



***Report of the  
Public Accounts Committee  
on the  
Accounts of 1940-41.***

PUBLISHED BY THE MANAGER OF PUBLICATIONS, DELHI.  
PRINTED BY THE MANAGER, GOVERNMENT OF INDIA PRESS, NEW DELHI.  
1942.

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE, 1942.

*Chairman—*

1. Mr. C. E. Jones, C.S.I., C.I.E., I.C.S., Finance Secretary.

*Elected Members—*

*Date of election or nomination.*

- |  |                     |
|--|---------------------|
| 2. Professor N. G. Ranga . . . . .               | 18th March 1939.    |
| 3. Moulvi Mohammad Abdul Ghani . . . . .         | 18th March 1939.    |
| 4. Mr. Mohamed Azhar Ali . . . . .               | 25th February 1940. |
| 5. Mr. J. Ramsay Scott . . . . .                 | 25th February 1940. |
| 6. Sir Syed Raza Ali, C.B.E. . . . .             | 25th February 1940. |
| 7. Pandit Lakshmi Kanta Maitra . . . . .         | 17th February 1941. |
| 8. Mr. H. M. Abdullah . . . . .                  | 28th March 1941.    |
| 9. Kunwar Hajee Ismaiel Ali Khan, O.B.E. . . . . | 19th February 1942. |

*Nominated Members—*

- |   |                  |
|---|------------------|
| 10. Sir Ratanji Dalal, C.I.E. . . . .                       | 17th March 1938. |
| 11. Khan Bahadur Shaikh Fazl-i-Huq Piracha . . . . .        | 17th March 1938. |
| 12. Khan Bahadur Sir Abdul Hamid, C.I.E.,<br>O.B.E. . . . . | 17th March 1938. |

## REPORT OF THE PUBLIC ACCOUNTS COMMITTEE, 1942.

### PART I.—CIVIL, POSTS AND TELEGRAPHS AND DEFENCE SERVICES.

In the absence out of India on official business of the Hon'ble the Finance Member our deliberations have this year been conducted under the chairmanship of the Finance Secretary on whom the powers of the Finance Member with respect to Rule 51 (5) of the Legislative Rules were conferred by the Governor General by notification in the Gazette. In the place usually occupied by the Finance Secretary the Joint Secretary in the Finance Department was invited to attend our meetings. Similar changes were for the same reason made in the constitution of the Military Accounts Committee, the Finance Secretary presiding and the Joint Secretary attending as a member and this incidental change in the constitution of that Committee has our approval.

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

	(In lakhs of rupees.)		
	Original grant or appro- priation.	Final grant or appro- priation.	Actual expendi- ture.
Expenditure charged to revenue (voted)	25,84	27,19	26,49
Expenditure charged to Capital (voted)	29	5,07	4,79
	26,13	32,26	31,28
Disbursements of loans and advances (voted)	1,35	3,28	3,01
Total (voted)	27,48	35,54	34,29
Expenditure charged to revenue ( <i>non-voted</i> )	84,67	96,32	1,00,95
Expenditure charged to Capital ( <i>non-voted</i> )	7	—4	—11
	84,74	96,28	1,00,84
Disbursements of loans and advances ( <i>non-voted</i> )	17	16	16
Total ( <i>non-voted</i> )	84,91	96,44	1,01,00
Total expenditure charged to revenue	1,10,51	1,23,51	1,27,44
Total expenditure charged to Capital	36	5,03	4,68
Total disbursements of loans and advances	1,52	3,44	3,17
GRAND TOTAL	1,12,39	1,31,98	1,35,29

There was thus a total excess of Rs. 331 lakhs or 2·51 per cent. over the final grant.

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

	1936-37.	1937-38.	1938-39.	1939-40.	1940-41.
Expenditure charged to revenue	—·35	—·73	—1·32	+6·64	+3·18
Expenditure charged to Capital	—16·78	—34·40	—11·59	—58·69	—6·96
Disbursements of loans and advances	—50·82	—9·52	—11·49	—3·10	—7·85
Combined percentage	—3·21	—1·34	—1·74	+6·22	+2·51



If the disturbance caused to the figures of 1939-40 by the fortuitous circumstance of the revenue surplus turning out much bigger than was anticipated were to be eliminated—and this elimination would give for the percentage of expenditure charged to revenue — 2 and for the combined percentage — 5—it will be seen that this year is the first in the last four in which there has been a true excess of expenditure over the final grant. The reason for this excess in the revenue section of the accounts, which has also been reflected in the combined percentage, is that actual expenditure on New Main Head 3, the determination of which is dependent on accounts adjustments which are carried out many months after the close of the financial year, could not be correctly estimated at the time of the fixation of the final appropriation. On the civil side the main factor which contributed to the excess was an accounting decision taken after the close of the year with regard to the transactions connected with the repatriation of the sterling debt, which decisions is more fully discussed in our proceedings relating to Grant No. 11. The variation in the capital section of the accounts was much less than in any of the previous four years while that relating to loans and advances, though more than last year, was well within the normal variation.

3. In the following cases actual expenditure exceeded the grants voted by the Legislature :—

Item No.	Name of Grant.	Final Grant.	Actual expenditure.	Excess requiring the vote of the Legislature.
(1)	4.—Salt . . . . .	56,87,000	57,04,432	17,432
(2)	12.—Executive Council . . . . .	1,26,900	1,28,413	1,513
(3)	17.—Department of Education, Health and Lands . . . . .	5,73,000	5,74,308	1,308
(4)	19.—Commerce Department . . . . .	5,43,000	5,44,680	1,680
(5)	23.—India Office and High Commissioner's Establishment . . . . .	18,79,000	19,38,505	59,505
(6)	32.—Geological Survey . . . . .	3,21,000	3,21,646	646
(7)	38.—Education . . . . .	6,44,000	6,44,455	455
(8)	40.—Public Health . . . . .	25,51,000	25,67,242	16,242
(9)	68.—Panth Pipoda . . . . .	12,000	12,266	266
(10)	10.—Posts and Telegraphs—Working Expenses . . . . .	11,12,04,000	11,19,85,660	7,81,660

The reasons for these excesses are briefly explained below :—

*Item 1.*—Chiefly due to certain temporary staff being retained longer than was anticipated.

*Item 2.*—Due to tour expenses of the Executive Councillors being slightly underestimated.

*Item 3.*—Mainly due to the receipt after the close of the year of debits on account of the cost of certain publications from the High Commissioner.

*Item 4.*—Mainly due to increased expenditure in England on account of leave and deputation salaries, etc.

*Item 5.*—Mainly due to debits raised provisionally against the Provincial Governments in March 1941 on the basis of total disbursements of leave pay and pensions falling short of expectations.

*Items 6 and 7.*—The excesses are petty.

*Item 8.*—Budget provision was made for recovery from the Cochin Port Funds and the Cochin Government in respect of a scheme for the reorganisation of the Port Health establishment of Cochin. The scheme did not materialise but the provision for expenditure on it was by mistake reappropriated to other heads thus causing an excess over the grant.

*Item 9.*—The excess is petty.

*Item 10.*—Mainly caused by smaller credit to Working Expenses as the result of a fall in the number of Savings Bank transactions; increased expenditure under Stamps, postcards, stationery and printing due to rise in traffic and larger freight charges for conveying stores due to heavier programme of works than budgeted for.

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

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

5. *Accuracy of Budgeting and Control over Expenditure.*—Accurate budgeting and rigid control during the year under review were rendered difficult by the growing menace of the war which, as in the last year, introduced an element of considerable uncertainty in the budget calculations and made it difficult to foresee what the final results of the year would be. Even so the variations which the aggregate figures have disclosed indicate very little, if any, deterioration as compared with those to be found under peace time conditions, and we appreciate the manner in which the financial organisation has in this respect adapted itself to changed conditions. There are however certain features in the accounts which show some measure of deterioration from the standards of previous years. There is, for example, the large increase, from 14 in 1938-39 and 16 in 1939-40 to 27, of the number of cases in which excesses over non-voted appropriations have occurred in the year under review, though the statistics in this respect with regard to voted grants are satisfactory. There has also been a rise, compared with the last four years, in the percentage which the final unsurrendered savings bear to the total of all the voted grants and a fall in the percentage of total voted amounts surrendered to the total actual savings in all the grants, both of revenue and capital expenditure and of loans and advances. The only exception is the year 1939-40, itself a war year, when the percentage of surrenders in the revenue and capital section was slightly lower than in 1940-41. There is, finally, a large increase in the number of supplementary grants voted during the year as well as in their total amount and the percentage which this bears to the total of the original grants. This however was only to be expected in the conditions prevailing during the year when money had to be found immediately to finance essential measures for the defence, direct and indirect, of this country against the rising tide of aggression. Our review therefore leads us to the conclusion that both budgeting and control have, in the conditions that prevailed, been on the whole satisfactory.

6. *Unnecessary Supplementary Grants.*—There were during the year under review three cases of supplementary grants which proved ultimately to be unnecessary as against two in the previous year and none in the two years previous to that. We have examined in detail in each of these three cases the reasons which led to the presentation of a supplementary demand and the reasons which ultimately made the supplementary grant unnecessary. In Grant No. 30—Survey of India and Grant No. 52—Census, the supplementary grant was necessary and was applied to the purpose for which it was obtained. Countervailing savings however ultimately accrued, in the first grant because of larger receipts from the Defence Department than were anticipated—and it is admittedly difficult accurately to estimate how much credit will accrue during the course of the year from these inter-departmental adjustments, especially where war requirements are concerned—and in the second because of certain economies introduced in organisation and procedure the full effects of which could not be foreseen. In Grant No. 63—Miscellaneous the supplementary grant was not utilised at all, largely because of a post budget decision in regard to accounting and partly due to the non-arrival, owing to the war, of certain equipment which it was expected would arrive and would be paid for before the end of the year. In none of these cases was there any failure to exercise adequate care before submitting the supplementary demand to the Assembly.

7. *Works Expenditure.*—The percentage of savings on the consolidated provision for major works included under all the grants and non-voted appropriations was 19·2 during the year 1940-41. This percentage which had with great difficulty been brought down to the figure of 10·14 in 1939-40 from 47·78 in 1938-39 and 33·59 in 1937-38 again shows a tendency to rise. We were therefore inclined straightaway to reiterate our oft-repeated recommendation for the imposition of drastic lump sum cuts in estimates of works expenditure. It was however contended before us by the Labour Department that lump sum cuts would not be a suitable remedy to apply in war time as there was a definite tendency for expansion in the matter of construction of works and the needs of the war often led to large unforeseen expenditure with the likelihood of there being excesses instead of savings in future war years. It was suggested to us that the real cause for these persistent savings lay in premature provision being made in the demands for grants other than that for Civil Works, for works which had not reached a sufficient state of readiness for being executed; and that the remedy lay in the Finance Department assuring themselves by the application of a standard more strict than they now applied, that schemes for which budget provision was made had in fact reached a state of maturity sufficient to enable them to be executed in the following year to the extent of the provision made. We have asked for an investigation to be made and a report to be rendered to us in due course as to whether this is in fact a contributory cause for these savings. In the meantime, however, and in order to determine the line of action to be adopted in the preparation of the next Budget, we have examined separately the results of each of the main grants and appropriations which account for the most substantial portion of works expenditure. The table below gives the net savings (–) or excesses (+) in expenditure on major

works expressed as a percentage of the Budget provision in the last three years :—

	1938-39.	1939-40.	1940-41.
1. Civil Works . . . . .	—42·20	—21·78	—1·86
2. Aviation (including capital outlay) . . . . .	—23·29	—17·11	—35·82
3. Delhi Capital Outlay . . . . .	—37·33	—1·64	—17·27
4. Tribal Areas . . . . .	—37·21	+28·54	+36·64
5. Baluchistan . . . . .	—86·96	—20·21	—63·65

It is apparent from this statement that while the war has had an appreciable effect in reducing the savings in the grant "Civil Works" and in converting the savings in the appropriation "Tribal Areas" into excesses, it has had no particular effect on the other grants and appropriations. We recommend therefore, for the next year, that while there should be no lump sum cut under these two heads, all other provisions for works should, as before, remain subject to this cut.

8. *Modification of Appropriation Accounts.*—We requested last year the Auditor General to investigate whether a reduction in the percentage of 15 prescribed as the limit below which no explanation of a modification in the Appropriation Accounts is given could with advantage be lowered. We have had before us the results of this investigation and agree with the Auditor-General that, having regard to the fact that modifications involving questions of principle are already explained and that if the percentage is lowered the mass of detail which will have to be furnished in the Appropriation Accounts as a matter of routine will tend rather to blur than to improve the picture of budgeting and control as presented to us, no change in the existing percentage is necessary.

We also asked the Finance Department to examine the possibility of splitting up the sub-head "Contingencies" (now to be known as "Other Charges") in grants where this sub-head accounts for an appreciable amount of expenditure. We are glad to see that it has been found possible to segregate in several grants certain well defined and separable types of expenditure such as "Purchase of Stores" from the omnibus head "Other Charges", and that in certain other cases footnotes will be given in the Appropriation Accounts to indicate to us in greater detail than at present the various types of expenditure covered by the term "Other Charges".

9. *Amortisation of Railway Debt.*—We recommended in our report on the accounts for 1937-38 that the Finance Department should examine whether in addition to the annual provision of Rs 3 crores for the reduction or avoidance of debt there should not be a separate provision for amortisation of the Railway Debt once the first quinquennium of the Niemeyer Award was over. It has been pointed out to us that in present circumstances, when the Central Government is faced with heavy annual deficits, any further provision for the reduction or avoidance of debt would serve no useful purpose. We agree that so long as the war lasts the implementing of our recommendation is not practicable but we do not desire that this important matter should be lost sight of and trust that it will be pursued after the war.

10. *Sugar Excise Fund*.—The creation of this Fund was first announced by Sir George Schuster in his budget speech for 1934-35 in the following words:—

“We propose to set aside an amount equivalent to one anna per cwt. representing about Rs. 7 lakhs as a Fund to be distributed among the Provinces where white sugar is produced for the purpose of assisting the organisation and operation of Co-operative Societies among the cane growers so as to help in securing fair prices, or for other purposes directed to the same end.”.

From the 1st of April 1939 the Fund has not been used for the very limited purposes for which it was created. The first charge on this fund now is the requirements of the Imperial Institute of Sugar Technology, Cawnpore, next comes the financing of sugar research conducted by the Imperial Council of Agricultural Research and the balance is available to Provincial Governments for financing their own schemes ancillary to those of the Imperial Council of Agricultural Research and designed to test the results of those schemes in particular areas. It was explained to us that as early as 1935 the Government of India felt that it would not be fair to tie themselves indefinitely to the limited objective of the Fund as announced by Sir George Schuster and Provincial Governments were informed that the Central Government considered that five years should be sufficient to complete the process of organisation which would enable the cultivator afterwards effectively to protect himself. They indicated that after that period this Fund might be more urgently required for agricultural research and for technological assistance to the sugar industry and that they reserved freedom after 1938-39 to allocate this revenue as they thought fit. As this change was not to be made until four years after the decision to make it was taken the matter was not brought to the notice of the Legislative Assembly at the time. When eventually the decision was actually put into effect the attention of the Assembly was, by an oversight, not specifically drawn to the change in the purposes of the Fund though it had definitely been Government's intention to do so. We accept the assurance that it was through an oversight that the Assembly were not informed of this change; but the fact remains that a Fund, the creation of which was sanctioned by the Assembly for a particular and well defined purpose, has been applied for another, though not unconnected, purpose, by executive order and without reference to the Assembly. We wish therefore to bring this matter to the notice of the Legislature.

11. *Printing of Evidence*.—In view of the very serious shortage of paper in the country we have decided to dispense with the printing and publication of the verbatim record of the evidence and discussions of this Committee for the duration of the war. Typed copies of the evidence will however be kept in the library of the House for the use of such members of the Legislature as may wish to consult them.

12. *Report of the Military Accounts Committee*.—We append the report submitted by the Military Accounts Committee constituted to conduct a preliminary examination of the Defence Appropriation Accounts and connected documents. We desire to draw special attention, in view of the extreme importance of the suggestions and recommendations made by that Committee, which have our complete approval and support, to their Report and Proceedings which we desire to be treated as part of our Report.

## PART II.—RAILWAYS.

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

	(In lakhs of rupees.)		
	Budget.	Revised.	Actuals.
Traffic receipts (less refunds) . . . . .	1,03,00	1,09,25	1,11,94
Miscellaneous receipts . . . . .	1,96	1,99	2,02
Working expenses (including depreciation) . . . . .	66,64	66,71	65,65
Miscellaneous expenditure . . . . .	80	72	67
Interest charges . . . . .	28,82	28,74	28,68
Surplus (+) or Deficit (—) . . . . .	+8,29	+14,59	+18,46
Contribution to general revenues . . . . .	5,31	9,96	12,16

Out of the net surplus of 18,46 lakhs, 6,30 lakhs were transferred to the Railway Reserve Fund and 12,16 lakhs were paid to general revenues. The latter amount included 7,24 lakhs towards the arrears of contributions for the period from 1931-32 to 1938-39 covered by the moratorium and 30 lakhs towards the unpaid contribution for 1939-40 while the remaining sum of 4,62 lakhs was the contribution for the year under the convention of 1924. The balance of the arrears of contribution amounted to 28,17 lakhs at the end of 1940-41 and that of loans taken from the depreciation fund to 30,29 lakhs.

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

Grant.	Final Grant. Rs.	Actual Expenditure. Rs.	Excess. Rs.
(1) 5.—Revenue Payments to Indian States and Companies . . . . .	3,51,67,000	3,63,90,155	12,23,155
(2) 6-B.—Revenue Working Expenses—Maintenance and Supply of Locomotive Power . . . . .	18,64,25,000	18,78,64,894	14,39,894
(3) 6-E.—Revenue Working Expenses—Expenses of Traffic Department . . . . .	10,12,10,000	10,13,05,722	95,722
(4) 6-F.—Revenue Working Expenses—Expenses of General Departments . . . . .	3,94,40,000	3,94,48,031	8,031
(5) 8.—Revenue Interest Charges . . . . .	2,63,000	2,63,064	64
(6) 10.—Revenue Appropriation to Reserve . . . . .	4,62,93,000	6,30,06,506	1,67,13,506

Brief explanations of these excesses (excluding items 4 and 5 which are nominal) are given below:—

*Item 1.*—Due mainly to increase in net earnings of worked lines owing largely to improvement in traffic

*Item 2.*—Due chiefly to increased freight charges on coal owing to higher rates of surcharge and larger demands for coal.

*Item 3.*—Due mainly to payment of dearness allowance and more handling and terminal charges.

*Item 6.*—Due to larger net surplus as a result of improvement in savings.

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

15. *Accuracy of budgeting and control over expenditure.*—The accounts of the year show a total saving of Rs. 1,23 lakhs or 1·2 per cent. under Revenue expenditure (exclusive of withdrawals from the Depreciation Reserve and the Railway Reserve Funds and the repayments to the former or the appropriation to the latter fund). Under Capital expenditure there was a saving of Rs. 1,74 lakhs or 15·48 per cent. This position compares as follows with the results achieved in the four preceding years.

*Expenditure charged to Revenue (excluding withdrawals from the Depreciation Reserve and the Railway Reserve Funds and the repayments to the former or the appropriation to the latter fund).*

Year.	(In lakhs of rupees.)		
	Final grant or appropriation.	Savings (—) or Excess (+).	Percentage of column 3 to column 2.
(1)	(2)	(3)	(4)
1936-37	98,41	—1,35	1·37
1937-38	98,30	+63	0·64
1938-39	99,64	+10	0·10
1939-40	100,52	—40	0·40
1940-41	102,37	—1,23	1·20

*Expenditure charged to Capital and the Depreciation Reserve Fund.*

Year.	(In lakhs of rupees)		
	Final grant or appropriation.	Savings (—) or Excess (+).	Percentage of column 3 to column 2.
(1)	(2)	(3)	(4)
1936-37	11,18	—2,07	18·51
1937-38	10,70	—24	2·25
1938-39	13,50	+2	0·18
1939-40	11,30	—29	2·57
1940-41	11,24	—1,74	15·48

Compared to the results of the previous three years the results of 1940-41 show a marked deterioration though they are better both in regard to expenditure charged to revenue and that charged to Capital and Depreciation Reserve Fund than the results of 1936-37. Allowance must however be made for the uncertain conditions brought about by the war and, having regard to all the circumstances, we consider the results of the year to be satisfactory. We are in particular pleased to see that in the year under review there has been no unnecessary supplementary grant and that in this respect at least there has been an improvement over the last year and the year before.

There are however certain aspects of budgeting which have been brought to our notice during our survey of the Appropriation Accounts and which deserve mention. There is firstly the large and growing number of "Defects in Budgeting" listed in Annexure B to the Chief Commissioner's Review of the Appropriation Accounts. The items in this list this year number no less than 30 compared to 22 in 1939-40, 22 in 1938-39 and 12 in 1937-38. Most of these are due to "oversight" or "misapprehension" or "omission". While we recognise that in so large an

organisation as the Railways mistakes may at times be unavoidable we are perturbed at the increase in carelessness that these statistics would appear to imply. We trust that the Railway Board will take such steps as may be necessary to check this tendency.

Many items in this list illustrate also the second factor which has interfered with budgetary accuracy, namely the lack of correlation in matters of budgeting between one Railway and another and even between branches of the same Railway. This lack of correlation may be due to some defect in system or possibly merely to an insufficient appreciation of the importance of accurate budgeting and a consequent lack of care. We have not had time to go deeply enough into the matter to be able to say definitely what the reason is; but whatever it may be this defect requires to be cured and we hope the Railway Board will make the necessary investigation and be able to find an effective remedy.

Thirdly, there is the factor which perhaps above all others has this year upset budgetary calculations, namely, the rise in prices, of which budgeting authorities seem to have taken insufficient notice. We appreciate that it is impossible, in present conditions, to gauge with any degree of accuracy what the price level at any given point of time is likely to be, and we do not expect any budgeting authority to be exact in its estimates on this account. But we do expect the Railway Administrations, in framing their estimates, to take stock of price tendencies and to budget for prices as they might be at the time expenditure is expected to be incurred and not as they are at the time the budget is framed. This does not appear in some cases to have been done and, in particular, we cannot pass over without comment the case of the East Indian Railway which, in a period of rapidly rising prices, appear to have made no additional provision on this account at all.

16. *Financial working of the Railways.*—We note that in 1940-41 the Railways have, after no less a period than eleven years, been able to earn a surplus after paying full interest charges and the entire amount of the contribution due to general revenues, and that the extent of this surplus was a record in the history of Indian Railways. We further observe that notwithstanding the continuance of the moratorium the Railways have agreed to ease the burden of the general taxpayer by repaying a part of the arrears that they owed to General Revenues. The balance of the surplus amounting to the substantial sum of Rs. 6.30 crores has been paid into the Railway Reserve Fund the finances of which have ever since 1931-32 been in a parlous condition. It is unnecessary for us to stress the importance of building up this Fund, but it should be borne in mind that the compulsory savings on the maintenance of structural works and rolling stock that are now being made owing largely to the non-availability of materials will result in heavier maintenance expenditure in future years and if, as is quite possible, this increased expenditure corresponds in point of time with reduction in receipts, the only source from which it will be possible to finance this expenditure will be the Railway Reserve Fund. We trust, however, that Railway Administrations, both state and company-managed, will make every effort consistent with the conditions and demands created by the War, by the employment of necessary additional staff and otherwise to maintain their assets at as high a level of efficiency as possible and so reduce the burden of maintenance arrears to be carried forward to the future.



17. *Token Grants*.—Although no provision was made in the budget for it the Bengal Dooars Railway was purchased by Government during the course of the year, funds being obtained for the purchase by reappropriation from heads in which there were savings in Grant No. 12—Open Line Works. The Legislature had thus no opportunity to express its assent to or dissent from, so important a proposal. Irrespective of whether or not the purchase of a Railway is a new service, we consider that, owing to the magnitude of the transactions involved, the Legislative Assembly should invariably be given an opportunity to express its views on any proposal to purchase a Railway and consequently that, if the purchase can be financed from savings as in the present case, a token demand should be placed before the Assembly for the purpose.

18. *Furnishing of explanations*.—We observe that the G. I. P. Railway have refused to furnish detailed explanations of the variations, which have been heavy, under the head "Suspense" in Grant No. 12, on the ground that it would serve no useful purpose to analyse the inevitable outcome of war conditions. We also observe that Audit have been faced with similar difficulties in the verification of explanations elsewhere. We appreciate that it must, on occasion, be irksome for Railway Administrations to furnish explanations for variations which to them appear inevitable; but an extension of the argument used by them would logically lead to the complete disappearance of the Appropriation Accounts, a position which, in spite of the war, we are not prepared to contemplate. We have therefore asked the Railway Board to make it clear to all Railway Administrations and in particular to the G. I. P. Railway that they must continue to furnish all explanations demanded by Audit.

19. *Distribution of provision for works*.—We notice that on the Bengal Nagpur Railway the lump sum provision for works was distributed to the spending authorities in such a manner that the total exceeded the sum provided. This procedure was not only irregular from the strict financial point of view but involves a constitutional issue of some importance. For this means, in effect, that the wishes of the Legislature, which has imposed a certain limit on expenditure by voting a certain specified sum, are ignored and spending authorities are empowered to spend beyond that limit. We have indicated that this procedure should be discontinued forthwith. The correct procedure is of course to provide larger gross sum with a deduction for probable savings in the demand placed before the Legislature.

20. *Chola Power House*.—We discussed at some length the case of the G. I. P. Railway Power House at Kalyan the facts of which are recorded in our proceedings. After a considerable exchange of views we came to the conclusion, by a large majority, that the construction of the Power House was justified in the circumstances that prevailed when its construction was sanctioned; that subsequent events have further proved the wisdom of the decision to build it; that the State has obtained and is obtaining a very large return for the capital that has been invested in it and that the expenditure on the Power House cannot, by any means, be regarded as infructuous.

21. *Financial Irregularities*.—We examined with care the more important of the financial irregularities mentioned in the Audit Report. We are satisfied on the whole that wherever a defect of system has been disclosed it has been remedied, and in one case where we were not satisfied

with the orders issued by the Railway Board we have recommended the issue of more precise instructions. We would like, however, to record our impression that, although it has not been possible for us in the time at our disposal to go as fully into the facts of the cases as we would otherwise have liked to have done, the punishments inflicted in a number of cases seem to have been lenient in view of the grave nature of the charges proved against the officers concerned in the departmental enquiries.

22. We desire in conclusion to place on record our indebtedness to the Auditor General for the very valuable assistance he has given to us throughout our sittings. We should also like to express our appreciation of the work of our Secretary, Mr. B. K. Nehru.

C. E. JONES.

J. RAMSAY SCOTT.

R. D. DALAL.

A. M. A. GHANI.

FAZL-I-HUQ PIRACHA.

I. ALI KHAN.

MOHD. AZHAR ALI.

L. K. MATTRA.

RAZA ALI.

ABDUL HAMID.

B. K. NEHRU,

*Secretary.*

*24th August, 1942.*

## Report of the Military Accounts Committee, 1942.

We are appointed in pursuance of the recommendations made in paragraph 31 of the Report of the Public Accounts Committee on the accounts of 1929-30 to make a preliminary examination of the Appropriation Accounts of the Defence Services and connected documents. According to our normal constitution the Chairman of our Committee is the Hon'ble the Finance Member and the Secretary to the Government of India in the Finance Department is a Member. This year however the Finance Member is out of India on official business and his powers with respect to Rule 51 (5) of the Indian Legislative Rules have been conferred by the Governor-General on the Finance Secretary under whose Chairmanship our deliberations were conducted. In the place usually occupied by the Finance Secretary, we invited the Joint Secretary in the Finance Department, Mr. A. C. Turner, to become a Member of the Committee. We have been assisted in our work by the Auditor General, the Secretary in the War Department, the Financial Adviser, Military and Supply Finance, the Secretary in the Supply Department and the Military Accountant General. The results of our examination are as usual embodied in the proceedings of our meetings which we desire to be treated as a part of our report. The following paragraphs deal only with some of the more important points discussed therein.

2. As in the last year, the Audit Report covered the results of the test audit of all expenditure on the Defence Services initially brought to account in the Indian books, including expenditure finally debitable to H. M. G., without attempting to distinguish between transactions wholly, or partially affecting one Government or the other. There has been no change since last year in the principles governing the division of charges between India and England on account of war measures though the methods of applying those principles in practice had of necessity to be adapted to meet the new developments that arose during 1940-41. We reviewed generally the working of the Financial Settlement, as briefly described in paragraph 5 of the Financial Adviser's General Review of the Appropriation Accounts, and were informed that not only the methods of allocation but also the detailed calculations carried out for the purpose of arriving at the actual figures debitable to either country, are fully checked by Audit. We are satisfied that these allocations have been carried out with fairness to both sides and in accordance with the spirit of the Settlement.

3. The Appropriation Accounts and the Audit Report for the year 1940-41 present, as was to be expected, many evidences of the disturbances caused to India's budgetary and general financial arrangements by the dramatic developments in the war situation that occurred during the course of that year. In the Appropriation Accounts there is, for example, the large excess of Rs. 20,09 lakhs in the actuals over the budget figures under the new Main Head 3; this excess is due to the decision that in framing the budget estimates for the year only those commitments that had already been entered into or were in train at the time of preparing those estimates should be taken into consideration. This decision was a matter of deliberate policy and had the approval of the Legislative Assembly.

The instances of defective financial control and other irregularities cited in the Audit Report too are more serious both as regards nature and magnitude than would be tolerated under normal conditions. We have felt constrained to comment with some severity on one or two of these cases in the paragraphs that follow, but in general we are of opinion that considering the magnitude of the transactions brought to account and the dislocation and extreme pressure of work caused by the war the financial administration was maintained at a high level during the year under review.

