments, business acumen, etc.

Returns to be furnished by the North-Western and the Great Indian Peninsula Railways to the Controller of Railway Accounts, New Delhi.

Accounts.—1. All statements of account now sent by the Financial Adviser and Chief Accounts Officers to the Controller of Railway Accounts should continue to be sent to his office.

2. Half-yearly arrear reports *vide* paragraph 142 of the State Railway Code for the Accounts Department.

Personnel.—A copy of the following returns now sent by the Financial Adviser and Chief Accounts Officer to the General Manager should in future be sent by the Chief Accounts Officer to the Controller of Railway Accounts :—

- (1) Monthly statement showing the distribution of gazetted officers on the first of every month.
- (2) Half-yearly list of candidates for the departmental examination for the probationers of the Indian Railway Accounts Service. (It is unnecessary to send this return to the Railway Board).
- (3) Quarterly reports regarding the progress made by the probationers of the Indian Railway Accounts Service.
- (4) Quarterly return of representations from Accounts Union addressed to the Chief Accounts Officer in respect of points not within his power and on which the Chief Accounts Officer does not consider it necessary to make a reference to the General Manager.
- (5) Half-yearly report of staff engaged for emergent work.
- (6) List of clerks recommended for transfer in vacancies in the Controller of Railway Accounts' Office (Annual).
- (7) List of candidates for the Appendix ' D ' examination (Annual).

Frauds and losses.—The Financial Adviser and Chief Accounts Officer should report all important cases of fraud, embezzlement or loss to the Controller of Railway Accounts *vide* paragraph 374 of the State Railway Code for the Accounts Department (Part I). This should be done whenever a fraud or loss comes to notice and the Controller of Railway Accounts should be informed from time to time of the progress of any investigation or inquiry.

APPENDIX V.

Memorandum by the Railway Department on the classification in accounts of expenditure provided under an incorrect unit in the budget.

The Central Public Accounts Committee in their report on the accounts of 1935-36 reiterated their decision that even if the budget provision had originally been made under an incorrect unit, the corresponding expenditure should be brought to account against that unit, unless there be strong reasons to the contrary, *e.g.*, when such accounting is contrary to law. Consequently the Railway Board issued instructions to the railway administrations, *vide* their letter No. 3100-B., dated the 3rd February 1938, giving effect to this decision subject to certain reservations dictated by the requirements of the contracts subsisting between Government and the Companies working State-owned Railways. These reservations were also accepted by the Committee who agreed in their report on the accounts for the year 1937-38 that in the case of :—

- (i) adjustments between revenue, capital and depreciation fund ;
- (ii) transactions affecting the revenue surplus payable to general revenues ; and
- (iii) transactions regulated by contracts with companies ;

the rectification of errors should not be postponed to the next year and left the detailed examination of this matter to the Railway Department and the Auditor General.

2. The Railway Board have further considered the matter carefully in the light of the experience gained since the instructions alluded to in the previous paragraph were issued and feel that even with the deviations allowed, the principle is unsound for application to the accounts of Indian railways.

3. It will be recognised that in the accounts of a commercial concern of the magnitude of Indian railways it is essential that correct principles of accounting should be followed. For the exercise of general financial control, the Railway Board must rely on the results of working as reflected in the accounts, and for this purpose it is important that earnings and expenditure should, as far as possible, be classified uniformly and correctly from year to year. Again in the framing of budget estimates, the Railway Board have to depend primarily upon the actuals of the previous years, and it is necessary that these should not be vitiated by deliberate recording of items of expenditure under incorrect heads. The Railway Board are fully alive to the importance of classification following the budget from the point of view of checking expenditure against appropriation. But they cannot help feeling that in making this our criterion we tend to overlook the more important and permanent interests of correct statistics and financial control in favour of the comparatively ephemeral interest of appropriation audit.

4. In the case of Indian railways, where contracts play such an important part, since there are State-owned railways worked by companies and railways owned by other parties worked by or on behalf of the State, it is essential, unless separate accounts are maintained for different purposes, that accounts should follow the contractual provisions.

In particular, the correct classification of expenditure between capital and revenue and in some instances between earnings and expenditure is of utmost importance as it may affect the surplus profits payable to companies or the share of the profits payable to general revenues.

5. The force of some of these arguments has already been accepted by the Public Accounts Committee, and as stated above, they have agreed to certain very important exceptions being made to the general principle enunciated by them. With these exceptions, the principle is now applicable practically only to expenditure chargeable to revenue and its classification between various abstracts. But it is in this field that the correctness of the comparative statistical data is essential. Much the largest and most important portion of revenue expenditure on railways is in respect of working expenses—Demands 6A to H—and since the Public Accounts Committee has already accepted the convention that the expenditure recorded under these heads should be treated as a whole, and that excesses and deficiencies against the various demands can be set off against each other, the detailed classification of the items included in these demands becomes a matter of comparatively minor importance from the point of view of appropriation audit.

6. In the circumstances, the Railway Board feel that on railways correct classification should be followed in accounts, irrespective of whether the provision in the budget has been made under the correct unit or not. The Finance Department and the Auditor General, who have been consulted, are in agreement with the view of the Railway Board, and the concurrence of the Committee in it is now sought.

7. It is not proposed that the present procedure, according to which all important items which have been classified in accounts under a unit different from that under which provision was made in the budget, are brought to the notice of the Public Accounts Committee, should be discontinued. The effect of such misclassification, if any, on the amounts available for expenditure under grants sanctioned by the Legislature will also be fully brought out in the appropriation accounts.

APPENDIX VI.**Memorandum by the Railway Board regarding the allocation of write-back adjustments on account of abandoned projects.**

In paragraph 43 of the proceedings of their meeting held on the 23rd August, 1939, the Public Accounts Committee recommended a re-examination, in the light of correct accounting principles, of the existing practice in regard to the allocation between revenue and depreciation fund of expenditure written back from capital on account of abandoned projects. This re-examination has been done by the Railway Board in consultation with the Director of Railway Audit and the Auditor General, and the following observations are made as a result.

2. Before indicating the conclusions arrived at, it is necessary to make a brief review of the changes which have occurred in recent years in the method of calculation of contribution to the depreciation reserve fund and in the rules of allocation of expenditure on renewals and replacements of assets as between capital, revenue, and depreciation reserve fund.

3. Up to the end of 1934-35 the contribution to the depreciation fund was calculated with reference to each class of assets based on the normal lives fixed for those classes. In doing this, assets were classified into wasting and non-wasting, and the former was further divided into units and non-units. It was only on the units of wasting assets that contribution was made. As a consequence, whenever a non-unit of a wasting asset or a non-wasting asset was replaced, the cost of replacement was debited to revenue (ordinary working expenses), and whenever such an asset was abandoned, its original cost was transferred from capital to revenue.

