



Report of the
Public Accounts Committee
on the
Accounts of 1942-43

PUBLISHED BY THE MANAGER OF PUBLICATIONS, DELHI
PRINTED BY THE MANAGER, GOVERNMENT OF INDIA PRESS, NEW DELHI
1944

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE, 1944

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

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

	Original grant or appropriation	Final grant or appropri- ation	Actual expendi- ture
(IN LAKHS OF RUPEES)			
Expenditure charged to revenue (Voted)	33,77	40,76	39,64
Expenditure charged to Capital (Voted)	47	89	85
	34,24	41,65	40,49
Disbursement of Loans and Advances (Voted)	3,14	10,28	9,85
	37,38	51,93	50,34
Total (Voted)	37,38	51,93	50,34
Expenditure charged to revenue (Non-voted)	1,67,83	2,48,42	2,68,00
Expenditure charged to Capital (Non-voted)	..	35,10	53,68
	1,67,83	2,83,52	3,21,68
Disbursements of Loans and Advances (Non-voted)	7	7	6
	1,67,90	2,83,59	3,21,74
Total (Non-voted)	1,67,90	2,83,59	3,21,74
Total expenditure charged to revenue	2,01,60	2,89,18	3,07,64
Total expenditure charged to Capital	47	35,99	54,53
Total disbursement of Loans and Advances	3,21*	10,35	9,91
	2,05,28	3,35,52	3,72,08
Grand Total	2,05,28	3,35,52	3,72,08

There was thus a total excess of Rs. 36,56 lakhs or 10.89 per cent. over the final grant.

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

	1938-39	1939-40	1940-41	1941-42	1942-43
Expenditure charged to revenue	–1.32	+6.64	+3.18	+ .42	+6.38
Expenditure charged to Capital	–11.59	–58.69	–6.96	–67.50	+51.51
Disbursement of loans and advances	–11.49	–3.10	–7.85	–9.96	–4.25
Combined percentage	–1.74	+6.22	+2.51	–.13	+10.89

The most striking feature of these results is the very large excess of actuals over both budget provision and the final grant or appropriation. The excess over the budget provision which amounts to Rs. 167 crores is the highest ever recorded and the percentage of the excess of actuals over the final provision is the highest at least for the last five years. The Defence Services are responsible for Rs. 134 crores out of the excess over the budget of Rs. 167 crores and the remainder is explained by the impact of the war conditions of 1942-43 on Indian economy. The excess over the final provision is again on the Defence side there having been savings on the Civil side which somewhat reduced the final percentage variation.

2. 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	3—Taxes on Income including Corporation Tax.	87,79,000	87,93,694	14,694
2	16—Civil Defence Department	4,34,000	4,63,995	29,995
3	18—Legislative Department	5,82,000	5,84,217	2,217
4	20—Department of Indians Overseas	1,87,000	1,89,925	2,925
5	21—Finance Department	6,27,000	6,58,723	31,723
6	29A—Jails and Convict Settlements	2,20,000	2,23,229	3,229
7	32—Lighthouses and Lightships	8,28,000	8,44,963	16,963
8	34—Botanical Survey	57,000	61,672	4,672
9	39—Meteorology	24,50,000	24,57,544	7,544
10	43—Public Health.	12,58,000	12,98,870	40,870
11	48—Civil Veterinary Services	9,43,000	9,54,081	11,081
12	50—Scientific and Industrial Research	14,35,000	15,83,970	1,48,970
13	57—Census	6,000	6,626	626
14	60—Currency.	67,40,000	68,40,945	1,00,945
15	72—Panth-Piploda.	13,000	14,013	1,013
16	80—Interest-free advances	2,98,72,000	3,02,81,830	4,09,830
17	10—Indian Posts and Telegraphs Department.	12,75,86,000	13,96,85,282	1,20,99,282
18	74—Capital Outlay on Indian Posts and Telegraphs Department (outside the Revenue Account).	20,89,000	21,08,869	19,869
19	75—Stores and Workshop Expenditure (outside the Revenue Account).	28,35,000	55,09,046	26,74,046

The reasons for these excesses are briefly explained below:—

Item 1.—The creation of an extra bench of the Income-tax Appellate Tribunal provision for which was not made due to a misunderstanding and the decision to treat certain expenditure as voted having been arrived at only at the end of the year.

Item 2.—The creation of additional posts, more touring, reception of fire officers coming from the United Kingdom, etc., etc.

Item 3.—Unanticipated debits on account of joining time and pay and leave salary of two officers.

Item 4.—Payment of Simla allowances and grant to dearness allowance and travelling allowance to the Members of the Standing Emigration Committee and Haj Committee.

Item 5.—The appointment of a voted officer in place of a non-voted one, the creation of an extra post, the grant of dearness allowance, etc.

Item 6.—Certain book adjustments having been made.

Item 7.—A smaller issue of stores consequent on the Rangoon Lighthouse ceasing to function after January 1942.

Item 8.—Erroneous adjustment under this Grant of certain expenditure properly debitable under Grant No. 43.

Item 9.—Non-recovery of certain expenditure from the Defence Services.

Item 10.—Non-recovery of expenditure on the scheme for the manufacture of liquid blood serum for the Defence Services.

Item 11.—Abnormal rise in the prices of grains, fodder, etc., and grant of dearness allowance, etc.

Item 12.—Non-recovery of expenditure on the Board of Scientific and Industrial Research from the Council of Scientific and Industrial Research for want of information regarding the exact amount payable by the latter.

Item 13.—The excess is petty.

Item 14.—Heavy expenditure on purchase of stores in India, increased demand for one rupee notes and certain credits assumed in the estimates having proved subsequently allocable to a different head.

Item 15.—The grant of dearness allowance, belated adjustment of the cost of police uniforms and special grant for the purchase of quinine, etc.

Item 16.—Larger receipt of copper in March and more uncurrent coins being returned to the Mints than anticipated.

Item 17.—Special lump sum contribution to the Renewal Reserve Fund decided to be made after the close of the year, larger expenditure on pay of officers and pay of establishment mainly due to the creation of additional posts and more payments on account of allowances, etc.

Item 18.—The execution of certain Telegraph and Telephone works under the Tele-communications Development Scheme.

Item 19.—Certain accounts adjustments made after the close of the year.

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

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

4. Accuracy of budgeting and control over expenditure.—We have had occasion in previous reports to comment on the remarkable manner in which the financial organisation has met the everchanging and never predictable demands that the varying fortunes of war have made upon it. We are not however surprised that the results of the year under review which, as far as India is concerned, was perhaps the most critical of the war, should show some falling off from the comparatively high standards which it has been possible so far to maintain. Leaving aside for the moment the Defence Service Estimates, which have been dealt with elsewhere, we observe that even on the Civil side the application of the normal tests for determining accuracy of budgeting and control yield results which do not compare altogether favourably with those of the earlier years. The number of supplementary grants and the amounts involved are both very much higher than they have ever been in previous years. The number of excesses over final grants as well as over non-voted Appropriations has increased. The percentage of the total voted amounts surrendered to actual savings in all the voted grants (though it has gone up slightly as far as Revenue and Capital expenditure are concerned) has dropped sharply in the case of Loans and Advances. Further, while the percentages which the final unsurrendered savings bear to the total grant indicate a gradual improvement under Loans and Advances, there has been a slight but progressive deterioration under Revenue and Capital expenditure. There has also been an increase in the number of cases in which supplementary grants obtained from the Legislature were eventually found to be unnecessary, there being three cases in 1942-43 against one in 1941-42. Bearing in mind, however, that the circumstances of the year under review were exceptional, that the enemy was knocking at the gates, that what really mattered was quickness of decision and rapidity of execution and that such matters as accuracy of budgeting and control over expenditure against appropriation assumed necessarily roles of secondary importance, we cannot but hold that budgeting and control have been on the whole satisfactory.

5. Supplementary grants.—Excluding the Posts and Telegraphs (which are themselves responsible for supplementary grants of over a crore of rupees), the number of supplementary demands voted by the Legislature during the year under review was 46 for a total sum of Rs. 13,23,95,000 this figure representing no less than 52.05 per cent. of the original voted grant. The corresponding figures for 1941-42 are 29 supplementary demands for Rs. 2,63,88,000, the percentage to the original grant being 13.73. It was explained to us that the large increase in the number of supplementary demands and in the amount involved reflected an increase in the tempo. of the War. Numerous measures

(involving large sums of money) which could not possibly have been foreseen at the time of framing the budget but the execution of which was essential for the war effort had to be sanctioned during the course of the year without consideration of whether there was or was not provision for them in the budget. We appreciate fully that conditions since the war began have been abnormal and during the year under review they were much more so than at any previous time. We recognise also that essential war measures could not and cannot possibly be held up for want of budget provision, but we would, nevertheless, sound a note of warning against the danger of the continuance of a tendency to take the approval of the Legislature for granted which might possibly outlive the urgency of the times which gave birth to it. What we desire is not that any really urgent measure should be held up for fear of infringing what may be regarded as the fundamental principles of financial control, but that Government Departments should not be allowed to use the pretext of the War for obtaining sanction in the middle of the year to expenditure which is not really urgent and which can very well wait for inclusion, in the normal course, in the budget when it can be discussed by the Assembly. On general principle we view with disfavour the presentation of large supplementary demands because this amounts almost to the Assembly being forced to endorse, *ex-post facto*, decisions already taken, and to sanction expenditure already incurred, by the Executive without consultation with them. We trust that it will be possible in future, now that the War has assumed a better and possibly a less urgent phase, for Departments to ensure that their budgets are so framed as to include within them all the foreseeable requirements of a financial year, and so to order their expenditure as to keep it within the limits of the provision made in the budget.

6. *Works*.—One particular instance of the failure of Departments to plan ahead is furnished by the Civil Works' budget for major works where the actual expenditure incurred was Rs. 1,57 lakhs against a budget provision of Rs. 53 lakhs only. The explanation is, of course, that a very large number of works had to be executed owing to the conditions brought about by the War which it was not possible to foresee and for which it was not possible to make provision in the budget. We are prepared to accept this explanation as adequate having regard to the altogether exceptional conditions of the year 1942-43 but, as the times have now changed for the better, we consider that it should be possible in future without detriment to the War effort to plan out well ahead and to follow a definite building programme. Such planning will not only meet the requirements of budgetary control but is also likely to save the taxpayer's money.

7. *Changes in Accounting*.—We note with interest the departure from tradition which the opening of the Appropriation "Capital outlay on schemes connected with the War" has brought into prominence. We understand that since the beginning of the War Government have embarked upon a number of activities in the nature of State trading in which large sums of money are expended on purchase and then recovered by sale. Following tradition and the practice which was followed in the last war the debits and credits on this account would have been taken to Suspense. Instead, these transactions are now accounted for within the capital accounts. The procedure of financing these activities through a Suspense head has the disadvantage of enabling the Executive to continue over a series of years to spend large sums of public money without so much as bringing the matter to the notice of the Legislature or the Committee on Public Accounts. These bodies learn of it only when the activity has ceased, a loss has been incurred and a vote has to be taken for debit to revenue. They might never learn of it at all if the activity has resulted in a profit. In any case that stage is obviously too late for the Legislature or the Committee to offer criticism of any kind and they have virtually no alternative but to vote the money which has already been spent. Such a procedure is contrary to the fundamental tenets of constitutional practice and we are, therefore, pleased to see that the Auditor General's suggestions have

been accepted and that it has been found possible so to account for these State trading activities as to bring them at least to the notice of the Legislature through their appearance in the Appropriation Accounts. We are aware that the particular Appropriation referred to is non-voted because it relates to Defence and the Legislature cannot refuse supplies if it is so minded; but it is valuable that it should be in a position to know on what public money is being spent and to offer, if it so wishes, its criticism and advice. We heartily endorse the principle behind the decision and we trust that in future all such schemes, whether connected with the War or not, will be accounted for in the manner described.

We should like, however, one modification in the form in which these accounts are exhibited in the Appropriation Accounts. At present all the information we can get is the amount spent and recoveries made in any particular year. This does not give us a clear and connected picture of the manner in which each individual scheme is being worked and we would, therefore, suggest that a running account up to date of the debits and credits separately under every head should be appended to the Appropriation Accounts of this Appropriation.

8. *Suspense Balances.*—We would also, in this connection, put in a word against the danger of allowing suspense balances to grow unwieldy. There is an understandable tendency for over-worked financial and accounts officers working under pressure of war-time conditions to permit the debiting to suspense of expenditure which for one reason or another presents difficulties in accounting. We are told that after the last war it took no less than ten years to clear up the suspense balances; and we are informed that even now there are considerable sums of money standing to the debit of suspense. This is so because it has so far not been possible satisfactorily to separate and allocate the individual items of which they are composed to the various Governments or service heads to which they are debitable. We hope that it will be possible at an early date to clear these debits but we would, nevertheless, warn all financial and accounts officers that the danger of a growth in suspense balances is one which should be jealously guarded against.

9. *Expenditure on Evacuees.*—One item on account of which substantial amounts are outstanding under suspense is the expenditure on evacuees and refugees from war zones. This expenditure has been incurred by the Government of India on behalf of itself and a number of other authorities, i.e., the Indian States, the Government of Burma and His Majesty's Government, the basis of allocation being the source of origin of the refugees. We understand that there is now some difficulty with regard to the acceptance of their share of the expenditure by His Majesty's Government who are insisting on a much higher standard of accounts and audit than is possible in the circumstances. The conditions in which this money was disbursed were such that it was not possible either to keep a meticulous account of the payments made or to keep such detailed particulars as to the source and origin of each payee as to render the question of allocation answerable without ambiguity. We trust, however, that when they are in full possession of all the facts of the situation it will be found possible to persuade them to take a more realistic view of the matter.

10. *Unsatisfactory Accounts.*—There are two substantial items of expenditure with the state of the accounts of which we are far from satisfied. The first relates to the grants made to Provinces for expenditure on War Publicity with regard to which Audit has been having the greatest difficulty in getting its requirements satisfied. We are concerned that the accounts of so large an item of expenditure are on so unsatisfactory a basis and we have asked the Auditor General to report to us on the arrangements he has found it possible to make with regard to the proper accounting and audit of this expenditure. We trust that the adoption of the scheme for the improvement of these accounts, which we are told is now under consideration, will not be long delayed.

11. It is, however, the expenditure in Bengal on the Denial policy and other similar measures which has caused us the greatest misgiving. We

understand that there has been great difficulty in getting any kind of accounts at all for this expenditure and such as have been produced do not satisfy the standards of Audit. We realise that the conditions under which this work was done were of the utmost urgency and abnormality. We also recognise that some confusion was only to be expected in the circumstances and we are willing to make all allowances for it. But we do not see any excuse whatever for such neglect of elementary financial precautions as we are told prevailed in this matter in Bengal and which is one of the causes for it now being difficult for any adequate accounts to be produced. All that we desire at present is that the Auditor General should investigate fully into the facts of the situation and present to us a report with regard to the entire Central expenditure in Bengal which is now held in suspense. At the same time, however, we feel it our duty to place on record our view that if this further investigation reveals that the control of the Bengal Government was, through negligence, so lax as to give rise to serious doubts as to whether the money was actually spent on the purposes for which it was meant, we shall hold ourselves at liberty to recommend that the Central Government should not accept debits which do not satisfy the reasonable demands of Audit.

12. *Audit.*—We took note last year of the difficulties under which the Auditor General had been working consequent upon the great increase in his work and the concurrent depletion of his staff. We were hoping that as the new recruits to the Accounts offices learnt their work it would become possible to restore in some measure the standards of Audit which had had perforce to be lowered. We are sorry to learn however that, far from any improvement in this direction, there has been a further deterioration; the reasons being a still further increase in work, due in particular to an increase of Governmental activities in relation to food and civil supplies, and the Auditor General having to loan an even higher proportion of his trained personnel to other offices than was the case before. Yet another difficulty, we are told, is that there is a drift away from Accounts offices to offices which are in a position to offer better terms and that even the efficiency of that staff which remains in the former has been affected by the economic difficulties of the time. Though we fully appreciate that a general lowering of the standards of administration is one of the inevitable evils of the War and that it cannot altogether be remedied, we are concerned at this further deterioration in work which this Committee must necessarily regard as important. We are glad to note that Government has recently taken measures prescribing uniform scales of pay for temporary staff in Government offices and that arrangements have also been made for a unified method of recruitment. These measures, we trust, will go a long way towards stopping the drift away from the Accounts offices and will, we hope, relieve to some extent the economic difficulties of the lower-paid staff. We do not, of course, desire any position of special privilege to be given to the Auditor General's staff for we realize fully that those working in Accounts offices cannot, without the gravest embarrassment to Government, be treated in any more liberal manner than the remaining body of Government servants. We nevertheless hope that if the reforms now introduced leave unremedied any difficulties peculiar to the Audit Department Government will take such remedial measures as it can within the limitations within which it must necessarily act.

13. *Report of the Military Accounts Committee.*—We append the Report submitted by the Military Accounts Committee constituted to conduct the preliminary examination of the Defence Appropriation Accounts and connected documents and desire, as usual, that the Report and Proceedings of the Committee should be treated as part of our Report. This report has in recent years assumed an importance far beyond that which it formerly possessed for not only is the magnitude of Defence expenditure now considerably larger than the entire civil budget but this expenditure is incurred in India and also on behalf of His Majesty's Government. We would, therefore, draw particular attention to the recommendations and suggestions contained in that Report.

PART II.—RAILWAYS.

14. *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)		Actuals
	Budget	Revised	
Traffic receipts (less refunds)	1,30,27	1,49,25	1,55,48
Miscellaneous receipts	2,97	3,27	3,43
Working expenses (including depreciation)	75,53	86,52	84,26
Miscellaneous expenditure	1,41	1,56	1,54
Interest charges	28,35	28,16	28,04
Surplus (+) or deficit (—)	+27,95	+36,28	+45,07
Contribution to General Revenues	20,13	20,13	20,13

Out of the net surplus of Rs. 45,07 lakhs, Rs. 20,13 lakhs were paid to general revenues, Rs. 16,08 lakhs into the depreciation reserve fund and the balance of Rs. 8,86 lakhs was transferred to the railway reserve fund. The contribution to the general revenues was made up of Rs. 12,63 lakhs being the arrears of contribution for the period from 1931-32 to 1938-39, covered by the moratorium, Rs. 5,14 lakhs as the year's contribution, and an extra payment of Rs. 2,35 lakhs in accordance with the resolution adopted by the Legislative Assembly in March 1943. Apart from the payment of Rs. 16,08 lakhs from the year's surplus, the depreciation reserve fund received a credit of Rs. 6,30 lakhs by transfer from the railway reserve fund, closing the year with a balance of Rs. 82,08 lakhs. The closing balance for the year in the railway reserve fund stood at Rs. 9,35 lakhs.

With the payments made during the year all the outstanding liabilities to general revenues for arrear contribution, and to the depreciation fund for loans taken in the past to meet deficits, were fully cleared.

15. *Excesses over voted grants.*—There were excesses in seven voted grants, as compared to five during the previous year.

Grant	Final Grant	Actual Expenditure	Excess
(1) 3—Revenue—Miscellaneous Expenditure.	11,75,000	12,25,625	50,625
(2) 5—Revenue Payments to Indian States and Companies.	3,62,00,000	3,63,75,244	1,75,244
(3) 6E—Revenue—Working Expenses—Expenses of Traffic Department	12,26,54,000	12,43,25,911	16,71,911
(4) 6F—Revenue—Working Expenses—Expenses of General Departments.	4,78,58,000	4,80,32,880	1,74,880
(5) 8—Revenue—Interest Charges	2,45,000	2,47,958	2,958
(6) 9A—Revenue—Payment to Depreciation Reserve Fund.	16,08,18,000	16,08,18,305	305
(7) 10—Revenue—Appropriation to Reserve.	7,33,000	8,85,86,385	8,78,53,385

Brief explanations of the excesses are given below:—

(1) Write back of the cost of land of the Broach Jambusar Railway on its sale to the Baroda Government from capital (grant 12) to this grant, the decision in regard to which was reached after the final grant.

(2) Increase in net earnings of worked lines owing to improvement in traffic.

(3) Payment of more dearness allowance and adjustment, on the Bengal and North Western Railway in the accounts for December 1942, of the estimated amount of compensation claims for goods lost or damaged arising out of the political disturbances, outstanding on 31st December 1942, in view of the termination of the Company's contract.

(4) Increased cost of additional police employed for the protection of railway property.

(5) The adjustment of additional charges on account of redemption of India stocks in England.

(6) The excess is negligible.

(7) Increase in the railway share of surplus owing to greater improvement in earnings and decrease in working expenses than anticipated at the time of supplementary grant.

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

16. *Accuracy of Budgeting and Control over expenditure.*—The accounts of the year show a net saving of Rs. 2,47 lakhs or 2.12 per cent. under Revenue expenditure (exclusive of withdrawals from the Depreciation Reserve and Railway Reserve Funds and the repayments to the former or the appropriations to the latter fund). Under expenditure charged to Capital and the Depreciation Reserve Fund, there was a saving of Rs. 9,59 lakhs or 24.63 per cent. These compare as follows with the results achieved in the four preceding years.

Year	Final Grant & Appropriation	Saving(—) or Excess (+)	Percentage of column 3 to column 2
1	2	3	4

(In lakhs of rupees)

Expenditure charged to Revenue (exclusive of withdrawals from the Depreciation Reserve and the Railway Reserve Funds and the repayments to the former or the appropriations to the latter Fund).

1938-39	99,64	+10	0.10
1939-40	1,00,52	—40	0.40
1940-41	1,02,37	—1,23	1.20
1941-42	1,09,82	—20	0.18
1942-43	1,16,31	—2,47	2.12

Expenditure charged to Capital and the Depreciation Reserve Fund

1938-39	13.50	+2	0.18
1939-40	11,30	—29	2.57
1940-41	11,24	—1,74	15.48
1941-42	15,54	—9,35	60.17
1942-43	38,93	—9,59	24.63

The position regarding Revenue expenditure shows some deterioration over the previous years. The variation in respect of expenditure charged to Capital and the Depreciation Reserve Fund, is less than that of the previous year but still high. One supplementary grant proved unnecessary against none in the last two years and in this respect also there has been some deterioration. Generally speaking, however, and having regard to conditions during the year, the general standard of budgeting and control remained satisfactory.

17. *Supplementary Grants.*—The Railway accounts make no better showing than the civil accounts in respect of the number of supplementary demands presented to the Legislative Assembly or in the amounts involved. As against seven supplementary grants aggregating Rs. 12,70,77,000 during 1941-42 there were no less than 15 supplementary demands aggregating Rs. 25,86,36,000 in 1942-43. The reasons for these are similar to those for the civil demands and though we accept them as adequate we desire to repeat here the note of warning we have sounded in Part I of our Report. We trust that now that the uncertainties of the War are diminishing it will be possible to work more closely to a prearranged programme than it has been hitherto.

18. *Stores Policy.*—We observe that the stores balances of the Railways stood at the end of the year under report at a level almost 50 per cent. higher than they stood at the beginning of the War. There have been similar increases in the stores of certain civil departments also as well as in those of the Posts and Telegraphs. These stocks have been built up in accordance with deliberate policy which we have had occasion in the comparatively recent past to endorse. The object was, of course, to ensure that any expansion required for the War effort would not be hindered by shortages of supply caused either by the interruption of communications or by other reasons. We have not had the time to examine whether the stocks now held are too high in relation to the demands that are likely to be placed in the near future on the Railways or other services. What we wish to point out, however, is that the assumptions on which the

policy of increasing stocks was based are not now as valid as they were some time ago. The War, let us hope, has run most of its course and it is more than likely that in the post-war period it will be possible to obtain stocks not only at a lower monetary but at lower real cost. While, therefore, making no definite recommendation that the stores policy of Government should be reversed we would suggest that Departments should review their stock position in the light of what we have said and reduce stocks if they find them excessive. Clearly no general reduction is possible since stocks of certain classes of stores may, today, be well below the average quantum held in the six pre-war years; but—particularly in the case of stores manufactured in India—a policy of holding lower stocks would not merely set free a part of the manufacturing capacity of the country for the production of goods for civilian consumption but would help to relieve the situation in other ways also.

19. *Works expenditure.*—We notice that in spite of a 20 per cent. lump sum cut made under Grant No. 12 "Open Line Works" there has been a saving in the works programme (if recoveries are omitted from consideration) of about 35 per cent. of the provision made. Though we are of the opinion that with the return of more stable conditions it should be possible to budget more accurately for works expenditure, we do not desire, as the war still continues, to make any alteration in the recommendation we made last year that the Railway Department should be allowed to determine with reference to past experience and the conditions prevailing at the time the budget is prepared what the extent of the lump sum cut should be.

In examining works expenditure we have come across one case—that of the Dufferin Bridge—in which certain expenditure incurred as long ago as 1941 is still under objection on the ground that, though payment to the contractors has been made, no agreement for the execution of the work has yet been completed. We have asked for a report on the facts of this particular case from the Railway Department, but we desire forthwith to emphasise the general principle, which we see that the Military Accounts Committee have already done in relation to Military works expenditure, that save in the most exceptional circumstances, no work of any kind should be commenced without the prior execution of contract documents. Such a course makes the liability of Government wholly indeterminate and places it entirely at the mercy of the contractors. If, nevertheless, it should in any case become necessary to follow this exceptional course the prior concurrence of the financial authorities must be obtained before the work is started no matter how urgent the execution of the work may be.

20. *Financial Irregularities.*—We reviewed 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 but a review of the action taken against delinquent servants of the Railway Department has somewhat strengthened the impression we recorded in our Report on the accounts of 1940-41 that the punishments inflicted are apt to be lenient even when charges of a grave nature are proved. It is difficult enough often to detect mal-practices; it is very much more difficult to prove, to the satisfaction of all the Departmental rules, the responsibility for them against any particular Government servant. When this has successfully been done there is no reason why a punishment fitting the crime should not be awarded.

21. We understand that this is the last occasion on which Sir Cameron Badenoch, Auditor General of India, will be with us to help us in our examination of the Accounts. He has been closely associated with this Committee in various capacities for a very considerable length of time; for the last five sessions he has been in attendance as Auditor General. His unrivalled knowledge of the accounts and his great experience, which he has placed unreservedly at our disposal, have been of the utmost value to us in the performance of our work. We desire to place on record our deep sense of indebtedness to him not only for the invaluable help he has given us throughout but for the unfailing courtesy with which it was given.

22. We also desire to record our appreciation of the valuable assistance rendered to us by the Secretary.

1 C. E. JONES.
 2 R. D. DALAL.
 3 RAZA ALI.
 4 MOHD. AZHAR ALI.
 5 ISMAIEL ALI KHAN.
 6 A. M. A. GHANI.
 7 FAZLI HAQUE PIRACHA.
 8 T. CHAPMAN-MORTIMER.
 9 HABIBUR RAHAMAN.
 10 L. K. MAITRA.
 11 H. M. ABDULLAH.

The 30th August, 1944.

B. K. NEHRU, Secretary.

REPORT OF THE MILITARY ACCOUNTS COMMITTEE ON THE ACCOUNTS FOR 1942-43.

We are appointed, in pursuance of the recommendations made in paragraph 31 of the Report of the Public Accounts Committee on the Accounts for 1929-30, to make a preliminary examination of the Appropriation Accounts of the Defence Services and connected documents. We have been assisted in this work by the Auditor-General, the War Secretary, the Engineer-in-Chief, the Deputy Master-General of the Ordnance, the Deputy Quartermaster General, the Joint Secretary of the Supply Department, the Financial Advisers, Military and Supply Finance, the Military Accountant-General and the Director of Audit, Defence Services. The results of our examination are, as usual, embodied in the Proceedings of our meetings which we desire to be treated as part of our Report. The following paragraphs deal only with some of the more important points discussed therein.