4. The Audit Report rightly devotes considerable attention to the Military Engineer Services, which were responsible during the year under review for expenditure amounting to no less than Rs. 19½ crores, representing more than six times the normal peace expenditure of these Services. We feel that this is a field of expenditure in which there is possibly a greater chance of waste and a wider scope for the exercise of economy than in any other field of Defence expenditure. At the same time we realise the difficulties with which the Engineers have to contend under war conditions and the necessity for some relaxation of peace time procedure so as to ensure that a rigid insistence on financial safeguards does not hamper the war effort. In view of the great distances and varying conditions in India considerable discretionary powers must be invested in the local authorities in war time and the problem of preserving a happy mean between giving the spending authorities an entirely free hand and imposing burdensome restrictions calculated to slow up work is perhaps one of the most difficult that the financial authorities have to solve. We would in this connection make mention of our fear that the phenomenal fall in the percentage of establishment charges to works expenditure from 18.96 in 1939-40 to 6.76 in the year under review is indicative of a lowering of the standard of supervision over the execution of works, and we trust that the necessity for maintaining as efficient a degree of supervision as war time conditions permit will be borne constantly in mind.

5. With the enormous increase in their work, the Military Engineer Services have been faced with the problem of demand outrunning supply so that there is now in many areas neither enough material nor labour nor reliable contractors left to satisfy fully the war demands placed upon them. The problems that arise from this factor are of a serious nature for it follows that competition over a large field has practically disappeared and its place has had to be taken by the non-competitive methods of single tenders and negotiated contracts. In these circumstances the obvious danger exists that contractors, freed from the restraints of the competitive tender system, may hold out for unjustifiably high rates. This is a danger that must needs be carefully guarded against.

The urgency with which work is now required to be done led last year to the evolution of a much simplified procedure for sanction to works. Even that procedure however we regret to note has, in some cases, not been followed. It has also been found necessary, owing to the expedition with which work has to be done, to sanction a very large delegation of powers to local authorities, and Area and Army Commanders who were formerly empowered to enter into non-competitive contracts to the value of Rs. 3 lakhs—a limit which was later increased to Rs. 10 lakhs—are now empowered to enter into such contracts in operational areas without limit of value when this procedure is in their judgment warranted by overriding military necessity. In delegating these powers the Government of

India stipulated that in certain cases the prior approval of the Controller of Military Accounts should be obtained, while in cases of extreme urgency where this could not be done, fortnightly lists of works sanctioned should be submitted to G. H. Q. The Committee were informed that these stipulations had in many cases not been complied with, and for such clear breaches of the instructions it is difficult to find any adequate excuse.

6. We recognise fully that in time of war, particularly when that war has caused such sweeping changes in the economy of the country as the present war has caused, the orthodox conception of financial checks and safeguards and the application of rigid financial control are out of place, but we cannot help feeling that the delegations of power and relaxations of financial control generally have now been carried to the limit of safety and should go no further. We welcome the suggestion of Audit, which we are glad to see has been acted upon already in part by the War Department, that the departmental and financial authorities at General Headquarters should arrange for periodical reviews and local inspections of all important non-competitive contracts. We trust that this matter will be energetically pursued and would like to have a report in due course on the methods of control it has been found possible to evolve.

We would further urge the importance of adhering to the prescribed procedure in all but really abnormal cases. As the procedure now prescribed is exceedingly simple and has been deliberately designed to meet the needs of the war situation there should be no difficulty, except in the most exceptional circumstances, in following it. The plea of urgency so often put forward in support of failures to observe the rules and procedure should, we suggest, be in every case subjected to the most rigid scrutiny and it should be brought home to all executive officers that this plea will not be accepted unless it is capable of being proved beyond any possibility of doubt.

7. It was also suggested to us that there were cases of wastage owing to the abandonment of works before completion due to a too frequent change in the plans of the Military authorities. Though we are aware that in a fast changing strategic situation changes of plans have of necessity to be equally rapid, and though we have insufficient evidence before us in support of the charge that plans for works are too lightly conceived and embarked upon and too lightly abandoned, we would, if for no other reason than to dispel this impression, like the matter to be fully investigated and in particular to know what safeguards are prescribed to prevent the too lighthearted abandonment of works once started.

8. *Store Accounting.*—Among the instances of dislocation caused by the war we have come across one, listed among the lists of financial irregularities, which has struck us very forcibly. We refer to the case of the failure to account for stores on certain naval ships which is discussed more fully in our proceedings. Though the war will now shortly be reaching its third anniversary there seems to have been little improvement in the accounting for these stores, and the fact that matters have not been remedied even after so long a period leads us to the conclusion that there must be a fundamental administrative defect in the organisation which is responsible for this state of affairs. We have indicated in our proceedings that we would like this matter to be thoroughly investigated and a report made to us in due course.

9. We were informed that difficulties had been experienced in the matter of accounting for stores received from the Dominions and the Colonies in the earlier period of the war, but that this has since been overcome and there is no fear that the trouble will recur. A somewhat similar trouble, though due to an entirely dissimilar cause, is being experienced in accounting for stores despatched overseas from India. In spite of commendable efforts on the part of the Indian accounting authorities to ensure that such stores are duly acknowledged and brought to account by the overseas authorities, it has been found quite impossible to date either to obtain consignees' receipts or to trace stores shipped from India into store ledgers maintained at overseas bases. The chief cause of this failure is apparently the dislocation in transport and in port organisation, which it is not possible for an accounting procedure to cure. India is not alone in experiencing this difficulty for we observe from the Comptroller and Auditor General's Report on the Army Appropriation Accounts, 1940, that a similar difficulty has been experienced in the Middle East by the United Kingdom authorities and that no remedy has apparently so far been found for it. We have considered in this connection certain proposals of the Auditor General as explained in the Memorandum appended to this Report (Appendix XIV) designed to solve this and problem though we are not too hopeful of the results we recommend that the system proposed by him should be given a fair trial.

10. *Supply Department—Acquisition of stores.*—We examined the representatives of the Supply Department on the methods pursued in the acquisition of stores and the methods adopted for the increase of the productive capacity of India by the grant of assistance to industry and the setting up of factories on behalf of Government. We have no comments to offer on this aspect of the work of this Department of an importance sufficient to warrant their inclusion in our report, though we have made some suggestions in the body of our proceedings. We were greatly interested to observe that the Cost Accounting organisation of the Department of Supply, the importance of which we recognised last year, has proved its great utility in the short period of its existence and that its activities have already resulted in the saving to Government of large sums of money.

11. We were also interested to observe how the important problem of "dual allegiance" or of ensuring that the private business interests of these officers do not conflict with the interests of the State, which has been created by the large influx of officers from business houses into the Supply Department, has been dealt with. The principles followed are, we understand, somewhat similar to those adopted in the United Kingdom where a similar problem has arisen for similar reasons. In brief, the principles are that "Honorary Advisers" who take no decisions and perform no executive functions are at liberty to retain their business connections; part-time officers may retain their business connections provided they declare what their business interests are; but wholtime officers must sever all their active business connections or, if they desire to retain any sleeping interests, must declare them and obtain the approval of the Department for retaining them. The orders also enact that no executive officer should himself decide any case involving the interests of a firm with which he is personally connected, and in recommending the decision in any such case he should declare the nature and extent of such interests.

We are satisfied that the orders issued are at present sufficient to ensure that private interests are not allowed to influence public policy for private gain.

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

C. E. JONES.

L. K. MAITRA.

A. M. A. GHANI.

I. ALI KHAN.

A. C. TURNER.

B. K. NEHRU.

*Secretary.*

*19th August, 1942.*

**Proceedings of the first meeting of the Public Accounts Committee held  
on Thursday the 6th August 1942, at 10 a.m.**

**PRESENT :**

Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Finance Secretary—  
*Chairman.*

Maulvi MUHAMMAD ABDUL GHANI.

Mr. MOHAMED AZHAR ALI.

Mr. J. RAMSAY SCOTT.

Sir SYED RAZA ALI, C.B.E.

Pandit LAKSHMI KANTA MAITRA.

Kunwar Haji ISMAIEL ALIKHAN, O.B.E.

Sir RATANJI DALAL, C.I.E.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA.

*Members.*

Mr. J. D. TYSON, C.B.E., I.C.S., Secretary,  
Department of Education, Health and  
Lands.

Mr. G. S. BOZMAN, C.I.E., I.C.S., Secretary  
Department of Indians Overseas.

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

*Witnesses.*

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

Mr. S. C. GUPTA, Accountant General, Central Revenues

Mr. A. C. TURNER, C.I.E., M.B.E., I.C.S., Joint Secretary, Finance  
Department.

At the commencement of the proceedings the Chairman explained that he was presiding in the absence of the Hon'ble the Finance Member who was absent from India on official business. The Governor-General acting in his discretion had been pleased to confer on him the powers of the Finance Member with respect to Rule 51(5) of the Indian Legislative Rules as the result of which he became *ex-officio* Chairman of the Committee. In the place usually occupied by the Finance Secretary he had invited the Joint Secretary in the Finance Department, Mr. A. C. Turner, to attend the meetings of the Committee. The same changes had been made in the constitution of the Military Accounts Committee in anticipation of the approval of the Public Accounts Committee, which the latter readily accorded.

2. The Chairman then submitted for the consideration of the Committee a proposal that the printing and circulation of the verbatim report of the evidence given before the Committee and of its discussions should be discontinued. It was explained that the reason for this proposal was that there already was a fairly full record of the proceedings of the Committee prepared by the Secretary and that the verbatim report was, in view of these minutes, of very doubtful utility. The immediate occasion, however, for making this proposal was the extreme shortage of paper from which the country was now suffering—a matter which had engaged the serious



attention of the War Resources Committee who had given directions for very drastic economy in the use of paper and had, among other things, recommended that all avoidable printing and circulation of papers should be dispensed with. If the Committee decided to discontinue the printing of Volume II, Evidence, there would be a saving of no less than 75,000 pages. The Committee desired time to consider the matter and this item was postponed for discussion till the next day when the Committee would meet ten minutes earlier to dispose of it.

*Department of Education, Health and Lands.*

3. The Committee then proceeded to examine the grants for which the Education, Health and Lands Department was responsible.

*Grant No. 17—Department of Education, Health and Lands.*—The Committee agreed to recommend to the Assembly that the petty excess of Rs. 1,308 in this grant should be regularised.

4. *Grant No. 30—Survey of India.*—With reference to the modification of the original appropriation under A. 2—Allowances, Honoraria, etc. (voted) in this grant, it was explained that some years ago the Government of India decided to discontinue the grant of certain compensatory allowances to its servants hitherto drawn by them when posted to certain expensive stations. The Secretary of State's Services however challenged the right of the Government of India to do so and the Secretary of State ruled that in so far as his Services were concerned the Government of India had acted *ultra vires* of the Government of India Act and that therefore the allowances with respect to his officers should be restored to them with retrospective effect. He however said that he would be prepared to consider any proposals that the Government of India might be prepared to offer after a full examination of the difference in the cost of living between areas where these compensatory allowances had hitherto been granted and other areas. Such an examination was carried out by an officer specially deputed for the purpose and as a result of this the Secretary of State agreed to a reduction in the amount of the allowances, though it was found that the complete abolition thereof would not be justified. Following on this finding the Government of India restored, on grounds of equity, to the officers under their rule-making control the compensatory allowances which had been withdrawn but at a similarly reduced rate.

5. A supplementary demand for Rs. 57,000 had been moved under this grant but it had proved ultimately to be unnecessary, as there was a saving in the final accounts of Rs. 3,55,373. The explanation was that the net savings had occurred as a result not of a reduction in expenditure but of larger recoveries than anticipated from the Defence Department on account of unexpectedly heavy demands by the Army for maps and instruments. The Committee accepted this explanation as adequate.

6. With reference to paragraph 1 of Audit comments on the store account of the Map Record and Issue Office, the question was raised why the stock of maps held at the City Branch Agency, Calcutta, had been excluded from the closing balance as shown in the statement of maps in spite of the recommendation of the Public Accounts Committee which examined the accounts of 1937-38 that the balance should include the stock of all agencies. It was explained that the Surveyor General had brought to notice certain difficulties in the way of carrying out the Committee's

recommendation and that in any case this particular agency had been abolished for the period of the war. The Committee agreed that no further action in this respect was necessary.

7. With regard to the last sub-paragraph of Audit comments on the store accounts of the Photo Litho Office, Survey of India, it was admitted that the arrangements for stock-taking were not at the present moment satisfactory but it was explained that owing to the extremely heavy rush of work in these offices caused by work due to the war, it had not been possible to verify stocks in the normal manner. The Committee agreed that in the circumstances it was not necessary to revert to the normal procedure till the end of the war but suggested that surprise test-checks by a gazetted officer should be carried out as often as possible.

8. *Grant No. 33—Botanical Survey.*—With reference to item 6 in the statement of outstanding recommendations in which the Committee had recommended that the possibility should be examined of test checking stocks of cinchona bark for quality as well as quantity as a safeguard against substitution over a number of years, the Committee took into consideration a Memorandum (Appendix III) submitted by the Education, Health and Lands Department and agreed that in the circumstances stated therein it would be sufficient to obtain a certificate from the authority responsible for storage that no substitution had taken place supported by a record of the visual examination of the bark from a number of bags chosen at random.

In connection with this and arising out of the certificates recorded by the Principal Quinine Officer with regard to the stock of quinine sulphate and other quinine products on page 133 of the Appropriation Accounts, the Committee considered that in addition to a check of quantity a test check of quality by the analysis of random samples should be undertaken for all quinine products and the fact of this having been done should be recorded in the certificate.

9. *Grant No. 35—Archæology.*—The Committee noted in passing that judging from the very small percentage of saving in this grant control appeared to have been very good.

10. *Grant No. 37—Other Scientific Departments.*—With reference to item 5 in the statement of outstanding recommendations, it was reported to the Committee that the case which has been pending in the Calcutta High Court has been decided in July and that the Calcutta Corporation had then been again addressed in the matter of the exemption of the Museum buildings from municipal tax. The Committee desired to be kept informed of developments in the case.

11. *Grant No. 38—Education.*—The Committee agreed to recommend that the small excess of Rs. 455 in this grant should be regularised by a vote of the Assembly.

12. *Grant No. 40—Public Health.*—The Committee noted that there was an excess of Rs. 16,242 in this grant owing to a failure of financial control apparently due to a misunderstanding of the position. The facts were that provision was made for expenditure on Port Health establishments in Cochin under sub-heads D. 1 (1) to D. 1 (4) and provision was made for recovery of part of this expenditure from the Cochin Port Fund and the Cochin Government under sub-head D. 1 (6). The arrangement

regarding Cochin Port did not materialise during the year and savings anticipated because of this, instead of being reappropriated against the deduct entry in D. 1 (6), were reappropriated to other sub-heads. The Committee however agreed to recommend that the excess should be regularised by a vote of the Assembly.

13. The Committee noted that the Central Research Institute, Kasauli, made a net profit during the year under review of Rs. 1,72,072 against Rs. 37,033 in the preceding year, the increase in profit being due to increased sales of vaccines prepared in the Institute. Some members of the Committee expressed the hope that it was not the policy of Government to make a profit out of this institution but to sell its products at a value which over a period of years would just cover the cost. It was realised that variations in profit or loss could not be eliminated as sales must inevitably fluctuate from year to year with the incidence of disease.

14. With respect to the store accounts of this Institute, the Committee desired to be informed what system of qualitative check had been prescribed in order to make certain that the sera and vaccine manufactured did not deteriorate while in stock and before issue.

15. *Grant No. 41—Agriculture.*—The Committee reviewed the accounts of the Sugar Excise Fund. It was explained that the Fund was formed and maintained out of the proceeds of the sugar excise, of which an amount equivalent to one anna per cwt. of sugar was originally set aside for the purpose of assisting the cultivators of sugarcane in securing fair prices for their cane. With effect from the 1st April 1939 it had been decided that the first charge on this Fund would be the requirements of the Imperial Institute of Sugar Technology, Cawnpore, that next it would finance schemes of sugar research conducted by the Imperial Council of Agricultural Research, and that the balance would be available to Provincial Governments for financing their own schemes ancillary to the Imperial Council of Agricultural Research schemes designed to test the results of those schemes in particular areas. Some members considered that the original object of the Fund had been lost sight of and that it no longer fulfilled the purpose of assisting the cultivators of sugarcane in securing fair prices for their cane. It was explained that Government had never given any guarantee that the Fund would always be limited to the particular purpose of giving direct assistance to sugarcane cultivators and that the manner in which the funds were now spent served, although indirectly, to increase the return to the cultivator by improving the quality of his crops and increasing their outturn and by stimulating the demand for sugarcane. It was also pointed out that funds having been granted by the Assembly during the year under review for the particular purpose to which they had in fact been applied it was not now open to the Public Accounts Committee to raise any objection on the ground that they should not have been granted for that particular purpose. The Committee however desired that an investigation should be made to determine what exactly were the purposes for which the Legislative Assembly had authorised the setting aside of a part of the Sugar Excise Duty and whether it had explicitly or implicitly modified the original purpose of its arrangement. The Joint Secretary, Finance Department, was requested to look into this matter and submit a report to the Committee before the end of its present session.

16. *Grant No. 43—Scheme for the Improvement of Agricultural Marketing in India.*—With reference to sub-head F it was explained that the present arrangement was that the grant of Rs. 2 lakhs made to Provinces to help them to finance their portion of the Marketing scheme would be gradually eliminated over the next five years, after which period it was hoped that the Provinces would themselves bear all the necessary expenditure.

17. *Grant No. 69.*—The Committee looked into the commercial accounts of the Forest Department in the Andamans and noted that the turnover during the year under review exceeded that in the previous year by 50 per cent. while the profits had increased by considerably more than 100 per cent.

*Indians Overseas Department.*

18. *Grant No. 63.*—With reference to sub-head E. 3 it was explained that the expenditure in connection with destitute Indian pilgrims repatriated from the Hedjaz was in theory recoverable from them but that in practice it had been found to be impossible to effect any such recoveries. The excess in this sub-head was due to a large number of pilgrims having had to be repatriated by the overland route to Bahrein owing to shortage of shipping accommodation.

The Committee then adjourned till 9-50 A.M. on Friday, the 7th August 1942.

**Proceedings of the second meeting of the Public Accounts Committee held  
on Friday the 7th August 1942, at 10 a. m.**

**PRESENT :**

Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Finance Secretary—  
*Chairman.*

Maulvi MUHAMMAD ABDUL GHANI.

Mr. MOHAMED AZHAR ALI,

Mr. J. RAMSAY SCOTT.

Sir SYED RAZA ALI, C.B.E.

Pandit LAKSHMI KANTA MAITRA.

Kudwar Haji ISMAIEL LLIKHAN, O.B.E.

Sir RATANJI DALAL, C.I.E.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA.

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

*Members.*

Mr. A. C. TURNER, C.I.E., M.B.E., I.C.S.,

Joint Secretary, Finance Department.

Mr. H. A. C. GILL, I.C.S., Deputy Secretary,  
Finance Department.

*Witnesses.*

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

Mr. S. C. GUPTA, Accountant General, Central Revenues.

19. The Committee resumed discussion on the proposal that the printing and publication of the verbatim record of the evidence of its meetings should be discontinued. It was agreed that owing to the serious shortage of paper there was no need to print the evidence and circulate it to members of the Legislature but it was decided that a shorthand record of the evidence should be kept which should be corrected by the witnesses in the usual way. Copies should be placed in the library of the House and supplied to such members of the Public Accounts Committee as desired to have them.

20. The Committee then proceeded to discuss the statement of outstanding recommendations in so far as they related to the Finance Department and the Auditor General.

*Item 7.*—With reference to the recommendation that the Finance Department should examine whether, in addition to the annual provision of Rs. 3 crores for reduction or avoidance of debt, there should not be a separate provision for the amortisation of Railway debt, the Finance Department presented a Memorandum (Appendix IV) which explained that circumstances had changed since the recommendation was made and that in view of the heavy revenue deficits with which the Central Government was now faced owing to the war there was no advantage in making any

increased provision for the reduction or avoidance of debt. The Committee agreed that at the moment the fulfilment of its recommendation was out of the question but desired that this recommendation should not be lost sight of and should be pursued after the war.

*Item 11.*—The Committee had recommended that the possibility should be examined of splitting up the sub-head "Contingencies" in cases where the amounts appearing under this sub-head were large so as to give a clearer idea of the nature of items on which the money had been spent. The position was examined in a Memorandum (Appendix V) which stated that with effect from 1943-44 a certain number of items in certain demands would be segregated from the sub-head "Other Charges" (which had replaced the old sub-head "Contingencies") and the expenditure under those sub-heads would be shown separately. With particular reference to the appropriation "Tribal Areas" it was stated that while considerations of control did not justify the opening of distinct sub-heads for items like clothing, maintenance of personnel and transport, footnotes would be given in the Appropriation Accounts to indicate the extent of expenditure on these items for the information of the Public Accounts Committee. The Committee were satisfied with the changes proposed to be made in the Memorandum.

*Item 14.*—A Memorandum (Appendix VI) on the question of whether the percentage limit below which no explanations of variations were required in the Appropriation Accounts should be reduced was presented to the Committee by the Auditor General. The Committee agreed with the conclusion in the Memorandum that any lowering of the percentage limit would involve so great a mass of detail being furnished in the Appropriation Accounts as a matter of routine that it would tend rather to blur than to improve the picture of budgeting and control as presented to them and they therefore agreed that no change in the present procedure was necessary.

## 21. The Committee then went through the Audit Report.

With reference to paragraph 5 it was explained that a token demand was presented for a vote of the Assembly whenever it was desired to introduce during the year a new service, the funds for which could be found by reappropriation within the sanctioned grant. Audit was always careful to see that no expenditure was incurred on a new service without a specific vote of the Assembly.

22. The Committee noted in passing that the percentage of the total voted amounts surrendered by the controlling officers to the actual savings in all the voted grants for Revenue and Capital Expenditure was this year 49.18 which, though it was slightly more than the percentage for last year, compared unfavourably with that for 1938-39 when the percentage was 79.64. They also noted that the percentage which the final unsurrendered savings bore to the grants had increased from 1.87 in 1938-39 to 3.41 for Revenue and Capital Expenditure, and from 2.49 to 8.06 for Loans and Advances in the year under review and that this latter increase was due chiefly to savings not having been surrendered under the sub-heads "Civil Advances" and "Bronze Coinage Account" in Grant No. 76 for which the Finance Department itself was responsible. They however accepted the explanations offered for the non-surrender of savings and

observed that this was due to conditions brought about by the war. They also observed that the number of cases in which there had been excesses over voted grants had remained the same as compared with last year though the figure was much larger than in the year before. The number as well as the amount involved in the case of non-voted appropriations had however shown a considerable increase over the figures for the last two years; but the large excess of Rs. 1,21,98,000 was due chiefly to certain accounts adjustments in connection with the transactions pertaining to the repatriation of sterling debt made after the end of the year and could not justifiably be taken to indicate defective control. The Committee remarked that the total of supplementary grants (Rs. 3,28,78,000) as well as the percentage of supplementary grants to the original grant (Rs. 16,22,79,900) had increased considerably compared to the previous year, the percentage having gone up from 13·87 to 20·25. They however agreed that the imperative need to find funds at short notice to finance measures which the growing menace of the war had compelled Government to undertake had left no option but to raise money through supplementary grants and the large increase in them did not, in the circumstances, indicate any defect in the preparation of the original estimates.

23. The Committee noticed that the number of unnecessary supplementary grants had gone up to 3 from 2 in the previous year and nil in the two years previous to that and it was suggested that this might be due to some defect in the system. The Auditor General explained that he was satisfied that the directions already issued by Finance Department with regard to the steps to be taken before a supplementary demand was made and to which a reference was made in the Public Accounts Committee last year were sufficient to ensure that all possible care was taken to exclude unnecessary supplementary demands but that it was impossible to prevent an occasional error being made. The Committee agreed that no further directions in the matter were necessary.

24. The Committee then proceeded to review the Appropriation Accounts of the grants for which the Finance Department was responsible.

*Grant No. 7—Stamps.*—The Committee reviewed briefly the commercial accounts of the Security Printing Press, Nasik and noted that there had been a further increase in transactions but that the profits had decreased from Rs. 5,92,799 to Rs. 4,44,887, due partly to a reduction in selling rates and partly to a rise in the cost of production as the result of higher prices of paper and other materials. They enquired why there had been so large a write-off as Rs. 48,876 during the year and an explanation not being readily available one was promised for the next day.

25. *Grant No. 11—Interest on Debt, etc.*—With reference to the variation of Rs. 19 lakhs odd in column 4 of sub-head A. 1—Interest on Permanent Loans, it was suggested that it might be a better practice to base the estimates on a calculation of the annual recurring liability of the Government of India, trusting that arrear payments and non-drawal of interest would cancel each other out, but it was agreed after discussion that the present practice which was for the estimates to be prepared on the basis of past actuals was sounder from the budgetary point of view and that no change was necessary. It was pointed out that in any case the variation was little more than 1 per cent. of the expenditure under

this head, and a variation of 1 per cent. could not be open to much criticism. With regard to the large excess of Rs. 85 lakhs odd in B. 1—Interest on Sterling Debt, it was explained that when the budget provision was made it was assumed that under the compulsory scheme of repatriation of sterling debt the difference between the nominal value of stocks cancelled and the acquisition prices would be taken to a Suspense head. It was however decided after the close of the year that that part of the acquisition price which represented the accrued interest paid on securities should, in accordance with correct accounting principles, be debited to the service major head "Interest, etc.", and it was this decision which was responsible for the excess.

The variation in the head N (1) (1) (2) was explained as being due to the rate of interest assumed at the time of framing the budget estimates being higher than that finally adopted. This latter rate was worked out after the close of the year and though it differed only by a little from the rate forecasted, its effect was multiplied owing to the large amount of debt to which it had to be applied and the final variation was therefore considerable.

On a general review the Committee were of the opinion that considering that this was a difficult head to budget for and to control the results of the year were generally satisfactory.

26. *Grant No. 23—India Office and High Commissioner's Establishment Charges.*—With reference to sub-head A—India Office Expenses—Contribution to His Majesty's Treasury, it was explained that this contribution was paid on account of the agency functions performed by the India Office on behalf of the Government of India. The matter had been raised by a former Public Accounts Committee and Sir Ernest Burdon, the Auditor General at the time, had conducted an investigation to find out whether the amount paid was not excessive and whether any other and cheaper agency could not be entrusted with the work performed by the India Office. His answer to both questions was in the negative and the amount now paid was in accordance with his recommendations.

There was an excess under this grant of Rs. 59,505 due to less recoveries than had been anticipated. The Committee agreed to recommend that the excess should be regularised by a vote of the Legislature.

27. *Grant No. 25—Audit.*—The Committee noted in passing that, as was to be expected, the final results of this grant both for this year and for the last and the extreme smallness of the final variation showed that the control exercised had been exceedingly good.

28. *Grant No. 57.*—The Committee noted that the Currency Note Press had more than doubled its output during the year under review, that the production costs had gone up by 47 per cent. and that the net profit on total sales was 10 per cent. against 25.68 per cent. in the last year. This reduction was due partly to an increase in costs and a decrease in selling rates but largely to the holding of increased war stocks. They also reviewed briefly the accounts of the surplus silver stock.

29. *Grant No. 61—Superannuation Allowances and Pensions.*—With reference to the modification in the non-voted and voted provisions under sub-head A.—Superannuation and Retired Allowances, it was explained that following an earlier decision of the Central Government the entire



expenditure on pensions of the Departments which were in the discretion of the Governor General (e.g., Ecclesiastical, Tribal Areas, etc.) was originally provided under the non-voted section. The Central Government however subsequently decided that only pensions sanctioned to the personnel of these Departments from the 1st April 1940 onwards should be treated as non-voted, the rest being treated as voted. It was due to this decision that this large reduction had to be made in the non-voted provision and that the voted provision had to be increased by an equal amount.

30. *Grant No. 63—Miscellaneous.*—The Committee failed to understand why the Finance Department should be responsible for defending sub-head C. 3—Relief, repatriation and burial of destitute Indians from Dominions and Colonies within the British Empire, and desired that unless there were special reasons to the contrary the control of this sub-head should be transferred to the Department administratively in charge of this work.

31. *Grant No. 75—Commuted value of Pensions.*—The Committee remarked that the variations between appropriation and actual expenditure under this head continued, as in previous years, to be wide. With reference to the hope that the Committee had expressed in their Report on the accounts of 1939-40 that it would be found possible to prevent large variations in future it was suggested that, in view of the impossibility of accurately forecasting the number of applications for commutation which would be received, perhaps the only way to prevent these variations was to fix a limit beyond which commutations would not be allowed. This procedure was followed by certain Provinces but it was not the policy of the Government of India to fetter the liberty of their servants by limiting the right to commute their pensions. The Committee agreed that no such restrictions on the right of commutation should be introduced.

32. *Grant No. 76—Interest-free Advances.*—The Committee noted that every year during the last five years there had been a supplementary grant under this head. In the present year also a supplementary grant of Rs. 1,04,00,000 was obtained and though the Committee were satisfied that the reasons for which this money was required could not have been foreseen at the time of framing the original estimates, they expressed the hope that it would be found possible to prevent the presentation of a supplementary demand becoming an annual feature of this grant.

**Proceedings of the third meeting of the Public Accounts Committee held on Monday the 10th August 1942, at 10 a. m.**

**PRESENT :**

Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Finance Secretary—  
Chairman.

Maulvi MUHAMMAD ABDUL GHANI.

Mr. MOHAMED AZHAR ALI.

Mr. J. RAMSAY SCOTT,

Sir SYED RAZA ALI, C.B.E.

Pandit LAKSHMI KANTA MAITRA.

Kudwar Haji ISMAIEL ALIKHAN, O.B.E.

Sir RATANJI DALAL.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA.

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

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

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

Sir ALAN LLOYD, C.S.I., C.I.E., I.C.S.,  
Secretary, Commerce Department.

Mr. N. R. PILLAI, C.I.E., O.B.E., I.C.S.,  
Additional Secretary, Commerce De-  
partment.

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

Mr. S. C. GUPTA, Accountant General, Central Revenues.