4. In the year 1935-36 the old method of calculating the contribution to the depreciation fund was replaced by the simpler method of calculating it at 1/60th of the total capital at charge of railways, and one of the arguments in favour of this simple method was that in practice it would achieve the same result as the old detailed and laborious calculation. Certain changes were also made in the rules of allocation of expenditure on renewals and replacements, as a result of which all distinctions between units and non-units and wasting and non-wasting assets were abolished in these rules; that is, whereas formerly all renewal expenditure on non-units of wasting assets and non-wasting assets was debited to ordinary working expenses, it was decided to debit expenditure on all renewals, irrespective of whether they were of wasting or non-wasting, unit or non-unit assets, to the depreciation fund. It was also decided to charge to the fund the full cost of renewals of "like by like" instead of the original cost of the replaced assets. In order to compensate for a substantial portion of this extra burden thrown on the depreciation fund, it was decided to credit to the depreciation fund the value, which formerly used to be credited to earnings, of materials released from all renewal and replacement works, and the remainder was thrown on the fund deliberately. A slight exception was made in this change in the

rules of allocation, namely, that all renewals and replacements costing not above Rs. 2,000 each of certain classes of assets should be debited to revenue (ordinary working expenses).

5. As a consequence of all these modifications, it has also been ruled that adjustment of the cost of abandoned assets borne on capital account should follow the same lines as the allocation of the cost of its renewal, i.e., that the cost in the former case should be transferred to depreciation fund if, in the event of its replacement, the cost of such replacement would be chargeable to the depreciation fund ; otherwise to revenue.

6. Thus, the general principle, viz., that the cost of renewal of an asset or its original cost on abandonment should be debited to depreciation reserve fund only if the fund has received contribution therefor, has been abrogated to some extent in the revised allocation rule, and this, as already explained, has been done to achieve simplicity and also on financial grounds. Under the rules as they stand, which do not seem to be unsound on general principles of accounting and finance, the cost of all assets abandoned should therefore be transferred automatically to the depreciation fund, irrespective of how long the asset has been used and whether the assets are unit or non-unit or wasting or non-wasting under the classification of the old depreciation fund rules.

The view that the correct commercial practice in these cases is to debit revenue with the amount written back from capital, cannot be fully accepted in the conditions governing the building up of the depreciation fund, as the depreciation fund is not merely an equalisation fund for renewals. When contribution was made to the depreciation fund under the old method, it was calculated on each unit of wasting asset as long as its normal life lasted. Even when the asset had been abandoned, revenue (working expenses) continued contributing to the fund throughout the prescribed life. The burden of the cost, therefore, of the abandoned asset obviously rested on the depreciation fund. It is admitted that under the old method of contribution the position with regard to non-unit and non-wasting assets was different. There was no contribution on behalf of these assets, and therefore, depreciation fund had no such liability as it had in the case of units of wasting assets. But the position in this respect has been altered under the new method and the new allocation rules as indicated above. All things considered, it is held that the practice under the revised rules, as they stand, of transferring the cost of abandoned assets to the depreciation fund does not contravene the sound principles of accounting.

7. If any doubts arise as to the soundness of the existing practice, it can be only with respect to non-units and non-wasting assets, and if no objection can be seen to the debit to the depreciation fund in the case of renewals, there should likewise be no objection in the case of abandonment. These cases must be very few and the burden on the depreciation fund should not be of any serious nature. A precaution can, however, be taken that preliminary and survey expenses on projects should not be transferred from miscellaneous revenue to capital till after the construction of the project is completed. If the adjustment of such expenditure involves large amounts, it may be considered specially in consultation with Audit.

8. It is accordingly not considered necessary to make any modification in the existing rule on the subject. In the case of collieries in general, however, because of their treatment *vis-a-vis* the depreciation fund in the past, a reservation would be made that the write-off of their capital would be adjusted against revenue, but each such case would be considered specially in consultation with the Auditor General.

APPENDIX VII.

Summary of Approximate financial results of Indian State-owned Railways in 1939-40.

Approximate figures of Railway Revenue and Expenditure for 1939-40 which are now available, show a surplus of about 4,50 lakhs which is nearly 89 lakhs more than the revised estimates made in February last and is better by 3,13 lakhs than the actuals for 1938-39.

The deterioration in traffic which ranged during the whole of the year 1938-39 was checked only in the latter part of the year under review. Since then the traffic earnings have been improving steadily. A part of the improvement is, however, attributed to the increase in the rates and fares introduced from 1st March 1940.

Gross traffic receipts of state-owned railways for 1939-40 amounted to about 97 $\frac{2}{3}$ crores or about 3 $\frac{1}{4}$ crores more than in the previous year.

Ordinary working expenses (excluding depreciation) amounted to 52 $\frac{1}{2}$ crores or $\frac{3}{4}$ crores more than in the previous year. The amount set apart for depreciation amounted to 12.58 crores, which is 2 lakhs more than that in the previous year.

Net traffic receipts amounted to 32.81 crores and were 2 $\frac{1}{3}$ crores more than in 1938-39.

Miscellaneous transactions resulted in a net receipt of 61 lakhs and were 38 lakhs more than in the previous year.

The net revenue available for meeting interest charges was 33.42 crores, or about 2 $\frac{2}{3}$ crores more than in 1938-39.

The total interest payable was 28.92 crores, as against 29.30 crores in 1938-39, *i.e.*, about 38 lakhs less.

There was a surplus of 4 $\frac{1}{2}$ crores during 1939-40 as against a surplus of about 1 $\frac{1}{3}$ crores in 1938-39. This will be paid to general revenues against Rs. 4 $\frac{2}{3}$ crores, the actual amount of contribution due for the year. It having already been decided to postpone till 31st March 1942 the repayment of loans taken in previous years from the Depreciation Reserve Fund to meet loss in working. Rs. 4 crores has already been paid provisionally.

The appropriation to the depreciation fund was 12.58 crores and the amount withdrawn for renewals amounted to 6.53 crores. The net accretion to the fund during the year amounted to 6 crores.

The actual balance at credit of the fund now stands at 30.75 crores, and the nominal balance at about 61 $\frac{1}{2}$ crores. In addition to this, $\frac{1}{4}$ crore has been invested from the depreciation fund in the purchase of branch line shares and stock.

The total capital expenditure during the year amounted to about 4 $\frac{1}{2}$ crores. The stores balances have increased by about 1 $\frac{1}{4}$ crores, *i.e.*, from 10 crores at end of 1938-39 to 11 $\frac{1}{4}$ crores at the end of 1939-40.

At the end of 1939-40 the liabilities of the railway amount to 66 $\frac{1}{3}$ crores of which 30 $\frac{1}{3}$ crores represent loans from the depreciation fund and 36 crores unpaid contribution due to general revenue from 1931-32

to 1939-40. It has, however, been decided that railway revenues should not be liable before 1st April 1942, or before the fixation under Section 187 (I) of the Government of India Act, 1935 of the sum therein referred to, whichever is earlier, to repay to the Depreciation Reserve Fund maintained for Indian State-owned Railways, the balance outstanding on 1st April 1937 of the loans of 30½ crores taken from the fund to meet railway deficit or to pay to general revenues any contribution due in respect of the period from 1931-32 to 1938-39 amounting to 35½ crores.