2. As has been the practice since the beginning of the War the Audit Report covered the results of test audit of all expenditure on the Defence Services initially brought to account in Indian books, including expenditure finally debitable to His Majesty's Government, without attempting to distinguish between transactions wholly or partly affecting one Government or the other. There has been no change in the year under review in the principles of the Financial Settlement governing the division of charges between India and England though the actual methods of allocation have in a few instances been revised owing to changed conditions. These modifications, which we have examined with special care, relate to the cost of stationary hospitals in India, to deferred pay to Indian troops and to the post-war credit to British soldiers authorized under War Office regulations. They are not of great importance in themselves and we are, moreover, satisfied not only that they are in complete accord with the principles of the Financial Settlement but that they necessarily follow therefrom.

3. We note also that during the course of the year two sets of payments which had no counterpart in the accounts of previous years have been made to His Majesty's Government. The first relates to the Indian share of the capital outlay involved in carrying out the Chatfield Modernisation Plan which was paid, wisely in our opinion, in a lump sum during the course of the year instead of being spread over a period of five years, while the second is on account of the offer made by the Government of India to His Majesty's Government that India should acquire full ownership of all industrial assets created in this country at their expense on payment of half the cost. To this offer no reply has yet been received but we endorse the payment in the expectation that it will be accepted.

4. The year 1942-43 witnessed in India the emergence of problems of Defence—technical, administrative and financial—which in volume, complexity and urgency had never been equalled in the history of the country. The

victorious armies of Japan were by the beginning of the year at the very gates of India. To meet this threat arms and ammunition, troops and stores were poured into this country on an unprecedented scale and defence works had to be constructed at a speed and of a magnitude which till then might well have been thought incapable of achievement; while trained personnel—Accountants and Engineers—and building material and labour were all in short supply. It is against this background and keeping in mind prominently the fact that the financial irregularities described in the Audit Report represent but a small fraction of the vast number of financial transactions of the year that we have examined the Accounts. In the absence of this perspective the Audit Report is apt to give an unduly sombre view of the picture; and though we observe with regret that the administrative storekeeping and accounting machine creaked badly in places, we have come to the conclusion that the year's working, having regard to the conditions that prevailed, cannot be regarded as altogether unsatisfactory. We are also glad to be told that the accounts of the year under review reflect—as we were warned last year to expect—the lowest ebb to which efficiency had fallen and that there has been steady, heartening and continuous improvement since the end of that year.

5. *Works*.—The total expenditure on works during the year was no less than Rs. 93 crores which may be regarded as representing the maximum engineering capacity of the country at the present time. Of this by far the largest share was spent on airfield construction, which was a matter of the highest operational urgency. We endorse fully the action taken at the time, namely, a far-reaching relaxation of the normal works procedure with an almost complete decentralization of financial and administrative authority, as we are convinced that no other method could possibly have enabled the completion of the works within the time they were required. But we are informed that these relaxations were ordered without any consultation with the Auditor General who was, in fact, not aware of the magnitude of the construction programme till a fairly late stage. Such action was not only of doubtful constitutional propriety, for some of the orders which were relaxed could not have been amended without the consent of the Auditor General, but also led to friction, delays and difficulties with the Audit authorities who had received no instructions as to the course to follow: earlier consultation would also have led to a more speedy mobilization of trained accounting personnel in aid of this emergency effort. We are not only of the opinion that the Auditor General should have been consulted prior to the issue of the relaxation orders but desire to place on record our view that in matters of this kind his consent and advice should invariably be taken before arriving at any final decision. The Indian system of Audit and Accounts is one admirably designed for pre-consultation and the desirability of taking advantage of it whenever opportunity offers should not be overlooked.

6. We discussed again the matter of non-competitive contracts which have often engaged our attention in the past. We are glad to see that the system of placing contracts on a "zone" rate, which was introduced as an experimental measure in two Commands, has been abandoned. The system is open to even more abuse than negotiated and single tender contracts and we trust it will never be used again. We regret, however, that some cases were brought to our notice in which orders designed to exercise a check over non-competitive contracts were disregarded either through misunderstanding or negligence, or possibly, even deliberately in the hope that such disobedience would be condoned. We desire to emphasise that it is imperative in the interests of the tax-payer that General Headquarters should tighten its control over subordinate authorities and that it should bring home to them the seriousness of disregarding orders by taking disciplinary action wherever such action may be necessary.

7. We have also noticed a tendency for the commencement of works without the completion of contract documents. This has the obvious disadvantage of making the liability of Government wholly indeterminate and leaving

it almost completely at the mercy of the contractor. Though we recognise that circumstances may arise which may make it necessary for works to be commenced before contracts are completed, we are of the view that the order to commence the work in such circumstances is properly a financial and not an engineering responsibility and no such order should be given without the prior concurrence of the financial authorities no matter if the work is operational and urgent. We suggest that orders be issued bringing this to the notice of all concerned.

8. *Stores.*—Our review last year of the ills of the stores organisation revealed it to be in a parlous state. We were then warned that conditions in 1942-43, were even worse than in the previous year. This fear was well-founded and the whole system of stores accounting appears to have fallen, for reasons which we cannot but appreciate and which are not peculiar to India, to a disturbingly low level of efficiency. There is no means of ascertaining, therefore the amount of losses of stores which, as in the previous year, are reported to be great. In the circumstances the only possible course to follow was to wipe out all past transactions and start on a clean slate. That course has been followed and instructions, of which we approve, have been issued in respect of Ordnance Depots and Arsenal ordering the cessation of all investigations into discrepancies (with the exception of those suspected to be caused by fire, theft or fraud) prior to the first date of stock-taking in 1943 or in certain cases 1944, the ground balances revealed at this stock-taking being taken as the starting point for future transactions. We were informed, however, that there was a danger that Stores Depots would seek extensions of the periods within which stock-taking has to be completed on the plea that previous stock-takings were unreliable. The effect of this would be to increase the number of audit objections which would be waived—an undesirable result which obviously should be avoided. The staff position at these depots, though not yet what it should be, has improved very considerably and we do not consider that there is now any adequate justification for delaying stock-taking or for the stock-taking when done not to be completely reliable. We understand that dates have now been fixed for each depot by which stock-taking must be done and we suggest that the Finance Department should refuse, except on the strongest possible justification, all applications for further extension of time and that if any application is to be granted, this should be done after investigation by a touring team and not without prior consultation with the Military Accountant General and Audit.

9. We have come across certain cases in the Audit Report the facts of which, as stated therein, lead *prima facie* to the conclusion that there has, in certain Stores Depots, been a deliberate falsification of the accounts. Whilst we could condone, in the conditions prevalent in the period under review, mistakes in accounting and even losses in stores we cannot possibly overlook any attempt at deliberately tampering with the accounts. We have asked for a full investigation to be made into the facts of those cases with a view to the taking of disciplinary action if found necessary, and to the issue of general orders aimed at the prevention of a repetition of such irregularities. We would like a report to be made to us not only with regard to these cases but reviewing as a whole the state of the stores organisation and the methods adopted for the better custody and accounting of stores.

10. We also came across a case in which Government had been put to considerable loss through local purchases of certain articles having been made at a price very much higher than would have been paid if the purchase had been made through the Supply Department. Our investigation of this case revealed that the hands of the officer who made the purchase had been tied by the orders of superior authority to the effect that those articles were to be purchased by a certain date without regard to the procedure followed in purchasing them. We understand that the general orders in force prohibiting the local purchase of stores are adequate in normal circumstances to prevent such extravagance as we have noticed in this case. We would, however stress

the fact that such purchases are open to abuse and are often productive of avoidable waste of public money and would suggest that the War Department should impress on all its higher subordinate authorities the importance of strictly following the instructions issued in this regard.

11. *Naval Accounts.*—We are pleased to see that the continuous attention we have paid to the accounts of the Royal Indian Navy has resulted in a marked improvement over previous years, in spite of the expansion of this Service and a shortage of staff in the Accountant Branch which it has not been possible as yet to rectify. We observe that the arrears of accounts relating to the year 1941-42 have been greatly reduced but notice that some later accounts continue in arrears, a state of affairs which we hope will be remedied. We trust also that the measures it has been found possible with the aid of the new Accountant Branch to undertake in the direction of the reorganisation of the Naval, victualling and clothing stores will have the desired effect.

12. We observe that the work with regard to the maintenance of individual ledger accounts of officers and personnel on the war system of accounting is falling into arrears. We regard the proper maintenance of these accounts as of great importance if very considerable difficulties and complications are to be avoided at the end of the war. We are satisfied that the administrative and financial authorities are alive to the importance of the problem and steps have already been taken to set right the position. We shall be interested to learn next year of the measure of success with which the efforts now being made have met.

13. *Supply Department.*—We read with considerable interest the memorandum furnished to us by the Supply Department on the measures taken by them to meet the demand for war supplies and note therefrom that the year under review was the peak year in the activities of this Department. We reviewed in detail the contracts placed by the Chief Engineer, Factories and are satisfied that though the large majority of them were non-competitive, the specialised nature of the work involved in the construction and equipment of factories and the expedition with which it had to be done prevented the adoption of the more orthodox method of open tenders. We examined also the details of a number of contracts entered into for the purchase of various war supplies and are satisfied that generally speaking the best arrangements possible in the circumstances of each particular case have been made. We were particularly careful to assure ourselves that wherever possible the results of cost investigation were utilised in the settlement of prices or the making of contracts and that only where special reasons existed were cost investigations not enforced. We are also satisfied that an efficient and, as far as possible, adequate cost accounts Department has been built up in the Supply Department.

14. We are pleased to see that it has been found possible at last and after much effort to put into force accounting arrangements for lease/lend stores which have for so long presented varied and almost insuperable difficulties. We have no comments to make on the actual orders issued except to express the hope that they will be able successfully to stand the test of practice. We shall be interested to be kept informed of developments in this field from time to time.

15. Our attention was drawn to a case in which an appreciable loss had been incurred by Government owing to an indenting Department having demanded that certain goods should be delivered by a date by which it could not possibly have completed its own arrangements for accepting delivery. We were informed that it was not unusual for indentors to give dates for their indents which were impracticably early. We desire to emphasise that the need for exercising realism in judging the time factor is no less great in this direction than in others to which we have referred in earlier years. To class demands as urgent when they are not really so may lead not only to a waste of public money through increasing the costs of production but also may cause dislocation of the war effort by holding up the

execution of orders which are urgent in reality. We suggest, therefore, that the greatest care should be exercised to see that unnecessarily early dates are not given for the completion of orders for goods.

16. We desire in conclusion to place on record our gratitude to the Auditor General for his invaluable help and guidance in our examination of the accounts.

C. E. JONES.
A. C. TURNER.
I. ALI KHAN.
A. M. A. GHANI.

The 25th August, 1944.

B. K. NEHRU, *Secretary.*

Proceedings of the first meeting of the Public Accounts Committee held on Monday, the 14th August 1944, at 10-30 a.m.

PRESENT

The Honourable Sir CYRIL JONES, K.C.I.E., C.S.I., I.C.S., Finance
Member. *Chairman*

Maulvi Mohammad ABDUL GHANI.

Mr. Mohamed AZHAR ALI.

Sir Syed RAZA ALI, C.B.E.

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

Mr. T. CHAPMAN MORTIMER.

Sir RATANJI DALAL, C.I.E.

Khan Bahadur Sheikh FAZL-I-HUQ PIRACHA.

Sir LEONARD WILSON, Chief Commissioner of Railways.

Mr. ZAHID HUSAIN, C.I.E., Financial Commissioner
of Railways.

Mr. D. COLIN CAMPBELL, Director of Railway
Accounts.

Mr. A. R. SOOFI, Director of Finance.

Sir CAMERON BADENOCH, K.C.I.E., C.S.I., I.C.S., Auditor General.

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

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

Railway Department.

Before the commencement of the proceedings, Sir Ratanji Dalal, on behalf of himself and the members of the Committee, congratulated Sir Cyril Jones on the conferment on him, in the last Birthday Honours list, of the title of K.C.I.E. and on his appointment as Acting Finance Member and welcomed him to the Committee in this new capacity. Sir Cyril Jones, in a suitable reply, thanked the Committee for their good wishes.

2. The Committee commenced its proceedings by an examination of the action taken on the outstanding items.

Item No. 1.—They had desired that the Railway Department should investigate and report what they considered to be the correct principle according to which collieries should charge for coal supplied by them, both to the railways owning them and to Foreign Railways. The Railway Department, in a memorandum (Appendix III), stated that, during the course of the year, it had been decided to transfer the State Railway Coal Department to the Supply Department. A system had for the present been adopted by which certain rates fixed by the Coal Commissioner would be charged for all coal supplied, whether by private collieries or State collieries, the profit earned being shown as profit of the collieries concerned. The question raised by the Public Accounts Committee would, therefore, not become a live issue till the collieries were returned to the Railway Department after the War. The Committee agreed that, in the circumstances, this item should remain outstanding till the termination of the War.

Items 2 and 3.—The Committee were informed that the Railway Department had taken note of the recommendations made by them which would be observed in future.

3. The Committee then proceeded to examine the Appropriation Accounts of the Railways in conjunction with the Audit Report and the Review prepared by the Chief Commissioner. A summary of the approximate financial results of the Indian State-owned Railways in 1943-44 (Appendix IV) was laid before them. They observed that the year under review had been a record year for the Railways but that the results of that year had again been surpassed by the figures of the subsequent year. They noted that the rise in the working expenses was due, among other things, to air raid precautions and it was stated in answer to a question that air raid precautions had been wound up over practically all the railways except the Bengal and Assam Railway and the coastal sections of certain other Railways. In these areas, it was necessary to continue these precautions as they were not out of range of enemy air attack.

4. In considering the figures of Miscellaneous Receipts, of which guarantees from Provincial Governments formed one source, the question was raised what the policy of the Department was going to be with regard to guarantees from Provincial Governments for railways they required in pursuance of post-war development plans. They were informed that it was the intention of the Railway Department to ask for guarantees for such railways wherever it was considered that the project would not be remunerative. The policy the Department had at present in mind was that they would be prepared to provide railway transport in any area where a development plan was in operation but that they would not lay down a railway in the hope that at some future time the area would get developed and provide sufficient traffic to make the railway remunerative. They did not consider that it would be sound to expend the resources available, which must in any case be limited, over projects of this kind. It was suggested that if Provincial Governments were asked to guarantee losses, it was only fair that they should be entitled to a share in profits. It was stated that apart from the fact that the opening up of the area by railways was by itself an advantage to Provincial Governments in that they increased the productive capacity of the area through which they passed and indirectly helped provincial revenues by enabling, for example, an increase in the land revenue to be made, it was already provided in some agreements made with Provincial Governments that profits beyond a certain percentage would be shared between them and the Railways.

5. In reviewing the working expenses of Railways, the Committee observed that, whereas almost every railway had been running at a profit, the Bengal and Assam Railway had consistently been running at a loss and that the amount of the loss was greater in the year under review than in the previous two years. It was explained that the two railways which had now been amalgamated into the Bengal and Assam Railway had never been remunerative partly because of competition from river transport. In the year under review the working expenses of the Bengal and Assam Railway had risen disproportionately for a variety of reasons, the chief being the grant to the staff of a bonus for working in the danger zone, the militarisation of the Railway and an increase in staff required to meet military traffic.

6. The Committee then went on to consider the Appropriation Accounts of individual grants.

Grant No. 6-D—Maintenance and working of Ferry Steamers and Harbours.

—A supplementary grant of Rs. 3.14 lakhs was obtained from the Assembly, but this proved wholly unnecessary, as the actual expenditure under this grant was less than the budget by about Rs. 3/4 lakhs. The lapse of the supplementary grant was mainly due to the non-receipt of the bill for repairs to additional steamers undertaken by the Bengal and Assam Railway and the cost of coal issued by certain sheds to the Ferry Services on that Railway not having been adjusted for want of particulars of diverted coal wagons. The Committee observed that it should have been possible for the unnecessary funds to be surrendered, as the Railway Administration were aware in March 1943 that the submission of the bill for the cost of repairs to steamers would

be delayed. It was admitted that this was a mistake but that, taking into account the conditions that prevailed on the Bengal and Assam Railway, one that should be condoned.

7. *Grant No. 6-E—Expenses of Traffic Department.*—There was an excess over the grant in this case on account of an incorrect accounts adjustment. It was explained that when the Bengal and North Western Railway was purchased, there were a number of pending public claims against it for compensation. The Railway Department made an estimate of the probable amount of the claims and adjusted it against the accounts of the Bengal and North Western Railway in anticipation of actual settlement of the claims. The Committee considered the mistake to be one which could and should have been avoided. It was stated that the adjustment was reversed in the next year's accounts.

8. Arising out of its examination of the accounts of Grant No. 6-G—Miscellaneous expenses, the Committee discussed the organisation of grain shops which had been opened during the year for the benefit of railway staff. It was explained that these were opened originally only on the East Indian and the Great Indian Peninsula Railways in 1941-42 but that, in view of the conditions of scarcity which spread to other areas, they were opened on other railways also. Originally, the selling rates were fixed at the control prices and the idea was to run these shops at a "no cost" basis. Later on, however, in May 1943 the selling rates were fixed at 20 per cent. below the market prices prevailing in February 1943, the loss to Government being charged to revenue. Under the original orders, all railway servants, including gazetted officers, were entitled to buy from these shops and when selling rates were lowered it was not thought worthwhile to limit this privilege to railway servants whose salaries were below a certain figure, so that all officers still enjoyed this concession. The cost to Government in the case of gazetted officers was estimated to be in the neighbourhood of Rs. 3 lakhs per year. The Committee considered that there was not sufficient justification for the grant of concessional rates to officers drawing more than a certain maximum salary. They were informed that the Railway Standing Finance Committee had taken up the same point and in deference to their wishes it had been decided to limit this concession to those whose salaries were Rs. 500 or less. The Committee expressed itself as satisfied at this decision and suggested that the issue of orders should be expedited.

9. The grain shops were now feeding more than three million souls and a very considerable organisation had had to be set up for their management. It was stated that the accounting side of these grain shops was defective not only in the Railways but everywhere where they had been formed. On the civil side, orders had been issued for the preparation of Profit and Loss Accounts for these shops but no such orders had so far been issued on the Railway side. The Committee endorsed the suggestion of Audit that Profit and Loss Accounts of the grain shops should be worked out and suitably exhibited in the Appropriation Accounts. These accounts should include the direct additional cost of running these shops. The Committee did not desire the introduction of undue refinements into these accounts such as the inclusion of interest on Capital. Such questions as what charges should be included in the Profit and Loss Accounts, together with other similar details of this kind, the Committee desired to be left for settlement between the Director of Railway Audit and the Financial Commissioner, Railways.

10. *Grant No. 12—Open line works.*—The Committee observed that in the budget for 1942-43, the percentage of the lump sum cut made under this grant was 20 but that, as in the previous year, this had again proved too low. But for greater credits received from the Defence Department than were provided for in the budget, the savings in the works programme would have been about 35 per cent. of the provision made. The savings were due largely to postponement of works owing to the non-receipt of rolling stock from abroad and the difficulty in the procurement of materials in war-time conditions. The

Committee agreed that it was impossible owing to the uncertainties of war to budget accurately under this head and desired to endorse the decision to which they had come last year, namely, that the percentage of the lump cut should be left to the determination of the Railway Department which would naturally take into account the conditions prevalent at the time of framing the budget in arriving at the figure for the percentage cut.

11. The Committee then turned its attention to the case of the Tapti Valley Railway. The facts were that this railway, which was the property of a limited company of Indian domicile, was being worked by the Bombay, Baroda and Central India Railway. Under the contract with the Company the Government had the option of purchasing the line on the 31st March 1942 and this option was exercised by them. The purchase price was about Rs. 165 lakhs, being 120 per cent. of the capital at charge. At the same time the Baroda Government, who held approximately 1/4th of the total number of shares of the Company, were given an interest in the line equivalent to their original interest in the Company, in consideration of which they paid to the Government of India a proportionate share of the purchase price amounting to Rs. 43 lakhs together with a premium of Rs. 8.5 lakhs. This latter was adjusted as a miscellaneous revenue receipt on the ground that it was recovered to meet in part the losses which Government had suffered in the past in working the line. The Committee were of the opinion that this adjustment was clearly wrong and that the premium should have been taken as reducing the capital expenditure incurred on the purchase. It was explained, however, that if such an adjustment was now made, it would affect, under the terms of the agreement with Baroda, the share of the profits distributable between the Railway Department and the Government of Baroda to the disadvantage of the former. In view of this practical consideration, the Committee, while maintaining its objection on principle, did not desire any re-adjustment to be made.

Proceedings of the second meeting of the Public Accounts Committee held on Tuesday the 15th August 1944, at 10-30 a.m.

PRESENT

The Honourable Sir CYRIL JONES, K.C.I.E., C.S.I.,
I.C.S., Finance Member, *Chairman*

Maulvi Mohammad ABDUL GHANI.
Mr. Mohamed AZHAR ALI.
Sir Syed RAZA ALI, C.B.E.
Kunwar Hajee ISMAIEL ALI KHAN, C.I.E., O.B.E.
Mr. T. CHAPMAN MORTIMER.
Sir RATANJI DALAL, C.I.E.
Khan Bahadur Sheikh FAZL-I-HUQ PIRACHA. *Members*

Sir HUGH RAPER, Member, Railway Board.
Mr. ZAHID HUSAIN, C.I.E., Financial Commissioner,
Railways. *Witnesses*
Mr. D. COLIN CAMPBELL, Director, Railway Accounts.
Mr. A. R. SOOFI, Director of Finance.

Sir CAMERON BADENOCH, K.C.I.E., C.S.I., I.C.S., Auditor General.
Mr. E. R. SESHU AIYAR, Director of Railway Audit.
Mr. A. C. TURNER, C.I.E., M.B.E., I.C.S., Finance Secretary.

Railway Department.

12. At the commencement of the proceedings, the Financial Commissioner, Railways, gave certain figures which the Committee had asked for the previous day. He stated that the number of grain shops, which was 160 in 1942-43, had gone up to 591 in 1943-44. In the former year, these shops were run at a "no cost" basis and hence there had been practically no loss. In the latter year, however, in consequence of the decision to sell at 20 per cent. below the market price, the direct loss was Rs. 7.53 lakhs. Write-off amounted to

Rs. 23 lakhs and overhead charges to Rs. 79 lakhs. In the year 1944-45, upto the end of June, the direct loss had been Rs. 148 lakhs which showed that the rate of loss was much less now than previously, the main reason being that the cost of food grains had gone down. These figures were not final accounts figures and were therefore liable to revision.

The figures for expenditure on air raid precautions were as follows:—

1940-41	Rs.	1.82 Lakhs
1941-42	Rs.	44.27 Lakh ⁰⁰
1942-43 and	Rs.	191.96 Lakh ⁰⁰
1943-44 (revised)	Rs.	116.79 Lakhs

The cost to the Railway Department of the damage done during the disturbances which commenced in August, 1942 was Rs. 52 lakhs. This did not include any compensation for goods destroyed while in the custody of the Railways because, normally, the Railways were not legally liable for such losses.

13. The Committee then examined generally the reasons for excesses over grants which they had already examined in detail while going through the accounts of individual grants. They agreed to recommend that all the excesses (seven in number in the voted grants) which had occurred over the final appropriation in each case should be regularised by a vote of the Legislative Assembly.

14. The Committee then looked into the list of more important defects in budgeting mentioned in Annexure 'B' of the Chief Commissioner's Review. They were pleased to observe that, judged by the number of defects listed in previous years, there had been an improvement in budgeting. It was stated that it was no more than a coincidence that no less than four defects in budgeting in "grant No. 12—Open Line Works" should have occurred on the Bengal Nagpur Railway and that there was no reason to suppose that the accounting staff of this Railway was in any way less efficient than on any other railway.

15. The Committee then went through the Capital statements, Balance Sheets and Profit and Loss Accounts of the Railways. It was explained that the practice of the State Railways was that when assets were abandoned, capital was written off but that, because there was no provision in the contracts with Company-managed railways for any reduction of capital, the practice in Company-managed railways had necessarily to be different and Capital could not be written down. When Company-managed railways were acquired by the State, however, they changed over to State-Railway practice.

16. It was observed that the loss on strategic lines which had amounted to Rs. 120 lakhs in 1941-42, had gone up to Rs. 150 lakhs in 1942-43. It was explained that the reason for this was that there had been a large rise in working expenses which had not been set off by an equivalent rise in gross earnings. The strategic railways had already been running to capacity, so that income could not be raised, whereas costs were continually rising.

17. With reference to the accounts of the Tatanagar workshop which seemed to the Committee *prima facie* to be unreal, it was explained that these accounts did not, for reasons of security, give any figures of works being done on behalf of the Defence Department, which constituted practically the entire output of the Tatanagar workshop. The figures given related only to peace-time railway work and the Accounts were, therefore, unreal.

18. The Committee observed that the stores balances of the Railways which had stood at the figure of Rs. 10.08 crores in 1938-39 had risen to Rs. 15.28 crores at the end of 1942-43. It was explained that these stores were shown in the books at the average purchase price or, if manufactured by the Railway itself, at cost price and that, unlike the Posts and Telegraphs, the book value was never written upon the basis of a rise in prices. The Committee expressed themselves as being of the opinion that it might well be worthwhile, in view of the stage which the War had reached for the Railway Department to reconsider its stores policy. It was undoubtedly wise to build up stores while the War showed no signs of ending, but now that it appeared to be in its last stages with the possibility of stores again becoming available at lower prices,

it might be desirable for the Railway Department to begin reducing its stocks. Possibly, the argument for doing so was stronger in the case of materials manufactured in India than in the case of imported stores because, if a policy of reducing stocks was accepted, the capacity of the workshops now engaged on manufacture for the Railways would be set free for the supply of consumer goods to the public. The Railway Department undertook to consider the point and the Committee desired that a report should be made to them next year of the results of this consideration.

19. The Committee observed that in accordance with their recommendation not only had all the investments been transferred during the year from the Depreciation Reserve Fund to the Railway Reserve Fund but that the loans to branch line companies had also been so transferred as these were considered to be in the nature of investments. The explanation given for the fall in the percentage yield from these investments from 4.7 to 3.1 was that, although the Railways as a whole had shown large profits, many of the branch line companies, in the shares of which these investments had been made, did not show equally good results.

20. The Committee then examined annexure 'A' of the detailed Appropriation Accounts showing the details of cases held under objection on account of expenditure having been incurred without the sanction of competent authority. Attention was drawn particularly to two items both relating to the same work, namely, the regrading of the Dufferin Bridge on the East Indian Railway. The original expenditure amounting to Rs. 9,66,145 was incurred as long ago as June 1941. Subsequently, in the year under review, a further amount of Rs. 6,83,749 was expended on the same work. The reason why these amounts had been placed under objection was that for the agreement with the firm of contractors for the execution of this work had not yet been completed. The Committee took the view that not only was the commencement of the work without the completion of the contract *prima facie* objectionable but that the delay of over three years in such completion showed a most unsatisfactory state of affairs. The details with regard to this item were not readily available and they desired, therefore, that a full report with regard to this case should be submitted to them next year.