Mr. A. C. TURNER, C.I.E., M.B.E., I.C.S., Joint Secretary, Finance  
Department

} *Members.*

} *Witnesses.*

*Central Board of Revenue.*

33. *Grant No. 1.—Customs.*—With reference to the remissions of revenue and abandonment of claims to revenue during the year in exercise of the discretionary powers of the Department reported on page 31 of the Appropriation Accounts, it was explained that these remissions and abandonments were due either to the relaxation of the legal claims of Government on grounds of equity or to exemptions granted by Government by executive order in respect of supplies meant for the Defence Services overseas. All these extra-statutory remissions of revenue were examined carefully by Audit and if Audit considered that the discretion to grant remissions was being improperly exercised it would bring this to the notice of Government.

The Committee then examined the *pro forma* account of receipts and expenditure relating to Overtime and Holiday fees. It was explained that overtime fees were levied on merchants and shipowners for the work done by the Customs staff in their interest on Sundays and holidays and outside the free service hours on ordinary working days and were paid almost in full to the Staff earning them. The penalty fees were paid by merchants and shipowners for working cargoes on Sundays and closed holidays in addition to the overtime fees mentioned above. Out of these

fees allowances were paid to officers and the balance was available for distribution to Seamen's and Customs Welfare institutions subject to a certain limit of amount.

34. *Grant No. 2—Central Excise Duties.*—The reduction of the original provision under sub-head C.—Payments to Indian States of share of Match Excise Duty by an amount of about Rs. 27 lakhs was explained as being due to the decision, which was put into effect from the year under review, that the distribution of the proceeds of the Match Excise pool should be made only once a year instead of in two instalments and no preliminary distribution in respect of the current year was therefore made. With reference to sub-head E.—Payment to the Coal Mines Stowing Board, it was stated that a sum equivalent to the net proceeds of the excise duty on coal and coke levied under Section 5 of the Coal Mines Safety (Stowing) Act, 1939 and realised during the previous year was paid to the Board which was constituted with effect from the 1st November, 1939.

It was reported to the Committee that the income from Central Excises during 1941-42 was expected to be Rs. 12.30 crores and the expenditure Rs. 81 lakhs and that the budget estimates for 1942-43 were Rs. 12.30 crores and Rs. 91 lakhs respectively. The large increase in expenditure as compared with that of the previous years was due to a change in the accounting system by which the payments made to the States, which were hitherto shown as deductions from receipts, were now shown as expenditure. This system was considered to be more in consonance with correct accounting principles and had the approval of the Auditor General.

35. *Grant No. 3—Taxes on Income including Corporation Tax.*—In connection with sub-head A. 10.—Deduct—Probable Saving, amounting to Rs. 2,000 in the U. P. Circle of Account, it was enquired whether this was the only deduction for probable savings that it had been found possible to make in the budget. It was explained that in all probability the deductions that had been made for probable savings under other heads had not been shown separately but had been effected by a reduction in the original provision. The Committee desired that deductions for probable savings, unless they were substantial in amount and could definitely not be allocated to any particular head, should not be shown separately but effect should be given to them by reducing the original provision by the amount that was expected to be saved.

It was stated that the receipts of the Income-tax Department during 1941-42 were expected to be Rs. 44 crores and the expenditure Rs. 34 lakhs, the corresponding figures for the budget estimate 1942-43 being Rs. 63 crores and Rs. 86 lakhs respectively. The Committee complimented the Department on the fact that while its receipts had gone up almost five times since 1936-37 when they were Rs. 13.86 crores, its expenditure had increased only from Rs. 78 lakhs to Rs. 86 lakhs.

36. *Grant No. 4—Salt.*—The receipt figures under Salt for 1941-42 and 1942-43 Budget were given as Rs. 910 lakhs and Rs. 900 lakhs respectively and it was explained that there had been no rise in the salt revenue due to the war because salt was a commodity the consumption of which was not affected by war conditions. The abrupt rise to Rs. 10.86 lakhs, which the accounts of 1939-40 had revealed was due to speculative purchases and hoarding in that year, the effect of which was felt in the

accounts of the year under review when salt revenue fell to Rs. 767 lakhs. The wastage of 26,783 maunds of salt in Bombay during the year was commented upon by the Committee but it was explained that this wastage was not large in comparison with the total turnover of salt and the stock that was kept, particularly as the salt was stored in the open. A wastage of even 5 per cent. of stocks was not considered excessive, while the wastage in question was well under that figure.

The Committee then turned to the Financial Review by the Collector of Central Excises and Salt, North Western India, on the commercial accounts of salt manufacture etc., and to the Audit comments thereon and noted that the trading results of salt from all sources taken together showed a net profit for the year under review of Rs. 9,14,628, compared to Rs. 8,41,670 in the previous year and that there had been an increase in the net profit in spite of the fact that there had been a decrease of 2,36,136 maunds in the quantity of salt sold. It was explained that this increase in the profit in spite of the reduction in sales had been made possible by the discovery of no less than 80 lakhs of maunds of salt ready manufactured through the operation of natural processes in the East Lake at Sambhar. The cost of production of this salt was almost negligible and it was this windfall which was largely responsible for the increase in profit despite a reduction in sales. The Committee were assured that it was the policy of Government to sell salt at cost and not to make any profit out of it but to be satisfied with the proceeds of the salt duty. It was not however possible to vary the sale price at short intervals and the profits made were due to an increase in production with a consequent lowering of production costs since the prices were last fixed.

The Committee commented upon the fact reported in para. 61 of the Commercial Appendix that the Department had been supplying electric current to private consumers, namely, the Railways, at Sambhar at a price below cost. It was stated that a new agreement was about to be entered into but that in all probability even this would provide for the sale of electric current below cost, as otherwise the Railways would put up an electric plant of their own and their refusal to take current from the Department's plant would involve it in a further loss by increasing considerably the cost of generating the current per unit.

There was a small excess of Rs. 17,432 in this grant amounting to 5 per cent. of the total as against a saving of 27 per cent. in 1939-40. The Committee complimented the Department on the close budgeting which the results of the two years had shown and agreed to recommend that the excess should be regularised by a vote of the Assembly.

37. *Grant No. 5—Opium.*—After looking into the Appropriation Accounts the Committee examined the commercial accounts of the Opium Factory, Ghazipur, and observed that the profits of the year had shown a very considerable increase over those of the previous year. It was explained that opium production was at present being expanded in order to meet the demand created by the war for opium for medicinal purposes, and that though the Central Government sold opium to the Provincial Governments at cost leaving them to make the profit they sold the opium to foreign purchasers at a profit, and it was due to an increase in sales to foreign countries, *i.e.*, the United Kingdom and Australia, that the profits had increased.

38. This completed the examination of the Central Board of Revenue. Mr. Turner, Joint Secretary, Finance Department, then explained with reference to paragraph 24 of these proceedings that the write-off of Rs. 48,876 mentioned under the Central Stamp Store in the Commercial Appendix did not represent any loss but was due to a revaluation of the stores on the basis of revised selling rates and was, in effect, a write-off for purposes of accounting only.

39. He then explained to the Committee the correct position with regard to the creation of the Sugar Excise Fund which he had been asked by the Committee to investigate in paragraph 15 of these proceedings. The creation of the Sugar Excise Fund, he said, was first announced by Sir George Schuster in his budget speech for 1934-35 in the following words:—

“We propose to set aside an amount equivalent to one anna per cwt. representing about Rs. 7 lakhs as a Fund to be distributed among the Provinces where white sugar is produced for the purpose of assisting the organisation and operation of co-operative societies among the cane growers so as to help them in securing fair prices, or for other purposes directed to the same end.”

But as early as 1935, Government felt that it would not be fair to tie themselves indefinitely to this limited objective for the Fund, and Provincial Governments were then informed that the Government of India considered that five years should be sufficient to complete the process of organisation which would enable the cultivator afterwards effectively to protect himself. They indicated that after that period this Fund might be more urgently required for agricultural research and for technological assistance to the sugar industry and that they reserved freedom after 1938-39 to allocate this income as they thought fit.

As this change was only to be made four years after this decision was taken, the matter was not brought to the notice of the Legislative Assembly at the time. When, subsequently, the decision was actually put into effect from the 1st of April 1939, the attention of the Assembly was, by an unfortunate oversight, not specifically drawn to the change in the purposes of the Fund though it had definitely been Government's intention to do so. The Committee were satisfied with the explanation offered, and decided to mention the matter in their Report.

#### *Commerce Department*

40. *Grant No. 19 —Commerce Department.*—There was a small excess of Rs. 1,680 in this grant which the Committee agreed to recommend for regularisation by a vote of the Assembly.

41. *Grant No. 28 —Ports and Pilotage.*—The Committee desired that the nature of the expenditure under the sub-head F. 4.—Contingencies in this demand, which amounted to the substantial sum of Rs. 1,52,900, should be shown by means of a foot-note in the Appropriation Accounts, in the same manner as the details of expenditure under “Other Charges” in the appropriation “Tribal Areas” had been promised to be shown in paragraph 20 of these proceedings.

The Committee then turned to the commercial accounts of the Bengal Pilot Service and observed that after a long series of years the working

of this Service had resulted in a deficit. It was explained that the adverse financial results of the year were due mainly to a fall in revenue caused by the smaller number of ships coming into harbour owing to the war, which number had been reduced from 2,815 during the year 1939-40 to 2,401 during the year under review. It was, however, pointed out that the continuous series of surpluses in previous years had built up a reserve which amounted to Rs. 8,80,394 at the end of the year 1940-41 and that this Fund was well able to bear the deficit of Rs. 1,11,979 which had occurred last year.

42. *Grant No. 29 — Lighthouses and Lightships.*—The Committee examined the commercial accounts of the Lighthouses and Lightships Department and remarked that the surplus of receipts over expenditure for the year under review had been reduced to Rs. 68,947 against Rs. 2,56,776 in the previous year. The reduction in the surplus was explained as being due, as in the case of Bengal Pilot Service, to a fall in receipts owing to a smaller number of visiting ports as a result of the war. The Committee noted with satisfaction that the Depreciation Reserve Fund and the General Reserve Fund stood at the substantial figures of Rs. 13,91,000 and Rs. 35,90,000 respectively.

43. *Grant No. 50 — Indian Stores Department.*—The Committee went through the income and expenditure account of the Government Test House and noted that the net loss for the year 1940-41 had this year shown some decrease from the figures of last year, but observed that this was solely due to there now being no debit on account of a share of headquarters administration charges as the Test House was now under the administrative control of its own Superintendent.

44. *Grant No. 51. — Commercial Intelligence and Statistics.*—The Committee did not fully appreciate the difference between the two kinds of payments to Railways and Steamship Companies recorded under sub-heads G and H of this grant and suggested that, if there were no reasons to the contrary, these two sub-heads should be amalgamated.

45. *Grant No. 56 — Miscellaneous Departments.*—The Committee observed that there had been an irregular reappropriation under sub-head D. 1 which had caused a final excess under that sub-head. It was explained that this had occurred through a misunderstanding. Commerce Department having reappropriated funds and reported the matter to the Finance Department the latter took the report to mean that the amount was available for reappropriation and reappropriated it again. Steps had been taken to ensure that this kind of misunderstanding did not recur.

The Committee noted that while the receipts of account of patent fees realised during the year were adequate to cover the expenditure on the office of the Controller of Patents and Designs, the receipts on account of fees for deposit and registration of trade marks fell slightly below the expenditure on the office of the Registrar of Trade Marks, and the fees realised under the Insurance Act, 1939, were only one-third of the expenditure of the office of the Superintendent of Insurance.

46. The Committee then considered item 15 of the statement of outstanding recommendations that steps should be taken to place the Scheme for the Registration of Accountants on a self-supporting basis in conjunction with the income and expenditure account of this Scheme and were pleased to see that its working for the year showed a surplus of Rs. 7,172 as compared with a deficit of Rs. 4,378 in the previous year.

47. The Committee then went on to consider the paragraphs in the Audit report relating to the Controller of Enemy Firms and Enemy Trading and Custodian of Enemy Property, the Tea Controller for India, the War Risks (Goods) Insurance Fund and the payment of compensation under the Compensation to Seamen (War Damage to Effects) Scheme, 1939 and Amendment Scheme 1940, together with the appropriation accounts of the corresponding sub-heads in the appropriation "Miscellaneous Expenditure connected with the War". They welcomed the introduction in this year's Audit Report of paragraphs describing the various schemes of war expenditure, which proved of great help to them in appreciating the Accounts, and desired that such descriptive paragraphs should continue to be included in the body of the Report in future instead of being relegated to the position of notes under the sub-head concerned.

In answer to a question it was explained that the expenditure incurred on payment of compensation to lascars on ships registered in the United Kingdom would be recovered from His Majesty's Government.

The Committee went through the account of the War Risks (Goods) Insurance Fund for 1940-41 and were pleased to observe that the expenses of administration had been kept at a very low figure compared with the magnitude of the scheme.

**Proceedings of the fourth meeting of the Public Accounts Committee held on Tuesday, the 11th August 1942 at 10 a.m.**

**PRESENT :**

Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Finance Secretary—  
Chairman.

Maulvi MOHAMMED ABDUL GHANI.

Mr. MOHAMAD AZHAR ALI.

Mr. J. RAMSAY SCOTT.

Sir SYED RAZA ALI, C.B.E.

Pandit LAKSHMI KANTA MAITRA.

Kudwar Haji ISMAIEL ALIKHAN, O.B.E.

Sir RATANJI DALAL, C.I.E.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA.

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

*Members*

Sir GURUNATH BEWOOR, C.I.E., I.C.S., Secretary,  
Deptt. of Posts and Air.

Mr. M. D. BHANSALI, I.C.S., Deputy Secretary,  
Deptt. of Posts and Air.

Mr. C. L. COATES, I.C.S., Deputy Secretary,  
War Transport Deptt.

Lt. Commander W. H. WATT, O.B.E., R.N.R.  
(Retd.), Director of Civil Aviation.

Mr. J. B. VESUGAR, Chief Engineer, Roads.

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

*Witnesses.*

Sir FREDERICK PUCKLE, C.S.I., C.I.E., I.C.S.,  
Secretary, Deptt. of Information and  
Broadcasting.

Mr. J. NATARAJAN, Principal Information  
Officer.

Prof. A. S. BOKHARI, Controller of Broad-  
casting.

Rai Sahib C. N. SEN, Administrative Officer,  
Office of the Principal Information  
Officer.

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

Mr. S. C. GUPTA, Accountant General, Central Revenues.

Mr. A. C. TURNER, C.I.E., M.B.E., I.C.S., Joint Secretary,  
Finance Department.

*Department of War Transport.*

48. *Grant No. 73.—Capital Outlay on Vizagapatam Harbour.*—The Committee considered the commercial accounts of the Vizagapatam Port and observed that the *pro forma* account of income and working expenses of the Port Fund showed a loss of Rs. 2,65,610 during the year 1940-41



against Rs. 1,76,573 in the previous year, the increase in loss being due mainly to an appreciable fall in the export of manganese ore from this port. It was explained that as the revenues of the port were still not sufficient to meet the working expenses, the arrangement was that the contribution to the Depreciation Reserve Fund was treated as a deferred liability which was a first charge on any surplus that may occur in future years. The figure for deferred liability on this account stood at the end of the year at Rs. 2,41,037. In addition to this there was the liability of the port for payment to Government on account of interest charges which at the end of 1940-41 stood at about Rs. 127 lakhs.

With reference to item No. 16 in the statement of outstanding recommendations that the question of handing over the port to the Bengal Nagpur Railway should be actively pursued, it was reported to the Committee that the Bengal Nagpur Railway had stated that they could not consider the proposal till the cessation of hostilities. The Committee accordingly agreed that the question should be postponed till the end of the war.

#### *Department of Posts and Air.*

49. *Grant No. 31.—Meteorology.*—With reference to the note under column 4 of the sub-head C. 6.—Deduct—Amount recovered from Imperial Council of Agricultural Research, explaining an uncovered excess of Rs. 14,000, it was stated that the facts of the case were that in February 1941 the Imperial Council of Agricultural Research sent a cheque for Rs. 14,000 being their contribution towards the expenditure of the Agricultural Meteorology Section for the year 1940-41 direct to the Accountant General, Central Revenues. The A. G. C. R. returned the cheque to the Imperial Council of Agricultural Research on the 25th February 1941 saying that the Audit Officer of the Agricultural Meteorology Section was the Accountant General, Bombay. The Imperial Council of Agricultural Research thereupon on the 21st March sent the cheque to the Director General of Observatories, Poona, who received it on the 24th March and sent it on to the Accountant General, Bombay, on the same date with the request that the cheque should be immediately cashed and the amount adjusted during the year 1940-41. The Accountant General, Bombay, passed on the cheque to the Reserve Bank of India who credited the amount in the accounts only on the 3rd April 1941. The Committee considered that *prima facie* this great delay in the simple matter of the encashment of a cheque disclosed an unsatisfactory state of routine administration. They were not satisfied with the explanation for the delay offered and desired that a full report should be submitted to them by the Posts and Air Department in consultation with the Auditor General as to where, how and why the delay occurred.

50. The Committee were pleased to see that the percentage of final savings in this grant had progressively decreased from 7.4 per cent. in 1938-39 and 2.05 per cent. in 1939-40 to .56 per cent. in the present year and desired to record that budgetting and control in this grant had both been satisfactory.

51. *Grant No. 47.—Aviation.*—The Committee considered that the form in which the expenditure in this grant was presented was confusing and the various sub-heads and detailed heads into which it was split prevented the Committee from getting a clear idea of the total expenditure

that had been incurred by the Department on various schemes. They **therefore** desired that the Accountant General, Central Revenues, should in future give in a comment at the bottom of the grant a brief description of each scheme together with the total expenditure incurred on it. They also desired that the system of notation in this grant, which led to an unduly large number of figures being prefixed to the name of each sub-head, should be revised in order to make it less complicated.

52. It was enquired what difference there was between the grants-in-aid recorded under sub-head B. 3—Special Grants-in-aid and sub-head D. 5 (1) (5)—Grants-in-aid to Flying Clubs, Schools and Colleges and what action was taken to see that the money granted was spent on the objects for which the grants were made. It was explained that the grants under D. 5 (1) (5) were made under the Air Force Reserve Training Scheme which was a special scheme and were debited to General Revenues, while those under B. 3 were debited to the Civil Aviation Fund. The expenditure was incurred under the supervision of the Director of Civil Aviation and the accounts of the institutions to which the grants were made were audited.

53. The reasons for the comparatively large savings which occurred under various sub-heads under the head D. 5—Air Force Reserve Training Scheme were firstly, that equipment was not obtainable owing to the war; secondly, that owing to the subsequent decision to treat the aircraft required for training as Air Force aircraft, customs duties for which provision had been made, were not eventually levied on them and thirdly, that the number of trainees had fallen short of the number that was originally expected to take advantage of the scheme.

54. The Committee reviewed the table of savings against the gross provision for capital works in the voted section of this grant for the last six years in succession and commented adversely on the fact that the results of the last year showed a tendency to return to the conditions prevailing prior to 1938-39 when large savings on capital works had continuously been made, and that the position showed a deterioration as compared to the results of the preceding two years, when the savings had assumed less unreasonable proportions. It was explained that the large savings this year were due to the fact that all programmes for works expenditure had to be reviewed owing to the outbreak of the war and very often changed or even abandoned in order to bring them into line with war requirements. The demand as presented at the time of the presentation of the budget could not be reduced because the budget estimates were prepared in November shortly after the outbreak of the war when it was not at all certain that such far-reaching changes would become necessary. The necessity for these changes was realised only after the commencement of the year and the changes were naturally reflected in the accounts. The Committee observed that the main cause for the saving in the original appropriation was due to the delay in settlement of details and preparation of, and sanction to, estimates which they considered to be an undesirable feature. They further observed that no provision was made for lump deduction in the estimates of the year on the ground that the estimating had been on a moderate scale so as to correspond more closely with what was expected to be the actual achievement. The Committee desired to emphasise yet again the imperative necessity for imposing

lump cuts in estimates for works, no matter how close the estimate—and the estimate should always be close—to the amount that was expected to be spent.

55. *Grant No. 60—Central Road Fund.*—The Committee were uneasy at the large amount (over Rs. 285 lakhs) outstanding in the Central Road Fund. It was pointed out though the amount in itself was large it had to be viewed in relation to the sum of Rs. 15,78 lakhs which had been appropriated to the Fund since its inception, that the reason why the money had not been spent earlier was that the Central Government had no control over the rate at which the Provinces spent the money and that in any case the Fund was now being reduced rapidly because of the large expansion in the road programme brought about by the war.

*Department of Information and Broadcasting.*

56. *Grant No. 48.—Broadcasting.*—The Committee enquired what the functions of the Research Department of All-India Radio were. It was explained that the main functions of this Department were: research connected with day to day operation of the AIR Broadcasting System, research of purely scientific interest with possibilities of application to radio transmission, testing of equipment, measurement of transmission and reception data and assistance and advice to private enterprise and Provincial Governments.

57. It was stated that the All-India Radio had published no report of its activities since 1938-39. The Committee felt that there was not enough information given to the public or the Legislature regarding the general policy and the actual developments, of which there had been many in this Department, and recommended for the consideration of Government that at least a brief report should be issued annually in order to explain what the Department was doing, how it was developing and the policy which it had been following.

58. With reference to the modification in the sub-head C. 4.—Contingencies, it was explained that the chief reason for the variation was that in the year under review the relaying of news from Delhi to the Lucknow and Lahore Stations had to be done over the telephone lines as these stations were not then fitted with receiving centres. The Posts and Telegraphs Department used formerly to give the telephone lines to the Broadcasting Department at a concessional rate and no charge was made for the time taken in testing the lines. Both these concessions were withdrawn during the course of the year. Moreover the number of bulletins broadcast from the Lucknow and Lahore Stations had increased and it was due to these three factors chiefly that a supplementary demand had to be made under this sub-head.

In connection with the variation under sub-head G.—Rural Broadcasting, G. 2—Other Charges, it was explained that the receiver sets installed in the villages by the Provincial Governments were maintained by the Broadcasting Department in some Provinces but this was done as an agency function for the Provincial Governments for which payment was made by them.

The Committee then considered the commercial accounts of All India Radio and observed that the profit and loss account showed a deterioration from the figures of last year, even after excluding the effects of customs revenue in which there had been a severe fall owing to the war. They were however pleased to observe that there had been a considerable increase in revenue from license fees due both to the increasing popularity of All India Radio as a public service and to the strict watch kept on piracy. The Committee also went through the accounts of the journals published by All India Radio and noted that though there had been an increase in the loss from all the Radio journals taken together the Indian Listener had for the second year in succession shown a profit and that the profit was greater than that of last year. It was suggested that the production costs of these journals might be reduced, but it was explained that there was hardly any possibility of further reduction in costs because the cheapest quality of paper consistent with the needs of the publications was employed for printing, the overhead charges were lower than those in any comparable commercial concern and the present contract for printing had been given out at an extremely favourable rate.

**Proceedings of the fifth meeting of the Public Accounts Committee held on the 12th August 1942 at 10 a.m.**

**PRESENT:**

Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Finance Secretary—  
*Chairman.*

Maulvi MOHAMMAD ABDUL GHANI.

Mr. MOHAMED AZHAR ALI.

Mr. J. RAMSAY SCOTT.

Sir SYED RAZA ALI, C.B.E.

Pandit LAKSHMI KANTA MAITRA.

Kudwar Haji ISMAEL ALIKHAN, O.B.E.

Sir RATANJI DALAL, C.I.E.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA.

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

Mr. H. C. PRIOR, C.I.E., I.C.S., Secretary,  
Labour Department.

Mr. S. K. KIRPALANI, I.C.S., Joint Secretary,  
Supply Department.

Khan Bahadur K. UBAIDULLAH, Under Secretary,  
Supply Department.

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

Mr. S. C. GUPTA, Accountant General, Central Revenues.

Mr. RAM GOPAL, Controller of Supply Accounts.

Mr. A. C. TURNER, C.I.E., M.B.E., I.C.S., Joint Secretary  
Finance Department.

*Members.*

*Witnesses.*

***Labour Department.***

59. The Committee reviewed the works expenditure for the year as a whole and observed that the percentage of saving on works expenditure which had last year gone down to 10·04 had this year increased again to as much as 19·02. They commented upon the fact that in spite of their oft-repeated exhortation that a lump sum cut for probable savings should be made under Works Expenditure no such lump sum cut had been made during the year under review. The Labour Secretary suggested that lump sum cuts should not be made during the war because under present conditions which often necessitated frequent changes in plans it was impossible to determine, so far ahead as October of the previous year when the estimates were prepared; what the requirements for the next year would be and because expenditure on civil works was continually increasing and it was likely that no savings would occur in future years. He suggested that savings occurred largely because provision was made in the budget for schemes that were not in a sufficient state of readiness to be taken up during the next year and that this happened in Departments other than the Labour Department whose estimates were included in the budget by the Finance Department without their being passed through the Labour Department. In support of this contention he pointed out

that the two largest cases of saving amounting to Rs. 12.80 lakhs compared to an original provision of Rs. 20.11 lakhs and Rs. 5.38 lakhs compared to an original provision of Rs. 15.02 lakhs had occurred in the appropriation "Baluchistan" and Grant No. 47—Aviation, for which the Labour Department was in no sense responsible. He suggested that the remedy for this state of affairs was that the Finance Department should require a higher standard of readiness of schemes before making budget provision for them than they at present demand. The Committee were of the tentative view that in spite of the conditions brought about by the war the normal factors which operated to prevent works being executed according to programme would still continue to operate and would result in savings being made and that therefore the system of lump sum cuts should continue, but before making a definite recommendation to this effect they desired the Finance Department to make an investigation as to whether it was a fact that savings occurred because budget provision was made for schemes in Departments other than the Labour Department without an adequate examination of whether those schemes had reached such a state of readiness as to enable them to be executed during the following year. They desired a report to be made to them of the results of this investigation and of the steps taken to prevent such premature provision being made.

60. The Committee then went on to consider the statement of outstanding recommendations. They were informed that the necessary instructions had been issued to all concerned about their direction that the programme for major works for the ensuing year should be thought out with great care at the time budget estimates were prepared and should not thereafter, in the absence of full and adequate explanation, be varied, and that their other two recommendations about larger deductions being made from the sub-head "Pay of Establishments" on account of probable savings in the demand for Stationery and Printing and about the tendency to over-budgetting the demands for which the Labour Department was responsible had been noted by the Department.

61. *Grant No. 9.—Irrigation, Navigation, etc.*—With reference to sub-head B. 1.—Productive Works, read in conjunction with the review of Productive Works contained in the Finance Accounts, 1940-41, a member enquired why it was that the Nasirabad Section of the Lloyd Barrage had been classed as a productive work, though it had been running at a loss. It was explained that the Nasirabad Section was classified as productive because it formed part of the Lloyd Barrage Scheme which had been classified as productive as a whole. No separate classification had been made of this Section but the Accountant General, Central Revenues, would doubtless bring it to the notice of Government, after the Section had been running for the requisite number of years that it was not paying its way and that its classification should be revised.

The explanation given for the saving of practically the entire grant for the construction of a tail for the Durrani out-fall channel was that the work had not been proceeded with because the Khadakvasla Research Institute, when the plans were submitted to them, had ruled that they were not correctly designed to meet the end in view. The Committee commented adversely on the fact that budget provision had been made for this work without the prior approval of all the technical authorities to whom the plans had to be submitted.

62. *Grant No. 20.—Department of Labour.*—The Committee desired to have further details with regard to the explanation of the modification under C.—Allowances, Honoraria, etc., (Voted), the explanation in the Appropriation Accounts for which was that it was due to the travelling expenses of representatives deputed to attend meetings of the All-India Trade Union Congress. The information was not readily forthcoming but the Labour Secretary promised to give it to the Committee as soon as possible.

63. *Grant No. 32.—Geological Survey.*—There was a petty excess of Rs. 646 in this grant which the Committee agreed to recommend for regularisation by a vote of the Assembly.

64. *Grant No. 36.—Mines.*—The Committee were pleased to see that the percentage of savings in this grant had progressively diminished, and this year stood at 2·3 against 3·28 in 1939-40 and 13·5 in 1938-39.

65. *Grant No. 59.—Civil Works.*—The Committee asked for and were given explanations for the cases of unremedied or uncovered excesses and of appreciable unsurrendered savings which were listed on page 245 of the Appropriation Accounts and were generally satisfied not only that the explanations for the excesses and for the non-surrender of savings were satisfactory but that the amounts involved in each case were so small compared to the original appropriation that no great objection could be taken to them. They did not therefore altogether accept as correct the conclusion of Audit that these uncovered excesses and unsurrendered savings indicated defective control and estimating in this grant.

66. The Committee were pleased to note that the *pro forma* accounts of the Central Public Works Department Nursery at Jurbagh, the Central Public Works Department Filtered Water Supply at Dehra Dun and the Central Public Works Department, Unfiltered Water Supply at New Delhi—the last for the first time since its inception—had all disclosed a profit for the year 1940-41.

67. They then went through the detailed statement of expenditure on important new works. With reference to the large reduction from the original appropriation in respect of work No. 12.—Construction of a new Customs House at Calcutta, it was explained that the work had progressed slowly on account of the difficulty of obtaining steel in due time owing to war conditions. It was also stated that all major works for which specific provision was not made in the budget were approved by the Standing Finance Committee whose approval was as a rule obtained before the incurring of any expenditure on a project, but that in cases of urgency this approval had sometimes to be obtained after work had been started. A decision to that effect was however, only taken with the concurrence of the Finance Department. Arising out of the explanation for the variation under item 37, that certain expenditure was classed as original works instead of as repairs, it was explained that it was the Department of Labour itself which decided whether expenditure should be classed as original works or as repairs but that its decision in this matter was open to challenge by Audit.

The Committee observed that in the voted portion of this grant the saving as compared with the original grant was 3·25 per cent. against 4·75 per cent. in 1939-40, but that whereas in that year practically the entire saving had been surrendered no portion of the saving was surrendered during the year under review. It was explained that this could not be

done because there was uncertainty till the very close of the year as to what the expenditure would be particularly in so far as expenditure on stores was concerned since owing to war conditions it was not known when the stores would arrive.