The ratio of ordinary working expenses to gross traffic receipts was 53·5 per cent. in the previous year.

The ratio of total working expenses (including contribution to the depreciation fund) was 66·4 per cent. against 67·8 per cent. in the previous year.

The ratio of the net revenue to the capital at charge was 4·41 per cent. against 4·06 per cent. in the previous year.

On Class I Railways (excluding Jodhpur, Mysore and H. E. H. the Nizam's State) goods earnings in 1939-40 were Rs. 3·24 crores higher than in 1938-39. This increase was contributed chiefly by coal and coke for the public, metallic ores, salt, cotton raw pressed, iron and steel wrought and fruits and vegetables fresh. There was a heavy decline, however, under sugar, gram and pulse and oilseeds.

Coaching earnings were, however, only slightly higher (i.e., Rs. 7 lakhs) than those for the previous year.

Other earnings also showed an increase of Rs. 10 lakhs.

Statement showing the results of working the Indian State-owned Railways during the year 1939-40, as compared with the revised estimates for the year and the actuals for the previous year.

	1938-39.	(In crores)	
		1939-40	
		Revised estimate.	Latest approximate actuals.
1. Gross Traffic Receipts ..	94·48	97·30	97·65
2. Ordinary Operating expenses..	51·48	52·76	52·26
3. Depreciation	12·56	12·59	12·58
4. Net Traffic Receipts ..	30·44	31·95	32·81
5. Net Miscellaneous Receipts ..	23	58	63
6. Interest	29·30	28·92	29·07
7. Surplus (+)	+1·37	+3·61	+4·33

APPENDIX VIII.

Note on superseded maps of the Map Record and Issue Office.

At their meeting held in Simla in August, 1939, the Public Accounts Committee recommended that the possibility of reducing the number of superseded maps of the Map Record and Issue Office of the Survey of India should be examined, and asked for the results of this examination to be communicated to them. This examination has now been made in consultation with the Surveyor General.

2. It may be noted that it is fallacious to regard the loss on superseded maps as equivalent to their face value. The following figures show the approximate average cost of printing an edition of a map :—

	Rs.
Preparation of Printing Plates (analogous to setting up type)	250
Printing 500 copies	300
Paper for 500 copies	35
Total	585
 Paper for 100 copies	 7

It will thus be observed that the printing of a normal press order of 500 copies of a map costs nearly Rs. 600, whereas the printing of an additional 100 copies costs only Rs. 7 more. It is uneconomical, therefore, to print too few copies in an edition, as this will necessitate incurring expenditure of at least Rs. 400 for a reprint.

3. The number of copies superseded in 1938-39 was 23,705 which is roughly half the number superseded in 1937-38, the year under review. This figure is made up of a varying number of copies of 168 separate maps, and represents an out of pocket loss of only about Rs. 1,660 as against a face value of about Rs. 35,550 (at an average of Rs. 1-8-0 per copy).

Superseded maps are not entirely wasted, since the paper is used for a number of purposes such as protective covers for fair drawings (for which stout paper is required), file jackets, envelopes, etc.

4. With a view to making maps more up to date and so increasing their sales, the Survey of India will in future re-issue maps more frequently—at quite short intervals in the case of popular maps. This will, however, involve a steady increase in the number of different maps superseded, and also in the total number of copies of the superseded maps, but it is expected that the latter will be to a large extent offset by the possibility of being able in the future to estimate press orders more accurately on the basis of past actual issues. The great majority of the maps are still in their first or second editions, dating back to a time when there was little or no information as to the sales to be expected. The result of this has been that the initial press orders have turned out in many cases to have been excessive.

5. On the other hand a large factor of safety must always be allowed, and the risk of a premature exhaustion of stock must be avoided, since for a variety of causes there may be a sudden demand for a particular map, the issues of which may have been very small for a number of years. This indeed occurs frequently. There are at present 6,000 different maps in stock (ultimately there will be 9,000) and a very small percentage of increase in re-issues would immediately cause congestion and consequent delay in the re-producing offices.

6. Though the actual loss sustained through supersession of maps is not large every effort will be made to prevent avoidable loss from this cause.

APPENDIX IX.**Report regarding the question of the retention of the post of Director, Botanical Survey of India.**

At their meeting in July, 1937, the Public Accounts Committee recommended that the question whether it was necessary to retain the post of Director, Botanical Survey of India should be considered in view of the fact that the Government of India no longer owned any cinchona plantation. The Committee at their meeting held in August, 1939, when a report was made to them orally, desired that a further report on the question should be submitted in 1940.

2. Until the departure in October 1937, on leave preparatory to retirement of Mr. C. C. Calder, the last holder of the post of Director, Botanical Survey of India, that post was combined with the post of Superintendent, Royal Botanic Gardens, Sibpur (near Calcutta), which is a post under the control of the Government of Bengal. The duties performed by the holder of the combined posts on behalf of the Government of India were as follows :—

- (a) Care and improvement of the Public Gallery of the Industrial Section of the Indian Museum which is mainly an exhibition of economic plants and their products ;
- (b) Collection, record and supply of information regarding all such economic plants and their products as do not specially belong to Agriculture and Forestry ;
- (c) Purely scientific work mostly concerned with systematic botany and the supply of information in connection therewith ; and
- (d) Production and distribution of cinchona products, and advising the Government of India on cinchona matters generally.

For these duties he was paid by the Government of India a special pay of Rs. 300 per month. His substantive pay was met by the Government of Bengal. Since Mr. Calder's departure on leave the post has been lying vacant and the arrangements sanctioned in the Education, Health and Lands Department letter No. F. 29-40|37-A, dated the 13th October, 1937. (extract enclosed), have been in force for carrying on the duties of the post. Mr. Calder retired in December, 1939.

3. In making the recommendation referred to in paragraph 1 above, the Public Accounts Committee were apparently under the impression that the post of Director, Botanical Survey of India was a separate full-time post under the control of the Government of India and that the main duties of the post were the production and distribution, etc., of cinchona. The cinchona plantation owned by the Central Government in Burma was abandoned in 1937 when Burma was separated from India, but the Government of India have had in stock a considerable quantity of cinchona bark which is being converted into quinine at the factory belonging to the Government of Bengal. The Government of India are no longer responsible for the supply of quinine to provinces, but they are maintaining a reserve stock of quinine to meet emergencies and are also supplying the requirements of the centrally administered areas of Ajmer-Merwara and Baluchistan out of their stock. In 1937 the Central Advisory

Board of Health recommended that in the interests of India as a whole the Central Government should resume control over the production, supply and sale of quinine. This question which, with the outbreak of war, has taken on a new aspect is still under consideration. A proposal has also been made by the Government of Bengal, and supported by certain eminent Botanists, that the Royal Botanic Gardens, Sibpur, should be transferred to the control of the Government of India. Consideration of this proposal has been postponed until the financial position improves. In these circumstances, the Government of India have decided not to abolish the post of Director, Botanical Survey of India for the present, though it is unlikely that it will be filled in the near future.