21. In examining the statement (Annexure 'C') showing remissions and abandonments of claims during 1942-43, the Committee observed that the amounts written-off on account of wharfage and demurrage seemed, *prima facie*, to be large. They were assured, however, that these amounts were not appreciably larger than in previous years, that the regulations regarding writes off on this account had not been relaxed, that all writes off had to be sanctioned by a gazetted officer so that the danger of corruption on this account was small and that writes-off were not allowed where there was cause to believe that wagons or railway accommodation had deliberately been used by business firms in an unsocial manner for storing goods for which they themselves had no accommodation.

22. In examining Annexure 'H' which contained a list showing important items of unexpected credits in respect of various grants of the Appropriation Accounts which had not been brought to the notice of the Railway Standing Finance Committee, the Committee suggested that it would improve the value of this annexure if another column were introduced in it to show the extent to which unanticipated credits had been used to meet excesses over the grant.

23. The Committee then examined in detail the cases of losses, nugatory expenditure and financial irregularities listed in Chapter II of the Audit Report. Arising out of the case on the South Indian Railway mentioned in paragraph 20 of the Report, the Committee discussed at some length the dangers to which Government was subject from the growing practice of contractors farming out their contracts to sub-contractors and for individuals to escape the Excess Profits Tax and Income Tax by taking government contracts in a number of different names. It was suggested that some legislation on the lines of the U. K. Registration of Business Names Act might have a desirable effect. The Committee felt that this was a very complicated problem and

decided to discuss it further at a later meeting as a general question which is not peculiar to Railways.

24. After considering the case reported in paragraph 22 of the Audit Report, the Committee came to the conclusion that the disciplinary action taken in the case was, *prima facie*, not sufficiently severe. They desired to draw attention to the fact that they had had to record on a previous occasion also (in their Report on the Accounts for 1940-41) their opinion "that 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 departmental enquiries".

25. With reference to the case described in paragraph 24 of the Audit Report in which certain Station Masters had been overpaid certain allowances for a number of years owing to certain orders not having been communicated to the Accounts Officer but recoveries from whom had been made only for a period of 12 months prior to the date of the detection of the irregularity on the ground that a recovery for a greater length of time would result in hardship the Committee were not satisfied that the facts of the case were such as to warrant the assumption that the Station Masters had drawn these allowances in good faith. They desired to stress the view that the convention whereby recoveries of irregular payments were ordinarily limited to those made within a period of twelve months of the detection of the overpayment should be limited strictly to cases where overpayment had been accepted *bonafide* and in good faith.

Proceedings of the third meeting of the Public Accounts Committee held on Wednesday, the 16th August 1944, at 10-30 a.m.

PRESENT:

Sir RATANJI DALAL, C.I.E., (upto 1 p.m.)	}	<i>Chairman</i>
The Honourable Sir CYRIL JONES, K.C.I.E., C.S.I., I.C.S., Finance Member.		
Maulvi Mohammad ABDUL GHANI.	}	<i>Members</i>
Mr. Mohamed AZHAR ALI.		
Sir Syed RAZA ALI, C.B.E.		
Mr. H. M. ABDULLAH.		
Kunwar Hajee ISMAIEL ALI KHAN, C.I.E., O.B.E.		
Mr. CHAPMAN-MORTIMER.		
Khan Bahadur Sheikh FAZL-I-HUQ PIRACHA.	}	<i>Witnesses.</i>
Mr. K. G. AMBEGAOKAR, I.C.S., Joint Secretary, Finance Department.		
Mr. H. S. NEGI, Under Secretary, Finance Department.		
Sir CAMERON BADENOCH, K.C.I.E., C.S.I., I.C.S., Auditor-General.		
Mr. S. AMBRAVANESWAR, Accountant General, Central Revenues.		
Mr. RAUNAQ LAL, Assistant Accountant General, Central Revenues.		
Mr. A. C. TURNER, C.I.E., M.B.E., I.C.S., Finance Secretary.		

Finance Department.

(In the absence of the Chairman, Sir Ratanji Dalal, the seniormost member of the Committee presided.)

26. The Committee started their proceedings by making a general review of the results of Audit. They observed that during the year under review no less than 46 supplementary demands aggregating Rs. 13,23,95,000 were moved in the Legislative Assembly against 29 supplementary demands totalling Rs. 2,63,88,000 voted in the previous year. It was explained that the large increase in the number of supplementary demands and in the amount involved reflected an increase in the tempo of the War. Numerous measures (involving large sums of money) which could not have been foreseen at the time of framing the budget, but the execution of which was essential for the war effort, had been sanctioned during the course of the year whence the very large increase in these demands. The Committee, while appreciating the

fact that essential war measures could not possibly be held up for want of budget provision, suggested that, now that the War had assumed a better and possibly a somewhat less urgent phase, demands for extra expenditure should not only be scrutinised on their merits but also on the basis of whether they could not be postponed till the next financial year. What, in fact, the Committee desired was not that any really urgent measure should be held up because of a fear of committing a major budgetary irregularity but that Departments should not be allowed to use the pretext of the war for obtaining sanction in the middle of the year to expenditure which was not really urgent and which could very well wait for inclusion, in the normal course, in the budget, when it could be discussed by the Assembly. The Committee on general principle viewed with disfavour these large supplementary demands because they amounted almost to the Assembly being forced to endorse, *ex post facto* the decisions already taken and to sanction expenditure already incurred by the Executive without consultation with the Legislature.

27. With reference to the Fund for the Economic Development and Improvement of Rural Areas, it was explained that the safeguards against Provincial Governments diverting any portion of the money allotted to them for purposes other than those for which the fund was intended were, firstly, that it was one of the duties of the Accountants-General to watch that expenditure from these funds was incurred only for the purposes for which it was meant and, secondly, that Provincial Governments made a report every year to the Central Government regarding the method in which they had spent the funds allotted. These reports used to be placed annually before the Assembly but now that the balance in the Fund had sunk to such small dimensions and the yearly expenditure from it was very small, it had been decided to discontinue these annual reports.

28. The Committee then took up the examination of the outstanding items shown against the Finance Department. It was stated that, in pursuance of recommendation No. 6, instructions had been issued to Departments that they should review the position annually and let the Finance Department have in time information regarding the utilisation of unanticipated credits so that the latter could include the relevant figures in the explanatory memorandum. Also the Accountant-General, Central Revenues had been instructed to give effect to the recommendations in the Appropriation Accounts for the year under review and a list such as was desired had been included in the Accounts. The recommendation (No. 7 of the outstanding items) that the practice of making lump sum cuts in works budgets should be discontinued for the duration of the war had been noted.

29. *Grant No. 7—Stamps.*—In reviewing the commercial accounts of Security Printing, India (including the Central Stamp Store) it was noted that the net profit during the year had decreased compared to the previous year from Rs. 4,36,053 to Rs. 4,08,885. This was explained as being due to increase in the costs of production and to an increase in interest charges. The Committee observed that the value of the stores held had increased very considerably compared to the previous year and that stocks were much higher than in peace time. While they agreed that it was wise policy to build up stores when there was a likelihood of a difficulty in obtaining them, they suggested that in view of the comparatively early termination of the war which appeared likely, the Department should keep a watch over the stocks to see that they were not allowed to become unduly high.

30. *Grant No. 11—Interest on debt, etc.*—With reference to the explanation given for the modification in sub-head 'K', it was explained that after the fall of Burma the liability for, as well as the assets of, the Burma note issue was taken over by the Government of India from the Reserve Bank of India; this decision having naturally been taken after the Budget, these assets were credited to a suspense head which is debited every time a payment is made in Indian currency on the encashment of a Burma note. It was decided also to allow interest at the Treasury Bill rate on the mean balances of the assets thus transferred by the Reserve Bank of India to the suspense head on the ground

that, had the assets continued in the possession of the Reserve Bank, they would have continued to earn interest.

With regard to the sub-head "M.2-Deduct interest paid by Provincial Government", it was explained that the Government of India had permitted Provincial Governments to prepay over a period of three years one half of the consolidated debt which they owed to the Centre and which they were not entitled to repay before the termination of the year 1944-45.

31. *Grant No. 21—Finance Department.*—There was a small excess in this grant amounting to Rs. 31,723 due to certain miscellaneous and minor causes which the Committee agreed to recommend for regularisation by a vote of the Assembly.

32. *Grant No. 28—Audit.*—The Committee observed that this was a grant in which what would have been an excess was converted into savings by unanticipated credits. The new annexure to the Appropriation Accounts showed that the unanticipated credit amounted to Rs. 8,94,194 and that, of this amount, Rs. 8,892 was utilised on account of the normal expenditure of the grant leaving ultimately a large saving of Rs. 7,34,164.

33. With reference to sub-head 'J' in grant No. 59—"Miscellaneous Departments", the Auditor General explained that he had discontinued the Sibpur examination for Divisional Accountants as he was not satisfied that the quality of the product from this college was good enough for his needs. He had in consultation with the Provincial Governments and with the consent of all except two decided on a new basis of recruitment by which he hoped to improve the quality of Divisional Accountants. These used formerly to be Matriculates but now the minimum qualification was a University degree.

34. *Grant No. 60—Currency.*—There was an excess in this grant of Rs. 1,00,945 mainly due to heavy expenditure on the purchase of stores in India and on railway freight, to an increased demand for one rupee notes and to certain credits assumed in the estimates having proved subsequently allocable to a different head. The Committee agreed to the regularisation of the excess by a vote of the Legislature.

35. *Grant No. 61—Mints.*—The Committee observed that the *pro forma* accounts of the Calcutta Mint had not been compiled in time for them to be audited and for the results to be included in the Appropriation Accounts for 1941-42 and that the *pro forma* accounts for 1942-43 had not been audited for the same reason. While the Committee appreciated the difficulty of working conditions in Calcutta and the intense pressure at which the Mints were working, they desired the Department to look into the facts of this case and to ensure that the accounts were in future compiled in time. They also noticed that in all the three Mints the stores (apart from Assay stores in Calcutta and Bombay) had not been verified during the course of the year, the reason given being that owing to pressure of coinage and other work no officers could be spared for the purpose of verification. The Committee observed that they had always attached great importance to the work of stock verification and that such verification should not be dispensed with in the absence of very strong justification. Even if the conditions of work were such that regular stock verification was not possible, there should invariably be a surprise and percentage test check somewhat on the same lines as had been agreed to by the Committee in its Report on the Accounts of 1941-42 for the Photo-Litho Office. They desired that the Department should look into the facts of this case and issue the necessary orders. They also observed that, as in the case of Security Printing Stores, Mint stores also were standing at a high level and desired the Department to consider, with reference to these stores also the remarks made with regard to the former.

(At this stage the Chairman resumed the Chair.)

36. *Grant No. 80—Interest-free advances.*—The Committee remarked that there had in the year under review again been a supplementary grant for Rs. 1,40,00,000 and that the fear they had expressed in examining the accounts for 1940-41 that the presentation of a supplementary demand was becoming

an annual feature of this grant had, unfortunately, proved true. It was explained that so large a supplementary grant had been found necessary because the items which caused it could not possibly have been foreseen at the time of framing the budget. The main items which composed the supplementary demand were Rs. 98 lakhs under "Civil Advances" mainly for the activities of the Supply Department and for advances on behalf of certain foreign Governments, Rs. 25 lakhs for the grant of evacuation advances to families of government servants from vulnerable areas due to the sudden emergence of a situation which rendered such evacuation desirable and Rs. 17 lakhs on account of purchase of metal for bronze mintage owing to a greatly increased demand for small coins. The Committee agreed that the justification urged in support of the supplementary demand was adequate. There was, in spite of the big supplementary grant, an excess in this grant of Rs. 4,09,830 mainly due to a larger receipt of copper in March and to more uncurrent coins being returned to the Mint than had been anticipated. The Committee agreed to recommend that the excess should be voted by the Assembly.

37. The Auditor General drew attention to a departure from tradition which the opening of the Appropriation "Capital outlay on schemes connected with the War" had brought into prominence. When at the beginning of the war Government started embarking upon certain activities in the nature of State trading in which large sums of money would have been expended on purchase and then recovered by sale, it was proposed that, following tradition and the practice which had been followed in the last war, the relevant debits should be taken to Suspense. These suspense balances had taken as long as ten years to be cleared after the close of the last war. Further, this procedure had the disadvantage of enabling the Executive to continue over a series of years to spend large sums of public money without so much as bringing the matter to the notice of the Legislature or the Public Accounts Committee. These bodies learnt of it only when the activity had ceased, a loss had been incurred and a debit had to be taken to revenue at which stage they could not possibly raise any objection. It had, therefore, been decided by the Finance Department at the instance of the Auditor General that all these schemes of the nature of State trading, in which money had initially to be spent with the idea that it would ultimately be recovered, should be debited not to Suspense but to Capital thus bringing it within the Appropriation Accounts and consequently to the notice of the Public Accounts Committee and the Assembly. Even though the particular appropriation referred to was non-voted because it related to Defence, the Legislature was now enabled to criticise any particular activity of Government on which its money was being spent at a time when such criticism could have effect. The Committee expressed itself as being strongly in favour of this new procedure and recommended its continuance and extension to all such schemes in future.

Proceedings of the fourth meeting of the Public Accounts Committee held on Thursday, the 17th August 1944, at 10-30 A.M.

PRESENT:

The Honourable Sir CYRIL JONES, K.C.I.E., C.S.I.,
I.C.S., Finance Member.

Chairman.

Maulvi Mohammad ABDUL GHANI.
Mr. Mohamed AZHAR ALI.
Sir Sved RAZA ALI, C.B.E.
Mr. H.-M. ABDULLAH.
Kunwar Hajee ISMAEL ALI KHAN, C.I.E., O.B.E.
Mr. T. CHAPMAN-MORTIMER.
Sir RATANJI DALAL, C.I.E.
Khan Bahadur Sheikh FAZL-I-HUQ PIRACHA.

Members

The Hon'ble Mr. H. C. PRIOR, C.S.I., C.I.E.,
I.C.S., Secretary, Department of Labour.

Mr. S. LALL, C.I.E., I.C.S., Joint Secretary, Department of Labour.

Mr. D. L. MAZUMDAR, I.C.S., Deputy Secretary, Department of Labour.

Witnesses.

Sir CAMERON BADENOCH, K.C.I.E., C.S.I., I.C.S., Auditor General.

Mr. S. AMBRAVANESWAR, Accountant General, Central Revenues.

Mr. RAUNAQ LAL, Assistant Accountant General, Central Revenues.

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

DEPARTMENT OF LABOUR

38. The Committee started by making a general review of the Works expenditure included in the different grants and noted that the trend towards an increase in the magnitude of works and the acceleration of their construction which had become apparent since the outbreak of the War was still in evidence. There was, in the year under review, a net excess of 18·85 per cent. over the consolidated provision for works expenditure under all the grants and non-voted Appropriations taken together against a net excess of 5·32 per cent. in the previous year. The Committee therefore desired to reiterate their recommendation that there should be no lump cut in the budget for works for the duration of the War.

39. *Grant No. 36—Geological Survey.*—It was explained that the receipts of the Utilisation Branch which amounted during the year to about Rs. 8·36 lakhs came mostly from sales of sulphur the deposits of which at the Koh-i-Sultan mines were being worked departmentally by the Utilisation Branch. In answer to a question as to what arrangements had been made for the appropriation to Government of part of the profits which might result from the prospecting activities of the Utilisation Branch similar to those which were in force in the Board of Scientific and Industrial Research, it was explained that the position of these two bodies was somewhat different. While the Board was in a position in which it could take advantage of scientific discoveries and inventions, the Utilisation Branch's opportunities were dependent on their rights in the lands and minerals. It was suggested, however, that the Department should bear in mind the possibility of making such arrangements in each individual case as would lead to the maximum profit to Government.

40. *Grant No. 62—Civil Works.*—The original voted grant in this head stood at Rs. 1,45,21,000. A supplementary grant of Rs. 44,83,000 was later voted by the Assembly under the sub-head "AI-Major Works" thereby increasing the total provision to Rs. 1,90,04,000. Unanticipated recoveries were, however, of such magnitude that, although the gross expenditure was in excess of the budget provision to the extent of Rs. 3,66 lakhs, the final result was a net saving of Rs. 65,60,000 giving a percentage saving of 34 and rendering the supplementary grant entirely unnecessary. The Committee were not altogether satisfied with the manner in which extra building work was undertaken by the Public Works Department in the middle of the year without provision in the budget and financed either from the large credits that came into the civil works budget from the War Department on account of Defence Works or through an *ex post facto* supplementary grant. They felt that while there was justification for emergent demands for accommodation being made in the earlier years of the war, there was no reason why, in its present stage, it should not be possible for the War Department to plan out for some period ahead the demands that they were likely to make and to include those demands in the budget so that the Legislature could rest reasonably satisfied that no more than it had voted for the provision of new works would actually be spent. It was stated that an agreement had been arrived at with the War Department by which they would endeavour to forecast well ahead what their requirements for office and residential accommodation were likely to be and that they would then endeavour to limit their requirements to this programme. This was expected to reduce unforeseen demands for works expenditure but, as long as

the war lasted, it would not be possible to do away with such demands altogether.

The Committee were assured that with the object of an ultimate economy in money the Department invariably tried, when building accommodation in New Delhi, to reconcile the needs of the present day with what it felt to be the permanent needs of New Delhi. The difficulty was that very often such reconciliation was impossible and, therefore, the Department had perforce to build temporary structures which would have to be pulled down after the war.

41. The Committee then examined the subsidiary accounts including those of the Central Public Works Department Nursery, at Jurbagh, of the filtered water supply at Dehra Dun and the unfiltered water supply at New Delhi. In examining the stock accounts, the Committee observed that the closing balance of Rs. 18.55 lakhs was small compared to the magnitude of the transactions that were at present being carried out. It did not, therefore, feel any necessity for recommending the reduction of stocks which it had done in certain other cases. The Committee were, however, concerned at the further reduction in the percentage of establishment charges to actual expenditure which had gone down to 2.17 compared to 8.30 in 1941-42 and 14.8 in 1940-41 and a normal percentage rate of 14.5. They regarded this fall as a clear indication of an insufficiency of supervision. It was explained that supervision was certainly inadequate but such inadequacy was inevitable in view of the shortage of trained personnel and the magnitude and urgency of the works. Establishment expenditure in the Public Works Department which was estimated at Rs. 32.89 lakhs for 1942-43 had actually been Rs. 61 lakhs—this indicated the magnitude of the works programme and it was a most creditable performance on the part of the Central Public Works Department to complete such a vastly extended programme. In doing so some lowering of standard was inevitable, and the Committee agreed that they must accept this lowering of the standards of efficiency as a necessary evil of the War.

42. *Grant No. 78—Delhi Capital Outlay.*—The question was raised whether the fact that receipts and recoveries on Capital Account from the War Department were shown as a deduct item in this demand would interfere with the correct figure of the Capital Outlay on New Delhi being shown in the running account. It was explained that the running account gave two separate figures—one for the gross total and the other for the net total, the difference between the two being the amount of credit received by sales of tools and plant and receipts on capital account and that, therefore, there should, *prima facie*, be no interference with the main account if the receipts and recoveries were shown as deduct entries in the Appropriation Account. It was suggested, however, that the credit received by sales of tools and plant was of a different nature to the recoveries at present being made on capital account for whereas the former represented real income the latter represented nothing more than a book transfer and did not go towards decreasing the real net cost of the construction of the capital. The Committee suggested that the Auditor General should investigate this point with the object of ensuring that the correct figure of the actual capital outlay on the new capital should easily be discoverable from the accounts.

43. In discussing the scheme for the building up of a reserve stock of coal, which was accounted for under the new capital head "Capital Outlay on schemes connected with the War", the Auditor General suggested that a separate running account showing the expenditure, recoveries and outstanding balance for each separate scheme should be made up annually and exhibited as an annexure to the Appropriation Accounts of the appropriation. The object of this suggestion was that the Public Accounts Committee and the Legislature should continually be kept informed of how every scheme of State trading was progressing so that if they did not like the way in which a particular scheme was being run, they would have the opportunity to criticise. The present method whereby only the Appropriation Accounts of a particular year were exhibited did not give a clear and continuous picture of what was happening. The Committee warmly welcomed this suggestion and desired that it should be followed with effect from the accounts of the next year.

44. *Grant No. 65—Stationery and Printing.*—The Committee remarked that this was yet another grant in which what would have been a substantial excess (Rs. 81,03,510) was turned into a saving by the very large amount (Rs. 93,90,475) of unanticipated recoveries from the Defence Services. They then turned to the commercial accounts of the Government of India presses and noted that the value of the work done during the course of the year had gone up from Rs. 84 lakhs to Rs. 139 lakhs. They observed also in passing that the closing balance of the stores in the Central Stationery Office, Calcutta showed an abrupt rise from Rs. 18 lakhs at the close of the last year to Rs. 44 lakhs at the close of the year under review.

45. They then reviewed briefly the accounts of the National Service Labour Tribunal, the Technical Training Scheme and the Civil Pioneer Force on which they had no comments to offer.

Proceedings of the fifth meeting of the Public Accounts Committee held on Friday, the 18th August 1944, at 10-30 A.M.

PRESENT:

The Honourable Sir CYRIL JONES, K.C.I.E., C.S.I.,
I.C.S., Finance Member.

Chairman.

Maulvi Mohammad ABDUL GHANI.

Mr. Mohamed AZHAR ALI.

Sir Syed RAZA ALI, C.B.E.

Mr. H. M. ABDULLAH.

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

Mr. T. CHAPMAN-MORTIMER.

Sir RATANJI DALAL, C.I.E.

Khan Bahadur Sheikh FAZL-I-HUQ PIRACHA.

Members.

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

Mr. P. J. EDMUNDS, C.I.E., Chief Engineer, Posts and
Telegraphs.

Mr. M. K. SEN GUPTA, C.I.E., Financial Adviser,
Communications.

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

Witnesses.

Sir CAMERON BADENOCH, K.C.I.E., C.S.I., I.C.S., Auditor General.

Mr. H. K. BOSE, Accountant General, Posts and Telegraphs.

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

POSTS AND TELEGRAPHS DEPARTMENT

46. With reference to outstanding item No. 4 the Committee considered a memorandum (Appendix V) placed before it by the Posts and Telegraphs Department. It was explained that a suitable time for a review of the actual contribution to the Renewals Reserve Fund and the determination of a principle on which the contributions to the Fund should be made would be at the end of 1944-45 by when it was expected that the assets of the Telephone Companies would have been completely taken over and the Tele-communications Development Scheme would have been completed. In the meantime the balance in the Renewals Reserve Fund was again falling below a safe figure and it had, therefore, been decided to make another lump sum contribution of Rs. 100 lakhs from the revenues of the Department in the year 1944-45. This would raise the balance at the end of the year from 13.25 per cent. of the capital at charge, at which it would otherwise stand, to 17.7 per cent. which was about the level at which it stood at the end of 1942-43 and in the years 1936-37 and 1937-38. The Committee agreed that the general review of the principles on which allocations to the Renewals Reserve Fund should be based should be postponed till

1946 and endorsed the extra payment of Rs. 100 lakhs into the Fund which it was proposed to make during the current year.

47. With reference to outstanding item No. 5, the Committee were presented with a memorandum (Appendix VI) which described the facts of the particular case discussed in paragraph 32 of the Report of the Public Accounts Committee on the Accounts of 1941-42 and explained at length the general rules on the subject. After considerable discussion the Committee came to the conclusion that there was no necessity for any alteration in the rules regarding revaluation of stores because they did not in any case authorise averaging to be done in such a manner as to raise the total book value above the total net cost. What had happened in this particular case was that the Superintendent of Workshops concerned had, instead of following the rules on the subject which would have meant a very considerable amount of labour which in the conditions prevailing at the time he could not have spared, decided to raise the issue rates of his stores by an arbitrary *ad hoc* percentage of 20. The issue rates having been increased, the stock also was written up but as in the middle of the year costs of manufacture came down, the issue rates had to be revised downwards and the stock also was written down, this last adjustment being that which had attracted the notice of the Public Accounts Committee. The Committee while not objecting in the particular circumstances of the case to the issue rates having been raised by an *ad hoc* percentage instead of the regular procedure having been followed, did consider that the writing up of the book value on the basis of new issue rates and above costs was objectionable in principle and should not have been done.

48. The financial results of the working of the Department showed that revenue amounted to Rs. 19.30 crores against an expenditure of Rs. 14.79 crores leaving a net surplus of Rs. 4.51 crores, the comparable figures for the previous year being Rs. 15.89 crores, Rs. 12.49 crores and Rs. 3.40 crores respectively. The increase in working expenses was due largely to the extra contribution of Rs. 1.50 crores which was made to the Renewals Reserve Fund as indicated in paragraph 26 of the Proceedings of the Public Accounts Committee on the accounts of 1941-42. Of the surplus of the year, Rs. 200 lakhs had been contributed outright to general revenues, this amount being taken to represent the proceeds during the year from the increased rates introduced as a measure of taxation in December, 1940 and April, 1942. The balance of about Rs. 252 lakhs added to the surplus of Rs. 414 lakhs carried forward from the previous year brought the accumulated surplus of the Department to Rs. 666 lakhs. Out of this only Rs. 100 lakhs would earn interest for the Posts and Telegraphs Department in conformity with the decision of Government.

49. The Committee observed that while the Post Office had shown a substantial increase in profits over the previous year (from Rs. 141 lakhs to Rs. 293 lakhs) the profits of Telegraphs and Telephones had been reduced while the accounts of the Radio Branch showed that the profit of the year 1941-42 amounting to Rs. 1.05 lakhs had been converted into a loss of Rs. 1.03 lakhs. It was explained that the reason for this variation was that in allocating the extra contribution of Rs. 150 lakhs to the Renewals Reserve Fund, the additional contribution debited to the Post Offices was only Rs. 5.5 lakhs while the figures for Telegraphs and Telephones were Rs. 92 lakhs and Rs. 52.5 lakhs respectively. This was so because the depreciation on telegraphs and telephones was very much higher than in the post office. None of this extra contribution was allocated to the Radio Branch because the depreciation provided for in this Branch of the service was already very heavy and sufficient to meet the cost of renewals and replacements. The reasons for the conversion of a profit into a loss in this case were, firstly, that the commercial activities of this Department had been very greatly limited by enemy action and, secondly, that there had been increased expenditure on account of conditions created by the war.

50. The Committee noted that Government had decided after the presentation of the Budget to undertake a scheme for the development of Telegraph and

Telephone communications designed to meet both Civil and Defence requirements at an estimated cost of Rs. 16.24 crores of which the Posts and Telegraphs Department's share was of the order of Rs. 4 crores, the remainder being borne by Defence Services and that during the course of the year under review the gross outlay on account of the Tele-communications Development Scheme amounted to Rs. 118 lakhs.

51. The Committee then went on to examine the stores accounts of the Posts and Telegraphs. They noted that it had been decided that all Posts and Telegraphs stores held in the Army Mobilization Stores should be merged in the stores of the Posts and Telegraphs Department on the 31st March 1943. This adjustment was one cause for the closing balance of stores in the Stores Suspense Account standing at the figure of Rs. 108 lakhs against an opening balance of departmental stores alone of Rs. 51 lakhs. In answer to a question it was stated that the closing balance of stores at the end of the year 1943-44 stood at about Rs. 2½ crores. The Department was, however, fully alive to the fact that the war was coming to an end and that the policy which had hitherto been pursued with the concurrence of the Public Accounts Committee ever since the outbreak of the war, of building up stocks now possibly needed revision. The Department had, however, in actual practice not been ordering any stores for the purpose of keeping them in stock; the balance now in hand being all earmarked for use in the Tele-communications Development Scheme. It was hoped that on the completion of this scheme by the end of 1944-45 the stores balance would be reduced by a crore and would stand at about Rs. 1½ crores only.