68. The Committee noted that the percentage rate for establishment and tools and plant had gone down to 14.08 and 1.63 as compared with 16.25 and 1.98 respectively in the previous year. Although it was expected that with the taking over by the Central Public Works Department of Central works in the Provinces the rates would go up owing to the increase in overhead charges involved, they had in fact gone down and the reduction was due to an increase in the amount of expenditure on civil works during the year under review.

69. *Grant No. 62.—Stationery and Printing.*—The Committee observed that the supplementary grant of Rs. 7,75,000 under this head had proved excessive by Rs. 2,36,000 but accepted the explanation that this was due to uncertainty in the recoveries which had to be made from paying Departments during the course of the year—a factor which could not with certainty be forecasted at any time.

They then turned to the financial review of the Government of India Presses in the Commercial Appendix and noted that the value of the work done had increased by about Rs. 16 lakhs while the expenditure had increased only by about Rs. 1,30,000. They observed also that generally speaking there had been a decrease in the percentage of total indirect charges to the direct payments to workmen indicating a decrease in the general overhead costs. It was explained that no profit and loss account could be kept for the Presses because much of the work was done free for Government Departments. The paying Departments of Government were charged on the basis of actual cost.

#### *Supply Department.*

70. *Grant No. 50.—Indian Stores Department.*—With reference to the reduction in column 1, Pay of Officers—Non-voted, it was explained that this was due to the reappointment of a non-voted officer after retirement whose salary thus became voted. It was not the policy of the Department to employ superannuated officers but in view of the difficulty of getting officers either from the Provincial Governments or from the commercial houses, both of which sources were nearing exhaustion, it became necessary sometimes to re-employ superannuated officers.

With reference to sub-head H-4—Contingencies, the Committee desired that as the sum involved was substantial the Accountant General, Central Revenues, should in future give the details of the expenditure covered by this appropriation in a foot-note in accordance with the procedure already settled.

71. *“Department of Supply”.*—It was explained to the Committee that during the year under review the Department underwent a series of reorganisations which involved changes of considerable magnitude in the structure and composition of the various branches. The accounting result of this reorganisation was that the sub-heads under which expenditure was recorded underwent a change, involving a reclassification of the entire expenditure from April to August 1940 in accordance with the revised sub-heads. Difficulties were then encountered in the reconciliation of departmental figures under the new sub-heads with those worked



out by the Controller of Supply Accounts. The net effect of this was that the final allotments under the revised sub-heads were made by the Department on the basis of the actuals recorded in the departmental books, whereas in the Appropriation Accounts the actual expenditure as booked by the Controller of Supply Accounts had been shown. This had caused considerable variations between the final grants and the actuals. In view of this explanation the Committee did not deem it worth while to examine closely the Appropriation Accounts of each individual sub-head. .

With reference to the modification under the head O. 1(1).—Pay of Officers of the Contracts Directorate, the Committee desired a statement to be drawn up showing the number of officers employed in this Directorate on the date of its transfer to the Supply Department, on 31st March 1940 and at quarterly intervals up to 31st March 1941, in order to enable it to judge the rate of expansion.

**Proceedings of the sixth meeting of the Public Accounts Committee held on Thursday the 13th August 1942 at 10 a. m.**

**PRESENT :**

Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Finance Secretary—  
*Chairman.*

Maulvi MOHAMMAD ABDUL GHANI.

Mr. MOHAMED AZHAR ALI.

Mr. J. RAMSAY SCOTT.

Sir Syed RAZA ALI, C.B.E.

Pandit LAKSHMI KANTA MAITRA.

Kunwar Haji ISMAIEL ALIKHAN, O.B.E.

Sir RATANJI DALAL, C.I.E.

Khan Bahadur Shaikh FAZL-I-HAQ., Piracha

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

*Members.*

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

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

*Witnesses.*

Mr. R. NARAYANASWAMY, Assistant Financial  
Adviser, Communications.

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

Mr. M. SUBRAHMANYAM, Accountant General, Posts  
& Telegraphs.

Mr. A. C. TURNER, C.I.E., M.B.E., I.C.S.,  
Joint Secretary, Finance Department.

*Posts and Telegraphs.*

72. The financial results of the working of the Department showed that revenue amounted to Rs. 13.28 crores against an expenditure of Rs. 12.03 crores leaving a net surplus of Rs. 1.25 crores. Of this it was estimated that Rs. 33 lakhs were due to the increase in the postal and telegraph rates introduced with effect from the 1st December 1940. This increase was meant to be a measure of taxation and the sum of Rs. 33 lakhs was consequently paid into General Revenues, the balance of the surplus, Rs. 92 lakhs, remaining with the Department. The Committee were gratified at the large surplus earned and particularly at the fact that for the first year in the history of the Posts and Telegraphs Department all the branches showed a profit on the year's working—a profit which was not entirely due to the increase in Government traffic. It was stated that contrary to the general impression the telegraph traffic on Government account was only about 10 per cent, of the total telegraph traffic.

73. Taking into account the Rs. 82 lakhs brought forward from the previous year the accumulated surplus to the end of 1940-41, was Rs. 1.74 lakhs. Out of this amount, however, only Rs. 1.00 lakhs would

earn interest in conformity with the decision of Government that with effect from the year 1941-42 and until the war was ended rebate of interest would be allowed to the Posts and Telegraphs Department, on its surpluses only up to a maximum of Rs. 1,00 lakhs. In time of war it was felt that the commercial aspects of the Department should to some extent be subordinated to the interests of the general tax-payer.

74. With reference to the statement of capital outlay and withdrawals from the Renewals Reserve Fund, it was enquired how capital expenditure was apportioned between the Renewals Reserve Fund and Capital. It was explained that the underlying principle was that charges for the replacement of like by like were borne by the Fund even though the replacement cost might be higher than the original cost. The cost of replacements other than of like by like and of additions to assets generally was charged to Capital. There were very detailed and elaborate rules of this apportionment and each calculation was checked by the Accountant General, Posts and Telegraphs, to see that these rules had been observed.

75. The Committee then examined Annexure I, 'Financial Results of the working of the Department by branches' and Annexure II, 'Profit or loss compared with capital investment'. With reference to the profit on Telegraphs and Telephones it was explained that the capital cost of trunk telephone lines was borne by the Telegraph Branch which received rent from the Telephone Branch for the use of the lines. The method of adjustment between Telegraphs and Telephones was varied last year with the approval of the Public Accounts Committee and was explained fully in Appendix VII to the Report of the Public Accounts Committee on the accounts of 1939-40. This change had been made as it was felt that the method of allocation till then pursued was not fair to the Telegraph Branch and resulted in its receiving loss rent than it was entitled to on commercial principles.

With reference to Annexure V, it was explained that the amount of interest accruing on the accumulation in the Renewals Reserve Fund was credited not to the Fund but to the revenues of the Department; so that in effect the Department got back Rs. 8.66 lakhs against the Rs. 23.05 lakhs which it had put into the Fund during the year under review.

76. The Committee then went on to consider the Audit Report.

They noted that during the year under report the monetary limit up to which expenditure on works of a capital nature was debited to working expenses had been changed from Rs. 1,000 in the case of buildings and Rs. 200 in the case of other assets to amounts ranging from Rs. 2,500 to Rs. 20,000. The Committee enquired what the reasons were for this increase and it was explained that the principal desideratum was the avoidance of over-capitalisation. From this it followed that items of small expenditure even though of a capital nature should be financed from revenue which was well able to bear it. The Posts and Telegraphs Department which had an annual budget of Rs. 12 crores had now outgrown the very narrow limits of Rs. 1,000 and Rs. 200 and it was felt that they needed to be raised. The limits now fixed were on the lines of those in force in the Railway Department. It was also administratively more convenient to increase these limits as it was easier to sanction petty expenditure which was debitable to working expenses than to sanction expenditure debitable to Capital.

77. The Committee then reviewed the statement of savings or excesses of voted grants and non-voted appropriations as compared with previous years and were pleased to note that the variations in grant No. 10 continued, as in previous years, to be small, though the saving in grant No. 70 was large, as in the previous year. In this latter grant a lump sum cut of Rs. 3 lakhs for probable savings was imposed in accordance with the recommendations of the Public Accounts Committee. This cut, though very substantial as compared with the total grant of Rs. 13,19,000 had proved insufficient but the Committee did not feel justified in recommending an even greater lump sum cut as the savings had this year been due largely to the postponement of works on account of the abnormal conditions brought about by the war.

78. The Committee observed that nearly 85 per cent, of the supplementary grant taken under grant No. 71 had proved to be in excess of requirements. It was explained that the supplementary demand was asked for as it was expected that there would be an increase in the balance of stores and manufactures but the increase fell short of anticipation. The Committee appreciated the difficulty in present conditions of correctly estimating the balance and accepted the explanation as adequate. In relation to the turn-over the variation was inconsiderable.

79. *Financial Irregularities.*—The Committee then went through the section on financial irregularities and observed that the number of cases of defalcation or loss of public money during the year under review had decreased as compared with 1939-40 although the amount, involved had shown an increase, the reason being that two cases of highway robbery and of certain Savings Bank frauds had involved large amounts. It was suggested that the extra-departmental agents in charge of sub and branch post offices were responsible for many defalcations and frauds, but it was pointed out that out of the 309 cases of loss during the year only 72 could be laid at the door of these agents; and considering that there were no less than 20,000 of them the contention that the Department was running an undue risk in employing them was hardly sustainable. Further, it was pointed out as an indication of the general honesty of departmental employees that the percentage of loss to the total turnover was the microscopic figure of .0009, a percentage which compared very favourably with the similar percentage for the United Kingdom which was .004.

80. The losses of all kinds actually written off to General and Posts and Telegraphs Revenues for the year under report amounted to Rs. 17,676 which was the lowest amount written off for the past five years. This figure would however have been larger if there had not been so many cases of delay in the conclusion of departmental proceedings and the issue of orders for the adjustment of the loss. The Committee were concerned to note that the amount of losses of all kinds awaiting orders for adjustment had been progressively increasing since 1938-39 and now stood at the considerable figure of Rs. 3,04,158. This matter of delays had attracted the attention of the Public Accounts Committee previously and they desired the Department to take steps to see that the arrears which had accumulated should be speedily cleared off. They however were pleased to note the conclusion of Audit, with which they concurred, that the frauds and losses which occurred during the year did not generally reveal any extraordinary features or serious defects in system.

81. The Committee wished to draw the attention of the Department to the fact that a number of the irregularities detected by Audit in local inspections were due to the failure to observe the prescribed rules regarding submission of returns to the Audit Office, maintenance of service records, muster rolls for labour employed on works, recovery of amounts from imprest holders when proceeding on leave, accounting of charges on phonogram messages and in certain cases the accounting of stores in store depots. They also wished to point out in connection with the audit of telephone receipts that Audit considered that there was a lack of a thorough internal check at the time of posting the rents in the subscribers' ledgers, with special reference to the adequacy of rents charged. It was however stated that special steps had been taken to put the accounts of telephone receipts on a proper basis.

82. The Committee then consider the account of the contribution to the Renewals Reserve Fund and observed that the withdrawals from the Renewals Reserve Fund during the year under review had amounted to Rs. 26,40,000 against a contribution from revenue of Rs. 23,05,000. In view of the situation that was arising of withdrawals exceeding contributions the Department had presented a Memorandum (Appendix VII) on the subject. The present position was that the Public Accounts Committee had approved of the contribution being raised to Rs. 25 lakhs annually for a period of five years from 1941-42. It was suggested in the Memorandum that the percentages which the different branches contributed to the Fund should, in view of the experience gained of actual withdrawals, be altered from the present figures of 10, 60, 25 and 5 in the case of Post Office, Telegraphs, Telephones and Radio respectively to 12, 48, 30 and 10. It was also proposed that in view of the large project estimated to cost Rs. 8 crores for the development of telegraph and telephone communications which had recently been undertaken by the Government of India and which would necessitate an increase in the contribution, the arrangement should stand for two years only instead of the five years for which it had been sanctioned and the position should be reviewed at the end of 1942-43. The Committee readily agreed to the proposal.

83. There was an excess of Rs. 7,81,660 in grant No. 10 which the Committee agreed to recommend for regularisation by a vote of the Assembly.

84. The Committee then examined the accounts of works expenditure financed from Capital and observed that the total expenditure on capital works in the year under review was Rs. 29.96 lakhs against Rs. 37.34 lakhs in 1939-40, the abnormal decrease being due mainly to the revised rules of allocation raising the limits of petty works chargeable to revenue. They noted that the variations were 8.4 per cent, of the original appropriation and 47.74 per cent, of the modified appropriation as against 34.2 per cent, and 3.6 per cent, in the previous year, but they observed that budgeting and control of works charges had during the year under review been based on uncertain conditions such as the non-availability of stores and technical equipment, delay in supply of such equipment by contractors, the necessity for conserving stores and the unprecedented demand for telephone works by the Defence Department which all contributed to disturb budgetary equilibrium.

85. The Committee concluded its examination of the Posts and Telegraphs accounts by a review of the statement of transactions under the Stores Suspense Account. They observed that even though the purchases and receipts of stores during the year had been about 150 per cent. in excess of budget estimates the closing balance showed a decrease over the opening balance of about Rs. 3 lakhs. They were assured that the Department was alive to the necessity of increasing the stock of stores and that steps had been taken as far as possible to build up stocks, but that the demand was so great that it had been found impossible during the year under report to increase stocks. It was understood that the balance at the end of 1941-42, was about Rs. 66 lakhs, i.e., an increase of about 18 lakhs over that at the end of 1940-41.

**Proceedings of the seventh Meeting of the Public Accounts Committee held  
on the 14th August 1942 at 10 A.M.**

**PRESENT:**

Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Finance Secretary.—  
*Chairman.*

Moulvi MOHAMMED ABDUL GHANI.

Mr. MOHAMMED AZHAR ALI.

Mr. J. RAMSAY SCOTT.

Sir SYED RAZA ALI, C.B.E.

Pandit LAKSHMI KANTA MAITRA.

Kunwar Hajee ISMAIEL ALIKHAN, O.B.E.

Sir RATANJI DALAL, C.I.E.

Khan Bahadur Shaikh FAZL-I-HAQ Piracha.

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

*Members.*

Mr. E. CONRAN-SMITH, C.S.I., C.I.E., I.C.S.,  
Secretary, Home Department.

Mr. VISHNU SAHAY, I.C.S., Deputy Secretary,  
Home Department.

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

Mr. MUKUNDLAL CHOPRA, Representing the  
Delhi Administration.

Mr. N. V. H. SYMONS, C.I.E., M.C., I.C.S.,  
Joint Secretary, Civil Defence Depart-  
ment.

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

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

*Witnesses.*

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

Mr. S. C. GUPTA, Accountant General, Central  
Revenues.

Mr. A. C. TURNER, C.I.E., M.B.E., I.C.S.,  
Joint Secretary, Finance Department.

*Home Department.*

86. In accordance with the outstanding recommendation No. 20 the Home Department, laid before the Committee a copy of their letter No. F.-312/35-Public, dated the 15th November 1935, together with copies of the two Memoranda referred to in the letter (Appendix VIII) which contained instructions as to the action to be taken by the head of a Department or office as soon as a case of defalcation or fraud came to his notice.

The Committee were informed that these instructions had the concurrence of the Auditor General and they expressed themselves as satisfied that no further directions in the matter were necessary.

87. *Grant No. 12.—Executive Council.*—A question was raised as to what exactly the sub-head A. 2.—Allowances in this grant covered and why accurate budgetting under the head was difficult. It was stated that, as far as the information of the Home Department, went, this head was meant to cover the equipment and voyage allowances of Honourable Members of Council, but there was some doubt as to whether it did not also cover the travelling expenses paid to Honourable Members. The Department promised to look into the matter and give a fuller explanation to the Committee before the end of its present session.

There was a petty excess of Rs. 1,513 in this grant which the Committee agreed to recommend for regularisation by a vote of the Legislative Assembly.

88. *Grant No. 15.—Home Department.*—The explanation under the sub-head A. 4.—Contingencies said that the modification was due to the carriage of dak bags between Simla and Delhi. This money, it was stated, had been paid to an agency who undertook the transport of Government files during the year. "It was pointed out that if what was carried was mails this arrangement was illegal because the Posts and Telegraphs Department had the monopoly of carrying mails. It was however explained that, strictly speaking, the use of the term "dak bags" was incorrect and what was carried was in effect cases containing files.

In heads C, D and E, of this grant there occurred the sub-heads "Secret Service Contingencies" and "Other Contingencies" and the Committee thought that the description of Secret Service Expenditure as contingencies in the demands for grants tended to cause some confusion as to what the charges were that were covered under this appellation. They therefore suggested that, in future, expenditure on Secret Service should be described as Secret Service Expenditure and not as Secret Service Contingencies.

With reference to sub-head H. 1 (3).—Family allotments of Pay of Officers, it was explained that on the outbreak of war a new procedure had been introduced, in view of the possible difficulties in obtaining private remittances, whereby Government officers could allot a part of their salary to their dependents in any part of the Empire. The disbursements made to their dependents in foreign countries were deducted from the salaries of the officers in India and the arrangement did not cost Government anything.

89. *Grant No. 27.—Police.*—In connection with sub-head A.—Lump sum charges paid to Provincial Govts., it was explained that these payments represented in part the cost of agency functions performed by the Police of Provincial Governments on behalf of the Central Government such as duties in connection with the control of foreigners, for which the Provincial Government were entitled to be reimbursed under Section 124 of the Government of India Act, 1935. In addition to these agency functions the Central Government had agreed, though they were not under any legal liability to do so, to meet the cost of additional police engaged



by the Provinces for the protection of Central Government property etc., and to bear one-third of the cost of the Civic Guards. The total payment made to Provinces for war time additional police amounted to Rs. 8,34,010, while the total payments to Provincial Governments amounted to Rs. 12,63,445. It was due to these extra payments which had not been contemplated when the budget was framed that a supplementary grant had become necessary under this head.

90. *Grant No. 52—Census.*—A supplementary grant for Rs. 77,000 was voted by the Legislative Assembly under this head but the ultimate savings were Rs. 81,251 and the supplementary grant proved unnecessary. It was explained that the supplementary grant was asked for under the sub-head E.—*Printing and Stationery Charges* because of the rise in the cost of paper and printing since the framing of the budget and the cost of transportation of enumeration pads from Calcutta, where they were all printed, for which no provision had been made in the budget as the new system followed at this census under which schedules printed in the Provinces were dispensed with was not contemplated at the time the budget was framed. The rise in expenditure under sub-head E anticipated on this account had materialised and practically the whole of the original as well as the supplementary grant was absorbed, but consequent on economies in organisation and procedure effected by the Census Commissioner, the full effects of which could not be foreseen at the time the supplementary demand was presented, and due to such unforeseen causes as delay in the submission of bills by Census Officers, there had been comparatively large savings under other sub-heads which had more than counter-balanced the excess under sub-head 3, with the ultimate result that the savings had exceeded the amount of the supplementary grant.

91. *Grant No. 56—Miscellaneous Departments.*—The expenditure under sub-head K.—*Provincial Statistics* covered, it was stated, the cost of collection in Rajputana of statistics relating to the births, deaths and marriages of European Roman Catholics for the use of the Secretary of State for India. It had been decided that the cost of collection of these statistics was not a proper charge on the revenues of India and their collection had now been discontinued.

92. *Grant No. 66—Delhi.*—With regard to sub-head A. 5 in Account V—*Police*, a member enquired why payments were made to the Railway Department for the protection of the railway line during journeys of the Viceregal special train. It was suggested that as the ensuring of the safety of passengers was the responsibility of the Railways any extra cost incurred by them owing to the necessity of any special measures for ensuring this safety in any particular case should be borne by them and should not be passed on to General Revenues. It was stated that this question, which was a very complicated one, had been debated for a considerable time and after much discussion settled principles and procedure for the allocation of the charges on account of the cost of protection of the railway line during Viceregal journeys had been evolved and accepted by all concerned. These principles had been concurred in by the Auditor General. In these circumstances the Committee agreed that it was not necessary to reopen the question.

93. *Grant No. 68—Panth Piploa.*—There was a petty excess of Rs. 266 in this grant which the Committee agreed to recommend for regularisation by a vote of the Legislative Assembly.

*Civil Defence Department.*

94. It was stated that although, generally speaking, the cost of A. R. P. schemes and of Civil Defence was, under the Constitution, a liability of the Provincial Governments, the Central Government had decided, in order to ensure that the measures necessary for Civil Defence were not prejudiced by the inability of Provincial Governments to finance them, that the Central Government should bear the cost of these measures. Accordingly during the year 1940-41 all expenditure on A. R. P. incurred by the Provincial Governments on the advice or with the approval of the Central Government was reimbursed to them in full. The policy regarding financing A. R. P. expenditure in Provinces had however undergone a very considerable change after the close of the year under review. The system under which the entire cost of these measures was borne by the Central Government not only threw an undue and increasingly heavy burden on its finances but had also proved unsatisfactory in other directions. The necessity under this system of obtaining the approval of the Central Government to all schemes before they could be started or before alterations could be made in them was resulting in delay, which in a matter of this kind could not be contemplated with equanimity, while the absence of all incentive for the Provincial Governments, who necessarily executed the schemes, to exercise economy was another objectionable feature of the system. The whole position was consequently reviewed and it was decided, with the concurrence of the Provinces, that while all approved non-recurring expenditure sanctioned before 1st July 1941 and all recurring expenditure sanctioned as well as incurred before 1st July 1941 would continue to be debited to the Central Government, all expenditure thereafter on Civil Defence measures, which term covered A. R. P. and a number of other measures, the list of which was added to from time to time, would be pooled and the pool would be divided between the Central and Provincial Governments. The principle of division was that certain slabs were fixed, the amount of which varied from Province to Province according to the circumstances of each; the first slab was borne entirely by the Provincial Government, the second was shared half and half by the Provinces and the Centre and of the third the Central Government bore 75 per cent., while all expenditure in excess of the third slab was divided between the Central Government and the Provincial Governments in the ratio of 87½ to 12½.

*External Affairs Department.*

95. *Tribal Areas.*—With reference to the modification in C.6(5).—Royalty to Tribes, it was explained that this payment was made for "tribal goodwill" when works were executed in tribal areas in order to prevent the tribesmen from disturbing the work from being carried on. The amounts were determined generally as a percentage on the contractor's bills, the percentage in Waziristan being about 5 while that in the Khyber was about 6½.

The modification in sub-head C.7.—Subsidies was due to the non-payment of an increased subsidy to the Mehtar of Chitral as the terms of the subsidy could not be settled before the end of the year. A body of regular troops had for a considerable time past been posted at Chitral but this had now been replaced by a body of Scouts. It was considered that this change threw an additional responsibility on the Mehtar and that therefore his subsidy should be increased.

96. The Committee noted with interest that this year the expenditure on works in Account I had exceeded the original appropriation and that an additional allotment had had to be obtained by the Department to cover the expenditure. The point was raised that as all these roads in the tribal areas had some strategic value the War Department should be called upon to pay a part of the cost of their construction. It was explained that the primary object of these roads was not military but civil and the mere fact that the roads might be and often were used by the military authorities was not sufficient justification for requiring them to pay for their construction.

97. *Baluchistan*.—A member enquired whether the Fruit Experiment Station, Quetta, was paying for itself. It was stated that the Station was purely experimental and it was not the policy of Government to insist on its paying its own way.

With reference to the reconstruction of Quetta it was enquired whether, in view of the statement made by the representatives of the War Department before the Military Accounts Committee that as there was no certainty that Quetta would retain after the war the same military importance as it now possesses they were applying to that station their general war-time practice of constructing new buildings in temporary rather than permanent form, the External Affairs Department had considered the advisability of slowing down its own programme for the reconstruction of Quetta. It was stated that, apart from being a military station of importance, Quetta was the headquarters of the Baluchistan Administration and it was necessary therefore for it to have certain essential civil buildings. The work of military reconstruction had started almost two years before that of civil reconstruction and the military authorities now possessed most of the essential buildings that they required, while the civil authorities did not do so. It was enquired whether there was any liaison between the External Affairs Department and the War Department with regard to this reconstruction and the answer was that there was no such liaison except that both the military and the civil works were carried out by the same agency, namely the Military Engineering Services. The Committee were of the opinion that in view of the change in military plans it would be desirable for there to be somewhat greater contact between the two Departments of the Central Government which were responsible for the reconstruction of Quetta.

The Committee also observed that there had been an extraordinarily large amount of saving—67·85 per cent.—compared to the original appropriation for this reconstruction. It was explained that this was due partly to reasons connected with the war, such as the non-availability of materials, but that largely it was due to a defect in the machinery for the sanctioning and execution of works. Under the present procedure

all sanctions, administrative and financial, were centralised in the Government of India, and as the Quetta building season was limited to seven months (it not being possible to work during the cold weather), it often happened that the building season passed while estimates and sanctions were being considered and discussed between Quetta and headquarters and work had to be delayed till the next year, when often the same thing happened over again. The Department was however fully alive to the necessity of improving this procedure and had already taken steps in that direction. The Committee hoped that it would not take long to improve the procedure and that in any case such gross over-estimating as the results of this year had disclosed would not again be repeated.

**Proceedings of the eighth meeting of the Public Accounts Committee held on Monday, the 17th August 1942 at 10 A. M.**

**PRESENT:**

Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Finance Secretary—  
*Chairman.*

Moulvi MOHAMMED ABDUL GHANI.

Mr. MOHAMED AZHAR ALI.

Mr. J. RAMSAY SCOTT.

Sir SYED RAZA ALI, C.B.E.

Pandit LAKSHMI KANTA MAITRA.

KUNWAR HAJI ISMAIEL ALIKHAN, O.B.E.

Sir RATANJI DALAL, C.I.E.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA.

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

*Members.*

Sir LEONARD WILSON, Chief Commissioner,  
Railways.

Mr. T. S. SANKARA IYER, C.I.E., Financial  
Commissioner, Railways.

Mr. I. S. PURI, Director of Finance, Railway  
Board.

*Witnesses.*

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

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

Mr. R. V. RAMCHANDANI, Controller of Railway Accounts.

Mr. A. C. TURNER, C.I.E., M.B.E., I.C.S., Joint Secretary,  
Finance Department.

98. In compliance with the promise to give further information with regard to certain sub-heads in grant No. 12, made in paragraph 87 of these proceedings it was explained that the sub-head A-2 accounts for the voyage allowances, equipment allowances and the actual travelling expenses of Honourable Members of Council, the first two of which are non-voted under Section 85(1) of the Ninth Schedule of the Government of India Act, 1935, while the last item is non-voted for I. C. S. officers and voted for the rest. Sub-head A-3 covers the haulage charges and interest, maintenance and repair charges of saloons which are all voted.

*Railway Department.*

99. The Committee then took up the consideration of the outstanding recommendations with regard to the Railway Department.

*Item 1.*—With regard to the recommendation that while the procedure of lump-sum cuts should be continued, the proportion of the cuts applied should be somewhat restricted, the Committee noted that in the year under review a lump sum cut of about 18 per cent. had been applied to the

gross expenditure estimate of Rs. 13·60 crores and that the cut so made had been more than realised. They were pleased to see that, judging from the results of this year as compared to previous years when the cuts applied had proved excessive, the Railway Department were now making more accurate estimates of their net capital expenditure.

*Item 2.*—With reference to the recommendation that great care should be taken before supplementary demands were presented to the Legislative Assembly, the Committee were pleased to observe that in the year under review there had been no unnecessary supplementary demand as against 2 in the year 1939-40 and 1 in 1938-39.

*Item 3.*—It was stated that necessary instructions had been issued to all Railway Administrations making it clear that ordinary financial precautions, such as taking receipts for transfer of money or stores, should not be neglected on any ground of secrecy or urgency.

*Item 4.*—It was stated that the second point dealt with in the recommendation, namely, whether the extra allowances which had been allowed to the Chief Mining Engineer for performing the extra duties of Chairman of the Coal Grading Board and Chairman of the Soft Coke Cess Committee had been correctly classified as fees, had been examined and the Railway and Finance Departments were agreed that the classification which had been originally suggested by the Auditor General was correct. As regards the amount of the allowances, the question was still under consideration between the Railway, Labour and Finance Departments.

100. The Committee then went on to consider the Appropriation Accounts of the Railways in conjunction with the Audit Report and the Financial Revenue by the Chief Commissioner of Railways. They examined first the financial results of the year in comparison with those of previous years and of 1941-42 of which a resumé (Appendix IX) was provided by the Chief Commissioner. They were pleased to see that the year under review had resulted in a record surplus of Rs. 18·46 crores and that in spite of the continuance of the moratorium the Railways had paid back to General Revenues, apart from their contribution for the current year of Rs. 4·62 crores, an amount of Rs. 7·24 crores towards the arrears of contribution for the period from 1931-32 to 1938-39 covered by the moratorium and 30 crores towards unpaid contribution for 1939-40 and that they still had been able to set aside Rs. 6·30 crores for the Reserve Fund.

101. The Committee then considered the detailed review of receipts and expenditure for the year 1940-41. In answer to a question why dividends on investments had decreased from Rs. 4 lakhs in 1939-40 to Rs. 3 lakhs in 1940-41, it was explained that this was because some of the investments related to shares in Hardwar-Dehra Railway which Railway had been purchased by Government. The income from dividends had therefore ceased but there had been a corresponding increase in traffic receipts.

102. It was enquired why it was that while the receipts had gone up so phenomenally, the actual working expenses of the Railways were about Rs. 1 crore less than the budget provision. It was explained that the main cause of this saving was less expenditure on repairs and

maintenance of assets chiefly as a result of non-receipt of materials on account of the war and the effect of the general rise in prices of materials turning out to be less than anticipated. The Committee were assured that it was not the policy of Government to effect economies by allowing assets to deteriorate or to neglect the comfort and safety of passengers but conditions brought about by the war were such that it was not possible to obtain the materials necessary for the maintenance of assets to the extent provided for in the budget.

