



# REPORT

*Date.*

The Public Accounts Committee

on

Accounts of 1923-24

---

Vol. I. Report

---

SIMLA  
GOVERNMENT OF INDIA PRESS  
1925.

## REFERENCE.

The following motion was made by the Hon'ble Sir Basil Blackett in the Legislative Assembly on the 26th January 1925 and adopted.

"The Assembly do proceed to elect 8 Members to be Members of the Committee on Public Accounts."

In pursuance of this the following Members were elected.

Maulvi Mohammad Yakub.

Mr. H. G. Cocke.

Mr. Ahmad Ali Khan.

Dr. K. G. Lohokare.

Pandit Harkaran Nath Misra.

Mr. A. Rangaswami Iyengar.

Kumar Ganganand Sinha.

Maulvi Saiyad Murtaza Saheb Bahadur.

The following Members were nominated by the Governor General under rule 51 (2) of the Indian Legislative rules :—

Mr. N. M. Joshi.

Sardar V. N. Mutalik.

Mr. M. Webb.

Under rule 51 (3) of the Legislative rules the Finance Member is the Chairman of the Committee.

# REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE ACCOUNTS OF 1923-24.

## I.—INTRODUCTORY.

1. This report deals with the accounts of the year 1923-24. This was the third year after the introduction of the Reforms as a result of which certain items of expenditure became subject to the vote of the Assembly, and the accounts with regard to these passed under the scrutiny of a Committee of the Assembly.

2. It is, moreover, the first year in which some of the results of such a scrutiny can be observed. The first Public Accounts Committee presented its report in July 1923, and the Government of India published its views on matters raised in this report in their resolution of 15th January 1924. In this resolution they accepted most of the recommendations of the Committee, the most important of which related to the abandoning of the previous practice of basing the final grants for the year on the revised estimates of expenditure prepared by the Finance Department in order to arrive at an approximate idea of the total results of the year's working over all the heads of expenditure. In the course of our scrutiny of the accounts, we came across some cases which suggested that all the changes made were not fully known, or were insufficiently realised in the year 1923-24. The orders of the Government were issued too late to have any marked effect on the expenditure of the year 1923-24, as they naturally took some time to filter through to subordinate authorities. We have no doubt that the appropriation accounts of the next year will show that the adoption of the Committee's recommendations have resulted in a marked improvement.

## II.—EXCESSES OVER VOTED GRANTS.

3. The following table compares the amount of grants voted by the Assembly with the total expenditure out of those grants :—

	GRANTS SANCTIONED BY THE ASSEMBLY.		Net grant as modified by competent authority.	Actual expenditure.
	Original.	Final (including supplementaries).		
	Rs.	Rs.	Rs.	Rs.
Expenditure charged to revenue.	88,95,87,000	90,94,77,000	90,39,06,671	87,27,34,930*
Expenditure charged to Capital.	41,49,69,000	41,49,69,000	41,23,37,000	23,03,27,755
Total expenditure ..	1,30,45,56,000	1,32,44,46,000	1,31,62,43,671	1,10,30,62,685
Disbursement of loans and advances.	23,62,37,000	23,67,67,000	23,67,67,000	21,95,88,592
GRAND TOTAL ..	1,54,07,93,000	1,56,12,13,000	1,55,30,10,671	1,32,26,51,277

\* This includes some non-voted expenditure (*vide* paragraph 12 *supra*.)

Excluding loans and advances, the actual total voted expenditure was thus nearly 20 crores below the original grants and nearly 22 crores below the final grants sanctioned by the Assembly.

4. If the total voted and non-voted expenditure is taken, the position is as follows :—

	Original estimate.	Revised estimate.	Actual expenditure.
	Rs.	Rs.	Rs.
Revenue expenditure .. .. .	2,08,60,30,000	2,09,94,12,763	2,05,77,25,642
Capital expenditure .. .. .	41,56,47,000	41,29,75,000	23,10,06,788
Loans and Advances .. .. .	23,62,37,000	23,67,67,000	21,95,88,592
<b>Total. . . . .</b>	<b>2,73,78,20,000</b>	<b>2,74,91,54,763</b>	<b>2,50,83,21,222</b>

5. It will be seen that the expenditure varied to a very considerable extent from the estimates, but the latter could not have been expected to be very accurate, as the report of the Inchcape Committee was in the hands of the Finance Department too late to be utilised in the preparation of the detailed estimates. It was obviously a difficult problem to fit the proposals of the Committee into the Budget. Final conclusions could not be arrived at with regard to a great many recommendations. Some of the retrenchments could only be introduced gradually and it was difficult to estimate exactly their full effect on the estimates of the year. The Government had accordingly to adopt the rough and ready method of making a lump reduction in the total estimates and distributing it among the more important heads. Taking all things into consideration the result cannot be deemed unsatisfactory. That the economies actually effected were much more than were anticipated is, indeed, a matter for congratulation.

6. The detailed figures of expenditure are given in the Statement printed as Appendix III to this Report. It will be noticed that there is not, comparatively speaking, much difference between the total of the non-voted actual expenditure and the corresponding sanctioned grants, the former being about a crore less than the latter. This result, however, obscures the fact that Army expenditure was nearly 4 crores below the final grant and 3½ crores below the original grant. This large saving was more than counterbalanced by two changes in accounting as a result of which the whole of the discount charges on the 1923-Rupee Loan were charged off in the year, and the amounts of Loans and Advances outstanding against the Persian Government, which had hitherto been shown in the accounts under "Suspense" were written off against revenue in 1923-24.

7. The voted expenditure, on the other hand, diverges widely from the sanctioned grant and it is instructive to compare in more detail the actual



figures of expenditure with the original grant. So far as revenue expenditure is concerned, the actual expenditure is 87,27 lakhs against an original grant of 88,96 lakhs, which was later raised by the Assembly about the close of the year to 90,95 lakhs. Of the saving of over 3½ crores as compared with the final grant, 2 crores occurs under revenue expenditure of Railways. The balance is the cumulative effect of a number of relatively small savings occurring under most of the individual grants, the largest single items being under "Superannuation allowances and pensions" and "Interest on miscellaneous obligations". The former was due to a decision taken in the course of the year to transfer expenditure on pensions of commercial departments to those departments and is not a real saving; the latter was mainly due to the fact that the encashment of postal cash certificates was much less than anticipated, with the result that the bonus paid, which is debited to "Interest" at the time of encashment, was very much lower.

8. The total capital expenditure proved to be nearly 23 crores against a grant of 41½ crores, a saving of 18½ crores, of which nearly 18 crores was under "Railways," the balance being distributed between Delhi and Posts and Telegraphs, the former being responsible for much the greater portion. The large saving under the grant for Railways was undoubtedly due to the fact that the original estimates of expenditure were too high. The Financial

Question 801.

Commissioner, Railways, whom we examined on this point, explained to us that the real reason for the enormous lapse both under the capital grant and the grant for revenue expenditure in connection with railway construction was due to the fact that under the old system the Railway authorities were never certain of the amount of money they were going to get and consequently could never make proper arrangements for spending. They naturally made provision for proceeding with works that they had started or were starting during the course of the year under any contingency that might arise, so that each railway asked for the maximum amount that it could spend, and the result was that, taken all together, the estimates proved always to be too high and there was every year a considerable lapse. Mr. Sim explained that during the current year he had cut down the total amount of the capital grant from 33 crores, which the railways in the aggregate hoped to spend, to 23 crores, as he expected that that was the limit of their capacity for spending. We do not desire to suggest that arbitrary limits should be fixed which would tend to curtail capital expenditure on railways, so long as the expenditure is remunerative, but in view of the large lapses in capital grants in this and the preceding years, we think that consideration should be given to possible improvements in methods of estimating.

9. The total expenditure under the head "Disbursements of loans and advances" amounted to 21,96 lakhs against the final grant of 23,68 lakhs. The saving is explained as entirely due to the fact that the Provincial Governments borrowed less from the Government of India than had been anticipated originally.

10. There have been, however, excesses under individual grants for which an extra vote of the Assembly is required. These excesses have been detailed

in Statement B forming an enclosure to the Auditor General's letter No. 852. Admn. 44/25 of the 24th June 1925 dealing with the Appropriation Reports on the Accounts of the Central civil expenditure for 1923-24. This Statement (reprinted as Appendix XVII to this report) compares the actual expenditure with the net grants including modifications sanctioned by authorities other than the Legislative Assembly. This is quite proper from the point of view of audit which has to bring to notice all cases of expenditure in excess of the grants placed at the disposal of the actual disbursing agents by the competent authority; but so far as the Assembly is concerned, it is only the excess over grants sanctioned by itself that matters. In certain cases modifications sanctioned by proper authority have had the effect of reducing the total grant at the disposal of the disbursing officer. Where the actual expenditure exceeded this latter figure, but was below the grant as finally sanctioned by the Assembly, the excess does not require the sanction of the Assembly though it should be dealt with by departmental action if no sufficient explanation is forthcoming. This was the procedure recommended in paragraph 18 of the Report of the Public Accounts Committee on the Accounts of 1921-22, on which was based the new system adopted by Government of separating the supplementary demands placed before the Assembly from the revised estimates of expenditure adopted by them.

11. We give below a table detailing the excesses which, in our opinion, as explained above, require the sanction of the Legislative Assembly.

EXCESS OVER GRANTS.

Item No.	No. of grant.	Grant.	Amount granted by Assembly.	Actual expenditure.	Excess.
			Rs.	Rs.	Rs.
1	15-A	Administration of Justice ..	1,35,000	1,35,654	654
2	16	Jails and Convict Settlements ..	2,000	5,070	3,070
3	31	Civil Veterinary Services ..	6,11,000	6,14,319	3,319
4	36-B	Emigration—External ..	62,000	69,882	7,882
5	45	Adjustments with Provincial Governments.	19,06,000	37,97,921	18,91,921
6	46	Refunds (including refund of freight tax Rs. 3,94,304)	7,95,000	11,76,059	3,81,059
7	62	Interest free advances ..	9,18,99,000	9,23,44,006	4,45,006
					27,32,911

12. A brief explanation of each item is given below :—

*Item 1.*—The excess was due to an accounts adjustment which had to be made after the close of the year when it was too late to obtain a supplementary grant. This is explained as having been due to defective work in the accounts office owing

Appendix XI.  
to an auditor's lack of familiarity with rules.

*Item 2.*—The grant under this head represents merely 'Exchange' on leave salaries, etc., paid in England. The original grant proved insufficient, but no attempt was made to obtain an additional grant. It has been explained that this was due to the fact that when the revised estimates for English expenditure were placed before the Assembly for sanction, the consequential alterations

under the head "Exchange" were not made, as they ought to have been. Under the system then in force, 'Exchange' was included in every separate head in the Demands for Grants and doubtless to carry out alterations under each head involved considerable labour which was apparently at the time felt to be not worth while. We understand that, under the present system, the procedure would be simpler, and we have been assured that necessary alterations of

'Exchange' to correspond with the revised estimate of English expenditure would be made in future.

*Item 3.*—This excess seems to have been due to the fact that it was not quite clear whether any additional grant was necessary or whether the particular expenditure that eventually caused the excess could be met by savings under other heads, and apparently time was spent in discussing what should be done till it was too late to take any effective action.

Question 340.

*Item 4.*—The excess was due to the charges for repatriation of certain Punjabis from Marseilles to British India having been adjusted in the accounts without any steps being taken to provide a grant for the purpose. The failure to make the necessary provision was, we understand, due to a misunderstanding between the local Accountant General and the Government of India. The Accountant General made provision for it in the revised estimates but did not give a detailed explanation of the charge. As the system of basing the final grants on revised estimates had been abandoned that year on the advice of the Public Accounts Committee, the Finance Department did not take any action to get a grant for this purpose in the absence of a specific application for it from the proper authority, especially as there was no detailed information justifying the necessity for a grant.

*Item 5.*—The excess has been explained as due mainly to the revision of Rule 15 of the Devolution Rules which resulted in a change in the basis of calculations of the assignments to Provincial Governments on account of income-tax. The actual amounts due could not be ascertained till after the close of the year.

Question 360.  
The total expenditure was Rs. 37,97,921, while the amount sanctioned by the Assembly

Question 382.

M152Fin.

was only Rs. 19,06,000. To this latter sum the Finance Department added Rs. 3,446 from their reserve. The excess as compared with the original grant was thus Rs. 18,91,921. For reasons which we shall elaborate later, we consider that the whole of this amount requires the sanction of the Assembly, though part of it was met from the reserve placed by the Assembly at the disposal of the Finance Department.

*Item 6.*—No provision seems to have been made for refunds of freight tax. The excess has not even been brought to notice in any of the Appropriation Reports and it is the Auditor General who in his compilation of the accounts apparently first noticed the omission to obtain a grant. The tax ceased to be collected in 1922-23, and these casual refunds are apparently likely to be overlooked. Even though it is difficult to estimate the amount of such refunds and provide funds for them in the beginning of the year, it ought to be possible to obtain a supplementary grant at the close, on the basis of payments actually made.

*Item 7.*—This increase occurred under the sub-head, value of Army stores issued on repayment, an estimate of which is difficult to make as it depends on the demands for such stores made by departments. The sub-head represents a purely book-keeping adjustment and it is understood that under the instructions of the Auditor General it is for this reason now being treated as non-voted.

13. There are two items in the Statement of Excesses over voted grants furnished by the Auditor General, which do not find place in the above statement, namely, "Irrigation Works not charged to revenue" and "Civil Works". As regards the former the total expenditure was well within the grant sanctioned by the Assembly, though it exceeded the grant as modified by other authorities. Consequently, as we have already explained, it does not require the sanction of the Assembly. As regards the excess under "Civil Works" the total expenditure of Rs. 1,27,01,975 included a sum of Rs. 19,64,882 which, it has been explained, ought to have been charged as non-voted expenditure. We have been advised that, as the excess of expenditure is due solely to incorrect inclusion by the accounts officer of non-voted expenditure, and as there has been no excess of

*Question 371.* voted expenditure over the amount voted, it is not only unnecessary but irregular to make an excess demand under Rule 49 of the Legislative Rules.

14. We are glad to note that both the number of Demands under which an excess vote is required and the total amount of excesses requiring such sanction, have gradually decreased from the time the accounts first came under the review of the Public Accounts Committee. In the first year (Accounts of 1921-22) there were 26 such items aggregating 493 lakhs; in the next year (Accounts of 1922-23) there were 24 items aggregating 93½ lakhs; in the Accounts of 1923-24 there are only 7 items with a total of slightly over 27 lakhs. We hope for further reductions as we are of opinion that

with a well regulated system of control over expenditure there ought not to be any excesses at all. We shall return to the general question of control over expenditure at a later stage of our report.

15. With these remarks we formally recommend that the Assembly assent to an excess grant for the year 1923-24 which the Governor General in Council will place before them in due course for the following sums in respect of the heads referred to in paragraph 11.

	Rs.
Expenditure charged to revenue .. ..	22,87,905
Disbursement of Loans and advances .. ..	4,45,006
	<hr/>
Total .. ..	27,32,911
	<hr/>

16. Under Section 52 (2) (i) of the Indian Legislative Rules it is our duty to bring to the notice of the Assembly any re-appropriation from one grant to another. Such re-appropriations occurred in 1923-24 only under the Posts and Telegraphs grants. A statement of re-appropriations sanctioned by the Government of India from Grant No. 60 (capital outlay) to grant No. 10 (Revenue Expenditure) has been given in the Appropriation Report of the Accountant General, Posts and Telegraphs and will be found reprinted as Appendix XVIII to this Report. The Public Accounts Committee last year emphasised the fact that grants voted by the Assembly could be added to only by the Assembly and that any transfers to a grant from another or from a non-voted head were invalid unless voted by the Assembly. The Government of India accepted this statement of the constitutional and legal position, but apparently there were misunderstandings on this point in 1923-24. In the particular case in question there were savings within Grant No. 10 sufficient to cover these amounts and these re-appropriations were inoperative and unnecessary.

Mr. Jukes explained to us how a misunderstanding arose in connection with these powers. We suggest that the Government of India should make it quite clear to all subordinate officers, beyond the possibility of misunderstanding, that additions to a grant voted by the Assembly can be made only by the Assembly.

### III.—GENERAL.

17. Our predecessors devoted particular attention to the very important question of the machinery available for watching the progress of expenditure and of the steps taken by the administrative authorities to control

expenditure. We have similarly devoted considerable attention to this subject and have examined departmental witnesses on the position in each department and the conclusion we have arrived at is that there is still very much room for improvement. We were gratified, however, to find that, since the question was first taken up by the Public Accounts Committee, it has been carefully examined, its importance has been recognised, experiments are being conducted to find out the best methods of tackling it, and, in certain cases, steps have already been taken to obtain periodical reports of expenditure from subordinate officers.

18. At the outset we wish to draw attention to a remark of the Auditor General in his letter forwarding the Indian Appropriation Reports of Central and Provincial expenditure for the year 1923-24 to the Secretary of State, that in most provinces the proportion of excesses over grants was greater in the case of non-voted than of voted grants. From this he draws the inference that the submission of expenditure to the control of the Legislature ensures better financial control and he adds that the majority of Governments appear to attach little importance to the necessity of a formal provision of funds to meet excesses over non-voted expenditure. In the accounts of the year under review it will be observed that the number of non-voted grants in which excesses have occurred is 16 as against 7 voted grants. The Auditor General has also drawn attention to the fact that an excess occurred in the case of both non-voted grants (revenue and capital) in the case of railways and he remarks that this gives rise to the impression that Government regards provision of funds under non-voted heads to meet an excess as of minor importance. So far as this particular remark was concerned, we examined the Financial Commissioner for Railways and he explained

Question 854.

that the excess in the non-voted grants for Railways was mainly due to the fact that the rate of interest chargeable could not be calculated till after the close of the year. At the time of the preparation of the budget estimates the rate of interest calculated for the previous year had to be taken into account and the actual rate that would be taken in the accounts could not be foreseen. We desire to draw the attention of the Government to these remarks of the Auditor General in order that they may take effective steps to ensure that all disbursing officers appreciate fully the necessity of obtaining the sanction of the Government in the case of non-voted expenditure whenever they foresee that actual expenditure is likely to exceed the sanctioned grant, just as in the case of voted expenditure they have to take steps to obtain the sanction of the Legislative Assembly.

19. In the course of our scrutiny of the Appropriation Accounts for the year 1923-24 one of the facts which attracted our attention most prominently was, that of the 33 cases in which additional grants were asked for from the Legislative Assembly during the year, there were no fewer than 17 where the actual expenditure was below the original grant sanctioned by the Assembly before the beginning of the year. The following gives a list of the grants where

the expenditure fell below the original grant while an additional grant was sanctioned by the Assembly at the end of the year :—

Grant.	Additional grant sanctioned.	Saving as compared with original grant.
	Rs.	Rs.
1. Customs .. .. .	3,03,000	46,738
2. Taxes on Income .. .. .	5,23,000	76,171
3. Irrigation, Navigation, etc. .. .. .	27,000	56,060
4. Interest on miscellaneous obligations .. .. .	63,000	20,36,516
5. General Administration .. .. .	5,11,000	1,42,069
6. Ports and Pilotage .. .. .	17,000	30,084
7. Geological Survey .. .. .	17,000	15,216
8. Miscellaneous Departments .. .. .	1,80,000	1,17,914
9. Superannuation Allowances and Pensions .. .. .	15,47,000	12,43,182
10. Miscellaneous .. .. .	2,29,000	4,21,276
11. North-West Frontier Province .. .. .	32,000	5,28,040
12. Baluchistan .. .. .	58,000	1,00,912
13. Delhi .. .. .	88,000	94,188
14. Coorg .. .. .	19,000	2,25,353
15. Ajmer-Merwara .. .. .	35,000	1,40,793
16. Rajputana .. .. .	17,000	3,166
17. Central India .. .. .	14,000	34,001

The fact that additional grants were asked for in these cases seems to indicate that whereas the administrative authorities concerned were fully alive to the necessity of obtaining a grant in anticipation of expenditure to be incurred they were not equally alive to the desirability of not asking for more funds than were actually necessary. It shows also that they were not in a position to know the actual progress of expenditure so as to gauge accurately the needs of the situation.

20. We recognise that in circumstances where it is proposed to incur expenditure on new and important items not contemplated when the original estimates were framed, it may become desirable to obtain the formal approval of the Assembly in some way or other as well as that of the Standing Finance Committee as at present. When however these new charges can be met within the grant by savings elsewhere, we suggest that a possible method of bringing them to the notice of the Assembly would be by means of a token vote as in the United Kingdom, by which a demand would be laid before the House for a nominal sum. Full details of the proposed expenditure would be given to the House, and it would be explained that the whole sum would be met from within the grant already sanctioned, but the House would be asked formally for an additional grant for a nominal sum of, say, Rs. 100 in order that it may be enabled to signify its approval.

21. Facts are not also wanting which seem to suggest that there is still in some quarters an insufficient realisation of the necessity for taking steps to have funds provided by proper authority before expenditure

can be incurred. In the Appropriation Reports we came across statements like the following :—

“ The excess was foreseen and the local officer addressed Government on the subject which decided to leave this unavoidable excess expenditure to be dealt with through the Appropriation Report ” (page 87 of the Appropriation Report of the Accountant General, Central Revenues).

“ The excess for which no provision was made in the budget was brought to the notice of the Government of India, Foreign and Political Department, which authorised the payment as one without appropriation ” (page 81, *ibid*).

“ The excess under the head was foreseen but the Commissioner, Salt, who was addressed on the subject, explains that as refunds are adjusted by deduction from Receipts no supplementary grant was applied for as it was not known to him that refunds also required appropriation ” (page 161, *ibid*).

22. Again, owing to the change of system in the year 1923-24 which involved the abolition of the old procedure by which the revised estimates were taken as a basis for supplementary grants, there was some room for misunderstanding between the Accountants General

Question 342. and the administrative authorities in the matter of responsibility for taking steps to obtain funds for expenditure. To this cause was due the failure to provide funds in certain cases, for example, under Interest and Superannuation Allowances. The failure to alter the provision for exchange correspondingly with the alteration in the figures for expenditure in England which were corrected at the time of the revised estimates, also points to an imperfect understanding of the desirability of taking steps, by the proper utilisation of the powers of reappropriation that are at present exercised by the executive, to see that the expenditure under each minor head is not exceeded.

23. All these points to the necessity of devising adequate machinery to provide data for watching the progress of expenditure against each grant. We understand that a set of draft rules to assist in watching the progress of expenditure against grants was submitted by

Question 1.

Sir Frederic Gauntlett to the Government of India last year for consideration and that the opinions of all Departments have been obtained on these rules which are at present under reconsideration by the Auditor General. It seems that a similar set of rules have been in force in the United Provinces and in the Punjab for some time and that it has been considered desirable to await a report on the results of their working in those provinces before proceeding further with them. Moreover, fairly extensive experiments of another system have been made in the United Provinces and elsewhere by Mr. Jukes during the past year in the course of his investigation of the question of the separation of accounts from audit whereby the administrative authorities are in a position to get information about the state of expenditure much earlier than they can under the present system. We attach great importance to the provision of adequate facilities to the



responsible administrative authorities for watching the progress of expenditure under their control and trust that some definite arrangements which will achieve this object will be promulgated in the near future.

24. In the meanwhile we understand from the evidence taken by us that certain Departments do obtain at present from their subordinate officers periodical statements of expenditure. In the North-West Frontier Province, Mr. Copeland told us, the disbursing officer sends in monthly statements and the head of the department watches the expenditure month by month and a consolidated

statement is sent to the Accountant General in order that the two sets of figures may be reconciled. He expected that this system would be a great improvement and ought to be working well in 1925-26 at the least. Mr. Lloyd

told us that the Central Board of Revenue had asked the heads of departments to send them a quarterly statement giving details of expenditure under the principal units of appropriation. We consider that if these statements of expenditure are to be utilised properly, they should be sent periodically, by the responsible heads of Departments to the Department at headquarters which, by asking the Assembly to vote the original grant, has assumed final responsibility for watching the expenditure. If this system is adopted, these reports, we consider, might be furnished quarterly in the earlier part of the year but in the latter part it would be essential to have them monthly, so that the actual progress of expenditure can be watched with the object of seeing whether an additional grant is necessary in any case or whether excesses in any particular circle of accounts or in any particular sub-head can be covered by reappropriation from savings elsewhere in the same grant.

25. A careful watch over expenditure is also useful in this respect that it will at once bring to the notice of the controlling authority all cases in which there is any particular slackness in expenditure or where expenditure is being incurred at a too rapid pace irrespective of prudent financial considerations. It will in short enable him to regulate the pace of expenditure, so that he can utilise the funds at his disposal in the most useful and economical way. Several instances have been brought to our notice where funds have been allotted far too late to be properly utilised. Such delay in allotment of funds combined with a strict adherence to the doctrine of unspent amounts lapsing at the end of the year, results in undue haste in spending at the close of the year with all its concomitant evils.

26. The question of the powers of reappropriation to be exercised by the Government of India and the subordinate authorities within a grant is closely connected with the question of the control of expenditure. We have noticed that in certain cases these powers are utilised merely to conceal defective budgeting; for instance, in certain minor heads in the Posts and Telegraphs grant, we found that reappropriations had been sanctioned before the end of the first month of the financial year. In the new form of Appropriation Accounts in which all variations of the actual expenditure from the original grant under a certain number of prescribed sub-heads will be specifically brought to notice, it will be easy to discover whether the action taken by the responsible authorities for regularising these

excesses by reappropriations from other sub-heads within the grant conforms to the rules prescribed by the Finance Department and whether there is any necessity for suggesting any change in those rules.

27. Before passing from this subject there is another matter to which we should draw attention, namely, the number of misclassifications that have come to our notice in the Appropriation Reports. One class of misclassification is that of showing non-voted expenditure as voted and *vice versa*. In one case, as we have already stated, the misclassification resulted in the total actual expenditure being shown as exceeding the grant sanctioned by the Assembly, while, as a matter of fact, there was no excess. In paragraph 10 of the Report of the Public Accounts Committee on the accounts of 1922-23 the importance of a proper classification of charges in the accounts was emphasised. In the particular case which brought the matter prominently to our notice, it is apparent that the expenditure has been classified wrongly in the Finance and Revenue Accounts presented to Parliament on the authority of the Auditor General. This raises the question of the steps that should be taken to have this obvious error in the accounts corrected. The Auditor General was unable to give us a definite opinion on the matter at the time. We consider, however, that it is very important that the accounts should always represent facts and when it is brought to notice that in any particular case they have failed to do so, there should be a procedure by which they may be corrected. We suggest that the Finance Department should, in consultation with the Auditor General, explore the means of doing so.

28. The misclassification referred to above was in connection with expenditure in the North-West Frontier Province and gives point to the remark of the Auditor-General that misclassifications in the office of the Accountant-General, Punjab, seemed more serious in respect of expenditure in that province than in the case of the Punjab. He suggested that this must be largely due to the complete lack of touch between the Accounts Office and the Administration, and emphasised the need for a separate accounts office at Peshawar for the North-West Frontier Province. We understand that this proposal

was considered in 1921 and dropped on grounds of financial stringency. We recommend that the suggestion made now by the Auditor-General should receive the immediate and careful consideration of the Government.

29. There is another class of misclassifications which attracted our attention in the Appropriation Report on Railways. This was in respect of capital and revenue expenditure, expenditure correctly debitable to the first being debited to the second and *vice versa*. We understand that the misclassification was sometimes due to ignorance of rules but sometimes it was also due to a desire to get round the difficulty of want of funds. As all railways have now been

told that there would be no difficulty in their getting funds according to requirements and that there is no necessity for adopting this undesirable device to avoid the difficulties experienced before, it is expected that misclassifications will be of less frequent occurrence in future.

30. One of the most important and interesting questions that we discussed was that of the proper procedure to be followed in the case of allotments made by the Finance Department from the reserve at its disposal. In paragraph 14 of their Resolution in connection with the

Appendix I.

Report of the last Public Accounts Committee the Government of India pointed out that under the present system whereby the Assembly voted under the head "Miscellaneous" a reserve placed at the disposal of the Finance Department, any reappropriations from the reserve had the effect of adding to some other grant to which the expenditure was rightly debitable and that this was an exception to the general rule that grants voted by the Assembly could be added to only by the Assembly. The Resolution went on to say that this exception was more apparent than real as the reserve was intended for the purpose of distribution and allotments out of the reserve were brought to notice by the Accountant General in his Appropriation Report, thus giving the Public Accounts Committee an opportunity of criticism. We consider, however, that though, in practice, the procedure is hardly open to objection, yet from the constitutional and legal point of view it is, strictly speaking, irregular. We are more inclined to agree with the view put forward

Question 317.

by Mr. McWatters that in all cases where the expenditure exceeds the amount granted by the Assembly, though the excess is covered by allotment of funds from the reserve, steps should be taken to obtain a grant from the Assembly to cover the excess. The only objection against this procedure is that the result will be that the Assembly will have in certain cases granted money twice over for the same purpose, as, we understand, constitutionally the Assembly cannot reduce a grant once made. The practical effect will of course be nil, for under the ordinary procedure any amount left unexpended from the reserve will automatically lapse at the end of the year.

31. The objection that the Assembly should not grant funds for the same purpose under two different heads has, however, some force, and a way of meeting it would perhaps be to treat the reserve somewhat on the lines of the Civil Contingencies Fund in England. We quote below from Hilton Young's System of National Finance a brief description\* of the Fund :

"In the course of the year the Civil departments often find that the rigid system on which their grants are appropriated confronts them with one or other of several difficulties. Either there is an urgent need that they should begin to provide money for some established service for which Parliament has not yet voted anything, or some wholly new and urgent little service turns up to be performed, for which Parliament has made no provision, or it becomes urgently necessary to overspend to a small extent the total Vote for a grant, and no excess has been received by way of appropriations in aid out of which, with the help of a Supplementary Estimate, to meet the overspending. Multifarious small payments have also to be made which are not appropriate to any Vote and are individually too small to be voted separately. Sooner or later Parliamentary authority must be obtained for all these small payments, and for any departure which emergency obliges departments

---

\*For a more detailed account, see Appendix XXII.

to make from the scheme of appropriation, but meanwhile, what is to be done? To provide for such cases the Treasury keeps a nest egg in the form of a little loan-fund out of which it can make temporary advances to the Civil departments, and this is the Civil Contingencies Fund. It has a fixed capital which has been raised from time to time as the turnover of the Civil departments has increased. In 1913 it stood at £ 300,000, and in 1921 it was permanently increased to £ 1,500,000. A very large temporary increase in the capital of the Fund, to no less than £ 120,000,000, had been allowed in 1919, in order to enable it to finance through their last stages the big trading services which had been undertaken by the State during the war. (The vote of Credit, out of which these were formerly financed, came to an end with the war.) Out of the capital the Treasury makes advances to the Civil Departments in anticipation of the grants of Parliament, when there is urgent need that payment for an established service should be begun before a grant is made. Advances of the sort are repaid to the Fund by the department when it gets its grant. Other advances are made to departments out of the Fund to meet payments for small services for which Parliament has made no provision in the estimates of the year, and which cannot possibly be postponed until the next year. Others again are made to provide funds for such small overspendings of grants as the Treasury may agree to be inevitable. These last two forms of advances are repaid to the Fund out of grants of Parliament made specially for the purpose on Supplementary Estimates or Excess Grants. Thus the capital of the Fund is restored and maintained intact from year to year. At the financial year's end it is outstanding in the form of a balance in the hands of the Paymaster General, and it is carried forward into the new year to the account of the Fund. Owing to the wide powers of transfer between Naval and Air Votes, and the Heads of the Army Vote, the Admiralty and War Office and Air Ministry need no special machinery of the sort to enable them to deal with their similar emergencies. An annual account of the Fund is audited by the Auditor General and presented to Parliament through the Public Accounts Committee. The Committee watches with some jealousy to see that the Treasury does not make use of the Fund to release the departments to any substantial extent from the limitations of the scheme of appropriation."

32. This Fund is utilised to make advances---

- (i) for unforeseen expenditure not coming under any head of estimate (such advances being repaid to the Fund from the Vote for Repayments to the Civil Contingencies Fund of the following year);
- (ii) for deficiencies on ordinary votes (in anticipation of a further vote from which the advance can be repaid);
- (iii) for services repayable from other sources.

Similarly we consider that it might be laid down in India that no expenditure will be finally met from the reserve but that the Government will advance from it sums to cover any expenditure which has not been provided for or to meet anticipated deficiencies in any grant, on the understanding that such disbursements will be later recouped from moneys provided by the Assembly under the proper head of account. This would result in the fund being always kept at the original figure but if it is to take the place of the Civil Contingencies Fund in England, it would probably be necessary for the reserve to be somewhat larger than it is at present. On the other hand, it will not have to be voted every year but will be voted once for all. We are unable at present to offer a definite opinion on the exact procedure to be followed in these cases, particularly as it has a legal aspect which will require very careful consideration. We trust that the Government of India will consider these suggestions and evolve some procedure which will be entirely unobjectionable both from a theoretical and a practical standpoint.