52. The Committee then went on to an examination of the individual appropriation accounts of each grant.

Grant No. 10.—There was a net excess of Rs. 123 lakhs over the final appropriation, the chief reason being the decision taken after the close of the year to debit this grant with Rs. 1½ crores by credit to the Renewals Reserve Fund. This adjustment was also the cause of the final excess bearing as high a percentage as 9.1 to the final grant. Had this adjustment not been made, there would have been a net saving of about Rs. 27 lakhs the percentage of which to the total grant would have been more comparable to the figures of variation in previous years. The Committee agreed to recommend that the excess in the grant should be voted by the Assembly.

The Committee noticed that an amount of Rs. 19.80 lakhs was obtained in the supplementary grant under this head for the purpose of maintenance of assets but that almost 55 per cent. of this sum had been found unnecessary and had been diverted to meet excesses under other heads. This inability of the Department to spend all the money provided in the budget for maintenance of assets had become almost chronic and savings under this sub-head occurred year after year. The Committee suggested the advisability of the Department adopting a procedure whereby the total of the demands under this head received from various circles would be subjected to a lump cut.

53. *Grant No. 74.*—There was a small excess in this grant amounting to Rs. 19,869 as a result of various excesses and savings which had more or less counterbalanced each other. The Committee agreed that the excess should be regularised by a vote of the Assembly.

54. *Grant No. 75.*—The original grant under this head was only Rs. 35,000. A supplementary grant of Rs. 28 lakhs was obtained later in the year but the actual expenditure was over Rs. 55 lakhs, the percentage of excess over the final appropriation being as large as 94.3. The reason for this excess was a decision taken after the close of the year to eliminate from the Posts and Telegraphs' account the cost of certain stores supplied from abroad to the War Department outside India a credit for which had originally been taken in the accounts. The Committee agreed that the excess should also be regularised.

55. *Grant No. 76.*—In reviewing this grant the Committee observed that the number of major works executed during the course of the year for which specific provision had not been made in the budget had been gradually increasing over the last five years, starting from 59 major works with a total expendi-

ture of Rs. 79,000 in 1938-39 to 136 major works with a total expenditure of Rs. 83,38,000 in 1942-43. It was explained that the largeness of the number of major works which had been executed during the course of the year without specific provision was due to many works having been carried out under the Tele-communications Development Scheme for which, as already pointed out, no budget provision had been made. It was hoped that the accounts of the next year would show a very considerable improvement in these figures because this disturbing factor would not be present.

56. The Committee then went on to examine the section of the Report devoted to financial irregularities, losses, etc. There was a sharp rise in the number of cases of loss of public money, the numbers and amounts involved for the year being 687 and Rs. 4,16,866 against 302 and Rs. 2,66,893 in the previous year. It was explained that the principal factor which contributed to the increase was the political disturbances in August, 1942 and subsequent months, the number of cases which could be attributed directly to that cause being 126 involving a loss of Rs. 1,15,519. The remaining cases could be explained largely by the vastly increased traffic which the Department was now carrying. It was stated that the percentage of losses to the total transactions of the Department during the year was .009—the comparable figure for the United Kingdom being .007—a percentage which the Committee considered very satisfactory. After examining individual cases of fraud and loss which had occurred during the course of the year, the Committee came to the conclusion that none of them disclosed any serious defects in system.

57. The Committee next examined the departmental rules of allocation of works expenditure the necessity of a change in which had been indicated by Audit. The original position was that the cost of petty works which were of the nature of renewals was borne by the Renewals Reserve Fund. Since 1936 however, all petty works of whatever nature were charged to working expenses in the first instance and 25 per cent. of the total expenditure on petty works was transferred to the Renewals Reserve Fund, the percentage of 25 having been fixed after ascertaining the proportion which the cost of petty works of a renewals nature was found to bear to the total expenditure of all such works. In 1940-41 the monetary limit up to which expenditure on works of a capital nature could be debited to working expenses was increased with the result that expenditure on original works falling within the revised limits which was previously charged to capital was now booked as cost of petty works, thus increasing the portion of the total expenditure on petty works borne by the Renewals Reserve Fund. The Committee were of the opinion that this matter should be reviewed at the same time as the general review of the basis of allocation to the Renewals Reserve Fund and that no immediate action was necessary.

Proceedings of the sixth meeting of the Public Accounts Committee held on Monday, the 21st August 1944, at 10-30 A.M.

PRESENT:

<p>Sir RATANJI DALAL, C.I.E. (up to 12-15 P.M.) The Honourable Sir CYRIL JONES, K.C.I.E., C.S.I., I.C.S., Finance Member.</p>	}	Chairman.
<p>Maulvi Mohammad ABDUL GHANI. Mr. Mohamed AZHAR ALI. Sir Syed RAZA ALI, C.B.E. Pandit LAKSHMI KANTA MAITRA. Kunwar Hajee ISMAIEL ALI KHAN, C.I.E., O.B.E. Mr. T. CHAPMAN-MORTIMER. Khan Bahadur Sheikh FAZL-I-HUQ PIRACHA. Khan Bahadur Sheikh HABIBUR RAHAMAN.</p>	}	Members.

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

Mr. S. H. Y. OULSNAM, C.I.E., M.C., I.C.S., Joint Secretary, Education, Health and Lands Department.

Mr. S. M. SRIVASTAVA, I.C.S., Secretary, Imperial Council of Agricultural Research.

Mr. R. N. BANERJEE, C.I.E., I.C.S., Secretary, Department of Commonwealth Relations.

Witnesses.

Sir CAMERON BADENOCH, K.C.I.E., C.S.I., I.C.S., Auditor General.

Mr. S. AMBRAVANESWAR, Accountant General, Central Revenues.

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

DEPARTMENT OF EDUCATION, HEALTH AND LANDS

58. *Grant No. 33—Survey of India.*—The Committee noted with considerable interest the extraordinary result which had been disclosed by the accounts of this demand for the year under review, a great spending department of Government having actually ended the year with a very large balance of negative expenditure. This had resulted from the fact that the number of maps supplied by the Survey of India to the Defence Services had increased considerably and the sale proceeds of these maps, which was shown in the accounts as minus expenditure, had exceeded by far the total expenditure of the Department. The Accounts rules laid down that in inter-departmental adjustments, recoveries made by one department from another, if they related to the same year as that in which expenditure had been incurred, were taken as minus expenditure while if they were made in a subsequent year they were shown as revenue and taken under a receipt head. What had apparently happened was that these rules had been disregarded in framing the budget and all expenditure recovered from the War Department during the year under review relating to all maps sold whether manufactured during the year or in previous years, had been shown as a credit entry on the expenditure side. Accounts classification follows the budget and the mistake in the budget had led to the remarkable result observed.

It was stated that the fact that the year had closed with minus expenditure did not imply that the Civil Estimates had made any profit out of the transaction at the cost of Defence Estimates. Large items of expenditure had been incurred, e.g., on buildings for the Survey of India which had been shown in the civil works' budget but the cost of which had had to be taken into account for the purpose of fixing the selling price of maps. The sale price of maps, included necessarily an element of indirect charges of this kind expenditure on which was never shown in the Survey of India budget at all. It was also pointed out that there was a serious practical difficulty in following the Accounts Rules in that it would be necessary for this purpose to segregate maps sold in the year they were manufactured from all other maps. Such a segregation would involve a very large amount of labour without a correspondingly great advantage. It was then suggested that it might be advisable to alter the procedure so as to account for all receipts, irrespective of the year of manufacture, as revenue, a *pro forma* account being kept separately in order to show how far the cost of the Department was recovered by the sale of maps. The Committee felt that while the results which the accounts of this grant for the year under review had shown indicated that there was something wrong somewhere, they could not make any final recommendation on the subject without further investigation both into the facts of this particular case and with the Accounts rules. They desired that the Auditor General should, in consultation with the Government, investigate the matter further and submit a report to them next year with a view to avoid a result of this kind recurring.

59. *Grant No. 34—Botanical Survey.*—There was a small voted excess in this grant of Rs. 4,672, the reason being an erroneous adjustment under this grant of certain expenditure properly debitable to grant No. 43. The Committee

agreed to recommend that the excess should be regularised by a vote of the Assembly.

The Committee then examined the subsidiary accounts under this grant including the accounts of the stock of quinine and cinchona febrifuge and bark. With reference to the Audit remark that no official system of costing was maintained, it was explained that this question had been gone into sometime ago and it had been found unnecessary to have any complicated and meticulous system of costing, the present rough and ready method being sufficient for the purposes in view. It was also stated that the local audit of the stock accounts had been suspended during the year because there was a shortage of staff. Instead of the stocks being locally audited every year, they were now being audited at intervals of two or three years.

60. *Grant No. 43—Public Health.*—There was a final excess over the voted grant under this head of Rs. 40,870, the reason being the expenditure on a scheme for the manufacture of liquid blood serum which was undertaken during the year on behalf of the Defence Services but recovery for which could not be made before the close of the year. The Committee agreed that the excess should be regularised by the Assembly.

With reference to the modification under sub-head 'C', it was explained that the grant to the Tuberculosis Sanatorium which had not been paid during the year was meant for the construction of water works at Kasauli. The work on this project had not proceeded sufficiently during the course of the year to warrant the payment of the grant. The money had now, however, been paid.

61. *Grant No. 48—Civil Veterinary Services.*—The Committee observed that the budgeting under this head had been on the whole very close but that there was an excess of Rs. 11,081 over the final grant. This was due to a number of miscellaneous causes such as the abnormal rise in the prices of grains, fodder and fire wood, the grant of compensation to grain contractors, the grant of dearness allowance and increase in wages. The Committee agreed to recommend the regularisation of this excess by a vote of the Legislative Assembly.

They then went on to examine the commercial accounts of the Imperial Veterinary Research Institute, Biological Product Section and noted that the cost of production of the various sera had steadily been reduced since the year 1940-41. The general reduction in cost was due to an increase in the quantity manufactured and consequent diminution in the overhead charges per unit. The selling rate was now appreciably higher than the cost of production in each case but the Committee agreed that, in view of the fluctuating market prices and of the uncertainty as to future demand, no reduction in the selling rate at the present stage seemed necessary.

DEPARTMENT OF COMMONWEALTH RELATIONS

62. *Grant No. 20—Department of Indians Overseas.*—There was a small voted excess in this grant of Rs. 2,925 due to a number of miscellaneous causes such as the payment of Simla allowances to staff sent to Simla, the grant of dearness allowance and the like. The Committee agreed that the excess should be regularised by the Assembly.

63. *Grant No. 55—Immigration—External.*—The percentage of the saving in this grant to the budget provision was as high as 26. It was explained that this was due to Burma and Malaya having occupied by the enemy and to the provision for the agencies in these two countries and for the staff sanctioned in connection with the Indo-Burma Immigration Agreement not having been utilised. If the saving on this account were eliminated, the percentage variation would not have been at all unusual.

64. The Committee next considered the Appropriation Accounts of sub-head 'P-6—Expenditure on Indian Evacuees from war zones and dependants of persons detained there' under the Appropriation 'Miscellaneous expenditure connected with the War'. It was stated that the arrangement at present in force was that the expenditure on evacuees although incurred, in the first

instance, by the Government of India was to be shared by a number of authorities, namely, the Government of Burma, the Indian States, and His Majesty's Government. The Government of India was responsible only for the expenditure on Indians and Anglo-Indians while the remaining governments were responsible for expenditure on their own nationals. When refugees started pouring in, it was impossible to keep adequate records of the sources and origin of each refugee so as to make it possible to allocate each item of payment to a separate Government. His Majesty's Government were now in certain cases refusing to accept the debits on account of the nationals for which they were responsible on the ground that there was neither satisfactory proof of payment nor adequate proof of the nationality of the payee. The Auditor General felt that the standard of proof demanded from the Government of India in this connection was not reasonable because, in the circumstances that prevailed at the time when these payments were originally made, it was impossible to make arrangements which would have enabled the payments to be allocated with exactitude. Those payments which were clearly debitable to the Government of India had been finally debited to the head "P-6" and those as regards which there was doubt had been taken to suspense, the order of the amounts standing under suspense being about Rs. 20 to Rs. 30 lakhs. Although these payments were theoretically in the nature of advances to be recovered when the evacuees were in a position to repay, they had been taken to a revenue head of account because it was felt that the chances of recovery were extremely slight. If any amounts were recovered at any stage, they would be taken to a receipt head. The Committee agreed with the Auditor General that the demands being made upon India with regard to certificates of audit and the like relating to the sources and origin of the payees were such as could not be complied with and such as should not, in the circumstances, be made. They asked that the Auditor General should place before them next year a report on the arrangements he had been able to come to with His Majesty's Government in this matter. They trusted that it would be possible to induce them to appreciate more realistically the facts of the situation and to adopt a more reasonable attitude in the matter.

Proceedings of the seventh meeting of the Public Accounts Committee held on Tuesday, the 22nd August 1944, at 10-30 A.M.

The Honourable Sir CYRIL JONES, K.C.I.E., C.S.I.,
I.C.S., Finance Member.

Chairman.

Maulvi MOHAMMAD ABDUL GHANI.

Mr. Mohamed AZHAR ALI.

Sir Syed RAZA ALI, C.B.E.

Pandit LAKSHMI KANTA MAITRA.

Kunwar Hajee ISMAEL ALI KHAN, C.I.E., O.B.E.

Mr. T. CHAPMAN-MORTIMER.

Sir RATANJI DALAL, C.I.E.

Khan Bahadur Sheikh FAZL-I-HUQ PIRACHA.

Khan Bahadur Sheikh HABIBUR RAHAMAN.

Members

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

Sir JOHN SHEEHY, C.S.I., I.C.S., Member, Central
Board of Revenue.

Mr. S. RANGANATHAN, I.C.S., Secretary, Central
Board of Revenue.

Mr. S. R. ZAMAN, C.I.E., I.C.S., Joint Secretary,
Department of Commerce.

Mr. Y. N. SUKTHANKAR, C.I.E., I.C.S., Joint Secre-
tary, Department of Commerce.

Witnesses

Sir CAMERON BADENOCH, K.C.I.E., C.S.I., I.C.S., Auditor General.

Mr. S. AMBRAVANESWAR, Accountant General, Central Revenues.

Mr. RAUNAQ LAL, Assistant Accountant General, Central Revenues.

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

Central Board of Revenue

65. Before examining the Appropriation Accounts proper the Committee reverted to the discussions recorded in paragraph 23 of the Proceedings which had given rise to the suggestion that it might be desirable for some legislation on the lines of the United Kingdom Registration of Business Names Act, 1916 to be introduced in India. It was explained to the Committee that as matters stood at present it was difficult and sometimes impossible for Government to have all the information which it would be advantageous for them to have regarding the constitution of firms and companies acting as Public Works contractors or as suppliers to Government. It was possible and indeed probable that this lack of information led to the evasion by individuals of full liability for Income-tax and Excess Profits Tax. It was pointed out that although there was no specific legislation on the subject, the form of return prescribed under the Income-tax Act required the names of partners in a firm or partnership to be disclosed. Further in view of the advantages that accrued firms generally registered themselves with the Income-tax authorities giving them full information with regard to their constitution and the names of the partners. Such information was however privileged and could not be disclosed to any other Department of Government. After considerable discussion the Committee decided to recommend that the Central Board of Revenue should examine the whole matter in consultation with other Departments. They recognised that it might be impracticable in present circumstances to apply such an Act generally but considered that it might possibly be applied with profit in the first instance to contractors of, and suppliers to, the Central and Provincial Governments.

66. *Grant No. 1—Customs.*—The Committee went into the details of the case reported in note 4(b) to the Appropriation Accounts in which Government had been subjected to a loss of revenue estimated at Rs. 3,29,000 for the two years 1937 and 1938. They were informed that the investigation had proved that no member of the Customs staff was in collusion with the importers who had practised a fraud on Government and that the fraud had been rendered possible chiefly by undue reliance on market rates supplied by a number of brokers who had formed themselves into a clique and thereby became able to influence the assessment by supplying inaccurate information to the Customs authorities. Remedial measures had been taken to eliminate the defects in the system revealed by this investigation. In particular, the brokers' influence has been eliminated and market rates are now obtained from the Bengal Chamber of Commerce and the Marwari Chamber of Commerce. The Committee expressed themselves as satisfied with the action taken.

67. *Grant No. 3—Taxes on income including Corporation Tax.*—In this grant there was a small excess of Rs. 14,694, due to the creation of an extra Bench of the Income-tax Appellate Tribunal and to the pay of a Commissioner of Income-tax being treated as voted instead of non-voted. The provision for the extra Bench was not made due to a misunderstanding of an order issued by the Legislative Department, on the part of the Registrar of the Tribunal. The control over these Tribunals had been transferred from the Board to the Legislative Department during the course of the year. As regards the pay of the Commissioner of Income-tax, this had been assumed to be non-voted because the officer was from Burma (though in the Indian Civil Service), but it was decided at a late stage in the year on competent advice that the pay of this

officer while employed in India was not protected by the Constitution Act and it was therefore classified as voted.

68. With reference to the comment in the Appropriation Accounts that "a certain number of temporary extra-statutory concessions arising directly from the association of India with the War has been sanctioned by Government", it was explained that most of these concessions were petty, the chief being that troops in India who were being paid by authorities outside India were exempted from Income-tax. This concession was on a reciprocal basis and had been granted to American troops not only in India but the United Kingdom and the Dominions as well.

69. The Committee commented on the comparatively small increase in the expenditure of the Income-tax Department since the outbreak of the war when viewed against the very large increase in the receipts and a fear was expressed that possibly Income-tax Offices were under-staffed and over-worked and that the work of assessments was consequently falling into arrears. It was explained that an increase of revenue did not obviously require a proportionate increase in staff because it was, generally speaking, not the number of assesses but the value of each assessment that had gone up, that arrears were not showing any tendency to increase and that no demand for increased staff from Commissioners of Income-tax had been refused by Government. There was, however, some shortage of staff the reason being that trained personnel were not available. Steps were now being taken to recruit an additional number of Income-tax Officers and it was hoped that the staff position would improve.

70. *Grant No. 4—Salt.*—The Committee examined the commercial accounts of the Central Excises and Salt Department, North-Western India and of the Pritchard Salt Works and the Main Salt Stores, Kharagoda. They observed that the working results of salt manufacture in North-Western India for the year 1942-43 disclosed a net profit of Rs. 8.59 lakhs against Rs. 13.17 lakhs in 1941-42. It was explained that the substantial decrease in profit was due wholly to the marked drop in production, to less clearances and to increased costs of production at Sambhar; the cause of the drop in production was the failure of the monsoon while the increase in the costs of production was due to a rise in the cost of materials and the payment of dearness allowance to labour. Lesser clearances were explained by the acute shortage of railway wagons. It was also explained that the policy was not to make any profit on Salt.

71. *Grant No. 5—Opium.*—The original voted grant was Rs. 48,16,000 but a supplementary grant of Rs. 1,97,000 was later obtained. The actual expenditure amounted to Rs. 48,12,181, thereby rendering the supplementary grant totally unnecessary. It was explained that the District Opium Officers had not sent their statements of savings and excesses in time to the Opium Agent who in turn had been unable to communicate them to the Board. The Board had issued a warning that such a failure to keep to the time table should not recur and it was hoped that the warning would have effect. The Committee expressed themselves as satisfied with the action taken.

The Committee noted that the expenditure of the Opium Department had shown a sudden rise from Rs. 24 lakhs in 1941-42 to Rs. 49 lakhs in 1942-43 while the receipts on the other hand had only gone up by Rs. 10 lakhs from Rs. 65 lakhs to Rs. 75 lakhs. It was explained that this tendency of receipts to rise gradually and expenses to rise disproportionately fast was still continuing so that in the current year it was expected that the expenditure would substantially surpass the revenue. The reason was that the area under opium had latterly been greatly increased and the rate at which opium was purchased had also to be increased and while the cost of the increased cultivation and purchases were at once booked in the accounts, the corresponding receipts would come in at a much later stage when the opium produced was ready to be sold. This tendency would then be reversed; expenditure would fall while receipts would go on increasing.

Commerce Department

72. *Grant No. 31—Ports and Pilotage.*—The Committee examined in detail the commercial accounts of the Bengal Pilot Service and observed that for the third year in succession this service had run at a loss, the deficit this year being substantial (Rs. 7½ lakhs). The reason for this was apparent, namely, a diminution in the number of ships visiting the Port of Calcutta owing to the present crisis and the Committee agreed that there was no cause for disquiet in these results particularly as in normal times there had been recurrent surpluses.

They noted that at the close of the year the credit in the Depreciation Reserve and Heavy Repairs Reserve aggregated Rs. 19·8 lakhs while the total value of the Pilot vessels and launches and the machinery and equipment on board was only Rs. 7,35,000. It was explained that the allocations to the Reserve Funds were on a replacement basis and that was the reason why they exceeded the total capital at charge. The Committee agreed that it was wise financial policy to build up reserves against replacements.

73. *Grant No. 39—Light Houses and Light Ships.*—There was an excess over the voted grant of Rs. 16,963, the reason being that as the Light Houses in the Rangoon District had ceased to function after January 1942 there was a smaller issue of stores (which are shown as a deduct entry in the accounts) than was originally anticipated. The Committee agreed to recommend that the excess should be regularised by a vote of the Legislative Assembly.

In examining the commercial accounts of this Department they observed that the net result was a surplus of Rs. 4·06 lakhs against Rs. 2·74 lakhs in 1941-42, the comparative improvement being due to the cessation of the activities of the Rangoon Light Houses District which was working at a loss, lesser contributions towards depreciation charges on the assets of the Light House Districts and to a larger number of ships visiting the Ports. The Committee noted that the Depreciation Reserve Fund now stood at Rs. 15·26 lakhs and that the General Reserve Fund had the substantial sum of Rs. 42·05 lakhs to its credit.

74. *Grant No. 56—Commercial Intelligence and Statistics.*—The original voted grant was Rs. 8,48,000 and a supplementary grant of Rs. 59,000 was voted by the Assembly. There was, however, a final saving of Rs. 55,585 thereby rendering the bulk of the supplementary grant unnecessary. The reasons which led to this result were explained in the notes below the Appropriation Accounts themselves and the Committee regarded them as adequate.

75. *Grant No. 58—Joint Stock Companies.*—Arising out of the modification in sub-head "C. Other Charges" which were caused because of the shifting of the bulk of the office of the Registrar of Joint Stock Companies, Bengal from Calcutta to Suri a member suggested that it was undesirable that Registrars of Joint Stock Companies should stay so far away from the centres to which their work related. He felt moreover that Government might get more value for its money if the Registrars studied with greater attention with the assistance of extra staff, if necessary, the details of the companies which they were called upon to register and collated the information given in the balance sheets of various companies. Such a collation, it was felt, might place in the hands of Government very valuable information regarding frauds practised on the Income-tax authorities and give indications regarding other anti-social activities such as hoarding which were rampant at the moment. The Committee was not certain of the value of the suggestion made but suggested that the Commerce Department might well consider it.

76. *Grant No. 59—Miscellaneous Departments.*—The Committee observed with interest that the total amount of receipts on account of fees for deposits and registration of trade marks realised during the year was Rs. 4·30 lakhs as against Rs. 1·09 lakhs realised in 1941-42. The large increase in receipts was explained as being due to the provisions of the Trade Marks Act relating to the registration of trade marks having come into force since the 1st June 1942; the

receipts prior to that date consisted only of fees on account of the deposits of trade marks.

They also observed that the working of the scheme for the registration of Accountants had again resulted in a profit, the surplus for the year under review being considerably greater than in the previous year. The increase in income was mainly due to increase in registration and examination fees while the fall in expenditure which was comparatively small was due to the fact that no meeting of the Board was held in 1942-43. The profits of the year under review had completely wiped out the accumulated deficits upto the year ending the 31st March, 1942 and the running account of the scheme now disclosed a net surplus of Rs. 6,688.

77. The Committee then examined the accounts of the War Risks (Goods) and (Factories) Insurance Funds. They observed with interest that the premia credited to the funds in the year under review were again substantial but that the payments made from the Fund for damage caused by enemy action were exceedingly small. They noted with pleasure that the expenses of running the scheme had been kept at a very low level and that the expense ratio compared very favourably indeed with that of any private Insurance Company.

Proceedings of the eighth meeting of the Public Accounts Committee held on Wednesday, the 23rd August 1944, at 10-30 A.M.

PRESENT:

Sir RATANJI DALAL, C.I.E. (upto 11-15 A.M.).
The Honourable Sir CYRIL JONES, K.C.I.E., C.S.I.,
I.C.S., Finance Member. } *Chairman.*

Maulvi MOHAMMAD ABDUL GHANI.
Mr. Mohamed AZHAR ALI.
Sir Syed RAZA ALI, C.B.E.
Pandit LAKSHMI KANTA MAITRA.
Kunwar Hajee ISMAIEL ALI KHAN, C.I.E., O.B.E.
Mr. T. CHAPMAN-MORTIMER. } *Members*

Khan Bahadur Sheikh FAZL-I-HAQ PIRACHA.
Khan Bahadur Sheikh HABIBUR RAHAMAN.
Mr. VISHNU SAHAY, I.C.S., Deputy Secretary, Home
Department.
Mr. H. K. CHAINANI, I.C.S., Deputy Secretary, Home
Department.
Mr. V. SHANKAR, I.C.S., Deputy Secretary, Home
Department.

Mr. MUKUNDLAL CHOPRA, representing the Delhi
Administration.

Mr. ROSHAN LAL JHA, representing the Ajmer-
Merwara Administration.

Mr. P. N. THAPAR, C.I.E., I.C.S., Secretary, Infor-
mation and Broadcasting Department.

Mr. J. NATARAJAN, Principal Information Officer.

Mr. A. S. BOKHARI, C.I.E., Controller of Broadcasting.

Mr. M. K. SEN GUPTA, C.I.E., Financial Adviser,
Communications.

Mr. S. A. VENKATARAMAN, C.I.E., I.C.S., Joint
Secretary, Department of Supply.

Mr. M. V. RANGACHARI, Deputy Financial Adviser,
Supply Finance. } *Witnesses*

Sir CAMERON BADENOCH, K.C.I.E., C.S.I., I.C.S., Auditor General.

Mr. S. AMBRAVANESWAR, Accountant General, Central Revenues.

Mr. K. K. SEN, Chief Controller of Supply Accounts.

Mr. RAUNAQ LAL, Assistant Accountant General, Central Revenues.

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

Home Department

78. *Grant No. 12—Executive Council.*—The original voted grant under this head was Rs. 1,85,000 but it was augmented by a supplementary grant of Rs. 48,000, voted by the Legislative Assembly under sub-head "A-3—Tour Expenses". The final saving under this sub-head alone was Rs. 52,077, while over the whole grant the saving was a little more so that the supplementary grant proved unnecessary. It was explained that the actuals for 1941-42 of the touring expenses of Hon'ble Members of Council were Rs. 1,56,000. As the Council had been considerably expanded since that year, it was considered that the total final provision of Rs. 1,96,000, under this sub-head would not be excessive. As it happened, however, Hon'ble Members did not tour and the amount remained unutilised. It was impossible to forecast with any degree of accuracy the future movements of Members of Council and it was not, therefore, possible always to be exact in budgeting under this sub-head. The Committee accepted the reasons given as adequate.

79. *Grant No. 15—Home Department.*—A supplementary grant of Rs. 92,000 was voted by the Legislative Assembly in this demand while there was a final saving of Rs. 52,926, in the total grant. It was observed that while Rs. 59,500, had been reappropriated from sub-head "A. 4—Other Charges" Rs. 17,000, out of the supplementary grant had been taken under this sub-head. It was explained that the reappropriation was made in April 1942 when it was expected that the final expenditure would not come up to the original provision. The Committee pointed out that this was an incorrect course to adopt, and that the proper course would have been to cancel or modify the original reappropriation.