103. The Committee then went on to consider the Appropriation Accounts of each grant separately.

*Grant No. 6-A.—Maintenance of Structural Works.*—There was a saving in this grant of about Rs. 62 lakhs under the voted and non-voted portions combined. The saving under the voted portion included unexpected credits to the extent of nearly Rs. 23 lakhs. It was explained that these credits were mainly due to the sale of scrap at exceptionally favourable rates which could not have been foreseen. A further saving of Rs. 24½ lakhs was due to the difficulty in obtaining materials under the conditions created by the war and the consequent curtailment or non-completion of a part of the maintenance programme and the postponement of non-essential works. In this connection it was explained that the Department maintained an imprest of stores from which to carry out its works but under the conditions now prevailing it had been found very difficult to replenish this imprest in all cases. This resulted in slowing down of the repair programme of railways but did not mean that the railway assets were unable to carry on, or that the safety of passengers or the efficiency of service were affected adversely. The savings in war time on account of non-availability of materials would necessarily involve heavier maintenance expenditure in subsequent years. In answer to a question as to what steps were being taken to meet this deferred liability, it was explained that no special steps were necessary, that repairs and maintenance charges would be met in the usual course from the revenue of the year in which they were carried out and if revenue in a post-war year fell short of the working expenses, the deficiency would be met out of the Railway Reserve Fund.

In going through the statement showing the total ordinary working expenses of each Railway separately, it was pointed out that, generally speaking, the actual expenditure in the year 1940-41 of the Company-managed Railways had been less than that in the previous year, while the State-managed Railways had all shown an increase except one. It was enquired what the reason for this was and whether there was any system by which the Railway Department ascertained that Company-managed Railways were not neglecting the maintenance of their assets in a proper manner, or whether these figures reflected a tendency to over-spending on the part of the State-managed Railways. It was explained that working expenses had naturally to be judged in relation to traffic receipts and that by themselves they could not serve as a criterion for judging either the efficient management of Railways or the manner in which they maintained their assets. The efficiency with which various Railways were run could be judged from the statement showing the percentage of ordinary working expenses to earnings given in Annexure C to the Chief Commissioner's Review which showed that every single State-owned Railway had decreased the percentage of its working expenses to

earnings during the year under review compared to the previous year—a result only to be expected when the traffic receipts had increased so greatly. As for the proper maintenance of the assets by Company-managed Railways, the State employed Government Inspectors who went round and inspected these assets and reported to Government if there had been any undesirable fall from the proper level of maintenance.

With reference to item (vii) listed among the important causes of savings in grant No. 6-A, namely, the non-utilisation of provision for freight charges on ballast chargeable to depreciation reserve fund, which was wrongly made under this grant instead of under grant 12 on the Assam Bengal Railway, it was explained that till the year 1941-42 the renewal of ballast had been charged to the Depreciation Reserve Fund but it had now been decided that this was not a proper charge on that Fund and these charges were now borne by revenue.

The Committee commented upon the fact that no provision was made for the working expenses of the Bengal Dooars Railway for three months in 1940-41, the line having been taken over by Government on the 1st January 1941, although provision was made in the budget under receipts for the earnings of that Railway. It was admitted that this was an oversight in budgeting.

104. *Grant No. 6-B.—Maintenance and Supply of Locomotive Power.*—There was an excess in the voted portion of this grant of Rs. 14,39,894 due chiefly to larger purchase of coal and an increase in the freight on coal. The Committee observed that more than half of the excess under freight in this year could have been avoided had provision been made for the increase in the rates of surcharge announced in the budget. Although the individual Railway Administrations were unaware of this increase at the time of framing their budgets, the Railway Board was aware that this increase was going to be made, and should have made the necessary modification on the expenditure side as it did on the income side. The Committee further observed that there were a number of defects in budgeting in this grant showing an absence of correlation between Railways, the aggregate amount involved being Rs. 7.04 lakhs. It was stated that the defects had been brought to the notice of the various Railway Administrations concerned and it was hoped that mistakes of this kind would not recur.

The Committee agreed to recommend that an excess grant should be voted by the Legislature.

105. *Grant No. 6-C.—Maintenance of Carriage and Wagon Stock.*—The Committee observed that there had been a large saving of Rs. 35.36 lakhs over the budget this year and that at least on one Railway this saving could have been avoided if the budget provision for credits due to the sale of scrap had taken into account the upward tendency in prices as disclosed by the prices realised in previous auction sales. The Committee wished in this connection to make a general recommendation that in budgeting the Railway Administrations should bear in mind the trend of prices and should frame their estimates not in accordance with prices as they were at the time the estimates were prepared but in accordance with what they were likely to be when actual expenditure was expected to be incurred.



106. *Grant No. 6-E.—Expenses of Traffic Department*—There was a small excess in the voted portion of this grant of Rs. 95,722 due mainly to the payment of dearness allowance and more handling and terminal charges. The Committee agreed to recommend that this excess should be regularised by a vote of the Assembly.

With reference to an item of loss listed under this grant, namely, the loss due to the abandonment of the vacuum exhaustor and pipe line erected at the Asansol joint station for the sole use of the Bengal Nagpur Railway as the same was not used, it was explained that the facts of the case were that the Bengal Nagpur Railway was being debited large amounts by the East Indian Railway for defects in the vacuum brakes of their wagons. The former Railway thereupon decided to instal this apparatus in order to check the efficiency of the vacuum brakes in its rolling stock before handing it over but by the time this apparatus was installed the standard of maintenance of these wagons improved, there were fewer debits for defects in vacuum brakes and it was found that this apparatus was not necessary. It was therefore returned to stock and the amount of loss involved, namely, Rs. 1,546, was due only to the cost of erection and dismantlement.

107. *Grant No. 6-F.—Expenses of General Departments*.—In this grant was mentioned an item of loss on the Bengal Nagpur Railway due to double payment of provident fund money, once to the son and again to the widow, of a deceased employee. The payment to the son was made on the strength of a certificate given by a Sub-Judge and in spite of the fact that the widow had asked for payment to be withheld as she was preferring an appeal against the order of the Sub Judge. The widow eventually won the case and payment had again to be made to her. It was explained that the principle on the Railways as elsewhere was that in contested cases payment was withheld till the expiry of the period of appeal. There was no defect in the system but in this particular case the notice which the widow had given had been overlooked.

108. *Grant No. 6-G.—Miscellaneous Expenses*.—The Committee noted that expenditure on gratuities and special contributions to provident fund accounted for an increase of Rs. 6·2 lakhs over the budget estimates and that the Railway Board's instructions issued in October 1938 for the improvement of budgeting under this head were not strictly followed on certain Railways. The Committee desired the Railway Board to invite the attention of the Railway Administrations to the instructions already issued and to take steps to see that they were followed in future.

One cause of excess in this grant was the investment in the shares of the North Western Transport Company Ltd., to enable the Company to increase further road services on the North Western Railway. In answer to an enquiry why the Government of India had invested money in a private transport concern, it was explained that this company, of which Government owned 60 per cent. of the shares, had been set up to provide feeder services on the North Western Railway. The Company was established in 1930 and had three official directors and two non-official directors. It had only 10 permits on the road on which its services were run out of a total of 20 permits issued for that road and thus there was no question of the Railway establishing monopoly conditions. This was an experiment which had proved successful and the Company was a paying concern.

Among the causes for savings in this grant was the abolition of the Organisation Department on the East Indian Railway. It was explained that this Organisation Department had been set up on the recommendation of the Pope Committee, its functions being to job-analyse all the functions of the various Departments of the Railways in order to see whether any economies were possible. The Organisation was not meant to be a permanent one, it had been in existence for a number of years, had made the necessary investigations and had effected the necessary economies. It had fulfilled its object on most Railways where it had already been abandoned and had now, during the course of the year under review, been abolished on the East Indian Railway also.

109. *Grant No. 6-H.—Expenses of Electrical Department.*—Attention was drawn to the Chola Power House, the facts of which case were stated to be as follows. The G. I. P. Railway took its power for running the suburban electric service between Bombay and Kalyan from a private Hydro-Electric firm under an agreement for a period of 15 years beginning from February 1925. The Railway subsequently decided to electrify its main lines from Kalyan to Igatpuri and Kalyan to Poona. The firm stated that it would not be able to supply the additional demand and consequently the G. I. P. Railway built a Power House at Kalyan which was originally estimated to cost Rs. 97.4 lakhs but which ultimately cost Rs. 1.33 crores, because it was decided to extend it so as to enable it to supply not only the extra demand but to supply the entire needs of the G. I. P. and B., B. & C. I. Railways. The Power House started functioning in June 1929 and supplied energy at a cost below that at which the Hydro-Electric Company was supplying it. The annual saving to the Railways from the Power House if the entire electrical energy had been supplied by it was estimated at Rs. 19 lakhs. When notice was given to the Company for the termination of the contract, it offered to supply to the Railways their entire needs at a cost which when added to the expense of maintaining the Chola plant as a stand-by, would still not exceed the cost of deriving the entire power from the Chola Power House. The offer was accepted and the Railway Power House closed down and maintained as a stand-by. There was thus no loss to the Railways while they were assured of an alternative source of supply of power in case the Hydro-Electric arrangement broke down. It was further stated that during the last dry season the demands on the Hydro-Electric Company had been so heavy that they had been unable to meet them and the Chola Power House had been running to full capacity for several months. It was suggested that the building of this power house could only be justified by the situation created by the war which had suddenly increased the demand for electrical energy but that this could not have been foreseen at the time that the power house was actually constructed. It was stated that this was not so and that the only effect of the war was that the power house had been brought into use earlier than it otherwise would have been. Discussion on this question had not finished when the Committee rose for the day.

**Proceedings of the ninth meeting of the Public Accounts Committee, held on Tuesday, the 18th August 1942, at 10 a. m.**

**PRESENT:**

Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Finance Secretary.—  
*Chairman.*

Moulvi MOHAMMED ABDUL GHANI.

Mr. MOHAMMED AZHAR ALI.

Mr. J. RAMSAY SCOTT.

Sir SYED RAZA ALI, C.B.E.

Kunwar Haji ISMAIEL ALI KHAN, O.B.E.

Sir RATANJI DALAL, C.I.E.

Khan Bahadur Shaikh FAZL-I-HAQ, PIRACHA.

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

*Members.*

Sir LEONARD WILSON, Chief Commissioner,  
Railways.

Mr. T. S. SANKARA AYYAR, C.I.E., Financial  
Commissioner, Railways.

Mr. I. S. PURI, Director of Finance, Railway  
Board.

*Witnesses.*

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

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

Mr. R. V. RAMCHANDANI, Controller of Railway Accounts,

Mr. A. C. TURNER, C.I.E., M.B.E., I.C.S., Joint Secretary, Finance  
Department.

110. The Committee resumed discussion on the case of the Chola Power House, and finally came to the decision, by a majority, that the present arrangement by which the Power House was used as a stand-by was financially more profitable to Government than running the power house as they got a saving of Rs. 19 lakhs and at the same time saved the charges for wear and tear and depreciation, that the scheme for constructing it had been fully justified and that its construction had been advantageous to Government.

111. *Grant No. 5.—Payments to Indian States and Companies.*—There was an excess of Rs. 12,23,155 in this grant due mainly to the increase in the net earnings of worked lines owing largely to the improvement in traffic. The supplementary grant of Rs. 13.82 lakhs had proved inadequate and the Committee agreed to recommend that the excess should be voted by the Assembly. They noticed a defect in estimating in this grant which had resulted in the omission of provision being made in the supplementary grant for arrear payment of surplus profits to the M. and S. M. Railway Company (Rs.  $\frac{1}{2}$  lakh) although Government's decision in the matter had been intimated to the Railway in October 1940.

112. *Grant No. 3.—Miscellaneous Expenditure.*—There was a heavy saving amounting to 7·7 per cent. in this grant, the main reason for it being less payment of compensation for land required for a certain work on the Bengal and North Western Railway on account of delay in the supply of funds to the Land Acquisition Officer. The Committee observed that this was the third consecutive year in which the bulk of the budget provision for land for the Bengal and North Western Railway remained unutilised. The lapse in this year was due to a long drawn-out controversy between the Chief Auditor, Bengal and North Western Railway and the Financial Adviser and Chief Accounts Officer, North Western Railway, which started in July 1940 and ended only in March 1941, as to who was the authority responsible for the provision of funds. It was explained that a new set of rules had been introduced for the adjustment of inter-Governmental transactions as a result of which Railway Accounts Officers had to undertake the provision of funds instead of Civil Accountants General and the new rules had not at that time been fully appreciated leading to the confusion. The Committee however observed that this change was made on the 1st April 1939 and that there was no excuse whatever for a delay of a year caused by a petty inter-departmental dispute which resulted in the holding up of payment to persons from whom the land had been acquired. They regarded this case as a most deplorable example of red-tape and trusted that the Railway Administration would see that a repetition of this sort of case was made impossible in future.

113. *Grant No. 11.—New Construction.*—The expenditure during the year was nearly Rs. 6½ lakhs less than the budget and the percentage of saving was as high as 89·1 per cent. The main reason for the saving was the receipt of more credits for released and surplus materials from the Sind Right Bank Feeders Railway Construction than were anticipated. The Committee observed that here again no allowance was made in the budget for the expected rise in the price of materials.

114. *Grant No. 12.—Open Line Works (Capital and Depreciation Reserve Fund).*—In this grant also the savings were heavy amounting to 15·07 per cent. on the budget provision. The main cause of the savings was the postponement, curtailment or non-completion of works as a consequence of delay and difficulties in obtaining materials from abroad and the dismantlement of branch lines during the year, which resulted in a large amount of unanticipated credits as a result of the adjustment by credit to Capital and debit to the Railway Reserve Fund, of the difference between the original cost of branch lines dismantled during the year and the portion of it debited to the Depreciation Reserve Fund, a decision with regard to which was reached only after estimates had been submitted.

Although no provision was made in the budget for the purchase of the Bengal Dooars Railway, this purchase was financed under this grant by reappropriation from savings. The Legislature had thus had no opportunity of expressing its concurrence to, or dissent from, the proposal which was one of considerable importance. The Committee consequently desired that, although it had been held that the buying of a Railway was not a new service, a token vote should nevertheless invariably be taken when it was proposed to purchase a Railway and that such proposals should be treated as if they were proposals for a new service owing to the magnitude of the transactions involved.

The Committee observed that on the Bengal Nagpur Railway funds for the provision for works were distributed to the spending authorities in excess of the lump sum allotted to the Railway as a whole in the hope, which did not materialise, that they would be unable to spend up to the sum allotted, and that the Railway Board did not apparently consider this to be a serious irregularity. The Committee considered the procedure adopted to be irregular, the regular way of achieving the same result being the allotment by the Railway Board of a larger sum subject to a lump sum cut. The question is of constitutional principle. Under both procedures spending authorities are allowed to spend more money than has been voted by the Legislature, but whereas one has the approval of the Legislature, the other has not.

The Committee also observed that the G. I. P. Railway had not attempted to furnish detailed explanations of the variations under the head "Suspense" which had been heavy because they considered that it would serve no useful purpose to analyse the inevitable outcome of war conditions and that similar difficulties in the verification of explanations had been met with by Audit elsewhere as well. Although the Committee appreciated the difficulty in war time conditions of furnishing explanations for these variations they could not accept the attitude adopted by the G. I. P. Railway which, if extended, would lead to the disappearance of appropriation accounts altogether and desired it to be brought home to them and to other Railway Administrations as well that they must furnish explanations in future.

The Committee observed that the omission to provide for the capital cost of additional quarters on the Assam Bengal Railway, although the necessary provision for the additional revenue expenditure had been made in the budget, disclosed a serious defect in the budgeting system. They also commented adversely on the lack of correlation between the several divisions of the East Indian Railway as a result of which the estimates for "Track Renewals" were thrown completely out of gear.

115. *Grant No. 8.—Interest Charges.*—There was a petty excess of Rs. 64 in this grant which the Committee agreed to recommend for regularisation by a vote of the Assembly.

116. *Grant No. 10.—Appropriation to Reserve.*—There was an excess of Rs. 1,67,13,506 in this grant due to a much larger net surplus than was expected as a result of the improvement in earnings. The Committee agreed to recommend that the excess should be voted by the Assembly.

117. The Committee noted with satisfaction that there had been no unnecessary supplementary grants during the year under review against two in the previous year and one in the year previous to that. There had however been one unnecessary supplementary non-voted appropriation in Grant No. 6.G, but the Committee after an examination of the reasons for the supplementary allotment not being used agreed that the explanation furnished was satisfactory.

118. The Committee then examined the accounts of the Railway Reserve Fund. This had received a credit during the year under review of Rs. 6.30 crores and there had been withdrawn from it a sum of Rs. 90 lakhs. It was explained that this debit was to meet that portion of the original cost of certain branch lines dismantled during the year which was not covered

by the amount accumulated in the Depreciation Reserve Fund in respect of these lines plus the value of released materials. The total cost of lines dismantled during the year was Rs. 2.46 crores and the Railways had received a credit from His Majesty's Government during the same year of Rs. 75 lakhs in payment for the rails sold to them.

119. The Committee next examined the accounts of the Depreciation Reserve Fund. They observed that the Fund possessed investments to the value of Rs. 31 lakhs while the Railway Reserve Fund also contained investments to the value of Rs. 43 lakhs. It was explained that these investments from the Depreciation Fund were made at a time when there was no money in the Reserve Fund and as it had been found necessary at the time to make certain investments in Branch Line Companies the investments were made from the Depreciation Fund. The Committee were somewhat doubtful as to whether it was correct in principle for money in the Depreciation Fund to be invested in shares of Branch Line Companies but they observed that there was in any case no necessity to split up the investments of the Railways into two Funds and therefore desired that the investments from the Depreciation Fund should be transferred to the Reserve Fund.

120. The Committee next examined the statement showing the percentage of ordinary working expenses to earnings in respect of State-owned Railways (Annexure C to the Chief Commissioner's Review) and noted that the operating ratio had shown a very considerable fall in all the Railways. The Committee however observed that this statement was limited to the results of State-owned Railways only. They desired that in future similar statistics should be given with regard to that portion of the Bengal and North Western Railway which was Company-owned and Company-managed in a footnote to this statement which would be useful for comparing the results of State-owned and Company-owned Railways.

121. The Committee then considered the general paragraphs of the Audit Report and concurred with the conclusion of Audit, which had been reinforced by their own independent examination of the grants, that on the whole in budgeting for the year under review the Railways had not taken sufficiently into account the expected rise in prices and that this factor had been the largest single disturbing factor in the budget. They appreciated of course that it was impossible for any accurate estimate to be made of what the prices were likely to be but considered that it should have been possible for the Railways to foresee that there would, during the course of the year, be a rise in prices and that therefore a case like that of the East Indian Railway, which had made no additional provision in its budget estimates on account of rise in prices, showed a serious defect in budgeting.

122. The Committee next considered the cases of losses, nugatory expenditure and financial irregularities listed in Chapter II of the Audit Report.

With reference to the case reported in paragraph 26 of the Report which had caused a loss to the Railway Administration amounting to about Rs. 6,000 through the action of a District Engineer accepting an assignment deed by a contractor in favour of a third party without reference to the Law Officer of the Railway, it was stated that the case had been brought to the notice of all Railway Administrations in order to prevent

a repetition of a similar mistake occurring elsewhere. The Committee were however not satisfied with the instructions issued and desired that the Railway Department should issue explicit instructions to Railway Administrations enjoining upon them that executive officers should not by implication, or otherwise, accept any statement of a legal nature, such as an assignment or transfer of right without consulting the legal advisers of the Railways.

With reference to the very important case reported in paragraph 28 of the Audit Report in which there had been serious irregularities in an Engineering Division on the North Western Railway, while the Committee were satisfied with the change that had been made in the system after the irregularities had been discovered it was suggested that it might be advisable to prescribe that Divisional Superintendents should also do an occasional test check of works. It was however explained that Divisional Superintendents were not necessarily Engineers and that in any case to prescribe test checks to be carried out by officers of that status would be to carry the principle of test check too far. The Committee were of the view that the punishments accorded in this case were *prima facie* inadequate particularly in the case of the Accounts staff, but it was explained that in addition to the punishments listed in the Report the promotion of the Senior Auditor had been stopped. It was also explained that the Railway Department desired to prosecute the persons involved in this irregularity but they were advised that there was not sufficient legal evidence to warrant a conviction.

With reference to the case of irregularities in labour pay sheets on the Eastern Bengal Railway reported in paragraph 31 of the Audit Report, it was stated that there were now Finger Print Inspectors on three Railways and that the Railway Board had already under consideration the question of extending the system of these Inspectors to all Railway Administrations. It was stated that the departmental action against the Permanent Way Inspector was that the special contribution to his Provident Fund was reduced by 25 per cent. and that the Time-keeper was discharged. No stronger action was taken against the Permanent Way Inspector as he died very shortly after the conclusion of the case.

123. The Committee then took into consideration the Memorandum (Appendix X) presented by the Railway Board on the discontinuance of December and March Reviews of the latest estimates of the requirements of Railway Administrations. The Committee accepted the contention of the Board that the December and March Reviews involved unnecessary duplication as they contained no additional information to that contained in the revised estimates and to final modification statements and therefore agreed that these December and March Reviews should be discontinued.

**Proceedings of the tenth meeting of the Public Accounts Committee, held on  
19th August 1942 at 10 a. m.**

**PRESENT:**

Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Finance Secretary.—  
*Chairman.*

Moulvi MOHAMMED ABDUL GHANI.

Mr. MOHAMMAD AZHAR ALI.

Mr. J. RAMSAY SCOTT.

Sir SYED RAZA ALI, C.B.E.

Pandit LAKSHMI KANTA MAITRA.

Kunwar Haji ISMAIEL ALI KHAN, O.B.E.

Sir RATANJI DALAL, C.I.E.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA.

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

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

Mr. M. N. KAUL, Deputy Secretary, Legislative  
Assembly Department.

Mr. C. M. TRIVEDI, C.S.I., C.I.E., O.B.E.,  
I.C.S., Secretary, War Department.

Mr. G. MACKWORTH YOUNG, C.I.E., F.S.A.,  
Joint Secretary, War Department.

Mr. C. MACL. G. OGILVIE, C.S.I., C.B.E.,  
I.C.S., Secretary, Defence Depart-  
ment.

Sir JOHN THORNE, K.C.I.E., C.S.I., I.C.S.,  
Secretary to the Governor General,  
Public.

Bao Bahadur V. P. MENON, C.I.E., Deputy  
Secretary, Secretariat of the Governor  
General (Reforms).

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

Mr. S. C. GUPTA, Accountant General, Central Revenues.

Mr. V. D. DANTYAGI, Deputy Director of Audit, Defence Services.

Mr. A. C. TURNER, C.I.E., M.B.E., I.C.S., Joint Secretary, Finance  
Department

*Members.*

*Witnesses.*

***Legislative Department.***

124. *Grant No. 13.—Council of State.*—With reference to the modifica-  
tion in sub-head A, it was explained that the President did not draw  
salary throughout the year but drew it only for the period of the session  
and for a fortnight before and a week after the session. The sessions  
During the year under review having been shorter than anticipated, there  
was a saving under the sub-head.



125. *Grant No. 26.—Administration of Justice.*—With reference to the saving in column 4 of sub-head B. 4 in this grant, it was explained that Assam had been receiving a fixed payment of Rs. 3,600 per annum for the services rendered to the Government of India by its law officers. During the year under review the question was raised as to whether there was sufficient justification for this payment. It was ultimately decided that the payment should be reduced to Rs. 1,000 per annum, this arrangement to last for the next five years. But as the year had ended before a decision in the matter was arrived at no payment either at the old or at the new rate was made to Assam.

126. *External Affairs.*—India's contribution to the League of Nations in the year 1941 was Rs. 7,44,650 and the estimate for the year 1942 was Rs. 7,60,000. In 1940 the amount paid had been Rs. 9,40,886. The decrease from the figure of 1940 was due to a very large reduction in the total expenditure of the League to which India, and every other Member, contributed in the proportion of the number of units allotted to her as compared with the total number of units. The reduction in the actual amount payable by India was less than proportionate to the reduction in total expenditure by reason of resignations from the League and the suspension of payments by enemy-occupied countries; which had resulted in a reduction of the total number of units to 472, of which 48 were allocated to India as compared with pre-war figures of 923 and 49 respectively. The financial affairs of the League are at present managed by a supervisory committee which consists of 8 members. India is not represented on this committee.

#### *War Department.*

127. *Grant No. 63.—Miscellaneous.*—With reference to sub-head I, it was explained that the Indian Soldiers' Board was an organisation meant to look after the welfare of *ex*-soldiers. There were Soldiers' Boards in every Province and in Rajputana and there was a Central body, of which the Hon'ble the Finance Member was Chairman and an Under Secretary in the War Department *ex-officio* Secretary for which additional work he received special pay. The Rajputana Soldiers' Board corresponded to the Soldiers' Boards in the Provinces. It had been felt that the financing of the Rajputana Board by the Central Government was anomalous in view of the fact that the Provincial Boards were not so financed and the question of discontinuing payments to this Board had already been taken up and was under active consideration.

#### *Secretariat of the Governor General (Reforms).*

128. It was explained that the functions of this Secretariat briefly stated were to advise the Governor General on constitutional matters, to interpret the Government of India Act on its constitutional, as distinct from its legal, aspects—a duty which this Secretariat was particularly fitted to perform in view of its association with the drafting and implementation of the Government of India Act (1935)—and to serve as a nucleus office in preparation for a post-war revision of the Constitution.

129. With reference to paragraph 49 of these proceedings the Auditor General made a statement explaining how the delay in the encashment of the cheque took place. The cheque had been made out by the Imperial

**Council of Agricultural Research** on the New Delhi Branch of the Imperial Bank of India and was sent to the Accountant General, Central Revenues, on the 4th February 1942. It was delayed in the office of the Accountant General for 20 days, being returned to the Secretary of the Imperial Council of Agricultural Research on the 24th February 1942. The Accountant General, Central Revenues, did not cash the cheque himself because he was not the Adjusting Officer for this transaction and he wished to avoid the unnecessary complications which would have been caused by this item having had to be passed through the Exchange Accounts with the Accountant General, Bombay, and there seemed to him to be ample time to permit of encashment through the correct Accounts Officer before the end of the year. The cheque remained with the Imperial Council of Agricultural Research from the 25th February till the 21st March 1942, and was eventually received by the Accountant General, Bombay, through the Director General of Observatories, on the 26th March 1942. The Accountant General, Bombay, sent the cheque immediately to the Reserve Bank for encashment but as the cheque was drawn on New Delhi and presumably owing to the rush of end of the year transactions credit was not given for it till the 3rd April 1942. The Auditor General stated that his statement on the previous occasion that this credit though effected on the 3rd April could have been taken into the accounts of the previous March was incorrect, as the convention with the Reserve Bank to which he had referred related only to inter-Governmental transactions and the Imperial Council of Agricultural Research was not a Government Department. The Committee considered that both the Accountant General, Bombay and the Communications Department, who had never come into the picture at all, were blameless in the matter and that the responsibility for this muddle lay partly with the Accountant General, Central Revenues, but mainly with the Imperial Council of Agricultural Research who had kept the cheque with them unnecessarily for almost a month.

**Proceedings of the first meeting of the Military Accounts Committee held on Monday, the 3rd August 1942, at 10 a.m.**

**PRESENT:**

Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Finance Secretary—  
*Chairman.*

Maulvi MOHAMMAD ABDUL GHANI.	}	<i>Members.</i>
Pardit LAKSHMI KANTA MAITRA.		
Kunwar Hajee ISMAIEL ALI KHAN, O.B.E.		
Mr. A. C. TURNER, C.I.E., M.B.E., I.C.S., Joint Secretary, Finance Department.		

Mr. C. M. TRIVEDI, C.S.I., C.I.E., O.B.E., I.C.S., Secretary, War Department.	}	<i>Witnesses.</i>
Mr. E. T. COATES, C.S.I., C.I.E., I.C.S., Financial Adviser, Military Finance.		
Mr. M. R. COBURN, C.I.E., O.B.E., Additional Financial Adviser, Military Finance.		
Mr J. PARLBY, O.B.E., Military Accountant General.		
Mr. A. deC. SEBASTIAN, Deputy Financial Adviser, Military Finance.		

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

Mr. V. D. DANTYAGI, Deputy Director of Audit, Defence Services.

At the commencement of the meeting Mr. C. E. Jones, Finance Secretary, explained that in the absence of the Hon'ble the Finance Member who was away in England on official business he had been appointed by the Governor General to perform the functions assigned to the Finance Member under the Indian Legislative Rules in respect of Rule 51 (5) as a consequence of which he became *ex officio* Chairman of the Public Accounts Committee. The Military Accounts Committee was an informal Committee consisting of the Hon'ble the Finance Member, the Secretary to the Government of India in the Finance Department and three members elected by the Public Accounts Committee. It was proposed and accepted by the Committee that in the absence of the Hon'ble the Finance Member the Finance Secretary should act as Chairman of the Military Accounts Committee and that the Joint Secretary in the Finance Department, Mr. A. C. Turner, should attend in place of the Finance Secretary. As the constitution of this Committee followed a recommendation by the Public Accounts Committee, it was decided that this temporary change in its constitution should be reported for the approval of the latter.

2. The Auditor General stated that Mr. C. V. S. Rao who had prepared the Audit Report on the Defence Services as Director of Audit, Defence Services, had unfortunately broken down in health and was therefore unable to be present at the meetings of the Committee. He had therefore asked Mr. V. D. Dantyagi, Deputy Director of Audit, Defence Services, who had been in constant touch with developments during the year, to attend the meetings in place of the Director of Audit.

3. The Committee then proceeded to consider the items relating to the Defence Services in the statement of outstanding recommendations made in previous years.

*Item 24.*—With regard to the recommendation that steps should be taken to ensure an adequate supply of Cost Accountants for the Supply Department, a Memorandum (Appendix XI) was presented to the Committee which indicated the steps hitherto taken to implement its recommendations. The Committee expressed themselves as satisfied with the action taken. In answer to a question it was stated that the number of officers at present under training in Cost Accounting was about 5.