33. We noticed that in the accounts of the year under review, most of the allotments made from the fund were, as a matter of fact, unnecessary, because it was found later that even excluding these allotments, there was enough money within the grant sanctioned by the Assembly to meet the expenditure charged against it. The only exception is in the case of Grant No. 45—"Adjustments of Provincial Governments", but in this case the allotment out of the reserve did not save the grant from being exceeded considerably. A suggestion was put forward before us by Mr. Jukes that there need be no specific reappropriation from the reserve in the earlier part of the year but that funds should be earmarked from it as a sort of guarantee that the expenditure would, if sufficient funds were not available from the grant itself, be met from the reserve, actual transfer being made only at the close of the year when it was reasonably certain that the grant under the proper head was not sufficient to meet the charge. We discussed this point at length with Mr. McWatters and we agree with him that it is not really much of an improvement, because even in

Questions 311 and 312. February, the Government are not in a position to know definitely whether money was available from the grant itself or whether a definite allotment from the reserve was necessary. He pointed out that the net result would be that there would probably be less expenditure from the reserve but that less information would be laid before the Public Accounts Committee. We do not therefore think that this would be an improvement on the present system, under which the Government are under the necessity of allocating funds definitely from the reserve and are consequently precluded from using the same amount many times over for different purposes.

34. The question of making the Appropriation accounts more illuminating was originally raised by the first Public Accounts Committee in 1923 when reporting on the accounts of 1921-22. In the succeeding year the matter was again referred to in the Committee's report and it was stated that the Auditor General had placed an officer on special duty to examine the question and that the officer's report would be available for consideration by the Committee.

in 1925. This report has been placed before us and we desire to express our appreciation of the care and thoroughness with which the problem has been tackled. The report in question concerns primarily the Appropriation Report prepared by the Accountant-General, Central Revenues in respect of Central expenditure other than in the Army, Railway and Posts and Telegraphs Departments. We are of opinion, however, that the suggestions made in the Report can be applied with very few, if any, alterations, to the Appropriation Reports of expenditure of the three latter classes and we trust that they will be so applied. We have gone carefully into the proposals contained in the report, a brief sketch of which will be found in Appendix IV. The most important proposals relate to the amalgamation of the two separate reports which are at present placed before us, the Appropriation Report and the Audit Report, into one, all financial irregularities, embezzlements, frauds, etc., which are at present shown in the latter being included under the proper grant in the new amalgamated Report. It is proposed that the present procedure under which Audit officers are prevented from mentioning, without the special sanction of the Government, irregularities, etc., on which final orders of the Government have not yet been passed, shall be abandoned, and the Audit officer will be at liberty to bring to notice in his report any point which he considers worthy of mention. The present procedure has in some cases the effect of bringing irregularities to the notice of the Public Accounts Committee and of the Legislature after a lapse of time so considerable that it is impossible for the Committee either to suggest adequate measures to deal with them, or to express any opinion on steps already taken by the executive authorities which might be applied to those particular cases. It has also been recommended that the Appropriation Account, instead of showing expenditure, as at present, by circles of account, should deal with expenditure by prescribed sub-heads, that the accounts of voted and non-voted charges should be shown together so as to give a better idea of the expenditure on each particular grant as a whole, and that particular attention should be paid to store accounts in respect of important stocks and to suitable trading accounts of quasi-commercial concerns. We desire to express our approval of the proposals in general but we prefer to leave the details to be worked out by the Finance Department of the Government of India in consultation with the Auditor General. We trust, however, that it will be possible to give effect to the proposals at a very early date, as we are of opinion that the Appropriation Report in the new form will be much more informative and will more easily enable defects in system and in procedure to be discovered and set right expeditiously.

35. We regret very much that we were unable to deal with the important question which we inherited from our predecessors, whether revenue and expenditure should be shown gross and net in the accounts. It was brought to our notice that there were legal obstacles in the way of a procedure such as our predecessors tentatively recommended, namely that a grant for gross as well as for net expenditure should be obtained from the Assembly in all cases where recoveries of large amounts were involved. We understand that the question is still under consideration in the Legislative Department who have not yet been able to express their final opinion in the matter.

36. As an illustration of the importance and the difficulty of the problem we should like to cite an instance mentioned by the Accountant General, Posts and Telegraphs, in his Appropriation Report. Among the changes in accounts classifications ordered by the Auditor General in the year under review, the detailed head "Contributions from private individuals and Indian States" which was formerly borne under the receipt head "Fees and other receipts" was expunged and the amounts of these contributions are now deducted from relevant expenditure heads, the result being that only the net expenditure incurred on specific services after deduction of these contributions appears in the books.

Questions 154—168.

We were not satisfied that this procedure, which had incidentally the effect of removing this particular expenditure from the control of the Assembly, was constitutionally correct. The difficulty can best be appreciated by noticing the important fact that if in any case the recovery of expenditure is not made, the actual amount spent would have to be found from grants voted by the Assembly.

Question 164.

37. Another instance was specifically brought to our notice by the Auditor General where, as explained in the Appropriation Report of the Accountant General, Central Revenues (page 105), the expenditure on account of the Imperial Police Service examination in the United Provinces had been met out of the fees realised from the candidates for admission to the said examination. He added that no budget provision was made in 1923-24 as the charge in question was ordered by the Government of India to be met out of the fees realised from the candidates. The Auditor General pointed out that these orders contravened the general principle that receipts should not be utilised to meet expenditure. We understand that the orders were due to a misunderstanding, the intention of the Government having been to ensure that the fees realised should be sufficient to cover the cost of the examination. We consider it desirable to adhere ordinarily to the general rule quoted by the Auditor General and we understand that the Government of India agree with this view.

38. We notice that the Auditor General has assumed in one of his letters forwarding the Audit Reports, that the Public Accounts Committee is not, under the existing rules, concerned with matters which relate to receipts. This point was further elaborated by Mr. Jukes in replies to questions put by us.

Questions 1115—1121.

His opinion briefly was that under the statute as it stood at present, the Assembly and consequently the Public Accounts Committee had nothing whatever to do with the estimates of revenue or anything concerned with revenue, all that they were concerned with being the expenditure. We are not quite satisfied that the constitutional position is as stated by the Auditor General and that we as a Committee cannot, unless such questions are specifically put before us by the Finance Department, consider questions of receipts when they come to our notice in scrutinising the Appropriation Reports. We are inclined to doubt whether the fact that estimates of revenue do not come to the Assembly for sanction justifies the view that any serious failures to collect revenue or any defalcations which have the result of reducing the revenue collected are

M152FinD

*ipso facto* out of our purview altogether.\* We suggest that this question should be carefully considered by the Finance Department in consultation with the Legislative Department, if necessary; but meanwhile we have not considered ourselves deterred from making comments wherever necessary on questions arising in connection with receipts. We understand that in the British system losses due to fraud, defalcation, etc., in connection with revenue are brought to the notice of the Public Accounts Committee and Parliament by the device of treating such losses as a form of expenditure requiring to be covered by a vote of Parliament, a corresponding credit being made to the appropriate revenue heads, so that the Revenue figures show all sums received from the public in payment of taxes or dues, even though owing to some irregularity the money has never actually passed from the officer who received it into the Exchequer. Some adaptation of this system to India would seem to be worthy of consideration.

39. As a matter of fact certain of these questions have come to our notice in the course of our scrutiny of the Reports placed before us. Of these the most important is the question of a proper check on Customs receipts raised by the Auditor General in his letter forwarding the Audit Reports to the Secretary of State. Before we come to this, we should like to dispose of two minor matters that were brought to our notice in the Audit Report of the Accountant General, Central Revenues. The first was a suggestion made by the Accountant General, Bombay, with regard to the desirability of seeing that all receipts on account of Government dues like income-tax should be paid direct into the Imperial Bank. The second was a suggestion made by Mr. Kaula that in order to avoid the risk of defalcations by fees not being transmitted regularly by the collecting officer to the Treasury, fees in respect of minor services rendered by Government, for example, passport fees, should be collected by means of stamps. We trust that both these suggestions will receive the careful consideration of the Government of India.

40. The question of an adequate check on Customs receipts is very important and particular attention has been drawn to it by the Auditor General in his letter No. 379-Admn.-588/24 of the 5th March 1925. His remarks on this subject put the point so clearly and forcibly that we make no apology for quoting them in full:

“At present the Customs is the only great Revenue Department in which receipts come under my audit scrutiny. This scrutiny is applied by means of a regular test audit conducted by one of my own officers. Customs dues are now the most important source of the revenues of the Government of India. The rates which were originally low are now in many cases very substantial. The temptation to evade payment is now very great, and it is of vital importance that there shall be a system of internal check which will ensure an intelligent close and efficient scrutiny of the collection of Customs dues. In my opinion the arrangements for, and the system of, internal check in this Department both in respect of executive and of account work are not satisfactory,



and I consider that the position of the departmental accounts and audit needs strengthening and the system needs to be modified. Certain suggestions to this end have recently been submitted to the Central Board of Revenue. Recent events have accentuated the urgency of the need for the introduction of remedial measures. Serious irregularities have come to light at all Custom Houses, and in Calcutta frauds have been perpetrated on the revenue which are more serious than any which have occurred in the Department for a generation past. I know of no branch of Government activity in which there is more need for an improvement of the system, and organisation of internal check, than in the Customs Department. The Customs Department has also been chosen as one in which an experiment is being tried in the allied matter of separating accounts from purely audit functions. With this end in view, a Pay and Accounts Officer has been appointed experimentally to one of the principal Custom Houses. If it be decided to retain such an officer permanently, it will be necessary to co-ordinate his activities with the measures necessary for the improvement of the system of internal check, and to modify my organisation for test audit".

41. We examined Mr. Lloyd, Member of the Central Board of Revenue, on this question and we understand that the Government are fully aware of the impor-

Questions 460—476. tance of taking all measures necessary to improve the system. We have been assured that steps have been taken to strengthen the superior supervising staff, that the internal check has been improved by an increase in the number of appraisers, and that the internal audit staff has also been added to. It is understood that the question of re-organising the internal audit staff and of strengthening the audit conducted by the Auditor General is also under consideration. We trust that the Government will consider carefully what further measures are necessary in order to put the system of internal check and audit on a satisfactory footing, and we hope that the Auditor-General will have a more encouraging state of affairs to report next year.

42. We note with concern the opinion of the Auditor General that the total number of frauds, embezzlements and other serious financial irregularities shows no improvement as compared with the preceding year's report. This comment is made by him in respect of all the Audit Reports on the accounts of Central expenditure, Civil, Military, Railways and Posts and Telegraphs. The Government of India have issued a confidential circular letter impressing upon all concerned that in cases of fraud and embezzlement which came to light disciplinary action should be taken against those found guilty of bad supervision. This letter was issued after the close of the year under scrutiny and we share the hope of the Auditor General that future reports will show that the letter has had some effect. The Director General, Posts

Question 169.

and Telegraphs, informed us in connection with his Department that there had been a decrease both in the number of officials concerned in frauds and embezzlements and in the total amount involved. We understand also that in the Railway

Departmental improvements in procedure have been introduced and that deterrent punishments have been awarded in several cases which, it is hoped, will lead to a more satisfactory state of affairs in future. Where such large sums are involved as in the Railways and Posts and Telegraphs, it is impossible to hope that frauds will ever entirely cease and the percentage of the amounts involved in these frauds is after all not very large at present. But it is important to scrutinise carefully the facts of each fraud and embezzlement that comes to light in order to see whether any carelessness in supervision, or defect of system has led to such fraud or embezzlement. The necessity of keeping a watchful eye on these matters and of making the subordinate staff understand that such a watch is kept cannot be overestimated.

43. In considering the question of the adequacy or otherwise of disciplinary action in cases of frauds or of irregularities where there was no fraudulent intention, we were struck by the fact that at present the general impression seemed to be that, once an officer has retired, the question of taking any disciplinary action for irregularities committed by him while in service should not be considered at all. We recognise that in certain cases it would be hard to call upon an officer long after he has retired to explain particular actions in the course of his service; but we agree with the Auditor General that it is not correct to hold that pensions should in all cases be considered sacrosanct. We are of opinion that the fact that an officer has retired between the date of committing an irregularity and the date of the discovery is not by itself a sufficient justification for not taking any disciplinary action at all in the matter. If sums are lost to the State through his irregular action, fraudulent or otherwise, we can see no obvious reason for not considering whether any part of such sums should be recovered from him in spite of his retirement, or whether any disciplinary action in the matter of reducing his pension or otherwise cannot be taken against him.

44. We turn now to some of the comparatively minor matters of general interest that were noticed by us in going through these Reports. In the first place, we desire to re-emphasise the remarks of the last Committee on the question of the importance of seeing that accounts adjustments do not cause excesses over grants. Certain cases have been brought to our notice in which excesses over a grant or over minor heads of a grant, were caused by accounts adjustments after the close of the year. We trust that the general principles laid down by the Government of India in their Resolution on the last Report will have the desired effect. We also hope that the importance of the administrative and the accounts authorities being in touch with each other will not fail to be recognised.

45. The Auditor General has brought prominently to our notice the question of the provision of lump sums in the estimates and has suggested that on the analogy of the rules for the Provincial Finance Departments, the Central Finance Department also should always refuse to provide in its estimates for any scheme which it has not examined. Two instances were specifically cited

Questions 417—19:

Questions 508—511.

Appendix X.

by the Auditor General, viz.: provision for income-tax staff in Bombay and that for the South Waziristan Scouts in the North-West Frontier Province Budget. It has

been explained to us by the officers who gave evidence on these points that

these were not really lump sum provisions as full details were available at the time and had been submitted by the subordinate authorities. We understood from Mr. McWatters that the Finance

Department was as a matter of fact steadily setting its face against lump sum provisions and had actually issued instructions in 1924 formally prescribing that lump sum provisions should be avoided as far as possible except where the necessity for providing for expenditure in advance of the detailed estimates (for example, for commissions of enquiry) could be clearly shown. We agree with the Auditor General's view which, we understand, is fully accepted by the Finance Department that a lump sum provision is a thing undesirable in itself and should be resorted to only in really exceptional circumstances.

46. The Accountant General, Posts and Telegraphs, commented in his Appropriation Report on the policy of keeping appointments vacant instead of abolishing them, and of providing for them in the estimates, which, he said, conduced to over-budgeting and all that it involved, and in the second place enabled appointments kept vacant to be filled later on without the knowledge of the proper authority. After careful consideration we have come to the conclusion that it is desirable to lay down a general rule for all Departments that no provision should be made in future in the budgets for any appointments which it has been decided to keep in abeyance. If it is decided to revive those appointments, such action should not ordinarily be taken without the previous approval of the Finance Department.

47. We were much interested in seeing the efforts made of recent years by the Posts and Telegraphs Department and the Railways to reduce their stores balances. The balances at the end of the last four years are given below :—

Year.	Posts and Telegraphs (including Army mobilisation Stores).				Railways.
	Lakhs.				Lakhs.
1921-22 .. .. .	2,58				23,19
1922-23 .. .. .	2,57				22,99
1923-24 .. .. .	2,10				21,58
1924-25 .. .. .	1,38				17,00

We trust that these efforts will continue so as to ensure that the balances are not kept higher than are absolutely necessary by proper control of purchases and by writing off unserviceable stores.

48. Another matter of general importance that deserves to be mentioned in this report is the rather curious arrangement which was brought to light in the Audit Report of the Accountant General, Central Revenues, where the Government sanctioned in 1921-22 the supply of a motor car to an officer with a monthly maintenance allowance, but as no provision was made for the purpose in the estimates, the amount was borrowed from the Municipality which also paid the maintenance allowance and continued to pay it till 1923-24 when the total amount thus disbursed by them was repaid. The Accountant General commented also on the inadequacy of the price realised when the car was sold. This is a matter of detail and the evidence we received does not fully bear out the view that the price was too low. But from our point of view the serious irregularity was that of borrowing money from the Municipality to meet expenditure properly debitable to Government and of continuing to do so year after year in spite of repeated reminders from the Municipality. We trust this is an isolated case of its kind and that other disbursing officers are better aware of their responsibilities in the matter of obtaining funds for expenditure to be incurred by them under proper sanction. We hope that the Government will express their disapproval of the action taken by the responsible officer in this case.

49. Certain cases have been brought to our notice which suggest to us doubts as to whether the present system by which contracts may be entered into by the Departments of the Government of India and other authorities without the previous sanction of the Finance Department is quite satisfactory. We recognise that it will be impossible to lay down a rule that all contracts entered into by the administrative authorities within their own powers should be subject to the sanction of the Finance Department, but we suggest that the Finance Department should make rules to provide that any contracts containing any unusual conditions should not be entered into without previous consultation with it and that material variations in contracts once entered into should not be made without its sanction.

#### IV.—PARTICULAR ACCOUNTS.

##### *General Administration.*

50. Our attention was drawn by the Auditor General to the large savings under the head "Council of State" and the "Legislative Assembly". The saving under the former was very nearly half the original grant. The explanation given in the Appropriation Report, that the savings were due to the fact that the travelling allowance rules were revised, was clearly inadequate. We understand that the real reason was that the budget was framed on the assumption that the allowances of all members of the Legislature appointed by the Government of India to committees would be debited to the head "Council of State." This procedure has now been given up according to one of the recommendations of the first Public Accounts Committee and the present practice is that expenses of only those committees that are appointed by the Legislature with instructions to report to it, are to be debited to the head "Legislative bodies."

*Civil Works.*

51. We suggest that the details of sums allotted by the Public Works Department out of the reserve at its disposal should be given in the Appropriation Account in future and that it should be definitely laid down that allotments from the reserve should not be made except to cover lapses in grants in the previous year and for unforeseen works and that no allotment should be made on account of establishments, etc.

52. The variations in the percentage for establishment and tools and plant from year to year were brought to our notice by the Auditor General who was inclined to attribute the excesses in such cases to defective budgeting. Under existing arrangements, variations are inevitable, and apparently it is impossible

Question 652.

to frame correct estimates at any rate in the beginning of the year. We understand that local Governments have been asked whether they would undertake the work of the Central Government for a given period of 3 or 5 years at a definite percentage, but that it is expected that a system of this sort may be more costly in the long run. We are not in a position to express a definite opinion on this latter question, but as regards the preventing of technical excesses over grants caused by the impossibility of ascertaining the percentage it seems to us that it ought to be possible to prevail on local Governments to give us a more approximate estimate of the percentage for the year about the close of it so that steps may be taken to obtain a supplementary grant wherever necessary.

53. The question of devising methods to combat the tendency towards an accelerated rate of expenditure in the concluding months of the year has recently again engaged the attention of the Government of India and they have issued a circular (printed as Appendix XIX) reminding officers of the undesirability of this procedure and pointing out to them that the lapses during the previous year have the first claim upon the reserve at the disposal of the Public Works Department and that consequently there is no necessity for them to incur expenditure hurriedly in order to prevent a lapse of the grant.

*Refunds.*

54. We found that the estimates in connection with the grant for refunds had not been prepared carefully; as we have already stated, there were officers who were unaware that non-statutory refunds required appropriation. A great portion of the expenditure under this head is under the control of the Central Board of Revenue and we consider that they should be asked to look more closely into the question of the estimates of refunds, though we recognise that there are difficulties in the way of making proper estimates and that payments cannot be postponed for want of funds. A simple way out of the difficulty might perhaps be to make the refunds in question statutory.

*Posts and Telegraphs.*

55. We discussed the question of estimating and control of expenditure in this department with the administrative authorities who frankly admitted that up

(Questions 50 and 51.)

to now the budgeting had not been particularly good and that the control of expenditure had left much to be desired. We understand that the instructions recently issued by the Director General with regard to the control of expenditure (Appendix XVI) are expected to result in a considerable improvement. We are glad to note that more attention is proposed to be paid to estimating in future, and that a separate branch will be opened in the Director General's office, for the purpose. We are of opinion that there is considerable room for improvement in the system of estimates for capital expenditure. We suggest that only such major works as have been specifically approved on

Questions 54 and 55.

detailed estimates should be included in the budget, which should contain also separate provision for minor works and a reserve for lapses and unforeseen expenditure.

56. In connection with the results of the working of the Posts and Telegraphs Department for 1923-24, the Accountant General remarked : " While the working expenses are more likely to increase unless there is some drastic modification of policy, there must be a very definite revival of trade before any considerable increase in the earnings from telegrams can be expected."

Question 34.

We have been assured that no drastic modifications of policy are possible, but we understand that the Committee that recently completed its enquiry into the working expenses of the Department has made recommendations affecting the management of the Department which, if accepted, may lead to large savings on the telegraph side. We trust that the necessity for every effort to secure important economies

Question 32.

in working expenses will continue to be borne in mind.

57. The present position of the proposal to transfer control of the Indo-European Telegraph Department to the Government of India was explained to us at some length by Mr. Ryan. We understand that the whole question

Questions 44, 45.

is at present under careful consideration and we trust that the matter will be pressed to a speedy conclusion.

58. In the Appropriation Report of the Accountant General, Posts and Telegraphs we found that a portion of the loss under telegraphic systems was due to the radios, which, though a necessary part of any modern Posts and Telegraphs Department, were working at a loss. We desire to call attention to

Question 82.

Mr. Roy's note on the subject. We suggest that the question of charging fees for services rendered by these offices to other departments and to shipping deserves careful consideration.

59. Our attention was drawn to the importance of the exhibition of stores balances at their correct value in connection with a certain irregularity in the Telegraph Department. The Accountant General reports that orders were issued by the Director General to the Controller of Telegraph Stores to write down certain stores including B Brackets to half their book value by debit to "Unserviceable stores written off" and they were accordingly written down to half their value. There were however insufficient funds under this head,

and the Director General decided that the "written down" value should be limited by the funds available during 1923-24. Accordingly the Controller again brought on to stock 154,000 B Brackets at their original value in his store vouchers for March 1924. The Accountant General remarks in this connection that though the spending of money beyond appropriation is a grave irregularity, to show stock at a value it does not possess, is a graver one. When it is known that stocks are valueless it is the duty of the responsible authority to write these stocks down, and to obtain a grant for the purpose. Even where it is not possible to obtain a grant it is a question whether it is not better in the interests of financial rectitude and truthful accounting to exceed the appropriation than to do formal homage to rules of expenditure control. The Auditor General endorses very strongly this opinion and condemns the action of the Director General which led to the accounts officer making an incorrect presentation of facts. We understand that the Department has accepted the Accountant General's views as to the irregularity committed in this matter and steps have been taken to prevent the recurrence of such irregularities.

Question 20.

60. We suggest that the question of the proper amount of security to be taken from the Posts and Telegraphs officials should be carefully considered as we are inclined to believe that the present system is defective. Till recently the department apparently did not even see that information was received by the proper authorities of the death or insolvency of sureties.

Questions 178-184.

The Director General explained that he had recently issued a circular requiring periodical certificates regarding the existence and solvency of these sureties, but it appeared that the certificate prescribed was from the official himself. It seems desirable that certificates should be obtained from some other competent authority, for instance, the revenue authorities of the district.

61. We were interested to note that as a result of the investigations of the audit officer on the actual cost of the departmental working of motor mail services at Calcutta, the cost of the service had been reduced considerably. The department, however, still prefers a contract system to departmental working. We are not quite satisfied that there is effective competition in the matter of these contracts in all places, and it is not certain that the rates are not, in some cases, unnecessarily high. The Director General has promised later to put in a memorandum giving a full explanation of the contract at Calcutta. We consider that this matter deserves careful investigation.

### *Railways.*

62. We understand that the result of the economies effected by the Indian Retrenchment Committee in the year 1923-24 as compared with previous years are estimated at 2½ crores per annum, of which nearly a crore of rupees was effected on the Great Indian Peninsula Railway. On this the Auditor General raised the pertinent question that it should be ascertained whether the economies effected on the Great Indian Peninsula Railway did not suggest possibilities of further economies on the railways managed by the State. We examined

the Financial Commissioner on this subject but he did not expect that the result of similar steps elsewhere would be of such magnitude, though they were taking action in the direction indicated.

63. We also considered the question of the advisability of making the audit independent of the administration in railways managed by companies under contract. We understand that the Government of India have no power under the contracts to enforce this proposal and that they are therefore of

#### Appendix V.

opinion that it is neither possible nor advisable to reopen with the Companies this question. We understand that the Auditor General has found it possible to extend and improve the checking of the accounts carried out by the Government Examiners in the case of two Railways. He was not desirous of asking for

#### Question 958.

extra staff at present and was willing to wait for another year and watch results before making any proposal.

64. In paragraph 13 of the Audit Report of the Accountant General, Railways, we came across the following statement :—" During the period of the war, i.e., between the years 1915 and 1919 considerable credits on account of revision of prices of stores were carried to the Railway Revenue working expenses." The position was explained by Mr. Philipe but we wish to draw

#### Question 1000.

attention to it as it seems to us incorrect to have taken to revenue credits due to the adventitious circumstances of the war, especially when it was pretty certain that after the close of this abnormal period prices would come down and the stores would have to be written down. It was understood that the whole question of the revaluation of stores would soon be considered by the Standing Finance Committee for Railways.

#### Army.

65. In perusing the Audit and Appropriation Reports on the Army Accounts for 1923-24 and the Auditor General's observations thereon, we were considerably assisted by the labours of the Departmental Committee\* appointed this year by the Government of India to examine the said reports. It is true, no doubt, that the specific duties imposed on us in scrutinising the Audit and Appropriation Accounts of the Governor General in Council are to satisfy ourselves that the money voted by the Assembly has been spent within the scope of the grants made by the latter and to bring to its notice reappropriations and excesses as well as any other expenditure which the Finance Department may desire to be brought to notice. Nevertheless, the Committee feel it incumbent on them in the exercise of their general powers of dealing with and scrutinising the whole of the Audit and Appropriation Accounts of the Government of India, to offer a few general observations on the Army Accounts for 1923-24, in the hope as expressed by the Departmental Committee that "the publicity given thereby to the observations of the Auditor General and of ourselves within the Army would, as in civil Administration, be salutary.

\*Vide Appendix XXI.



66. We are glad to note that the question of assimilating the Indian Appropriation Reports to the corresponding British Reports will be taken up by the Financial Adviser, Military Finance, as soon as orders are passed by the Government of India in respect of the assimilation of the Civil Appropriation Reports. Our recommendations on the proposals of the Auditor General in this behalf will apply, *mutatis mutandis*, to the Military Appropriation Reports.

67. Much evidence was taken by the Public Accounts Committee of last year and further departmental discussions appear to have taken place, on the cost-accounting system in force in the Army Department. It is to be hoped that as a result of the labours of the Committee that will shortly inquire into this subject, the whole matter will be placed on a simple and intelligible basis which while getting rid of the complicated accounts that confuse the layman in following the figures, will provide a real and effective check on the purchase, stocking and consumption of Military stores.

68. We endorse the observations of the Departmental Committee that the large variations in the figures of the Appropriation Accounts of 1923-24, as between the revised estimates and the actuals cannot but be considered as indicating on the whole lack of control of expenditure and that this should be attended to as, in particular, the budget for the next year, is based to a certain extent on the revised estimates of the year and any over-estimating in the latter is reflected in the former. We hope that the improved system now in adoption by the Financial Adviser would lead to minimising the danger of wrong estimation under these heads of expenditure in the budget of the Government of India. We also think that the latitude that has been permitted in regard to the sanction of alterations in grants made by Government and other competent authorities by which additions and modifications budgeted under one head are spent under another, should be no longer permitted and we agree with the Departmental Committee that it should be further investigated with a view to fix further limitations.

69. We do not desire to offer any detailed observations on the individual cases of irregularity noticed by the Auditor General and by the Departmental Committee except to say that they concur in the observations made by them. The Departmental Committee observe that many of the financial irregularities, frauds and losses commented on in their report occurred at a time when the abnormal conditions occurred by the Great War had not wholly passed away and that while such conditions existed it was difficult to enforce high standards, but that at the same time the risk of money being mis-spent or lost is ever present and that the facts disclosed and criticisms made should be brought to the notice of all officers in the Army so as to produce a strong impression on their minds. In this view, the fact that we have felt compelled to endorse these observations—which we trust will be laid before His Excellency the Commander-in-Chief—will, it is hoped, induce His Excellency to take such steps as will place Army Expenditure on the most economic and efficient footing in the interests of the tax-payer.

*Home Accounts.*

70. We desire to make special mention of the value of the scrutiny by the Home Auditor of expenditure in England which, we notice, resulted in a saving to Indian revenues during the year of about £120,000 and has, apart from direct savings, led to improvements in procedure.

*Conclusion.*

71. We have dealt in the preceding paragraphs with the more important questions that were considered by us in examining the appropriation accounts of the year 1923-24. There are certain other points of minor importance on which our opinions will be found recorded in the minutes of our meetings which, we request, may be considered an integral part of our report.

72. We desire to record our special appreciation of the very able assistance we have received from our Secretary, Mr. P. R. Rau. His experience of the working of the Public Accounts Committee in 1923 and 1924 has made his services in 1925 of exceptional value to us, and he has been unremitting in his zealous discharge of his duties and unfailing in his willing attention to our requirements.

*The 11th September, 1925.*

BASIL P. BLACKETT.

M. YAKUB.

GANGANAND SINHA.

AHMAD ALI KHAN.

K. G. LOHOKARE.

MAURICE WEBB.

N. M. JOSHI.

V. N. MUTALIK.

A. RANGASWAMI IYENGAR.

HARKARAN NATH MISRA.

HUGH G. COCKE.

S. MURTUZA.

**Proceedings of the first meeting of the Public Accounts Committee held on Wednesday, 5th August 1925 at 11 a. m.**

**PRESENT :**

Sir BASIL BLACKETT, *Chairman.*

Mr. AHMAD ALI KHAN	} <i>Members.</i>
Pt. HARKARAN NATH MISRA	
Dr. K. G. LOHOKARE	
Sardar V. N. MUTALIK	

Mr. JUKES, Auditor General, and Mr. KAULA, Accountant General, Central Revenues, were also present.

1. The Committee took into consideration the Appropriation Report of the Accountant General, Central Revenues, on the accounts of the year 1923-24. Before they adjourned for the day, they went quickly through the accounts of voted expenditure relating to the first 31 Grants, noting (*vide* Appendix) the points on which they desired to examine witnesses from the various Departments. The Secretary was instructed to communicate with these Departments and to fix a day in the following week on which the evidence would be taken.

2. In the course of this examination the question of the procedure in respect of allotments from the reserve at the disposal of the Finance Department was discussed briefly. One of the suggestions made was that it was desirable to place before the Assembly demands for supplementary or excess grants, as the case may be, in cases where the total expenditure under any Grant exceeded the amount originally granted by the Assembly though the excess was covered by allotment of funds from the reserve. The Auditor General made the suggestion that there should be no specific re-appropriation from the reserve in the earlier part of the year but that funds should be earmarked from the reserve as a sort of guarantee that the expenditure would, if sufficient funds were not available from the Grant itself, be met from the reserve, actual transfers being made only at the close of the year when it was reasonably certain that the Grant under the proper head was not sufficient to meet the charge. The Committee discussed this question at some length but decided to postpone their decision till they could examine Mr. McWatters on the whole question of the constitution of the reserve.

3. The Committee noticed that the proportion of excesses under the non-voted section of the accounts was usually greater than under the voted section. The Auditor General in his letter forwarding all the appropriation reports to the Secretary of State had stated that this was the case in most provinces and that this seemed to indicate that the submission of expenditure to the scrutiny of the Legislature ensured better financial control. As regards the estimates of the year under review it was explained that they could not have been expected to be very accurate, because the Report of the Retrenchment Committee was in the hands of the Finance Department too late to be utilised in the

preparation of the detailed estimates with the result that lump reductions had to be made and it was impossible at the time to make a close estimate of the savings in each case. It was not unsatisfactory that the economies actually effected were much more than were anticipated. The Committee noticed that in many cases additional grants had been asked for from the Assembly which the results proved to have been unnecessary. They proposed to examine witnesses from the Departments specially on this point.

4. The Committee noted the excess of Rs. 654 under Grant No. 15-A—Administration of Justice. Though the excess was small, they desired that a fuller explanation should be obtained of the excess (which Mr. Jukes undertook to get from the A. G., Madras) before making a recommendation to the Assembly to vote an excess grant, as they were of opinion that with a well regulated system of control over expenditure, there ought not to be any excesses.

5. The excess expenditure of Rs. 3,070 under Grant No. 16--Jails and Convict Settlements was explained as due to larger payments in England on account of leave allowances and to the fact that the Government had omitted to alter the provision under Exchange to correspond with the revised estimate of expenditure in England. This was one of the points on which the Committee desired to examine Mr. McWatters and they deferred a decision on it till they had heard him.

6. The explanation of the excess expenditure of Rs. 3,319 under Grant No. 31—Civil Veterinary Services was as follows : “The excess was foreseen and the local officer addressed Government on the subject which decided to leave this unavoidable excess expenditure to be dealt with through the Appropriation Report.” The Committee desired to have a fuller and more clear explanation from a representative of the administrative department concerned before deciding on the recommendation they would make.

## APPENDIX.

No.	Department.	Points on which the Committee desired to examine witnesses from the various Departments.
1	Finance Department	The Committee desired a detailed explanation about the actual use of the Reserve in order to consider the possibility of modifications in the procedure.
2	Ditto ..	<i>Footnote under Grant No. 1, on page 20 of the Appropriation Report.</i> —The Committee desired to know why no alteration was made under Exchange corresponding with the alteration in the revised estimate of expenditure in England.
3	Ditto ..	<i>Page 50 of the Appropriation Report, Head 1.</i> —The Committee desired to know why the excess which was stated to have been anticipated was not provided for.
4	Ditto ..	<i>Page 51 of the Report and paragraph 19 of the Auditor General's covering letter.</i> —The Committee desired to know why the arrears of payments to Wasikadars could not have been anticipated and provided for.
5	Ditto ..	<i>Page 52 of the Report.</i> —The Committee desired to know why no provision was made for interest on Famine Insurance Fund.
6	Ditto ..	<i>Page 57 of the Report. Paragraph 21 of the Auditor General's covering letter, Explanations (b), (c) and (d) under the Head "Army, Military Works and Marine".</i> —The Committee wished to have an explanation of the reasons for the sanction not being accorded. The Committee also desired Mr. McWatters to consider whether the interest on G. P. Fund deposits could not be estimated more accurately, and to ascertain whether the difference between the actuals and the Grant in this year compared unfavourably with those of previous years.
7	Central Board of Revenue	<i>Page 20 of the Appropriation Report.</i> —The Committee desired to know why an additional grant was asked for in February 1924 under the Head "1—Customs" seeing that the total expenditure fell below the original Grant.
8	Ditto ..	<i>Page 22 of the Report.</i> —The Committee desired to have fuller information about the abolition of the posts referred to.
9	Ditto ..	<i>Note at the bottom of page 24 of the Report.</i> —The Committee desired a fuller explanation as it was felt that restrictions on travelling were not always really economical.