80. *Grant No. 29—A—Jails and Convict Settlement.*—This was a new demand opened during the year to meet the expenditure in connection with the confinement of dangerous prisoners evacuated from the Andamans in the Central India Agency Jail, Indore. There was a final voted excess of Rs. 3,229, under this head, the reason for which was that certain book adjustments had been made after the close of the year. The Committee agreed that the excess should be regularised by a vote of the Assembly.

81. *Grant No. 30.*—It was explained that after the outbreak of War with Japan it was decided to increase rapidly the number of police forces. Under the Constitution Act expenditure on police was a provincial liability but the extent of the increase demanded by the Centre was such that it had been decided that it would be unfair that the latter should not bear some portion of the increased expenditure. Arrangements had therefore been arrived at with each of the Provincial Governments by which a certain portion of the expenditure on this additional police was debited to central revenues—a course admissible under section 150 of the Government of India Act. The expansion of the police force during the year had been very great, whence the largeness of the supplementary demand. The final saving of Rs. 13 lakhs which was not very large compared to the supplementary demand of Rs. 150 lakhs was due mainly to the estimate of a Provincial Government being excessive.

82. *Grant No. 57—Census.*—There was a petty voted excess of Rs. 626, in this grant which the Committee agreed to recommend for regularisation to the Assembly. The Committee also suggested with reference to sub-head "C-4" that, having contributed Rs. 1,800, to the Lucknow University for the publication of a monograph on primitive tribes in the United Provinces, the Government of India might well send for a copy of the monograph, which was understood to have been published and satisfy itself that it had got value for money.*

83. With reference to the variation in column 4 of the sub-head "G. 1" of "Grant No. 66 Miscellaneous" it was explained that under the Government of India Act, Cattle Pound receipts, which used formerly to be credited to local bodies had to be credited to the Provincial Government which in the case of centrally administered areas was the Central Government. The deprivation of the local bodies of this source of revenue had hit them badly and it had, therefore, been decided that Government would compensate them by repaying to them

the amount received by it on this account calculated on the basis of the average of the actuals of the last three years.

84. *Grant No. 71—Ajmer-Merwara.*—A number of variations in this demand, particularly under the head "General Administration", were explained as being due to the separation with effect from the 1st January, 1943 of the Ajmer-Merwara Administration from the Rajputana Agency. Till the end of 1942 the system was that the Agent to the Governor General, Rajputana States was also the Chief Commissioner of Ajmer-Merwara. His cost and the cost of his staff was debited originally to the budget of the Crown Department and a proportionate recovery was made by debit to the Ajmer-Merwara budget. With the separation of functions, a number of direct debits had made their appearance in this grant. There were, however, still certain officers and offices such as that of the Inspector General of Police which were joint for the two administrations and continued on the old basis.

85. *Grant No. 72—Panth Piproda.*—There was an excess of Rs. 1,018, over the voted grant, the causes being the grant of dearness allowance, a belated adjustment on account of the cost of police reinforcement and a special grant for the purchase of quinine. The excess was foreseen, but owing to the smallness of the amount a supplementary grant was not arranged. The Committee agreed to recommend that this excess should be regularised by a vote of the Assembly.

86. *Grant No. 73—Andamans and Nicobar Islands.*—The Committee observed that no accounts of the Administration of the Andamans and Nicobar Islands subsequent to those for January 1942 had been received, and that therefore the balances outstanding in the accounts under various heads could not be cleared. Government had since sanctioned the write off of balances under certain debt and remittance heads as well as under suspense heads in the accounts of the Public Works and Forest Departments of the Port Blair Administration but that the balances of such accounts as represented personal deposits and advance, as also the liabilities of Government for purchases not paid for, had been kept outstanding for settlement at a later date. The Committee did not consider that any useful purpose would be served in continuing to show in the accounts a large number of outstanding balances and suggested that they should all be written-off without exception. They also recommended that capital assets should be written-off because when the Andaman and Nicobar Islands were reoccupied, it was most unlikely that Government would recover its asset in the same shape as they had been left. Such a write off would enable the accounts on reoccupation to be started on a clean slate.

Department of Information and Broadcasting

87. *Grant No. 52—Broadcasting.*—The Committee observed that the details of the expenditure under the sub-head "B.4—Other Chargess" had following the recommendation in their Report on the Accounts of 1939-40, been split up and that the various kinds of expenditure which went to make up the total had been explained in a foot note. This foot note, however, showed that "Miscellaneous Other Expenses" amount to Rs. 1,30,854 while a similar foot note under sub-head "B—3" in "Grant No. 16—Department of Information and Broadcasting" showed that "Other Expenses" amounted to Rs. 1,85,009. Some members of the Committee felt that the breakdown of contingent expenditure had not been carried to a sufficient degree and that these miscellaneous items of expenditure should be further split up. It was explained that all items of expenditure of a special nature had already been indicated in the foot notes and that these miscellaneous other items were such as to be incapable of further classification. They were large in aggregate because the organisations to which they related were large and had necessarily to spend money on petty items on a comparatively large scale. The Committee accepted the explanation.

88. The Committee then examined the commercial accounts of All-India Radio and observed that while the profit calculated after taking into account the Customs Revenue showed an increase over the previous year, if the Customs

revenue were excluded the loss also showed an increase. The explanation of this was that while the expenditure of the Department had increased by about Rs. 5 lakhs, the income from fees had not increased by more than a lakh while the increase in the Customs duty on imported radios had been of the order of Rs. 11 lakhs. The Committee also noted that the loss on the publications of All-India Radio had shown a substantial increase over that of the previous year. The reasons for this were the higher cost of paper and a falling off in advertisements. Circulation had also dropped somewhat for a certain period of the year leading to a decrease in income.

89. With reference to sub-head "C—6(1)—Expenditure on War Publicity—Grants to Provinces" of the Appropriation "Miscellaneous expenditure connected with the War", the Auditor General stated he has been having the greatest difficulty in obtaining satisfactory accounts of this expenditure from the provinces and of exercising proper audit control. He had found difficulty in getting vouchers for expenditure and had often in relaxation of the normal audit requirements to accept certificates of disbursement instead. As far as he was concerned, he would be satisfied if the expenditure on this account was treated as secret service expenditure but this the Department was not prepared to do. He had now worked out a scheme by which a finance officer would be attached to each province who would, in addition to offering financial advice, perform some of the functions of audit on the spot. This suggestion was still under the consideration of Government. The Committee expressed great concern that the accounts of so large an item of expenditure should be on so unsatisfactory a basis and desired that the Auditor General should report to them next year the arrangements it had been possible to make with regard to the proper accounting and audit of this expenditure.

90. It was explained that the sub-head "C—6(3) (3)—Labour Propaganda" represented an amount of Rs. 13,000, per month paid on behalf of the Labour Department to Mr. M. N. Roy with the object of keeping up the morale of labour. The Committee were informed that this was another head with regard to the accounts of which audit had been having considerable difficulty. An Accountant from the office of the Accountant-General, Central Revenues had now been sent to Mr. Roy in order to help him to prepare the accounts. The Committee trusted that it would be possible to straighten this matter at an early date.

Supply Department

91. In considering the Appropriation relating to the Department of Supply, the Committee observed that the year under review which was the peak year of the activities of the Supply Department was one in which the Department had undergone rapid expansion and changes in composition. It had not been possible, therefore, to follow the peace-time procedure of control of expenditure against Appropriation in detail and the Appropriation throughout presented many instances of substantial modifications and variations under individual sub-heads. The abnormal conditions of the time which were necessarily reflected in the Accounts of the Supply Department were accepted by the Committee as adequate explanation for these variations. They observed with interest in this connection that although a lump sum provision of Rs. 25 lakhs was made for additional establishment to be sanctioned during the year and the whole of the provision had been reappropriated, yet additional allotments amounting to Rs. 97 lakhs had had to be asked for during the year.

The details of the various activities of the Supply Department which were accounted for under the Appropriation "Capital Outlay on schemes connected with the War" were then explained to the Committee. They expressed the view which they had already done on a former occasion that with effect from the next year progressive accounts of each capital scheme should be exhibited in the Appropriation Accounts so as to enable them to get a correct and co-ordinated picture of how exactly each capital scheme was progressing.

Proceedings of the ninth meeting of the Public Accounts C
Thursday, the 4th August 1944, at 10-30 A.M.

PRESENT:

The Honourable Sir CYRIL JONES, K.C.I.E., C.S.I.,
I.C.S., Finance Member.

Maulvi MOHAMMAD ABDUL GHANI.

Mr. Mohamed AZHAR ALI.

Sir Syed RAZA ALI, C.B.E.

Pandit LAKSHMI KANTA MAITRA.

Kunwar Hajee ISMAEL ALI KHAN, C.I.E., O.B.E.

Mr. T. CHAPMAN-MORTIMER.

Sir RATANJI DALAL, C.I.E.

Khan Bahadur Sheikh FAZL-I-HAQ PIRACHA.

Khan Bahadur Sheikh HABIBUR RAHAMAN.

Sir OLAF CAROE, K.C.I.E., C.S.I., Secretary,
External Affairs Department.

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

Mr. M. K. SEN GUPTA, C.I.E., Financial Adviser,
Communications.

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

Lieut. Commander W. H. WATT, O.B.E., R.N.R.,
Director, Civil Aviation.

Mr. D. D. WARREN, I.C.S., Joint Secretary, War
Transport Department.

Mr. G. M. MCKELVIE, I.S.E., Consulting Engineer
to the Government of India (Roads).

Mr. D. R. RUTNAM, O.B.E., I.C.S., Deputy Secretary,
War Transport Department.

Mr. H. M. PATEL, I.C.S., Joint Secretary, Depart-
ment of Industries and Civil Supplies.

Rai Sahib R. GAUTAM, Assistant Secretary, Department
of Industries and Civil Supplies.

The Honourable Sir CHARLES OGILVIE, C.S.I., C.B.E.,
I.C.S., Secretary, Defence Department.

Mr. W. A. WRIGHT, A.F.C., I.C.S., Additional Deputy
Secretary, War Department.

Mr. E. W. PERRY, C.I.E., I.C.S., Director General,
Civil Defence, Defence Department.

Mr. LLEWELLYN SMITH, A.R.I.B.A., Under Secretary,
Department of Labour.

Sir CAMERON BADENOCH, K.C.I.E., C.S.I., I.C.S.,

Mr. S. AMBRAVANESWAR, Accountant General, Central

Mr. K. K. SEN, Chief Controller of Supply Accounts.

Mr. RAUNAQ LAL, Assistant Accountant General, Central

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

External Affairs Department

92. *Tribal Areas*.—There was a large excess of Rs. 6,63, appropriation in Account I—Sub-head “B.1—Expenditure o importance” and a somewhat larger saving under the sub- amount met from subvention from the Central Road Fund” that an expenditure of Rs. 6,75,000 was incurred during the on a road of military importance the cost of which was to b Estimates. It was originally understood that the debit on be taken direct to Defence Estimates but it was decided to pass the entries on this account through the Central Road F Areas’ budget. The decision to do so was taken too late modifications in the Appropriations to be made.

93. The Committee's attention was drawn to the important Comment No. 14 which reported that in a certain Political Agency a portion of the Tirni receipts had been utilised for the last 11 years for meeting expenditure on rewards to officials and non-officials, enumerators and lorry hire etc., only the net receipts being paid into Government account in contravention of the well known rule prohibiting the utilisation of departmental receipts for expenditure. They were informed that this kind of irregularity had not been uncommon on the Frontier and that about five years ago steps had been taken to investigate and to bring to an end all irregular transactions of this kind. The present case was only a survival from old times. To prevent this kind of irregularity and to ensure that correct accounting and financial procedure was followed in the various political Agencies in the province in future it had been decided that the receipts of the Agencies should be audited by the Indian Audit Department during annual inspections. The Committee expressed themselves as satisfied at the action taken and hoped that it would be found to be adequate.

94. *External Affairs.*—With reference to sub-head C(2)(5), the Committee enquired what the China War-time Service Corps was and were informed that after the outbreak of the war with Japan a certain number of Chinese seamen who had been brought to Calcutta had refused again to go to sea. These unemployed seamen had become a problem in Calcutta and it was decided to form them into a disciplined body and get them to do some work. The Corps in question had accordingly been formed and was mainly employed as a labour unit. The Committee expressed the hope that these Chinese would not for long continue to be a charge on Indian revenues and were assured that there was no great fear of this happening. In fact the disbandment of this body had already gradually started as the men were being employed elsewhere and it was hoped that by next year the Corps would cease to exist.

95. *Baluchistan.*—The Committee reviewed the accounts of the reconstruction of Quetta and observed that the total expenditure on the reconstruction, apart from temporary relief measures, had amounted to Rs. 65 lakhs upto the end of 1942-43. They remarked that the provision made in the budget for major works had again greatly exceeded the actual expenditure, the percentage of variation being 43-14. It was explained that it had not been possible to carry out the programme of construction planned because during the year under report a larger number of urgent military works were under construction in this area with the result that both labour and material were in short supply. An additional reason was that communications had been cut off by floods in Sind and cement and other materials which were not locally available could not be imported.

Posts and Air Department

96. *Grant No. 39—Meteorology.*—There was an excess of Rs. 7,544, over the voted provision in this grant the reason being that certain expenditure incurred on behalf of the Defence Services could not be recovered before the close of the year. The Committee agreed that the excess should be regularised by a vote of the Assembly. It was stated that the Department of Meteorology had in recent years been considerably expanded primarily to meet defence requirements and it had been decided accordingly to stabilise the Meteorological budget at a particular level beyond which all expenses would be met by Defence Service estimates.

97. *Grant No. 51—Aviation.*—The Committee noted that, in accordance with the wishes expressed by them in their proceedings, on the accounts of 1940-41, 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 had been revised in order to make it less complicated from the year 1943-44. They noted also that in spite of a lump sum cut of Rs. 6,65,000 in the Works budget there had again been savings to the extent of Rs. 14,39,000 compared to the original provision. It was explained that this saving had been brought about by the fact, that Land Acquisition proceedings involving over Rs. 16 lakhs in one particular case could not be completed.

Department of War Transport

98. *Grant No. 63—Central Road Fund.*—The Committee examined with care both the accounts of the Central Road Fund and of the subvention from it. They were informed that apart from the appropriations to the fund which were made out of the duties on petrol there had been at one time a special contribution of Rs. 40 lakhs from central revenues and of another Rs. 9 lakhs from the Burma and Assam Oil Companies. No such extraordinary receipt had, however, been credited to the fund in recent years. The basis of the allocation from the Fund to the provinces was that, generally speaking, each province received an amount dependant upon the quantity of petrol consumed in the province, petrol consumption figures being supplied by the Oil Companies. But 15 per cent of the yearly appropriation to the Fund, was held in a central reserve which was utilised for redressing any inequalities which arose owing to the poorer provinces not being entitled to adequate allocations from the Fund on the petrol consumption basis. Further, since the War started a number of road projects had been executed through the agency of the Central Road Fund, the Defence Estimates making contributions to this Fund while payments on this account were generally shown as special grants from reserve. The Committee, however, did not think this explanation adequate for explaining the large figures against "ordinary allotment" and "special grants" shown against Bombay and Sind respectively and desired the Department to submit to them next year a full explanatory report showing how exactly the funds were normally allotted to the provinces and how the intervention of the Defence Department into the working of the Fund had affected its accounts.

99. *Grant No. 77—Capital outlay of Vizagapatam Harbour.*—The Committee examined briefly the commercial accounts of the Vizagapatam Port and regretted to note that the loss on the year's working was in 1942-43 even greater than in the previous year. The deferred liability on account of the Depreciation Reserve Fund was still increasing and now stood at a figure of Rs. 9.06 lakhs.

Department of Industries and Civil Supplies

100. *Grant No. 49—Industries.*—With reference to group head "C—Grants-in-aid for the development of the sericultural and the cottage and small scale woollen industries in British India" it was explained that these grants were paid through the agency of the Provinces. Allotments to provinces were made in view of the recommendations of the late Imperial Sericultural and the Woollen Industries Committees, a portion of the grant being retained as a reserve to provide for unforeseen developments. Unspent balances at the end of the year were again included in the next year's budget in addition to the ordinary provision.

101. *Grant No. 50—Scientific and Industrial Research.*—There was an excess over the voted provision in this grant of Rs. 1,48,970, the explanation being that certain recoveries due from the Council of Scientific and Industrial Research on account of expenditure on the Board of Scientific and Industrial Research had not been recovered during the course of the year for want of information regarding the extra amount payable. It was stated that as a result of the decision to create the Council of Scientific and Industrial Research and the coming into existence of two sets of staff side by side there had been some confusion regarding the procedure to be followed in matters connected with the budget. The Committee hoped that now that matters had been stabilised, there would be no recurrence of such confusion and agreed to recommend that the excess should be regularised by a vote of the Legislative Assembly.

The Committee reviewed briefly the accounts of the Government Test House and observed that there had been a considerable increase in the net loss for the year over the figures of the previous year. The reason was that work on account of Defence Services had increased considerably but there had been no increase in the fixed contribution payable by the Defence Budget; further, the Test House was not now able to do very much work for outside bodies and paying departments.

Defence Department

102. The Committee observed that there had been very large expenditure (amounting to Rs. 1,23,00,000) on Denial measures during the year under review. It was explained that it was necessary in 1942 to withdraw from areas threatened by the enemy all forms of transport which might facilitate his advance and the Central Government had accordingly issued orders that this should be done. In pursuance of this policy, boats, cycles, carriages and elephants were removed from the threatened areas and the amount spent consisted mainly of compensation paid to the owners. It was hoped that the entire amount would not be a dead loss, but that on the restoration to the owners of such property as still existed Government would be able to recover for itself a fair proportion of the expenditure.

The Auditor General explained that the amount shown in the accounts was by no means the entire sum expended on the Denial policy and similar measures. Large amounts had been held under suspense by him pending audit prior to their acceptance as a liability of the Central Government. He was not at all satisfied at the state of the accounts of the expenditure on these measures and feared that it would be impossible ever to get the requirements of Audit satisfied. The Government of Bengal who had acted as agents of the Central Government in this matter had, at his instance, deputed a special officer to investigate these accounts and his report had disclosed a most deplorable state of affairs. It appeared that the Bengal Government had issued orders to Treasury Officers to pay out money on demand to Government officers without the intervention of the Accountant General and, in some cases, without the safeguard of giving to the Treasury Officers the specimen signatures or even the names of the officers who were entitled to demand payment. In addition to sums standing in suspense on this account, there were other large sums relating to Bengal debitable to the Central Government the liability for which the Auditor General had not found himself in a position to accept on behalf of the latter; the aggregate amount was at one time of the order of Rs. 3 crores.

The Committee expressed the gravest concern at the state of affairs disclosed by the Auditor General. While they realised that the conditions under which this work was done were of the utmost urgency and that the times were entirely abnormal and though they recognised that some confusion was only to be expected and could be understood they could not see any excuse whatever for the neglect of elementary financial precautions. They felt that if further investigation revealed that the control of the Bengal Government was through negligence so lax as to give rise to serious doubt that the money was actually spent on the purposes for which it was meant they would hold themselves at liberty to recommend that the Central Government should not accept debits which could not satisfy the reasonable demands of Audit. At this stage, however, they desired only that the Auditor General should present to them a report not only with regard to the state of the accounts of the money spent on Denial measures but with regard to the entire Central expenditure in Bengal which was now held in suspense.

103. *Grant No. 16—Civil Defence Department.*—There was a voted excess under this head of Rs. 29,995 which was due to a number of miscellaneous causes such as the creation of additional posts more touring and the like. The Committee agreed to recommend the regularisation of this excess.

105. *Grant No. 69—Civil Defence.*—The arrangement under which the expenditure on Civil Defence was shared between the Centre and the Provinces was explained to the Committee. They observed that the total payment to Provincial Governments during the year amounted to the large figure of Rs. 5.40 crores. They were informed, however, that Air Raid Precautions had been wound up over the greater part of the country and it was only in Assam, certain areas in Bengal and some parts in Madras that it was still in force. In future the demand under this head would show a very considerable reduction.

Proceedings of the tenth meeting of the Public Accounts Committee held on Friday, the 25th August 1944, at 10-30 A.M.

PRESENT:

The Honourable Sir CYRIL JONES, K.C.I.E., C.S.I.,
I.C.S., Finance Member.

Chairman

Maulvi MOHAMMAD ABDUL GHANI.

Mr. Mohamed AZHAR ALI.

Sir Syed RAZA ALI, C.B.E.,

Pandit LAKSHMI KANTA MAITRA,

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

Mr. T. CHAPMAN-MORTIMER.

Sir RATANJI DALAL, C.I.E.

Khan Bahadur Sheikh FAZL-I-HUQ PIRACHA.

The Honourable Mr. SHAVAX LAL, C.I.E., Secretary,
Legislative Department.

Mr. P. MASON, O.B.E., I.C.S., Deputy Secretary, War
Department.

Mr. R. H. HUTCHINGS, C.M.G., C.I.E., I.C.S., Secre-
tary, Department of Food.

Members.

MIAN MUHAMMAD RAFI, Bar.-at-Lad, Secretary, Legis-
lative Assembly Department.

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

Rao Bahadur V. P. MENON, C.I.E., Reforms Com-
missioner.

Witnesses

Sir CAMERON BADENOCH, K.C.I.E., C.S.I., I.C.S., Auditor General.

Mr. S. AMBRAVANESWAR, Accountant General, Central Revenues.

Mr. RAUNAQ LAL, Assistant Accountant General, Central Revenues.

Rai Bahadur BINDRA BAN, Controller of Food Accounts.

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

Legislative Department

105. *Grant No. 18.*—There was a voted excess in this grant of Rs. 2-217 due to unanticipated debits on account of joining time pay and leave salary of two officers. The Committee agreed to recommend that the excess should be regularised by a vote of the Assembly.

106. *Grant No. 29—Administration of Justice.*—With reference to the modification in column 1 of sub-head "D.1—Charges in England Secretary of State for India—Miscellaneous" it was explained that in an appeal heard before the Judicial Committee of the Privy Council a question of constitutional importance had arisen with regard to the jurisdiction of the Madras High Court. The Judicial Committee had desired that the Government of India should be represented in the case and the supplementary provision had been made to provide for the necessary expenditure.

Food Department

107. *Grant No. 24—B—Food Department.*—This was a new demand consequent on the setting up of a separate Department of Food with effect from the 2nd December, 1942. This Department took over the functions which prior to this date were performed by the Commerce and Supply Departments namely control over prices, supply and distribution of foodstuffs and the procurement and purchase of foodstuffs for the Army. The Committee observed that there was a saving of as much as 31 per cent over the original voted budget provision, the causes being that certain furniture expected within the year was not supplied, the provision for pay for one month of the staff transferred from certain offices was not utilised owing to delay in the transfer and to certain vacancies remaining unfilled; it was due also in part to excessive provision made in the absence of accurate data. The Committee felt that as the Department was new and had not had time to settle down, no strong objection could be taken to these inaccuracies in budgeting.

Legislative Assembly Department

108. *Grant No. 14—Legislative Assembly and Legislative Assembly Department.*—As in previous years, there was a large saving in the voted section of this grant, the percentage being 28 compared to the original provision. The reason, as before, was the nonattendance of the members of the Congress Party and shorter sessions of the Assembly. Most of the savings had, however, been surrendered.

109. The Committee had no comments of any importance to offer on the Appropriation Accounts of the War Department, the Secretary to the Governor-General (Public) and the Secretary to the Governor General (Reforms).

110. On the termination of the Committee's examination of the Appropriation Accounts the Auditor General made a statement regarding the position of staff in Accounts offices. He recalled that he had explained to the Committee last year the difficulties under which he had been labouring and though it had been possible somehow to complete the accounts of 1942-43 and 1943-44, he felt it his duty to bring to the notice of the Committee the deterioration of the staff position since he had last mentioned the matter and to warn them against the dangers that lay ahead if remedial measures were not taken. The hope he had expressed last year that he would be able gradually to restore the normal quantity and quality of Audit as the war time recruits learnt their work was based on two assumptions, the first being that he would not be called upon to do more work and the second that he would be able to recruit and retain adequate staff. Neither of these had, unfortunately, proved correct. The quantity of work had increased very considerably owing to the increase in the activities of both the Central and Provincial Governments particularly in the sphere of civil supplies and food. The demand on him for deputation of trained personnel particularly to the Provinces continued unabated and the position now was that while his staff had increased by about 30 per cent., no less than 25 per cent. of the trained staff had been loaned to other offices with the result that 50 per cent. of his present staff consisted of temporary and comparatively untrained clerks.

The consequences were two fold.—Despite a lowering of the minimum educational qualification required for service in the Accounts Department from the possession of a degree higher than the lowest pass degree to that of Matriculation, he had not been able to fill all the vacancies in his offices and there was at present an overall shortage of 5 per cent. Considerable difficulties had been experienced with the temporary staff who found it difficult to live on their pay in present economic conditions. There had been much competition between various employing offices, many of which had been in a position to offer better terms than those fixed for the Accounts and Audit Offices. This state of affairs had led to a continual drift away from the latter offices so that in some offices the proportion of men whose total length of service is less than six months is as high as 25 per cent. The second consequence was that the permanent experienced men were over worked, jaded and also discouraged because of difficult economic conditions. He desired to warn the Committee that if conditions such as these continued it was possible that the then Auditor General would not be in a position to certify to the correctness of the accounts of 1944-45.

111. The Committee expressed concern at the state of affairs which the Auditor General's statement revealed and assured him of their fullest sympathy and co-operation in any remedial action that it might be possible to take. They understood that Government had very recently issued orders for which the Auditor General had been pressing for some time prescribing uniform scales of pay for all temporary staff in Government offices and arranging for a unified method of recruitment. These reforms, they felt, should remove to a great extent the Auditor General's difficulties particularly with regard to the drift away from his offices occasioned by the prospects of better pay elsewhere. They suggested that the position as it developed after the new rules had had time to take effect should be closely watched and that if even then the Auditor General found his difficulties continuing he should make further requests to

Government which the Committee hoped would meet with such sympathetic consideration as the importance of the work of Accounts and Audit deserved.

112. The Committee understood that this was the last meeting of that body at which Sir Cameron Badenoch the Auditor General would be present as he intended shortly to retire. The Committee while expressing regret at his departure desired to place on record the great obligation under which it felt to Sir Cameron who had for the last five years as Auditor General and for a total of no less than fourteen years in one capacity or another given to them the benefit of his unrivalled experience and valuable advice. They paid tribute to the high standard of independence that the Audit Department under Sir Cameron had maintained, to his great personal ability and the unfailing courtesy and consideration with which he had treated the Committee.

Proceedings of the first meeting of the Military Accounts Committee held on Wednesday, the 9th August, 1944, at 10-30 A.M.

PRESENT

The Honourable Sir CYRIL JONES, K.C.I.E., C.S.I.,
I.C.S., Finance Member.

Chairman.

Maulvi MOHAMMAD ABDUL GHANI,

Kunwar Hajeer ISMAIEL ALI KHAN, C.I.E., O.B.E.,

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

} *Witnesses.*

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

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

Mr. J. C. BROMMAGE, O.B.E., Additional Finance
Adviser, Military Finance.

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

} *Members.*

Mr. A. SUBRAHMANYAM, M.B.E., Deputy Financial
Adviser, Military Finance.

Major-General W. C. HOLDEN, C.B.E., D.S.O., M.C.,
Deputy Master General of Ordnance.