*Item 26.*—The Committee noted that their recommendation that the selling prices of milk, butter and cream sold to the troops from Military Dairy Farms should be so fixed as to make the Farms pay their way had been accepted, that revised rates for sale had been introduced and that it had been provided that these rates should be reviewed annually when the results of the previous year's working were known.

4. The Committee then took up the examination of the Appropriation Accounts of the Defence Services for the year 1940-41 and the General Review by the Financial Adviser, Military Finance. The general principles of the financial settlement with regard to war expenditure between India and England, which the Committee had exhaustively discussed last year, were briefly touched upon and the Committee dwelt in particular on the methods of evaluating India's share of the cost of war measures. They noted that these methods of assessing India's liabilities under the settlement had been evolved in consultation with the Director of Audit, Defence Services, and that not only the principles of such valuation but also the actual figures of allocation were checked by the Director. They were satisfied that the methods evolved for determining India's share were satisfactory and appreciated the safeguard to both parties which was provided by a reference to Audit at each stage of the evaluation.

5. The Committee commented upon the large excess of Rs. 20.09 lakhs of actuals under the new Main Head "3" over the budget provision. It was explained that the reason for this excess was that only the cost of such commitments as had already been put into force or were in train at the time of preparing the budget estimates for 1940-41 was included in those estimates. They deliberately did not provide for measures that were not at the time foreseen, though it was obvious that a much larger expenditure would become necessary than was provided for in the Budget. The reason for this was that in the absence of any data any estimate would have been a shot in the dark and to frame an estimate on the basis of guess work was a course it was not considered desirable to follow. The Hon'ble the Finance Member had explained this to the Legislative Assembly which had accepted the method of budgeting adopted.

6. With regard to the excess of Rs. 351 lakhs which the actuals under the new Main Head "3" showed over the modified appropriation, the Committee accepted the explanation offered, which had the concurrence of the Auditor General, that as the greater part of the adjustments against this head were carried out some months after the close of the financial year and were based on data which had not been and could not have been collected at the time of preparing the modified appropriation it was impossible to foresee with any exactitude the results of these complicated adjustments so far in advance.

Arising out of this excess it was suggested that part of the explanation might lie in a too frequent change in the plans of the Defence authorities which resulted in works being commenced and then abandoned without completion. The Committee, while admitting that the exigencies of the war and the changes in the strategic situation often demanded changes in plans and that works in the course of progress on which considerable sums of money might have been spent might, by pressure of events, have to be abandoned, were concerned that even so there should be no avoidable wastage by a too light hearted use of the powers of lower formations. It was explained that it was the constant endeavour of the Military Finance Department to prevent avoidable waste, that that Department was, by and large, satisfied that plans were not changed too lightly, that cases of abandonment had to be reported to that Department which enquired into the reasons for the abandonment and that, as an additional safeguard, Audit investigated and commented upon important cases of infructuous expenditure; but that when a Department was spending colossal sums of money and plans had often to be made and works undertaken under very considerable pressure of time it was impossible that a certain amount of wastage and infructuous expenditure should not arise. The Committee recommended that the whole position with regard to the abandonment of partially completed works should be reviewed with the object of finding out whether improvements could not be made in the system so as to prevent the undertaking of expenditure without full knowledge of the facts and the consequent abandonment of schemes and wastage of public money, and that a report should be made to the Committee at its next session.

7. The Committee welcomed the policy that was now being adopted of restricting to the minimum independent purchases by local Defence authorities, and appreciated the action which had been taken in pursuance of this policy of reducing the powers of local purchase of Chief Ordnance Officers from Rs. 10,000 to Rs. 1,000 and the arrangements which were in train whereby the activities of local Defence authorities in the matter of sanctioning contracts for stores and works would be subject to review by touring officers from General Headquarters including representatives of the Military Finance Department. They also desired in this connection to be furnished when the legal proceedings had finished with a report on the facts of the case mentioned in paragraph 10 in which serious frauds had been perpetrated against Government in the purchase of stores by local authorities and of the action taken by the departmental authorities as well as the result of the case in the courts.

8. The Committee noted that the expenditure during the year by the M. E. S. amounted to Rs. 19½ crores, which was more than six times the normal peace time expenditure, and that the percentage of objectionable outlay to the total expenditure on works during the year had fallen to so low a figure as .06 as compared to 1.73 in 1939-40. They however observed that these figures were not strictly comparable as the abnormally low figure this year was due to the special procedure adopted for emergency works under which financial authorities authorised expenditure on urgent works in anticipation of administrative approval, such expenditure not being treated as objectionable outlay. They also noted that there had been a sudden drop in the percentage of establishment charges to works expenditure from 18.96 in 1939-40 to 6.76 in the year under review.

This figure had never been even approached on the civil side and the Committee were somewhat concerned at the possibility that so abnormally low a figure might reflect the absence of proper supervision.

9. With regard to the recompilation of the standard schedule of rates, which had still not been completed and work on which was still in progress, the Committee were of the tentative view that this compilation might not now serve any useful purpose and desired that the question of dropping it should be considered.

10. The Committee then went through the Appendices showing losses of cash, overpayments, etc., listed in them and were pleased to see that the total of the losses was extremely small compared to the amount of expenditure involved.

11. The Committee then considered the Commercial Appendix to the Appropriation Accounts and noted that the Dairy Farms had this year shown a profit of Rs. 81,814, against a net loss of Rs. 49,101 in the previous year. They, however, observed that this profit was arrived at by allowing interest to the extent of Rs. 52,956 to the Military Dairy Farms on the opening credit balance of accumulated profits in the Reserve Fund which it had now been held to be contrary to correct accounting. The Committee, however, agreed that the Military Dairy Farms were entitled not to be charged interest on the capital advanced in the past out of the profits earned by them and that this item had been correctly excluded from the Commercial Accounts notwithstanding the indication to the contrary contained in Note 2 on page 26. They had no comments to offer on the remaining items in the Commercial Appendix.

12. The Committee then proceeded to consider the Audit Report, Defence Services.

With regard to the very serious case mentioned in paragraph 6, in which there had been great delay and confusion in the submission of store accounts in respect of some Local Naval Defence Vessels, it was stated that the present position was that of the 55 accounts outstanding 35 had been received but that since then a further 278 accounts (34 for the period ending 31st December 1941 and 244 for the period ending 31st March 1942), had become overdue on 1st June 1942. Various administrative instructions had been issued by the R. I. N. authorities to ensure the prompt submission of the accounts and an R. I. N. order had been issued warning Commanding Officers that they were personally responsible for the timely accounting of stores and that any losses resulting from disregard of their responsibilities were liable to be charged against them personally. A Fleet Accounting Officer and staff had been deputed to examine the accounting position of each base and each ship with a view to clearing up the position.

The Committee viewed with great concern the utterly chaotic state of at least part of the Naval Stores Accounts which this case disclosed and were of the view that so complete a breakdown of the machinery of Stores accounting disclosed a fundamental administrative defect for which the Indian Navy could not be held free from blame and which it was necessary to cure with the utmost possible expedition. While they could understand the initial disorganisation consequent upon the outbreak of war, and delay in the submission of the accounts for a short period thereafter, they were quite unable to find any excuse for the continued non-submission of the accounts for the later period. They consequently

desired that the general question of ensuring the proper maintenance of Stores accounts in the Navy should be taken up at once, that adequate assistance should be provided for the Commanders of ships for the maintenance of such accounts if the lack of such assistance had contributed to the present state of affairs, and that the orders just issued with regard to the personal responsibility of Commanding Officers should be strictly enforced. They further desired that a report should be submitted to them of the action taken, and of the extent to which such action had proved or was likely to prove effective.

**Proceedings of the 2nd meeting of the Military Accounts Committee held on Tuesday, the 4th August 1942, at 10 a.m.**

**PRESENT:**

Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Finance Secretary—  
*Chairman.*

Maulvi MOHAMMAD ABDUL GHANI.

Kunwar Hajee ISMAIEL ALI KHAN, O.B.E.

Mr. A. C. TURNER, C.I.E., M.B.E., I.C.S.,  
Joint Secretary, Finance Department,

Mr. C. M. TRIVEDI, C.S.I., C.I.E., O.B.E.,  
I.C.S., Secretary, War Department.

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

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

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

Mr. ZAHID HUSSAIN, C.I.E., Additional  
Financial Adviser, Supply.

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

Mr. A. deC. SEBASTIAN, Deputy Financial  
Adviser, Military Finance.

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

Mr. RAM GOPAL, Controller of Supply Accounts.

Mr. V. D. DANTYAGI, Deputy Director of Audit, Defence Services.

*Members.*

*Witnesses.*

13. At the commencement of proceedings, a Memorandum (Appendix XII) was presented to the Committee furnishing certain detailed figures and information regarding the excess of Rs. 56 lakhs under the new Main Head 2 referred to in paragraph 7 of the Financial Adviser's General Review of the Appropriation Accounts, which information had been asked for by the Committee on the previous day.

14. The Committee then continued its examination of the financial irregularities listed in the Audit Report.

With regard to the case mentioned in paragraph 11 in which 1,100 tons of *Atta* ordered from a mill after test in a Military laboratory were discovered to be unfit for issue to the troops, it was stated that the mill had been black listed and the officer who was responsible for passing the consignments had been censured. The Committee was inclined to the view that a censure in such a case was not sufficient punishment, but it was explained that it had not been possible definitely to determine whether there had been substitution by the mill after the sample had been tested or whether the officer responsible for the testing had not performed his duties satisfactorily.

With regard to item 25 of the statement of outstanding recommendations, in which the Committee had asked for a report with regard to the



incomplete store accounts and irregularities in stock in a Garrison Engineer's office which had led to the omission to fix a reserve price for the auction of old copper wire, as a result of which the price realised had steadily decreased while the price of copper had been steadily appreciating, it was explained that owing to the lapse of time it had not been possible to reconstruct the accounts to see whether there had been any leakage other than that reported. In view of the fact that the total sum involved in this case was only Rs. 135, the Committee were satisfied that the disciplinary action taken against the individuals concerned, who had been warned or severely reprimanded by the local executive authorities, was sufficient.

15. In this connection it was explained that cases of disciplinary action against officers on account of financial irregularities for which they were responsible were reported to the Military Finance Department, who could, if they considered the action taken to be insufficient to meet the needs of the case, take the matter up to the Commander-in-Chief and ultimately, if necessary, to the Executive Council. The Committee considered this a valuable safeguard against financial irregularities being treated too lightly by the administrative authorities.

16. On a general review the Committee concurred with the conclusion of Audit that, having regard to the increase in the volume and complexity of the transactions and the conditions of emergency which prevailed throughout the year, the standard of financial administration had been generally satisfactory.

17. The Committee then considered the emergency procedure introduced for sanctions to works and works contracts described in paragraph 19 of the Audit Report. They noted that the practice in a few cases of giving out works on a cost cum profit basis had been found to be unsatisfactory, as in the absence of any check enabling the determination of cost it led necessarily to an effort by the contractor to inflate his costs and thereby increase his profit; and the Committee therefore were pleased to see that orders had been issued definitely prohibiting the entering into of any such contract except in exceptional circumstances. In this connection however they failed to understand how a lump sum tender could be accepted on a cost cum profit basis as had been done in the case reported in sub-para. (a) of paragraph 19, particularly without any details of costs or measurements being given.

18. The Committee observed that the amount of work required to be done in most areas now exceeded the capacity of those areas. These conditions they agreed made effective competition impracticable and they accepted as inevitable, while they did not welcome, the further delegation of powers to Chief Engineers, who were now empowered to enter into contracts without competition to an unlimited value, the former limitation of such powers to Rs. 3 lakhs (which had lately been increased to Rs. 10 lakhs) having now been removed. They were, however, surprised to observe that even the meagre safeguard of a prior consultation with the Controller of Military Accounts, which the rules prescribed, had in some cases not been followed and only an *ex post facto* approval obtained. They presumed that the cases in which this had been done were all cases of extreme urgency, but they desired to stress that the plea of urgency should not normally be allowed to override the operation of the rules and that whenever this plea was put forward it should be submitted to close scrutiny in order to prevent its abuse.

19. The Committee agreed that with the increasing contraction of the field over which competition was operative it would become more and more difficult to determine what were reasonable rates to pay, and that the checks applied normally by the financial authorities and by Audit which had all been evolved on the basis of a competitive economy would increasingly prove inoperative. Since financial control as understood in normal times had to a certain extent already and would perhaps to a larger extent in future have to become necessarily less rigid, it was imperative to evolve some other system to ensure that wastage did not occur in the placing of contracts for works. The Committee therefore warmly welcomed the suggestion of Audit that the departmental and financial authorities at headquarters should make a periodical review of all important non-competitive contracts, and appreciated the fact that in pursuance of this recommendation orders had already been issued to the Chief Technical Examiner to carry out periodical visits to local M. E. S. offices and to examine the terms of contracts entered into by them as well as the general procedure followed in placing such contracts. They were however not completely satisfied that, having regard to the large sums of money involved and the extreme importance of preventing extravagance and waste, the possibilities of which under a non-competitive system were great, this was all that could be done in this direction. They therefore desired that the matter should be further pursued by the financial and administrative authorities concerned and that the Committee should be kept in touch with such developments as might take place in the direction of more effective control.

20. The Committee then considered the case reported in paragraph 20 of the Audit Report in which a most unusual procedure had been adopted for the construction of two large hutting projects in a certain Command. While they did not wish to stress the other unusual features that this case presented they desired very strongly to emphasise that great care should be exercised before an exceptionally short time limit for the construction of a work was included as a condition of the contract, and that whenever a time limit was so included a penalty clause should invariably be introduced, and enforced, for the non-completion of the work within the prescribed time. The absence of such a clause tended to benefit the dishonest contractor who could well afford to promise to finish the work within the time required without intending to fulfil his promise. Further the Committee desired that the military authorities should avoid as far as possible the classing of works as extremely urgent when they were not necessarily so, for this system not only caused wastage but also interfered with the prior execution of works of real importance.

21. The Committee then went on to consider the system adopted for the war time purchase of stores. It was explained that for the purchase of jute and jute goods, the Jute Adviser to Government, who was Chairman of the Jute Mills Association, acted also as a purchasing officer on behalf of Government. The exceptional arrangement followed in this case—for in no other does the Adviser make any purchases—it was explained was due to the peculiar organisation of the industry and the speculative nature of the jute market and this method of purchase had been evolved owing to the very large orders for jute which had been placed in India by H. M. G. shortly after the commencement of the war and which, if they had been put into the open market, would have completely disorganised it. The practice was that the Jute Adviser decided the price

at which a purchase was to be made and allocated the demand to the various members of the Jute Mills Association according to their loomage. This price was determined independently of the Supply Finance Department, but it was stated that in future that Department would be consulted before prices were fixed. It was further stated that in recent months cost accounting had been carried out in three of the mills in order to determine whether the price at which contracts had been entered into was reasonable or not, but that the results of the cost accounting had not been conclusive. Owing to opposition from the industry and to the fact that the result of the accounting so far carried out had disclosed a profit of only 10 per cent, to 12 per cent, the matter had not been further pursued. The Committee felt that it was possible that as orders under the present system were spread over all the mills and it was necessary to allow a margin of profit even to the least efficient mills—it was well known that the standard of efficiency in the jute industry varied very considerably—Government was paying a larger amount of profit to the more efficient mills than it would have paid had orders been placed independently. Though in the absence of a full knowledge of the facts of this complicated question they hesitated to make any recommendation, it appeared to the Committee that as only a small proportion of the total output of the jute industry, namely about 20 per cent, was now being taken up by Government the possibility of placing independent orders might well be considered.

22. The fact that the Supply Department, like similar organisations in other countries, had drawn its staff to a great extent from business houses had raised the important question of 'dual capacity' or 'dual allegiance', and Audit had enquired whether any general instructions had been laid down regulating the arrangements for the conduct of their official duties in such cases. It was stated that the Supply Department had issued an Office Memorandum (Appendix XIII) setting out the principles on which men drawn from industry were allowed to retain their business connections. Under these orders honorary advisers were at liberty to retain all their business connections; part-time officers, whether paid or honorary, were permitted to retain their business connections but were required to declare the nature and extent of their business interests, while whole-time executive officers were required to sever all their active business connections and to declare any sleeping interests that they might like to retain. These principles generally followed those adopted in the United Kingdom and the Committee were satisfied that no further orders in the matter were necessary.

23. The Committee were pleased to observe that the Cost Accounting organisation of the Department of Supply, which had gradually been built up, had so early in its existence proved its utility and had saved large sums of money for Government, of which examples were given in paragraphs 26 and 27 of the Audit Report.

24. The Committee then reviewed the financial policy followed by the Supply Department in order to increase the productive capacity of the country by the provision of financial assistance to industry and by the setting up of factories on behalf of Government. They generally approved of the principles followed for providing such assistance but observed that those principles had not been followed in certain particular contracts. It was

explained that the practical application of the principles that had been decided upon was still in its initial stages and that, moreover, there were a large number of cases in which exceptions had necessarily to be made in order to meet individual requirements.

25. With reference to the purchase of stores from Dominions and Colonies discussed in paragraph 30 of the Audit Report, it was explained that in the initial disorganisation following upon the outbreak of war orders had been sent to various Dominions and Colonies for the purchase of stores without the accounts authorities in this country having been informed of them. When, therefore, bills for payment in respect of these stores were eventually received, it had not been possible to exercise a complete check in order to determine that the goods had actually been received and that the rates charged were those which had been settled. There was consequently no alternative but to pay the amounts demanded on the assumption that the stores had actually been received and that the rates charged were fair—an assumption which at least in the case of the most important supplying Government had turned out to be correct as all its bills were sent after audit by its Auditor General. The system had now been brought on to a proper basis and there was no fear of such an unsatisfactory state of affairs again arising.

26. The Committee were pleased to observe that cases of double payments or overpayments for stores purchased by Government, which were due mainly to the non-observance of the prescribed procedure and not to any defect in that procedure, were exceedingly small, and that even so a simplified procedure had been prescribed for payment. In this connection it was stated that delays in payment which had at one time assumed serious proportions had now largely been remedied. It had been decided that as the main cause of delay was the absence of consignee's receipts, which again was due to delays in transport, full payment should be made on inspection and despatch without waiting for advice of receipt. Lately, as the wagon shortage had become more acute, and it was not possible to allow producers to remain without finance, conditions for payment had been further liberalised and 100 per cent. payments were now made on inspection prior to despatch, notwithstanding the possible risk of later substitution, which was considered to be small. As for the actual disbursement it was stated that 80 per cent. of the bills presented to the Controller of Supply Accounts were paid within six days of their receipt and the Committee considered that as that office was now paying no less than 45,000 bills a month this promptitude in payment was commendable.

27. With regard to the remark in paragraph 34 that in one or two formations the stock verification did not reveal any discrepancies although many errors were subsequently noticed in the course of audit of the stores ledgers, the Committee considered that this indicated that the verification of stock might in some cases have come to be regarded as a formality. They accordingly desired that steps should be taken to make the officers in charge of stocks realise the importance of verifying them and their responsibility for their custody. It was suggested that this unsatisfactory state of affairs might be due to a practice that was sometimes prevalent of first looking up the figures in the ledger and then endeavouring to force the stocks actually present to correspond to the figures in the account books. To remedy this the Committee desired that instructions should be issued to the effect that the actual physical

verification of stocks should be made without reference to the ledger balance and that such discrepancies as become evident should be explained afterwards.

28. The Committee then considered the difficult problem of the accounting of stores despatched overseas. As pointed out by the Auditor General in a Memorandum (Appendix XIV) presented to the Committee, the difficulty arises in the linking of stores despatched overseas with those received at the consignee depots. The present system was not satisfactory and the Committee observed that exactly the same difficulty had been experienced by the English authorities as evidenced by paragraph 39 in the United Kingdom Army Appropriation Account of 1940. The Military Accountant General, who had had personal experience of this problem in Iraq, pointed out various difficulties which would arise in the carrying out of the orders issued, and though the Committee were extremely dubious as to whether under the actual conditions prevailing and the difficulties in transport both by sea and after arrival at the port of discharge the system of linking proposed by the Auditor General would work in practice, they agreed that it was desirable to give it a fair trial and to prevent, if possible, any possibility of leakage of stores through a defective accounting system.

**APPENDIX I.**

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

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*Statement showing action taken or proposed to be taken on*

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
<i>Railways.</i>			
1	1938-39 1939-40	12-R and 15-P. 99-P.	That while the procedure of lump-sum cuts should be continued, the proportion of the cuts applied should be somewhat restricted.
2	1939-40	15-R and 75-P.	That great care should be taken before supplementary demands are presented to the Legislative Assembly and that the recommendations made in this behalf in the Public Accounts Committee's Report on the Accounts for 1935-36 should be followed.
3	1939-40	82-P.	That it should be made clear to all responsible officers that ordinary financial precautions, such as taking receipts for transfer of money or stores, should not be neglected on any ground of secrecy or urgency.
4	1939-40	17-R and 85-P.	That the justification for the amounts paid to the Chief Mining Engineer on account of allowances for performing extra duties of Chairman of Coal Grading Board and Chairman of Soft Coke Cess Committee should be re-examined and that the question whether this extra remuneration had been correctly classified as fees should be further investigated and a report made to the Public Accounts Committee on the point.
<i>Education, Health and Lands Department.</i>			
5	1937-38 1939-40	9-P. 7-P.	That the Corporation of Calcutta should be moved to exempt the Calcutta Museum from municipal taxes and with this end in view the small charge for admission to the Museum on certain days should be abolished.
6	1939-40	5-P.	That the possibility should be examined of test-checking stocks of cinchona bark for quality as well as quantity as a safeguard against substitution over a number of years.
<i>Finance Department.</i>			
7	1937-38 1938-39	9-R and 29-P. 41-P.	That the Finance Department should examine whether in addition to the annual provision of Rs. 3 crores for reduction or avoidance of debt there should not be a separate provision for amortisation of Railway debt once the first quinquennium of the Niemeyer Award is over.

*recommendations made by the Central Public Accounts Committee.*

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Action taken or proposed to be taken.

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Noted.

Noted.

Necessary instructions have been issued to Railway Administrations.

The Committee were informed that the Railway and the Finance Departments were agreed that the original classification by the Auditor General of the extra remuneration as fees was correct but that the amount of the allowance was still under consideration between the Railway, Labour and Finance Departments.

The Corporation of Calcutta were again addressed on the subject of exemption after the appeal preferred by the Government of Bengal against the valuation of the museum buildings was decided. The Committee desired to be kept informed of developments in the matter.

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

The Committee considered the note on the matter (Appendix IV) and desired that the recommendation should be pursued after the war.

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*Statement showing action taken or proposed to be taken on*

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
<i>Finance Department—contd.</i>			
8	1938-39 1939-40	4-R and 7-R. 5-R and 27-P.	That the system of making lump-sum cuts for probable savings should continue, though this may at times lead to expenditure in excess of provision, and should be applied vigorously at the time of the budget estimates particularly in the case of new works.
9	1938-39 1939-40	4-R and 40-P. 9-R and 12-P.	That the present scheme of the compilation of Demands for Grants should continue for the duration of the war, subject to the omission of Part III.
10	1939-40	44-P.	That the question whether it is not possible to exhibit in the accounts dealing with 'Education' in Account I in the Grant for Andamans and Nicobar Islands the amounts which had been spent separately on primary and secondary education and on grants-in-aid to private schools, should be investigated by the Finance Department and the Auditor General and a report submitted to the Committee.
11	1939-40	8-R and 48-P.	That the possibility should be examined of splitting up the sub-head "Contingencies" in cases where the amounts appearing under this sub-head are large so as to give a clearer idea of the nature of the items on which the money has been spent.
<i>Auditor General.</i>			
12	1938-39 1939-40	14-P. 87-P.	That the "Key" Statement for Railways, prepared in accordance with the recommendation of the Public Accounts Committee made in 1940, should be discontinued and that instead the Auditor General should, in consultation with the Financial Commissioner of Railways, prepare a programme to guide the Committee in dealing with the documents which they have to examine.
13	1939-40	41-P.	That the "Key" Statement should in future show those portions of the Area Demands, which are controlled by Departments other than the Departments responsible for the Demand as a whole, against the Departments responsible for the individual sub-heads.

*recommendations made by the Central Public Accounts Committee.*

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**Action taken or proposed to be taken.**

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The Committee were informed that the system of imposing lump-sum cuts would be followed as far as possible in framing the budget estimates.

Noted.

As the information regarding the amounts spent on secondary and primary education could be obtained at present, the Committee were informed that the point would be considered when the occasion for providing such expenditure arises again.

The Committee considered the note on the subject (Appendix V) and agreed to the changes proposed therein.

A specimen programme drawn up in consultation with the Financial Commissioner, Railways, was adopted for this year's Public Accounts Committee.

Effect has been given to this recommendation in the 'Key' Statement relating to the Appropriation Accounts for 1940-41.

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## Statement showing action taken or proposed to be taken on

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
			<i>Auditor General—contd.</i>
14	1939-40	8-R and 45-P.	That the Auditor General should investigate, in consultation with the Finance Department, whether a reduction in the present limit below which no explanations are required in the Appropriation Accounts, would in practice lead to any improvement in the picture of budgeting and control as presented to the Committee.
			<i>Commerce Department.</i>
15	1939-40	72-P.	That steps should be taken to place the Scheme for the Registration of Accountants on a self-supporting basis in accordance with the policy of Government.
			<i>Communications Department.</i>
16	1935-36 1936-37 1937-38 1938-39 1939-40	12-R and 111-P. 8-R and 41-P. 10-R and 48-P. 54-P. 29-P.	That as the Port of Vizagapatam is likely to continue to be a burden on the general taxpayer unless the Railway has a stake in its development, the question of handing over the Port to the Bengal Nagpur Railway should be actively pursued and a report should be submitted to the Committee next year.
			<i>Labour Department.</i>
17	1939-40	5-R and 49-P.	That the programme for major works for the ensuing year should be thought out with great care at the time budget estimates are prepared and should not thereafter, in the absence of full and adequate explanation, be varied.
18	1939-40	33-P.	That larger deductions should be made from the sub-head "Pay of Establishments" at the time of framing the budget on account of probable savings in the Demand for Stationery and Printing.
19	1939-40	36-P.	That the tendency to over-budgeting, evidenced by the number of grants in which there have been savings, should be remedied in future.
			<i>Home Department.</i>
20	1938-39 1939-40	61-P. 37-P.	That a copy of the instructions as to the action to be taken by the Head of a Department or Office as soon as a case of defalcation or fraud comes to his notice should be laid before the Committee at its next meeting.

*recommendations made by the Central Public Accounts Committee.*

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Action taken or proposed to be taken.

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The Committee considered the memorandum on the subject prepared by the Auditor General in consultation with the Finance Department (Appendix IV) and agreed that no change in the present procedure was necessary.

The Committee learnt that the pro-forma accounts of the Scheme for the Registration and Certification of Accountants for the year ending March 1941 disclose a net surplus of Rs. 6,147/8/-. A surplus is anticipated in the accounts for the current year also.

The Bengal Nagpur Railway were addressed on the matter and their reply was that they could not consider the proposal till the cessation of hostilities. The Committee agreed to the postponement of the question till then.

Necessary instructions have been issued to all concerned.

Noted.

Noted.

The Committee considered the instructions issued on the matter (Appendix VIII) as adequate.

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*Statement showing action taken or proposed to be taken on*

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
<i>External Affairs Department.</i>			
22	1929-30 1934-35 1935-36 1936-37 1937-38 1938-39 1939-40	114-P. 27-P. 78-P. 60-P. 72-P. 72-P. 50-P.	That a decision on the question of the incidence of Persian Gulf Expenditure should be postponed till the end of the war.
<i>Posts and Telegraphs.</i>			
22	1939-40	60-P.	That a lump-sum cut for probable savings should be made under the head "Works" and that, if the occasion demands it, the cut should be drastic.
23	1939-40	58-P.	That, when a reduction is made by the Legislative Assembly in the Grant as a whole, it should be shown under a separate Abstract of the Grant.
<i>Defence Services.</i>			
24	1939-40	6-R and 15-P. (Military.)	That, in order to prevent a further reduction in the supply of qualified Accountants, steps should be taken to declare Accountancy a "Key" occupation; that experienced Cost Accountants already recruited for the Army should be transferred to the Supply Department; and that the possibility of training young Indian Registered Accountants in Cost Accounting should be considered in consultation with the Advisory Panel of Accountants.
25	1939-40	7-R and 18-P. (Military.)	That a report should be placed before the Committee on the disciplinary action taken with regard to the irregularity mentioned in paragraph 10 of the Audit Report.
26	1939-40	24-P. (Military.)	That action should be taken to fix the selling prices of milk, butter and cream sold to the troops from Military Dairy Farms so that, while no undue profit is made out of the troops, the Farms should be made to pay their way.
27	1936-37 1937-38 1938-39 1939-40	4-R and 15-P. 6-P. 5-P. 3-P. (Military.)	That the question of simplification of headings in the Defence Budget should be taken up at the end of the war when the Defence Budget is revised.

*recommendations made by the Central Public Accounts Committee.*

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Action taken or proposed to be taken.

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Noted.

Noted.

Noted

The Committee considered the action taken in the matter as set out in the memorandum (Appendix XI) as satisfactory.

The matter has been dealt with by the D. A. D. S. in the Audit Report, 1942 (paragraph 12).

The Committee noted that revised rates had been fixed with effect from the 15th March 1942 and it has been decided that in future the sale rates should be reviewed annually when the results of the previous year's working were known.

Noted.

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## APPENDIX II.