No.	Department.	Points on which the Committee desired to examine witnesses from the various Departments.
10	Central Board of Revenue.	<i>Page 25 of the Report.</i> —The Committee desired to know the reasons for an additional Grant being asked for seeing that the total expenditure was below the original Grant. The Committee also desired to have full information about the system of the control of expenditure in the Income-tax Department.
11	Ditto	<i>Page 27 of the Report and the Auditor General's covering letter, paragraph 12.</i> —The Committee desired to know the reason for including a lump provision in the Estimates.
12	Ditto	<i>Page 29 of the Report.</i> —The Committee desired to know why the excess under "Bihar and Orissa" was not prevented by timely re-appropriation.
13	Ditto	<i>Page 30 of the Report, paragraph 11 of the Auditor General's covering letter.</i> —The Committee felt that the Supplementary Grant in February for expenditure under "Taxes on Income" in Assam was unnecessary and wished to know the reasons that led to the demand being placed before the Assembly.
14	Ditto	<i>Page 35 of the Report.</i> —The Committee desired to know why the excess under "Ghazipur Opium Factory" could not have been foreseen in time and re-appropriation made to cover the expenditure.
15	Ditto	<i>Page 36 of the Report.</i> —The Committee desired to know the reasons for the reduced expenditure in England.
16	Foreign and Political Department.	<i>Pages 81-82 of the Report.</i> —The Committee desired to obtain an explanation of the excesses under Heads "Bombay" and "Punjab."
17	Commerce Department	<i>Page 73 of the Report.</i> —The Committee desired to know in detail the reasons for an additional grant of Rs. 17,000 being asked for, the actual expenditure being less than the original Grant.
18	Home Department	<i>Page 61 of the Report.</i> —The Committee wished to know why a Supplementary Grant of Rs. 5,000 was asked for, the total expenditure being Rs. 57,000 less than the original Grant.
19	Legislative Department.	<i>Page 61 of the Report. Paragraph 23 of the Auditor General's covering letter.</i> —The Committee desired a fuller explanation of the large savings under "Legislative Bodies" and "Legislative Department" with the reasons for asking for an additional Grant which proved unnecessary.

No.	Department.	Points on which the Committee desired to examine witnesses from the various Departments.
20	Education Department	<i>Page 38 of the Report.</i> —The Committee desired to have a fuller statement of the large savings under Grant No. 7—Forest.
21	Ditto ..	<i>Page 77 of the Report.</i> —The Committee desired to have a fuller explanation of the facts in connection with the over-payment in 1921-22 to Messrs. Howard and Sons.
22	Ditto ..	<i>Page 84 of the Report.</i> —The Committee desired to know the reasons for the large savings under the Grant "29—Public Health."
23	Ditto ..	<i>Page 87 of the Report.</i> —The Committee desired to know the reasons which led the Government to decide to leave "unavoidable excesses of expenditure to be dealt with through the Appropriation Report."
24	Industries and Labour Department.	The Committee desired to have an explanation of the points referred to in paragraph 15 of the Auditor General's covering letter, regarding the variations between the estimates and the actuals in respect of recoveries.
25	Industries and Labour Department (Public Works Branch).	The Committee desired to have full information about the control of expenditure under Grant No. 9—Irrigation, Navigation, etc., and to know the reasons for asking for an additional Grant from the Assembly seeing that the total expenditure proved to be below the original Grant. They desired that the representative of the Industries and Labour Department should be prepared to answer any questions arising out of the appropriation accounts of the Grant, as the explanations given in the Appropriation Report were not quite clear.

**Proceedings of the Second meeting of the Public Accounts Committee held on Thursday, the 6th August 1925 at 11 a. m.**

**PRESENT :**

Sir BASIL BLACKETT, *Chairman.*

Mr. AHMAD ALI KHAN.

Pt. HARKARAN NATH MISRA.

Dr. K. G. LOHOKARE.

Sardar V. N. MUTALIK.

Mr. A. RANGASWAMI IYENGAR.

MOULVI SYED MURTAZA SAHIB BAHADUR.

*Members.*

Mr. JUKES, Auditor-General, and Mr. KAULA, Accountant General, Central Revenue, were also present.

1. The committee completed their examination of the Appropriation Report of the Accountant General, Central Revenues, and noted the points on which they desired to examine representatives of the Departments of the Government of India—(*vide* Appendix).

2. Mr. Jukes handed in a statement (*vide* Appendix XV) prepared by Mr. Kaula showing the actual use of the reserve in the course of the year, from which it was found that only in very few cases was an allotment from the reserve really necessary in order to prevent an excess over the grant and that the total amount involved was comparatively insignificant.

3. The Committee came across instances of misclassification of expenditure similar to those referred to in paragraph 10 of the previous Committee's report where votable expenditure had been recorded in the accounts as non-votable or *vice versa* and the question of how these incorrect entries in the accounts could be regularised was discussed. The Auditor General pointed out that when mistakes were discovered after the Finance and Revenue Accounts had been completed for presentation to Parliament, it was impossible to make any changes in the accounts. The Committee noticed that there was an excess of Rs. 13,68,661 under Grant No. 41—Civil Works, which would not have occurred but for the fact that a sum of Rs. 19,64,882 which ought to have been charged as non-voted, was charged against this grant. There was therefore in reality no excess over the grant though owing to the mistakes in the accounts there was technically an excess which might be held to require the sanction of the Assembly. The question was complicated by the fact that it appeared doubtful whether it was legal to ask the Assembly to vote an excess grant which was really for the purpose of non-voted expenditure. The Committee desired to examine Mr. McWatters on this point before coming to a decision.



4. The Committee desired that the excess under Grant No. 36B (Emigration—External) which required the sanction of the Legislative Assembly should be explained to them by a representative of the administrative department.

5. The Committee observed that the Government of India had decided that the expenditure on account of the Imperial Police Service Examination should be met out of the fees realised from candidates. As pointed out by the Auditor General, this was in contravention of the main principle that receipts should not be utilized to meet expenditure. They desired to obtain a fuller explanation on the point.

6. The Committee were tentatively of opinion that details of allotments from the reserve at the disposal of the Public Works Department under Grant No. 41—Civil Works should be furnished in the Appropriation Report in the same way as the details of allotments from the reserve at the disposal of the Finance Department were given at present. They desired to have the views of the Department of Industries and Labour on this point.

7. The Committee observed that in several cases, though excesses over minor heads were foreseen in time and funds were available from savings under other minor heads within the grant from which re-appropriation could have been made in order that technical irregularities might be prevented, no proper steps were taken by the responsible authorities to issue formal orders on the point. They considered that it ought to be brought to the notice of all authorities who were empowered to re-appropriate between minor heads under the grant that these powers were intended to be used and that every effort should be made to prevent, by the use of such powers, the occurrence of excesses under minor heads.

8. The Committee noted that in page 16 of the Appropriation Report and page 10 of the Auditor General's covering letter, it was stated that under Grant 59—Irrigation Works not charged to revenue, there was an excess of Rs. 6,104 which required the sanction of the Legislature. They observed, however, that the total expenditure was Rs. 13,104 against a grant of Rs. 22,000 originally sanctioned by the Assembly which had not been modified later by that body, though modifications sanctioned by other authorities had reduced the available grant. The question arose whether the excess over this latter grant could not have been foreseen and the expenditure regularised and the Committee proposed to examine a witness on the point, but in any case as the grant sanctioned by the Assembly had not been exceeded, they were of opinion that there was no necessity to ask for an excess vote.

9. The Committee agreed with the Auditor General (paragraph 37 of his covering letter) that the fact that refunds required an appropriation just like expenditure should be brought prominently to notice.

10. The Committee observed that the actual expenditure in the Central areas was in all cases less than the original grant while at the same time additional grants had in most cases been asked for from the Assembly at the close of the year. They were therefore desirous of examining representatives of the

administrative departments on the system of control of expenditure in these areas.

11. The Committee considered the non-voted expenditure shown in the Appropriation Report only in so far as it was referred to in the Auditor General's covering letter. They desired to record their opinion that the excess expenditure on the non-voted side should also be regularised by additional grants and that the explanation that there were savings under voted heads was hardly sufficient.

12. The Committee suggested that the questions raised in paragraphs 51-52 of the Auditor General's covering letter should be considered by the Finance Department.

## APPENDIX.

No.	Department.	Points on which the Committee desired to examine the representatives of the various Departments.
1	Industries and Labour Department.	<i>Page 88 of the Appropriation Report.</i> —The Committee desired to know the reasons for the very large savings under this Grant, the total expenditure being only Rs. 6,686 against the original grant of Rs. 41,000.
2	Ditto	<i>Page 92 of the Report.</i> —The Committee desired to know why the adjustment of charges for printing of statistics was not made during the year.
3	Industries and Labour Department (Public Works Branch).	<i>Pages 121-122 of the Report—paragraph 31* of the Auditor General's covering letter.</i> —The Committee desired that an explanation should be furnished by the administrative department regarding the variations in the percentages for Establishment and Tools and Plant from year to year in view particularly of the Auditor General's opinion that the excesses under the different minor heads under "United Provinces" were due to defective budgeting.
4	Ditto	The Committee desired to know the views of the Department on the suggestion that details of the allotments from the reserve at the disposal of the Public Works Department should be given in the Appropriation Report.
5	Ditto	<i>Page 123 of the Report—paragraph 32 of the Auditor General's covering letter.</i> —The Committee desired to know why the allotment for certain works was sanctioned so late as 26th March 1924.
6	Ditto	<i>Page 124 of the Report.</i> —The Committee desired to have an explanation of the savings under "Original Works", Bihar and Orissa, especially when an additional grant had been sanctioned under that head.
7	Ditto	<i>Page 126 of the Report, Note 1 under Assam.</i> —The Committee desired to know why no formal allotment was made to cover the expenditure in question.
8	Ditto	<i>Pages 219-220 of the Report.</i> —The Committee desired to know what was the reason of the modifications sanctioned and what was the meaning of a minus figure being shown as an addition, to the grant.
9	Ditto	<i>Page 222 of the Report.</i> —The Committee desired that information regarding the points referred to in paragraph 9 (g) of the Auditor General's covering letter might be furnished to them.

No.	Department.	Points on which the Committee desired to examine the representatives of the various Departments.
10	Home Department ..	<i>Page 93 of the Report.</i> —The Committee desired to know why no provision was originally made in the budget for Census expenditure (Grant No. 35) in the Central Provinces.
11	Ditto ..	<i>Page 105 of the Report.</i> —The Committee desired to know why the expenditure on account of the Imperial Police Service Examination in the United Provinces was ordered to be met out of the fees realised from candidates in contravention of the ordinary rules on the subject.
12	Ditto ..	The Committee desired to know generally the system of control of expenditure in areas under the administration of the Central Government as they found that the actual expenditure in these areas was in all cases less than the original grant (in some cases considerably less) while at the same time additional grants had been asked for from the Assembly at the close of the year.
13	Ditto ..	<i>Page 92 of the Report.</i> —The Committee desired to know why the adjustment of charges for printing of Census statistics was not made during the year.
14	Department of Education, Health and Lands.	<i>Page 97 of the Report.</i> —The Committee desired to know why the excess expenditure under Grant No. 36-B.—Emigration—External was not foreseen in time to obtain an additional grant.
15	Ditto ..	<i>Page 99 of the Report.</i> —The Committee desired to know who was responsible for the omission to provide funds in the Punjab under the above Grant. They observed that it was this excess which was responsible for an excess over the total vote.
16	Finance Department	<i>Page 107 of the Report.</i> —The Committee desired to have an explanation of the large savings under Grant No. 39—Currency. They also desired to discuss the question of reduction of charges for remittances of treasure with Mr. McWatters and to know whether the improvements in banking facilities had reduced these charges.
17	Ditto ..	<i>Page 112 of the Report.</i> —The Committee desired to know why the loss on circulation of bronze and copper coins had not been budgeted for, and to have an explanation of the variations under "Loss on Coinage".
18	Ditto ..	<i>Page 155 of the Report.</i> —Grant No. 45—Adjustments with Provincial Governments. The Committee desired to know why the excess under this head could not have been foreseen and an additional grant asked for from the Assembly in time. They wanted particularly explanations of the excesses under "Madras",

No.	Department.	Points on which the Committee desired to examine the representatives of the various Departments.
		<p>"Bombay" and "Bengal". They observed that the total excess was stated to be partly due to the revision of assignments to the Local Governments under Rule 15 (1), (2) and (3) of the Devolution Rules, which was referred to in paragraph 36 of the Auditor General's covering letter and desired to have a fuller explanation of the circumstances of the case.</p>
19	Finance Department	<p><i>Page 160 of the Report.</i>—The Committee desired to discuss with Mr. McWatters the question of the possibility of improving the estimates of refunds.</p>
20	Ditto	<p><i>Page 224 of the Report.</i>—The Committee desired to know particulars about the excess of Rs. 5,19,361 under Grant No. "62—Interest free advances" and why it could not have been foreseen.</p>
21	Ditto	<p><i>(Page 308 of the Report—Paragraph 49 of the Auditor General's covering letter).</i>—The Committee desired to discuss with Mr. McWatters the question of the propriety of providing in the budget lump sums for expenditure.</p>
22	Central Board of Revenue.	<p><i>(Page 155 of the Report).</i>—The Committee observed that the excess was stated to be partly due to the revision of assignments to the Local Governments under Rule 15 (1), (2) and (3) of the Devolution Rules and with reference to paragraph 36 of the Auditor General's covering letter, desired to have a fuller explanation of the circumstances of the case.</p>
23	Ditto	<p><i>(Page 161 of the Report).</i>—The Committee desired to have a fuller explanation of the large excesses under "Salt—refunds" under "India" and the large saving under "Bombay". The explanation stated to have been given by the Commissioner, Salt, with regard to the former was hardly satisfactory. They also wanted to know with reference to the explanation under "Bengal" (page 163 of the Report) why the provision was transferred from voted to non-voted.</p>
24	Foreign and Political Department.	<p><i>(Page 166 of the Report).</i>—The Committee desired that a representative of the Foreign and Political Department with, if possible, a representative of the North-West Frontier Province Administration should attend at a later meeting to explain the important savings and excesses under Grant No. 74-N.W.F.P. They particularly desired to know with reference to the note on the top of page 171 of the Appropriation Report what exactly the present system of control over progressive expenditure was. They also wished to discuss the</p>

No.	Department.	Points on which the Committee desired to examine the representatives of the various Departments.
25	Foreign and Political Department.	<p>recommendation of the Auditor General (paragraph 17 of his covering letter) about the opening of a separate Accounts office at Peshawar for the North-West Frontier Province.</p> <p>The Committee desired to know generally the system of control of expenditure in areas under the administration of the Central Government, as they found that the actual expenditure in these areas was in all cases less than the original grant (and in some cases considerably less) while at the same time additional grants had been asked for from the Assembly at the close of the year.</p>
26	Ditto	<p>[Page 308 of the Report Explanation 3 (v)].—The Committee desired that the representative who was appearing before them on behalf of the North-West Frontier Province should be asked to give them particulars about the reserve grant referred to and why such a provision was made in the budget.</p>

**Proceedings of the third meeting of the Public Accounts Committee held on Friday, the 7th August 1925 at 11 a.m.**

**PRESENT.**

SIR BASIL BLACKETT	..	..	..	..	Chairman.
MR. AHMAD ALI KHAN	..	..	..	..	} Members.
PT. HARKARAN NATH MISRA	..	..	..	..	
DR. K. G. LOHOKARE	..	..	..	..	
SIRDAR V. N. MUTALIK	..	..	..	..	
MR. A. RANGASWAMI IYENGAR	..	..	..	..	
MAULVI SYED MURTAZA SAHEB BAHADUR	..	..	..	..	
MR. M. WEBB	..	..	..	..	

Mr. Jukes, Auditor General and Mr. Kaula, Accountant General, Central Revenues, were also present.

1. With reference to Statement (A) on page 16 of the Auditor General, Central Revenues' Appropriation Report in column 9 of which were given "excesses over voted grants requiring the sanction of the Legislature", the Chairman pointed out to the Committee that these figures represented the excess of the actual expenditure over the net grant available for expenditure which in some cases was, owing to modifications sanctioned by competent authorities other than the Assembly different from the total grant sanctioned by the Assembly. The excess expenditure that required a grant from the Assembly was really the excess of the actual expenditure over the latter figure. A statement showing the correct figures for which a grant from the Assembly should be asked for would be prepared and placed before the Committee later.

2. The Committee next considered the Audit Report of the Accountant General, Central Revenues, for 1923-24. On some of the points\* raised in the Audit Report they deferred expressing any opinion till they could examine witnesses from the administrative departments thereon.

3. *Paragraph 3 (iv) of the Audit Report.*—The Committee were of opinion that the attention of disbursing officers should be drawn to the irregularity of drawing money from the treasury before it was required for disbursement.

4. *Paragraph 3 (vi) ibid.*—The explanation of the Resident, Persian Gulf, was read to the Committee who considered that the circumstances indicated the inadequacy of the machinery for the control of expenditure and an ignorance of financial rules.

5. *Paragraph 3 (xi) ibid.*—The Committee desired to have a fuller explanation of the circumstances from the administrative department concerned.

---

\*See Appendix.

They suggested that the question whether the Finance Department should not make rules to prevent Departments from entering into contracts of this sort without their previous consent, deserved serious consideration.

6. *Paragraph 3 (xviii) of the Audit Report.*—The Committee understood that the Government of Bombay had taken proper disciplinary action and issued orders about the regular transmission of such fees to the treasury. They wished to emphasise the importance of seeing that no receipts were kept out of the treasury for any appreciable length of time. They were also of opinion that the suggestion made by Mr. Kaula that these fees might be collected by means of stamps should be investigated by the Finance Department.

7. *Paragraph 3 (xx) ibid.*—The Committee understood from Mr. Jukes that the new system by which there was a separate accounting officer attached to the Department whose accounts were audited independently had caused an improvement.

8. *Paragraph 4 (i) ibid.*—The Committee hoped that the suggestion that all demands on account of Government dues should be paid direct to the Imperial Bank of India, would receive due consideration.

9. *Paragraph 7 (xvii) ibid.*—The Committee desired to record their opinion that the state of affairs at the Muktesar Laboratory, as disclosed by the report of the Accountant General, United Provinces, reproduced in this paragraph, was very unsatisfactory. The Auditor General stated that the Director of Commercial Audit would inspect the accounts this year and make recommendations as to any improvement of system considered necessary by him. The Committee desired that a report should be placed before them the next year and hoped that it would show an improvement in the state of affairs in the laboratory.

10. *Paragraph 8 (x) ibid.*—The Committee noted that the amount over-paid had been recovered and that adequate steps had been taken to prevent the occurrence of such over-payments in future.

(The Committee adjourned at this stage till 3-30 P.M.)

11. When the Committee met in the afternoon, they considered the Resolution of the Government of India\* (No. 3365-A. of April 1925) regarding the report of the last Public Accounts Committee and the memorandum† circulated showing the action taken by Government on the recommendations in that report. Mr. McWatters, Financial Secretary, was present.

\*Appendix I.  
†Appendix II.

12. Mr. Jukes made a statement with reference to item No. 1 in the memorandum regarding the question of promulgating a set of rules to assist the watching of grants. The draft rules submitted for consideration by Sir Frederic Gauntlett had been circulated and the opinions of all Departments had been collected and were at present under consideration by the Auditor General. As however a similar set of rules had been in force in the Punjab and the United Provinces for some time, it was thought desirable to await the results of their working in those provinces. The Accountant-General, Punjab, had suggested certain improvements but no report had yet been received from the United Provinces. In the latter province, however, fairly extensive experiments of another



system had been made by Mr. Jukes during the past year whereby the administrative authorities could get information about the state of expenditure much earlier than they could under the present system. Similar experimental Pay and Accounts offices had also been instituted at Calcutta, Bangalore and Delhi, and it was for consideration whether this system should be expanded or Sir Frederic Gauntlett's scheme given a trial. The Committee noted that the matter was still under examination and hoped that some definite arrangement would be arrived at before the next year.

13. With reference to item No. 11 *ibid* the Committee decided to examine a representative of the Railway Board on the new procedure when considering the Appropriation Report of the Accountant General, Railways.

## APPENDIX.

No.	Department.	Points on which the Committee desired to examine the representatives of the various Departments.
1	Department of Industries and Labour.	<i>Paragraph 3 (xi) of the Audit Report.</i> —The Committee desired to have fuller particulars regarding the advance of money referred to in this paragraph.
2	Department of Industries and Labour (Public Works Branch).	<i>Paragraph 3 (xiii) to (xvi) of the Audit Report.</i> —The Committee desired to have fuller particulars of these cases and to know whether any steps had been taken to improve the defects of system, if any, that allowed such irregularities.
3	Ditto ..	<i>Paragraphs 7 (vi) (6 and 7) of the Audit Report.</i> —The Committee desired to know what action the Government of India had taken in the matter.
4	Ditto ..	<i>Paragraph 7 (xi) of the Report.</i> —The Committee desired to know whether the state of work showed any improvement at present.
5	Ditto ..	The Committee desired to have a fuller explanation on the matters referred to in paragraph 8 (v) of the report and paragraphs 16, 17, 18, 19 and 20 of the Auditor General's letter forwarding the Audit Report. They desired that the Chief Engineer at Delhi or a representative of his might be asked to appear before them if possible to explain the irregularities under "Delhi Civil Works."
6	Central Board of Revenue.	<i>Paragraph 3 (xvi) and (xvii) of the Audit Report.</i> —The Committee wished to have fuller particulars. They desired that, if no information was available here at present, the Central Board of Revenue should investigate the matter and report the facts of the case later.
	Ditto ..	The Committee desired to have fuller information about the cases referred to in paragraph 20 (f) and (g) on pages 101-102 of the Audit Report.
	Ditto ..	The Committee desired to discuss with the representative of the Central Board of Revenue the question of the audit of customs receipts referred to in paragraph 29 of the Auditor General's letter forwarding all the Audit Reports to the Secretary of State.
	Industries and Labour Department (Indian Stores Department)	<i>Page 98, paragraph 11.</i> —The Committee desired that a memorandum showing what action had been taken on the representations made to the Chief Controller of Stores by the Audit Officer should be placed before them at an early date.

No.	Department.	Points on which the Committee desired to examine the representatives of the various Departments.
10	Home Department ..	<i>Paragraph 3 (viii) of the Audit Report.</i> —The Committee desired to have a fuller explanation of this case.
11	Ditto ..	<i>Paragraph 8 (vi) of the Audit Report.</i> —The Committee desired to know why the pay of the Sub-Registrar should not be at a fixed figure without commission.
12	Foreign and Political Department.	<i>Paragraph 3 (ii) of the Audit Report.</i> —The Committee understood that the Foreign and Political Department desired to have an opportunity to explain the matter to the Committee, and deferred expressing any opinion on it till they had heard a representative of that Department.
13	Ditto ..	<i>Paragraph 3 (iii) of the Report.</i> —The Committee desired to have a fuller explanation of the case and to have information as regards the nature of the private funds referred to and to know whether there were any other funds of a similar description in the province.
14	Ditto ..	<i>Paragraph 3 (v) (xii) and (xiii) of the Report.</i> —The Committee desired to have a fuller explanation of the circumstances of the case.

M161FinD

**Proceedings of the fourth meeting of the Public Accounts Committee held on Saturday, the 8th August 1925 at 11 a.m.**

**PRESENT :**

Sir BASIL BLACKETT, *Chairman.*

Pt. HARKARAN NATH MISRA,

Dr. K. G. LOHOKARE,

Sardar V. N. MUTALIK,

Mr. A. RANGASWAMI IYANGAR,

Maulvi Syed MURTAZA Saheb Bahadur,

Mr. M. WEBB.

*Members.*

Mr. Jukes, Auditor General and Mr. Kaula, Accountant General, Central Revenues, were also present.

1. At the invitation of the Chairman, Mr. Kaula explained in detail the main suggestions made in the Auditor General's report of the enquiry conducted into the possibility of improving the Indian Appropriation Reports. He was questioned by the Chairman and some members on points of detail in connection with the proposed procedure.

\* Appendix  
IV.

2. The Committee then considered the summary\* of the report that had been circulated to them by the Finance Department, referring to the Report wherever necessary, and approved the main outlines of the proposed procedure. It was suggested that the separate audit report to the Executive Government which was proposed should also be presented to the Public Accounts Committee in the first year and it would be for the Committee to decide whether it would be worth their while to scrutinise it every year. The Committee understood that in the Appropriation Accounts the voted and non-voted heads, though shown together would be distinct from each other and that all excesses or savings under sub-heads would be brought out and explained in the footnotes to the Grants. They were of opinion that the original grants and the supplementary grants should both be given in the appropriation accounts in a clear form.

3. As regards the question of certificates raised in Annexure 6 to the Report, they thought that there was no need to change the present practice, but where the accounts were prepared by an officer other than an officer under the control of the Auditor General, a certificate should be given. The Committee desired to add that they attached particular importance to stores accounts being given in the Appropriation Account in cases of important stocks and they suggested that the Finance Department should consider the general procedure with regard to these accounts. On all the other points of detail in the Report they desired to record their general approval subject to detailed scrutiny by the Finance Department.

4. The Committee desired that the Finance Department should place later before them a memorandum\* regarding the present procedure and the proposals for the audit of the Secret Service expenditure.

5. The Committee wished that an expression of their appreciation of the help rendered by Sir Malcolm Ramsay, the Comptroller and Auditor General of the United Kingdom should be communicated to him by the Chairman.

6. The Committee also desired to record their thanks to Sir Frederic Gauntlett and to Mr. Kaula for the extremely valuable Report placed before them, and the thoroughness with which it was compiled.

7. They then considered the report of the Home Auditor of Indian Accounts on the High Commissioner's accounts for the year 1923-24 along with the explanations furnished by the High Commissioner on certain points raised therein. They desired to have an explanation of the March expenditure referred to in paragraph 8 of that Report, if such an explanation could be given here by a representative of the Commerce Department.

8. With regard to paragraph 10 of the Report they expressed the hope that the Auditor was satisfied that there were no other payments chargeable to local funds but paid from general revenues.

9. They desired that the Finance Department should prepare and place before them a statement† showing the yearly recoveries from enemy ships up to date.

10. With regard to paragraph 18 of the Report it was understood from the High Commissioner that the practice of the purchases of supplies for the Iraq Administration by the Director General of Stores had ceased, but in future cases the stores would be supplied through the High Commissioner to departments and administrations under the Imperial Government; arrangements would be made at the time the service was undertaken, for the adjustment of charges on the lines usually followed as between one Government department and another.

---

\*Appendix XII.

†Appendix IX.

**Proceedings of the fifth meeting of the Public Accounts Committee held on the 10th August 1925 at 11 a.m.**

**PRESENT :**

Sir BASIL BLACKETT, *Chairman.*

Mr. AHMAD ALI KHAN

Dr. K. G. LOHOKARE

Sirdar V. N.'MUTALIK

Mr. A. RANGASWAMI IYENGAR

Maulvi SYED MURTAZA Saheb Bahadur

Mr. M. WEBB

Mr. H. G. COCKE

*Members.*

Mr. JUKES, Mr. RYAN and Mr. COBURN were also present.

1. The Committee considered the Appropriation Report of the Accountant General, Posts and Telegraphs for the year 1923-24.

*Paragraph 4 of the Report.—*

2. The question of appropriations in aid was reserved for further discussion in connection with the main question of whether grants should be shown as gross or net.

*Paragraph 5 of the Report.—*

3. Mr. Ryan explained that steps were under consideration for associating the Department more closely with the preparation of the budget from the next year. There would probably be a regular budget section in the office of the Director General, Posts & Telegraphs but as the Accountant-General was in Calcutta and the Director-General in Delhi, the position was still difficult and a fully satisfactory solution could not be hoped for till both the officers were at Delhi.

4. As regards the propriety of providing in the Budget for appointments kept in abeyance, Mr. Ryan explained that it had been decided that no provision would be made in the future for such appointments. The Committee thought that this was desirable as a general rule in the case of all Departments and that it should also be laid down that if it was decided to revive such appointments, action should not ordinarily be taken without the previous approval of the Finance Department. Under the new system of preparation of Appropriation Reports which, the Committee trusted, would be extended to the Posts & Telegraphs accounts at an early date, any excess in a sub-head due to the revival of posts kept in abeyance would naturally be brought out in the Appropriation Report.

*Paragraph 6 of the Report.—*

5. Mr. Ryan explained that the Department had accepted the Accountant General's views as to the irregularity committed by the Director General in this matter, and steps had been taken to prevent the recurrence of such irregularities. It was understood however that in cases where the revaluation of stocks was likely to have a serious effect on the finances of the Department the loss might have to be spread over a number of years.

*Paragraphs 8—10 of the Appropriation Report.—*

6. It was explained to the Committee that the statement given in paragraph 8 could not really be treated as a profit and loss account, as it excluded certain items which had to be included in any proper profit and loss statement. A commercial system of accounts was introduced only with effect from 1st April 1925 and in the estimates of 1925-26 an attempt had been made to give an idea of the results of the working of the Department, though final decisions on all matters had not been arrived at yet.

*Paragraph 12 of the Report.—*

7. The Committee understood that the recommendations of the Posts and Telegraphs Committee were expected to result in a considerable saving in the Telegraph Branch. A drastic modification of policy was hardly possible though a change of staffing, etc., leading to savings in expenditure was under contemplation. The Committee trusted that all possible efforts would be made to secure economies. They desired to examine the Director General, with regard to the working of the Radio systems which were stated to be working at a loss.

*Paragraphs 13 and 16 of the Report.—*

8. The Committee decided to discuss these paragraphs with the Director-General along with the points raised in the memorandum\* furnished by the Department of Industries and Labour on the effect of increase of rates and of the condition of trade on postal revenues.

*Paragraph 17 of the Report.—*

9. The Committee did not desire to pursue the question of the rates of press telegrams as it was one of policy rather than of accounts.

*Paragraph 20 of the Report.—*

10. The Committee desired to discuss the general question of telephone receipts and expenditure with the Director General and in particular the possibility of introducing a measured rate system which it was understood had proved a success in Madras.

*Paragraph 23 of the Report.—*

11. Mr. Ryan explained the present position with regard to the proposal to transfer control of the Indo-European Telegraph Department from the Secretary of State to the Government of India. The Committee trusted that the matter would be pressed to a speedy conclusion.

*Paragraph 28 of the Report.—*

12. As regards the question of splitting up of the Indian Posts and Telegraphs vote, Mr. Ryan thought that a further subdivision was impossible until the accounts had been really and fully commercialised.

*Paragraph 30 of the Report.—*

13. The Committee discussed the question of the excess of post-office contingencies with Mr. Ryan who explained that about half of the excess was due to a change in the system of recording the expenditure on uniforms which

---

\*Appendix VI.

Appendix  
XVI.

was not reported by the Accounts Officer to the Director-General in time for a re-appropriation to be sanctioned. As regards the rest he asked the Committee to remember that the grant for contingencies in the budget for 1923-24 was 20 per cent. less than in 1922-23, though he would not deny that to some extent there had been a failure in controlling expenditure. He handed in a circular issued by the Director-General on the 25th May 1925 which he hoped would result in a better control of expenditure.

*Paragraph 31 of the Report.—*

14. It was admitted that the budgeting in the particular year was defective but Mr. Ryan hoped that the new system of budgeting would avoid such mistakes.

*Paragraph 37 of the Report.—*

15. It was suggested that only such major works as had been specifically approved on detailed estimates should be included in the budget, and that there should be separate provision for unforeseen expenditure and for minor works. The Committee decided to discuss with the Director-General the possibility of improvements in the estimates of capital expenditure.

*Paragraph 39 of the Report.—*

16. Mr. Ryan explained that these irregular re-appropriations had been sanctioned under a misapprehension which, Mr. Jukes pointed out, was not quite unreasonable in view of the wording of rule 52 (2) of the Legislative Rules. The Committee understood that it had now been made quite clear to all the Departments that re-appropriations from one grant to another were illegal. They noticed however that the re-appropriations detailed in this paragraph were really unnecessary as the total amount thus transferred to Grant No. 10 was less than the savings in that grant.

*Paragraph 40 (iv) of the Report.—*

17. The Committee desired to have an explanation of the change of classification mentioned in clause (iv) of this paragraph.

18. In the detailed examination of the appropriation accounts the Committee noticed that in a number of cases re-appropriations had been sanctioned at the end of April 1923, that is, immediately after the Budget had been passed. They desired to know whether an explanation could be furnished to them about this.

19. The Committee felt that it would have been helpful to them if an explanation of the difference between the original estimates and the actual expenditure had also been given in the Appropriation Report. They hoped that the new form of the Report would remedy this defect.

*Page 33 of the Report.—*

20. The Auditor General in paragraph 17 of his letter had brought to the notice of the Committee the fact that the savings under the head "Maintenance and repairs of buildings" were about 75 per cent. of the expenditure and that the increase in March 1924 did not appear to have been justified. The Committee noticed that the actual expenditure was very nearly equivalent to the original estimates. Mr. Ryan explained that the additional provision



made in March 1924 was needed and could have been usefully spent but no definite decision as to the need for additional funds was reached until the beginning of February and orders were issued too late for the work to be done before the end of the official year.