COPY OF PARAGRAPH 1 OF LETTER NO. F. 29-40|37-A, DATED 13TH OCTOBER 1937, TO THE SECRETARY TO THE GOVERNMENT OF BENGAL, FOREST AND EXCISE DEPARTMENT.

Calder, Mr. C. C.—Director, Botanical Survey—Leave preparatory to retirement—Consequential arrangements.

With reference to your letter No. 17589-Cin., dated the 16th September 1937, I am directed to convey the sanction of the Government of India to the leave asked for by Mr. Calder preparatory to retirement. The Government of India also accept the arrangements proposed by the Government of Bengal for carrying on the duties of the Director, Botanical Survey temporarily when Mr. Calder proceeds on leave. Under these arrangements—

- (i) Mr. S. C. Sen, Quinologist to the Government of Bengal, will be the Principal Quinine Officer of the Government of India. He will advise them in regard to all quinine questions that may be referred to him and will be in immediate control of their interests at Mungpoo and in general control of stocks in Calcutta. As the Government of India do not now own any cinchona plantations and as their control over the production, supply and distribution of quinine has ceased, Mr. Sen's duties under the Government of India will be lighter than in 1935. The Government of India have accordingly decided to fix his special pay at Rs. 100 per mensem instead of Rs. 130 per mensem as on the previous occasion.
- (ii) Mr. Bal, Curator of the Industrial Section of the Indian Museum, will be in immediate charge of the Government of India's quinine stocks in Calcutta and responsible for their disposal, subject to the general supervision of Mr. Sen. For the additional responsibility thus thrown on him he will get a special pay of Rs. 100 per mensem. As regards his botanical work, he will be independent and entitled to correspond direct with the Government of India, and
- (iii) Mr. K. P. Biswas, Curator of the Herbarium, will supervise the work of the Systematic Assistant at Sibpur and the other interests of the Government of India there. For this he will receive a special pay of Rs. 50 per mensem.

APPENDIX X.**Note on the question of obtaining audited accounts from the Bose Research Institute, Calcutta.**

Before 1936-37 the Bose Research Institute was not required to submit its audited accounts, as during the life time of Sir J. C. Bose, his presence as the Director of the Institute had been accepted as a guarantee that the Institute carried out the objects of its foundation and maintained a high standard of scientific research. At their meeting held on the 26th July, 1937, the Public Accounts Committee recommended that the Government of India should insist on obtaining audited accounts from all institutions which received grants from central revenues. Audited accounts are accordingly now being received regularly from the Bose Research Institute.

The grant to the Bose Research Institute originally stood at Rs. 1,03,000 per annum, but it was reduced to Rs. 53,000 with effect from 1932-33, after a careful examination of the financial position of the Institute. The position was reviewed again recently and a further reduction of Rs. 3,000 has been made with effect from 1939-40. The annual expenditure of the Institute is now more or less equal to its annual income, including the Government of India grant and the Institute can no longer be said to be funding any portion of the grant.

APPENDIX XI.**Note on High Commissioner's estimates for leave salaries.**

In paragraph 5 of Part I, Volume I of their report on the Appropriation Accounts of 1937-38, the Public Accounts Committee suggested that the Finance Department should examine whether the High Commissioner should not be asked to base his estimates for leave salaries on leave programmes or forecast furnished to him from India, as well as on past actuals.

2. The matter has been considered in consultation with the High Commissioner and it has been found that if the estimates are to be prepared with reference to leave programmes, the High Commissioner would have to assume that the leave programmes sent us by the Provincial and other Governments included all the officers likely to be on leave without making arbitrary additions if the forecasts appeared to be unduly low having regard to the figures of previous years. Now these programmes have to be framed some months in advance of the year to which they relate and cannot therefore be adhered to strictly. Also the programmes cannot take into consideration the allocation of leave salary between various departments and Governments, and in view of the situation created by the war, they are likely to be still more unreliable. Therefore estimates prepared on programmes would not in all probability be as accurate as those prepared at present on the basis of past actuals. It has accordingly been decided not to make any change at present in the existing procedure.

APPENDIX XII.**Memorandum on the revision of the compilation of the detailed Estimates and Demands for Grants.**

The difficulty of obtaining sufficient quantities of paper in war time and the consequent necessity for stringent economy in its use have made it essential for the Central Government to consider all possible methods of reducing consumption. One of the proposals made in pursuance of this object is to reduce the size of the compilation of Detailed Estimates and Demands for Grants. At present this compilation, together with its supplements, covers about 1,600 pages octavo and the number of copies printed is over 1,200.

2. It will be generally admitted that the present volume goes into far too much detail for the main purposes for which it is compiled, namely, of giving to the legislature an account of the objects on which the money demanded by the executive Government is proposed to be spent, to enable controlling officers to exercise proper control over the actual expenditure and, finally, to give to audit sufficient information in order to see that the actual expenditure does not go beyond the scope of the original demand approved by proper authority.

3. The present structure of each demand is as follows :—

I. Total estimate of the amount required ;

II-A. Sub-heads under which this grant will be accounted for ;

II-B. Circles of account in which this grant will be accounted for ;
and

III. Details of the foregoing by each circle for each sub-head.

The last specially goes into inordinate detail, which is much more than is necessary even for detailed control by subordinate authorities.

4. The proposals that have been tentatively approved by the Central Government are as follows :—

(a) Part I and Part II-A will remain unchanged except that steps will be taken to consider whether the number of sub-heads in the various demands cannot be reduced. This was one of the points to which the Public Accounts Committee directed attention in their report on the accounts for the year 1935-36. It is considered that in the ordinary type of demand only 4 sub-heads would be normally sufficient, namely :

i. Pay of officers,

ii. Pay of establishment,

iii. Allowances, and

iv. Other charges,

though there might be certain demands in which more detail would be desirable.

(b) Part II-B would be abolished.

- (c) In substitution for Part III a statement would be given distributing the total of each sub-head for the budget year as given in present Part II-A among circles of account. This is useful mainly for purposes of appropriation audit and to a slighter extent of administrative control, but it can be included in the volume placed before the legislature if desired.
- (d) Foot-notes would be given where appropriate showing details with regard to new services and creation of new posts of sufficient importance.
- (e) Annexures will be added to each demand showing for the two heads 'pay of officers' and 'pay of establishment' the total numbers and cost in the budget year and in the previous year.
- (f) As regards pay of officers, details by types of post, but not by circles of account, would also be given. The general structure of the demand would be as in the form attached.

5. It is hoped that the Public Accounts Committee will be prepared to accept these proposals in principle. The details will be worked out as soon as possible in full consultation with the Auditor General, and a skeleton form circulated to members of the Public Accounts Committee later.

		Demand No.	
I	as at present		
II-A	(to be called II)	as at present	
II-B and III	(to be called III)		to be modified as below.
		Circles of account	
		as in II-B	Total
Sub-heads			
as in II 1. 2, 3, 4, 5, etc.			

Total

Note.—Includes expenditure on following new services:—

ANNEXURE.

Details of provision under Pay of Officers and Pay of Establishment.