## Statement Comparing Expenditure with Grants for 1940-41.

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
<b>PART I.—CIVIL.</b>				
<b>A.—EXPENDITURE CHARGED TO REVENUE.</b>				
1. Customs :				
Voted .	78,30,000	78,00,175	29,825	..
Non-voted .	4,55,150	4,52,740	2,410	..
2. Central Excise Duties :				
Voted .	20,98,000	20,80,734	17,266	..
Non-voted .	10,09,862	10,07,517	2,345	..
3. Taxes on Income including Corporation Tax :				
Voted .	78,47,000	77,58,681	88,319	..
Non-voted .	1,43,270	1,44,686	..	1,416
4. Salt :				
Voted .	56,87,000	57,04,432	..	17,432
Non-voted .	44,84,627	44,81,817	2,810	..
5. Opium :				
Voted .	23,64,000	21,90,496	1,73,504	..
Non-voted .	1,47,922	1,47,332	590	..
6. Provincial Excise :				
Voted .	4,32,000	3,45,968	86,032	..
Non-voted .	27,510	27,510	..	..
7. Stamps :				
Voted .	27,80,000	24,43,548	3,36,452	..
Non-voted .	2,09,300	1,99,907	9,393	..
8. Forest :				
Voted .	6,67,000	5,88,383	78,617	..
Non-voted .	2,93,714	2,84,547	9,167	..
9. Irrigation (including Working Expenses), Navigation, Em- bankment and Drainage Works :				
Voted .	2,22,000	1,78,065	43,935	..
Non-voted .	11,12,469	10,74,729	37,740	..
11. Interest on Debt and Other Obligations and Reduction or Avoidance of Debt :				
Voted .	92,23,000	79,86,621	12,36,379	..
Non-voted .	10,90,52,800	11,98,56,279	..	1,08,03,479
12. Executive Council :				
Voted .	1,26,900	1,28,413	..	1,513
Non-voted .	4,95,730	4,95,992	..	262
13. Council of State .	1,46,000	1,14,914	31,086	....
14. Legislative Assembly and Legislative Assembly Department :				
Voted .	8,15,000	6,51,512	1,63,488	..
Non-voted .	54,300	54,739	..	439

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
<b>PART I.—CIVIL—contd.</b>				
<b>A.—EXPENDITURE CHARGED TO REVENUE—contd.</b>				
<b>15. Home Department :</b>				
Voted .	9,96,000	9,68,001	27,999	..
Non-voted .	21,63,138	21,63,497	..	359
<b>16. Legislative Department :</b>				
Voted .	3,66,000	3,56,331	9,669	..
Non-voted .	1,57,000	1,56,197	803	..
<b>17. Department of Educa- tion, Health and Lands :</b>				
Voted .	5,73,000	5,74,308	..	1,308
Non-voted .	2,14,939	2,15,018	..	79
<b>18. Finance Department :</b>				
Voted .	5,66,000	5,15,600	50,400	..
Non-voted .	16,47,786	16,58,632	..	10,846
<b>19. Commerce Department :</b>				
Voted .	5,43,000	5,44,680	..	1,680
Non-voted .	3,58,006	3,54,577	3,429	..
<b>20. Department of Labour :</b>				
Voted .	4,32,000	4,06,865	25,135	..
Non-voted .	1,80,267	1,80,579	..	312
<b>21. Department of Commu- nications :</b>				
Voted .	2,00,000	1,92,128	7,872	..
Non-voted .	1,35,487	1,35,380	107	..
<b>22. Central Board of Revenue :</b>				
Voted .	5,27,000	5,20,254	6,746	..
Non-voted .	2,08,745	2,08,222	523	..
<b>23. India Office and High Commissioner's Estab- lishment Charges :</b>				
Voted .	18,79,000	19,38,505	..	59,505
Non-voted .	22,25,000	22,31,142	..	6,142
<b>24. Payments to other Gov- ernments, Departments, etc., on account of administration of Agency subjects and mangement of Treasuries .</b>	1,14,000	1,13,426	574	..
<b>25. Audit :</b>				
Voted .	93,83,000	90,81,874	3,01,126	..
Non-voted .	8,21,200	8,30,264	..	9,064
<b>26. Administration of Justice :</b>				
Voted .	62,000	53,068	8,932	..
Non-voted .	3,28,364	3,26,550	1,814	..
<b>27. Police . . . . .</b>	12,63,000	12,55,808	7,192	..
<b>28. Ports and Pilotage :</b>				
Voted .	14,38,000	14,35,696	2,304	..
Non-voted .	9,20,626	9,23,222	..	2,596



Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
<b>PART I.—CIVIL—contd.</b>				
<b>A.—EXPENDITURE CHARGED TO REVENUE—contd.</b>				
<b>29. Lighthouses and Lightships :</b>				
Voted .	8,29,000	7,64,901	64,099	..
Non-voted .	10,000	10,076	..	76
<b>30. Survey of India :</b>				
Voted .	19,68,000	17,12,627	2,55,373	..
Non-voted .	6,31,000	6,11,432	19,568	..
<b>31. Meteorology :</b>				
Voted .	20,79,000	20,67,224	11,776	..
Non-voted .	86,063	85,982	81	..
<b>32. Geological Survey :</b>				
Voted .	3,21,000	3,21,646	..	646
Non-voted .	1,66,900	1,67,691	..	791
<b>33. Botanical Survey :</b>				
Voted .	50,000	44,905	5,095	..
Non-voted .	20,333	20,691	..	358
<b>34. Zoological Survey :</b>				
Voted .	1,27,000	1,16,302	10,698	..
Non-voted .	55,622	55,622	..	..
<b>35. Archæology :</b>				
Voted .	10,44,000	10,39,704	4,296	..
Non-voted .	74,640	74,692	..	52
<b>36. Mines :</b>				
Voted .	1,46,000	1,42,695	3,305	..
Non-voted .	1,02,020	1,02,549	..	529
<b>37. Other Scientific Depart- ments :</b>	2,82,000	2,78,454	3,546	..
<b>38. Education :</b>				
Voted .	6,44,000	6,44,455	..	455
Non-voted .	..	..	..	..
<b>39. Medical Services :</b>				
Voted .	8,13,000	7,04,862	1,08,138	..
Non-voted .	2,26,877	2,26,630	247	..
<b>40. Public Health :</b>				
Voted .	25,51,000	25,67,242	..	16,242
Non-voted .	2,65,998	2,64,010	1,988	..
<b>41. Agriculture :</b>				
Voted .	26,52,000	25,60,284	91,716	..
Non-voted .	59,717	58,839	878	..
<b>42. Imperial Council of Agricultural Research :</b>				
Voted .	7,21,000	2,10,716	5,10,284	..
Non-voted .	1,23,323	9,62,666	..	8,29,343
<b>43. Scheme for the Improve- ment of Agricultural Market- ing in India :</b>				
Voted .	5,21,000	4,85,245	35,755	..
Non-voted .	11,862	11,990	..	128
<b>44. Imperial Institute of Sugar Technology</b>	1,000	..	1,000	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
<b>PART I.—CIVIL—contd.</b>				
<b>A.—EXPENDITURE CHARGED TO REVENUE—contd.</b>				
<b>45. Civil Veterinary Services :</b>				
Voted .	8,20,000	8,10,615	9,385	..
Non-voted ..	25,700	25,477	223	..
<b>46. Industries :</b>				
Voted .	8,23,000	8,22,271	729	..
Non-voted .	450	421	29	..
<b>46-A. Scientific and Indus- trial Research . . . .</b>	3,54,000	3,18,062	35,938	..
<b>47. Aviation :</b>				
Voted .	83,53,000	78,69,392	4,83,608	..
Non-voted .	..	42	..	42
<b>48. Broadcasting :</b>				
Voted .	30,41,000	30,13,430	27,570	..
Non-voted .	11,000	10,868	132	..
<b>49. Capital Outlay on Broadcasting . . . .</b>	1,000	..	1,000	..
<b>50. Indian Stores Depart- ment :</b>				
Voted .	21,15,000	19,85,007	1,29,993	..
Non-voted .	37,800	42,862	..	5,062
<b>51. Commercial Intelligence and Statistics :</b>				
Voted .	7,87,000	7,66,764	20,236	..
Non-voted .	67,300	55,204	12,096	..
<b>52. Census :</b>				
Voted .	9,33,000	8,51,749	81,251	..
Non-voted .	4,14,860	4,12,827	2,033	..
<b>53. Emigration—Internal . .</b>	13,000	11,194	1,806	..
<b>54. Emigration—External :</b>				
Voted .	1,31,000	1,27,142	3,858	..
Non-voted .	2,20,597	2,18,348	2,249	..
<b>55. Joint Stock Companies . .</b>	1,60,900	1,56,651	3,349	..
<b>56. Miscellaneous Departments :</b>				
Voted .	6,21,000	6,16,483	4,517	..
Non-voted .	59,434	62,243	..	2,809
<b>57. Currency :</b>				
Voted .	49,68,000	48,00,641	1,67,359	..
Non-voted .	1,49,600	1,54,548	..	4,948
<b>58. Mint :</b>				
Voted .	48,54,000	48,21,600	32,400	..
Non-voted .	1,09,900	1,10,115	..	215
<b>59. Civil Works :</b>				
Voted .	96,89,000	93,73,837	3,15,163	..
Non-voted .	24,75,637	24,42,194	33,443	..
<b>60. Central Road Fund . . .</b>	1,73,00,000	1,64,00,000	9,00,000	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
<b>PART I.—CIVIL—contd.</b>				
<b>A.—EXPENDITURE CHARGED TO REVENUE—concl'd.</b>				
61. Superannuation Allowances and Pensions :				
Voted	1,10,46,000	1,01,40,459	9,05,541	..
Non-voted	1,12,20,900	1,13,56,627	..	1,35,727
62. Stationery and Printing :				
Voted	45,15,000	42,78,735	2,36,265	..
Non-voted	60,515	61,064	..	549
63. Miscellaneous :				
Voted	24,42,000	18,66,389	5,75,611	..
Non-voted	2,03,489	2,02,932	550	..
64. Grants-in-aid to Provincial Governments :				
Voted	61,000	52,700	8,300	..
Non-voted	3,03,00,000	3,03,00,000	..	..
65. Miscellaneous Adjustments between the Central and Provincial Governments :	1,62,000	1,24,054	37,946	..
66. Delhi :				
Voted	50,80,000	50,79,540	460	..
Non-voted	2,45,600	2,44,648	952	..
67. Ajmer-Merwara :				
Voted	51,53,000	51,24,313	28,687	..
Non-voted	3,12,300	3,11,734	566	..
68. Panth Piploda	12,000	12,266	..	266
69. Andamans and Nicobar Islands :				
Voted	39,74,000	39,48,800	25,200	..
Non-voted	1,72,350	1,72,116	234	..
Staff, Household and Allowances of the Governor General	18,42,301	19,33,428	..	91,127
Secretariat of the Governor General	4,92,190	4,91,425	765	..
Federal Public Service Commission	4,70,215	4,68,217	1,998	..
Defence Department	6,50,700	6,49,038	1,662	..
Ecclesiastical	29,40,496	29,14,006	26,489	..
Payments to Crown Representative	1,37,72,890	1,35,34,039	2,38,851	..
Tribal Areas	2,15,97,707	2,15,05,831	91,876	..
External Affairs	70,70,598	70,20,876	49,722	..
Baluchistan	64,34,833	62,39,718	1,95,115	..
Department of Supply	52,41,480	50,82,082	1,59,398	..
Miscellaneous Expenditure connected with the War	64,42,195	67,33,696	..	2,91,501
<b>Total—Expenditure charged to Revenue</b>	<b>40,24,61,503</b>	<b>40,59,72,420</b>	<b>87,86,381</b>	<b>1,22,97,298</b>
<b>Total</b>	Voted	16,07,36,900	15,29,61,842	78,74,195
	Non-voted	24,17,24,603	25,30,10,578	9,12,276
				1,21,98,251

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
<b>PART I.—CIVIL—concl'd.</b>				
<b>B.—EXPENDITURE CHARGED TO CAPITAL.</b>				
73. Capital Outlay on Vizagapatam Harbour . . . .	10,000	4,075	5,925	..
74. Delhi Capital Outlay . . . .	15,67,000	13,21,324	2,45,676	..
75. Commuted Value of Pensions :				
Voted . . . . .	1,000	—19,49,150	19,50,150	..
Non-voted . . . . .	—3,56,100	—10,74,745	7,18,645	..
Total—Expenditure charged to Capital . . . . .	12,21,900	—16,98,496	29,20,396	..
Total { Voted . . . . .	15,78,000	—6,23,751	22,01,751	..
Non-voted . . . . .	—3,56,100	—10,74,745	7,18,645	..
<b>C.—DISBURSEMENTS OF LOANS AND ADVANCES.</b>				
76. Interest-free Advances . . . .	1,85,22,000	1,62,01,355	23,20,645	..
77. Loans and Advances bearing interest . . . . .	1,43,13,000	1,39,07,674	4,05,326	..
Advances to Crown Representative for Loans to Indian States and Notabilities . . . . .	16,00,400	15,58,271	42,129	..
Total—Disbursements of Loans and Advances . . . . .	3,44,35,400	3,16,67,300	27,68,100	..
Total { Voted . . . . .	3,28,35,000	3,01,09,029	27,25,971	..
Non-voted . . . . .	16,00,400	15,58,271	42,129	..
Total—Civil . . . . .	43,81,18,803	43,59,41,224	1,44,74,877	1,22,97,298
Total { Voted . . . . .	19,51,49,900	18,24,47,120	1,28,01,827	99,047
Non-voted . . . . .	24,29,68,903	25,34,94,104	16,73,050	1,21,98,251

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.		
			Less than granted.	More than granted.	
	Rs.	Rs.	Rs.	Rs.	
<b>PART II.—POSTS AND TELEGRAPHS.</b>					
<b>A.—EXPENDITURE CHARGED TO REVENUE.</b>					
<b>10. Indian Posts and Telegraphs Department :</b>					
Voted . . . . .	11,12,04,000	11,19,85,660	..	7,81,660	
Non-voted . . . . .	85,04,500	84,33,187	71,313	..	
<b>B.—EXPENDITURE CHARGED TO CAPITAL.</b>					
<b>70. Capital Outlay on Indian Posts and Telegraphs Department—(Outside the Revenue Account) . . . . .</b>					
	13,19,000	9,84,020	3,34,980	..	
<b>71. Stores and Workshop—(Outside the Revenue Account) . . . . .</b>					
	2,92,000	45,249	2,46,751	..	
<b>72. Capital Outlay on Telephone Project—(Outside the Revenue Account) financed from Telephone Development Fund . . . . .</b>					
	1,000	..	1,000	..	
<b>72-A. Appropriation to the Telephone Development Fund—(Outside the Revenue Account) . . . . .</b>					
	4,75,00,000	4,75,00,000	..	..	
<b>Total.—Expenditure charged to Capital (Voted) . . . . .</b>					
	4,91,12,000	4,85,29,269	5,82,731	..	
<b>Total.—Posts and Telegraphs . . . . .</b>					
	16,88,20,500	16,89,48,116	6,54,044	7,81,660	
Total.—	Voted . . . . .	16,03,16,000	16,05,14,929	5,82,731	7,81,660
	Non-voted . . . . .	85,04,500	84,33,187	71,313	..

**PART III.—RAILWAYS.****A.—EXPENDITURE CHARGED TO REVENUE.**

<b>1. Revenue—Railway Board :</b>					
Voted . . . . .	9,72,900	9,65,943	6,957	..	
Non-voted . . . . .	4,78,000	4,77,845	155	..	
<b>2. Revenue—Audit :</b>					
Voted . . . . .	15,07,000	15,00,779	6,221	..	
Non-voted . . . . .	2,05,000	2,04,472	528	..	

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
<b>PART III.—RAILWAYS—contd.</b>				
<b>A.—EXPENDITURE CHARGED TO REVENUE—contd.</b>				
<b>3. Revenue—Miscellaneous Expenditure :</b>				
Voted .	17,70,000	7,00,012	10,69,988	—
Non-voted .	17,73,000	17,49,261	23,739	—
<b>5. Revenue—Payments to Indian States and Companies .</b>	3,51,67,000	3,63,90,155	..	12,23,155
<b>6-A. Revenue—Working Expenses—Maintenance of Structural Works :</b>				
Voted .	8,03,25,000	7,43,52,682	59,72,318	..
Non-voted .	19,58,000	19,61,170	..	3,176
<b>6-B. Revenue—Working Expenses—Maintenance and Supply of Locomotive Power :</b>				
Voted .	18,64,25,000	18,78,64,894	..	14,39,894
Non-voted .	9,79,000	9,63,609	15,391	—
<b>6-C. Revenue—Working Expenses—Maintenance of Carriage and Wagon Stock :</b>				
Voted .	6,42,75,000	6,08,60,413	34,14,587	..
Non-voted .	4,07,000	4,03,350	3,650	..
<b>6-D. Revenue—Working Expenses—Maintenance of Ferry Steamers and Harbours :</b>				
Voted .	30,32,000	30,06,653	25,347	..
Non-voted .	18,000	17,703	297	..
<b>6-E. Revenue—Working Expenses—Expenses of Traffic Department :</b>				
Voted .	10,12,10,000	10,13,05,722	..	95,722
Non-voted .	11,77,000	12,00,771	..	23,771
<b>6-F. Revenue—Working Expenses—Expenses of General Departments :</b>				
Voted .	3,94,40,000	3,94,48,031	..	8,031
Non-voted .	21,66,000	21,25,972	40,028	..
<b>6-G. Revenue—Working Expenses—Miscellaneous Expenses :</b>				
Voted .	4,60,35,000	4,52,25,375	8,09,625	..
Non-voted .	9,92,000	9,25,603	66,397	..
<b>6-H. Revenue—Working Expenses of Electrical Department :</b>				
Voted .	3,91,50,000	3,62,61,852	28,88,148	..
Non-voted .	2,51,000	2,50,274	726	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure as compared with Grant or Appropriation.	
		Expenditure.	
		Less than granted.	More than granted.
	Rs.	Rs.	Rs.
<b>PART III.—RAILWAYS—concl'd.</b>			
<b>A.—EXPENDITURE CHARGED TO REVENUE—concl'd.</b>			
7. Revenue — Appropriation to Depreciation Reserve Fund .	12,66,00,000	12,64,13,889	1,86,111 ..
8. Revenue—Interest Charges :			
Voted .	2,63,000	2,63,064	.. 64
Non-voted .	28,71,22,000	28,65,14,877	6,07,123 ..
10. Revenue — Appropriation to Reserve .	4,62,93,000	6,30,06,506	.. 1,67,13,506
10-A. Revenue Withdrawal from Reserve .	1,00,00,000	90,12,515	9,87,485 ..
<b>Total—Railway expenditure charged to Revenue .</b>	<b>1,07,99,90,900</b>	<b>1,08,33,73,392</b>	<b>1,61,24,821 1,95,07,313</b>
<b>Total</b>	<b>{ Voted .</b>	<b>78,24,64,900</b>	<b>78,65,78,485 1,53,66,787 1,94,80,372</b>
	<b>{ Non-voted .</b>	<b>29,75,26,000</b>	<b>29,67,94,907 7,58,034 26,941</b>
<b>B.—EXPENDITURE CHARGED TO CAPITAL.</b>			
11. Capital—New Construction :			
Voted .	6,85,000	60,220	6,24,780 ..
Non-voted .	19,000	18,969	31 ..
12. Open Line Works :			
Voted .	11,16,75,000	9,48,71,129	1,68,03,871 ..
Non-voted .	58,000	56,335	1,665 ..
<b>Total—Railway Expenditure charged to Capital .</b>	<b>11,24,37,000</b>	<b>9,50,06,653</b>	<b>1,74,30,347 ..</b>
<b>Total</b>	<b>{ Voted .</b>	<b>11,23,60,000</b>	<b>9,49,31,349 1,74,28,651 ..</b>
	<b>{ Non-voted .</b>	<b>77,000</b>	<b>75,304 1,696 ..</b>
<b>Total.—Railways .</b>	<b>1,19,24,27,900</b>	<b>1,17,83,80,045</b>	<b>3,35,55,168 1,95,07,313</b>
<b>Total</b>	<b>{ Voted .</b>	<b>89,48,24,900</b>	<b>88,15,09,834 3,27,95,438 1,94,80,372</b>
	<b>{ Non-voted .</b>	<b>29,76,03,000</b>	<b>29,68,70,211 7,59,730 26,941</b>

Number and name of Grant or Appropriation	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
<b>PART IV.—DEFENCE SERVICES.*</b>				
<b>A.—EXPENDITURE CHARGED TO REVENUE.</b>				
58. Defence Services—Effective— Non-voted	62,43,63,000	65,96,69,000	..	3,53,06,000
59. Defence Services— Non-effective— Non-voted	8,86,33,000	8,83,95,000	2,38,000	..
Total—Defence Services— (Non-voted)	71,29,96,000	74,80,64,000	2,38,000	3,53,06,000
GRAND TOTAL	2,51,23,63,203	2,53,13,33,385	4,89,22,089	6,78,92,271
Total { Voted	1,25,02,90,800	1,22,44,71,883	4,61,79,996	2,03,61,079
{ Non-voted	1,26,20,72,403	1,30,68,61,502 (b)	27,42,093	4,75,31,192

\*The figures are gross.

(a) This amount is more than that given in Statement No. 3 of Part A of the Finance Account of the Central Government for 1940-41 by Rs. 6,66,045 which is composed of (i) Rs. 6,66,309 and (ii) Rs.—264. (i) is due to the fact that credits to Capital for the value of assets sold and abandoned in the Posts and Telegraphs Department have not been taken into account in the Appropriation Accounts of that Department as the Demand was for the gross capital expenditure. (ii) is due to correction made in the Appropriation Accounts of the Posts and Telegraphs Department after the Finance Accounts had been finally printed.

(b) This amount is more than that given in Statement No. 3 of Part A of the Finance Accounts of the Central Government for 1940-41 by Rs. 263 which is composed of (i) Rs. 264 and (ii) Re.—1. (i) is due to the correction mentioned at (a) (ii) above and (ii) is due to rounding.



## APPENDIX III.

**Memorandum on Government of India's stock of cinchona bark—Qualitative test-check.**

While examining the stock account of Government of India cinchona bark in Grant No. 33-Botanical Survey for the year 1939-40, the Public Accounts Committee suggested that the possibility of a check to test quality, as a safeguard against substitution over a number of years, in addition to a quantitative check, should be examined.

The danger of substitution can arise only in two ways, (1) by substitution of material other than cinchona or (2) by substitution of cinchona of inferior quality. As regards the first, the only possible check is the opening and visual examination of a number of bags taken at random from the stock. It would not be practicable to insist on examination of all the bags as they are very numerous (about 2000 in February 1942). As regards the second, it may be pointed out that the quality of cinchona bark depends on its content of quinine and other alkaloids. This varies, in a plantation, from tree to tree and between different portions of a tree, and in any stock of bark, therefore, there will be variation from lot to lot, from bag to bag and even between different pieces from the same bag. Tests would therefore serve no useful purpose. The determination of the average quality of the stock is also not practicable as the detailed weighing, sampling and chemical analysis would involve large expenditure.

There are however practically no chances of substitution. There is no chance of accidental substitution because the Government of India's stock is stored under lock and key separately from the Bengal Government's stock. Deliberate substitution is unlikely, because there are no local markets for cinchona, and no source of supply other than the Government of India and the Bengal stocks, and interference with these stocks will not benefit any private interests.

In the circumstances, it is considered that it should suffice to obtain a certificate from the authority responsible for storage that no substitution had taken place, supported by a record of the visual examination of bark from a number of bags chosen at random.

## APPENDIX IV.

**Note on the question of a separate provision for amortisation of Railway Debt in addition to the annual provision of Rs. 3 crores for reduction or avoidance of debt.**

In paragraph 9 of the Report on the accounts of 1937-38 the Public Accounts Committee suggested that the Finance Department should examine whether in addition to the annual provision of Rs. 3 crores for the reduction or avoidance of debt there should not be a separate provision for the amortisation of the Railway Debt once the first quinquennium of the Niemeyer Award was over. Circumstances have changed since the recommendation was made, in that the Central Government are now having to incur heavy revenue deficits on account of war measures. Any increase in the provision for debt reduction would thus merely mean a corresponding increase in the size of the deficits. Though the first five year period under the Niemeyer Award expired on the 31st March 1942, in view of the Central Government's budgetary position, the Governor General has, in exercise of the discretion vested in him under Section 138 (2) of the Government of India Act, 1935, directed that in 1942-43 the Centre shall retain the same amount from the provincial moiety of Income-tax as in 1941-42. Also the Railway Moratorium has with the approval of the Legislative Assembly been extended by another year, and the allocation of the Railway surplus for 1942-43 is being made under special ad hoc arrangements outside the Railway convention. In these circumstances, it is clearly impossible for the Government of India to come to any decision at present as regards a separate provision for the amortisation of the Railway Debt and it has been decided to postpone consideration of this question to a more suitable occasion.

## APPENDIX V.

**Note on furnishing the details of the items under "Contingencies".**

In sub-paragraph 2 of paragraph 8 of Part I, Volume I, of their Report on the accounts of 1939-40, the Public Accounts Committee recommended that in cases where the amounts appearing under the sub-head "Contingencies" were large, the possibility should be examined of splitting up the sub-head in order to give a clearer idea of the nature of the items on which the money had been spent.

2. The matter has been examined in consultation with the Auditor General and it has been decided that with effect from 1943-44, the following items should be segregated from the sub-head "Other Charges" (which replaced the old sub-head "Contingencies" with the reconstruction of the Book of Demands in 1941-42) and shown under independent sub-heads :-

Name of Demand.	New Sub-head.
Stamps . . . . .	Purchase of stores.
Mint . . . . .	" " "
Survey of India . . . . .	" " "
Broadcasting . . . . .	Purchase of Stores and Allowances to Artists.
Tribal Areas . . . . .	Purchase of Stores and Arms and Ammunition.

It has been found that in the other Grants and Appropriations expenditure under the sub-head "Other Charges" either pertains wholly to contingencies or includes such items of a miscellaneous nature as are not of sufficient importance by themselves to justify their separate exhibition in the Appropriation accounts. In the particular case of the Appropriation "Tribal Areas" referred to in paragraph 48 of the proceedings of the Public Accounts Committee, it has been decided that considerations of control, which mainly determine the number of sub-heads, do not justify the opening of distinct sub-heads for items like "Clothing", "Maintenance of Personnel" and "Transport". While therefore these items are being retained under the sub-head "Other Charges", it has been arranged that in future suitable foot-notes will be given in the appropriation accounts to indicate the extent of expenditure on these items for the information of the Public Accounts Committee. As far as possible, a similar procedure will be followed in respect of important items in the other Demands and Appropriations.

**APPENDIX VI.**

**Memorandum regarding the percentage limit for explanations of variations in the original provision under a sub-head in the Appropriation Accounts.**

In paragraph 8 of their report on the Appropriation Accounts of the Central Government (Civil) for 1939-40 the Public Accounts Committee suggested that the Auditor General should investigate, in consultation with the Finance Department, whether a reduction in the present limit, below which no explanations of modifications in original provision under a sub-head are required to be furnished in the Appropriation Accounts, would in practice lead to any improvement in the picture of budgeting and control as presented to the Committee. The Committee were tentatively of the opinion that the present limit of 15 per cent. should be reduced to 10 per cent. In making this suggestion the Committee also observed that they could not judge whether the advantage, if any, gained would be commensurate with the increase of work in the Accounts Offices which their proposal would involve.

2. The general result of the investigation which has been undertaken in consultation with the Finance Department is stated below :—

While all modifications in excess of 15 per cent. are explained in the appropriation accounts, important and large variations, ordinarily over Rs. 25,000, though falling below that percentage limit, are also explained. Moreover, all variations involving questions of principle are now explained irrespective of the limit in accordance with the suggestion in paragraph 34 of the proceedings of the Public Accounts Committee on the accounts of 1935-36. The proposal now made is to add explanations of all modifications that exceed 10 per cent. It has been calculated that if this criterion had been applied to the Appropriation Accounts of the Central Government (Civil) for 1940-41, explanations would have been necessary under 142 additional sub-heads; and although this would have added only 10 to 15 extra pages to these Accounts its effect on work would have been substantial. This increase of work would have been felt not only in the office of the Accountant General, Central Revenues and the other Accounts Offices which contribute material for the compilation, but also in the offices of the controlling officers who would have had to collect information from many subordinate authorities.

Moreover when a Grant is spread over several circles of accounts, modifications in accounts of some circles may be below 15 per cent. and therefore, not require an explanation, but the aggregate of modifications may exceed the limit, and the Accountant General, Central Revenues' Office has then to undertake the task of obtaining explanations from all the circles of account. A reduction in the existing limit will multiply such cases.

In view of these considerations the Auditor General and the Finance Department are both of opinion that there is insufficient justification for a change in the existing procedure. All modifications involving questions of principle are already explained; and if the percentage limit is lowered, the mass of detail which will have to be furnished in the appropriation accounts as a matter of routine will tend rather to blur than improve the picture of budgeting and control as now presented to the Committee.

## APPENDIX VII.

**Memorandum on the adjustment between the different branches of the Posts and Telegraphs Department of the contribution made from revenue to the Renewals Reserve Fund.**

The Public Accounts Committee at their meeting held on 18th August 1939, approved of the proposal for the apportionment of the total contribution made from revenue to the Renewals Reserve Fund being made in the following manner :—

Post Office .....	10 per cent.
Telegraphs .....	60 per cent.
Telephones .....	25 per cent.
Radios .....	5 per cent.

Total .....	100 per cent.
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These percentages are due for review now.

2. After considering the actual withdrawals for the replacements of assets in respect of the different branches for the last 5 years, resultant balances left in the fund pertaining to each branch and the rising capital expenditure of each branch, it has been decided, with the concurrence of the audit authorities, that the lump contribution of 25 lakhs should be distributed between the different branches in the following proportions :—

Post Office .....	12 per cent.
Telegraphs .....	48 per cent.
Telephones .....	30 per cent.
Radios .....	10 per cent.

It has also been decided that these percentages should be adopted for a period of 2 years from 1941-42, after which the amount of annual contribution to Renewals Reserve Fund will be reconsidered.