*Page 34 of the Report. Explanation (III) (e).—*

21. It was noticed that the actual expenditure approximated very closely to the original grant and that the reduction made in March 1924 was apparently without justification. Mr. Ryan explained that this reduction had been made on the advice of the Accountant General, Posts and Telegraphs in distributing a lump cut of 7 lakhs made under the orders of the Finance Department when the revised estimates were presented.

*Pages 36—37 of the Report.—*

22. The Committee noticed that the original grant under the heads "Stores and Workshop Establishment" was Rs. 6,91,030 and that the expenditure was Rs. 9,76,548. This was covered by reappropriation but the Committee desired the Financial Adviser to give them an explanation later of the large divergence between the original grant and the actual expenditure.

*Page 38. Explanation (II) Paragraph 20 of the Auditor General's letter.—*

23. It was explained by Mr. Ryan that this was due to a mistake in the office of the Controller of Printing.

*Page 38 of the Report, Explanation (III) (4).—*

24. The expenditure under "Stores" was as pointed out by the Accountant General over four times the original grant and it was explained by Mr. Ryan that the excess was due to a misclassification of charges as between this head and "Contingencies", on both of which taken together, there was a saving.

*Page 39 of the Report. Item No. (I) (4).—*

25. The Committee desired that the Financial Adviser should explain to them later the reason for the large difference between the original grant and the actual expenditure.

*Page 41 of the Report. Item VI Expenditure in England. Paragraph 22 of the Auditor General's letter.—*

26. It was explained that when the Budget was framed it was understood that no payment would be due on this account during the year 1923-24. It was only in August that it was intimated that the payment of £22,000 would have to be made.

*Page 43 Explanation I (7) Maintenance of buildings and telegraph lines.—*

27. The Committee noted the actual expenditure was four lakhs over the original grant to which an addition of 8 lakhs had been made by re-appropriation. They desired the Financial Adviser to give them an explanatory note on this point.

*Page 43. Explanation I (iv).—*

28. It was explained by Mr. Ryan that the fact that rebates should have been allowed to Railways in respect of free passes supplied by them to maintenance establishments was overlooked. The Committee desired the Financial Adviser to give them a fuller explanation of this later.

*Page 44. Explanation (III).—*

29. The Committæ desired to express the opinion that the delay in this case was unsatisfactory.

*Page 47. Explanation (i) under "Deductions".—*

30. The Committee desired to discuss with the Director General the remark of the Accountant General that the capital requirements of the year were not accurately estimated by the administrative authorities who succeeded in getting more money for Capital Expenditure than they could spend.

**Proceedings of the sixth Meeting of the Public Accounts Committee, held on the 12th August 1925, at 11 a. m.**

**PRESENT :**

**Sir BASIL BLACKETT, *Chairman.***

**Dr. K. G. LOHOKARE**

**Sirdar V. N. MUTALIK**

**Mr. A. RANGASWAMI IYENGAR**

**Maulvi SYED MURTAZA Saheb Bahadur**

**Mr. M. WEBB**

**Mr. H. G. COCKE**

*Members.*

Mr. Jukes, Mr. McKernan (Accountant General, Posts and Telegraphs), Mr. Ryan and Mr. Coburn were also present.

1. The Committee first discussed with the Director General, Posts and Telegraphs (Mr. Roy), the points that they had reserved for discussion with him in their previous meeting.

2. The Director General made a statement regarding the loss incurred in connection with radios. The Committee desired that the question of charging fees for services rendered by radio offices to shipping (e.g., broadcasting information regarding the weather) and to other departments should be considered.

3. The Director General was also examined on the question of press telegram rates referred to in the Appropriation Report. He was of opinion that the press business in India was in its infancy and that they would not be well advised in increasing rates at present. The ratio of press to ordinary rates in India was practically the same as in the United Kingdom.

4. It was explained by the Director General that the question of improving the estimates of capital expenditure was at present under consideration. He added that it was very difficult to make accurate estimates as the actual expenditure depended in many cases on factors beyond the control of the Department, for example variations in demands of the Railways and Military Departments for whom the Posts and Telegraphs Department did some work, delay in receipt of essential stores required for work, etc.

5. The Financial Adviser was not in a position to give information about the various points on which he had been asked to furnish an explanation later. He stated that he would put in written memorandum for the consideration of the Committee as early as practicable.

6. In connection with the question of the control of the Assembly on expenditure the Committee discussed the question of contributions from States and private persons being shown as deductions from expenditure and not as items of revenue. It was pointed out that if the recovery was

not made, the actual amount spent would have to be found from grants voted by the Assembly. The Committee reserved the point for further discussion, as it was only a particular case of the main question of whether grant should be shown as gross or net.

7. The Committee next considered the Audit Report of the Accountant General, Posts and Telegraphs, for 1923-24. The Director General gave details of the action taken by the administrative authorities in matters in which the Committee desired further information.

8. Regarding paragraph 4 of the Auditor General's comment that the number of cases of fraud and embezzlement mentioned in the report had risen from 5 in 1921-22 to 13 in 1922-23, and to 24 in 1923-24, the Director General stated that there had been a decrease both in the number of officials concerned in these embezzlements and in the total amount involved. He also added that the total amount of frauds, etc., was less than .01 per cent. of all the cash transactions of the Department excluding insured letters. He had decided to wait till figures were available for 1924-25 before issuing a further circular as suggested by the Auditor General.

*Paragraph 4 of the Audit Report.—*

9. The suggestion was made that, in order to prevent savings bank frauds, it might be worth while, where pass books had not been presented at the Head Office for being written up for a long time, for that office to try to get into touch with the depositor by sending him a statement of accounts or in some other way. The total number of accounts was over 2 million and a general rule of this sort would be expensive. It was explained however that the Director General and the Accountant General, Posts and Telegraphs, were taking steps to prevent frauds by improved inspection.

*Paragraph 9 (2) ibid.—*

10. The Director General explained that he had issued a circular requiring periodical certificates regarding the existence and solvency of the sureties. It appeared however that the certificate was from the official himself. The Committee thought it would be preferable to have certificates from some other competent authority for instance, the revenue authorities of the district.

*Paragraphs 18 and 19 ibid.—*

*Paragraphs 4 and 5 of the Auditor General's letter.—*

11. The Director General explained that security was not required from accountants and accounts clerks as they were not required to keep cash in their custody. The Committee were of opinion that the whole question of the proper amount of security to be taken from the Posts and Telegraphs officials should be carefully considered as they were inclined to believe that there was room for improvement.

*Paragraph 23 ibid.—*

12. The Committee were somewhat surprised to find that when the Government of India had refused to sanction an increase of subsidies, the Director General had taken action which had a directly contrary effect by authorising payments to the contractors and charging them as contingent

charges. The Director General offered to put in a fully explanatory statement on which the Committee could examine him later if they liked.

*Paragraph 24 ibid.—*

13. The Committee were not satisfied that the mere fact that an officer had retired between the date of committing an irregularity and its discovery, was a sufficient justification for not taking any disciplinary action at all in the matter. When money was lost to the State through his irregular action, they could see no obvious reason for not considering whether any part of such sums should be recovered from him in spite of his having retired.

*Paragraph 28 ibid.—*

14. It was understood that the canal authorities had since agreed to pay the cost of the erection and dismantling of the line.

*Paragraph 29 (d) ibid.—*

15. The Committee were not satisfied that stronger disciplinary action should not have been taken in the case of the officer who signed a certificate inconsistent with facts. A high officer of Government like a Post Master General was expected to be aware of his responsibilities.

*Paragraph 46 ibid.—*

16. The Director General explained that at present no motor mail service in India except at Calcutta was working departmentally and that in Calcutta too the service would be on contract from September. The Committee noted that the action of the Audit Officer had resulted in the contract rate at Calcutta being reduced from 12 annas to 10 annas per mile. They were not quite satisfied that there had been enough effective competition in the past to prevent the rates being unnecessarily high. It was understood however that the departmental authorities were now fully aware of the importance of watching contract rates in order to see that the amounts paid were not appreciably higher than the cost that the department would incur if the work was done departmentally. The Auditor General pointed out that if all the suggestions made in paragraph 48 of the report had been carried out, the work at Calcutta might possibly have been done cheaper than under the new contract. The Director General said he would put in a memorandum later giving a full explanation of the new contract.

*Paragraph 49 (I) ibid.—*

17. The Director General was required to put in a further memorandum on the subject giving a full explanation of the circumstances of the case.

*Paragraph 50 ibid.—*

18. The Committee noted the conclusion of the Accountant General, Posts and Telegraphs that the confidence reposed by Government under the new travelling allowance rules in the declarations of the Government servants making claims and in the sense of responsibility of the controlling officers had been found to have been misplaced. It was understood that the Auditor General agreed with this view. The Committee trusted that Government would consider the desirability of taking steps to remedy this unsatisfactory state of affairs.

*Paragraph 52 (2) ibid.—*

19. It was understood that the question of having the headquarters of two of the four officers removed elsewhere was at present under consideration.

*Paragraph 61 ibid.—*

20. The Committee endorsed generally the conclusions of the Accountant General regarding the fixing of initial rates of pay when scales were revised and trusted that they would receive attention in all departments when similar cases were being considered in future.

*Paragraph 65 ibid.—*

21. The Director General thought that the advertisements on telegraph forms would probably come to an end in the near future as further tenders did not seem to be coming in. The Committee desired to express the opinion that it should be considered whether, in view of the insignificant amount of revenue obtained, it was worth while to continue this system.

*Paragraph 66 ibid.—*

22. Mr. Ryan explained that the total value of stores balances had decreased considerably since 1922. The balance were as follows :—

			Lakhs.	
End of March 1922	..	..	258	} including army mobilization stores (21 lakhs).
End of March 1923	..	..	257	
End of March 1924	..	..	210	
End of March 1925	..	..	138	

*Paragraph 22 of Auditor General's letter.—*

23. Mr. Ryan explained that the rates of travelling allowances in the Posts and Telegraphs Department were under consideration and it was not contemplated that these rules, any more than the present, would result in the allowances becoming a source of profit.

*Paragraph 25 ibid.—*

24. The Committee understood that the Government of India had confirmed the original orders of the permanent Director General. The Committee trusted that audit officers would bring to their notice any cases in which the disciplinary action reported to them was altered later.

**Proceedings of the seventh meeting of the Public Accounts Committee, held on Thursday, the 13th August 1925, at 11 a.m.**

**PRESENT :**

Sir BASIL BLACKETT, <i>Chairman.</i>	
Dr. K. G. LOHOKARE	
Sardar V. N. MUTALIK	
Mr. A. RANGASWAMI IYENGAR	} <i>Members.</i>
Mr. M. WEBB	
Mr. H. G. COCKE	
Kumar GANGANAND SINHA	

**1. The Committee examined the following witnesses :—**

Mr. Chadwick, Secretary, Commerce Department.

Mr. McWatters, Secretary, Finance Department.

Mr. Lloyd, Member, Central Board of Revenue.

2. After hearing these witnesses, the Committee were inclined to think that it was necessary that Government should consider carefully whether measures should not be taken for a closer control of expenditure at headquarters by arranging that statements of expenditure under each grant should be sent periodically by the disbursing officers to the Department at headquarters which, by asking the Assembly to vote the original grant, accepted final responsibility for watching the expenditure. These reports might be asked for quarterly in the earlier half of the year but in the latter half it would probably be necessary to have them sent monthly so that the actual progress of expenditure could be watched with the object of seeing whether an additional grant was necessary in any case or whether excesses in any particular circle of account or in any particular sub-head could be covered by reappropriation from savings elsewhere in the same grant.

3. The Committee discussed with Mr. McWatters at length the important question of procedure in connection with the reserve at the disposal of the Finance Department. The decision was left open for the moment, as they considered that this was a matter which required further careful investigation.

4. They agreed with Mr. McWatters that the Central Board of Revenue should be asked to look more closely into the question of estimates of refunds, since a very large portion of the total amount of refunds was in connection with subjects for the administration of which the Board was responsible.

5. Mr. Lloyd explained that the Central Board of Revenue was at present getting quarterly statements of expenditure for the grants for which they were responsible and that these were usually received about 5 weeks after the close of the quarter. The Committee desired that the Board should consider whether this period of delay could not be abbreviated, and whether it would

not be more useful to obtain figures monthly in the second half of the year. They also wished the Board to take steps to see that these statements included accounts adjustments also.

6. The Committee also discussed with Mr. Lloyd the question of increasing the checks on Customs receipts. As the subject was of the utmost importance, they trusted that steps would be taken at an early date to devise machinery which would be adequate to exercise a proper check on receipts and to prevent frauds.

### **Proceedings of the eighth meeting of the Public Accounts Committee, held on Friday, the 14th August 1925, at 3 p. m.**

#### **PRESENT :**

Sir BASIL BLACKETT, *Chairman.*

Mr. AHMAD ALI KHAN

Dr. K. G. LOHOKARE

Sardar V. N. MUTALIK

Maulvi Syed MURTAZA Saheb Bahadur } *Members.*

Mr. A. RANGASWAMI IYENGAR

Mr. M. WEBB

Mr. H. G. COOKE

Kumar GANGANAD SINHA

#### **1. The Committee examined the following witnesses :—**

Sir Denys Bray, Foreign Secretary,

Mr. Copeland, Revenue Commissioner

North-West Frontier Province

Mr. Fitze, Deputy Secretary

Mr. Higgs, Assistant Secretary

} Foreign and Political  
Department.

Mr. Sloan, Deputy Secretary, Home Department.

Mr. Bajpai, Deputy Secretary, Education Department.

2. Sir Denys Bray explained the circumstances in connection with the sanction, in 1919, of the advance of a lakh of rupees for rebuilding the Fort Sandeman Bazaar, referred to in paragraph 3(ii) of the Audit Report of the Accountant General, Central Revenues. The Committee agreed that in the circumstance explained the action taken by the Agent to the Governor-General in Baluchistan could not be considered open to serious objection.

3. As regards the excess expenditure in the case of grants to the Rajkumar College, Rajkot, and the Aitchison College, Lahore, the Committee were inclined to agree with Mr. Fitze that it was desirable to abolish the system by which the staff were allowed to draw their salaries from Government in the first instance. The same question was raised in the report of the Public



Accounts Committee on the accounts of the year 1922-23, and the decision of the Government was that a monthly recovery from College funds of the actual amount paid in the month in excess of 1/12th of the annual subvention should be made. The Committee trusted that the matter would be reconsidered.

4. As regards the irregularity described in paragraph 3 (xii) of the same Audit Report, they considered that it was very unsatisfactory that expenditure that ought to have been met by Government from its revenues, was arranged to be met by advances from the municipality for nearly 3 years. They hoped that the Government would express its disapproval of the action of the local authorities who permitted this.

5. Mr. Sloan explained the failure to provide funds for Census Expenditure in the Central Provinces. The Committee understood that there had been similar difficulties in connection with Census expenditure the previous year and their conclusion was that it was desirable that, before the next Census started, the system of controlling the expenditure should be improved.

6. The Committee understood that expenditure under the control of the two different Departments, Education and Foreign and Political was at present recorded under one head—"Emigration—External." They did not think that this was conducive to a proper control of expenditure and desired that the matter should be further investigated by the Finance Department.

7. After hearing the witnesses from the different Departments, the Committee were of the opinion that there was still insufficient realisation of the necessity of obtaining funds from the Assembly before expenditure was incurred and trusted that the importance of this would be further emphasised by Government.

---

**Proceedings of the ninth meeting of the Public Accounts Committee, held on Saturday the 15th August 1925, at 11 a. m.**

**PRESENT.**

Sir BASIL BLACKETT, *Chairman.*

Mr. AHMAD ALI KHAN.

Dr. K. G. LOHOKARE.

Mr. A. RANGASWAMI IYENGAR.

Sardar V. N. MUTALIK.

Maulvi Syed MURTAZA Saheb Bahadur.

Mr. M. WEBB.

Kumar GANGANAND SINHA.

} *Members.*

1. The Committee examined the following witnesses :—

Mr. S. C. Gupta, Joint Secretary, Legislative Department.

Mr. Clow, Deputy Secretary

Rai Bahadur J. P. Ganguli, Assistant Secretary

} Industries Department.

Mr. Harris, Deputy Secretary, Industries Department (P. W. Branch).

Mr. Brebner, Superintending Engineer, Simla.

2. The Committee understood from Mr. Brebner that the Government of India had addressed local Governments as to the possibility of having a fixed charge on account of Establishment, Tools and Plant for a number of years, and would consider whether this system was on the whole better than the present system. It was likely that, though it would lead to their knowing more accurately what charges they would have to pay, it would be a more costly system in the long run. It was suggested to Mr. Brebner that the question of handing over Central works to be done by local bodies such as District Boards should be considered. He explained that the Government of India had no objection to that being done if the local Governments, who were their agents, preferred to do so.

3. It was understood that the Public Works Department would have no objection to a rule laying down that the reserve at its disposal should be utilised only for lapses in the previous year and for unforeseen works and forbidding allotments from it to meet charges on account of Establishment, etc.

4. Mr. Brebner explained the circumstances in which the officer responsible for the irregularities detailed in paragraph 3 (xxiii), (xxiv), (xxv) and (xxvi) of the Audit Report of the Accountant General, Central Revenues, had been retained in his post after these had been brought to notice. The Committee felt that it was unfortunate that the Government of India could not for such a long period, obtain from the Provincial Governments a suitable officer to replace him. They also wished to add that this case also showed that when officers were re-engaged after retirement, there should be some means by which disciplinary action could be taken against them, if necessary. They were inclined to agree with the Auditor General in thinking that it was not correct to hold that pensions should be considered sacrosanct in all circumstances.

**Proceedings of the tenth meeting of the Public Accounts Committee held on the 17th August 1925 at 11 a.m.**

**PRESENT :**

Sir BASIL BLACKETT—*Chairman.*

Mr. AHMED ALI KHAN

Dr. K. G. LOHOKARB

Mr. A. RANGASWAMI IYENGAR]

Maulvi SYED MURTAZA SAHEB BAHADUR } *Members.*

Mr. M. WEBB

Mr. H. G. COCKE

KUMAR GANGANAND SINHA

Mr. JUKES and Mr. KAULA were also present.

The Committee first examined Mr. Rouse, Chief Engineer, Delhi, and Mr. Grindal, Financial Adviser to the Chief Engineer.

2. The Committee understood that the estimates for the year 1923-24 of expenditure on the Delhi Capital Works were framed on a basis different from that on which the accounts were framed and that a lump sum had been provided under "Loss on Exchange" to be distributed later under the various heads. This system had been altered since.

3. It was understood that the objections which had been outstanding for a long period on which the Auditor General had commented were being enquired into by the Central Accounts Office recently started. The percentage of objections had been reduced considerably on account of the formation of this office which reduced the number of adjustments to a large extent.

(At this stage Mr. Kaula withdrew.)

4. The Committee thereupon took into consideration the Appropriation Report of the Accountant General, Railways. Mr. Sim (Financial Commissioner, Railway Board) Mr. Sheridan (Member, Railway Board) Mr. Philipe, (Accountant General, Railways) and Mr. Hayman, (Deputy Director of Finance, Railway Board), were present.

5. Mr. Sim explained the new procedure with regard to English indents which had been introduced with the approval of the Standing Finance Committee for Railways. It had been decided that indents for stores in connection with works, the estimates of which had been approved by the Assembly, should be sent after such approval, and thereafter it was the business of the Railway Board to get grants in the years in which the expenditure pertaining to those indents actually occurred. The suggestion was made that the procedure of having a Vote on Account, as in the United Kingdom, would be useful

Para. 5 of  
the Appropriation  
Report.

in this connection, but it was pointed out by the Chairman that this would not touch the question of indents for stores which would be paid for in future years.

Para. 6 *ibid.*  
Para. 4 of  
the Auditor  
General's  
covering  
letter.

6. Mr. Sim explained that during the current year they hoped that their estimates of capital expenditure would be nearer the actual figures. The Assembly had been asked to vote only 23 crores whereas the demands of the various Railways had amounted to 33 crores. Agents had been told that they might, if they could, spend up to their requirements on the understanding that if the total amount of expenditure was likely to be exceeded, the Financial Commissioner would ask the Assembly to vote an additional grant. It was expected however that an additional grant would not be necessary. The question of the powers of reappropriation of the Financial Commissioner were discussed in this connection and Mr. Sim made it clear that these powers did not enable him to agree to proposals to start new works of any importance not on the Schedules of works placed before the Assembly without the concurrence of the Standing Finance Committee for Railways. They only enabled him to provide funds as required according to the rates at which the expenditure on a particular work would proceed during the year. There were various causes which disturbed the calculations. For instance, the delay in acquiring land was beyond the control of the executive authorities; but it was necessary to provide for the cost of the land in their detailed estimates, as it was not known when the money would be required. It was therefore necessary to allow the Financial Commissioner to regulate the pace of the expenditure so that in case there were savings under one of the Railways they could be utilised to meet excess expenditure on another.

Para. 10 of  
the Report.  
Para. 6 of the  
Auditor  
General's  
letter.

7. Mr. Sim explained that if the new rates of allocation from capital to revenue were applied to Companies' Lines, Government would lose heavily as compared with the terms of the present contracts.

Para. 13 *ibid.*  
Para. 7 of  
the Auditor  
General's  
covering  
letter.

8. It was stated that the introduction of the system of piece work and bonus was being pushed through as far as possible but it could not be rushed, as it took some time for the workmen to get accustomed to the idea and to take to it readily. It was understood that the Railway Board had deputed two officers, one of whom was an Accounts Officer, to study the system in England.

Para. 35 of  
the Report.

9. With regard to the opinion expressed by the Accountant General that the ratio of operating expenses to gross earnings in the Eastern Bengal Railway was unreasonably high taking all the circumstances into account, Mr. Sim explained that the Agent had been making attempts to reduce the cost by closing down stations, etc., and that in the succeeding year the Railway had shown a profit for the first time for a number of years.

Para. 24 of  
the Report.  
Para. 12 of  
the Auditor  
General's  
covering  
letter.

10. Mr. Sim denied that there was any justification for the impression that the Railway Board paid less attention to excesses under non-voted expenditure than under voted or that they regarded the former as of minor importance. The increase in this case was mainly due to the amount of interest debitable to the Railway Budget and the difficulty in this case was that the rate of interest which would be charged was not known till after the end of the year, as it depended upon the total capital expenditure for the year and was fixed by the Finance Department under definite rules.

11. It was explained that an erroneous classification of this sort would not happen under the present system.

Para. 48 of the Report—  
Explanation (3)—Para. 14 of the Auditor General's covering letter.

12. It was understood that the engines were not scrapped till the next year and consequently the amounts could not be written off earlier.

Page 54 of the Report—  
Explanation (2)—Para. 17 (ii) (a) of the Auditor General's letter.

13. As regards the difference between the actual value of the rails and the value as provided in the estimates, Mr. Sim explained that it was impossible to make a correct estimate in this matter, as the actual value of the rails could only be discovered when they were taken out of the line and their condition examined.

Page 54 of the Report—  
Explanation (3)—Para. 17 (ii) (b) of the Auditor General's letter.

14. The Committee noted that the explanation of a number of items commented on by the Auditor General in his covering letter (paragraphs 20 and 21) was wrong classification. The Committee hoped that steps would be taken to ensure that misclassifications in future were reduced to a minimum.

15. The Committee considered that the statement showing expenditure by railways divided between India and England was somewhat misleading as the English expenditure was converted at 2s. to the rupee and the exchange was included in the Indian portion and suggested that in future an additional column showing exchange separately should be included in the statement.

Page 79 of the Report.

**Proceedings of the eleventh meeting of the Public Accounts Committee held on the 18th August 1925, at 11 a. m.**

PRESENT :

Sir BASIL BLACKETT, *Chairman*.

Mr. AHMAD ALI KHAN.

Dr. K. G. LOHOKARE.

Sardar V. N. MUTALIK.

Mr. A. RANGASWAMI IYENGAR.

Maulvi Syed MURTAZA Saheb Bahadur. } *Members.*

Mr. M. WEBB.

Mr. H. G. COCKE.

Kumar GANGANAND SINHA.

Mr. JUKES, Mr. PHILIPPE, Accountant General Railway, Mr. SIM, Financial Commissioner, Mr. SHERIDAN, Member, Mr. HAYMAN, Deputy Director of Finance, Railway Board, were also present.

The Committee first discussed with Mr. SIM the points that arose out of the last year's Committee's Report which were left unsettled.

2. As regards the question of audit on Companies' lines, the Auditor General explained that the chief difficulty was that of insufficient staff in the office of the Government Examiners. Formerly the Government Examiner of Accounts in Bombay, for instance, had to deal with the accounts of two Companies' lines, the Great Indian Peninsula and the Bombay, Baroda and Central India Railways. Similarly, the Government Examiner at Calcutta was responsible for two lines, the East Indian and the Bengal Nagpur Railways. Owing to the fact that in both places one of the lines had been taken over by the State it was possible, by devoting the entire former staff to the accounts of the other, to extend and improve the check of the accounts carried out by the Examiner. He was not asking for extra staff at present, but would watch results for another year before making his proposals.

3. The Committee next considered the Audit Report on the accounts of Railways in India for 1923-24.

4. *Paragraph 1 of the Report.*—The Committee noted with satisfaction that as a result of the economies effected the working expenses had been reduced so that the monetary benefit which the tax-payer would derive after a few years was expected to be well over 3 crores of rupees.

5. *Paragraph 3 ibid.*—The Committee understood that labour saving appliances such as the Hollerith and the Power Tabulating and Sorting Machine are being introduced gradually in all the Railways.

6. *Paragraph 4 ibid. Paragraph 5 of the Auditor General's covering letter.*—The Auditor General had expressed the hope that as in the Great Indian Peninsula Railway where a saving of over a crore of rupees had been effected drastic economies could be introduced in other Railways. The Financial Commissioner did not expect that the result of similar steps elsewhere would be of such magnitude, but they were taking action in this direction. The Bengal Nagpur Railway which was at present showing a high ratio of expenses was employing Mr. Heseltine who was responsible for effecting considerable economies on the Great Indian Peninsula Railway to go thoroughly into the question of their staff.

7. *Paragraph 13 of the Report. Paragraph 7 of the Auditor General's letter.*—Mr. Sim explained that the balance of stores at the end of the year 1925 was about 17 crores and he expected a further reduction in 1926 to about 15½ crores. Maxima and minima had been fixed for quantities of stores to be held by each Railway. With regard to stores obtainable in India the rule was that supplies should be kept for a month to three months according to the distance from the source of supply. For Home stores the period was six months on an average. He added that an officer had been put on special duty to shift stores from one Railway to another so that the surplus of one could be utilised in another.

8. The Committee understood that the question of whether stores should be periodically written up and down according to the current valuation of prices was at present under consideration. Obviously when stores were sold from a Company line to a State line or *vice versa* they could be taken only at the market value.

9. *Paragraph 15 of the Report.*—It was understood that the practice which formerly obtained in certain Railways of starting work without estimates had been stopped.

10. *Paragraph 25 ibid.*—It was understood that the boilers in question had since either been taken over already by other railways, or that arrangements had been made for their early transfer.

11. *Paragraph 26 ibid.*—The Committee thought that the facts disclosed in this paragraph were very unsatisfactory, and showed a want of proper supervision. The Financial Commissioner explained that this irregularity had been brought to light too late for any effective disciplinary action to be taken, as all connected with it had retired from service.

12. *Paragraph 27 of ibid.*—Mr. Sim explained that the Deputy Chief Engineer who was the officer directly responsible for the irregularity in this case and for that mentioned in paragraph 35 had been ordered to retire.

13. Mr. Sim explained that under the present procedure, sanctions for works were accorded by the Railway Board on Abstract Estimates which gave the broad details but before work was started detailed estimates for each part had to be prepared and sanctioned by the Agent or Chief Engineer. When once the detailed estimates had been sanctioned the local authorities could go on incurring expenditure so long as they did not exceed the limits in the abstract estimates. If the estimates were exceeded by more than a small

(fixed) percentage, the matter would again have to be referred to the Railway Board and in certain circumstances would have to be placed before the Standing Finance Committee for Railways. The Railway Board also obtained progress reports of works every six months.

14. *Paragraph 28 ibid.*—It was understood that the difficulty in this case was due to the fact that the particular form of contract which had been used by the railway was very badly drawn up. Steps had been taken to have a new form prepared in accordance with legal advice.

15. *Paragraph 30 ibid.*—The Committee understood that the total loss incurred in connection with the scheme for the castor seed plantation was about 3 lakhs, most of which had already been charged off in the accounts.

16. *Paragraph 33 ibid.*—The Committee noted in this case as well as in others mentioned both in the Audit and Appropriation Reports that misclassifications of expenditure between capital and revenue was of frequent occurrence. Mr. Sim explained that steps had been taken to reduce this. The misclassification was sometimes due to ignorance, but more often to a desire to get round the difficulties of want of funds. Both State Railways and Companies' Lines had been told that there would henceforward be no difficulty in providing funds and they understood that there was no necessity to adopt this device. The Financial Commissioner was fairly satisfied that the present system had reduced misclassifications.

17. *Paragraph 36 ibid.*—It was explained that the officer responsible had since been retired. As regards the general question of the control of expenditure, Mr. Sim explained that Agents had been asked to report towards the end of the year the progress of expenditure so that it could be decided by the Railway Board whether any additional grant would be necessary or whether savings would occur which could be diverted to more useful purposes on other Lines.

18. *Paragraph 40 ibid.*—It was explained that these irregularities were partly due to the introduction of piece-work and bonus system on the Burma Railways. The system could not be rigidly adhered to in all cases owing to discontent among the staff.

19. *Paragraph 65 ibid.*—On the question of the irregularities in respect of Military warrants and requisitions, Mr. Sim stated that the Army Department had asked for an extension of the system but on account of the abuses which had been brought to light, the Railway Board had decided that far from agreeing to an extension they would prefer to see whether the system could not be further restricted.

20. *Paragraph 11 of the Auditor General's letter.*—The Financial Commissioner explained that there had been very severe punishments recently and that men connected with frauds were prosecuted or dismissed and any money that could be recovered from their provident fund or other dues had been recovered. He shared the hope of the Auditor General that the improvements introduced in the procedure and the deterrent punishments awarded would lead to a more satisfactory state of affairs in the future.



21. *Paragraph 14 ibid.*—The Financial Commissioner agreed with the Auditor General in his comment in this paragraph and said that as a matter of fact he did view very seriously all misrepresentations of facts of the kind brought out in these paragraphs.

22. *Paragraph 2 ibid.*—The Committee were not satisfied that the Public Accounts Committee were not concerned with matters relating to receipts, etc., and they desired that the question should be further investigated by the Finance Department.

---

**Proceedings of the twelfth meeting of the Public Accounts Committee held on Sunday, the 6th September, at 11 A.M.**

**PRESENT :**

Sir BASIL BLACKETT, *Chairman.*

Mr. AHMAD ALI KHAN.

Dr. K. G. LOHOKARE.

Sardar V. N. MUTALIK.

Mr. A. RANGASWAMI IYENGAR.

Maulvi SYED MURTAZA Saheb Bahadur.

Mr. M. WEBB.

Mr. H. G. COCKE.

Kumar GANGANAND SINHA.

Pandit HARKARAN NATH MISRA.

Maulvi MOHAMMAD YAKUB.

*Members.*

Mr. Jukes (Auditor General) was also present.

The Committee examined the draft report and agreed to it with certain additions and alterations.

## APPENDIX I.

*Finance Department Resolution No. 3665-A., dated the 14th April 1925.*

The report of the Public Accounts Committee on the accounts of the year 1922-23 has been read by the Governor General in Council with deep interest. He is glad to note that the fresh defects which the scrutiny of the Committee has brought to light in this report are comparatively few in number and are of less importance than the defects to which attention was drawn in the first report of the Public Accounts Committee, though the very fact of the existence of this scrutiny has doubtless contributed to the improvement. He desires to take the opportunity of expressing his appreciation of the thoroughness with which the Committee, following their predecessor's example, have accomplished their task and he welcomes their valuable co-operation in improving the system of financial administration.

2. The Governor General in Council has considered with the utmost care the recommendations made and the opinions expressed by the Committee in their report and in the minutes of their meetings which they desire to be considered as part of it. The decisions arrived at by him are detailed below. In some matters action has already been taken and it is proposed to circulate to the Public Accounts Committee who will investigate the accounts of 1923-24 a statement giving in detail the action taken on every point noticed in the report.

3. *Para. 9.*—The Governor General in Council is in full agreement with the Committee that it is of the utmost importance that steps should be taken to make control from headquarters of expenditure in local areas adequate and real. He is sure that the Committee will agree that for this purpose it is neither necessary nor desirable to institute a system of interference in details with the heads of the local administrations on whom the responsibility for administering the total grant at their disposal mainly rests. The Department of the Government of India which in the last resort controls the administration should however obtain periodically figures of the progress of expenditure against and enlist the co-operation of the local authorities in obtaining grants before incurring expenditure. It is, as the Committee recognise, not unnatural that the Department at headquarters is unable to give a full and satisfactory explanation of the details of excess of expenditure, but this difficulty could probably be obviated by their arranging, when necessary, for a representative of the local administration more fully conversant with details, to attend before the Public Accounts Committee along with a representative of the Department. The Government of India are at present considering in consultation with the Auditor General the question of promulgating a set of rules to ensure that controlling and disbursing officers maintain accurate and up-to-date accounts of the expenditure incurred by them and periodically report its progress to the head of the department and through him to the Government of India.