Numbers.		Amount.	
1940-41	1941-42	1940-41	1941-42
Revised.	Budget.	Revised.	Budget.
Pay of officers.			
Pay of Establishment.			

APPENDIX XIII.

Note on the concession allowed on multiple address Press Telegrams.

At the meeting held in August 1939, the Public Accounts Committee in dealing with the question of the losses of the Posts and Telegraphs Department in the transmission of Press Telegrams observed as follows :—

“ The proper approach to the question lay in deciding what reductions in concessions already granted, could be justified on financial and administrative grounds. While it was recognised that it was in the public interest that Press Telegrams should be sent at a cheaper rate than ordinary telegrams, the practical determination of the extent of the concession was a difficult matter. One concession, namely, the concession in the case of multiple address press telegrams by which copies of the same press message could be sent to different places on payment of a small copying fee only appeared to the Committee to lack justification. The Committee, therefore, desired that the question of revising the multiple address concession which it was understood was already engaging the attention of the Posts and Telegraphs Department, should be examined with a view to ascertaining the possibility of some curtailment of the concession, and a report made to the Committee next year.”

2. It has been estimated that if the concession were to be completely abolished, that is to say, if press telegrams addressed to different stations are to be charged at the full press rate and the copying fee applied only to the additional copies in the same station, the increase in revenue from multiple address press telegrams would be about Rs. 4 lakhs in one year on the assumption that the volume of such traffic will remain unaffected even with the increased charges. The complete abolition of this concession would, however, impose a sudden and fairly heavy burden on the press and those supplying it with news. A modified proposal was, therefore, considered.

For the first copy to each station after the first, subject to a maximum of six stations including the first.	Half the charge for the first station subject to a minimum of five annas for each message.
For each additional copy in the same station.	Copying fee as at present.

Note.—Where the telegram is to be sent to more than six stations, the copy for the seventh station will be treated as a fresh message for the purpose of calculation of rates.

It is estimated that the additional revenue likely to accrue by this modification in the concessional rate will be about Rs. 1 lakh in a year provided there is no fall in traffic. This amount of Rs. 1 lakh represents, of course, the extra cost imposed on the users of the multiple address concession, viz., news agencies newspapers and press correspondents. If, however, the traffic fell owing to the modification, the estimated extra revenue of Rs. 1 lakh would be reduced.

3. It was recognised that the present concessions cannot be justified as a permanent measure and Government believe that the modified proposals mentioned above could suitably be introduced if conditions were normal. But the press has recently been subjected to extra charges in

other ways and the value of the dissemination of news is specially high at present. Government are therefore reluctant to withdraw at this moment a privilege enjoyed for many years and consider that the modifications indicated above may be introduced when circumstances have so changed in other ways as to render the modification of the present charges desirable.

4. A statement showing the volume of inland press and non-press traffic and estimated revenue therefrom in the last five years is attached.

5. The matter was also referred to the Standing Advisory Committee at its meeting on the 19th March 1940. The Committee agreed that in view of the present conditions no change should be made in the existing charges. As to the modifications in para. 2 above proposed to be brought in when conditions become normal, the majority of the Committee did not wish to come to any conclusion.

Statement of Inland Telegraph Traffic and Revenue (Estimated).

Year.	Inland traffic excluding press.		Inland press traffic.	
	No. of Tele- grams.	Revenue.	No. of tele- grams.	Revenue.
		Rs.		Rs.
1934-35 including Burma	14,273,842	1,54,23,064	649,289	5,74,204
1935-36, including Burma	14,365,058	1,51,84,539	631,427	6,35,325
1936-37, including Burma	14,920,962	1,54,20,660	637,607	6,09,528
1936-37, excluding Burma	13,510,029	1,38,40,315	577,316	5,47,060
1937-38	13,169,584	1,37,67,647	572,440	6,73,232
1938-39	13,159,746	1,33,69,231	440,325	5,86,006

APPENDIX XIV.**Note on procedure for making budget provision for Posts and Telegraphs works expenditure.**

In paragraph 79 of their Report on the Accounts for 1937-38, Volume I, Part I, the Public Accounts Committee recommended that budget provision for works expenditure should, as in the case of civil works, be made only after consultation with the technical department.

2. In the Posts and Telegraphs Department capital works are classified under three categories, namely, (1) buildings, (2) apparatus and plant, and (3) lines and wires.

3. So far as items (2) and (3) are concerned, the Department is itself the technical department concerned and provision in the budget is made in consultation with technical officers of the Department.

4. As regards buildings, the technical departments concerned are either the Central Public Works Department or the Provincial Public Works Department or the Military Engineering Service. The existing orders of Government are that in connection with all items of works expenditure the administrative department concerned should obtain a careful estimate from the Public Works Department of the amount likely to be spent during the financial year before suggesting the inclusion of specific figures in the budget. It has been the practice in this Department to have preliminary estimates of cost prepared in some cases, by its own officers on the basis of Public Works Department's schedule rates and in other cases by the Public Works Department or Military Engineering Service and after the work was approved and budget provision made, detailed plans and estimates were obtained from the technical departments concerned. This practice was followed because in many cases the Public Works Department or the Military Engineering Service were not prepared to undertake the new work of detailed plans and estimates unless there was budget provision for the work. Orders, however, exist requiring the Public Works Department or the Military Engineering Service to undertake detailed plans and estimates, it being provided that if the work is later not taken up, the departments would be paid for the labour involved in preparing the plans and estimates. In some cases the period between the administrative approval of the project and the provision in the budget is insufficient to obtain from the technical departments concerned the necessary information regarding the amount likely to be spent in the financial year. It is, however, recognised that the present procedure often leads to budget provision being made in excess of what is likely to be spent in the year.

5. The Department will, therefore, in future see that wherever practicable, the views of the technical department are obtained before budget provision for works expenditure is made. Where this is not possible due to any particular reasons, a part of the cost of the work, based on previous experience of similar cases, will be provided in the budget with the approval of the Finance Department.

APPENDIX XV.**Memorandum on capital expenditure on Post Office buildings and R. M. S. vans.**

In para. 88 of their Report on the Accounts of 1937-38, the Public Accounts Committee observed that the system of charging capital expenditure on post office buildings and R. M. S. vans to Central Civil Revenues and not to borrowed funds was anomalous and desired that this matter should be looked into.

2. It may be observed that the practice of charging the cost of departmental buildings to Revenue and not to borrowed funds is a long standing one and although the matter was fully considered at the time of commercialisation of P. and T. accounts and subsequently at the request of the Standing Finance Committee in their meeting held on 26th January 1933, it has been thought desirable to continue the existing practice. The policy of the Government of India is to meet from borrowed funds, the cost of only those assets which can be regarded as clearly and directly reproductive. Although post office buildings and R. M. S. vans can in a sense be regarded as essential to produce revenue, it can hardly be held that they are directly remunerative. The existing practice is, therefore, in consonance with the general policy of Government in this matter and need not be changed.