3. At their subsequent meeting held on 21st August 1940, the Committee approved of the proposal for the increase of the annual contribution to the Renewals Reserve Fund from Rs. 23,05,000 to Rs. 25 lakhs for a period of 5 years with effect from 1st April 1941. This increase is considered necessary on account of expansion of the capital at charge. The Government of India have since undertaken a large project estimated to cost Rs. 8 crores for the development of telegraph and telephone communications. In view of this development the contribution of Rs. 25 lakhs will require re-examination shortly. It is suggested that instead of 5 years the arrangement may stand for two years and the position reviewed at the end of 1942-43.

## APPENDIX VIII.

Letter from the Government of India, Home Department, No. F.-312/35-Public, dated the 15th November, 1935, to the Chief Commissioners, Coorg, Delhi, Andamans and Nicobar Islands and Aden.

**SUBJECT :—***Departmental enquiry in cases of fraud and embezzlement of Government money in which Government servants are involved.*

In the Finance Department letter No. D./243-A., dated the 21st June 1929, general principles were laid down to regulate the enforcement of responsibility for losses sustained by Government through fraud or negligence of Government servants. It was therein stated (among other things) that it is of the greatest importance to avoid delay in the investigation of any such loss; that, where it appears that recourse to judicial proceedings is likely to be involved, competent legal advice should be taken as soon as the possibility emerges; that, where there is a reasonable suspicion of fraud or other criminal offence, a prosecution should be attempted unless the legal advisers consider that the evidence available is not such as will secure a conviction; and that, where loss is due to delinquencies of subordinate officials and where it appears that this has been facilitated by laxity of supervision on the part of a superior officer, the latter also should be called strictly to account.

These principles were supplemented by instructions contained in the memorandum attached to the Home Department letter No. F.-317/34-Judl., dated the 19th April 1934. These instructions had special reference to cases in which prosecutions in the criminal courts are, or are likely to be, necessary; and laid down (among other things) that, as soon as a reasonable suspicion exists that a criminal offence has been committed, the senior officer of the department will report to the District Magistrate and ask for a regular police investigation; and explained the procedure that should follow the investigation.

2. For convenience of reference these two memoranda are attached to this letter. It is now desired to explain as clearly as possible what is necessary to be done in the way of departmental enquiry where a prosecution is, or is likely to be, instituted. It has been found that, where fraud or embezzlement of Government funds has occurred, there is a tendency for the head of the office or department to regard the institution of criminal proceedings as absolving him from the unpleasant and often laborious task of conducting immediately a thorough departmental enquiry. This natural reluctance may be enhanced by an apprehension that an enquiry may prejudice the result of the trial in a court of law. As a result, there has sometimes been great delay in taking departmental proceedings and the results have been inconclusive. The Public Accounts Committee in their report on the accounts of 1933-34 have agreed with the Auditor-General that departmental enquiries should not necessarily be delayed pending decision of criminal cases, as at a later stage the evidence might disappear and the departmental enquiry could not be brought to any conclusion at all.

3. Experience shows that departmental proceedings cannot as a rule proceed concurrently with a criminal prosecution. Much of the evidence in a case of fraud or embezzlement is documentary. As soon as the criminal proceedings begin the documents go to the court as exhibits, and there they must remain till the case is over and (if an appeal is filed) till the appeal is over. But it is essential that everything should be done to carry the departmental proceedings as far as possible before prosecution begins. The stage to which departmental proceedings, prior to prosecution, should be taken must depend on circumstances and cannot be precisely defined. The normal procedure is laid down in Rule 55 of the Civil Services (Classification, Control and Appeal) Rules: and the stage which departmental proceedings can reach may according to circumstances be any one of the stages described or implied in the Rule—i.e., the preliminary recording of evidence, the receipt of the delinquent's written statement after the framing of a charge, the personal hearing, or the enquiry. If it is intended to prosecute, a finding and sentence should not be recorded in the departmental proceedings till after the disposal of the criminal case; but it must be emphasised that the proceedings should be completed up to the point that can properly be reached.

4. A common type of case is that where a number of persons are involved one or more criminally, and others in such circumstances as show negligence, or warrant the suspicion of criminal abetment without sufficient proof to justify prosecution, or

have similar features which necessitate a criminal prosecution of one or more and a departmental enquiry against others. In such cases the authority has sometimes neglected to institute a formal departmental enquiry, or to carry it to the requisite stage, before criminal proceedings are taken, with the result that many months later, when the criminal case is over, effective departmental action has been found impracticable.

5. The general rule should be that in all cases of fraud, embezzlement, or similar offences departmental proceedings should be instituted at the earlier possible moment against all the delinquents and conducted with strict adherence to the Rules up to the point at which prosecution of any of the delinquents begins. At that stage it must be specifically considered whether further conduct of the departmental proceedings against any of the remaining delinquents is practicable; if it is, it should continue as far as possible (which will not, as a rule, include finding and sentence). If the accused is convicted and awarded an adequate sentence, the departmental proceedings against him will be formally completed, and the proceedings against other delinquents continued. If the accused is not convicted, or the accused is inadequately punished, the departmental proceedings against him will be resumed, as will also those against the remaining delinquents.

6. The proceedings contemplated in these instructions are those which are regulated by the Civil Services (Classification, Control and Appeal) Rules. Where action is taken under the Public Servants (Inquiries) Act XXXVII of 1850, this ordinarily takes the place of a criminal prosecution as regards the person or persons accused; but the procedure as regards other persons involved against whom the Act is not employed should be in accordance with the instructions given above.

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**Memorandum from the Home Department enclosed with their letter No. F-317/34-Judicial, dated the 19th April, 1934, to the Chief Commissioners, Coorg, Delhi, Andaman and Nicobar Islands and Aden.**

In the memorandum circulated with the Government of India, Finance Department, letter No. D./243-A., dated the 21st June 1929, the general principles regulating the enforcement of responsibility for losses sustained by Government through the fraud or negligence of individuals were fully stated. The following supplementary instructions are issued for the guidance of departmental officers, with special reference to cases in which prosecutions in the criminal courts are, or are likely to be necessary:—

(1) All losses of the kind referred to in Article 29 of the Civil Account Code, Volume I, must be reported forthwith by the officer concerned, not only to the Audit Officer, but also to his own immediate official superior. Reports must be submitted as soon as reasonable grounds exist for believing that a loss has occurred; they must not be delayed while detailed enquiries are made.

(2) Reports submitted under (1) above must be forwarded forthwith to Government through the usual channel with such comments as may be considered necessary.

(3) As soon as a reasonable suspicion exists that a criminal offence has been committed the senior officer of the department concerned present in the station will report to the District Magistrate and ask for a regular police investigation under the Code of Criminal Procedure, 1898.

(4) If the District Magistrate agrees that an investigation may be made, the senior officer of the department concerned present in the station will (a) request the District Magistrate to arrange for the investigation to proceed from day to day, (b) see that all witnesses and documents are made available to the investigating officer, and (c) associate with the investigating officer an officer of the department who is not personally concerned with the irregularity leading up to the loss, but who is fully cognizant of the rules and procedure of the office in which the loss has occurred.

(5) When the investigation is completed an officer of the department (accompanied by the officer who attended the investigation) must be made available for conferences with the authority who will decide whether a prosecution should be instituted. If it is decided not to prosecute, the case must be reported through the usual channel to Government for orders.

(6) If it is decided to prosecute, the departmental representative will ascertain from the prosecuting officer whether, having regard to the engagements of the prosecuting staff, and the state of work in the court which would ordinarily hear the case, it is

necessary to move the District Magistrate to make special arrangements for a speedy trial, and will request the prosecuting officer to make any application that he may think necessary.

(7) When the case is put into court by the Police, the senior officer of the department concerned present in the station will see that all witnesses serving in the department, and all documentary evidence in the control of the department, are punctually produced, and will also appoint an officer of the department (preferably the officer who attended the investigation) to attend the proceedings in court and assist the prosecuting staff.

(8) If any prosecution results in the discharge or acquittal of any person, or in the imposition of sentences which appear to be inadequate, the senior officer of the department concerned will at once consult the District Magistrate as to the advisability of instituting further proceedings in revision or appeal as the case may be, and if the District Magistrate is of opinion that further proceedings are necessary, will request him to proceed as he would in any other case.

Appeals against acquittals can be made only under the orders of a Local Government.

(9) The senior officer of the department concerned present in the station will see that, in addition to the reports required under (1), (2) and (5) above, prompt reports are submitted to Government through the usual channel regarding—

- (a) the commencement of a police investigation;
- (b) the decision to prosecute in any particular case;
- (c) the result of any prosecution;
- (d) the decision to proceed further in revision or appeal in any case;
- (e) the result of any proceedings in revision or appeal.

(10) Notwithstanding anything contained in (2)—(9) above, the senior officer of the Department concerned present in the station may, if he thinks fit, refer any matter through the usual channel for the orders of Government before taking action.

. NOTE.—In Delhi, the Superintending Engineer concerned will discharge the duties imposed above on the senior officer of the Department concerned present in the station.

**A memorandum of general principles to regulate the enforcement of responsibility for losses sustained by Government through fraud or negligence of individuals enclosed with Finance Department, letter No. D./243-A., dated the 21st June, 1942, to all Minor Local Governments.**

1. Means should be devised to ensure that every Government servant realises fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part, and that he will also be held personally responsible for any loss arising from fraud or negligence on the part of any other Government servant to the extent to which it may be shown that he contributed to the loss by his own action or negligence. The cardinal principle governing the assessment of responsibility in such cases is that every public officer should exert the same vigilance in respect of public expenditure and public funds generally as a person of ordinary prudence would exercise in respect of the expenditure and the custody of his own money. While, therefore, Government are prepared to condone an officer's honest errors of judgment involving financial loss, provided the officer can show that he has done his best up to the limits of his ability and experience, they are determined to penalise officers who are dishonest, careless or negligent in the duties entrusted to them.

2. It is of the greatest importance to avoid delay in the investigation of any loss due to fraud, negligence, financial irregularity, etc. If the irregularity is detected by audit in the first instance, it will be the duty of the audit officer to report immediately to the administrative authority concerned. If the irregularity is detected by the administrative authority in the first instance, and if it is one which should be reported to the audit officer in terms of Article 29, Civil Account Code, Volume I, he must make that report immediately. Every important case should be brought to the notice of superior authority as soon as possible—the administrative authority should report to his superior and the audit authority to his superior. Should the administrative authority require the assistance of the audit officer in pursuing the



investigation, he may call on that officer for all vouchers and other documents that may be relevant to the investigation; and if the investigation is complex and he needs the assistance of an expert audit officer to unravel it, he should apply forthwith for that assistance to Government who will then negotiate with the audit officer for the services of an investigating staff. Thereafter the administrative authority and the audit authority will be personally responsible, within their respective spheres, for the expeditious conduct of the enquiry.

Where account offices exist intermediary between audit and the administrative authority, the account offices will discharge the functions prescribed above for audit, but a report will still be necessary to the audit officer in terms of Article 29 of Civil Account Code, Volume I.

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

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

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

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

It should always be considered whether the value of Government property or equipment lost, damaged, or destroyed by the carelessness of individuals entrusted with their care (e.g., a policeman's rifle, a touring officer's tents, a factory motor lorry, an engineer's instruments) should not be recovered in full up to the limit of the officer's capacity to pay.

6. One reason why it is important to avoid delay (*vide* paragraph 2 preceding) is that in the course of a prolonged investigation Government servants who are concerned may qualify for pension, and it is held that under the rules as they now stand (measures to rectify this are under separate consideration) a pension once sanctioned cannot be reduced or withheld for misconduct committed prior to retirement. It follows from this that, as a primary precaution, steps should be taken to ensure that an officer concerned in any loss or irregularity which is the subject of an enquiry, is not inadvertently allowed to retire on pension while the enquiry is in progress, and accordingly, when a pensionable Government servant is concerned in any irregularity or loss, the authority investigating the case should immediately inform the Accounts or Audit Officer responsible for reporting on his title to pension and the authority competent to sanction pension, and it will be the duty of the latter to make a note of the information and to see that pension is not sanctioned before either a conclusion is arrived at as regards the Government servant's culpability, or it has been decided by the sanctioning authority that the result of the investigation need not be awaited.

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

**APPENDIX II.****Summary of approximate Financial Results of Indian State-owned Railways in 1941-42.**

The latest approximate figures of revenue and expenditure of State-owned railways for 1941-42 show the following results:—

Gross traffic receipts amounted to 129.16 crores, or 17.22 crores more than in the previous year.

Ordinary working expenses (excluding depreciation) amounted to 60.87 crores, or 7.86 crores more than in the previous year. The amount set apart for depreciation was 12.68 crores, or 4 lakhs more than in the previous year.

Net traffic receipts amounted to 55.61 crores, or 9.32 crores more than in 1940-41.

Miscellaneous transactions resulted in a net receipt of 89 lakhs, or 4 lakhs more than in the previous year.

The net revenue before meeting interest charges was 56.50 crores, or 9.36 crores more than in 1940-41.

The total interest charges amounted to 28.44 crores, or 24 lakhs less than in 1940-41.

There was a surplus of 28.06 crores against 18.46 crores in 1940-41. Out of this 20.19 crores will be paid to general revenues and the balance of 7.87 crores to the railway depreciation fund in partial repayment of the outstanding loans.

The appropriation to the depreciation reserve fund amounted to 12.68 crores, and the amount withdrawn from that fund was 5.38 crores, which included a portion of the cost of dismantled lines written off the capital account during the year. The net accretion to the fund during the year amounted to 7.30 crores, to which should be added 7.87 crores in repayment of the loans.

The balance at credit of this fund as on 31st March 1942 stands at 51.77 crores, including 31.21 lakhs invested in branch line shares and stocks and 9 lakhs advanced to branch line companies as loans. The outstanding loans from the depreciation fund stand at 22.42 crores.

The cash balance in the reserve fund amounted to 6.36 crores at the end of 1941-42 against 5.46 crores at the end of 1940-41. The increase of 90 lakhs is accounted for by the transfer to revenue of the debit adjusted against the reserve fund in the previous year on account of the difference between the original cost of certain lines dismantled for shipment overseas and the amount debited to the depreciation reserve fund on their account. Reasons for this adjustment are stated in para. 5 of the Explanatory Memorandum on the Railway Budget for 1942-43. Investments from the reserve representing railway shares, etc., have remained at the previous year's figure of 43 lakhs.

The capital expenditure was 6.48 crores, 4.87 crores on account of the purchase price of the BOMBAY, BARODA AND CENTRAL INDIA and ASSAM BENGAL RAILWAYS, 60 lakhs the increase in stores and suspense balances, 30 lakhs on Engineering works and 70 lakhs on Rolling Stock. Against this there was a write off of 5.67 crores, 219 crores on account of the cost of dismantled lines, 63 lakhs on account of the cost of assets abandoned from time to time, and 253 lakhs on account of units of rolling stock sent overseas without replacement. The net increase in Capital at charge was therefore only 81 lakhs.

At the end of 1939-40 the liabilities of the railways amounted to 66 crores, of which 30.29 crores represented loans from the depreciation fund and 35.71 crores unpaid contributions to general revenues from 1931-32 to 1939-40. Although, under the moratorium, railway revenues are not yet liable to repay these loans or unpaid contributions, except the unpaid contribution of 30 lakhs for 1939-40, a payment of 7.54 crores was made against these arrears to general revenues in the previous year, and a further payment of 15.38 crores will be made in the year under review. Thus, at the end of 1941-42, arrears of contribution will have been paid off to the extent of 22.92 crores. In the past, there was also an overpayment of 18 lakhs on account of contribution. After adjusting this, the arrears outstanding at the end of 1941-42 are 12.61 crores. Apart from this, a sum of 7.87 crores will be paid into the depreciation reserve fund towards the outstanding loan referred to. The total liabilities of railways, therefore, will now amount to 35.03 crores (unpaid contributions, 12.61 crores, and outstanding loan from the depreciation reserve fund, 22.42 crores).

The ratio of ordinary working expenses to gross traffic receipts was 47·1 per cent. against 47·4 per cent. in the previous year.

The ratio of the total working expenses (including contribution to the depreciation fund) was 56·9 per cent. against 58·6 per cent. in the previous year.

The ratio of net revenue to the capital at charge was 7·49 per cent. against 6·19 per cent. in the previous year

The following statement compares the results of working for the year 1941-42 with the revised estimates for the year and the actuals for the previous year:—

(In crores)

	1940-41. Actuals.	Revised estimates.	1941-42. Latest approx- imate actuals.
1. Gross traffic receipts . . . . .	111·94	127·00	129·16
2. Ordinary operating expenses . . . . .	53·01	60·45	60·87
3. Depreciation . . . . .	12·64	12·68	12·68
4. Net traffic receipts . . . . .	46·29	53·87	55·61
5. Net miscellaneous receipts . . . . .	0·85	0·94	0·89
6. Interest . . . . .	28·68	28·61	28·44
7. Surplus . . . . .	18·46	26·20	28·06
8. Share of general revenues . . . . .	12·16	19·12	20·19

**APPENDIX X.****Note by the Railway Board on the discontinuance of December and March Reviews.**

In July 1936 the Railway Board issued instructions to railway administrations that they should review their expenditure periodically, viz. in August, December and February, and, after their expenditure periodically, viz., in August, December and February, and, after making necessary re-appropriations, let the Railway Board have, by the 15th August, 15th December and 1st March each year, the latest estimates of their requirements. A copy of the instructions will be found in Appendix V to the Report of the Public Accounts Committee on the accounts of 1934-35. These instructions were issued with the hope that they would secure a greater control over expenditure and that, through periodical reviews, the necessity of additional grants or the possibilities of net savings, would be ascertained in time to enable the Board, by setting off savings on one railway against excesses on another railway, to place before the Assembly, at the earliest opportunity, estimates of the net additional grants required, if any.

2 The December Reviews are received only shortly after the revised estimates and generally do not contain any additional information. In fact, the revised estimates contain more detailed information than the December Review. About the same time as March Reviews are submitted by the railway administrations, they send their final modification statements which contain the same information. The December and March Reviews, therefore, involve unnecessary duplication, and their discontinuance will not in any way result in a relaxation of the existing control over expenditure. The Railway Board, therefore, propose to instruct the railways not to submit these reviews hereafter. The Director of Railway Audit has agreed to this.

## APPENDIX XI.

**Memorandum on the steps taken to ensure an adequate supply of cost Accountants for the Supply Department.**

Orders have since been issued by the Civil Defence Department to National Service Advisory Committees and Tribunals that no more Chartered Accountants employed by firms of practising Chartered Accountants should be called up for service. As regards Chartered Accountants employed by other firms, and Incorporated Accountants, the National Service Advisory Committees will continue to refer their cases to the Supply Finance Department and the local Commissioner of Income-tax before calling them up for Military Service.

2. An enquiry was made from the firms of practising accountants if, having regard to the duties performed by them they consider it necessary that any of their accountants who have already been called up for National Service should be released. The replies received showed that no firm wants to recall any of its accountants from Military Service.

3. Immediately after recommendations of the Military Accounts Committee were made, an estimate was framed of the requirements of the Government Cost Accounting organisation in respect of Cost Accounts officers required for it. Steps were then taken to obtain the services of a few officers from the Auditor General for training in cost accounts. It was also found possible to transfer a few qualified Cost Accounts officers from the Army to the Supply Finance Department. An Indian Chartered Accountant who is fairly senior in his profession, has been employed as a Cost Accounts Officer. The strength of the organisation is considered to be adequate to meet immediate requirements. Those who are under training at present will meet the growing requirements at least for the next six months or a year. Constant enquiries are made to find out, if any suitable Cost Accounts Officers are available from the Army or from Civil life. It is essential that the posts of Cost Accounts Officers should be filled by men who have a fair experience of men and affairs as in the course of their work they have to deal with all types of businessmen occupying high positions in trade and industry. It was not found necessary to adopt a scheme of training young Registered Accountants in Cost Accounting for appointment as Cost Accounts Officers. The steps so far taken are considered sufficient to meet the requirements as far as can be foreseen at present.

## APPENDIX XII.

## Memorandum regarding the excess in the accounts under new main Head 2.

The Military Accounts Committee at its meeting yesterday (3rd of August) asked for detailed figures and certain other information regarding the excess of Rs. 56 lakhs under new Main Head 2 referred to in paragraph 7 of the Financial Adviser's general review of the Appropriation Accounts for 1940-41.

This sum is made up of—

(1) Improvement in rates of pay and allowances of troops—		
British	31,39	
Indian	9,68	
		41,07
(2) Enhancement of freight rates		48,53
(3) Savings owing to smaller rise in prices		—33,60
		56,00

2. The improvement in the pay of troops—Item 1—consisted in the case of British troops in India of an increase of 6 annas per diem with effect from 31st August 1940. This increase followed automatically from the decision of His Majesty's Government (announced in August 1940) to grant an increase of 6d. per diem, to all British soldiers outside India with effect from that date. The reasons given for this increase were the rises in prices on tobacco, beer, and other living expenses generally.

It was felt that for somewhat similar reasons and also to obviate invidious comparisons some improvement in the terms of service of Indian troops was called for. At the same time the Government of India were reluctant to increase the basic pay of the Indian soldier as this might have led to embarrassing demands for similar increases in the basic rates of pay of civilian services in India.

It was therefore decided to grant the following concessions to Indian troops :—

- An increase of Rs. 2 p. m. in the rates of expatriation allowance;
- An increase of Rs. 2 p. m. in the rates of batta; and
- An increase in the ration allowance for troops serving in India from as. 10 p. m. to Rs. 2 p. m.

The increase at (c) was considered justified on the grounds that the troops in India were engaged in intensive training for active service and therefore required some addition to their normal diet. These three concessions were sanctioned in November 1940, and came into force with effect from 1st December 1940.

3 The cost of the increases at (a) and (b) under the Financial Settlement fell on His Majesty's Government. As regards the increase at (c) the cost is borne by the revenues of India or His Majesty's Government according as the troops as serving within or outside India's frontiers. The amount charged to New Main Head 2 represents the estimated effect of this improvement in the terms of service of Indian troops serving in India on the normal peace garrison of India.

4. It will be realised that these concessions to both British and Indian troops could not have been foreseen at the time of framing the Budget Estimates. It may be added that the increase in pay and allowances have been sanctioned for the period of the war only.

## APPENDIX XIII.

Office Memorandum No. E-72 (8), dated the 25th May, 1942, from the Supply Department, regarding the terms of employment of officers drawn from business houses.

The Supply Department, like similar organisations in other countries, is staffed to a great extent by officers drawn from business houses whose knowledge and experience make them particularly suitable for Supply work. Hitherto the terms and conditions upon which such officers are employed have been settled in individual cases by the orders of the Hon'ble the Supply Member. The principles followed have been similar to those adopted in the United Kingdom, subject to the recognition of the peculiar conditions of India, and are briefly that the arrangements must be such as in the last resort the Hon'ble the Supply Member is prepared to defend, whether the criticism comes from the Legislature, the Public Accounts Committee, or from the public generally. In order that there may be no doubt about the position, and that cases in which any misunderstanding exists may be set right, it is now considered necessary to state the general principles to be applied.

2. Permanent civil servants are prohibited from "engaging in trade", and their whole time is at the disposal of the Crown. The ideal in fact is that a servant of the Crown should have one allegiance only, and should be entirely free from any personal interest in the decisions which he takes or recommends. The same broad considerations apply to temporary civil servants; and the best possible arrangement is that they should, for the period of their employment under the Crown, sever their connections with their normal work, and receive remuneration from Government alone. This arrangement, is, however, manifestly impossible in many cases, and as the Supply Department could not perform its duties without reinforcement from business houses, certain relaxations must be permitted. The important thing is that the nature and extent of these relaxations should be recorded and approved.

3. The officers concerned may suitably be classified by the following categories :—

(1) *Honorary Advisers* who take no decisions and perform no executive functions.

These officers are at liberty to retain their business connections; their duties are commonly laid down in a letter of appointment which can, if necessary, require them to disclose special interest in any matter on which they advise.

(2) *Part-time officers whether described as Advisers or by other designations and whether honorary or paid*, who in fact take decisions and perform executive functions, though not treated as whole-time members of the Supply Department.

These officers again are at liberty to retain, their business connections, but should be required to declare the nature and extent of their business interests, and the salary (with commissions, bonuses, and other payments) to which they are entitled in respect of them.

They should also be required to declare in dealing with individual cases the extent to which their firms are interested, and to refer any case in which their firms are interested to higher authority.

(3) *Whole-time Executive Officers*.—These officers may have been holding partnerships or similar controlling positions, or salaried appointments in the businesses from which they are drawn. They may (a) have severed their connection with their businesses entirely; (b) have severed their connection with them subject to the expectation that they will rejoin them after the war; (c) have retained some connection with them in the form of salary or other payments.

The principle for this category must be that all *active* business connections must cease for the period of the civil employment, and that any "sleeping" interests retained must be recorded and approved. No executive officer should himself decide any case involving the interests of a firm with which he is personally connected, and in recommending a decision in any such case he should declare the nature and extent of such interests.

(4) Directors General and Controllers of Supplies are requested to have the form appended (not printed), completed and signed by all officers in categories, (2) and (3), now serving with or under them, whether on the Planning or the Purchase side of the Department. Officers in category (1) will be dealt with by the Main Secretariat. The reference to the officers concerned should be personal and confidential and it should be explained to them that this action is taken *solely* to forestall criticism, and that there is no suggestion that any officer has abused his position in any way. The forms when completed should be handed to the Director General or Controller of Supplies, or to an officer nominated by him, and should be sent to the Main Secretariat for confidential record. They should be handled by Gazetted Officers only and treated as strictly confidential.

(5) When a new appointment is in question, and the person recommended is in category (2) or (3) the recommending authority should have the form completed, with the necessary changes in the headings of columns 3, 4 and 6 to indicate that the appointment to the Supply Department is prospective. The form should then be signed by the person concerned and transmitted to the Main Secretariat with the recommendation, for confidential record.



## APPENDIX XIV.

**Memorandum relating to the linking of stores despatched overseas on behalf of His Majesty's Government.**

1. Under the plan of financial settlement with His Majesty's Government debits for stores issued by Indian Defence Services to overseas formations are not raised, as the cost of these stores is accounted for in India initially as a charge against the Imperial Government. It is therefore essential that the usual procedure applicable to the transfer of stores between formations in India should apply to these transfers, and the financial advisers and auditors of the forces overseas provided with documents which may enable them to link the stores reported as issued from India with the receipt entries in the ledgers of the consignee depots overseas. To enable the financial authorities overseas to carry out this check, a detailed procedure for the despatch of stores and documents relating thereto has been prescribed in India. For brevity as well as facility of reference the prescribed procedure is charted in the statement attached. The procedure regarding supplies to the United Kingdom is similar but the distribution of documents is slightly different. The consignments to the United Kingdom are not discussed in this memorandum.

2. It will be seen from the chart that the Movement Control at Port of Discharge is expected to receive 2 copies of "Shipping Advice and Delivery Notes" and of the issue vouchers, one copy each being meant for the ultimate consignee. In addition the ultimate consignee is to receive 2 copies of issue vouchers (to be receipted and returned to India), and one of "Shipping Advice and Delivery Note". The financial adviser of the force overseas is also sent a copy of the issue vouchers by the Controller of Military Accounts in India. It was expected that all these arrangements would enable the consignees to post their Accounts properly and issue receipted copies of vouchers to India. The Financial Advisers were also supplied the necessary documents to enable them to check up the Ledgers.

3. It was noticed, however, that receipted copies of vouchers were not being received in India in a majority of cases. This was accordingly mentioned in paragraph 36 of the Audit Report 1942.

4. It has since transpired from the report of the officer sent to audit certain overseas formations that the linking of stores issued from various depots in India with the receipt entries in the ledgers of the consignee depots in that area has not been carried out. It was explained that the stores issued from the holding establishments in India pass through various intermediate organisations namely the transit depots at ports of embarkation, the embarkation commandants, the ships, the docks authorities at the ports of disembarkation, and the carrying agencies from the docks overseas to the consignees. Sometimes the stores detailed in the original issue vouchers are "shut out" at the time of shipment for want of shipping space. There is also no guarantee that a consignment will in fact reach the consignee originally indicated on the issue vouchers, as operational or other requirements may cause the stores to be discharged at intermediate ports, or be transported to new destinations. The issue vouchers are not only not received by the consignee depots along with the consignment, but in quite a number of cases not received at all. In other cases, they are too late to be of much use in establishing the identity of the consignment already received. The volume of transactions handled by the depots and the inadequacy of the staff to cope with the work were also put forward as additional reasons.

5. As no linking has been carried out in the past, it is difficult to say that the stores sent from India have in fact been finally brought to account overseas.

6. The internal check authorities overseas have been trying to solve the problem and in close consultation with them a possible method of linking has been suggested. The main idea is to exploit the "Shipping Advice and Delivery Note". The existing instructions provide for the despatch of two copies of "Shipping Advice and Delivery Note" to Movement Control and one copy to the ultimate consignee. The docks authorities are to tally the cargo actually discharged with reference to the "Advice and Delivery Note", to fill in the "landed" and the "despatched" columns stating any deficiencies, and to forward one copy of the completed Note to the consignee to enable the latter to link up with his copy. When a consignment received on an "Advice and Delivery Note" is not despatched in full to the consignee after it has been landed, the subsequent despatches on the "Convoy Notes" are to be prominently linked with the original "Advice and Delivery Note" from which these subsequent despatches were "shut out" in the first instance.

7. The ports and the depot authorities (except the Base Ordnance Depot who, though agreeing in principle, wished to be left out for the present for reasons of lack of staff) have agreed to give the above system a fair trial provided they are furnished in duplicate in all cases complete sets of shipping documents as already provided for in the existing instructions.

8. To ensure this being done from India further instructions have been issued by the Quartermaster General in India under which documents of each overseas consignee are to be placed in a separate envelope and a special schedule of documents in each envelope is to be prepared and handed over in duplicate to the Master-in-Charge of the vessel.

9. As the audit of the overseas formations in the area is no longer the responsibility of the Auditor-General of India a copy of the audit report describing in detail the position referred to in paragraphs 4 to 70 above has also been forwarded to His Majesty's Audit Officer overseas who is likely to be connected with this audit in future. The action taken mentioned in paragraph 8, has also been intimated to him.