4. *Para. 10.*—The attention of the Auditor General is invited to the remarks in this para., with which the Governor General in Council fully associates himself, regarding the necessity of ensuring that there is no misclassification of expenditure between 'voted' and 'non-voted.' He is requested to take steps to issue such instructions as may be necessary to the various accounting officers in order to minimise as far as possible the chances of the occurrence of this sort of error.

5. *Para. 11.*—Instructions have been issued giving effect to the suggestion of the Auditor General that the drawing officer should record on the bills presented by him at the treasury the classification of the expenditure to meet which he is drawing the money.

6. *Para. 14.*—The Governor General in Council notes the emphasis which the Committee desire to lay on the principle that grants voted by the Assembly can be added to only by the Assembly, and that any transfers to a grant from another grant or from a non-voted head are invalid unless voted by the Assembly. He fully concurs in this view and trusts that the point will not be lost sight of in future either by the administrative or audit authorities. The only exception to this rule is that under the present system whereby the Assembly votes under the head 'Miscellaneous' a reserve to be placed at the disposal of the Finance Department, any reappropriations from the reserve have the effect of adding to some other grant to which the expenditure is rightly debitable. This exception is however more apparent than real, for the reserve is intended for the purpose of distribution, and allotments out of the reserve are brought to notice by the audit officer in his appropriation report, thus giving the Public Accounts Committee an opportunity of criticism.

7. *Para. 16.*—In para. 8 of the Finance Department Resolution No. 37-A. of 15th January 1924 instructions were issued in the sense desired by the Committee. The extract reproduced below will show the importance which the Government of India attach to the principle enunciated :—

"As however the total grants voted by the Assembly are distributed among various sub-heads and funds are allotted separately to the actual disbursing authorities, the Governor General in Council is of opinion that some improvement may follow if these officers realise the absolute necessity of obtaining funds from the Assembly where their sanction is necessary and from the executive Government in respect of non-voted items, before incurring expenditure, except in circumstances of such emergency as to justify the incurring of voted expenditure before the necessary vote can be obtained from the Assembly. The various Departments are therefore directed to take the necessary steps for this purpose and to obtain the previous approval of the Finance Department where for reasons of emergency it is proposed to incur voted expenditure in anticipation of a supplementary vote."

8. *Para. 17.*—In their letter No. F. D.-438-Ex. of 14th January 1925 the Government of India have designated certain officers as immediately responsible for the control over expenditure under each grant.

9. *Para. 18.*—Steps have been taken to sub-divide the railway demand and to present a number of separate demands dealing with different items ; and the revised procedure has been introduced in presenting to the Assembly the Railway Budget for 1925-26.

10. *Para. 20.*—The Auditor General is requested to comply with the wishes of the Committee and arrange, in cases where grants for large amounts are involved (e.g., the head 'Direction' under 'Salt') that a sub-table showing the variations under the more important items making up these grants is given in the Appropriation Report.

11. *Paras. 24-26.*—The Governor General in Council accepts the alteration proposed by the Committee in the form of the demands and has given effect to the suggestion in the demands placed before the Assembly for expenditure during 1925-26.

12. *Para. 27.*—The principle which the Committee desire to see enforced that both the gross and the net grants should be under the control of the Assembly has the concurrence of the Governor General in Council. He has under consideration the most convenient way of giving effect to it, but owing to legal and technical difficulties, it has not been possible to take any immediate steps in the matter.

13. *Para. 31.*—The matter of 'advance indents' for Railway stores is receiving careful consideration. The Government are in full sympathy with the object aimed at by the Committee.

14. *Para. 32.*—The Governor General in Council accepts the principles enunciated in this para. with the object of preventing excesses over expenditure caused by accounts adjustments. Instructions have been issued with a view to improving the present system and it will not be out of place to give here an extract from those instructions which is pertinent to the question in issue here :—

"If it is impossible to have any expenditure booked in the accounts of the year to which it relates, owing to the fact that the actual incidence of the expenditure is under dispute, it ought to be charged to the accounts of the year in which the final decision is taken, though at the same time all possible efforts should be made to expedite the decision as far as possible. On the other hand, adjustments should not be made in the accounts of the past year if the disbursements could not have been reasonably anticipated in time for a grant being obtained from the proper authorities, namely in the case of voted expenditure, the Legislative Assembly and the Provincial Councils, as the case may be. This implies that when demands (original or supplementary) for appropriation of the necessary amounts for the expenditure are being placed before the Legislature suitable provision should always be made for anticipated liabilities, and the provision that adjustments should not be made in the previous year's expenditure in certain circumstances

should not be used as a cloak to conceal the results of defective budgeting. The onus of proving that the disbursements could not have reasonably been anticipated should lie on the controlling officer. In all cases where the expenditure could have reasonably been anticipated, as for example recurring payments from one Government or Department to another and payments which, though not of fixed amount, are of a fixed character, etc., the Accounts Officer will automatically make the adjustment in the accounts before they are finally closed."

15. *Para. 33.*—The revision of the leave rules is under consideration in consultation with Provincial Governments, replies from some of whom on certain suggestions made by the Government of India have not yet been received.

16. *Para. 34.*—The Governor General in Council trusts that the remarks of the Public Accounts Committee regarding the value of proper local inspections will be borne in mind by all authorities concerned.

17. *Para. 35.*—An enquiry is being made into the feasibility of the suggestion to have an inventory of all Government property. The Auditor General is collecting information about the extent to which such inventories are maintained at present as also the system in force of checking Dead Stock Register wherever such are in existence.

18. *Para. 36.*—A copy of the Auditor General's proposals has since been received and are under consideration by the Government. The matter will be placed before the Public Accounts Committee again if necessary.

19. *Para. 37.*—The Government of India have carefully considered the two alternative suggestions made by the Committee and regret that neither is entirely feasible. They have, in consultation with the local Governments concerned decided that the most practicable way of giving effect to the object of the Committee is to arrange that a monthly recovery should be made from College funds of the amount paid from Central Revenues in excess of 1-12th of the fixed annual subvention.

20. *Para. 39.*—The Auditor General is requested to instruct audit officers to give effect to the suggestions that, in all cases where non-recurrent expenditure on a particular object is incurred in more than one financial year, the annual appropriation report should contain a statement comparing the total expenditure from the beginning up to date with sanctioned grants.

21. *Para. 41.*—The Government of India will be glad if the Auditor General will arrange to furnish the statistics required in future reports.

22. *Para. 42.*—It is understood that the action taken with regard to minimising pilfering on railways has had some effect already, though the effect is to some extent obscured by the large number of arrear claims outstanding. The payments of compensation are reported to have dropped from 53 lakhs in 1922-23 to about 40 lakhs in 1923-24 and it is expected

they will be in the neighbourhood of 25 lakhs in 1924-25. The Government of India recognise that there is still room for improvement but are aware that the Railway Board is fully conscious of the position and is taking all possible steps to improve it.

23. *Para. 43.*—The Government of India have considered the suggestion that interest should be claimed from the Iraq Government for the delay in payment of certain claims with regard to postal transactions. The Iraq Government had however paid certain sums in excess of its liabilities on other accounts and it has been brought to notice that his over-payment cancelled the other liabilities. No question of charging interest can therefore arise.

24. *Para. 45.*—The question whether it is possible to obtain reliable data to throw light on the effect on postal revenue of a rise in rates and of trade depression separately is under the consideration of the Director General, Posts and Telegraphs, at present and the Government are awaiting his report before arriving at a decision.

25. *Para. 46.*—The possibility of reducing the superior staff in the Post and Telegraph Department was to have been considered by the departmental Committee which was appointed with Mr. Ryan as the chairman to examine the organisation of the Department and effect possible economies but it is relevant to note that the proportion of gazetted to non-gazetted staff in the Department in 1923-24 was 811 : 106,054, and considering that a large number of the gazetted officers are of very modest status the proportion of one officer to 130 men does not seem *prima facie* high.

26. *Para. 47.*—The Governor General in Council accepts in principle suggestion that arrangements between the Army and other Departments should be generally on a reciprocal basis. He has consequently decided that where inter-departmental transactions are involved, the Army Department should charge and be charged for services to and from other departments, unless the resulting accounting and book keeping will clearly lead to undesirable and expensive complications. In cases where it is desired that the general principle should be departed from, the decision to do so should be taken by the administrative authorities only after consulting the audit officer concerned and the reasons for the decision should be recorded in full.

27. In the minutes of their meetings, *e.g.*, 9th meeting (last sub-paragraph on page 30); 10th meeting (first sub-paragraph on page 33), 12th meeting (2nd paragraph) the Committee have made certain suggestions for action by audit officers. The Auditor General is requested to issue the necessary instructions if he sees no objection.

28. *Final report, minutes of the 13th meeting.*—The Governor General in Council agrees entirely with the remarks in paragraph 10 of the minutes regarding the undesirability of transactions being allowed to remain in suspense for any considerable period. It was with this object that the step

was taken of charging off in the accounts of the year 1923-24 the large amount of advances to the Persian Government that had been long outstanding ; and a scrutiny will now be made of other items which are at present held in suspense in the accounts.

The question of the items in dispute between the India Office and the War Office regarding amounts due to and from India in connection with the Great War is receiving careful attention and it is hoped that a settlement will be reached at no distant date.

The attention of the Railway Board is drawn to the comments of the Committee on the accounts of the railways which are contained in paragraphs 2 to 7 of the proceedings.

---

## APPENDIX II.

*Statement showing the action taken on the points noticed by the Public Accounts Committee in their Report on the accounts of 1922-23.*

Nos.	Recommendations or observations made by the P. A. Committee.	Reference to Report.	Action taken or proposed to be taken on points noticed.
1	That control from headquarters of expenditure in local areas be made more effective.	Para. 9 (Vol. I, page 4).	The Government of India are considering in consultation with the Auditor General the question of promulgating a set of rules to assist in watching the progress of expenditure against grants. (Para. 3 of Resolution No. 3665-A. of 14th April 1925.)
2	That steps be taken to prevent misclassification of expenditure between voted and non-voted.	Para. 10 <i>ibid.</i>	Instructions have been issued by the Auditor-General.
3	That instructions be issued giving effect to the Auditor General's suggestion that the drawing officer should indicate on the bill presented by him at the treasury the classification of the expenditure to meet which he is drawing the money.	Para. 11 <i>ibid.</i>	Instructions have been issued giving effect to the suggestion.
4	That the principle that grants voted by the Assembly can be added to only by the Assembly and that any transfers to a grant from another grant or from a non-voted head are invalid unless voted by the Assembly be observed.	Para. 14 <i>ibid.</i> , page 5.	The principle has again been emphasised in para. 6 of the Resolution quoted above.
5	That the importance of the principle of obtaining funds from the Assembly before incurring expenditure on voted heads be impressed upon the actual disbursing officers.	Para. 16 <i>ibid.</i> page 6.	Instructions had already been issued to this effect; they have been reiterated in para. 7 of the Resolution.
6	That particular officers be made immediately responsible for the control over expenditure under each particular grant.	Para. 17 <i>ibid.</i>	A list of authorities whom the Government of India would hold responsible for the control of expenditure has been issued.
7	That the railway demand be further subdivided.	Para. 18 <i>ibid.</i> , page 7.	The Railway estimates of expenditure were presented to the Assembly in February 1925 in the form of demands for grants.
8	That arrangements be made in cases where grants for large amounts are involved (e.g., the head 'Direction' under 'Salt') to attach a sub-table in the Appropriation Report showing the variations under the more important items.	Para. 20 <i>ibid.</i>	The Auditor General has been requested to arrange to comply with the wishes of the committee.
9	That the form of the Demands for grants be altered on the basis of the general principle that there should ordinarily be one controlling officer for each grant.	Para. 20 (Vol. I, pages 8-9).	The form of the demands placed before the Assembly this year has been altered which gives effect to this in great measure. The question of extending the new procedure completely in the case of all local administrations is under consideration.



Nos.	Recommendations or observations made by the P. A. Committee.	Reference to Report.	Action taken or proposed to be taken on points noticed.
10	That in the case of grants like Stamps and Stationery and Printing where large recoveries are taken in reduction of expenditure, both the gross and net grants should come under the control of the Assembly.	Para. 27 (Vol. I, page 9).	The question is still under consideration ( <i>vide</i> para. 12 of F. D. Resolution No. 3665-A., dated 11th April 1925, quoted above.)
11	That the procedure of indenting for English stores on the system of advance grant be replaced by one which will bring the grant under the control of the Assembly.	Paras. 30-31 ( <i>ibid</i> , pages 9-10).	The Railway Board have revised their procedure and propose to place a note explaining the necessity for the new procedure before the Standing Finance Committee for Railways.
12	That rules be laid down to ensure that accounts adjustments may not cause excesses over expenditure unnecessarily.	Para. 32 ( <i>ibid</i> , page 10).	Instructions have been issued for this purpose ( <i>vide</i> extract from F. D. letter No. 9621-A., dated 28th November 1924, in para. 14 of the Resolution quoted above).
13	That the desirability of amending the leave rules which seem to be unnecessarily complicated be considered.	Para. 33 (Vol. I, page 11).	The question is under consideration in consultation with Provincial Governments replies from some of whom are still awaited.
14	Necessity of proper local inspections by the administrative and audit authorities in order to exercise a check on defalcations and irregularities in the civil and military departments.	Para. 34 <i>ibid</i> .	In para. 16 of the Resolution quoted above, the Government have drawn the attention of all authorities concerned to this.
15	Desirability of having an inventory of all Government property, buildings, furniture, etc.	Para. 35 <i>ibid</i> .	The Auditor General is at present enquiring into the adequacy of the existing system and considering whether any improvement can be made upon it.
16	Consideration of Auditor General's proposals to secure a better control of expenditure under the heads 'Civil Works' and 'Irrigation' so as to obviate occurrence of excesses under individual major heads after the annual <i>pro rata</i> adjustment of charges on account of establishment and tools and plant.	Para. 36 <i>ibid</i>	The proposals which were originally put by the Auditor General to all local Governments were carefully considered by the Government of India in 1923 and they came to the conclusion that there was nothing to be gained by adopting them as far as the Central Government was concerned. This decision has now, on further consideration, been re-affirmed and has been accepted by the Auditor General.
17	Suggestion that (1) the practice of meeting the expenditure of the Rajkot College, Bombay, and the Aitchison College, Lahore, initially from Central Revenues should be abandoned or (2) steps be taken to ensure recoveries of amount in excess of the annual subvention being made in advance.	Para. 36 ( <i>ibid</i> , pages 11-12).	It has been decided that recoveries should be made periodically ( <i>vide</i> para. 19 of the above quoted Resolution).
18	That in cases where non-recurrent expenditure for a particular object continues for more than a year, the appropriation account should contain a statement comparing the total expenditure from the beginning of the period with the total sanctioned grant.	Para. 39 ( <i>ibid</i> , page 12).	The Auditor General has been requested to instruct audit officers to give effect to the suggestion.

Nos.	Recommendations or observations made by the P. A. Committee.	Reference to Report.	Action taken or proposed to be taken on points noticed.
19	That statistics showing the ratio of working expenses to gross earnings on the lines of those given in paragraph 18 of the Railway Appropriation Report for 1922-23 be supplied by important minor heads under the head 'Working Expenses' in future reports.	Para. 41 <i>ibid.</i>	Statistics have been furnished in the Appropriation Report for 1923-24.
20	Comment on the alarming increase in payment of compensation claim by the East Indian Railway for goods lost or damaged.	Para. 42 <i>ibid.</i>	The attention of the Agent, East Indian Railway, has been drawn to these remarks. The Railway Board propose to give a comprehensive survey of the whole position with regard to compensation claims in their annual Report on Indian Railways for 1924-25.
21	That interest be claimed from the Iraq Government for the delay in payment of the claims amounting to Rs. 17 lakhs in regard to postal transactions.	Para. 43 ( <i>ibid.</i> , page 13).	It is explained in paragraph 23 of F. D. Resolution No. 3665-A, quoted above, that no claim for interest can be made.
22	That investigation be made to determine whether the fall in postal revenue in 1922-23 is due to the increased rates of postage or the general depression in trade.	Para. 45 <i>ibid.</i>	A separate memorandum on this question is being submitted to the Public Accounts Committee.
23	Possibility of reducing the superior staff in the Posts and Telegraphs Department.	Para. 46, Vol. I, page 13.	The question was considered by the Posts and Telegraphs Department Committee, 1924-25, who were of opinion that the ratio of superior officers to men (1:900) did not appear to be too high (paragraph 154 of their Report).
24	That arrangements between the Army and other Departments be put on a reciprocal basis.	Para. 47 ( <i>ibid.</i> , page 14).	Orders have been issued to this effect ( <i>vide</i> paragraph 26 of F. D. Resolution No. 3665-A, quoted above).
25	Desirability of a closer check being exercised by the Government Examiner on the accounts of Company-managed lines.	Minutes of 13th meeting para. 4, Vol. III, page 2.	A separate memorandum will be placed before the Committee by the Railway Board on these points.
26	That a report of the steps taken or proposed to be taken on the desirability of making the Auditor on Companies' lines independent of the Agent, referred to in page 66 of the P. A. Report for 1921-22, be placed before the new Committee.	<i>Ibid.</i>	
27	That in order to prevent losses of cash in transit, movement of large amounts of cash to and from headquarters be avoided by arranging to pay in receipts into a near branch of the Imperial Bank or by some other method.	Para. 6 ( <i>ibid.</i> , page 31).	It is proposed that Agents of Railways should be asked to get in touch with the local Deputy Controllers of Currency to arrange to have this suggestion put into effect if possible.
28	Necessity, in view of the considerable financial importance of the matter, of exercising adequate checks over people travelling without tickets.	Para. 7 <i>ibid.</i>	The matter is receiving the attention of the Railway Board.
29	Desirability of having suspense accounts cleared at the earliest possible opportunity.	Para. 10 <i>ibid.</i>	The Government are in communication with the accounts officers in India and in England on this point.

---

---

**APPENDIX III.**

**Statement comparing expenditure with grants for  
1923-24.**

---

---

Name of grant.	ORIGINAL GRANT.		NET GRANT AVAILABLE (INCLUDING MODIFICATIONS SANCTIONED BY COMPETENT AUTHORITY).		ACTUAL EXPENDITURE.	
	Voted.	Non-voted.	Voted.	Non-voted.	Voted.	Non-voted.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>A.—EXPENDITURE CHARGED TO REVENUE.</b>						
Customs . . . .	62,17,000	9,42,000	65,18,450	9,43,550	61,70,262	8,33,204
Taxes on Income . .	58,93,000	3,15,000	63,56,387	3,69,613	58,16,829	3,18,563
Salt . . . .	1,13,84,000	40,10,000	1,13,52,530	40,41,470	97,19,014	38,40,673
Opium . . . .	1,86,53,000	1,13,000	2,63,58,000	1,16,000	2,87,26,575	99,040
Land Revenue . . .	...	10,000	...	10,000	...	20,582
Excise . . . .	1,000	6,000	1,000	6,000	...	...
Stamps . . . .	—3,35,000	...	—27,15,000	...	—35,30,390	...
Forests . . . .	9,28,000	4,30,000	9,16,799	4,33,223	7,66,662	4,28,575
Railways (Inclusive of working expenses and payment of surplus profit to Railway Companies).	63,97,79,000	27,93,80,000	63,86,70,000	26,27,21,000	61,93,56,811	26,51,38,732
Irrigation, Navigation, etc.	12,97,000	1,49,000	12,53,100	1,85,225	12,40,940	1,69,303
Indian Postal and Tele- graph Department.	8,07,98,000	82,20,000	8,62,12,000	76,75,000	8,60,87,113	75,64,474
Indo-European Tele- graph Department.	22,24,000	4,44,000	24,15,000	5,56,000	20,06,899	4,80,790
Interest on ordinary debt and sinking fund.	22,600	13,99,74,000	22,000	13,65,01,000	21,778	14,31,54,892
Interest on Miscellan- eous obligations.	3,20,93,000	54,000	3,21,62,081	94,000	3,00,56,484	1,01,420
General Administration	68,90,000	36,28,000	74,09,036	36,59,848	67,47,931	35,88,994
Audit . . . .	69,72,000	7,16,000	69,44,020	7,16,000	68,39,056	6,65,599
Administration of Jus- tice.	...	41,000	1,35,000	41,000	1,35,654	28,401
Jails and Convict Settle- ments.	2,000	11,000	2,000	11,000	5,070	13,409
Police . . . .	22,000	53,000	63,160	53,000	52,828	74,232
Ports and pilotage . .	11,08,000	11,63,000	11,48,166	11,71,494	10,77,916	11,01,042
Survey of India . . .	19,97,000	9,53,000	23,23,000	7,75,000	22,27,015	7,72,314
Meteorology . . . .	5,82,000	68,000	5,82,000	58,000	5,70,909	56,699
Geological Survey . .	1,72,000	4,01,000	1,80,000	3,21,000	1,56,784	3,34,936
Botanical Survey . .	17,82,000	25,000	17,82,000	25,000	16,64,734	28,134

DIFFERENCE BETWEEN ORIGINAL GRANT AND ACTUAL EXPENDITURE. SAVINGS (---); EXCESS (+).			DIFFERENCE BETWEEN NET GRANT AND ACTUAL EXPENDITURE. SAVINGS (---); EXCESS (+).		
Voted.	Non-voted.	Total difference + or—.	Voted.	Non-voted.	Total difference + or—.
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
—46,738	—1,04,796	—1,55,534	—3,48,188	—1,10,346	—4,58,534
—76,171	+ 2,663	—72,608	—5,39,558	—51,050	—5,90,608
—16,64,986	—1,69,427	—18,34,413	—16,33,516	—2,00,897	—18,34,413
+ 70,73,575	—13,960	+ 70,69,615	—6,31,425	—16,960	—6,48,385
..	+ 10,582	+ 10,582	..	+ 10,582	+ 10,582
—1,000	—6,000	—7,000	—1,000	—6,000	—7,000
—32,04,390	..	—32,04,390	—8,24,390	..	—8,24,390
—1,01,338	+ 8,375	—1,52,963	—1,43,537	—4,848	—1,48,385
—2,04,22,189	—1,42,41,268	—3,46,63,457	—1,03,13,189	+ 23,47,732	—1,69,65,467
—50,080	+ 29,303	—35,757	—12,160	—15,922	—28,082
+ 52,89,113	—6,55,526	+ 46,33,587	—1,24,887	—1,10,526	—2,35,413
—2,17,101	+ 36,790	—1,80,311	—4,08,101	—75,210	—4,83,311
—222	+ 31,80,892	+ 31,80,670	—222	+ 66,53,892	+ 66,53,670
—20,36,516	+ 47,429	—19,89,086	—21,05,597	+ 7,420	—20,98,177
—1,42,069	—39,006	—1,81,075	—6,61,105	—70,854	—7,31,959
—3,32,944	—1,50,101	—4,83,045	—3,04,964	—1,50,101	—4,55,065
+ 1,35,654	—12,599	+ 1,23,055	+ 654	—12,599	—11,945
+ 3,070	+ 2,409	+ 5,479	+ 3,070	+ 2,409	+ 5,479
+ 30,838	+ 21,232	+ 52,060	—10,332	+ 21,232	+ 10,900
—30,084	—61,958	—92,042	—70,250	—70,462	—1,40,702
+ 2,30,015	—1,80,686	+ 49,329	—95,985	—2,686	—98,671
+ 8,909	—11,301	—2,392	—11,091	—1,301	—12,392
—15,216	—66,664	—81,280	—22,216	+ 13,936	—18,280
—1,17,266	—9,606	—1,20,132	—1,17,266	—2,366	—1,20,132

Name of grant.	ORIGINAL GRANT.		NET GRANT AVAILABLE (INCLUDING MODIFICATIONS SANCTIONED BY COMPETENT AUTHORITY).		ACTUAL EXPENDITURE.	
	Voted.	Non-voted.	Voted.	Non-voted.	Voted.	Non-voted.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Zoological Survey . . .	1,10,000	45,000	1,27,000	28,000	1,22,203	26,184
Archæology . . .	12,45,000	1,27,000	12,45,000	1,27,000	11,71,380	94,689
Mines . . .	1,06,000	1,11,000	1,06,000	1,11,000	1,02,867	1,08,018
Other Scientific Department.	4,70,000	1,18,000	4,69,330	1,18,000	4,22,379	1,00,632
Education . . .	2,49,000	28,000	2,49,000	28,000	1,63,256	—9,828
Medical Services . . .	7,30,000	3,64,000	7,74,460	3,90,000	7,39,388	3,58,050
Public Health . . .	3,57,000	1,45,000	3,51,720	1,54,880	2,68,318	1,50,039
Agriculture . . .	6,61,000	3,15,000	10,57,000	3,15,000	10,25,452	2,74,695
Civil Veterinary Services	6,11,000	84,000	6,11,000	84,000	6,14,319	80,463
Industries . . .	44,000	7,000	24,290	7,000	23,015	4,119
Aviation . . .	19,000	5,000	12,500	6,500	11,787	6,000
Commercial Intelligence (including statistics)	2,13,000	40,000	2,39,000	40,000	2,21,862	35,609
Census . . .	26,000	24,000	98,435	44,220	54,428	42,573
Emigration-Internal . .	56,000	8,000	56,000	8,000	42,896	8,250
Emigration-External . .	44,000	7,000	62,000	8,794	69,882	15,969
Joint Stock Companies.	1,33,000	...	1,33,700	...	1,01,857	16,300
Miscellaneous Departments.	18,37,000	1,73,000	19,35,779	2,54,816	17,19,086	2,45,953
Currency . . .	49,68,000	1,60,000	49,51,240	1,74,000	44,53,694	1,64,510
Mint . . .	15,99,000	1,44,000	15,99,000	1,44,000	14,44,031	77,960
Civil Works . . .	1,16,37,000	60,26,000	1,13,33,314	63,39,809	1,27,01,975	43,29,615
Famine Relief . . .	...	...	7,395	...	...	...
Superannuation allowances and Pensions.	38,44,000	2,97,02,000	53,58,500	2,87,21,238	26,00,818	2,62,03,211
Stationery and Printing	57,92,000	48,000	50,22,938	48,000	48,77,167	66,649
Miscellaneous . . .	21,23,000	35,02,000	20,12,679	36,68,279	17,01,724	37,77,487
Adjustment with Provincial Governments.	3,62,000	...	19,09,446	...	37,97,921	857
Refunds . . .	7,17,000	1,57,82,000	6,85,647	3,04,69,513	11,76,059	2,92,72,165
North-West Frontier Province.	1,02,00,000	1,23,95,000	1,01,93,253	1,23,08,717	96,71,960	1,14,08,595
Baluchistan . . .	26,83,000	44,04,000	27,25,920	47,37,195	25,82,088	45,01,652
Delhi . . .	26,38,000	4,50,000	29,30,504	4,44,890	27,38,812	5,01,286
Cooch. . . .	13,17,000	1,19,000	13,06,000	1,00,150	10,91,647	94,822
Ajmer-Merwara . . .	14,67,000	1,61,000	14,96,558	1,61,000	13,26,207	1,50,712

DIFFERENCE BETWEEN ORIGINAL GRANT AND ACTUAL EXPENDITURE. SAVINGS (—); EXCESS (+).			DIFFERENCE BETWEEN NET GRANT AND ACTUAL EXPENDITURE. SAVINGS (—); EXCESS (+).		
Voted.	Non-voted.	Total difference + or —	Voted.	Non-voted.	Total difference + or —
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
+12,203	—18,816	—6,613	—4,797	—1,816	—6,613
—73,620	—32,311	—1,05,931	—73,620	—32,311	—1,05,931
—3,133	—2,982	—6,115	—3,133	—2,982	—6,115
—47,621	—17,368	—64,989	—46,951	—17,368	—64,319
—85,744	—37,828	—1,23,572	—85,744	—37,828	—1,23,572
+9,368	—5,947	+3,441	—35,072	—35,947	—67,019
—88,682	+5,039	—83,643	—83,402	—4,841	—88,243
+3,64,452	—40,305	+3,24,147	—31,548	—40,305	—71,853
+3,319	—3,537	—218	+3,319	—3,537	—218
—20,985	—2,881	—23,866	—1,275	—2,881	—4,156
—7,213	+1,000	—6,213	—713	—500	—1,213
+8,882	—4,391	+4,491	—17,118	—4,391	—21,509
+28,428	+18,573	+47,001	—44,007	—1,647	—45,654
—13,102	+250	—12,852	—13,102	+250	—12,852
+25,882	+8,969	+34,851	+7,882	+7,175	+15,057
—31,143	+16,800	—14,343	—31,843	+16,800	—15,043
—1,17,914	+67,953	—49,961	—2,16,693	—8,863	—2,25,556
—5,14,306	+4,510	—5,09,796	—4,97,546	—9,550	—5,07,096
—1,54,969	—66,040	—2,21,009	—1,54,969	—66,040	—2,21,009
+10,64,975	—16,96,385	—6,31,410	+13,68,661	—20,10,185	—6,41,524
..	..	..	—7,395	..	—7,395
—12,43,182	—34,98,769	—47,41,971	—27,57,682	—25,18,027	—52,75,709
—9,14,833	+18,649	—8,96,184	—1,45,771	+18,649	—1,27,122
—4,21,276	—7,24,513	—11,45,789	—3,10,955	—8,90,792	—12,01,747
+34,35,921	+857	+34,36,778	+18,88,475	+857	+18,89,332
+4,59,059	+1,34,10,165	+1,39,69,224	+4,90,412	—11,97,343	—7,06,931
—5,28,040	—9,86,405	—15,14,445	—5,21,292	—9,00,122	—14,21,414
—1,00,912	+97,461	—3,451	—1,43,832	—2,35,734	—3,79,566
—94,188	+51,266	—42,922	—1,91,692	+56,376	—1,35,316
—2,25,353	—24,178	—2,49,531	—2,14,353	—5,328	—2,19,681
—1,40,793	—10,288	—1,51,081	—1,70,351	—10,288	—1,80,639

Name of grant.	ORIGINAL GRANT.		NET GRANT AVAILABLE (INCLUDING MODIFICATIONS SANCTIONED BY COMPETENT AUTHORITY).		ACTUAL EXPENDITURE.	
	Voted.	Non-voted.	Voted.	Non-voted.	Voted.	Non-voted.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Andamans and Nicobar Islands.	41,47,000	1,59,000	41,23,320	1,73,580	34,87,515	1,69,663
Rajputana . . .	4,39,000	10,13,000	4,51,810	9,28,704	4,25,834	8,86,345
Central India . . .	6,32,000	8,31,000	6,50,835	8,43,170	5,97,999	7,72,479
Hyderabad . . .	1,77,900	3,70,000	1,69,970	3,77,170	1,57,742	3,39,870
Bangalore . . .	...	29,25,000	...	29,90,162	..	28,53,212
Expenditure in England under the control of the Secretary of State for India.	14,82,000	8,35,000	17,01,000	8,52,000	5,52,813	8,58,531
Expenditure in England under the control of the High Commissioner for India.	77,86,000	26,72,000	76,32,000	31,39,000	67,56,863	28,86,220
Ecclesiastical . . .	...	29,82,000	...	30,04,743	...	26,78,886
Political . . .	...	1,58,51,000	...	1,62,58,591	...	1,52,06,191
Territorial and Political Pensions.	...	27,49,000	...	28,92,054	...	26,64,710
Army . . .	...	59,84,96,000	...	60,02,04,643	...	56,08,00,154
Marine . . .	...	96,36,000	...	98,65,000	...	96,54,425
Military Works . . .	...	4,23,55,000	...	4,44,71,800	...	4,13,19,783
Extraordinary Payments	...	...	...	...	...	3,40,96,207
Total	88,95,87,000	1,19,64,49,000	90,39,06,671	1,19,55,09,092	87,27,34,930	1,18,49,90,912
<b>B.—EXPENDITURE CHARGED TO CAPITAL.</b>						
Railways . . .	38,61,93,000	2,02,000	38,61,91,000	2,04,000	20,77,46,868	2,51,604
Irrigation . . .	22,000	...	7,000	...	13,104	...
Capital outlay on Telegraphs.	94,30,000	...	93,45,000	...	75,21,580	...
Delhi Capital outlay . .	1,93,24,000	3,76,000	1,67,94,000	4,34,000	1,50,46,223	4,27,429
Total	41,49,69,000	5,78,000	41,23,37,000	6,38,000	23,03,27,755	6,79,033
<b>C.—DISBURSEMENTS OF LOANS AND ADVANCES.</b>						
Interest free advances .	9,13,69,000	...	9,18,99,000	...	9,23,44,006	...
Loans and advances bearing interest.	14,48,68,000	...	14,48,68,000	...	12,72,44,586	...
Total	23,62,37,000	...	23,67,67,000	...	21,95,88,592	...
GRAND TOTAL	1,54,07,93,000	1,19,70,27,000	1,55,30,10,671	1,19,61,44,082	1,32,28,61,277	1,18,66,69,915



DIFFERENCE BETWEEN ORIGINAL GRANT AND ACTUAL EXPENDITURE. SAVINGS (-); EXCESS (+).			DIFFERENCE BETWEEN NET GRANT AND ACTUAL EXPENDITURE. SAVINGS (-); EXCESS (+).		
Voted.	Non-voted.	Total difference + or -.	Voted.	Non-voted.	Total difference + or -.
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
-6,62,485	+10,663	-6,58,822	-6,35,805	-3,917	-6,39,722
-3,166	-1,46,555	-1,49,821	-15,976	-62,359	-78,335
-34,001	-58,521	-92,522	-52,836	-70,691	-1,23,527
-19,258	-39,430	-49,688	-12,228	-37,600	-49,828
...	-71,788	-71,788	...	-1,36,950	-1,36,950
+70,818	+22,631	+94,344	-1,48,187	+6,361	-1,41,826
-10,29,347	+2,14,220	-8,15,127	-8,75,347	-2,52,780	-11,28,127
...	-3,03,114	-3,03,114	...	-3,25,857	-3,25,857
...	-6,44,809	-6,44,809	...	-10,52,400	-10,52,400
...	-84,290	-84,290	...	-1,37,344	-1,37,344
...	-3,76,86,846	-3,76,86,846	...	-3,93,95,489	-3,93,95,489
...	+18,425	+18,425	...	-2,10,575	-2,10,575
...	-10,35,217	-10,35,217	...	-31,52,017	-31,52,017
...	+3,40,96,207	+3,40,96,207	...	+3,40,96,207	+3,40,96,207
-1,68,52,070	-1,14,58,088	-2,83,10,158	-3,11,71,741	-1,05,15,180	-4,16,86,921
-17,84,46,132	+49,604	-17,83,96,528	-17,84,44,132	+47,604	-17,83,96,528
-8,896	...	-8,896	+6,104	...	+6,104
-19,08,440	...	-19,08,440	-18,23,440	...	-18,23,440
-42,77,777	+51,429	-42,26,348	-17,47,777	-6,571	-17,54,348
-18,46,41,245	+1,01,033	-18,45,40,212	-18,20,08,245	+47,033	-18,19,68,212
+9,75,006	...	+9,75,006	+4,45,006	...	+4,45,006
-1,76,23,414	...	-1,76,23,414	-1,76,23,414	...	-1,76,23,414
-1,66,48,408	...	-1,66,48,408	-1,71,78,408	...	-1,71,78,408
-21,81,41,723	-1,13,57,055	-22,94,98,778	-23,03,59,394	-1,04,74,147	-24,08,33,541

## APPENDIX IV.

**A.—MAIN PROPOSALS WITH REGARD TO AMPLIFICATION OF PRESENT APPROPRIATION REPORT, SO AS TO GIVE FULLER EXPLANATIONS AND REPORTS OF IRREGULARITIES, ETC. (ANNEXURE 13.)**

***Appropriation Report.***

(i) Appropriation Report to contain a general review of the accounts on a systematic basis. (Annexure 27.)