Sir CAMERON BADENOCH, K.C.I.E., C.S.I., I.C.S., Auditor General of India,
Mr. S. C. GUPTA, Director of Audit, Defence Services.

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

1. The Committee started its proceedings by taking up item 8 of the Statement of Outstanding Recommendations in which the Committee had desired the War Department to examine whether it would be advantageous to centralise information at Headquarters of the rates paid throughout the country for various kinds of work executed through the agency of the Military Engineer Services. They were informed in a note (Appendix VII) that their suggestion had in effect been adopted and that orders had been issued for the periodical communication to the Engineer-in-Chief at headquarters of certain kinds of information with regard to rates and costs of works executed. The Committee agreed that it was too early yet to make a definite statement whether these returns would enable extravagance in any particular area to be discovered and desired that a report should be laid before them next year to show whether this new departure was having the desired effect.

2. The Committee then went on to consider the Financial Advisers' Review of the Appropriation Accounts.

With regard to the sum of Rs. 11.44 crores shown as having been credited to H.M.G. as India's share on account of capital outlay involved in carrying out the Chatfield Modernisation Plan, it was explained that under the Chatfield Scheme the arrangement was that H.M.G. would bear the entire cost of the modernisation of India's defences amounting to £34 million but that India would reimburse to them one quarter of that cost spread over a period of five years. It had however been decided to make the entire payment during the year

under review and to wipe out completely the liability on this account. With regard to "Defence Capital Expenditure", which was a heading which had made its appearance in the accounts for the first time this year, it was stated that the present policy was to charge the cost of construction of all air fields to Capital. During the year under review all the air fields constructed had been for the local defence of India and the entire cost on this account had, therefore, been charged to the Indian budget.

3. The Committee then reviewed the cases mentioned in paragraph 4 of the Financial Review in which it had been found necessary during the course of the year to revise the actual methods of allocation of expenditure between the Government of India and His Majesty's Government and agreed that the methods now adopted were in accordance with the principles of the Financial Settlement and indeed necessarily followed from them. The Committee also took note of the fact that as a result of the large increase in the air forces in India which took place in 1942-43 and which caused the expenditure on these forces to exceed the ceiling fixed by the Chatfield Committee it had been found necessary to evolve a detailed procedure for the allocation of their expenditure similar to that followed in the case of the land forces. They also noted with satisfaction that with effect from the year under review it had been agreed that the cost of petrol, oil and lubricants required for purposes of India's expansion measures would be borne by His Majesty's Government in the same way as that of other imported stores, the arrangement prior to 1942-43 being that these articles were treated as indigenous products and paid for by India.

4. The Committee then reviewed briefly (leaving detailed consideration of these matters until they came to the Audit Report) the measures adopted for the betterment of the custody and accounting of military stores—a matter which had engaged their attention last year. They were pleased to learn that the Accountant Branch of the Royal Indian Navy had met with a fair measure of success in getting the Navy to render more prompt and correct accounts of stores transactions on ships.

5. The Committee then considered the account given in paragraph 16 of the Review of the relaxation of the rules and decentralisation of financial and administrative control which it had been found necessary to permit in order to get the air fields programme (totalling about Rs. 80 crores) completed with the utmost possible speed. It was explained that the imminence of the threat of Japanese invasion made it imperative to carry out these works without any loss of time and the only way in which this could have been done was by a very substantial relaxation of the normal works procedure; but that as conditions returned to normal, it had been found possible gradually to bring within the normal administrative procedure the works which had been sanctioned under the emergency orders. The importance of this lay in the fact that there had been a reversion to the method of granting administrative approval which is a feature of normal works procedure. Administrative approval limits the scope of expenditure on a project. It is the essence of financial and administrative control. Without it there is no limitation on the actions (and therefore the spending capacity) of executing authorities. The Auditor General pointed out that this relaxation of the normal rules and procedure had been authorised without any consultation whatever with him. This not only involved a breach of constitutional propriety in that there were many kinds of relaxations which the Governor-General was not authorised to sanction without the concurrence of the Auditor General, but also had the result of creating friction and delay which could have been avoided if he had been informed of what was being done and if his consent had been taken. Not only had the Central Government relaxed regulations in this manner but their example had been followed by some Provincial Governments adding further to the confusion. The Committee appreciated the reasons for the relaxations and accepted them, in the abnormal circumstances of the time, as adequate, but they nevertheless agreed entirely with the Auditor General that he should have been consulted before the relaxations were ordered. They trusted that if such a situation ever again arose the necessity of a prior consultation with the Auditor General would not be overlooked.

6. The Committee went on to consider the "zonal" system of placing works contracts which was tried as an experimental measure in two Commands in the year under review. They were of the opinion that the only really satisfactory method of ensuring effective control on works contracts was the method of open competitive tenders. Where, because of shortages of labour or material, any departure had to be made from this system, no matter what alternative procedure was followed, defects arose and control was unsatisfactory. The zonal system was even worse than the single tender system or negotiated contracts in that it encouraged the placing of orders for works verbally. In the absence of contract documents Government was left with an indeterminate liability; and the Committee viewed with concern the fact that there were at present over 300 such works contracts the liability of Government under which could not be definitely determined. They were therefore pleased to see that the zonal system had been abandoned and hoped that it would never be employed again.

They were also of the view that where the open tender system could not be worked, inspection by touring teams was the best way to ensure economy in construction and the observance of the rules. This was much more effective than audit because, in the first place, the check exercised was internal and, in the second place, it was concurrent whereas the audit check could only be external and *ex post facto*: this view is fully accepted by the Auditor General. They were informed that there was now a touring team composed of a Financial Officer and an Engineering Officer and that the inspection carried out by these officers had proved to be of very considerable value. Three more touring teams had been sanctioned so that there would be a touring team in each Army Command. They thought it important that the direct access which these teams at present had to the Engineer-in-Chief and the Financial Adviser, Military Finance, should continue for it was a valuable safeguard against their not receiving co-operation from the local authorities.

7. The Committee noted that the amounts on account of water and electricity charges which had not been recovered within the prescribed time had arisen to Rs. 5.9 lakhs in 1942-43 against Rs. 2.85 lakhs in the preceding year. The reason was, firstly, the difficulty in tracing the movements of a very large floating population, the individual members of which were transferred at very short notice and very frequently from place to place and, secondly, to the shortage of staff in the engineering offices which were intensively pre-occupied on a heavy works programme. The Committee were informed, however, that proposals to simplify and standardise the procedure for the recovery of these charges were under examination and that it was hoped that the clerical labour set free by this simplification would enable prompter recovery of the amounts under objection to be made.

8. The Committee then reviewed briefly the statements of losses of cash listed in appendices AI to AIV and of losses of stores listed in appendices BI to BIV. It was pointed out that the losses of petrol listed in appendix BI had shown a tendency to rise and were about double what they were in the previous year. It was explained that this was not due to any defect in the procedure regarding the safeguarding of stores of petrol but that the increase in the volume of losses followed only the increase in the quantity of petrol held which had increased considerably since the previous year.

9. The Committee in reviewing the works of the Central Disposals Organisation described in appendix C of the Appropriation Accounts noted with satisfaction that the gross turnover had increased to Rs. 74.6 lakhs from Rs. 56.8 lakhs in the previous year. A question was raised whether the transport required for the disposal of salvage was not obtained at the cost of civilian requirements and whether, in fact, more urgent civil needs were not being starved in order to supply less urgent military demands. It was explained that salvage materials were transported not for purpose of sale but only for reconditioning or re-distribution in the Defence Services. Sales were made only locally and, in so far as they were made to the public, they formed a useful source of augmenting civil supplies of goods.

10. The Committee then passed on to the consideration of the Audit Report and took up the question of the unsatisfactory condition of stores accounts in Arsenal and Ordnance Depots. They agreed that, in view of the state into which the stores accounts had fallen, it would have been completely pointless to have insisted on the pursuit of objections raised previously. They endorsed the orders issued by Government that there should be a fresh stock-taking in 1943 and in certain cases in 1944 which should be taken as the starting point for the maintenance of new stores accounts, all objections and discrepancies previous to this stock-taking being wiped out except that investigations into losses caused by fire, theft or fraud were to continue in accordance with the existing regulations. The Auditor General however pointed out that there was a danger that store-keeping organisations would wish to extend the periods within which they had been directed to complete stock-taking on the plea that stock-taking already carried out was unreliable. This would have the corresponding effect of increasing the number of audit objections which could be waived. He expressed the opinion that under present conditions when the staff of these organisations was tolerably efficient there was no justification for delay in making reliable stock verifications. The Committee were of the opinion that no extensions of the dates by which stock verifications had to be completed should be permitted unless there were the strongest reasons for doing so, and that in any case no extension of time should be granted without prior consultation with the audit authorities.

11. The Committee were informed that a Planning Officer, who was an expert on depot management, had now been attached to every stores depot and that there was a Central Planning Staff at headquarters which guided and co-ordinated the work of these Planning Officers. There was also a separate touring team attached to the Master General of Ordnance Branch and the adoption of both these measures had had a marked improvement on efficiency. The Committee suggested that it might be desirable, if necessary, to strengthen the touring teams and that, in any case, the Inspection Reports made by these touring teams should be shown to Audit; also that touring teams should consult the local Controller of Military Accounts when carrying out their inspections.

12. In going through the particular cases of irregularities relating to stores mentioned in paras. 7 and 8 of the Audit Report the Committee came across three instances from which the natural presumption was that the accounts were deliberately being falsified. In one case deficiencies in stock-taking were adjusted by certified issue vouchers under the Group Officer's signatures instead of through a loss statement signed by the competent financial authority; in another case deficiencies were being set off against surpluses without any investigation as to whether any of the surpluses were not really due to an omission to post the receipt vouchers in registers; and in yet another case the entries in the receipt column of transit ledgers showing the number of packages originally received from other depots were scored through and fresh entries inserted corresponding to the actual issues made by the Depot to overseas formations. The Committee felt that while they could possibly, in the difficult conditions prevalent in the year under review, condone both losses of stores and incomplete accounting, they must take the gravest possible view of the practices above described. They desired the War Department to make a thorough investigation of the cases here reported, to consider the desirability of taking disciplinary action, if found necessary, to issue general orders making it impossible for these kinds of irregularities to recur, and to submit a report to the Committee on these matters as well as on the general conditions of depot administration with particular reference to stock-taking and the maintenance of stores accounts.

**Proceedings of the Second Meeting of the Military Accounts Committee
held on Thursday, the 10th August 1944 at 10-30 a.m.**

PRESENT:

The Hon'ble Sir CYRIL JONES, K.C.I.E., C.S.I. I.C.S., Finance Member.

Chairman.

Maulvi MOHAMMAD ABDUL GHANI.

Kunwar Hajeer ISMAEL ALI KHAN, C.I.E., O.B.E.

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

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

Mr. J. A. MACKEOWN, C.I.E., I.C.S., Joint Secretary,
Supply Department.

Major-General H. E. ROOME, C.I.E., M.C., Engineer-
in-Chief, General Head Quarters.

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

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

Mr. J. C. BROMMAGE, O.B.E., Additional Financial
Adviser, Military Finance.

Mr. A. SUBRAHMANYAM, M.B.E., Deputy Financial
Adviser, Military Finance.

Major-General F. J. ALFIERI, Deputy Quarter Master
General.

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

Members.

Witnesses.

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

Mr. S. C. GUPTA, Director of Audit, Defence Services.

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

Mr. K. K. SEN, Chief Controller of Supply Accounts.

19. The Committee started with a review of the working of the Military Engineer Services. It was stated in the Audit Report that orders had been issued that to enable a comparison of single tender contracts with competitive contracts to be made, the Superintending Surveyor of Works should record the result of his examination of a single tender quotation as equivalent to a certain plinth area rate and communicate this to audit with the corresponding rate of the nearest comparable work, but that these orders had not in many cases been carried out. It was explained by the Engineer-in-Chief that these orders in the form in which they were expressed were difficult to comply with in the conditions that prevailed in the year under review and that fresh and simplified orders had now been issued which, it was expected, the Chief Engineers would be in a better position to carry out. As for the statement that the all-India Emergency Schedule of Rates prescribed had not been introduced at all in two Armies and that in a third Army it was not introduced till as late as July 1943, it was explained that the orders for the introduction of this Schedule were so worded as to allow them to be interpreted as discretionary and not mandatory. Orders had, however, again been issued by the Engineer-in-Chief instructing Armies and Commands to introduce fully the War Emergency Schedule of Rates from the 1st April, 1944, and it was understood that this had now been done. The Committee were not altogether satisfied that the reasons given for the failure to carry out orders were sufficient and suggested that in order to safeguard the financial interests of Government it was essential that General Headquarters should tighten considerably its control over local formations and that it should come down with a heavy hand in any case where there had been refusal or neglect to obey orders.

It was stated that the Chief Technical Examiner, who had formerly been under the Quarter Master General, was now under the Engineer-in-Chief. He acted in the dual capacity of representing both the latter and Audit. In order further to tighten control a system of touring teams had now been devised which would examine contracts and works from the administrative, technical and financial points of view. A standard form of inspection report was now being devised which would cover all these three aspects and it was hoped that the work of these teams would result in better control.

14. In paragraph 10 of the Audit Report it was stated that there were very often serious delays in the answering of audit queries. It was explained that during the year under review each Garrison Engineer was handling eight to ten times the work he would have handled during peace time and it was not therefore surprising that delays should take place in the meeting of Audit objections. The matter was complicated by the interval between the event and the receipt of the Audit objection and by the frequency of transfers; so that it was not an infrequent occurrence for the objection to have to be answered by some officer other than the one to whose work it related. The system now adopted of having a Surveyor of Work not subject to transfer attached to the office of the C. R. E. would, it was hoped, ensure a certain measure of continuity of administration and get over to some extent the difficulty created by this problem of transfers. The necessity of paying attention to Audit objections had also been emphasised by the Engineer-in-Chief in a letter to all Chief Engineers in which they had been directed to reply to such objections within a period of two months. As a result of these recent instructions Audit was receiving greater co-operation from the Engineers.

15. Arising out of the remarks in the Audit Report relating to works entrusted to Provincial Governments and Indian States, the Auditor General stated that he felt that owing to the absence of a well thought out plan regarding the construction of air fields and other works that were executed during the year under review and the extreme haste with which things were required to be done, it had not been possible to employ to the best advantage the entire engineering and accounting capacity of the country for the work in hand. Very often inexperienced engineers and accounting staff had been employed when a little more foresight would have enabled Government to get better material, which was available but employed on work of less importance. He himself had been able to supply, when he became aware of the magnitude of this construction programme (which was at a very late stage), a number of Accountants who, if they had been employed from the very start, might have prevented things from falling into as great a state of confusion as they did. He felt it was unfortunate that Government had not used adequately the resources of the Audit organisation available to them for if they had, the financial results of this construction programme might well have been better than they actually were. The Committee were disposed to agree and desired to place on record their view that in matters of this kind prior consultation with the Auditor General should invariably be the rule.

16. The Committee next examined the case referred to in paragraph 16 of the Audit Report in which a work had been started and completed without the execution of contract documents. The Engineer-in-Chief explained that in the circumstances of this particular case there was no option but to do so. The Committee accepted the conclusion that the work would have had to go on whether there was a written contract or not but desired to stress the view that the responsibility for starting a work without a contract was not properly an engineering responsibility at all but a financial responsibility. Works so started made Government responsible for an unknown liability and it was not correct for an engineer to take upon himself such financial responsibilities, no matter what the urgency of the case and whether the work was of an operational nature or not. The Committee desired to emphasise that in every case of this kind where it was necessary to start the work without a proper contract the prior concurrence of the financial authorities should be obtained and suggested that orders should be issued accordingly.

17. They then investigated the case reported in paragraph 17 of the Audit Report in which a Garrison Engineer placed a local purchase order for the supply of iron bedsteads instead of placing the order on the Supply Department through the Ordnance Officer of the station as required under Government instructions. The bedsteads were supplied at Rs. 41 each while the Supply Department would have supplied the same article at Rs. 19-4-0 each. The loss to Government on the transaction amounted to nearly a lakh of rupees. It was

explained that the Garrison Engineer's orders were to purchase the bedsteads by a certain date without regard to the procedure followed in purchasing them and that the bedsteads actually purchased were of higher specification than those supplied by the Supply Department. It was, however, not known why a higher specification was necessary in this particular case. The Committee, while agreeing that the Garrison Engineer's hands had been tied by orders served on him, felt that the orders themselves should not have been in contravention of the instructions issued by Government. They regarded it as of great importance that the purchasing of stores locally should be rigidly controlled as such purchases were a great source of abuse and waste; they desired that the War Department should stress on all its subordinate authorities the importance of following the instructions issued by the Government in this regard.

18. With reference to the case reported in the first sub-paragraph of paragraph 19, the Committee were of the opinion that on the fact stated the *prima facie* conclusion was that the accounts had been deliberately falsified in order to give them a better appearance. It was stated that the matter was under investigation and the Committee desired that a full report regarding the facts as well as the action taken should be submitted to them after the investigation had been completed.

19. The Committee then took into consideration a memorandum (Appendix VIII) on the progress and activities of the Accounting Branch of the Royal Indian Navy and the general state of Royal Indian Navy accounts. They were pleased to note the improvement which the state of the accounts disclosed as compared to conditions as they were when the Committee last reviewed them, but expressed the view that there was considerable room for improvement, particularly in the prevention of delays in the rendition of accounts and in the reduction of arrears.

20. The Committee noted that the procedure adopted for determining the liabilities of His Majesty's Government and the Government of India in conformity with the principles of the Financial Settlement as well as the actual adjustments were reviewed and test checked by Audit during the current year and that Audit was of the opinion that in carrying out the adjustments the decisions taken had been observed except in one case. That case was the construction of two airfields outside India, but within a reasonable flying distance of her frontiers the cost of which (estimated at Rs. 103.47 lakhs) had been charged to Indian revenues. Expenditure on measures outside India is ordinarily debitable to His Majesty's Government but it was stated that the Air Officer Commanding-in-Chief had certified that though these airfields were outside India, they were for the local defence of India. Audit had accepted this certificate as sufficient for its purposes and the Committee endorsed as correct the decision to charge the cost of these airfields to Indian revenues.

21. *Stock verification.*—The Committee observed that in 42 formations stores had not been verified at all during the year 1942-43, in two other formations stock had not been verified for over two years, in one other for over three years and in yet another for over four years. They desired that an explanation for this failure should be submitted to them together with a report as to whether stock verification in all these units had now been done.

22. *Suspense Balances.*—The Committee noted that a sum of Rs. 1½ crores was outstanding under suspense on the 31st March, 1943 in the books of a certain Controller of Military Accounts. They desired to point out the great importance of financial authorities carefully watching suspense balances and seeing that they were cleared. There was a tendency, particularly in war time, to debit expenditure to 'suspense' and then forget about it with the result that after the last war it had taken ten years to clear the suspense balances. They hoped that steps would be taken to see that sums outstanding in suspense were cleared off as rapidly as possible.

23. The Committee observed that the condition of individual running ledger accounts of pay and allowances of officers and personnel on the war system of

accounting, particularly in the Personnel Depots, was not altogether satisfactory and that the work had fallen into arrears. They desired to stress the importance of this work and considered that it was necessary, if grave difficulties were to be avoided on the termination of the war, that these accounts should be brought up-to-date and corrected well before the start of demobilization. It was stated that the administrative and financial authorities were alive to the importance of this problem and had already started taking steps to solve it. It was hoped to have 50 superior service officers employed on this work of whom 20 were to be military commissioned, warrant and non-commissioned officers obtained from the Adjutant General in India and 20 commissioned officers from the staff of the Paymaster-in-Chief in the United Kingdom. A special Accounting machine had also been ordered and was to be flown out from America under a high priority. The Committee desired that a report should be submitted at its next meeting showing what improvement had been made in the keeping of these accounts.

SUPPLY DEPARTMENT

24. With reference to outstanding item 9 in which the Supply Department was asked to submit a report as to the reasons which had led to the introduction of the procedure whereby Contractors were allowed 100 per cent. advance payments on bills and to examine the question of reverting to the earlier system of percentage advance payment, the Department placed before the Committee a note (Appendix IX) which the Committee considered. They decided that in view of the reasons given therein there was not sufficient justification for a reversion to the original procedure.

The Committee next took into consideration a memorandum (Appendix X) describing the measures taken by the Supply Department to meet the growing demand for the procurement of war supplies. In answer to questions it was explained that, generally speaking, in costs *plus* contracts the profit was not prescribed as a percentage of the costs but as a fixed amount per unit. The chief exception to this was in the case of ship repairs because there was no definite unit in this work on which rates could be based. It was further stated that the number of Cost Account Officers under the Supply Finance Department had now increased to 20 with two more expected to join shortly. This Costs Accounts staff which had now gained much experience was working with efficiency.

25. The Committee reviewed with interest the accounting procedure prescribed for lease-lend stores. They were informed that the procedure now in force had been arrived at after a series of experiments over a number of years and, though it was not perfect, it was the best that could be achieved in the circumstances. It was too early yet to say how it was working in practice but it was hoped that it would work fairly satisfactorily.

26. The Committee then turned their attention to contracts placed by the Chief Engineer, Factories, and observed that certain contracts had been made on the basis of individual tenders without competition, that the emergency schedule of rates had not been followed, that the completing of contract documents was generally delayed by the Engineering authorities till the work was about to be finished, that there were no less than 69 cases in which work had been commenced without contract documents having been made final and that there were twelve large projects for which, though executed, administrative approval had not been accorded. It was explained that the erection and fitting up of factories was so specialised a kind of work and it was capable of efficient execution by such few contractors that competitive tendering was neither advantageous nor even feasible, that the emergency schedule of rates did not and could not cover the specifications for the construction of factories which required an entirely different type of construction to that for which the emergency schedule had been designed, that although contract documents were often not completed till a late stage preliminary agreements, which had legal force and under which governmental liability was not unlimited, were executed in almost every case before work began. The Committee while appreciating the reasons

put forward by the Supply Department desired to stress, as in the case of work executed by the Engineer-in-Chief, that it was essential that no work should be started without contract documents except with the prior concurrence of the financial authorities and that administrative approval should be accorded at the earliest possible stage in order to 'freeze' the projects and make it necessary for the administrative departments to obtain financial approval for any extensions or additions or extra expenditure that was desired.

27. The Committee then reviewed the section in the Audit Report dealing with war-time purchases and went into the terms of a few individual contracts. They were informed that, generally speaking and as far as possible, the results of cost investigation were utilised in the settlement of prices and the making of contracts. It was only where it was felt that the disadvantages of a cost investigation were likely to outweigh the advantages resulting therefrom that an investigation into cost was dispensed with. When this was done other means were adopted in order to ensure that the price paid did not include an unduly large element of profit.

With reference to the prices paid for re-rolling of steel, it was stated that the explanation of the remark in the Audit Report that if a cost investigation was undertaken Government were likely to have to pay higher prices was that though under the present system of a uniform price based on negotiation the margin of profit left to some individual concerns might be high, the profit made by the Industry as a whole was not great because of very great variations in the efficiency of the mills. If too much light was thrown on actual costs of production pressure was likely to be put on the department for a uniform price to be paid as at present but for this uniform price to be fixed on the basis of the cost of the least efficient of the mills. This would naturally result in a higher total expenditure to Government.

28. The Committee were of the view that the case reported in paragraph 56 of the Report disclosed, *prima facie*, a deplorable lack of method. It was stated that the Controller of Supply Accounts had now put on a special staff to clear up the confusion. The Committee, however, desired that full details of how this situation arose and what action was eventually taken should be submitted to it.

29. With reference to the case reported in paragraph 58 of the Audit Report in which extra expenditure had been incurred by Government due to late receipt of despatch instructions, the Committee were of the view that the indenting Department, which was reported to be the Quarter Master General's Branch, should not have given as early a date for delivery as they did when they were aware that they would not be able to make arrangements for inspections, laboratory tests, railway wagon, etc., by the time delivery had been demanded. The Committee regarded it as of importance that unnecessarily early dates for delivery should not be given by indenting departments, particularly, when it was obvious that they would not be able to take complementary action to take delivery or use the articles ordered by the date given. They desired that a full report should be submitted to the Committee regarding the facts of this case and the reasons for giving so early a date which it was quite evident was unreal and which not only caused monetary loss to Government but may well have held up the execution of orders which were in reality more urgent.

30. The Committee had no comments to offer on the Commercial Appendix to the Appropriation Accounts of the Defence Services.

APPENDIX I

Statement showing action taken or proposed to be taken on the recommendations of the Central Public Accounts Committee

Serial No.	Year of report	Paragraph of the report or proceedings	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5

RAILWAYS

1 1941-42 . 21-R, 22-P . That the Railway Department should investigate and report what they consider to be the correct principle according to which collieries should charge for coal supplied by them to the railways owning them and to foreign railways. A memorandum (Appendix III) was placed before the Committee.

2 1941-42 . 14-P That where a payment cannot be effected during the course of the year the device of taking it out of the budget by crediting it to suspense, which is irregular in that it avoids a vote of the Assembly being taken, should not be followed. Noted.

3 1941-42 . 19-R. That changes in accounting arrangements should as far as possible be introduced from the beginning of a financial year in order to prevent a disturbance of the budgetary equilibrium. Noted.

POSTS AND TELEGRAPHS

4 1941-42 . 14-R, 26-P. That the whole matter of making grants to the Renewals Reserve Fund should be reviewed and the Department should work out a scientific basis according to which payments into the Fund should be regulated. A memorandum (Appendix V) was placed before the Committee.

5 1941-42 . 32-P. That a Report should be submitted to the Public Accounts Committee regarding the relevant rules and the facts of the case discussed in paragraph 32 of the proceedings of their Report on the Accounts of 1941-42. A memorandum (Appendix VI) was placed before the Committee.

Serial Year of report
No.

Paragraph of
the report or
proceedings

Action taken or proposed to be taken

1

2

4

5

3

FINANCE DEPARTMENT.

6 1941-42 . 10-R, 61-P. . That for the period of the war, a convention be adopted by which, whenever un-anticipated credits are utilised, the fact, as well as the extent, of such utilisation, should be brought to the notice of the Legislature by mention in the Budget Memorandum if the credits are noticed before the preparation of the Revised Estimates, or by specific inclusion in the Appropriation Accounts if they are noticed after the close of the year.

(a) It was stated that Departments were being directed to review the position and let the Finance Department have in time the information regarding the utilisation of unanticipated credits so that Finance Department could consider inclusion of relevant figures in their Explanatory Memorandum.

(b) The Accountant General, Central Revenues, had included a new annexure in the Appropriation Accounts for 1942-43 in respect of unanticipated credits.

7 1941-42 . 12-R, 35-P . That the practice of making lump sum cuts in works budgets should be discontinued for the duration of the war.

Noted.

WAR DEPARTMENT

8 1941-42 . 9-P, Military That the War Department should examine whether it would be advantageous to centralise information at Headquarters as to the rates paid throughout the country for various kinds of work executed through the agency of the M. E. S.

A memorandum (Appendix VII) was submitted to the Military Accounts Committee.

SUPPLY DEPARTMENT

9 1941-42 . 19-P, Military That a full report should be laid before the Committee as to the reasons which had led to the introduction of the procedure whereby contractors were allowed 100 per cent. advance payment on bills supported by inspection certificates and proof of despatch ; and that the Supply Department should consider whether it would not be advisable to revert to the previous system of a percentage advance payment.

A memorandum (Appendix IX) was placed before the Military Accounts Committee.