3. So far as the Posts and Telegraphs Department is concerned, the present practice makes no difference to that Department as all such expenditure is debited to the capital account of that Department. Further the present practice has not seriously prevented the provision of necessary funds to the Posts and Telegraphs Department for postal buildings nor has it imposed any serious burden on Central Revenues. From the current year, however, the practice has been slightly changed and the expenditure on all postal buildings costing not more than Rs. 20,000 each is debited to Posts and Telegraphs revenues. This will reduce the burden on Central Civil Revenues for financing this expenditure and will at the same time relieve P. and T. Department of the liability of meeting interest and depreciation charges thereof.

4. The statement below indicates the expenditure on Post Office buildings during the last five years and in Budget Estimate 1940-41.

Statement showing capital outlay on Post Office buildings and R. M. S. Vans financed from ordinary revenues.

Year.	Actual gross expenditure during the year.
	Rs.
1935-36	3,03,000
1936-37	3,77,000
1937-38	3,89,000
1938-39	4,15,000
1939-40 (up to March Final) ..	2,34,000
1940-41 (B. E.)	53,000

APPENDIX XVI.

Memorandum on the Revision of the amount of Contribution to the Renewals Reserve Fund of the Posts and Telegraphs Department.

In pursuance of the decision reached at the meeting of the Public Accounts Committee held on 20th August 1935, the Committee were informed in the following year that with effect from the 1st April 1936, a Renewals Reserve Fund had been substituted for the Depreciation Reserve Fund, the annual contribution to which was fixed at Rs. 25 lakhs for a period of 5 years whereafter the position would be re-examined. As was subsequently explained to the Committee the annual contribution was reduced to 23,05 after the separation of Burma and Aden from India.

2. The question has now been reviewed, taking into consideration the annual contributions to the Fund, withdrawals from the Fund to meet the cost of replacement and abandonment of assets and the additions to the capital at charge in the last 4 years and in 1940-41 based on that anticipated in B. E. 1940-41. The following table gives the relevant figures :—

Year.	Balance at the credit of the R. R. Fund in the beginning of the year.	Amount of annual contribution.	Amount of withdrawal from the Fund.	Balance at the credit of the Fund at the end of the year.	Capital at charge of fixed assets.
1936-37	3,03,89	25,00	21,88	3,06,92	17,62,71
1937-38	2,83,31†	23,13	15,30	2,91,14	16,71,88*
1938-39	1,89,14‡	23,13	16,36	1,95,91	17,07,03
1939-40	1,95,91	23,05	20,99	1,98,06	17,36,06
1940-41 (B. E.) ..	1,98,06	23,05	22,69	1,98,42	17,59,70

*Excludes Burma and Aden (1,38,83).

† Excludes 23,61 from the figure adopted for 1936-37 being the credit pertaining to Burma and Aden owing to their separation from India on 1st April 1937.

‡Includes reduction of 1,02,00 representing withdrawals made to meet arrear press losses.

In view of the substantial expansion of the capital at charge which is likely to go on expanding due to development of the activities of the Department and of the rising proportion of withdrawal from the Fund to meet larger demands for replacements by apparatus of modern type of wasting assets specially in respect of telephone and radio, it has been decided with the concurrence of the Auditor-General that the annual contribution should be fixed at Rs. 25 lakhs p. a. for the next five years. At the end of that period the position will again be reviewed in the light of the experience gained and the contribution revised, if necessary. It is considered that this amount would provide for all expenditure on renewals and replacements and would also leave a sufficient margin for additions to the reserve so as to provide for the increasing capital of the Department and for unexpected factors of obsolescence and accident.

The question of distribution between the different branches of the Posts and Telegraphs Department of the proposed contribution will be considered in consultation with the audit authorities at the end of this financial year.

APPENDIX XVII.**Report on the question of amalgamating the India Store Department, London, with the Stores Department in India.**

The Public Accounts Committee at its meeting held on the 2nd July 1934, suggested that the question of amalgamating the India Store Department in London with the Stores Department in India should be considered. In pursuance of this suggestion Sir James Pitkeathly, the then Chief Controller of Stores, Indian Stores Department was deputed early in 1936 to make a detailed examination of the London Store Department and to submit a scheme for its amalgamation with the Indian Stores Department. His report was received by the Government of India in July 1938.

2. Sir James Pitkeathly after consideration of all aspects of the case came to the conclusion that the amalgamation of the India Store Department, London, with the Stores Department in India was impracticable. The High Commissioner for India and the Director-General, India Store Department, London, who were consulted in the matter also expressed the same view.

3. The Government of India have, after a very careful consideration, come to the view that the conclusion reached by Sir James is a correct one and have accordingly decided that the present arrangement should continue.

APPENDIX XVIII.

Report on the staff employed in the Central Public Works Department.

As promised in paragraph 2 of the *interim* report presented to the Public Accounts Committee last year, the following further report on the staff employed in the Central Public Works Department is submitted for the information of the Committee.

2. With effect from the 1st April 1940, the execution and maintenance of all central civil and aviation works in the various provinces, except the C. P. and Berar, North-West Frontier Province, Assam and Orissa, have been taken over by the Central Public Works Department, and a permanent circle of superintendence with 3 divisions at Calcutta, Bombay and Lahore has been constituted. This is an important administrative change and, in order to set the new organization in working order, the former Chief Engineer, Mr. F. T. Jones, C.I.E., who has had a special knowledge of this scheme, has been temporarily re-employed on contract as Consulting Engineer with the Government of India for a period of one year with effect from the 30th July 1940. The Consulting Engineer will also be in charge of rent control cases and the allotment of residential and office accommodation. The superior staff in the Central Public Works Department now comprise 1 Chief Engineer, 1 Consulting Engineer (temporary), 4 Superintending Engineers (3 permanent and 1 temporary), and 15 divisional officers (12 permanent and 3 temporary), distributed as shown in Annexure I.

3. *Permanent staff.*—During the current financial year, the 4 permanent Delhi Divisions will spend on an average Rs. 8·5 lakhs each, as against the anticipated annual expenditure of Rs. 8 lakhs per annum when they were first constituted in 1930, while the anticipated works expenditure of the Viceregal Estate Division is about Rs. 10·3 lakhs. The current year's works outlay in the 7 outlying divisions is approximately as follows :—

				Rs. lakhs.
Ajmer Division	..	..	..	8
Indore Division	..	..	..	5
Simla Division	..	..	..	4·9
Dehra Dun Division	..	..	..	10·3
Bombay Division	..	..	..	16·2
Calcutta Division	..	..	..	16·1
Lahore Division	..	..	..	10·5

The amalgamation of any of these permanent divisions is not considered practicable, particularly so in regard to the outlying divisions owing to their geographical situation and to the peculiar conditions obtaining in these areas.

The Government of India have examined afresh the need for the superior specialist posts of Consulting Architect, Electrical Engineer and the Superintendent, Horticultural Operations, discussed by the Committee in 1938, and they are satisfied that all these posts are necessary. The last two are treated as divisional charges, and the anticipated works expenditure in these charges is Rs. 6·6 lakhs and Rs. 5·2 lakhs, respectively.

The Consulting Architect is being continuously employed on the preparation of projects.