(ii) (a) Inclusion in Appropriation Report of observations regarding serious financial irregularities which are now included in separate Audit Report (paras. 11, 18 and 19). (Annexure 26.)

(b) Alteration of present procedure which prevents audit officers from mentioning, without special sanction of Government, irregularities on which Government had not passed orders, (paras. 11, 18 and 20). (Annexure 30.)

***Appropriation Account.***

(iii) Abolition of detailed accounts of each Grant by circles of accounts [para. 9 (i), 24 (i)]. (Annexure 1.)

(iv) Detailed accounts to be given by prescribed sub-heads [paras. 10 (1)], 33-5. (Annexure 8.)

(v) Accounts of voted and non-voted charges to be combined [para. 9 (ii), 24 (2)]. (Annexure 2.)

(vi) Appropriation accounts to include a comparison of actual expenditure with final grants passed by proper authority (Legislature for voted and Finance Department for non-voted charges), re-appropriation within the grant by competent subordinate authorities being excluded from the account [paras. 9 (iii), 24 (3)]. (Annexure 3.)

Separate columns for supplementary grants being omitted [para. 9 (iv), 24 (4)]. (Annexure 3.)

(vii) Appropriation accounts to be divided into classes and separately summarised (para. 26). (Annexure 5.)

(viii) Certificates on appropriation accounts. (Annexures 6 and 7.)

(ix) Store accounts in respect of important stocks to be appended to appropriation accounts of grants out of which they are financed [paras. 10 (iii), 56-60]. (Annexure 23.)

(x) For quasi-commercial concerns, suitable trading accounts, balance sheets, etc., to be exhibited in the appropriation account [paras. 10 (vi), 63-67]. (Annexure 22.)

(xi) Detailed statements showing expenditure for the year as well as progressive expenditure in the case of expenditure on new works, and special non-recurring charges (e.g., Commissions of Enquiry, etc.), expenditure on which is spread over more than one accounts year [paras. 10 (iv) and (v), 46-54].

## B.—DETAILS.

(i) Determination of units of grants (which under rules rests with the Finance Member) in consultation with the Public Accounts Committee (para. 30).

(ii) Convention that change in sub-heads of grants should be made in consultation with the Public Accounts Committee (para. 31).

(iii) Sub-heads by which a grant should be accounted for to be detailed in the Demands for Grants (para. 33).

(iv) Principles suggested for determining sub-heads of grant (paras. 35 and 36). (Annexures 9, 10, 11 and 12), detailed sub-heads proposed (para. 34, Appendix 1 and Annexure 8).

(v) Appropriation audit of grants-in-aid (para. 41). Principles to govern appropriation and re-appropriation of such grants (para. 45).

(vi) Special points relating to—

(a) secret service expenditure. (Annexure 14) ;

(b) details of extra remuneration drawn from any grant by an officer whose pay is charged to another grant. (Annexure 15) ;

(c) details showing total cost of each particular service. (Annexure 16),

(d) Dead stock accounts. (Annexure 17) ;

(e) Statistical tables regarding actual strength of staff in certain cases (Annexure 18) and other matters. (Annexure 20) ;

(f) cost of passages to high officials. (Annexure 19) ;

(g) information regarding payments due but not made in the course of the year thus forming a liability for future years and payments made in the year but pertaining to previous years. (Annexure 21) ;

(h) Statistics relating to audit objections. (Annexure 31) ;

## C.—CONSEQUENTIAL CHANGES.

(i) Alteration of forms for Demands for Grants to correspond with form in which it is proposed to give the Appropriation Account (82-93). (Annexure 33.)

(ii) Postponement of dates of submission of reports (102-107) which will not affect the date of presentation to the Public Accounts Committee, as it is practically impossible for the Committee to consider the report before the summer session of the Assembly. (Annexure 34.)

## APPENDIX V.

**MEMORANDUM FURNISHED BY THE RAILWAY DEPARTMENT  
(RAILWAY BOARD) WITH REFERENCE TO PARAGRAPH 4 OF  
THE PROCEEDINGS OF THE 13TH MEETING OF THE PUBLIC  
ACCOUNTS COMMITTEE HELD ON 6TH FEBRUARY 1925.**

**SUBJECT.**—*Desirability of making the Auditor on Companies' lines independent of the Agent.*

At the seventh meeting of the Public Accounts Committee on the Accounts of 1921-22, the Auditor General drew the attention of the Committee to the fact that most of the irregularities were found in State Railways, from which he inferred that, as the auditor was not independent of the Agent in Companies' lines, fewer irregularities were brought to light. After discussion, the Committee, while not prepared to express a definite opinion on the matter at issue, desired it to be stated that, in their view, the question of making the auditor on Companies' lines independent of the Agent was one that deserved consideration.

2. In paragraph 4 of the proceedings of the thirteenth meeting of the Public Accounts Committee, held on the 6th February 1925, it is stated that the Committee "observed that a reference had been made to the question of the desirability of making the auditor on Companies' lines independent of the Agent by the preceding Public Accounts Committee on page 61 of their report. They hoped that the Government would place before the succeeding Committee a report of the steps that had been or were being taken in this connection."

3. This question was raised, debated and decided by the Government of India in 1914. In connection with draft rules for the preparation of annual Appropriation Reports, the Company lines took exception to the proposal that their Audit Department should include in the Appropriation Report, a document intended for Government purposes, criticisms on certain points on the action of the Railway Administration, such as abnormal growth of expenditure or tendency to extravagance, tendency towards undue inflation of stores balances, defects in system of accounting, serious breaches in financial rules, etc. It was the duty of the Chief Auditor to make such criticisms and suggestions but these should continue to be made to the Agent and ultimately to the Board of Directors, and not in a report to the Government. Such a proceeding, they contended, would have the effect of placing the Company's auditor in a false position inasmuch as he would be called upon to forward to the Railway Board a criticism of the administrative acts of his employers.

4. The Railway Board of the day agreed with the views of the Companies in this matter. They said:—"So far as Government are concerned the audit on their behalf is independent of the administrative authorities and is armed with powers to safeguard the interests of Government. The Companies' Auditors on the other hand are accorded varying degrees of independence by the

**Directors.** It would indeed appear that it might be well for the Directors to elevate their Auditors in every case to as independent a position as has been accorded to the East Indian Railway Chief Auditor but he would still be the servant of the Company and not of Government." They also pointed out that no reason had ever been given to show that it is really a matter of necessity that such reports should be submitted, and that, as the Companies would not accept willingly the proposed orders and, as these are not definitely provided for in the contracts, the position must be abandoned. Far more harm than good would ensue from the maintenance of these orders, even were it possible to maintain them.

5. The Finance Department, after considering the matter in consultation with the Auditor General and the Comptroller General, and recognizing that the Government of India had no powers under the Secretary of State's contracts with the Railway Companies whereby the latter could be compelled to make their Chief Auditors in India independent of their Agents, and that there was no practical probability of such powers being obtained, accepted the views of the Railway Board, and abandoned the question. An important factor which led to this decision was that the Government of India were not in a position to demonstrate conclusively that the existing arrangements had in point of fact materially prejudiced Government interests. The whole thing had come into prominence merely as part of a general striving towards a higher audit ideal.

6. The Auditor General agreed with the view of the Government of India. He said "the deliberate policy of Government is to entrust to the Companies detailed supervision in so far as the interests of Government and of the Companies coincide. It is the duty of the Government Inspectors and Examiners to check those details in which interests do not coincide. These Government officers have the right and the duty of reporting to Government serious irregularities coming to their notice. Other matters according to the policy of Government should be left to the Boards of Directors to settle. But it is the duty of the Boards of Directors of a Company to see that orders issued by the Railway Board, on behalf of the Secretary of State, are obeyed. So far as it is possible to check this in audit, it is the duty of the Board of Directors to instruct their Auditor to exercise such a check. It should then be the duty of the Auditor, as their servant, to report to them any breach of such rule, either through the medium of the Appropriation Report, or by an immediate special report, as the Board of Directors may prefer. This, then, is the policy which, in my opinion, should be pursued. I think Government might give way on the entries by the Chief Auditor of irregularities in the Appropriation Reports, provided Companies give their Auditors the right and impose on them the duty of reporting direct to the Board if they consider necessary any serious breach of rule. In other words Companies should make audit independent of the Executive but subordinate to the Board of Directors."

7. The Railway Board then addressed all Company Railways in the terms suggested by the Auditor-General. They said that "the Government of India believe that it would be of as much value to the Companies as to themselves, if the audit staff were made independent of the Executive in India, though still subordinate to the Board of Directors. This measure of independence has long been accorded to their Chief Auditor by at least one impor-

tant Company ; and its beneficial effect in practice indicates clearly that proposals tending in the same direction for other Companies are not necessarily unsuited to the conditions of commercial undertakings.' The Boards of Directors were asked to furnish the Government of India with copies of any instructions that they might issue with this object.

8. From replies received from the Companies it appears that the position on most Railways is practically the same. The Chief Auditor as an accounts officer is subordinate to the Agent, but is entitled to have representations which he may make as Auditor to the Agent, and which are disregarded by him, forwarded to the Board of Directors for orders. Thus in the case of the Burma Railways, the orders are "that he is to call the attention of the Agent to any serious irregularities, and if he considers that his representations are not receiving due attention, he is authorised to address the Board "direct." On the Assam Bengal Railway the Auditor is "entitled to write direct to the Board on such matters if necessary, though generally such reference would be forwarded through the Agent." The Appropriation Report on this Railway "should be accompanied by a letter from the Chief Auditor, forwarded through the Agent in which he will formally submit it to the Board and direct their attention to any points which appear to him to call for notice. Such a letter will not relieve him of the duty of making a special intermediate report to the Board, should occasion for doing so arise." On the South Indian Railway, again, "it is, and always has been, expected that he (the Chief Auditor) will require a reference to be made to the Board if at any time there is a difference of opinion between him and the Agent as to the interpretation of rules or the extent of the latter's powers." On the M. & S. M. Railway the Chief Auditor is an Accountant responsible "that all receipts and disbursements are correctly accounted for, that sufficient authority exists for all expenditure, that contract obligations of the Company to Government are met, that all accounts are correctly and duly submitted, and that the instructions of Government and the Board in audit matters are strictly observed. In all such matters, and generally when acting strictly in his capacity as Auditor, he must act independently on his own responsibility, and his views are not liable to be overruled by the Agent. In the event of any serious difference of opinion the Agent should, if necessary, refer the matter to the Railway Board when the question involves the interpretation of a Government order only, and in other cases refer the question for their orders, a note by the Chief Auditor accompanying each case." On the B. B. & C. I. Railway the Chief Auditor is empowered "to address the Board of Directors on all matters requiring comment or reference to the Board within the province of his office, all such communications being forwarded through the Agent for his information."

9. In view of the fact that the Government of India have no powers under the contracts to force this proposal, and in view of the fact that, as shown above the Boards of Directors have given to their Auditors not only the power but also the responsibility of referring to them irregularities such as those noticed by the Public Accounts Committee, the Government of India are of opinion that it is neither possible nor advisable to re-open with the Companies the question of making their Auditors in India independent of their Agents.

## APPENDIX VI.

**Memorandum No. 217/24-P.T., dated the 23rd July 1925, furnished by the Department of Industries and Labour with reference to para. 45 of the Report of the Public Accounts Committee on the accounts of 1922-23.**

**SUBJECT :—***Effect of increased postal rates or depression in trade on postal revenue.*

The undersigned is directed to invite the attention of the members of the Public Accounts Committee to paragraph 45 of their report on the accounts of the year 1922-23, on the subject of the causes of the fall in postal revenue in that year. The Committee suggested that the question of whether the fall in revenue was due mainly to the increased rates of postage or to general depression in trade, should be investigated departmentally.

2. The Director-General of Posts and Telegraphs in consultation with the Financial Adviser has gone carefully into the matter and his conclusions together with the facts and figures on which they are based are set out in the paragraphs that follow and in the statements appended to this memorandum. The Government of India agree with the deductions drawn by the Director-General, and regret that it is not possible to furnish a more definite answer to the question propounded by the Committee. It will be realised however that during the years immediately following the War a number of factors other than those of a purely economic character came into play, the influence of which on postal statistics is wholly indeterminate.

3. Three statements are attached showing :—

- (I) receipts and charges and the general financial position of the Post Office from 1918-19 to 1922-23 ;
- (II) changes in the inland letter postage rates since 1919 ;
- (III) total amount of postal traffic under the various heads from 1918-19 to 1923-24.

It will be observed from statement No. I that there was no actual decline in postal revenue in 1922-23 as stated in the Committee's report, since in that year the Post Office had a net surplus of Rs. 26·67 lakhs against a deficit of Rs. 57·72 lakhs in the preceding year and the sale of postage stamps brought in an additional revenue of Rs. 73 lakhs.

4. An examination of the figures in statement III relating to the traffic during the six years under review in the various classes of postal articles suggests the following conclusions :—

- (a) The postcard, the poor man's article, does not seem to be very seriously affected by the state of trade, for in 1914-15, after the outbreak of the war, when there were heavy decreases under all the other main heads of postal articles, the one exception was the postcard which continued to show a steady increase of

2.09 per cent. The increase in April 1922 in the rate for post-cards from quarter anna to half an anna was followed by a decrease in this class of traffic amounting to 19.25 per cent. Since however the postage rate had been doubled the revenue from this source increased by more than 60 per cent. so that the decrease in traffic does not justify a reversion to the unprofitable rate of one quarter anna.

- (b) With regard to letters it would appear that the state of trade exercises a marked influence upon the volume of traffic. In 1914-15, after years of steady increase, there was a decline of 3.33 per cent. in the number of paid un-registered letters, although there was no change in the letter rates. On the 1st January 1919, the maximum weight for letters that could be sent for one anna was reduced from 10 tolas to  $2\frac{1}{2}$  tolas. Despite this heavy increase on letters above  $2\frac{1}{2}$  tolas in weight, the traffic under this head showed an increase of 15.37 per cent. in 1919-20. This was almost a record increase in the history of the Post Office and was due to the great trade boom in that year. In 1921-22, the rate for letters between  $\frac{1}{2}$  tola and one tola was raised from half-an-anna to three-quarters of an anna and there was a decline of .34 per cent. in the number of letters. In 1922-23 the present rate of one anna for every  $2\frac{1}{2}$  tolas was introduced and the decrease amounted to 16.1 per cent. This may be attributed to a large extent to the slump in trade. It is not possible to say what effect these fluctuations in the volume of traffic in articles sent by letter post had on the postal revenue during the years under consideration.

- (c) Other postal articles were also affected by the trade depression in 1922-23. Registered newspapers declined from 78.3 to 70.3 millions, although the rates were unaltered. Unregistered packets, which had been showing a steady increase up to that year declined from 68.3 to 67 millions. Parcels also showed a slight decrease. Here again the decreases in postal revenue consequent upon these reductions in traffic cannot be estimated.

5. To sum up, it is impossible to arrive at any certain conclusions as to the extent to which variations in postal traffic may be attributed to increased postage rates and to trade depression, respectively. Still less, is it possible to allocate between these two causes increases or decreases in postal revenue. It may, however, be accepted that trade conditions have very little effect on the traffic in postcards which seems to depend almost entirely upon the rates charged. Trade conditions undoubtedly have an important influence upon the traffic in other classes of postal articles and the decline in such traffic in 1922-23 may be ascribed almost exclusively to this cause. There are, however, distinct signs of recovery in 1923-24 under both postcards and letters, probably because people are growing accustomed to the new rates, and the indications are that in a few years traffic will recover its normal proportions.



## STATEMENT NO. I.

*Statement showing the receipts, charges and general financial position of the Post Office during the years 1918-19 to 1922-23.*

Year.	Receipts.	Charges.	Surplus (+) or deficit (—)
	Rs.	Rs.	Rs.
1918-19 .. .. .	4,70,67,353	4,32,64,888	+ 38,02,465
1919-20 .. .. .	5,59,64,243	4,85,99,561	+ 73,64,682
1920-21 .. .. .	5,66,66,513	6,12,65,885	—45,99,372
1921-22 .. .. .	6,14,76,922	6,72,48,791	—57,71,869
1922-23 .. .. .	6,92,27,609	6,65,60,519	+ 26,67,180

## STATEMENT NO. II.

*Statement showing the changes in the inland letter postage rates since the year 1919.*

Prior to 1st January 1919.	From 1st January 1919 to 17th April 1921.	From 18th April 1921 to 23rd April 1922.	Since 24th April 1922.
<i>Letters.</i>	<i>Letters.</i>	<i>Letters.</i>	<i>Letters.</i>
Not exceeding 1 tola $\frac{1}{2}$ a.	Not exceeding 1 tola .. .. $\frac{1}{2}$ a.	Not exceeding $\frac{1}{2}$ tola .. .. $\frac{1}{2}$ a.	Not exceeding $2\frac{1}{2}$ tolas .. .. 1 a.
Exceeding 1 tola but not exceeding 10 tolas .. .. 1 a.	Exceeding 1 tola but not exceeding $2\frac{1}{2}$ tolas .. .. 1 a.	Exceeding $\frac{1}{2}$ tola but not exceeding 1 tola .. .. 9 p.	Every additional $2\frac{1}{2}$ tolas .. .. 1 a.
Every additional 10 tolas .. .. 1 a.	Every additional $2\frac{1}{2}$ tolas .. .. 1 a.	Exceeding 1 tola but not exceeding $2\frac{1}{2}$ tolas .. .. 1 a.	
		Every additional $2\frac{1}{2}$ tolas .. .. 1 a.	
<i>Postcards.</i>	<i>Postcards.</i>	<i>Postcards.</i>	<i>Postcards.</i>
Single .. .. $\frac{1}{2}$ a.	Single .. .. $\frac{1}{2}$ a.	Single .. .. $\frac{1}{2}$ a.	Single .. .. $\frac{1}{2}$ a.

## STATEMENT NO. III.

*Postal traffic (in millions).*

Articles.	1918-19	1919-20	1920-21	1921-22	1922-23	1923-24
Paid unregistered letters ..	459.2	529.3	552.4	550.5	458	465
Registered letters and packets	20.25	23.1	27.6	28.6	28.1	28.6
Insured letters .. ..	3.2	3.5	3.6	3.9	4.15	5.32
Postcards .. ..	565.1	605.8	630.4	648.5	523.6	532
Registered newspapers ..	57.6	62	70.3	78.3	76.37	71
Unregistered packets ..	47.7	61.9	62.3	68.3	67	72.9
Parcels .. ..	14.2	15.8	14.1	12.66	12.65	13.56

On 1st January 1919 letter postage rates were increased from 1 anna for letters exceeding 1 tola but not exceeding 10 tolas to 1 anna for letters exceeding 1 tola but not exceeding  $2\frac{1}{2}$  tolas.

In 1921 the rate for letters between  $\frac{1}{2}$  and 1 tola was raised from  $\frac{1}{2}$  anna to 9 pies.

In 1918-19 the parcel post rates were increased for parcels between 20 and 440 tolas from 2 to 3 annas for parcels weighing 40 tolas or every part of 40 tolas.

Unregistered V. P. parcels were abolished in May 1919.

## APPENDIX VII.

**Memorandum No. S.-234, dated the 11th August 1925, furnished by the Department of Industries and Labour.**

**SUBJECT.**—*Avoidance of a concentration of purchase orders towards the close of the year.*

The Department of Industries and Labour understand that the Public Accounts Committee in going through the Audit Report of the Accountant General, Central Revenues, for the year 1923-24, has made the following comment :—

“Page 98, paragraph 11. The Committee desired that a memorandum showing what action had been taken on the representations made to the Chief Controller of Stores by the Audit Officer should be placed before them at an early date.”

2. With reference to the above, the undersigned is directed to enclose a copy of a circular letter No. D.-207, dated the 12th September 1924 (with enclosure) issued by the Chief Controller of Stores to all the principal indenting officers in India, which shows the action taken on receipt of the representation from the Audit Officer about the avoidance of a concentration of purchase orders towards the close of the financial year.

**LETTER NO. D.-207, DATED SIMLA, THE 12TH SEPTEMBER 1924, FROM THE CHIEF CONTROLLER OF STORES, INDIAN STORES DEPT., TO ALL PRINCIPAL INDENTORS.**

I have the honour to forward a copy of a letter No. Acct.-17-1998, dated the 11th August 1924, from the Audit Officer, Indian Stores Department.

2. I entirely agree with the Audit Officer that it is most desirable that purchase orders should be distributed more evenly over the year. The concentration of a large number of orders towards the close of the year not only causes inconvenience but makes for considerable difficulties in the efficient disposal of the business connected with the purchase and inspection of stores. I shall, therefore, be glad if you will take such steps as are possible to spread the demands made on the Indian Stores Department more evenly during the year. I feel sure that appreciable financial benefit will result by the adoption of such a procedure.

**COPY OF A LETTER NO. ACCT.-71-1998, DATED THE 11TH AUGUST 1924, FROM THE AUDIT OFFICER, INDIAN STORES DEPARTMENT, SIMLA, TO THE CHIEF CONTROLLER OF STORES, INDIAN STORES DEPARTMENT, SIMLA.**

I have the honour to observe that during the last financial year there was a great rush of work towards the close of the year on account of an unusually large number of orders having been placed by your Department on behalf of the Indenting Departments. From a statement which has been prepared in my office it appears that out of a total amount of 1 crore 65 lakhs worth of purchase orders issued by your Department during the year

1923-24 as much as 90 lakhs represented the value of orders placed during the last 3 months of the year, viz., January to March 1924. So far as my office is concerned this resulted in an unusual rush of work towards the close of the year which I was able to cope with with the greatest difficulty and by keeping my office open till late at night. Apart from this the concentration of such a large amount of purchases during the last 3 months of the year cannot but have a very undesirable effect on the tax-payer. In the first place I have no doubt that you will agree with me that it makes it extremely difficult for your Department to scrutinise the rates quoted by the various firms as carefully as they should be and in the next place it leads to hurried and necessarily defective inspection. The cumulative effect of this rush of work is an ultimate increase in the cost of the stores so far as the tax-payer is concerned. This abnormal rush of work was evidently due to the Indenting Departments being anxious to avoid lapse of their respective grants—a state of things which the Government of India have often commented upon. With a view to avoid this concentration of work towards the closing months of the year in future, I would suggest that the Indenting Departments may be requested to spread over their indents more or less evenly throughout the year so as to give you sufficient time to deal with them in a satisfactory manner and thus to avoid the rush of work towards the close of the year. I shall be obliged if you will kindly let me know whether you agree with me and propose to take necessary action in the matter as indicated above.

## APPENDIX VIII.

**Memorandum No. T-738, dated the 14th August 1925, furnished by the Auditor General.**

**SUBJECT :—***Misclassification of the charges on account of the Pay and Allowances of the Registrar of Joint Stock Companies in Bombay.*

The Public Accounts Committee desired to know whether the deficiency of expenditure shewn against Bombay on page 101 of the Accountant General, Central Revenues' appropriation report was due to a misclassification. I have now obtained the report of the Accountant General, Bombay, and submit the following explanation for the Committee's consideration.

2. The particular item of expenditure was the pay and allowances of Mr. Mitchell, the Registrar of Companies in Bombay. Provision was made for this in the Budget as voted expenditure. The Accountant General considered that, as Mr. Mitchell's appointment was approved by the Secretary of State, the expenditure should be non-voted, and brought it to account accordingly. In forwarding the budget notes to the Government of India, the Government of Bombay urged that their classification was correct, since Mr. Mitchell was not actually appointed by the Secretary of State. The Government of India accepted this view in December 1922, and left the provision unchanged in the budget. For some reason, however, the decision was not conveyed to the Accountant General until April 1925, when the accounts for the year were closed and it was too late to alter them.

J. E. C. JUKES,

*Offg. Auditor General in India.*

## APPENDIX IX.

STATEMENT SHOWING YEARLY RECOVERIES FROM ENEMY SHIPS (*vide* PARAGRAPH 9 OF THE PROCEEDINGS OF THE 4TH MEETING).

The yearly credits to Revenue from Enemy ships account are :—

				Rs.	£
				(India).	(England).
1923-24 Accounts	..	..	..	..	1,675,000
1924-25 "	..	..	..	61,000	1,859,148
1925-26 Budget ..	..	..	..	..	287,500
				<hr/> 61,000	<hr/> 3,821,648

In the Financial Secretary's Explanatory Memorandum of the Budget figures for 1924-25 the total receipts were estimated at £3,250,000. This was based on the Secretary of State's estimate. The amounts already credited in the previous years estimated as creditable in the current year are about half a million more.

## APPENDIX X.

**Memorandum No. T-777, dated the 20th August 1925 furnished by the Auditor General.**

The Public Accounts Committee desired to know, with reference to the evidence given by a witness from the Foreign and Political Department, the true facts regarding the "lump sum reserve provision" mentioned in item (V) on page 308 of the Accountant General, Central Revenues' Appropriation Report.

2. I attach the explanation of the Accountant General, Punjab. It will be seen that, while details of the proposed expenditure were submitted along with the detailed estimates, they were not included in the detailed estimates themselves. The Accountant General therefore with justice assumed that a lump sum provision was intended, and included such a provision in his budget notes. The remark in item (V) is therefore correct.

J. E. C. JUKES,

*Offg. Auditor General in India.*

COPY OF ACCOUNTANT GENERAL, PUNJAB'S EXPLANATION, DATED 18TH AUGUST 1925.

In the original budget estimates received from the Departmental officer through the local Administration the provision of Rs. 12,55,709 was made in lump. This provision was entered as a reserve in this office budget notes sent to the local administration. The note having been approved by the local administration, the same entry was inserted in the Demand statement which was accepted as such by the Government of India. It is true that a detailed statement working up to the lump sum was furnished along with the budget estimates by the departmental officer but as he had not incorporated the details in his budget estimates but had inserted a lump sum, this office also showed the amount as a lump provision.

	Rs.	
Original lump provision	12,55,709	the local administration was asked to verify the details of grant and expenditure by primary units shown in the statement appended thereto. In that statement a sum of Rs. 11,27,210 (the modified grants as detailed in margin) was shown as a
Reappropriated from this reserve during the year.	1,28,499	
Modified grant	11,27,210	

Reserve under South Waziristan Scouts and as no exception was taken by the local administration (*vide* reply conveyed in its memo. No. 11772 F/1-149-1923, dated 20th December 1924) to this amount being shown as a Reserve it was presumed that the local administration accepted the position that the Reserve had not been split up into primary units of appropriation. The remark—item (v) on page 308 of the Accountant General, Central Revenues' Appropriation Report was drafted on the understanding that a lump sum provision had been made.

## APPENDIX XI.

**Memorandum No. T-776, dated the 20th August 1925  
furnished by the Auditor General.**

(*Vide* paragraph 4 of the proceedings of the first meeting.)

With reference to the excess of Rs. 962, shewn in the India grant for Administration of Justice on page 70 of the Accountant General, Central Revenues' Appropriation Report for 1923-24, the Public Accounts Committee desired to know the reasons why the Accountant General, Madras, raised the debit against the Accountant General, Central Revenues, when it was too late to obtain a supplementary grant.

2. I have now ascertained the facts and report them for the information of the Committee. The debit related to a portion of the leave-salary of a clerk in a provincial Magistrate's office, who had served during the years 1917—1922 in a military office. As a result, a portion of his leave-salary paid prior to April 1st, 1923 was debitable to the Central Government in the civil estimates. The fact that it was so debitable was overlooked in the first instance and, when it came to light in an officer's review, more time was spent in ascertaining the exact amount debitable (1) to the Provincial Government, (2) to the civil estimates of the Central Government and (3) to the military estimates, and in inducing the military accounts officer concerned to accept his portion of the debit. The final result was considerable delay in passing on the debit to the Accountant General, Central Revenues.

3. The excess was therefore due to defective work in the account office. It was primarily due to an auditor's lack of familiarity with certain rather complicated rules which had not previously affected his section of the office. I will consult the Accountant General as to the need of disciplinary action, but I am inclined to think that a warning will fully meet the requirements of the case.

J. E. C. JUKES,  
*Offg. Auditor General in India.*



## APPENDIX XII.

**Memorandum on Secret Service Expenditure prepared by  
Mr. G. Kaula, Accountant General, Central Revenues  
(vide para. 4 of the proceedings of the fourth meeting).**

The main points requiring settlement are the following :

- (a) A clear definition should be prescribed, in consultation with the Auditor General, of what may be treated as secret expenditure in the estimates and appropriation accounts, and, therefore, may not be described in detail therein.
- (b) In consultation with the several controlling authorities and the Auditor General, a complete list should be prepared of all items of expenditure included in each of the various central grants which may be covered by the prescribed definition of secret expenditure.
- (c) Within each grant, one or more distinct "sub-heads" should be provided for the secret expenditure included therein.

[N. B.—(b) and (c) above may necessitate the opening of new detailed heads of account for any secret expenditure which may be found at present to be included, with non-secret expenditure, in any of the existing detailed heads of the general accounts classification.]

- (d) The procedure for the audit of secret expenditure would be determined by the Auditor General ; but in all cases in which the Governor General in Council desires the account of expenditure to be treated as secret, the detailed scrutiny of the accounts is practically transferred from the audit to the administrative authorities concerned, and it follows that, in consultation with the Finance Department, the Administrative Department should prescribe the procedure for the detailed departmental scrutiny.

(N. B.—In some cases it may be possible to entrust the departmental control to a single central authority for the entire expenditure covered by a grant ; whereas, in other cases, the control may have to be decentralised in order to facilitate business.)

- (e) Similarly, for each grant the Administrative Department should prescribe, in consultation with the Finance Department, the authority on whose certificate the total expenditure brought to account against a secret expenditure sub-head of the grant is to be admitted in audit against that sub-head.

(N. B.—Here agains it may not be possible to centralise the certification work in all cases ; and the case of each secret expenditure sub-head will probably require to be examined separately on its own merits.)

- (f) The form of the certificate to be recorded by the responsible controlling authority should be prescribed. The certificate should be to the effect that the amount stated to have been spent has been spent and on the proper objects ; and that no receipts or recoveries of expenditure in any form have been utilised towards expenditure.

(g) Should the audit officer append any certificate in respect of secret service expenditure to an appropriation account in which such expenditure is included ?

(h) Is it desirable to transfer all or any of the various items of secret service expenditure included in the several Central grants to one or more special grants covering only secret service expenditure ?

2. *Point (a).*—Under rule 17 of the Auditor General's rules it is for the Governor General in Council, in the case of accounts relating to Central expenditure, to decide what accounts may be treated as secret. The test presumably will be that payments for services of a very confidential nature of which the particulars should not be divulged, should be treated as secret service expenditure. If the exclusion of information, or the non-divulgence of particulars, is of a purely temporary character, i.e., if the publication of the particulars before the transaction is completed is considered prejudicial to the public interest (e.g., in the case of a projected scheme or proposed business transaction) the relevant expenditure may or may not be secret service expenditure. On the other hand, if for reasons of diplomacy or high state policy, publication is held to be undesirable, for a prolonged period, the expenditure is obviously secret service expenditure. Again, the reasons of diplomacy or high state policy may in some cases necessitate and justify the non-publication of both the nature and the particulars of a financial transaction, whereas in other cases it may be undesirable merely to keep secret the names of the payees, but not the character of the expenditure incurred for their benefit or on their behalf. In other words, certain classes of expenditure may be political expenditure, but not necessarily secret expenditure. For instance, a cash payment made to a trans-frontier chief may be necessarily secret, but expenditure incurred, in the form of payment to caterers and others, on entertaining a chief or a Jirga, say, at Peshawar, may not be so. As the classification of expenditure as secret service expenditure involves not merely the transfer of the audit control from the Auditor General's Department to the Administrative Department, but also the exclusion, from the accounts presented to the legislature and otherwise published for general information, of certain items of expenditure, the test for treating any items of expenditure as secret service must not be a loose one. In other words, secret service accounts must not be confused with accounts of ordinary expenditure some particulars of which it may be desired to be kept merely confidential. Even rule 17 of the Auditor General's rules referred to above contemplates the distinction between secret and confidential accounts.