ITEMS POSTPONED FOR CONSIDERATION AFTER THE WAR

EDUCATION, HEALTH AND LANDS DEPARTMENT
 That the question of exempting the Indian Museum buildings from the Municipal tax should be pursued after the War.

.....

FINANCE DEPARTMENT

That their 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 separate provision for the amortisation of Railway debt should be pursued after the War.

.....

DEPARTMENT OF WAR TRANSPORT

That the question of handing over the port of Vizagapatam to the Bengal Nagpur Railway should be postponed till the end of the War.

.....

EXTERNAL AFFAIRS DEPARTMENT

That a decision on the question of the incidence of Persian Gulf expenditure should be postponed till the end of the War.

.....

DEFENCE SERVICES

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.

.....

1 1941-42

46-P

2 1937-38

9-R and 29-P

1938-39

41-P

1940-41

20-P

3 1935-36

12-R and 111-P

1936-37

8-R and 41-P

1937-38

10-R and 48-P

1938-39

54-P

1939-40

29-P

1940-41

48-P

4 1929-30

114-P

1934-35

27-P

1935-36

78-P

1936-37

60-P

1937-38

72-P

1938-39

72-P

1939-40

50-P

5 1936-37

4-R and 15-P

1937-38

6-P

1938-39

5-P

1939-40

3-P., Military

STATEMENT COMPARING EXPENDITURE WITH GRANTS FOR 1942-43.

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL.				
A.—EXPENDITURE MET FROM REVENUE.				
1. Customs :				
<i>Non-voted</i> . . .	12,95,970	12,98,699	—	2,729
Voted . . .	78,82,000	75,32,826	3,49,174	..
2. Central Excise Duties :				
<i>Non-voted</i> . . .	80,22,293	79,74,465	47,828	..
Voted . . .	11,04,000	10,30,589	73,411	..
3. Taxes on Income including Corporation Tax :				
<i>Non-voted</i> . . .	1,56,000	1,51,390	4,610	..
Voted . . .	87,79,000	87,93,695	..	14,695
4. Salt :				
<i>Non-voted</i> . . .	44,96,429	44,84,721	11,708	..
Voted . . .	70,25,000	67,01,094	3,23,906	..
5. Opium :				
<i>Non-voted</i> . . .	74,432	74,685	..	253
Voted . . .	50,13,000	48,12,181	2,00,819	..
6. Provincial Excise :				
<i>Non-voted</i> . . .	28,000	37,536	..	9,536
Voted . . .	4,11,000	2,72,846	1,38,154	..
7. Stamps :				
<i>Non-voted</i> . . .	2,92,810	2,80,005	12,805	..
Voted . . .	50,26,000	45,80,068	4,45,932	..
8. Forest :				
<i>Non-voted</i> . . .	2,75,800	2,74,524	1,276	..
Voted . . .	7,69,900	7,23,103	45,897	..
9. Irrigation, (including Working Expenses) Navigation, Embankment and Drainage Works :				
<i>Non-voted</i> . . .	10,09,000	9,93,783	15,217	..
Voted . . .	1,93,000	1,69,273	23,727	..
11. Interest on Debt and Other Obligations and Reduction or Avoidance of Debt :				
<i>Non-voted</i> . . .	9,44,15,500	9,29,96,523	14,18,977	..
Voted . . .	81,63,000	67,22,321	14,40,679	..
12. Executive Council :				
<i>Non-voted</i> . . .	7,89,700	7,85,493	4,207	..
Voted . . .	2,33,000	1,80,457	52,543	..
13. Council of State . . .	1,27,000	87,988	39,012	..
14. Legislative Assembly and Legislative Assembly Department :				
<i>Non-voted</i> . . .	49,950	49,905	45	..
Voted . . .	8,09,000	5,83,700	2,25,300	..
15. Home Department :				
<i>Non-voted</i> . . .	28,17,890	28,16,412	1,478	..
Voted . . .	6,37,000	5,84,074	52,926	..
16. Civil Defence Department :				
<i>Non-voted</i> . . .	3,06,800	3,09,924	..	3,124
Voted . . .	4,34,000	4,63,995	..	29,995
17. Department of Information and Broadcasting :				
<i>Non-voted</i> . . .	1,10,134	98,985	11,149	..
Voted . . .	14,53,000	13,82,260	70,740	..
18. Legislative Department :				
<i>Non-voted</i> . . .	1,90,700	1,90,273	427	..
Voted . . .	5,82,000	5,84,217	..	2,217

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL—contd.				
A.—EXPENDITURE MET FROM REVENUE—contd.				
19. Department of Education, Health and Lands :				
<i>Non-voted</i>	1,47,950	1,47,576	374	..
Voted	5,89,000	5,82,768	6,232	..
20. Department of Indians Overseas :				
<i>Non-voted</i>	1,22,020	1,22,501	..	481
Voted	1,87,000	1,89,925	..	2,925
21. Finance Department :				
<i>Non-voted</i>	25,72,363	25,49,335	23,028	..
Voted	6,27,000	6,58,723	..	31,723
22. Commerce Department :				
<i>Non-voted</i>	3,95,965	3,90,407	5,558	..
Voted	12,34,000	11,84,283	49,717	..
23. Department of Labour :				
<i>Non-voted</i>	2,20,227	2,22,451	..	2,224
Voted	8,46,000	8,14,389	31,611	..
24. Department of Posts and Air :				
<i>Non-voted</i>	2,00,100	2,16,751	..	16,651
Voted	2,30,000	2,00,290	29,710	..
24-A—War Transport Department :				
<i>Non-voted</i>	1,53,700	1,59,816	..	6,116
Voted	1,55,000	1,49,249	5,751	..
24-B.—Food Department :				
<i>Non-voted</i>	75,871	60,931	14,940	..
Voted	2,18,000	1,49,074	68,926	..
25. Central Board of Revenue :				
<i>Non-voted</i>	2,22,032	2,25,061	..	3,029
Voted	6,45,000	6,42,766	2,234	..
26. India Office and High Commissioner's Establishment charges :				
<i>Non-voted</i>	21,69,000	21,67,416	1,534	..
Voted	20,12,000	19,15,265	96,735	..
27. Payments to Other Governments, Departments, etc. on account of the administration of Agency subjects and management of Treasuries	1,11,000	94,740	16,260	..
28. Audit :				
<i>Non-voted</i>	6,85,663	6,77,556	8,107	..
Voted	88,68,000	81,33,836	7,34,164	..
29. Administration of Justice :				
<i>Non-voted</i>	2,91,949	2,70,096	21,853	..
Voted	1,00,000	96,542	3,458	..
29-A—Jails and Convict Settlements :				
<i>Non-voted</i>	9,000	8,790	210	..
Voted	2,20,000	2,23,229	..	3,229
30. Police				
<i>Non-voted</i>	5,000	6,260	..	1,260
Voted	1,78,21,000	1,65,09,464	13,11,536	..
31. Ports and Pilotage :				
<i>Non-voted</i>	8,09,301	8,16,210	..	6,909
Voted	22,24,000	21,07,096	1,16,904	..
32 Lighthouses and Lightships :				
<i>Non-voted</i>	10,000	10,076	..	76
Voted	8,28,000	8,44,963	..	16,963

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART. I.—CIVIL.—contd.				
A.—EXPENDITURE MET FROM REVENUE—contd.				
33. Survey of India :				
<i>Non-voted</i>	3,54,000	3,54,198	..	198
Voted	14,27,000	—13,04,691	27,31,691	..
34. Botanical Survey :				
<i>Non-voted</i>	17,232	17,231	1	..
Voted	57,000	61,672	..	4,672
35. Zoological Survey				
<i>Non-voted</i>	38,266	38,297	..	31
Voted	1,76,000	1,66,246	9,754	..
36. Geological Survey :				
<i>Non-voted</i>	1,40,000	1,67,957	..	27,957
Voted	21,43,000	19,76,031	1,66,969	..
37. Mines :				
<i>Non-voted</i>	1,07,295	1,06,912	383	..
Voted	1,50,000	1,47,252	2,748	..
38. Archaeology :				
<i>Non-voted</i>	60,836	60,041	795	..
Voted	11,53,000	10,93,774	59,226	..
39. Meteorology :				
<i>Non-voted</i>	73,300	73,198	102	..
Voted	24,50,000	24,57,544	..	7,544
40. Other Scientific Departments :	3,22,000	3,12,566	9,434	..
41. Education :				
<i>Non-voted</i>	138	138	..	..
Voted	11,37,000	10,85,933	51,067	..
42. Medical Services :				
<i>Non-voted</i>	2,72,466	2,70,718	1,748	..
Voted	12,07,000	11,76,497	30,503	..
43. Public Health :				
<i>Non-voted</i>	1,83,317	1,69,410	13,907	..
Voted	12,58,000	12,98,870	..	40,870
44. Agriculture :				
<i>Non-voted</i>	1,11,52,500	1,11,44,581	7,919	..
Voted	31,36,000	27,63,483	3,72,517	..
45. Imperial Council of Agricultural Research :				
<i>Non-voted</i>	18,72,420	13,92,574	4,79,846	..
Voted	4,37,000	4,36,041	959	..
46. Agricultural Marketing :				
<i>Non-voted</i>	23,220	23,046	174	..
Voted	4,53,000	4,27,395	25,605	..
47. Imperial Institute of Sugar Technology	1,000	..	1,000	..
48. Civil Veterinary Services :				
<i>Non-voted</i>	25,150	24,358	792	..
Voted	9,43,000	9,54,081	..	11,081
49. Industries :				
<i>Non-voted</i>	220	209	11	..
Voted	9,11,000	8,88,742	22,258	..
50. Scientific and Industrial Research :				
<i>Non-voted</i> . . . . .	..	11,593	..	11,593
Voted	14,35,000	15,83,970	..	1,48,970
51. Aviation :	1,23,97,000	1,17,87,702	6,09,298	..
52. Broadcasting :				
<i>Non-voted</i>	17,400	17,419	..	19
Voted	61,20,000	60,39,027	80,973	..
53. Capital Outlay on Broadcasting met from Revenue	1,000	..	1,000	..
54. Emigration—Internal	17,000	15,397	1,603	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL—contd.				
A.—EXPENDITURE MET FROM REVENUE—contd.				
55. Emigration—External :				
<i>Non-voted</i>	1,00,043	93,046	6,997	..
Voted	2,61,000	1,92,470	68,530	..
56. Commercial Intelligence and Statistics :				
<i>Non-voted</i>	69,800	62,351	7,449	..
Voted	9,07,000	8,51,415	55,585	..
57. Census :				
<i>Non-voted</i>	9,000	7,056	1,944	..
Voted	6,000	6,626	..	626
58. Joint Stock Companies :	1,98,000	1,96,621	1,379	..
59. Miscellaneous Departments :				
<i>Non-voted</i>	23,814	26,814	..	3,000
Voted	9,57,000	9,33,368	23,632	..
60. Currency :				
<i>Non-voted</i>	2,31,300	1,60,376	70,924	..
Voted	67,40,000	68,40,945	..	1,00,945
61. Mint :				
<i>Non-voted</i>	1,09,583	1,08,345	1,238	..
Voted	1,08,80,000	1,03,88,004	4,91,996	..
62. Civil Works :				
<i>Non-voted</i>	36,17,921	36,57,830	..	39,909
Voted	1,90,04,000	1,24,43,509	65,60,491	..
63. Central Road Fund	1,28,00,000	1,28,00,000	..	..
64. Superannuation Allowances and Pensions :				
<i>Non-voted</i>	1,46,38,000	1,50,17,471	..	3,29,471
Voted	1,18,06,000	1,15,64,345	2,41,655	..
65. Stationery and Printing :				
<i>Non-voted</i>	59,515	59,159	356	..
Voted	1,61,24,000	1,52,75,216	8,48,784	..
66. Miscellaneous :				
<i>Non-voted</i>	2,61,718	3,00,210	..	38,492
Voted	22,47,000	21,94,624	52,376	..
67. Grants-in-aid to Provincial Governments :				
<i>Non-voted</i>	2,75,00,000	2,75,00,000	..	..
Voted	1,00,000	1,00,000	..	..
68. Miscellaneous Adjustments between the Central and Provincial Governments.	1,28,000	86,463	41,537	..
69. Civil Defence :				
<i>Non-voted</i>	15,000	26,425	..	11,425
Voted	5,85,29,000	5,85,16,177	12,823	..
70. Delhi :				
<i>Non-voted</i>	2,46,000	2,44,156	1,844	..
Voted	83,52,000	83,51,498	5,00,502	..
71. Ajmer Merwara :				
<i>Non-voted</i>	2,84,300	2,87,179	..	2,879
Voted	30,98,000	23,78,682	7,19,318	..
72. Panth Piploda	13,000	14,012	..	1,012
73. Andamans and Nicobar Islands :				
<i>Non-voted</i>	45,112	52,465	..	7,353
Voted	44,59,000	5,26,091	39,32,909	..

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.
PART I.—CIVIL—contd.				
A.—EXPENDITURE MET FROM REVENUE				
<i>—contd.</i>				
<i>Staff, Household and Allowances of the Governor General</i>	17,79,830	17,80,484	..	654
<i>Secretariat of the Governor General</i>	3,85,735	3,62,712	23,023	..
<i>Federal Public Service Commission</i>	4,60,363	4,56,624	3,739	..
<i>War Department</i>	7,39,100	8,04,081	..	64,981
<i>Defence Department</i>	2,62,600	2,67,100	..	4,500
<i>National Defence Council</i>	1,06,065	1,06,696	..	631
<i>Ecclesiastical</i>	6,20,705	6,07,436	13,269	..
<i>Payments to Crown Representative</i>	1,49,14,023	1,44,61,489	4,52,534	..
<i>Tribal Areas</i>	2,74,59,436	2,66,57,320	8,02,116	..
<i>External Affairs</i>	1,01,50,915	1,00,76,412	74,503	..
<i>Baluchistan</i>	76,03,077	73,32,819	2,70,258	..
<i>Department of Supply</i>	2,67,94,700	2,56,39,365	11,55,335	..
<i>Miscellaneous Expenditure connected with the War</i>	21,81,98,851	21,51,92,749	30,06,102	..
Total—Expenditure charged to Revenue	77,34,90,815	74,28,17,543	3,16,86,220	10,13,948
Total				
{ <i>Non-voted</i>	49,34,95,815	48,60,88,656	80,02,640	5,95,481
{ <i>Voted</i>	27,99,95,000	25,67,28,887	2,36,83,580	4,17,467
B.—EXPENDITURE CHARGED TO CAPITAL.				
77. Capital Outlay on Vizagapatam Harbour.	1,50,000	41,130	1,08,870	..
78.—Delhi Capital Outlay	38,39,000	30,96,293	7,42,707	..
79. Commuted Value of Pensions				
<i>Non-voted</i>	—6,31,900	—12,28,622	5,96,722	..
<i>Voted</i>	1,000	—23,04,339	23,05,339	..
<i>Capital outlay on Schemes connected with the war</i>	1,72,60,400	1,29,34,487	43,26,913	..
Total—Expenditure Charged to Capital	2,06,18,500	1,25,38,949	80,79,551	..
Total				
{ <i>Non-voted</i>	1,66,28,500	1,17,05,865	49,22,635	..
{ <i>Voted</i>	39,90,000	8,33,084	31,56,916	..
C.—DISBURSEMENTS OF LOANS AND ADVANCES.				
80.—Interest free Advances	2,98,72,000	3,02,81,830	..	4,09,830
81. Loans and Advances bearing Interest	7,29,03,000	6,82,63,931	46,39,069	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation. Rs.	Expenditure. Rs.	Expenditure as compared with Grant or Appropriation.	
			Less than granted. Rs.	More than granted. Rs.
PART I.—CIVIL—concl'd.				
A.—EXPENDITURE MET FROM REVENUE—concl'd.				
<i>Advances to Crown Representative for loans to Indian States and Notabilities</i>	6,73,890	5,87,152	86,648	..
Total—Disbursements or Loans and Advances	10,34,48,800	9,91,32,913	47,25,717	4,09,830
Total { <i>Non-voted</i>	6,73,800	5,87,152	86,648	..
{ <i>Voted</i>	10,27,75,000	9,85,45,761	46,39,069	4,09,830
Total—Civil	89,75,58,115	85,44,89,405	4,44,91,488	14,22,778
Total { <i>Non-voted</i>	51,07,98,115	49,83,81,673	1,30,11,923	5,95,481
{ <i>Voted</i>	38,67,60,000	35,61,07,732	3,14,79,565	8,27,297

PART II.—POSTS AND TELE-GRAPHS.

A.—EXPENDITURE MET FROM REVENUE.

10. Indian Posts and Telegraphs Department—

<i>Non-voted</i>	82,03,100	84,44,167	..	2,41,067
<i>Voted</i>	12,75,86,000	13,96,85,282	..	1,20,99,282

B.—EXPENDITURE CHARGED TO CAPITAL

74. Capital Outlay on Indian Posts and Telegraphs Department (outside the Revenue Account).

<i>Voted</i>	20,89,000	21,08,869	..	19,869
------------------------	-----------	-----------	----	--------

75. Stores and Workshops—(outside the Revenue Account).

<i>Voted</i>	28,35,000	55,09,046	..	26,74,046
------------------------	-----------	-----------	----	-----------

76. Capital Outlay on Telephone Project—(outside the Revenue Account).

<i>Voted</i>	1,000	..	1,000	..
------------------------	-------	----	-------	----

Total—Expenditure charged to Capital (voted)	49,25,000	76,17,915	1,000	26,93,915
--	-----------	-----------	-------	-----------

Total—Posts and Telegraphs	14,07,14,100	15,57,47,364	1,000	1,50,34,264
--------------------------------------	--------------	--------------	-------	-------------

Total { <i>Non-voted</i>	82,03,100	84,44,167	..	2,41,067
{ <i>Voted</i>	13,25,11,000	14,73,03,197	1,000	1,47,93,197

PART III.—RAILWAYS.

A.—EXPENDITURE CHARGED TO REVENUE.

1. Revenue—Railway Board :

<i>Non-voted</i>	4,91,000	4,92,362	1,638	..
<i>Voted</i>	12,40,000	12,10,568	29,432	..

2. Revenue—Audit :

<i>Non-voted</i>	1,93,000	1,90,002	2,998	..
<i>Voted</i>	14,67,000	14,44,509	22,491	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
PART III.—RAILWAYS—contd.				
A.—EXPENDITURE CHARGED TO REVENUE—contd.				
3. Revenue—Miscellaneous Expenditure :				
<i>Non-voted</i>	17,30,000	15,81,714	1,48,286	..
Voted	11,75,000	12,25,625	..	50,625
5. Revenue—Payments to Indian States and Companies.	3,62,00,000	3,63,75,244	..	1,75,244
6-A. Revenue—Working Expenses—Maintenance of Structural Works :				
<i>Non-voted</i>	14,32,000	14,30,060	1,940	..
Voted	10,70,76,000	9,31,73,321	1,39,02,679	..
6-B. Revenue—Working Expenses—Maintenance and Supply of Locomotive Power :				
<i>Non-voted</i>	8,47,000	8,18,094	28,906	..
Voted	22,63,50,000	22,27,41,218	36,08,782	..
6-C. Revenue—Working Expenses—Maintenance of Carriage and Wagon Stock :				
<i>Non-voted</i>	2,89,000	2,93,929	..	4,929
Voted	6,35,93,000	6,65,13,480	20,79,520	..
6-D. Revenue—Working Expenses—Maintenance of Ferry Steamers and Harbours :				
<i>Non-voted</i>	19,000	18,533	467	..
Voted	35,47,000	31,51,834	3,95,166	..
6-E. Revenue—Working Expenses—Expenses of Traffic Department :				
<i>Non-voted</i>	9,08,000	8,90,435	17,565	..
Voted	12,26,54,000	12,43,25,911	..	16,71,911
6-F. Revenue—Working Expenses—Expenses of General Departments :				
<i>Non-voted</i>	17,68,000	17,52,353	15,647	..
Voted	4,78,58,000	4,80,32,830	..	1,74,880
6-G. Revenue—Working Expenses—Miscellaneous Expenses :				
<i>Non-voted</i>	15,22,000	14,90,849	31,151	..
Voted	9,12,39,000	8,73,83,846	38,55,154	..
6-H. Revenue—Working Expenses—Expenses of Electrical Department :				
<i>Non-voted</i>	1,88,000	1,85,412	2,588	..
Voted	3,84,33,000	3,75,56,172	8,76,828	..
7. Revenue—Appropriation to Depreciation Reserve Fund	12,63,00,000	12,57,65,633	5,34,367	..
8. Revenue—Interest Charges :				
<i>Non-voted</i>	28,13,13,000	28,01,06,736	12,06,214	..
Voted	2,45,000	2,47,958	..	2,958
9-A—Revenue—Repayment to Depreciation Reserve Fund	16,08,18,000	16,08,18,305	..	305
10. Revenue—Appropriation to Reserve	7,33,000	8,85,86,385	..	8,78,53,385

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.	Rn.
PART III.—RAILWAYS—concl'd.				
A.—EXPENDITURE CHARGED TO REVENUE—concl'd.				
10-A—Revenue—Withdrawal from Reserve	6,30,07,000	6,30,06,506	494	..
Total—Railway Expenditure charged to Revenue	1,38,76,38,000	1,45,08,09,924	2,67,62,313	8,99,34,237
Total { Non-voted	29,07,03,000	28,92,50,529	14,67,460	4,929
{ Voted	1,09,69,35,000	1,16,15,59,395	2,53,04,913	8,99,29,308
B.—EXPENDITURE CHARGED TO CAPITAL.				
11. Capital—New Construction	5,000	—16,22,047	16,27,047	..
12. Open Line Works :				
Non-voted	3,000	15,409	..	12,409
Voted	23,49,80,000	18,56,15,837	4,93,64,163	..
Discharge of Debentures* :				
Non-voted	8,43,51,000	5,98,86,636	2,44,64,364	..
Total—Railway Expenditure Charged to Capital	31,93,39,000	24,38,95,835	7,54,55,574	12,409
Total { Non-voted	8,43,54,000	5,99,02,045	2,44,64,364	12,409
{ Voted	23,49,85,000	18,39,92,790	5,09,91,210	..
EXPENDITURE CHARGED TO P—DEPOSITS AND ADVANCES—Depreciation Reserve Fund—				
Voted	7,00,00,000	4,95,89,252	2,04,10,748	..
Total—Railways	1,77,69,77,000	1,74,42,95,011	12,26,28,635	8,99,46,646
Total { Non-voted	37,50,57,000	34,91,52,574	2,59,21,764	17,338
{ Voted	1,40,19,20,000	1,39,51,42,437	9,67,06,871	8,99,29,308
PART IV.—DEFENCE SERVICES*.				
A.—EXPENDITURE CHARGED TO REVENUE.				
58. Defence Services—Effective—Non-voted	1,89,44,21,000	2,09,91,45,000	..	20,47,24,000
59. Defence Services—Non-effective—Non-voted	8,80,96,000	8,62,79,000	18,17,000	..
Total—Defence Services charged to Revenue	1,98,25,17,000	2,18,54,24,000	18,17,000	20,47,24,000
B.—EXPENDITURE CHARGED TO CAPITAL.				
86. Defence Capital Expenditure	33,44,00,000	52,50,81,000	..	19,06,81,000
Total—Defence Services—(Non-voted)	2,31,69,17,000	2,71,05,05,000	18,17,000	39,54,05,000
Grand Total	5,13,21,66,215	5,46,50,36,780	16,89,38,123	50,18,08,688
Total { Non-voted	3,21,09,75,215	3,56,64,83,414	4,07,50,687	39,62,58,886
{ Voted	1,92,11,91,000	1,89,85,53,366	12,81,87,436	10,55,49,802

*The figures are gross.

(a) This amount is more than that given in Statement No 3 of Part A of the Finance Accounts of the Central Government for 1942-43 by Rs. 469 which is due to rounding.

(b) This amount is more than that given in Statement No. 3 of Part A of the Finance Accounts of the Central Government for 1942-43 by Rs. 36,62,556 which is composed of (i) 15,28,379 and (ii) 21,34,177. (i) is due to the fact that credit 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, and (ii) represents the balance of the Telephone Development Fund at the close of 1942-43 which has lapsed and has been treated in the Finance Accounts in reduction of Capital.

APPENDIX III.

Memorandum on the pricing of coal issued to railways from the State Railway Collieries.

In para. 21 of their report on the Appropriation Accounts for 1941-42 the Public Accounts Committee desired 'that the Railway Department should investigate and report what they consider to be the correct principle according to which collieries should charge for coal supplied by them to the Railways owning them and to foreign railways'.

2. During the course of the year, it was decided to transfer the State Railway Coal Department to the Supply Department and under the system that has been adopted, certain rates fixed by the Coal Commissioner will be charged for all coal supplied whether by private collieries or State collieries. The profit earned on these rates would be shown as the profit of the collieries concerned. The intention is that the collieries will as soon as possible after the war, revert to the Railways and the question that was raised by the Public Accounts Committee will then become an active issue. In view of the transfer to the Supply Department and the special system that has been adopted for the period of the war, the Board did not find it necessary to reach final decision, more especially as they were not able to obtain the views of the Chief Mining Engineer who has throughout the course of the year been busy with more urgent and pressing problems.

APPENDIX IV

Summary of Approximate financial results of Indian State Railways in 1943-44.

The latest approximate figures of revenue and expenditure of State railways for 1943-44 show the following results:—

Gross traffic receipts amounted to 184.25 crores (180.44 for State-owned lines and 3.81 for Worked Lines) or 28.77 crores more than in the previous year and 5.75 crores more than the revised estimate.

Ordinary working expenses (excluding depreciation) amounted to 89.95 crores or 20.97 crores more than in the previous year and 4 lakhs less than the revised estimate. The amount set apart for depreciation was 16.87 crores or 4.29 crores more than in the previous year. The increase of 4 crores represented emergency provision on account of excessive wear and tear due to the present war conditions. The payment to the Worked Lines amounted to 1.85 crores or 85 lakhs less than in the previous year.

Net traffic receipts amounted to 75.58 crores or 4.36 crores more than in 1942-43 and 5.66 crores more than the revised estimate.

Miscellaneous transactions resulted in a net receipt of 2.84 crores or 95 lakhs more than in the previous year and 14 lakhs more than the revised estimate.

The net revenue before meeting interest charges was 78.42 crores or 5.31 crores more than in 1942-43 and 5.80 crores more than the revised estimate.

The total interest charges amounted to 28.74 crores or 70 lakhs more than in 1942-43 and 11 lakhs less than the revised estimate.

There was a surplus of 49.68 crores against 45.07 crores in 1942-43 and against the revised estimate of 43.77 crores. Out of this 36.92 crores will be paid to general revenues and 12.76 crores will be transferred to the railway reserve fund.

Against appropriation of 16.87 crores to the depreciation reserve fund, there was a withdrawal of 6.42 crores from the fund. The total increase in the balance in the fund was 10.45 crores being the net accretion for the year. The closing balance on 31st March, 1944 was 92.53 crores.

With the transfer of 12.76 crores from the year's surplus to the Reserve Fund, the closing balance in the Fund amounted to 22.11 crores at end of 1943-44. Out of this balance, the amount of 74 lakhs represents investments in branch line shares and 9 lakhs loans to Branch line companies.

The total capital expenditure during the year amounted to 8.44 crores, of which 1.57 crores was on account of payment of a further instalment of the purchase price of the Bengal and North Western (1.34 crores) and the Rohilkund and Kumaon (.23 crores). The balance of the expenditure was on account of increase in Stores and Suspense balances (5.95 crores) mainly as a result of purchase of stocks for grain shops and expenditure on improvement of lines mainly engineering works (2.42 crores). Against this, there was a write-off of 1.50 crores on account of the cost of dismantled lines. The Government capital-at-charge increased by 35 lakhs on account of the discharge of certain debentures raised by the Bengal Nagpur and the South Indian Railway Companies in pursuance of the scheme of repatriation of sterling loans.