The employment of private Architects would be nearly six times as expensive as that of the present organisation. Under the present arrangement, Government save the fees which would be payable on account of work which for some reason or other does not materialise.

4. *Temporary staff*.—The Construction Division will undertake works costing about Rs. 12·9 lakhs, which include the construction of residential quarters for clerks and inferior servants and of an Upper Air Observatory in Delhi. The works outlay of the Delhi Provincial Circle is about Rs. 30·9 lakhs, of which Rs. 6 lakhs will be spent on the Delhi Improvement Trust Schemes. The Construction Division and the Delhi Provincial Circle are expected to be fully engaged, and they have been sanctioned till the 1st March 1941. Owing to the prevalence of serious famine in Rajputana, a separate division for the execution of famine relief works has been created for a period of 8 months from the 1st February to the end of September 1940. This division will not be retained longer than is absolutely necessary and its cost is met from the Famine Relief Fund.

5. Excluding the Famine Division there are now 14 divisions in the Central Public Works Department, as against 16 in 1938 when the first report on the subject was submitted to the Committee. Two temporary divisions, namely, the Delhi Aviation Division and Special Division No. II have been abolished during the course of these two years. In addition, as stated in the last *interim* report, it has been found possible to convert the permanent divisional post of Engineer Officer in the Civil Aviation Directorate into that of an Assistant Executive Engineer, and to effect a saving of Rs. 10,000 per annum by the appointment to the post of Administrative Officer of a junior I. C. S. officer on a lower scale of pay. The total economies expected as a result of all these changes amount to approximately Rs. 90,000 per annum. The establishment charges of the Central Public Works Department, based on the actual expenditure incurred by the Department during the 4 years 1935-36 to 1938-39 work out at 15·8 per cent. A comparison of this figure with the establishment charges leviable on central civil works by provinces shown in Annexure II points to the conclusion that the Central Public Works Department is run with reasonable economy considering the large area to be covered and the scattered nature and urgency of the works.

ANNEXURE I.

I Circle.	II Circle.	Central Circle.	Delhi Provincial Circle.*
Indore Central Division	New Delhi 'A' Division	Bombay Central Public Works Division.	Provincial Division.
Ajmer Central Division	New Delhi 'B' Division	Bengal Central Public Works Division.	Services Division.
Construction Division†	Simla Central Division	Punjab Central Public Works Division.	Special Division.†
Famine Division, Ajmer‡	Viceregal Estates Division.	Bihar & U. P. Works	Central Division.
Horticultural Division	Electrical Division.		

Specialist posts treated as Divisional charges.

†Temporary Divisions : present sanction expires on the 1st March 1941.

‡Temporary Divisions ; present sanction expires on the 1st October 1940.

*The post of Superintending Engineer, Delhi Provincial Circle is temporary, sanction to which expires on the 1st March 1941.

ANNEXURE II.

Statement showing the rates of Establishment charges leviable by Provinces, etc.

Serial No.	Name of Province.	Whether fixed rates or <i>pro rata</i> .	Establishment (percentage).
			Per cent.
1	M. E. S.	Fixed	23
2	Central Public Works Department	"	14½
3	Persian Gulf	"	26
4	Baluchistan (M. E. S.)	"	23
5	Baluchistan (Irrigation Department)	"	21½
6	Madras	"	17½
7	Coorg	"	17½
8	Bombay	<i>Pro rata</i>	24
9	Sind	"	24
10	Bengal Presidency Circle	Fixed	13½
11	Bengal Other Circles	"	23½
12	Punjab	"	17½
13	Bihar	<i>Pro rata</i>	27
14	Orissa	Fixed	27
15	Central Provinces	"	21½
16	North-West Frontier Province (Agencies)	"	20½
17	North-West Frontier Province (Provincial)	"	20
18	United Provinces	"	19½
19	Assam	<i>Pro rata</i>	28
20	A. & N. Islands	Fixed	23½

APPENDIX XIX.**Note on the allocation of Ecclesiastical Charges to the Civil, the Defence and the Railway Estimates.**

Reference para. 2 of the proceedings of the Military Accounts Committee, dated the 9th August 1939.

The basis of allocation of ecclesiastical expenditure is still under consideration. Draft rules for the allocation of the effective charges have already been framed and tentatively accepted by the Departments concerned. But considerable difficulty is being experienced in apportioning pensionary charges. The Auditor General, is however, being requested to suggest some simple and reasonably correct method for the allocation of pensionary charges and to frame rules for the purpose. As soon as this is settled, the budget and accounts will be prepared on that basis. Every endeavour is being made to bring the revised allocation into operation with effect from the next financial year.

APPENDIX XX.**Note on Revision of Army Regulations.**

Reference, paragraph 3 of the proceedings of the Military Accounts Committee, 1939.

2. The present arrangement is that responsibility for the maintenance and periodical revision of the primary regulations is distributed between the Defence Department and the Military Finance Department as shown below :—

(a) Defence Department.

- (i) Regulations for the Army in India (Rules).
- (ii) Regulations for the Royal Indian Navy, Volume II.
- (iii) Regulations for the Sea Transport Service.
- (iv) Ecclesiastical Rules.

(b) Military Finance Department.

- (i) Financial Regulations for the Army and Air Forces, Parts I and II.
- (ii) Financial Regulations for the Royal Indian Navy.
- (iii) Pay and Allowance Regulations for the Army in India, Volumes I and II.
- (iv) Pay and Allowances and Pension Regulations for the R. I. N. (Regulations for the R. I. N., Volume I).
- (v) Pay and Allowance Regulations for the Air Forces in India.
- (vi) Pension Regulations for the Army in India, Parts I, II and III.
- (vii) Passage Regulations, India.
- (viii) Military Leave Rules, Part I—Rules (Part II contains administrative instructions).
- (ix) Regulations for Civilians paid from Defence Service Estimates.

3. Owing to the outbreak of war, there has been some dislocation in the work of revising Regulations and, for a period the work was in abeyance due to staff being employed on more urgent work. Moreover, the India Office, because of war pre-occupations, have not been able to deal with codes which require the Secretary of State's approval with that expedition usual in normal times. Nevertheless, real progress has been made.

4. The present position (June 1940), in regard to the progress on the revision of the more important Regulations since the last year is outlined below—

A. Work in hand.

- (i) *Pension Regulations for the Army in India.*—These had been prepared in three volumes and work was practically completed. Owing, however, to the introduction of revised pensions for officers of the Indian Army following on corresponding changes made for officers of the British Service, it was found necessary to embody the new pensionary condi-

tions in the Regulations. This has been done and the Secretary of State's approval has just been received. The three volumes are now ready for final printing off.

- (ii) *Passage Regulations*.—A draft of Part I containing rules dealing with passages out of India has been prepared but, as the revision of these rules can only be carried out in close consultation with the administrative authorities, little progress has been made during the past year owing to the preoccupation of Branches at Army Headquarters with more pressing matters ; work on the Regulations generally has, however, continued. Such of the parts as lend themselves to revision independently of the main code, *e.g.*, the rules governing the grant of passage concessions to the various categories of Defence Services personnel are being revised and will be issued as separate self-contained pamphlets from time to time.
- (iii) *Financial Regulations, Part I*.—The basic portion of this publication has been prepared and the Secretary of State's approval has just been received.