3. *Points (b) and (c).*—It will be seen on reference to paragraph 2 of Annexure 14 (page 148) of the Auditor General's Report of Enquiry that Expenditure which may possibly be claimed by the controlling authorities concerned as being secret expenditure is included in various grants at present. On reference, however, to the estimates and appropriation accounts, it will be seen that all these items of expenditure are not described as secret. In some cases, even though in the general accounts distinct detailed heads of expenditure are provided for some of the items of expenditure, they do not appear under any distinct heads in the appropriation account. A detailed examination of the estimates of all departments by the departmental authorities concerned seems therefore to be necessary.

4. *Points (d) and (e).*—As the classification of any expenditure as secret practically removes such expenditure from the audit control of the Auditor General's department, there would be little or no control over such expenditure if no scrutiny within the department was prescribed instead. In most cases the money spent would actually pass through the hands of officials of subordinate grades and it would consequently be desirable to require the accounts and vouchers of all disbursing officers to be scrutinised by a responsible administrative authority more or less in the same way as those documents, if not treated as secret, would be examined by the audit authorities. Apart from this consideration, it is only fair that the higher administrative authority that would be required to certify that the money brought to account as secret expenditure had been spent and spent on proper objects of expenditure must be placed in a position to give such certificate. In actual practice a certifying authority is usually prepared to certify the fact of a transaction on the sole evidence of its having been ordered, without taking any steps to see that the order was complied with in all necessary details, but an account of expenditure is intended to be a record of the actual facts of expenditure transactions and not a record of the transactions authorised.

5. The procedure that may be prescribed for observance should be such as to ensure that the actual check of the accounts is exercised by or under the immediate personal supervision of the responsible certifying authority. A certificate by a central authority which is based on a number of certificates given by subordinate authorities is not of much value; such a certificate might well be replaced by the certificates of the latter authorities.

6. *Point (f).*—Certification by the responsible administrative authority is necessary for reasons given above against points (d) and (e). A mere certificate of the amount expended would not be sufficient. In Great Britain, prior to 1888, the responsible Ministers' certificates did not state more than the amount expended. The Comptroller and Auditor General held that he was unable to accept such statements as satisfactory proof of payment under the provisions of the law. This objection was upheld by the Public Accounts Committee, and the Treasury ruled that beside stating the amounts actually expended the certificate should also state that it had been properly expended. The following form was accordingly prescribed.

"I hereby certify that the amount actually expended by me, or under my directions, for secret service in the year ended 31st March ..... was £                      ; and that the balance in my hands on the said 31st March ..... was £                      ; and I further solemnly declare that the interests of the public service required that the above payments should be made out of the Secret Service Fund, and that they were properly so made."

In India also a somewhat similar form may be prescribed. No certification in respect of the balance in hand will be necessary, the system of issuing money and accounting for the same being different in India from that observed in Great Britain. It will perhaps be necessary to require the certificate to be amplified in such a way as to ensure that the provisions of the Fundamental Rules, the Book of Financial Powers and other regulations shall not be transgressed.

7. *Point (g).*—In settling this point it should be remembered that there will be two classes of cases (1) those in which the accounting officer is the same as the audit officer, and (2) those in which the accounting officer and the audit officer are different individuals. In the first of these two cases, ordinarily no audit certificate will be necessary, as the appropriation account will be prepared by the audit officer himself. In the second case the appropriation account will be prepared by the accounting officer and therefore a certificate by the audit officer will be necessarily appended to the account. It follows that if in the first of these two cases the account includes any secret service expenditure, it may be necessary to require the audit officer to record a special audit certificate in respect of the secret service expenditure.

8. *Point (h).*—This question is raised for the reason that in Great Britain secret service expenditure is excluded from the ordinary votes and provided for in one or more special votes. If in India such expenditure is transferred to special grants the usual distinction between voted and non-voted expenditure will nevertheless be necessary.

9. *General.*—As stated in paragraph 8 of Annexure 14 (page 149) of the Auditor General's Report of Enquiry, the draft manual of instructions for the preparation of audit and appropriation accounts does not for the present contain any special instructions for dealing with the accounts of secret expenditure. The final decision of Government on this subject will therefore necessitate the incorporation of special rules in the manual in due course.

10. This memorandum may serve as the basis of discussion when considering the question of secret service expenditure in relation to appropriation accounts, as recommended recently by the Central Committee on Public Accounts. It may be mentioned that the existing Code rules relating to secret expenditure are very meagre. There is no specific provision in these rules for such secret expenditure as may appear in the Contingent and Miscellaneous expenses accounts of ordinary Departments of the administration. Secret service expenditure is referred to only in Article 124, of the Civil Account Code, Volume 1, which prescribes the rules relating to expenditure incurred by officers in charge of special political missions, and even these rules do not contemplate the treatment of secret service expenditure as expenditure to be brought to account separately against a distinct appropriation for the purpose. All that these rules require is that the accounts of the Political missions, in respect of secret service expenditure, should not be supported by any vouchers when submitted to audit, that the secret vouchers should be submitted to Government instead, and that the Government on passing the secret vouchers should intimate to the Audit officer that the vouchers have been passed for a specified amount. In respect of the secret expenditure of the North-West Frontier Province, special rules were framed two or three years ago, by the Auditor General in consultation with the Government of India; but these rules will also presumably require re-consideration, and it may further be necessary to consider if all the expenditure of that province brought to account as secret service expenditure is in reality such expenditure as should, for the purpose of appropriation audit, be treated as secret service expenditure.

## APPENDIX XIII.

## MEMORANDUM FURNISHED BY THE RAILWAY DEPARTMENT.

At the 5th meeting of the Public Accounts Committee of the 25th August 1924, Mr. Parsons, then officiating Financial Commissioner, Railways, undertook to get an explanation as to why the write back from Capital to Revenue of the revenue portion of the expenditure incurred on the Santahar Parbatipur Broad Gauge conversion was not foreseen.

2. The Public Accounts Committee required this information in view of the observations of the Accountant General, Railways, on page 18 explanation (2) in his Appropriation Report on the accounts of Railways for 1922-23 for the excess of Rs. 9,90,000 on the sanctioned grant of the Eastern Bengal Railway under the head "Working Expenses."

3. It is necessary first to explain that the excess over the grant was due to the following items of expenditure :—

(i) The write back from Capital to Programme Revenue of the portion of the latter's share of the cost of permanent way on the Santahar Parbatipur Broad Gauge Extension ..	Rs. 1,75,056
(ii) The write back from Capital to Programme Revenue of the cost of replaced works on Sara-Santahar Broad Gauge Extension less credits obtained .. .. .	7,30,590

The necessity for the first adjustment was foreseen in time and the administration should have applied for the necessary appropriation of funds before the close of the financial year. The Agent has been requested to give more attention to these questions in future. The second adjustment formed the subject of discussion for some time as the case presented peculiar features. Final orders issued in April 1923 and the adjustment was effected in the accounts for 1922-23 which were then open. As the financial year had expired it was too late to obtain an additional appropriation.

---

COPY OF THE LETTER No. 294-A.B., DATED THE 15TH AUGUST 1925, FROM THE SECRETARY, RAILWAY BOARD, TO THE AGENT, EASTERN BENGAL RAILWAY.

With reference to your letter No. 1573-C.W.—17-38—25, dated the 29th July 1925, I am directed to say that the Railway Board are not satisfied that proper attention was paid to the Standing Orders on the subject of the adjustment of arrear charges in the accounts and I am to request that instructions be issued by you to all Heads of Departments that such adjustments are not to be postponed in order to suit the exigencies of the budget grants.

## APPENDIX XIV.

**Memorandum No. T.-793, dated the 22nd August 1925  
furnished by the Auditor General.**

Explanation (A) under "Punjab" on page 123 of the Accountant General, Central Revenues' Appropriation Report stated that a particular work, estimated to cost Rs. 60,475, was "not taken in hand" owing to the late receipt of sanction. When asked to explain the late sanction, a witness from the Department of Industries and Labour informed the Public Accounts Committee that the statement made by the Accountant General was not correct. He said that the land in question had been acquired at the beginning of the year, and that the order issued at the end of March was merely an order for the payment of the cost of acquisition to the Punjab Government. The Public Accounts Committee desired that the question should be investigated and the true facts elicited.

2. I append, for the information of the Committee, the explanation of the Accountant General, Punjab, which makes the position clear. I much regret that a serious mistake was made in the account office. The Public Accounts Committee will notice that disciplinary action is being taken against the persons concerned.

J. E. C. JUKES,

*Offg. Auditor General in India.*

*Explanation of the Accountant General, Punjab, dated the 20th August 1925.*

I have examined this matter carefully and regret to have to report that a bad mistake was made in this office.

On the 22nd March 1924 the Public Works Branch of the Department of Industries and Labour telegraphed to the Public Works Department, Punjab that an additional grant of Rs. 71,400 (including departmental charges) had been allotted to cover the cost of payment to the Punjab Government for the acquisition of land for the new cemetery at Lahore during the year 1923-24. On the 25th March 1924 the Punjab Government sent a copy of the Government of India telegram to this office for information and intimated that the additional grant had been added to the 1923-24 grant under 41—Civil Works Central, under the following distribution :—

					Rs.
Works outlay	..	..	..	..	60,475
Establishment	..	..	..	..	9,978
Tools and Plant	..	..	..	..	907

The Punjab Government also asked that the Works outlay of Rs. 60,475 should be credited to the Punjab Government Civil Department.

On receipt of the above order of the Punjab Government action should have been taken to debit 41—Civil Works Central by *per contra* credit to Land Revenue—Provincial. The exact position was unfortunately not appreciated.

by the Works section of this office concerned. It was not realised that the case was merely one of payment by the Central Government to the Punjab Government of the cost of a piece of Government land handed over to the Central Government for use as a cemetery. It was thought that the land was private land, that the ordinary acquisition proceedings would be taken, that payment would, in the first place be made to the private owners by the Punjab acquisition authorities and that thereafter the cost of the acquisition would be transferred to the Central Government and debited against the additional grant of Rs. 71,400 sanctioned in the Government of India telegram of the 22nd March. In accordance with this appreciation of the position the sanction was noted in the registers and the debit was awaited in the Divisional Accounts.

Early in January 1925 when the Appropriation Report was under preparation, an explanation from the Works Audit Section was called for in respect of the lapse of the grant of Rs. 60,475 under Works outlay. The Works section replied to the effect that no expenditure on the acquisition of the land had been incurred and that the lapse was due to the late sanction. This formed the basis of the explanation (A), on page 123 of the Accountant General, Central Revenues' Appropriation Report to which you refer.

It will be seen that the misstatement of facts was due entirely to a lack of appreciation of the exact position of the case and to misunderstanding. There was, however, no adequate justification for this misunderstanding. In view of the large amount involved the Superintendent of the Works Section concerned should have paid particular attention to the case and endeavoured to understand it. It should have been clear to him that the Government of India would hardly allot funds at the end of March for a work unless the work had been carried out or unless the allotment was to cover a mere adjustment between the Central and Punjab Governments. I am taking disciplinary action against the Superintendent and Assistant concerned. Action will also be taken to obtain appropriation from the Government of India to cover the adjustment which it is now proposed to make during the current year.

## APPENDIX XV.

Statement handed in by Mr. Jukes (*vide* paragraph 2 of the Proceedings of the second meeting).

Paragraph 14 of Accountant General, Central Revenues' Appropriation Report, 1923-24.

Almost all the grant accounts to which funds were transferred from the reserve of Rs. 3,00,000 at the disposal of the Finance Department show that if the transfers from the reserve had not been made there would still have been savings within the grants to cover by formal orders of re-appropriation within the respective grants, the extra expenditure to meet which the reserve was utilised.

The following are the only exceptions :—

Province or area.	Major Heads.	Minor Heads.	Amount.	Purpose.
			Rs.	
1. Delhi ..	24—Administration of Justice.	Small Cause Courts.	3,180	To meet rent charges of the building leased for courts of the temporary additional Sub-Judge, Delhi.
2.	Five items of Refund detailed at the end of the table on page 8 of the Appropriation Report excluding the last Madras item of Rs. 3,446.		10,647	To meet excesses anticipated.
3. Madras ..	52—Adjustment with Provincial Governments.	....	3,446	To cover the grant of an assignment to Madras Revenue.
..		TOTAL ..	17,273	

In these cases there were either no savings in the grant accounts concerned or the savings were insufficient.

In cases 1 and 2, the excesses would not even have required the sanction of the Legislative Assembly.



## APPENDIX XVI.

*Posts and Telegraphs.*

FROM THE DIRECTOR-GENERAL, POSTS AND TELEGRAPHS, TO (1) ALL POSTMASTERS-GENERAL, (2) THE DEPUTY POSTMASTER-GENERAL, SIND AND BALUCHISTAN, (3) ALL DEPUTY POSTMASTERS-GENERAL, R. M. S., (4) ALL DIRECTORS OF TELEGRAPH ENGINEERING, (5) THE CONTROLLER OF TELEGRAPH STORES, ALIPORE, (6) THE SUPERINTENDENT, TELEGRAPH WORKSHOP, ALIPORE, (7) THE SUPERINTENDENT, POSTAL WORKSHOP, ALIGARH, NO. 194-BI/25, DATED SIMLA, THE 25TH MAY 1925.

SUBJECT.—*Control over Expenditure in relation to Budget Grants.*

I have the honour to address you on the subject of the control of expenditure in the Posts and Telegraphs Department, a subject to which it is necessary that all responsible officers in charge of postal and Engineering circles\* should in future devote their special and personal attention.

2. In its broadest sense the expression "control" over expenditure implies the regulation of outlay both with a view (a) to seeing that money is spent economically on proper objects, so that no waste is incurred and that full value is obtained for the payments made; and (b) that the rate of expenditure from year to year is determined with due regard to the extent of the funds available.

3. The present letter is directed solely to the question of control in its latter significance; although the former consideration also must continue to receive constant attention.

4. Control in relation to budget allotments, with which we are here concerned, in order to be effective, must provide for two things. It must secure:—

(i) *that expenditure is not incurred under any head in excess of the funds allotted to that head.*—If the existing allotment is inadequate, this fact must be brought to the notice of higher authority and the reasons must be given. It will then be for that authority either to increase the circle allotment or to accept the responsibility of refusing the increase applied for, or (in very exceptional cases) for authorising expenditure in excess of the allotment. Circle officers must realise that unless their allotments are actually so increased, or unless special authority is formally conveyed to them, to spend in excess of them, they will be held responsible that the funds allotted to them for expenditure under each head are not exceeded.

(ii) *that if at any time it becomes apparent that there is likely to be a surplus under any head, then (subject to the exercise by heads of circles of their own powers of reappropriation) the amount of the probable excess must be promptly surrendered.*—The necessity for this latter step has not hitherto been fully realised throughout the department. There has been a marked tendency on the part of many circle officers to preserve silence in such cases as this and to 'hold on' to the funds up to the last moment. The serious objection to this procedure is that it not only leads to a 'lapse' at the end of the year but it actually prevents the money being re-allotted for other urgent requirements. It is only if the possibility of savings being made in one direction is promptly brought to notice that the money can advantageously be used elsewhere.

5. These two objects can be attained only by the adoption of a systematic watch over expenditure and by constantly comparing it with the grants.

6. The expenditure of the Post and Telegraph Department may be considered under two main divisions. A large section of the expenditure relates to fixed and cognate charges the amount of which, when once sanctioned, cannot be varied by any action on the part of the circle or divisional staff. In respect of this part of the expenditure the

\* This term is used throughout this letter as representing the charges of all the officers addressed

problem is one rather of accurate budgetting in the first instance than of subsequent regulation of expenditure against the grants. The question of maintaining an effective control over this section of expenditure is under consideration and separate orders will issue as soon as a final decision is reached. A large section however comprises what are known as the "fluctuating" charges of the department, the amount and rate of whose expenditure is controllable.

7. In order to keep an effective watch on the fluctuating charges it is necessary that each administrative officer should arrange to receive, if he does not already receive, from each of the officers subordinate to him and amongst whom he subdivides the grant intimated to him from headquarters, a regular *monthly return* which should display\* according to the heads under which the funds have been allotted.

- (a) the total allotment (head by head) up to the end of the previous month,
- (b) expenditure to the end of the previous month. It is very important that all outstanding liabilities, which form the first charge against available funds, should also be shown in the statement. It should also be explained to subordinate officers that "liabilities" include not only (i) money due on articles ordered in the open market and not yet paid for but (ii) the value of articles or services rendered for which a book debit is to be made. In the latter case, the amount should be ascertained or reckoned as approximately as possible and the return should not be delayed by attempting to get an accurate figure,
- (c) the balance of grant at the end of the month. In (d), a Remarks column, in which (or in a separate covering letter) the subordinate officer concerned should indicate the need for an addition to the grant under any head or the possibility of a surrender. He should understand that if he is silent on these points this fact will be regarded as conveying the assurance that, on such review of the position as he can reasonably make, he has satisfied himself that the available balance of grant is, to the best of his judgment reasonably suited to his foreseen requirements and neither in deficit nor in excess. Separate statements will be required for the Traffic side.

8. On receipt of the statements referred to in paragraph 7, for which a suitable *dat.* should be prescribed, the Circle officer should have a consolidated statement prepared in his own office for the whole Circle showing the grants at his own disposal under each head (as revised to the end of the month), the total expenditure to the end of the month and the balance available. This statement will thus be for the Circle the counterpart of the statements received by the Circle officer from his own subordinate officers. In preparing this consolidated statement the Circle officer should also bear in mind the importance of noting all outstanding liabilities as explained in paragraph 7. A copy of this consolidated statement should be despatched to the Director-General. (If possible so as to reach him by the first week of the next month† but one following the month to which it relates) and at the same time the Head of the Circle should either apply for additional grants as may be necessary or surrender surplus provision. I enclose a draft form which it is thought will assist you in preparing the form of return to be sent to the Director-General in accordance with this paragraph. Figures have to be given by you under the detailed heads specified therein.

9. With the concurrence of the Accountant-General, Posts and Telegraphs, it has been arranged that the several Branch Audit offices should supply the Heads of Circles with booked figures (including adjustments) for each month under the prescribed heads immediately the monthly accounts are completed and posted by the Accountant-General, Posts and Telegraphs. Heads of Circles should *roughly* agree the Audit office figures with

---

\* Here the minimum amount of detail is suggested. It is discretionary with the officers addressed to require fuller details if they so desire.

†e.g. the consolidated statement relating to April will be due for despatch in the first week of June.

their own totals before sending the consolidated statement referred to in the preceding paragraph to the Director-General. The main object of the agreement is to make sure that the Circle figures are not below the booked figures furnished by the Audit officers. If the Circle figures are less than the booked figures, it will be clear that there has been an omission. This omission must be ascertained and rectified, but this can, if necessary, be done after the submission of the consolidated statement to the Director-General a note being added in the column of Remarks or in a forwarding letter that the figure is less than the booked figure and that steps are being taken to rectify any omissions.

10. It is to be understood that the instructions conveyed in paragraph 4 of this letter and the presumption stated in the penultimate sentence of paragraph 7 will apply to the Heads of Circles as well as to their subordinate officers.

11. The observance of these instructions will convey to the Director-General, upon whom the Government have placed the personal responsibility for the control of the whole expenditure in his Department, the assurance that he is receiving the co-operation of the officers responsible to him and will enable any serious excess or deficit of expenditure to be traced to its origin.

12. I observe for your information that apart from these measures the Director-General is kept advised by means of a monthly return, received direct by him from the Audit Office, of the progress of expenditure in the department as a whole. This will be a valuable supplementary aid to the Director-General in watching the progress of expenditure, but the results displayed in it can only be the effect of the individual action of the large number of officers addressed in the present letter and they can be satisfactory only if those officers appreciate their primary responsibilities.

13. On a point of detail which is of considerable importance I desire to make the following observations. It will of course be obvious that under some heads of expenditure outlay will be fairly regular throughout the year. In such cases in deciding whether the rate of expenditure to the end of any month corresponds fairly to the budget provision for the year it will be reasonable to work on a simple rule of proportion; for instance, if the expenditure for eight months were Rs. 1,180 it is probable that a balance of Rs. 600 will not be far wide of the mark.

14. Other expenditure however is commonly heavier at certain periods of the year than at others. Hot weather establishments are paid for in the summer, construction work mostly in the winter; purchases of furniture may be at irregular intervals. In such cases it would be misleading to work on average monthly figures at one-twelfth of the annual provision. In respect of such expenditure there is a special need for intelligent consideration of the position. In dealing with the matter in relation to appropriation Audit the Accountant-General has suggested the following system in respect of heads under which there are large seasonal variations in the rate of expenditure:—

Let (a)=average of three years progressive expenditure up to and including the month in question for the particular head concerned.

Let (b)=average budget grant for three years.

Let (c)=current years budget grant.

Then the amount (d) of the current year's grant which may fairly be regarded as attributable to the elapsed portion of the year will be  $b : a :: c : d$ , or  $\frac{a \times c}{b}$ . It is suggested that a similar method of calculation be adopted in the present instance.

15. Officers should understand that the policy of the department is to distribute the available funds early in the year to the fullest extent compatible with the demands upon them (it is rarely possible to satisfy all) and that normally only relatively small sums will be kept in reserve as a precaution against real emergencies. *It must therefore not be expected that additional grants can be made as a matter of course during the year*, nor will it be permissible to expend the moneys which are available at such a rate as to involve the assumption that additions will be forthcoming.

16. I shall be obliged if you will introduce the system indicated in these observations with effect from the end of next month. The statements indicated in paragraph 7 will

be obtained by you for the month of June from the officers to whom you apportion grants, the consolidated statement due from yourself under paragraph 8 being prepared and sent to this office in due course.

17. I shall be glad meanwhile to receive any observations or suggestions which you may consider would conduce towards the end in view or which may, enable me to introduce desirable improvements or modifications in the scheme now proposed.

18. The case of the telegraph and telephone works chargeable to capital for each of which a specific allotment is made, will be the subject of separate orders.

## Comparison of progress of expenditure

Head of charge.	Allotment for year.	Budget proportion 1st April to end of	Actual expenditure to end of
1	2	3	4
<b>POSTAL CHARGES.</b>			
<b>ABSTRACT E.—Traffic Control (Postal and Telegraphs).—</b>		(See paragraphs 13 and 14 of covering letter.)	(There is an obvious need for enquiry if the figures here differ widely from those in column 3.)
(E-I Joint charges, Postal and Telegraphs and E-II—Postal)			
Temporary Establishment . . . . .			
<i>Allowances, honoraria, etc.—</i>			
Travelling allowances . . . . .			
Other allowances . . . . .			
<i>Other Supplies and Services—</i>			
Other supplies . . . . .			
<i>Contingencies—</i>			
Liveries and Uniforms . . . . .			
Purchase and repair of furniture . . . . .			
Section writing . . . . .			
Other contingencies . . . . .			
Postal Stock Depot Suspense . . . . .			
<b>ABSTRACT I.—Stationery and Printing—</b>			
(I—Postal).			
Temporary Establishment . . . . .			
<i>Other supplies and services—</i>			
Supplies from stationery office . . . . .			
Local Purchase ( of stationery) . . . . .			
Jail and private presses . . . . .			
<i>Stores—</i>			
Purchase of printing materials . . . . .			
<i>Contingencies—</i>			
Other contingencies . . . . .			
<b>ABSTRACT J.—Postal expenses—</b>			
(J-I—General Superintendence, Post Offices, J-II—Post Offices J-IV-A—R. M. S. Divns. under Heads of Circles and J-V—conveyance of mails).			
Temporary Establishment . . . . .			
<i>Allowances, honoraria, etc.—</i>			
Travelling allowances . . . . .			
Overtime allowances . . . . .			
Piemeny, task-work earnings and honoraria . . . . .			
Other allowances . . . . .			
<i>Other supplies and services—</i>			
Other supplies and services . . . . .			
Extra despatches . . . . .			
<i>Maintenance and repairs of buildings, etc.—</i>			
Repairs to post office and R. M. S. buildings . . . . .			Cash Stores
Repairs to electric installations . . . . .			Cash Stores
Maintenance of Postal motor vans . . . . .			Cash Stores

with allotments to end of 1925.

Liabilities outstanding (first charge against available Funds).	Total expenditure plus known liabilities (columns 4—5).	Available balance of allotment (columns 2—6).	Amount necessary to meet further requirements to end of year.	Excess (+) or deficiency (—) of budget provision (columns 7—8.)	REMARKS.
5	6	7	8	9	10
			(Special care necessary in estimating in latter part of the year.)		(See paragraphs 9 and 15 of covering letter. Use separate forms for Traffic and Postal charges.)

## Comparison of progress of expenditure

Head of charge.	Allotment for year.	Budget proportion 1st April to end of	Actual expenditure to end of
1	2	3	4
<p><b>Contingencies—</b></p> <p>Liveries and Uniforms . . . . .</p> <p>Purchase and repair of furniture . . . . .</p> <p>Other contingencies . . . . .</p> <p><i>Subsidies and payments to Railways, companies, etc.—</i></p> <p>Gratuities to masters of ships . . . . .</p> <p>R. M. S. CHARGE—</p> <p><b>ABSTRACT I.—Stationery and Printing—</b> (I Postal).</p> <p><i>Other supplies and services—</i></p> <p>Supplies from stationery office. . . . .</p> <p>Local purchase (of stationery) . . . . .</p> <p>Jail and private presses . . . . .</p> <p><b>ABSTRACT J.—Postal Expenses.—</b> (J—III General Superintendence, Railway Mail Service.</p> <p>J—IV Sorting and other charges under Deputy Postmasters General, R. M. S., and J—V—Conveyance of mails).</p> <p><i>Allowances, hon. raria, etc.—</i></p> <p>Travelling allowances . . . . .</p> <p>Overtime allowances . . . . .</p> <p>Honoraria . . . . .</p> <p>Other allowances . . . . .</p> <p><i>Other supplies and Services—</i></p> <p>Other supplies and services . . . . .</p> <p>R. M. S. Stock Depot Suspense . . . . .</p> <p><i>Maintenance and repair of buildings, etc.—</i></p> <p>Repair to R. M. S. buildings . . . . .</p> <p><b>Contingencies—</b></p> <p>Liveries and uniforms . . . . .</p> <p>Purchase and repair of furniture . . . . .</p> <p>Other contingencies . . . . .</p> <p><b>ALIGARH WORKSHOP CHARGES.</b></p> <p><b>ABSTRACT J.—Postal expenses—</b> (J—VII—Aligarh workshop) . . . . .</p> <p><i>Allowances, honoraria, etc.—</i></p> <p>Travelling allowances . . . . .</p> <p><b>Contingencies—</b></p> <p>Miscellaneous . . . . .</p> <p><b>ABSTRACT F.—Joint Engineering charges</b> (Circle Offices).</p> <p>Pay and temporary establishment . . . . .</p> <p><i>Allowance, Honoraria, etc.—</i></p> <p>Travelling allowances . . . . .</p> <p>Other allowance (e.g., plague, ration, etc.) . . . . .</p> <p>Apparatus and Plant } <u>Cash</u> (maintenance charges only) } <u>Stores</u></p>		<p>(See paragraphs 13 and 14 of covering letter.)</p>	<p>(There is an obvious need for enquiry if the figure here differ widely from those in column 3.)</p>

with allotments to end of 1925.

Liabilities outstanding (first charge against available Funds).	Total expenditure plus known liabilities (columns 4-5.)	Available balance of allotment (columns 2-6).	Amount necessary to meet further requirements to end of year.	Excess (+) or deficiency (—) of budget provision columns 7-8.	REMARKS.
5	6	7	8	9	10
			(Special care necessary in estimating in latter part of the year).		(See paragraphs 9 and 15 of covering letter. Use separate forms for Traffic and Postal charges.)



## Comparison of progress of expenditure

Head of charge.	Allotment for year.	Budget proportion 1st April to end of	Actual expenditure to end of
1	2	3	4
<b>Contingencies—</b> Liveries and uniforms . . . Purchase and repair of furniture (including furniture for quarters). } <u>Cash</u> Stores Other contingencies . . . } <u>Cash</u> Stores <b>DIVISIONAL OFFICES.</b> Pay of temporary establishment . . . <b>Allowances and honoraria, etc.—</b> Travelling allowances . . . Overtime allowances . . . Other allowance (e.g., plague, ration, etc.) Apparatus and plant. } <u>Cash</u> (Maintenance charges only) } <u>Stores</u> <b>Contingencies—</b> Liveries and uniforms — Purchase and repair of furniture (including furniture for quarters). } <u>Cash</u> Stores Other contingencies . . . } <u>Cash</u> Stores <b>ABSTRACT M.—Telephone expenses—</b> Pay of temporary establishment . . . <b>Allowance and honoraria, etc.—</b> Travelling allowances . . . Overtime allowances . . . Other allowances (e.g., ration, plague, etc.) Apparatus and plant } <u>Cash</u> (Maintenance charges only) } <u>Stores</u> <b>Contingencies—</b> Liveries and uniforms . . . Purchase and repair of furniture (including furniture for quarters) } <u>Cash</u> Stores Other contingencies . . . } <u>Cash</u> Stores <b>ABSTRACT L.—Stationery and Printing—</b> <b>Telegraphs—</b> Supply from stationery office. } <u>Cash</u> Stores Local purchase of stationery. } <u>Cash</u> (Jail and private presses). } <u>Stores</u>		(See paragraphs 13 and 14 of covering letter.)	(There is an obvious need for enquiry if the figures here differ widely from those in column 3.)

with allotments to end of 1925.

Liabilities outstanding (first charge against available Funds).	Total expenditure plus known liabilities (columns 4-5.)	Available balance of allotment (columns 2-6.)	Amount necessary to meet further requirements to end of year.	Excess (+) or deficiency (-) of budget provision (columns 7-8.)	REMARKS.
5	6	7	8	9	10
			(Special care necessary in estimating in latter part of the year.)		(See paragraph 18 of covering letter. Use separate forms for Traffic and Postal charges.)

## Comparison of progress of expenditure

Head of charge.	Allotment for year.	Budget proportion 1st April to end of	Actual expenditure to end of
1	2	3	4
<b>Telephones—</b> Supply from Stationery office. } Cash Stores Local purchase of stationery (Jail and private presses). } Cash Stores <b>56-I (b)—Renewals and Replacements—</b> Telegraphs—Apparatus and plant. } Cash Stores Telephones—Apparatus and plant. } Cash Stores <b>STORES.</b> Temporary establishment . . . . <b>Allowance, honoraria, etc.—</b> Travelling allowances . . . . Other allowance (e.g., ration, plague) . . . . <b>Apparatus and plant—</b> (Renewals of Boats and carts)— Contingencies . . . } Cash Stores Purchase and repair of furniture Conveyance of stores between Depots Other contingencies . . . . Stock adjustment . . . . <b>Unserviceable stores written off—</b> Line Stores . . . . Instrument and Furniture . . . . Liveries and uniforms . . . . Labour charges . . . . <b>SUSPENSE.</b> Purchase of stores in India . . . . Landing charges . . . . Customs duty . . . . <b>WORKSHOPS.</b> Temporary establishment . . . . <b>Allowance and honoraria, etc.—</b> Travelling allowances . . . . Other allowance (e.g., ration and plague, etc.) . . . . <b>Apparatus and Plant—</b> Repairs to Plants and Machinery— } Cash Stores		(See paragraphs 13 and 14 of covering letter.)	(There is an obvious need for enquiry if the figures here differ widely from those in column 3.)

with allotments to end of ————— 1925.

Liabilities outstanding (first charge against available Funds).	Total expenditures plus known liabilities (column 4-5.)	Available balance of allotment (columns 2-6.)	Amount necessary to meet further requirements to end of year.	Excess (+) or deficiency (-) of budget provision columns 7-8.	REMARKS.
5	6	7	8	9	10
			(Special care necessary in estimating in latter part of the year).		(See paragraph 18 of covering letter. Use separate forms for Traffic Postal charges.

## Comparison of progress of expenditure

Head of charge.	Allotment for year.	Budget proportion 1st April to end of	Actual expenditure to end of
1	2	3	4
<b>Contingencies—</b> Purchase and repair of furniture. . . . <i>SUSPENSE.</i> Purchase of stores in India . . . . Labour and other charges . . . . <b>I.—CONTROL—CIRCLE OFFICE—(Abstract E—  Traffic Control).</b> (1) Temporary Establishments . . . . (2) Allowances and honoraria, etc.— Travelling allowance . . . . (3) Contingencies— (a) Liveries and uniforms . . . . (b) Purchase and repair of furniture . . . . (c) Other contingencies . . . . <b>II.—TELEGRAPH SIGNAL OFFICES—(Abstract  K)—</b> (1) Temporary establishments . . . . (2) Allowances and honoraria, etc.— (a) Pie money allowance and Taskwork earnings . . . . (b) Overtime allowance . . . . (c) Travelling allowance . . . . (d) Other allowances . . . . (3) Contingencies— (a) Liveries and uniforms . . . . (b) Purchase and Repair of Furniture (cash and stores) . . . . (c) Other contingencies—(cash and Stores) . . . . (4) Maintenance and repairs of buildings, etc.— Repairs to Telegraph buildings, etc.— Repairs to electric installations . . . . <b>III.—STATIONERY AND PRINTING—(Abstract I)—</b> (1) Stores (II—Telegraphs)— (a) Purchase of Printing materials . . . . (2) Other supplies and services— (a) Supplies from stationery office . . . . (b) Local purchase (of stationery) . . . . (c) Jail and private presses . . . .		(See para- graphs 13 and 14 of covering letter.)	(There is an obvious need for enquiry if the figures here differ widely from those in column 3.)

with allotments to end of 1925.