The ratio of ordinary working expenses to gross traffic receipts was 48.8 per cent. against 44.4 per cent. in the previous year.

The ratio of the total working expenses, including contribution to the depreciation reserve fund, was 57.97 per cent. against 52.45 per cent. in the previous year.

The ratio of net revenue to the capital-at-charge was 8.89 per cent. against 9.46 per cent. in the previous year.

The following statement compares the results of the working for the year 1943-44 with the revised estimates for this year and the actuals for the previous year.

(In crores)

	1943-44		
	1942-43	Revised	Latest
	Actuals	estimates	Approximate actuals
	1	2	3
1. Gross traffic receipts	155.48	178.50	184.25
2. Ordinary operating expenses	68.98	89.99	89.95
3. Depreciation	12.58	16.88	16.87
4. Payments to worked lines	2.70	1.71	1.85
5. Net traffic receipts	71.22	69.92	75.58
6. Net miscellaneous receipts	1.89	2.70	2.84
7. Interest	28.04	28.85	28.74
8. Surplus	45.07	43.77	49.68
9. Share of general revenues	20.13	32.27	36.92

APPENDIX V

Memorandum on the proposal for a lump sum contribution of Rs. 100 lakhs to the Renewals Reserve Fund of the P. & T. Department.

The Public Accounts Committee at their meeting held on the 28th August 1943 approved of a lump sum contribution to R.R. Fund of Rs. 150 lakhs from the accumulated surplus at the end of 1942-43 so as to replenish the balances in the Fund which were considered to be unduly depleted. The Committee were, however not satisfied with the present method of fixing the contributions on an empirical basis and desired that the purely *ad hoc* determination which had resulted for a time in the Fund receiving credits in excess of needs and later in receiving credits less than were required should give place to a determination based on principle.

2. As the Committee were informed at the last meeting, a suitable time for review of the annual contribution will be the end of 1944-45 when the Telecommunications Development Scheme and the taking over of the assets of the Telephone Companies are expected to be completed. A satisfactory basis on which payments into the Fund should be regulated thereafter will then be worked out.

3. It will be observed from the following tabular statement that the withdrawals from the Fund during 1943-44 and 1944-45 are expected to exceed the normal contribution:—

Year	Opening Balance	Contribution from revenues	Withdrawal from the Fund	Closing Balance at the end of the year	Capital at charge in respect of fixed assets	Proportion which closing balance bears to Capital at charge
1	2	3	4	5	6	7
1936-37	3,03,79	25,00	21,88	3,06,91	17,62,71	17.41%
1937-38	2,83,30*	23,13	15,30	2,91,13	16,71,88†	17.41%
1938-39	1,89,13†	23,13	16,36	1,95,90	17,07,03	11.47%
1939-40	1,95,90	23,05	20,89	1,98,06	17,36,06	11.41%
1940-41	1,98,06	23,05	26,40	1,94,71	17,59,24	11.06%
1941-42	1,94,71	25,00	27,13	1,92,58	17,73,04	10.86%
1942-43	1,92,58	1,75,00	39,84	3,27,74	19,06,18	17.19%
1943-44 (upto March Final 1944)	3,27,74	25,00	28,93	3,23,81	20,08,52	16.12%
1944-45 (B. E.)	3,23,81	25,00	48,68	3,00,73	22,69,02	13.25%

*Excludes 23,61 representing the share of Burma and Aden.

†Rs. 1,02 lakhs paid to make up the arrear losses on Press Traffic.

Note.—The above figures are exclusive of those relating to the Telephone Districts. These will be taken into consideration when the final review is carried out at the end of 1944-45.

*Excludes 1,38,83 representing the value of assets of Burma and Aden.

It has been decided by the Government of India that, pending a decision on the general question at the end of 1944-45, another lump sum contribution of Rs. 100 lakhs should be made to the Fund out of the revenues of the Department for the year 1944-45. This will raise the balance at the end of the year from 13.25 per cent. to 17.7 per cent. of the Capital at charge and practically bring it up to the level at the end of 1942-43. This is circulated for the information of the Committee.

APPENDIX VI

Memorandum regarding writing up of the value of stores in stock as a result of revision in rates, furnished by the Director General of Posts & Telegraphs with reference to paragraph 32 of the Report of the Public Accounts Committee on the Accounts of 1941-42.

This memorandum has been prepared with reference to the following observations in paragraph 32 of the proceedings of the third meeting of the Public Accounts Committee held on the 28th August 1943.

"32. The Committee then proceeded to examine the detailed Appropriation Accounts. Attention was drawn to the audit comments under Grant No. 10, subhead 'C', General Administration, to the effect that the credit under the head "Stock adjustment Account" included a net credit of Rs. 1.89 lakhs "on account of revision in rates which were enhanced from 1st April, 1941 so as to allow a margin for anticipated rise in prices", that "the value of stock in hand and of purchases made was written up", that "as the anticipated rise in prices did not materialise the rates were in some cases brought down", that "the revision of rates to include a margin for anticipated rise in prices was not authorised by the rules" and that "the adoption of the procedure resulted in the issue of stores for departmental works or for sale at a higher value than was justified". It was stated that the Department did not accept *in toto* the charge that the value of stock had been inflated in anticipation of the rise in prices, that the facts were still under investigation and that if the charge proved to be correct, instructions would be issued that this should not recur. It was further pointed out that the rules did provide for a writing up or writing down of stock if the variation in price was more than 10 per cent. and that the practice was that stock was valued on the basis of average cost, i.e., if later purchases were made at a higher price the entire stock was revalued at the average price. The Auditor General while agreeing with the averaging of the price of stock was of the opinion that the correct principle was to show stocks at the market value or cost whichever was less and that stock should never be written up on the basis of an anticipated rise. The Committee were disposed to agree with the Auditor General but as neither the facts of the case nor the rules were clearly known they desired that a report should be submitted to them on the matter on consideration of which they would make a final recommendation".

2. The Rules regarding revision of rates of Posts and Telegraphs Stores in Stock are contained in Art. 415-422 of the P. & T. Initial Account Code, Volume II, a summary of which is given below. The stores in use in the Department consist of 3 main categories, viz :—

- (I) Those which are purely manufactured in the Workshops.
- (II) Those which are purely purchased from outside firms.
- (III) Those which are partly manufactured in the Workshops and partly purchased from outside firms.

The Controlled of Telegraph Stores issues periodically a Rate List which gives the Issue Rates for all Stores in use in the Department. The Issue Rates for Stores quoted in the Rate List are based on a consideration of the "book or ledger rate" and the "average purchase rate".

The "book or ledger rate" of an article is the average rate arrived at by dividing the total value balance shown in the priced ledgers by the total quantity balance.

The average purchase rate shows an average of the market rates which comprise :—

- (i) for stores purchased in England, the invoiced cost sea freight, insurance, port and landing charges and Customs duty;
- (ii) for stores purchased in India, the vendor's selling price at which the stores are purchased;

(iii) for articles manufactured in the workshop, the flat rate or estimated rate (as explained below) or actual cost of manufacture including the workshop on cost in every case.

(a) *Flat rate* represents the flat average rate at which articles of standard construction would be manufactured and supplied by the Superintendent of Workshop and is fixed by him at the beginning of each year. In fixing the average rates, the Superintendent is guided by the actual cost of manufacture in previous years and takes into account any variations in the charges for material, labour and on-cost. The rate is fixed in consultation with the Accounts Officer, Telegraph Stores & Workshops.

(b) *Estimated rate* represents the rate arrived at on the basis of an estimate drawn up by the Superintendent of Workshops on receipt of a request for manufacture of an article.

The average purchase rate of an article is determined by dividing the receipt price of the article manufactured in the workshops and brought on to stock and the purchase price

of the same article whether purchasing in India or England and brought on to stock since the last revision, over the total quantity balance of the article brought on to stock.

To determine whether the rate for any article requires revision, the average purchase rate is compared with the rate List rate. If the rate per-unit so calculated differs from the Rate List rate by more than 10 per cent., the Rate List rate is revised so as to agree with the average purchase rate. The percentage is, however increased or decreased according as the value of the article is small or high and the revised rate is also slightly modified, if necessary, with reference to the book or ledger rate. The Issue Rate thus revised comes into force with effect from the 1st April of each year.

The full details of the Calculation of the revised rates are shown in a Register maintained by the Accounts Officer for the purpose. The revision of rates is carried out progressively and all the rates revised during a year are listed and sent to the Controller of Telegraph Stores by the Accounts Officer for issue of necessary correction memos. to the Rate List. As soon as a revised rate comes into force, the rate entered in the ledger cards is revised and a stock adjustment voucher is prepared adjusting the value balances of the priced ledger cards in question. Thus the value of stock is written up or written down as may be required.

3. The facts of the case are given below. The Issue rates for the year 1941-42 in respect of certain articles of Lines and Instrument Stores purely manufactured in the workshops were fixed as follows:—

Line Stores.—The Rate List rates for 1940-41 were allowed to stand for 1941-42 for most of the items of stores. The Rates were revised in a few cases on the basis of the latest cost of manufacture as in these cases the cost of manufacture was found to be higher than the then existing Rate List Rates.

Instrument Stores.—The Superintendent, Telegraph Workshops was asked by the Accounts Officer to furnish estimated rates of manufactured products with reference to the revised issue rate of raw materials based on the latest purchase prices thereof. The Superintendent, Workshops instead of preparing a detailed estimate according to rules adopted an *ad hoc* all round average increase in the total cost of manufacture to the extent of about 21 per cent in view of the latest purchase price of raw materials and suggested an overall increase of 20 per cent. over the Stock Issue Rates for 1940-41, which was adopted in consultation with the Director of Telegraph Stores and Workshops. Thus the Issue rates were really raised on account of (although not commensurate in all cases with) the actual increase in the latest purchase price of raw materials.

The Issue rates having been raised the value of stock was also written up yielding a gross-credit of 4,25 under "Stock Adjustment Account" both in respect of Line and Instrument Stores.

As for the debit of 2,26 under the same head (Stock Adjustment Account), the facts are that in the middle of the year 1941-42, it was found necessary to revise the issue rates of certain Lines Stores, owing to the fact that the cost of manufacture of these stores had been brought down due to raw materials being supplied by the Supply Department at special prices applicable to War Supply Board contract. These rates were much lower than the then existing issue rates of raw materials and the issue rates were accordingly lowered with effect from 1st October 1941 and the stock was written down yielding a gross debit of 2,26 referred to above.

APPENDIX VII

Memorandum on the advantages of centralising information at headquarters regarding rates paid for works executed by the M.E.S.

The question as to whether it would be advantageous to centralise information at Headquarters regarding the rates paid throughout the country for various kinds of works executed through the agency of the M.E.S., has been given due consideration and the suggestion of the Committee has, in effect, been adopted.

The following information is at present communicated periodically to the Engineer-in-Chief at General Headquarters:—

- (i) Information concerning the rates paid for works contracts, and
- (ii) A monthly return styled "costs of works return" from Chief Engineers. The War Emergency Schedule has now been brought into use throughout India as a basis for contracting and the "Costs of works" return shows the average percentages above War Emergency Schedule rates, at which contracts were accepted in each District. Graphs are also being maintained showing the trend of prices, living costs, etc.

It is too early yet to make a definite statement as to whether by reviewing these returns, etc. it can be discovered if there has been any extravagance in particular areas. A report on this aspect of the matter will be placed before the Committee at their next meeting.

APPENDIX VIII

Memorandum on the progress and activities of the Accountant Branch and the general state of R.I.N. accounts.

In paragraph 10 of their report for 1941-42, the Military Accounts Committee while appreciating the sound basis on which the Accountant Branch was being re-organised, observed that they would continue to watch with interest the growth of this new re-organised

branch of the Royal Indian Navy. This memorandum dealing with the progress that has been made in regard to recruitment and training of personnel, clearance of arrears and simplification in supply and accounting procedure, is submitted as promised in paragraph 13 of Appropriation Accounts of the Defence Services for the year 1942-43.

I. Recruitment and training of personnel.

Details of posts sanctioned and personnel actually recruited, as on the 1st July 1944 are given below—

	Sanctioned	Borne
Officers	201	200
Warrant Writers	20	15
Writers	955	606

In spite of frequent calls on this Branch to provide personnel for new posts, coupled with the transfer of a certain number of officers from it to the Special Branch on the latter's formation in the R.I.N., satisfactory progress has been made in recruitment and training of officers for this Branch. Special difficulty is being experienced in regard to recruitment and training of Writers, the actual strength borne being far short of the sanctioned strength and needs of the expanded R.I.N. Owing to this shortage, it has only now been possible to inaugurate slowly the separate Supply Branch envisaged in paragraph 5 of the Memorandum submitted to the Committee last year. The shortage of enrolled writer personnel is being set off by temporary appointment of civilians in lieu in shore establishments.

II. Preparation and submission of accounts.

Since last year there has been an increase in the number of New Construction vessels, small craft, and new training establishments in the R.I.N. In consequence, the number of accounts to be maintained and rendered has also increased. More extensive participation of R.I.N. ships in convoy and escort duties and operations has brought up fresh accounting problems and added materially to delay in the rendering of accounts. In spite of the recruitment and training handicaps, to which reference has already been made the Accountant Branch has been discharging its duties during the year to the best of its capacity. The 17 Victualling accounts referred to in paragraph 9 of the Memorandum submitted to the Committee last year, have since been reconstructed and accepted by audit. The progress made and the latest position regarding accounts in arrears are indicated in the tabular statement below :—

	Reported to the Military Accounts Committee 1943		Mentioned in Audit Report 1944		Outstanding on 1st July 1944	
	Accounts relating		Accounts relating		Accounts relating	
	1942-43	to 1943-44	1942-43	to 1943-44	1942-43	to 1943-44
Quarterly Accounts	19	68	7	58	2	76
Half-Yearly „	10	..	3	15	1	15
Annual „	29	..	19	..	11	47
	<u>58</u>	<u>68</u>	<u>29</u>	<u>73</u>	<u>14</u>	<u>138</u>
Total		126		102		152

The number of accounts in arrear on the 1st July 1944 is 152 out of which 107 are due from vessels on escort duty and in advanced operational areas. Delay in the rendition of accounts from these ships must be accepted. As many as 55 of the outstanding quarterly accounts relate to victualling. It is gratifying to note that the number of arrear accounts pertaining to 1942-43, which was 58 in 1943 has now been reduced to 14. The number of arrear accounts pertaining to 1943-44 has however risen to 138 but as explained earlier as many as 107 of them have been delayed for unavoidable operational reasons. Vigorous action is being taken to ensure the timely preparation and submission of accounts.

III. Modifications in the system of accounting.

A senior Accountant Officer from the Royal Navy, of whom mention was made in paragraph 11 of the Memorandum with the Committee last year, joined in October 1943. Good progress has been made in introducing modifications with a view to achieving simplicity in the accounting of naval, victualling and clothing stores envisaged in paragraph 10 of Memorandum *ibid*. A brief resume is given below of progress made in this respect :—

A. Naval stores.

A Committee consisting of a representative each from the Military Finance Branch, Naval Headquarters and the Controller of Naval Accounts examined actual conditions as affecting accounting in two of the principal ports. They visited both typical shore

establishments and ships of different sizes. Based on their first hand study of the problems it was decided to revise the existing Naval Store accounting and victualling accounts procedure. A revised Naval Store Accounting Directive is under issue. This is expected to relieve the Executive officers from detailed duties connected with accounting leaving them free for operational work. The Accountant Branch will become responsible under the general control of the Commanding Officers for the accounting of Naval Stores, both permanent and consumable. Further, with the exception of certain of the larger vessels, e.g., sloops and Bangors/Bathursts, ships accounts are to be transferred in stages, to be finally maintained ashore by the Base Accountant Officers. With the establishment of Base Store Organisations to look after the provision and supply of all Naval Stores, Base Accountant Officers will be able to concentrate on the accounting of stores. As a temporary war measure, it is also proposed to issue consumable stores to all ships, etc. on an "as required basis". Actual consumption must of necessity, depend upon the extent to which a particular ship is engaged in operations. Attempts in the past to lay down pre-fixed scales and monetary allotments have only resulted in increased work all-round and resultant delay in the acceptance of accounts. The "as required basis" formula will obviate this, but the Accounting and Audit officers have been empowered to call upon the Authorities concerned to furnish details and explanations necessary to satisfy themselves by general comparison with ships of the similar type that the scale of consumption has not been in excess of reasonable requirements.

As regards small craft belonging to the Coastal Forces, a revised and simplified store accounting procedure by the Base for craft based thereon, has already been introduced and reports indicate that the new system is working smoothly.

B. Victualling stores.

Base Victualling Storeyards with Base Victualling officers for supplying and arranging the delivery and demand of victualling stores both to shore establishments and to ships calling at the port, have been established at the major ports. Victualling accounts have hitherto been difficult and have figured largely in the arrears from time to time. A new system of accounting which provides for a complete record of all victualling stores received and issued has been devised based largely on a system lately introduced in the Royal Navy. The new system will be introduced shortly.

C. Clothing stores.

With effect from the 1st April 1944, the old system of adjusting issues of clothing to ratings against kit and clothing allowance has been abolished. This entailed the maintenance of detailed records of individual issues and individual credits. The up-keep allowance for clothing is now disbursed monthly in cash, and ratings are normally required to obtain items of clothing on cash payment. Attendant accounting simplifications have considerably facilitated the maintenance and proper rendition of clothing accounts.

APPENDIX IX

Memorandum regarding procedure for 100 per cent. advance payments on Inspection and Proof of Despatch.

The Military Accounts Committee desired that a full report should be placed before them as to the reasons for the introduction of the procedure for 100 per cent. advance payments and that the question of reverting to the earlier system of a percentage advance payment should be considered.

2. The procedure for 100 per cent. advance payments on inspection and proof of despatch was sanctioned to meet the complaints of contractors that their bills were held up unnecessarily owing to difficulties in obtaining consignees' receipts. The continuing increase in the volume of transactions handled by the War Department Depots and the inevitable war time dilutions of staff has accentuated the difficulties of the Defence Services in issuing receipts promptly and accurately. If the troubles of the Accounts Officers whose responsibility it now is to link payments with receipts are any guide there is little reason to hope that contractors would now be any more successful in obtaining receipts promptly than they were in the year before the new procedure was adopted.

3. It is against this background that Government have had to consider the Committee's suggestion that they should revert to the earlier system. They are fully conscious that unless receipts can be linked with payments Government cannot be completely certain that they have actually received the stores which they have paid for. But to make the production of a receipt a condition precedent to the payment of money due when Government, owing to the exigencies of war, are unable to guarantee to supply that receipt promptly seems to them unreasonable. To withdraw the concession now will adversely affect a large number of contractors for in the quarter January-March 1944 advance payments amounted to 18 crores and constituted about 27 per cent. of the total payments by the Controllers of Supply Accounts during that period. It may well lead to a rise in prices since suppliers must cover interest charges on outstanding dues. It would moreover be peculiarly unfortunate if delay in recovery of dues from Government were to increase now that the new Income-tax provisions require an even more prompt payment of a contractor's dues to Government. In these circumstances Government are of opinion that to withdraw the concession at this stage would cause widespread discontent and consider that they must maintain the existing procedure.

APPENDIX X

Memorandum describing the measures taken by the Supply Department to meet the growing demand for the procurement of War Supplies.

The principal measures taken by the Supply Department to meet the increased demands of the Defence Services have been enumerated in paragraph 6 of the General Review of the Appropriation Accounts of the Defence Services for the year 1941-42. A Memorandum explaining the nature and scope of these measures and the further developments since the Memorandum setting out the methods of purchase and control adopted by the Supply Department was placed before the Military Accounts Committee in 1941, was presented to the Committee last year. This has now been revised and brought up-to-date for the information of the Committee.

2. One of the earliest steps taken to establish closer liaison with Industry was the location of the Directorate General of Munitions Production in Calcutta, the main centre of the Engineering Industries. In furtherance of the object of establishing and maintaining closer contact with the Provincial Governments the Chambers of Commerce and Industries generally. Controllers of Supplies were set up at Bombay, Calcutta, Madras, Karachi, Cawnpore and Lahore. They were made responsible for the assessment and allocation of capacity and for procurement of stores in their respective circles. To facilitate procurement, these officers were invested with considerable purchase powers and an establishment of Purchase Officers was placed directly under their control. Deputy or Assistant Financial Advisers were also posted to the more important circles to work in close association with the Controllers of Supplies. A further step in decentralisation was taken by transferring to Bombay, the principal centre of the Cotton Industry, the wing of the Directorate General of Supply responsible for Cotton Textiles. A panel of advisers from the Textile Industry was also set up to enlist the co-operation of the Industry and to assist Government in the allocation of orders. These measures of decentralisation have assisted greatly in building up harmonious relationship between the trade and Government.

3. To meet increasing military demands on the industrial resources of India, it soon became necessary to encourage the expansion of existing capacity and to establish new productive capacity. The following measures were adopted for achieving this end:—

(a) Existing Government factories were expanded and new factories were constructed to be operated by Government or by private firms on an agency basis;

(b) Existing industrial capacity was increased by provision of

(i) balancing plant and/or

(ii) Annexes.

(c) Surplus capacity of workshops belonging to other Departments of the Central Government or Provincial Governments was diverted to war production.

(d) Small scale or cottage industry was tapped for production of war supplies.

These measures are further explained below.

(a) The Munitions Production schemes, which were the outcome of the recommendations of the Ministry of Supply Mission, were undertaken as Government measures and the projects were planned and existing factories expanded and new ones constructed under the control of the Armaments Production Division of the Directorate General (Munitions Production). In addition to Munitions Factories expanded or built directly by the Government new factories for the production of Toluene, Super-Tropical Bleaching Powder, Field Cables, etc., were planned in consultation with Industries either interested in or with facilities for such production, constructed by the agent companies at the expense of the Government and managed by them on agreed terms. These factories continue to be Government property but the firms operating them generally have the first refusal to purchase them at the termination of hostilities at either the depreciated cost or the then value.

(b) It was also found necessary to assist industry by providing balancing plants and to encourage expansion of capacity by building annexes. In many cases firms were hesitant to undertake expansion at their own expense, as they were doubtful about the future peacetime prospects of marketing the additional production. The assets paid for by Government invariably continue to be the property of Government but in individual cases outright contributions have been made where the assets created were indistinguishable from existing assets or could not be properly segregated and to avoid the uncertainties of post-war disposal. Due allowance is always made in the prices for the capital assistance provided to the Suppliers.

(c) The surplus capacity of the workshops of Provincial Governments and of the Railway and other Departments of the Central Government, after meeting their essential requirements, was utilised to meet the requirements of the Defence Services.

(d) Items like locks, blankets, camouflage nets, pith hats, helms, etc., which could be produced on a large scale by cottage and small-scale industries were replanned and diverted to them and the capacity of organised industry thus released was utilised for the production of other articles in short supply.

4. Most of these measures of expansion had been set in train before the end of 1942 and since that time the Supply Department's problem has been less and less one of expanding capacity and increasingly one of planning and allocating the country's limited resources of materials and transport in such a way as to remove bottlenecks in production and facilitate supply of the ever increasing requirements of the Defence Services. Controls have been

becoming increasingly the order of the day. The production, distribution and use of a number of commodities in short supply have been brought under control to ensure that they are used only for essential purposes including essential civil needs. Imports have been regulated in an endeavour to see that the available shipping space is used to the best advantage in obtaining essential imports and steps have been taken to secure that as far as possible such imports reach the users at reasonable prices. The export of essential raw materials has also been controlled to ensure *inter alia* that the requirements of war production are first met at reasonable prices.

5. The more important controls operated by the Supply Department are the Iron and Steel Control, the Machine Tool Control, the Non-ferrous Metals Control and the Rubber Control, while the all important cotton textile control is operated by the Industries and Civil Supplies Department. Some of the controls operate under a licensing system and others under a system of permits by Controlling officers. Informal controls also operate in the case of some commodities. The controls have also been utilised to regulate the prices of certain commodities like steel, rubber and machine tools.

6. Arrangements exist to secure the concurrent control of the Finance Department in all activities of the Supply Department involving the expenditure of public money. Finance Officers are closely associated in all negotiations which now usually precede the placing of the more important contracts. With the large expansion of defence requirements the peace-time methods of procurement by open, limited, or single tender, although still in use to a limited extent, have given place to contracts by negotiation either with individual suppliers or with the industry as a whole. Negotiated contracts do not, naturally, fall into a single pattern and the more important types are—

- (i) Those in which actual costs are payable with a fixed amount of profit per unit.
- (ii) Those based on actual costs with a ceiling price. If the actual costs exceed the agreed ceiling price Governments' payments are usually limited to the ceiling price only.
- (iii) Those in which the prices paid before the war or those thrown up later by competition are accepted as basic prices. Variations are made in such prices according to market fluctuations in costs.

7. It was realised very early that cost plus arrangements are open to the objection that the supplier being assured of his actual costs has no incentive for economy and efficiency in production. This matter was discussed by the Public Accounts Committee in 1940 and on their recommendations orders were issued to make it clear that in all cases the aim must be to conclude firm price arrangements. Cost plus arrangements, with variations to suit individual circumstances, are inevitable in some cases, e.g., when no previous experience exists or when the supplier is unduly nervous of loss. Cost plus contracts in such cases are regarded as an interim arrangement to be replaced as soon as possible by firm price arrangements.

Experience has, however, shown that cost plus arrangements are more economical with certain large efficient and well organised firms. Where supervision is efficient and cost accounts are maintained properly the risk involved in cost plus arrangements are considerably lessened while at the same time the danger of high prices due to invisible reserves for contingencies included by private firms in their estimates of cost is eliminated.

9. Where prices are based on actual cost past or present the examination of the books of the producing units is an integral part of the price arrangements. The cost Accounting Organisation under the Supply Finance Department which conducts this examination has been strengthened from time to time to meet the growing demands on its services. An Accountancy Panel consisting of representatives of well-established firms of Accountants has also been formed to advise Government on accountancy problems.

10. Shortly after the commencement of war complaints began to be made by suppliers of delays in payments for supplies made to Government and these complaints gathered in volume with the increase in war supplies. The standard procedure provided for bills being submitted along with the certificates of inspection and consignees' acknowledgments to the Accounts Office for payments. Delays arose at various stages before the bills reached the Accounts Office, one of the main causes being the delay in obtaining acknowledgments from consignees. Due to the enormous increase in the volume of stores handled by the War Department Depots and the inevitable war-time dilution of staff consignees' receipt from the depots have frequently been badly delayed or not sent at all. The difficulty in obtaining receipts was also frequently accentuated by diversions of traffic.

11. After a careful consideration of the problem the following action was taken to minimise delays in payment.

(1) The procedure for the preparation and submission of bills to the Controllers of Supply Accounts was simplified and standardised.

(2) Payments were authorised on inspection and proof of despatch, without waiting for the consignee's receipt. The consignees were made responsible for sending their acknowledgments direct to their Accounts Offices. A special procedure was introduced in the Supply Accounts Offices for watching the receipt of acknowledgments. This has recently been reviewed and the assistance of the Local Accounts Officer of the consignee invoked in obtaining overdue acknowledgments and tracing the stores in the consignee's accounts.

(3) An Accounts Office was established in Bombay for making payments against contracts placed by the Supply Department organisations located in Bombay and Madras.