B. Regulations remaining to be taken in hand.

These are :—

<i>Serial No.</i>	<i>Name.</i>	<i>Remarks.</i>
(a) By the Defence Department.		
(i)	Regulations for the sea transport service.	Expert Naval assistance which cannot be spared during war, will be required for proper revision of this book. Therefore, it has been decided to reprint the book to meet requirements during the war with amendments since issued and slight alterations only.
(ii)	Regulations for the R. I. N., Volume II.	The revised edition of this publication was produced in 1938. Further revision of this regulation has been held over as great changes are rapidly taking place in the R. I. N. as a result of the new expansion scheme.
(iii)	Ecclesiastical Rules.	Was last printed in 1932 and is now very much out of date. The quinquennial retrenchment of ecclesiastical expenditure desired by the Secretary of State, however, now falls to be undertaken and as this is likely to take time, the revision of the rules will have to be postponed till finality is reached on the retrenchment.

<i>Serial No.</i>	<i>Name.</i>	<i>Remarks.</i>
<i>(b) By the Military Finance Department.</i>		
(i)	Financial Regulations for the Army in India, Parts I and II, except basic portion referred to in A. (iii) above.	....
(ii)	Financial Regulations for the Royal Indian Navy.	....
(iii)	Pay, allowances and pension Regulations for the R. I. N.	A draft has been prepared and reviewed by the Controller of Accounts concerned. Work is nearly complete.
(iv)	Pay and Allowance Regulations for the Air Forces.	A draft has been prepared and sent out for review by the administrative and accounts authorities concerned.
(v)	Regulations for Civilians paid from Defence Services Estimates.	....

5. Side by side with the work of producing new books referred to above, which may be described as original revision work, individual rules in the various codes are under constant and critical review and considerable work has been done during the year on improvements, such as the revision of rules which were faultily expressed and the reconstruction of those which were badly drafted, or arranged in wrong or confusing relation to other relevant rules.

6. In all this work, the Director of Audit, Defence Services has, in accordance with the revised system of working referred to last year, taken an active part.

APPENDIX XXI.

Note on Simplification of headings in the Defence Budget.

With reference to the concluding sentence of Para. 6 of the Proceedings of the Military Accounts Committee on the accounts of 1937-38, proposals for the simplification of the headings in the Budget were drawn up and are under consideration by the Administrative and Financial Authorities. There can be no doubt, that by re-arrangement of heads and elimination of many of minor importance, a substantial reduction in the total number of heads under which the Defence Estimates are normally exhibited is possible, without any sacrifice of financial control.

Owing, however, to the outbreak of the war and the special arrangements agreed upon for the allocation of expenditure between His Majesty's Government and the Government of India, the Budget Estimates for defence expenditure to be met out of Indian Revenues will, for the period of the war, contain only the following Major, Main and Sub-Heads :—

Major Head 58.—Effective—

Main Head 1.—Normal cost of Defence Services.

Main Head 2.—Lump provision for increase in prices.

Main Head 3.—War Measures chargeable to Indian Revenues.

Sub-Head A.—Certain measures of Military Defence.

Sub-Head B.—Certain measures connected with Air Defence.

Sub-Head C.—Certain measures connected with Local Naval Defence.

Sub-Head D.—Stores.

Sub-Head E.—Works.

Sub-Head F.—Miscellaneous.

Sub-Head G.—Waziristan.

Sub-Head H.—Payment to His Majesty's Government on account of extra cost of External Defence Troops.

Sub-Head I.—Expenditure in England.

Sub-Head J.—Exchange.

Major Head 59|XLVIII.—Non-Effective.

2. The question of simplification of the peace-time Defence Budget has therefore lost its urgency but will be pursued as far as present conditions permit in order that the conclusions reached may be carried into effect after the war.

APPENDIX XXII

Note on works estimates of the M. E. S.

The reasons for and the means of avoiding variations between the estimates and the actual costs in respect of works were discussed at the last Chief Engineers' Conference. These variations were attributed mainly to the fact that under the present system of framing of a programme for works and financing of these, an interval of more than a year obtains between according of administrative approval to a work and its commencement. In this interval the market prices change and, in certain cases, the policy regarding the scope or location of the work changes. These changes affect the completion cost, *vis-à-vis*, the amount originally approved. Certain proposals for reducing the variations in question were made and considered at the Engineers' Conference, and it was eventually agreed that the E.-in-C. should investigate the possibility of introduction of the Home system of framing of estimates for administrative approval. Under this system administrative approval is accorded on an approximate estimate which is prepared more on the lines of the Project estimates in India. Detailed estimates are only called for in respect of such items of the approximate estimate as are deemed to require them. Under this system, the amount of work involved in the preparation of project estimates is reduced. This shortens the interval between approval to the estimate for the work and its commencement and thereby contributes to closer approximation between the original appropriation and the actual expenditure.

2. The E.-in-C. has had the matter under active consideration, but owing to his pre-occupation with war works he has not been in a position to formulate and make definite proposals on the point. The matter has, for the time being, lost its immediate practical interest, as during the period of the war, only urgent works considered necessary for the prosecution of the war will be carried out. Long term planning which obtains in peace and which leads to the situation which it is sought to remedy, will, for the most part, be suspended. It has been agreed that for war works where time does not admit of a project estimate being prepared, the sanction of the competent financial authority will be accorded on an approximate estimate which will be prepared with the same accuracy as is associated with approximate estimates prepared in England.

APPENDIX XXIII.**Note on Disposal Organisations.**

Since the inauguration of the Central Disposal Organisation, the term "Private Treaty Sale" has been used to include all sales other than by Open Auction. Sales, other than by Open Auction, are however, normally effected by calling for open or limited tenders, sales by calling for a tender from a single person or firm being rare.

2. As the term "Private Treaty" conveys the impression that the competitive element is missing, which is not true in the case of sales by tender, it has been decided to classify future disposals under the three categories shown below :—

- (1) *Auction*.—Meaning public auction.
- (2) *Competitive Tender*.—Meaning sales effected through contracts based on open or limited tenders.
- (3) *Private Treaty*.—Meaning a sale based on offers written or oral from one person or firm.

3. Experiments carried out in 1939-40 showed that better average prices were on the whole obtained by the sale of Gunny Bags and Typewriters by Auction than by Competitive Tenders.

4. Waste, Scrap Metals and Machinery are sold both by Auction and by Competitive Tender. Owing to the wide dispersion of accumulations of Metals and Machinery which cannot be used by Ordnance Factories, it has been found that the best method of selling these commodities in peace time is by the preparation of lists showing the location of the metals and calling for tenders from the trade. The sale by Auction of small quantities of waste metal all over India does not always attract the big buyer.

5. In general, whenever it is possible to sell stores by Auction this is done. Sale by private treaty is adopted only when sale by Auction or Competitive Tender is uneconomical.