Liabilities outstanding (first charge against available Funds).	Total expenditure plus known liabilities (columns 4-5.)	Available balance of allotment (columns 2-6.)	Amount necessary to meet further requirements to end of year.	Excess (+) or deficiency (—) of budget provision columns 7-8.	REMARKS.
5	6	7	8	9	10
			(Special care necessary in estimating in latter part of the year).		(See paragraphs 18 of covering letter. Use separate forms for Traffic and Postal charges.)

## POSTS AND TELEGRAPHS.

FROM THE DIRECTOR-GENERAL OF POSTS AND TELEGRAPHS, TO ALL DIRECTORS, TELEGRAPH ENGINEERING, No. 265-N.-25, DATED SIMLA, THE AUGUST 1925.

In continuation of paragraph 18 of this office circular letter No. 194-B I-25, dated the 25th May 1925, I have the honour to inform you that for the purpose of exercising control over expenditure on Telegraph works it has been decided to abolish the present CD50 form and to introduce in its place a revised form CD50 and a new form CD50 (a) (copy of each is enclosed). Printed copies of these forms will be available for issue soon.

2. The following procedure should be adopted in submitting these forms.

CD5.—One copy of the form should be used for each work costing Rs. 10,000 and more. For works costing Rs. 10,000 and less each, one copy should be used for each class of works carried out in a Division, e.g.

- (1) Railway.
- (2) Canal.
- (3) Departmental Telegraphs.
- (4) Departmental Telephones.
- (5) Combined Office Lines.

One copy should also be used for maintenance work in each Division. Three sets of this form should be maintained, one in the Divisional Office, one in the Circle Office and the third set in Director-General's Office. The Divisional Engineer should fill up his set at the beginning of the following month and pass it on to his Director who in his turn will send it on to this office after completing his set. The Director-General's Office will note the information in the set maintained in this office and return the other set to the Divisional Engineer through the Director with remarks if any in pencil. The reply to the remarks should be given by Directors, Telegraph Engineering, next month on a separate sheet when submitting the CD50 for that month and on receipt of the reply the pencil entry will be erased.

CD 50 (a).—The Divisional Engineer is required to submit this form to his Director along with the CD50 forms. The Director should prepare a consolidated statement and submit it to this office. The consolidated form should include the reserves at the disposal of Directors, Telegraph Engineering.

Proper registers in this form should be maintained in Circle and Divisional offices and the figures shown in the loose returns should be posted and reviewed periodically by the controlling authorities.

3. It is the duty of every Director to watch carefully the progress of expenditure month by month and to see that probable lapses are promptly reported and additional grants whenever necessary asked for by his Divisional Engineers. The Circle Directors will be held personally responsible for an intelligent review of expenditure, for applying for additional grants in time and for making reasonable surrender. The practice of holding on grant till the end of the year should be put a stop to.

C. D. 50.

## POSTS AND TELEGRAPHS.

Progress Report on Work Estimated cost of which is Rs. 10,000 and over.

.....Circle.	.....Division
Estimate No. ....	Miles of line .....
Description of work .....	Miles of wire .....
	Miles of Cable .....
Date estimate sanctioned .....	Miles of Conductor .....
Date work begun or expected to commence .....	
Actual or Probable date of completion .....	

					Cash.	Stores.	Total.
<i>Estimated cost —</i>							
Capital.....	..	..	..	..			
Renewals and Replacements ..	..	..	..	..			
Maintenance.....	..	..	..	..			
Total ..	..	..	..	..			
<i>Allotment in current year—</i>							
Capital.....	..	..	..	..			
Renewals and Replacements ..	..	..	..	..			
Maintenance.....	..	..	..	..			
Total ..	..	..	..	..			

EXPENDITURE DURING 19										WORK DONE.		
Previous year.	CAPITAL.			RENEWALS AND REPLACEMENTS.			MAINTENANCE.					
	Cash.	Stores.	Total.	Cash.	Stores.	Total.	Cash.	Stores.	Total.	Miles of post.	Miles of wire.	Miles of cable conductor.
April ..												
May ..												
June ..												
July ..												
August ..												
Sept. ..												
October ..												
November ..												
December ..												
January ..												
February ..												
March ..												
Total ..												

REMARKS.





## APPENDIX XVII.

(STATEMENT B ATTACHED TO AUDITOR GENERAL'S LETTER NO. 852-ADMIN./44-25, DATED THE 24TH JUNE 1925.)

*Statement showing excesses over Voted Grants which require the sanction of the Legislature.*

Item No.	Name of Grant.	Original Grant.	Net Grant.	Actual expenditure.	Excess requiring sanction of the Legislature.
		Rs.	Rs.	Rs.	Rs.
1	Administration of Justice .	..	1,35,000	1,35,654	654
2	Jails and Convict Settlements .	2,000	2,000	5,070	3,070
3	Civil Veterinary Services .	6,11,000	6,11,000	6,14,319	3,319
4	Emigration—External .	44,000	62,000	69,882	7,882
5	Civil Works . . . .	1,16,37,000	1,13,33,314	1,27,01,975	13,68,661
6	Adjustments with Provincial Governments.	3,62,000	19,09,446	37,97,921	18,88,475
7	Refunds . . . .	7,17,000	6,85,647	7,81,755	96,108
8	Irrigation Works not charged to Revenue.	22,000	7,000	13,104	6,104
9	Interest Free Advances .	9,13,69,000	9,18,99,000	9,23,44,006	4,45,006
10	Refund of Freight Tax .	..	..	3,94,304	3,94,304

M15. Fin D

## APPENDIX XVIII.

(PARAGRAPH 39 OF THE A. G., P. &amp; T.'S APPROPRIATION REPORT ON THE ACCOUNTS OF 1923-24.)

*Statement showing re-appropriations sanctioned by the Government of India from Grant No. 60 to Grant No. 10 during the year 1923-24.*

No.	From	To	Amount of re-appropriation.	Number and date of sanction.	Purpose of re-appropriation.
			Rs.		
1	Grant No. 60. 50—Capital Outlay.	Grant No. 10. 18—Capital Outlay on Posts and Telegraphs (charged to Revenue).	40,700	G. I. No. 44-P. T., dated 20th October 1923.	For providing funds under 18—Capital Outlay on Posts and Telegraphs (charged to Revenue).
2	Do.	Grant No. 10. Detailed Account No. 3-E.—P. and D. Offices Maintenance and Repairs, etc.	9,300	Ditto	For repairs to the Bombay General Post Office electric installation.
3	Do.	Grant No. 10. Detailed Account No. 3-E.—P. and D. Telegraph Signal Office—Maintenance and Repairs, etc.	6,332	G. I. No. 44-P. T., dated 10th November 1923.	For repairs to Telegraph (Public Works Department) buildings.
4	Do.	Grant No. 10. 18—Capital Outlay on P. and T. (charged to Revenue).	15,000	Ditto	To provide funds under 18—Capital Outlay on Posts and Telegraphs (charged to Revenue).
5	Do.	Grant No. 10. Detailed Account No. 3-E.—P. and D. Offices, Telegraph Signal Offices—Maintenance and Repairs, etc.	6,882	G. I. No. 14-P. T., dated 31st January 1924.	For repairs to the Telegraph (Public Works Department) buildings.
6	Do.	Ditto	3,595	G. I. No. 14-P. T., dated 6th February 1924.	Ditto.
7	Do.	Grant No. 10. 18—Capital Outlay on P. and T. (charged to Revenue).	3,014	G. I. No. 14-P. T., dated 25th March 1924.	To provide funds under 18—Capital Outlay on Posts and Telegraphs (charged to Revenue).
		TOTAL	84,823		

## APPENDIX XIX.

LETTER FROM THE DEPARTMENT OF INDUSTRIES AND LABOUR (PUBLIC WORKS BRANCH),  
No. A. C. W.-27, DATED THE 21ST FEBRUARY 1925, TO MINOR LOCAL GOVERNMENTS.

SUBJECT.—*Question of the avoidance of the waste due to rush of expenditure in March.*

The Govt. of India have had under consideration the question of the avoidance of the waste which results from the rush of expenditure at the end of the year.

2. In their Public Works Deptt. letter No. 705-A.G., dated the 16th October 1916, they expressed the opinion that the best method of preventing hasty and wasteful expenditure towards the close of the year was to get P. W. officers to realize that there will ordinarily be no difficulty in getting lapses re-granted for the year following and that this is preferable to rushing through expenditure in March without proper safeguards for its application. It was further ordered in that letter that an accurate forecast of lapses from the grants of a year which are proposed to be spent in the succeeding year should be made out at the time of preparation of the budget.

3. The Govt. of India have noticed that the orders in question have not been duly observed, that there is still a tendency to incur hasty and ill-considered expenditure in the closing months of the year, and that, in particular, the month of March continues to be a month of heavy expenditure compared with other months. They are inclined to believe that the orders issued in the past have not been effective owing to two reasons :—

(1) that an impression prevails in the minds of executive officers that failure to spend the grants at their disposal will adversely affect their promotion ;

(2) that doubts exist whether lapsed money will be re-allotted in the following year.

4. As regards the first reason, I am to request that the executive officers employed under your administration may be given the assurance that failure to spend the total grant allotted to them will not, in ordinary circumstances, count against them in any way.

5. With regard to the second reason, I am to ask that it may again be impressed on the executive officers of the P. W. D. that it is contrary to the interests of the State to expend money in a hurry, mainly for the reason that it is at their disposal, and that it is far more in the public interest to surrender money that cannot be profitably utilised, in order that it may be diverted to other works which would otherwise have to lie over for want of funds. Disbursing Officers should therefore be encouraged to surrender freely all money which cannot be expended economically, and as far as possible, to include provision for lapsed grants in the schedule of demands.

In the case of the head "41—Civil Works" the Govt. of India have now decided that applications for the re-grant of lapsed expenditure in the previous year shall have the first call on their Reserve under that head. With the object of securing the re-grant of lapsed funds, I am to request that the spending authorities may be required, as soon as possible after the close of the financial year, to apply for their re-allotment to the extent that they can be economically utilised in the new financial year. In making such application due regard would naturally be paid to the allotments made in the budget of the new year. The required particulars should be set out in the form enclosed with this letter, and submitted to the Govt. of India in this Deptt. as soon as possible after the 15th May of each year.

6. The Govt. of India trust that the assurances given in paragraphs 4 and 5 above will bring about a marked decrease in the abnormal rate of expenditure during the closing months of the year that has so often been subject to adverse criticism in the past, and I am to request that all P. W. D. disbursing officers under your control may be informed that the Govt. of India will be compelled to take serious notice of the failure of any officer who acts in disregard of these orders.

M151FinD

*Form of application for re-grant of lapsed expenditure under "41—Civil Works, Central."*

Primary unit of appropriation	Name of work	Amount of estimate.	Grant for previous year (Appropriation and Re-appropriation.)	Expenditure to end of previous year.	Expenditure during previous year.	Amount of lapse.	Amount required in addition to grant in current year's budget.
1	2	3	4	5	6	7	8
Major Works .		Ra.	Ra.	Ra.	Ra.	Ra.	Ra.
Minor Works .							
Repairs .							

*NOTE.—Columns 2, 3 and 5 to be filled in only in case of major works.*

## APPENDIX XX.

*Memorandum dated 29th August 1925 furnished by the Foreign and Political Department with reference to Question Nos. 531 and 532 in the "Evidence".*

*Paragraph 3 (iii) of the Audit Report.*—In 1918 the local administration sanctioned the purchase of 2 swiss cottage tents, 7 servants pals and 1 Baluchistan tent to meet the cost of which a sum of Rs. 2,000 was placed at the disposal of the Political Agent, Kalat. The Political Agent, Kalat, expended Rs. 1,619 of this sum on the cost of 1 Baluchistan tent and 7 servants pals. He also purchased 2 swiss cottage tents but as the balance of the sum of Rs. 2,000 allotted to him was insufficient to pay for these he met their cost out of the Khan's fund which at that time was under his control. Subsequently this Fund was transferred to the control of the Kalat State when the Wazir-i-Azam objected to the payment in 1918 for tents sanctioned by the local administration and asked for a refund. The present incumbent of the appointment of Political Agent, Kalat, in order to regularise the matter accordingly paid to the State a sum of Rs. 2,000 which had been allotted to him for normal purchase of tents. On investigation the local administration found that the Political Agent who was the primary mover in this case of irregularity acted as he did in order to avoid anticipated increase in the price of tents. The Khan's Fund is a fund belonging to the Kalat State. It was formed from the income derived from the investment of a sum of Rs. 44 lakhs left by the late Khan of Kalat and from the Khan's subsidy of Rs. 1,55,000, and the then Political Agent having utilised this fund for the purpose of purchasing tents, the tents purchased should technically be considered to have remained the property of the Khan's fund till 1923. The present Political Agent in his efforts to regularise the irregular action of his predecessor clearly committed a further irregularity but in the circumstances the Agent to the Governor General in Baluchistan considered that it was only equitable formally to regularise the matter. It is not considered by the local administration or by the Foreign and Political Department that the irregularity amounted to the manipulation of accounts with the deliberate intention of concealing facts. That there were irregularities is admitted but these did not in this case result in any loss to Government. There are no other funds in Baluchistan similar to the Khan's fund described above.

*Paragraph 3 (v) of the Audit Report.*—In this case certain quantities of wheat and barley valued at Rs. 562 and Rs. 726 respectively were lost in transit and the cost, after investigation which proves abortive, was paid to the Lasbela State by the Consignee, the Commandant of the Mekran Levy Corps, who charged the same in a contingent bill. The loss was an ordinary contingency inseparable from the conveyance of large quantities of foodstuffs on camel back over a distance of several hundred miles and the only irregularity in this case was that the cost of the lost grain was charged off to contingencies without proper sanction. The Officer concerned who had evidently acted in ignorance of the limit of his financial powers, was warned and the loss duly regularised by the local administration. As in the case of the irregular purchase of tents dealt with in paragraph 3 (iii) of the Report and noted on above, this irregularity, in the opinion of the local administration and of the Foreign and Political Department, did not amount to a deliberate manipulation of accounts with a view to the concealment of facts.

*Paragraph 3 (xiii) of the Audit Report.*—In this case the Chief Commissioner in the North-West Frontier Province has reported that the journey in question (to Abbottabad) was undertaken primarily with a wrong object; but it was in the public interest and necessary that the officer handing over and the officer taking over charge of the Mansehra Sub-Division should meet in Abbottabad and there await the arrival of the Deputy Commissioner, and for this reason the Chief Commissioner did not disallow the travelling allowance in question. But in order to remove the impression that a journey might be undertaken at the public expense to meet an officer merely because he was a newcomer, the Chief Commissioner issued definite orders on the point to all officers in the Province.

## APPENDIX XXI.

**Proceedings of the first meeting of the Committee appointed to examine the Audit and Appropriation Reports on the Army Accounts for 1923-24 held on the 28th July 1925 at 3 p. m.**

## PRESENT :

Sir BASIL BLACKETT, *Chairman.*

Mr. A. C. McWATTERS

Mr. E. BURDON

} *Members.*

Mr. A. F. L. BRAYNE, F. A. M. F.

Colonel DALDY, M. A. G.

Mr. J. E. C. JUKES, Auditor General

Mr. A. G. BARR, Director of Army Audit

} were also present.

At the outset the Financial Adviser made a statement with reference to the Auditor General's comments on the report upon the paucity of explanations under certain items. The report was in fact fuller than before as expenditure was examined under 58 minor heads as compared with 27 in the previous year. In the future, however, the report would be prepared by the Financial Adviser and much fuller explanations would be given. This would have been done in the present report but for the fact that a re-examination of the accounts was considered desirable in view of the large differences between the budget, revised and actual figures and this examination delayed the preparation of the report.

2. The Committee were of opinion that after orders had been passed by Government on the questions raised as regards the Civil Appropriation Reports in the report of the Enquiry by the Auditor General into the possibility of assimilating the Indian Appropriation Reports to the corresponding British Reports, the F. A. M. F. should take up the question of the improvements that could be made in the Military Appropriation Report on the same lines.

3. They agreed with the Auditor General's suggestion in paragraph 2 (i) of his covering letter that an account exhibiting the expenditure under 48—Army by sub-heads should be given in the Appropriation Report.

4. With reference to the suggestion made in paragraph 2(i) of the Auditor General's covering letter that a statement should be given in the Appropriation Report specifying the powers of authorities competent to reappropriate between sub-heads, Mr. Brayne explained the powers of the Commander-in-Chief and G. O. C.'s to allot sums out of the reserves placed at their disposal to meet unforeseen expenditure. The Committee desired that a full statement of the powers of appropriation should be placed before them at their next meeting.

5. With reference to the other comments in paragraph 2 of the Auditor General's letter the Committee considered the question of how far the cost accounting system at present in force in the Army served the purpose for which it had been instituted. It was felt that insistence upon too much elaboration of detail militated against the control of expenditure instead of helping it and that a simplification of the accounts appeared to be very desirable. The cost accounts, it was suspected, were not at present really being used for the main purpose for which they were designed, and if they were simpler, and consequently could be more promptly produced that would be the most effective means of stimulating their use for the purpose of controlling expenditure. The Command Controllers should be utilised for the purpose of ensuring that the results disclosed by the cost accounts were regularly scrutinised by the administrative authorities. The Committee was informed that the Medical Department were the only Department who at present systematically used the figures for the purposes of economy, and it was understood that they had saved large sums of money. If the accounts were prepared earlier and were ready in a simpler form, the Military Council whose function it was to examine the position periodically, would also be able to exercise control more effectively. The Committee understood that a committee would shortly be appointed to enquire into the system of cost accounts; they thought that one of the instructions to such a committee should be to consider whether the cost accounts could not be made simpler and to submit definite proposals as to the manner in which they should be used for purposes of control.

6. With reference to paragraph 3 (iii) of the Auditor General's covering letter in which he gave instances of cases where anticipated lapses and savings had been mentioned but had not led to the modification of revised estimates, Mr. Brayne explained that the Auditor General had apparently compared the modified grant shown in the report with the revised estimate. The former showed the position under the minor heads after reappropriations had been effected and did not take into account anticipated lapses and savings which were not surrendered but were reported separately to the Finance Department in the revised estimate. The Committee felt that it would have been as well to make this point clear in the Appropriation Report.

7. The Committee were not prepared to accept without qualification the opinion expressed in the Appropriation Report that the variations in the figures given therein did not on the whole indicate a lack of control of expenditure. They recognised that a very satisfactory reduction in expenditure had been effected due in a great measure to the general attitude of the administrative authorities, the Incheape Committee's enquiry and the system of financial advice and control of expenditure, but they were of opinion that the facts in the Report indicated at any rate that the system which was supposed to be in force for watching the progress of expenditure did not in actual fact operate either fully or effectively, or at any rate did not do so in 1923-24. The difference between the budgeted and the actual expenditure was indeed satisfactory as it showed that the expenditure had been curtailed considerably beyond anticipations, but the difference between the revised estimate and the actual expenditure was far from satisfactory as the budget for the next year was based to a certain extent on the revised estimate of the year and any over



estimating in the latter was reflected in the former. The Financial Adviser stated that the system of compilation of expenditure and of estimation had been recently revised in order to remove defects and to speed up the process and that the co-ordination and scrutiny of the estimates and the records of expenditure would now be undertaken by a special expert section in his office, and it was hoped that under this improved system the danger of wrong estimation would be minimised.

8. The Committee noticed a certain number of excesses under minor heads in the various Statements given in the Report, of which some only were explained. Their opinion was that all excesses ought to be explained and should in all cases so far as possible be regularised either by reappropriation or an additional grant before the end of the year. If for any special cause an excess could not be detected and reported to Government before the end of the year, the sanction of Government should be obtained in all such cases immediately afterwards.

9. In connection with the explanation of the variations as compared with the original grant of the expenditure under Head I-A—Fighting Services, given in paragraph 23 (A) of the Report Mr. Brayne stated that the excess of 35 lakhs shown as the cost of food-stuffs consumed was due to the fact that the prices of produce turned out by the manufacturing establishments of the Army such as Grass Farms, Dairy Farms, Bakeries, etc., had been fixed by controllers during the year at rates generally higher than those adopted at headquarters for purposes of the budget estimates. This variation disclosed a defect in the costing and estimating system which was not likely to be repeated as arrangements had been made to improve the pricing of produce. It transpired in this connection that the prices of stores were in most cases all-India prices and that for this reason the cost accounting did not actually give a correct picture of the real cost of a unit in different parts of India as it did not take into account in respect of individual units the local variations in prices due to proximity to the source of supply, etc. The Committee were of opinion that this further demonstrated the need for re-examining the cost accounting system.

10. The Committee considered that the explanation given in paragraph 23(D) of the Report (saving under Head I-A—Miscellaneous) disclosed bad budgeting.

11. As regards paragraph 29(G) (saving under Head I-D—Units serving in the Colonies) the Committee desired a fuller explanation of this saving. If the item was only a balancing item, it was not clear how there were any savings at all.

12. With reference to paragraph 26 (A) of the Report ("Smaller expenditure adjusted on account of practice ammunition"), the Financial Adviser explained that there was really no saving. The Committee desired him to furnish a fuller explanation.

13. The Committee noted that the lapse (under transportation charges) mentioned in paragraph 29 (A) was due to the fact that the amount had been provided under the wrong head.

14. In connection with paragraph 32 of the Report, they considered that a stock account showing the stock in hand at the beginning and at the end of the year and explaining the variation would make the explanations more intelligible and hoped that such an account would be given in the next Report.

15. As regards the explanation in paragraph 38(B), the Committee were glad to note that efforts were now being made to differentiate between real losses and book-keeping losses.

16. Mr. Brayne was asked to present to the Committee at the next meeting a general statement as to the modifications sanctioned by Government and by other competent authorities, with examples showing when, under what circumstances and by whom these modifications were usually sanctioned.

17. The Committee decided to hold their next meeting on Thursday at 3 P. M.

---

**Proceedings of the second meeting of the Committee appointed to examine the Audit and Appropriation Reports on the Army Accounts for 1923-24 held on 30th July 1925 at 3 p. m.**

*Present.*

Sir BASIL BLACKETT .. .. . *Chairman.*

Mr. A. C. MCWATTERS .. .. .  
Mr. E. BURDON .. .. . } *Members.*

Mr. A. F. L. BRAYNE, *F. A. M. F.*

Colonel DALDY, *M. A. G.*

Mr. J. E. C. JUKES, *Auditor General.*

Mr. A. G. BARR, *Director of Army Audit.*

Mr. Brayne handed in a paper showing the powers of reappropriation, as now granted by competent authority, under the major heads of Army expenditure and an explanation of paragraph 26 (A) of the Appropriation Report. As regards the latter, he explained that the cost of ammunition was charged to the unit when it was consumed and not when it was issued. The Committee felt that this was probably a case where cost accounting had gone too far. It was understood that in the present system everything remained at charge of the stock head until it passed into actual consumption. The Committee were tentatively of opinion that for the purpose of the accounts and of higher control the demands of the unit and the quantity supplied to it were probably more important than the consumption, and that as regards the latter, sufficient detailed control could be exercised by the fixing of scales and through the stock account of the unit being investigated by the local audit staff.

2. Mr. Brayne also explained the procedure with regard to the sanction of modifications in the grants by Government or by other competent authorities. It was understood that these additions and modifications were often due to budgeting under one head and spending under another. This procedure was, the Committee understood, not entirely accidental though it was now followed in a few cases only. They thought that it should be investigated whether it should not be further limited. The Committee also desired that the question whether in the appropriation accounts it was necessary to include separate columns showing these additions and modifications, should be considered in connection with the general question of amending the form of the Appropriation Report.

3. The Committee next considered the Audit Report on the accounts along with the covering letter from the Auditor General thereon.

4. *Paragraph 2 of the Audit Report and paragraph 14 of the Auditor General's letter.*—It was explained that local audit now had to give too much time to checking the arithmetical accuracy of the figures of accounts of the units, and that if cost accounting were simplified, local audit would be more effective as it could have leisure to look into important matters, and the quicker the local audit staff could go round the units, the better it would be from all points of view. The question was raised whether it would not be more economical in the long run if a little additional money could be spent on local audit at present to clear up arrears, and the Financial Adviser was asked to go into the question.

5. *Paragraph 3 of the Audit Report—Paragraph 15 of the Auditor General's covering letter.*—It was understood that orders had been issued in order to ensure that registers were examined by Gazetted officers and that test audit was carefully watching the position.

6. *Paragraph 4 of the Audit Report—Paragraph 16 of the Auditor General's covering letter.*—The Financial Adviser was asked to take into serious consideration the question of having an office manual prepared at an early date.

7. *Paragraph 9 (6) of the Audit Report.*—The Committee understood that the amount of 30 lakhs paid by the liquidators of the Alliance Bank "in full and final settlement of the deposits" on account of regimental funds was the full sum due and not a composition payment.

8. *Paragraph 9 (7) of the Audit Report.*—The Committee noted with satisfaction the arrangements made for issuing Last Pay Certificates of men proceeding to United Kingdom during the last two years by forming special sections of the office of the Controller concerned and locating them at Deolali and Karachi.

9. *Paragraph 12 of the Audit Report.*—With regard to the comment in this paragraph that it was improbable that Dum Dum would cease to be a producing factory for some time to come, the Committee noted that the factory had now ceased working.

10. *Paragraph 19 of the Audit Report.*—The Committee understood that most of the major questions connected with the lighting and buoys scheme in the Persian Gulf had been settled and that the scheme would shortly be in operation.

11. *Paragraph 23 of the Report—Paragraph 21 of the Auditor General's covering letter.*—The Committee were assured by Colonel Dady that the position with regard to the clearance of outstandings in suspense accounts had improved. They wished to draw the attention of the administrative authorities to the Auditor General's remarks on the point, and it was hoped that a further improvement would be noticeable in the report of the next year.

12. *Paragraphs 28-30 of the Report—Paragraph 22 of the Auditor General's covering letter.*—It was explained that the recent reorganisation of the Military Engineer Services whereby each district was placed in charge of a senior executive officer of the standing of C. R. E. who corresponded to an Executive Engineer in the Public Works Department and the accounts were maintained at the district headquarters where direct and continuous consultation with the Controller of Military Accounts is possible, had already improved matters and would probably result in further great improvement, but the Committee desired that the Auditor General's comments should be carefully considered by the administrative authorities.

13. *Paragraph 32 of the Report.*—The Committee were of opinion that the question of contractors being paid considerably more than the rules allowed indicating that they were largely financed by Government, was important, and desired that the Auditor General should be requested to watch the case and report on it next year, if he considered it necessary.

14. *Paragraph 38 of the Report.*—The Committee understood that conditions had now enabled the pre-audit system to be introduced in respect of Military Works Accounts in Waziristan.

15. *Paragraphs 44-53 of the Report. Paragraph 26 of the Auditor General's covering letter.*—The Committee noted with concern the large number of thefts from treasure chests disclosed in these paragraphs and desired that the question (which they were informed had already been taken up) whether the holdings in treasure chests could not be diminished by the opening of banking accounts or otherwise should be carefully considered. The same remark applied to Auxiliary Force Units.

16. The Committee noted that in some cases there was a considerable lapse of time between the commission of the offence and its being brought to light, which made it difficult to apply an effective remedy. The arrears of local audit noticed elsewhere were probably partly responsible for this. The delay between the detection and investigation and the passing of final orders regarding disciplinary action was also serious and regrettable. It was perhaps partly due to local military officers not being provided with adequate legal advice. The military authorities are considering this question.

17. *Paragraph 44 (c) of the Audit Report. Paragraph 26 of the Auditor General's covering letter.*—It was understood that the General Officer Commanding who reviewed the case considered that the manager of the Military Grass Farm in question was not culpably negligent but merely stupid. No definite instructions had been laid down to regulate his duties. Orders had since been issued fixing the responsibility of managers in these matters.

18. *Paragraph 44(f) of the Audit Report.*—It was explained that the amount misappropriated was not recovered from the Officer Commanding but from the Regimental Fund of the unit. This was not clear from the Report.

19. *Paragraph 44(j) (iv) of the Audit Report.*—No action could be taken against the officer concerned because he had been demobilized. It was hoped that the new procedure with regard to Railway Warrants referred to in paragraph 9(4) of the Report would bring about an improvement.

20. *Paragraph 47 of the Audit Report. Paragraph 30 of the Auditor General's covering letter.*—It was explained that the disciplinary action taken against the Accountant was that he was severely reprimanded. The case had been laid before the Finance Member who was of opinion that in the peculiar circumstances of the case no action could be taken against the Officer Commanding ; nor could any action be taken against the supplying officer who was not in a position to know what was the exact status of this particular unit at the time as the process of change from the Silladar to non-silladar system was then in operation.

21. *Paragraph 52 of the Audit Report. Paragraph 31 of the Auditor General's covering letter.*—Mr. Brayne placed before the Committee the letter of the Controller of Military Accounts detailing the disciplinary action taken in the matter which showed that the officers concerned had been suitably dealt with.

22. *Paragraphs 54-67 of the Audit Report. Paragraph 32 of the Auditor General's covering letter.*—It was understood that a common form to show the statistics of expenditure under objection and the analysis of outstanding objections had been evolved and orders had been issued to all District Controllers to use it in future.

23. The Committee recognise that many of the financial irregularities, frauds and losses commented upon in the report occurred at a time when the abnormal conditions created by the Great War had not wholly passed away and that while such conditions existed, it was difficult to enforce a high standard of financial propriety or of economy in Army administration. At the same time the risk of money being misspent or lost is ever present and the Committee feel it to be very desirable that the facts disclosed and the criticisms made in the periodical audit reports should be brought to the notice of all officers in the Army in some way which will really draw their attention and leave a strong impression on their minds. The result, it may be hoped, would be to prompt the reflection that much money has been wasted and may still be going to waste which might have been devoted to some valuable military purpose and to increase in future throughout the Army interest and vigilance in supervising the expenditure both of stores and of money. The publicity given to the observations of the Auditor General in regard to cases of grave irregularity occurring in the Civil Administration is productive of good. Similar publicity within the army would also be salutary. The Committee trust that these observations will if the Government of India agree in them be laid before His Excellency the Commander-in-Chief with the request that His Excellency will take such steps as he thinks best calculated to achieve the object in view.

## APPENDIX XXII.

## HISTORICAL SKETCH OF THE CIVIL CONTINGENCIES FUND IN THE UNITED KINGDOM.

From the year 1817 until 1860-1 an annual Vote was taken for Civil Contingencies. The Vote originated in the abandonment of the ancient practice, which had been in force from 1762 to 1816, of making advances from the Civil List for supply grants, pursuant to the addresses of the House of Commons, which advances were afterwards replaced by Parliamentary Grants. The specific title "Civil Contingencies" does not appear until 1824.

The Vote was used for two distinct purposes, for final payments and for advances repayable out of subsequent Votes or from other sources. The accounts laid before Parliament included only final payments.

The Public Monies Committee of 1856 recommended in their Report of 1857 that the Appropriation Audit should be applied to the Vote, and that, in addition to the account of final payment, a balanced account of all the transactions of the year should be presented to Parliament. This addition to the account first appeared in 1859-60.

In 1861 the Committee on Public Accounts recommended a new arrangement upon the following basis :—

1. That the Fund should be fixed at 120,000*l*.

This amount having proved inadequate for the larger amounts involved in modern Votes, the Fund was increased to 300,000*l*. by a Supplementary Vote taken in February 1913. By the Civil Contingencies Fund Act, 1919, power was given to increase the Fund temporarily up to a maximum of 120,000,000*l*. by issues from the Consolidated Fund, to provide working capital for trading undertakings.

The Finance Act, 1920, authorised the permanent increase of the Fund (from 300,000*l*.) to 1,500,000*l*. and the write-off of Capital Advances then outstanding amounting to 23,050,000*l*. The balance was accordingly repaid to the Exchequer.

The Capital of the Fund now stands therefore at 1,500,000*l*.

2. That the Treasury should continue to make advances to meet deficiencies on the ordinary Votes or for new services, and that such advances be included in the Estimate for the succeeding year for repayment to the Contingency Fund.
3. That no final payment should be charged on the Fund, but that in case Government feel it necessary for the public service to incur any Civil Service expenses, the deficiency occasioned by such expenditure shall be considered as an advance, and be submitted to Parliament as a Vote in the succeeding year.
4. That accounts similar to the Treasury Chest Accounts should be prepared annually by the Treasury, with vouchers, and forwarded to the Audit Office, for presentation to Parliament, with a report.

These recommendations were carried out by the Treasury. Old charges upon the Fund were distributed among appropriate ordinary Estimates, and necessary arrangements were made for winding up the old Fund, reserving 120,000*l.* out of the balance for the new Fund, and transferring the remainder (12,049*l.* 7*s.*) to the Exchequer. The outstanding advances were to be paid into the Exchequer as the repayments were made. The final account was laid before Parliament.

Among other arrangements in 1862-3 for disposing of the old charges, a new Estimate was placed in Class VII, entitled "Miscellaneous Expenses formerly defrayed from Civil Contingencies", and in the following year (1863-4) the first provision was made by a sub-head in this Vote for "Repayment of Advances from Civil Contingencies."

From 1871-2 the repayments have been taken as a separate Estimate-